OFFEREE BOARD CIRCULAR DATED 24 OCTOBER 2023

THIS OFFEREE BOARD CIRCULAR ("CIRCULAR") IS IMPORTANT AS IT CONTAINS THE RECOMMENDATIONS OF THE INDEPENDENT COMMITTEE OF THE BOARD OF DIRECTORS OF AL BARAKA GROUP B.S.C. ("ABG" OR THE "OFFEREE") AND THE ADVICE OF THE PROFESSIONAL INDEPENDENT ADVISER. THIS CIRCULAR REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

Prior to making a decision, each recipient of this Circular is responsible for obtaining independent advice for considering the appropriateness of the Offer with regard to their respective objectives, financial situation and investment needs. If you are in doubt about any aspect of this Circular, you should consult a licensed securities dealer or licensed institution in securities, a bank manager, solicitor or attorney, professional accountant, or other professional adviser.

If you have sold or transferred all your shares in ABG you should immediately forward this Circular together with the Offer Document and Acceptance and Transfer Form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

AL BARAKA GROUP B.S.C.

(Incorporated in the Kingdom of Bahrain under Commercial Registration No.: 48915)

CIRCULAR TO SHAREHOLDERS OF AL BARAKA GROUP B.S.C.

in relation to the

Voluntary conditional exit offer made by Dallah AlBaraka Holding Company B.S.C.(c) to acquire up to 100% of the issued and paid-up ordinary shares of Al Baraka Group B.S.C. (constituting voting rights), excluding those shares held by the Connected ABG Shareholders (as defined in the Offer Document), amounting to 281,141,331 (22.62% stake) of the issued and paid-up ordinary shares of Al Baraka Group B.S.C. by way of cash offer of USD 0.30 per share at the discretion of each ABG Shareholder with the intention of a subsequent voluntary delisting of Al Baraka Group B.S.C.

Dallah AlBaraka Holding Company B.S.C. ("Dallah")

PROFESSIONAL INDEPENDENT ADVISER

BDO Consulting W.L.L.
(Commercial Registration No.: 51811-1)

LEGAL ADVISOR TO Al Baraka Group B.S.C.

Zu'bi & Partners Attorneys & Legal Consultants
(Commercial Registration No.: 54272)

DISCLAIMER STATEMENT

Al Baraka Group B.S.C.
P. O. Box 1882,
Al Baraka Headquarters, Bahrain Bay,
Manama, Kingdom of Bahrain.
T: (+973) 17541122, F: (+973) 17 536 533
E: www.albaraka.com

AL BARAKA GROUP B.S.C.

(Incorporated in the Kingdom of Bahrain under
Commercial Registration No.: 48915)

OFFEREE BOARD CIRCULAR

DIRECTORS' DECLARATION

UNLESS OTHERWISE STATED IN THIS CIRCULAR, THE DIRECTORS OF AL BARAKA GROUP B.S.C. ISSUING THIS OFFEREE BOARD CIRCULAR, WHOSE NAMES APPEAR IN THIS DOCUMENT, JOINTLY AND SEVERALLY ACCEPT FULL RESPONSIBILITY FOR THE ACCURACY OF INFORMATION CONTAINED IN THIS CIRCULAR INCLUDING THE APPENDICES. TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE DIRECTORS, WHO HAVE TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH IS THE CASE, THE INFORMATION CONTAINED IN THIS CIRCULAR IS IN ACCORDANCE WITH THE FACTS AND CONTAINS NO OMISSIONS LIKELY TO AFFECT THE IMPORTANCE AND COMPLETENESS OF THIS CIRCULAR.

STATEMENT FROM THE BOARD OF DIRECTORS OF AL BARAKA GROUP B.S.C.

This Offeree Board Circular has been prepared by Al Baraka Group B.S.C. to provide information to its shareholders in connection with the voluntary conditional exit offer made by Dallah AlBaraka Holding Company B.S.C.(c) to acquire up to 281,141,331 (22.62% stake) of the issued and paid-up ordinary shares of Al Baraka Group B.S.C. by way of cash offer of USD 0.30 per share at the discretion of each ABG Shareholder.

IN ACCORDANCE WITH THE TAKEOVERS, MERGERS AND ACQUISITIONS MODULE OF THE CENTRAL BANK OF BAHRAIN RULEBOOK VOLUME 6, THE RECOMMENDATIONS TO THE SHAREHOLDERS IN RELATION TO THE OFFER CONTAINED IN THIS CIRCULAR HAVE BEEN MADE BY THE INDEPENDENT COMMITTEE OF THE BOARD OF DIRECTORS RATHER THAN THE ENTIRE BOARD. THE INDEPENDENT COMMITTEE OF THE BOARD OF DIRECTORS HAS NOT CONSULTED WITH THE OTHER MEMBERS OF THE BOARD IN RELATION TO MAKING RECOMMENDATIONS MADE BY THE INDEPENDENT COMMITTEE CONTAINED IN THIS CIRCULAR.

This Circular has been filed with the Central Bank of Bahrain in the Kingdom of Bahrain, in accordance with the requirements of Central Bank of Bahrain Rulebook Volume 6, Takeovers, Mergers and Acquisitions Module.

The information in this Circular regarding the Offeree has been provided by the Offeree. The Professional Independent Adviser, and the Legal Advisor make no representation or warranty, express or implied, as to the accuracy, completeness or verification of such information, and nothing contained in this Circular is, or shall be relied upon as, a promise, representation, or recommendation to any recipient of this Circular, whether as to the past or the future, in connection with the Offeree or this transaction, by the Professional Independent Adviser, and the Legal Advisor.

The Professional Independent Adviser is acting exclusively for the Offeree as financial adviser and for no one else in connection with this transaction, and will not regard any other person (whether or not a recipient of this Circular) as a client in relation to this transaction and will not be responsible to anyone other than the Offeree for providing the protections afforded to its clients nor for providing advice in relation to this transaction or any other matter referred to in this Circular. Neither the Professional Independent Adviser or any of its subsidiaries, branches or affiliates, nor any of their respective directors or employees owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise), and accordingly disclaims to the fullest extent permitted by law all and any responsibility and liability, to any person who is not a client of the Professional Independent Adviser in connection with the contents of this Circular or any other matter referred to in this Circular.

The information in this Circular pertaining to Dallah has been prepared in good faith based on publicly available information. Consequently, the Offeree, the Professional Independent Adviser and the Legal Advisor do not accept any liability for the accuracy, completeness or verification of the information in this Circular regarding Dallah.

The Board of Directors of Al Baraka Group B.S.C. hereby declare that, having taken all reasonable care to ensure that such is the case, the information contained in this Circular is, to the best of its knowledge, in accordance with the facts and contains no material omissions.

Board of Directors of Al Baraka Group B.S.C.:

Name of Director	Title
Shaikh Abdullah Saleh Kamel	Chairman
Mr. Mohamed Ebrahim Alshroogi	Vice Chairman
Mr. Tawfig Shaker Mufti	Board Member
Dr. Khaled Abdulla Ateeq	Board Member
Mrs. Dalia Hazem Khorshid	Board Member
Dr. Ziad Ahmed Bahaa-Eldin	Board Member
Mr. Saud Saleh Al Saleh	Board Member
Mr. Abdul Elah Abdul Rahim Sabbahi	Board Member
Mr. Fahd bin Ibrahim Al Mufarrij	Board Member
Mr. Masood Ahmed Al Bastaki	Board Member
Mr. Musa Abdel-Aziz Shihadeh	Board Member
Mr. Naser Mohamed Ali Al Nuwais	Board Member
Mr. Houssem Ben Haj Amor	Board Member & Group CEO

On behalf of the Board of Directors

Mr. Mohamed Ebrahim Alshroogi
Vice Chairman of the Board of Directors

CONTENTS

I. CORPORATE INFORMATION

Board of Directors	Shaikh Abdullah Saleh Kamel – Chairman Mr. Mohamed Ebrahim Alshroogi – Vice Chairman Mr. Tawfig Shaker Mufti Dr. Khaled Abdulla Ateeq Mrs. Dalia Hazem Khorshid Dr. Ziad Ahmed Bahaa-Eldin Mr. Saud Saleh Al Saleh Mr. Abdul Elah Abdul Rahim Sabbahi Mr. Fahd bin Ibrahim Al Mufarrij Mr. Masood Ahmed Al Bastaki Mr. Musa Abdel-Aziz Shihadeh Mr. Naser Mohamed Ali Al Nuwais Mr. Houssem Ben Haj Amor
Names of Members of the Independent Committee	Mr. Mohamed Ebrahim Alshroogi Dr. Khaled Abdulla Ateeq Mrs. Dalia Hazem Khorshid
Shariah Supervisory Board	Shaikh Abdulla Bin Sulieman Al Mannea Shaikh Dr. Abdullatif Al Mahmood Shaikh Dr. Al Ayachi Al Saddig Fiddad Shaikh Dr. Saad Bin Nasser Al Shithry Mr. Yousif Hassan Khalawi
Executive Management	Mr. Houssem Ben Haj Amor - Group Chief Executive and Board Member Mr. Azhar Aziz Dogar - Senior Vice President - Head of Credit and Risk Management Mr. Mohammed Al-Alawi - Senior Vice President - Head of Internal Audit Mr. Suhail Tohami - Senior Vice President - Head of Treasury Dr. Mohamed Mustapha Khemira - Senior Vice President, Head of Strategic Planning, Investments and Investor Relations Mr. Abdul Malek Mezher - Senior Vice President - Group Head of Compliance, Governance, Board Affairs & MLRO Mr. Ali Asgar Mandasorwala - First Vice President – Head of Finance Mr. Mohsin Dashti - First Vice President- Head of Special Projects Mr. Mohammed Abdullatif Al Mahmood - First Vice President, Head of Internal Sharia Audit Mr. Fouad Janahi - First Vice President - Head of Operations and Support Dr. Eltigani El Tayeb Mohammed - Vice President Sharia Officer, Secretary of the Unified Sharia Board Mr. Mohamed Jamsheer - First Vice President - Head of IT
Registered Office	P. O. Box 1882, Al Baraka Headquarters, Bahrain Bay, Manama, Kingdom of Bahrain.
Share Registrar	Bahrain Clear B.S.C.(c)
Receiving Agent	SICO B.S.C.(c)
Professional Independent Advisor to the Independent Committee of the Board of Directors in relation to the Offer	BDO Consulting W.L.L.
Legal Advisor to the Offeree in relation to the Offer	Zubi and Partners Attorneys & Legal Consultants, Bahraini Partnership
External Auditor of the Offeree	PricewaterhouseCoopers M.E Limited

II. DEFINITIONS

Words and expressions not otherwise defined in this Circular have, unless the context otherwise requires, the following meanings:

ABG Group	ABG and its subsidiaries and branches
ABG or Offeree	Al Baraka Group B.S.C., a public Bahraini shareholding company incorporated in the Kingdom of Bahrain licensed by the CBB as an investment business firm (Category 1 – Islamic principles) and registered under commercial registration number 48915
ABG Shareholder	Holders of ABG Shares
ABG Shares	1,242,879,755 issued and paid-up shares of ABG with a nominal value of USD 1.00 each in the capital of ABG constituting voting rights, and any ABG shares that are issued and paid, whether as dividends shares, treasury shares after the date of the Offer Document, but before the Effective Date
Acceptance	The valid acceptance of the Offer by an ABG Shareholder (other than the Connected ABG Shareholders) by indicating such acceptance on the Acceptance and Transfer Form and submitting the same at the Participating Branch within the Offer Period as per the procedures prescribed in the Offer Document, and which shall only be deemed validly received by the Offeror upon the Offer being declared unconditional in all respects
Acceptance and Transfer Form	The form to be prepared by the Receiving Agent and made available at the Participating Branch, a sample of which will be available at the following websites: www.sicobank.com and www.albaraka.com in each case for the ABG Shareholders (other than the Connected ABG Shareholders) to accept the Offer as well as the appointment of the Proxy for Voting. The Receiving Agent may, at its sole discretion, make available an electronic website for electronic submissions of Acceptance and Transfer Forms
Acquisition	The acquisition by Dallah of up to 281,141,331 (22.62% stake) of the issued and paid-up ordinary shares of ABG by way of voluntary cash offer excluding the Connected ABG Shareholders
Adviser's Opinion or Professional Independent Adviser's Opinion	The fairness opinion dated 19 October 2023 issued by the Professional Independent Adviser to the Independent Committee containing their advice and recommendation on the Offer, set out in section VI of this Circular
Bahrain	Kingdom of Bahrain
Bahrain Clear or BC	Bahrain Clear B.S.C.(c)
BHB	The Bahrain Bourse
Board	The Board of Directors of ABG
Business Day	A day (other than a Friday or Saturday) on which banks are open for general business in the Kingdom of Bahrain
CBB	The Central Bank of Bahrain
CBB Rulebook	The Central Bank of Bahrain's rulebook issued and in force in the Kingdom of Bahrain
Certified Copy	A copy of a document certified as a true copy of the original by any of the following from a GCC or FATF member state indicating that the 'original was sighted' or a combination of words that give the same effect: (i) a lawyer; (ii) a notary; (iii) a chartered/certified accountant; (iv) an official of a government ministry; (v) an official of an embassy or consulate; or (vi) an official of the Offeror, Offeree, or another licensed financial institution. The individual certifying the Certified Copy must provide clear contact details, including an individual name, employment title, employer, country of residence, telephone number, email, and address, that allow the recipient of the Certified Copy to

	check and confirm the authenticity of the document if required
Circular	This Circular to ABG Shareholders (other than the Connected ABG Shareholders) in relation to the Offer enclosing, inter-alia, the recommendations of the Independent Committee and the Adviser's Opinion
Commercial Companies Law	Decree Law No. 21 of the year 2001 promulgating the Commercial Companies Law in the Kingdom of Bahrain, as amended from time to time
Conditions Precedent	The conditions set out in section 5.7 of the Offer Document
Connected ABG Shareholders	ABG Shareholders set out in section 15.2 of the Offer Document (Shareholding and Dealings in Offeree Company)
Dallah	Dallah AlBaraka Holding Company B.S.C.(c), a closed Bahraini shareholding company incorporated in the Kingdom of Bahrain and registered under commercial registration number 23200
Demat	Dematerialized
Dissenting Shareholders	ABG Shareholders, other than Connected ABG Shareholders, who appear on the shareholder register of ABG as at the Record Date and who do not deliver valid Acceptances prior to the Final Offer Closing Date
Dissenting Shareholder Effective Date	If the Offer meets the Threshold and one or more Dissenting Shareholders exercises their Sell-Out rights, the date on which such Dissenting Shareholder will receive its payment in cash once all regulatory procedures are complete, which shall be no later than three months from the date on which the Offeror receives the Dissenting Shareholder Sell–Out Notice.
Dissenting Shareholder Sell-Out Notice	The written notice to be given by the Dissenting Shareholder to the Offeror, which shall be no later than three months from the date on which the Threshold was met, to require the Offeror to purchase the ABG Shares held by the Dissenting Shareholder as per article TMA-3.4.14 of the TMA Module
Director	A person holding office as a director of ABG on the Last Practicable Date
Effective Date	If the Offer is successful, the date on which the ABG Shareholders (other than the Connected ABG Shareholders) who appear on the shareholder register of ABG as at the Record Date and who accepted the Offer in accordance with the terms of the Offer Document, will receive their payment in cash and have their ABG Shares transferred to the Offeror, once all regulatory procedures are complete, which shall be no later than 10 calendar days from the expiry of the Final Offer Closing Date
EGM	Extraordinary general assembly
FATF	Financial Action Task Force
Final Offer Closing Date	the date falling not less than the 15th calendar day from the date of announcement of the Offer having become unconditional in all respects
Firm Intention	The firm intention to make the Offer issued by Dallah to the ABG Board of Directors on 3 October 2023
GCC	The Gulf Co-operation Council comprising the Kingdom of Bahrain, the State of Kuwait, the Sultanate of Oman, the State of Qatar, the Kingdom of Saudi Arabia and the United Arab Emirates
IBAN	International Bank Account Number
Independent Committee or the Independent Committee of the Board of	The Independent Committee of the Board of Directors of the Offeree, comprising only the non-conflicted Directors of the Offeree, established in relation to the Offer and delisting

Directors	
Initial Offer Closing Date	The date falling on not less than 15 calendar days from the Offer Opening Date and the same date as the proposed EGM, being the last date, subject to the Final Offer Closing Date and any extensions as may be permissible under the TMA Module, for receiving the completed Acceptance and Transfer Forms, which shall be 21 December 2023
Investor Number (IN)	A unique number issued by Bahrain Clear for any investor who opens a securities depository account at Bahrain Clear
Language of the Circular	This Circular is written in both English and Arabic languages. If there is any conflict or inconsistency between the English version and the Arabic version, the English shall be the governing and prevailing version.
Last Practicable Date	The last date prior to the dispatch of the Circular to the ABG Shareholders for the purpose of ascertaining certain information contained herein, being 18 October 2023
Last Trading Date	The date falling one (1) Business Day prior to the Suspension Date which shall be 31 October 2023
Legal Advisor	Zu'bi & Partners Attorneys & Legal Consultants
Material Adverse Effect	means any event, occurrence or change in circumstances which individually, or when aggregated with all such other events, occurrences or changes, has or could reasonably be expected to have a material adverse effect on the business, assets, liabilities, financial position, profitability or prospects of the ABG Group (taken as a whole), provided that in no event shall a deterioration of the economic, political or market conditions in the industry globally, in the Middle East, in Bahrain or in general be treated as a 'Material Adverse Effect' except to the extent that such effect disproportionately adversely affects the ABG Group compared to other businesses or participants in the industry. The occurrence of a Material Adverse Effect shall be: (i) determined by Dallah Board or ABG Board of Directors (acting reasonably) and (ii) subject to the consent of the CBB
Minor	A person who is below 21 years of age
MOIC	The Ministry of Industry and Commerce in the Kingdom of Bahrain
Objection Period	Means the period of fifteen (15) Business Days from the date of the publication of the conversion notice in respect of ABG in the Official Gazette and in at least one of the local daily newspapers in Bahrain
Offer or Dallah Offer	The voluntary conditional exit offer made by Dallah to ABG Shareholders who are not Connected ABG Shareholders to acquire up to 281,141,331 (22.62% stake) of the ABG Shares, subject to the satisfaction, or waiver by Dallah, of the Conditions Precedent as described in the Offer Document for cash of USD 0.30 per ABG Share
Offer Document or Dallah Offer Document	The offer document, which is prepared by Dallah in relation to the Offer, dated 3 October 2023
Offeree	ABG
Offer Opening Date	The date from which the completed Acceptance and Transfer Forms will be received by the Receiving Agents through the Participating Branch, which shall be 6 November 2023
Offer Period	The period beginning on the Offer Opening Date and ending on the Final Offer Closing Date
Offer Results Announcement Date	Means one (1) Business Day after the Final Offer Closing Date, being the date by which the results of the Offer will be publicly announced by Dallah and/or ABG
Offeror	Dallah

Participating Branch	The branch of Al Baraka Islamic Bank B.S.C.(c) listed in section 9.1.4 (The Participating Branch) of the Circular that will be receiving Acceptance and Transfer Forms during the Offer Period
Professional Independent Adviser	BDO Consulting W.L.L., being the professional independent adviser appointed by the Independent Committee in connection with the Offer
Proxy for Voting	Means the proxy accompanying the Acceptance and Transfer Form appointing SICO or such other third party on behalf of the ABG Shareholders (other than the Connected ABG Shareholders) accepting the Offer instructing the appointee to vote in favour of the delisting and conversion of ABG at the EGM
Receiving Agent	SICO being the entity appointed by the Offeror which is authorized to receive Acceptance and Transfer Forms through the Participating Branch (and/or directly and/or electronically at the Receiving Agent's sole discretion) in accordance with the Offer Document for ABG Shareholders holding ABG Shares
Record Date	The date preceding the Offer Opening Date established for the purpose of identifying the ABG Shareholders' (other than the Connected ABG Shareholders) entitlement to receive the Offer, which shall be 2 November 2023
Recommendations of the Independent Committee	The recommendations of the Independent Committee to the ABG Shareholders in relation to the Dallah Offer as set out in the Letter from the Independent Committee in section V of this Circular
Sell-Out	The acquisition of the ABG Shares held by Dissenting Shareholders in accordance with article 319 bis I of the Commercial Companies Law and article TMA-3.4.14. of the TMA Module
Sell-Out Notice	The notification to be issued by the Offeror, following the Offer having met the Threshold, to the Dissenting Shareholders to inform them of their right to require the Offeror to purchase the ABG Shares held by a Dissenting Shareholder as per article TMA-3.4.14 of the TMA Module, in the form prescribed in Appendix TMA-F
Sell-Out Rights	Means the rights of the Dissenting Shareholders to require the Offeror to purchase their ABG Shares pursuant to article TMA-3.4.14 of the TMA Module
Settlement Date	The Effective Date
SICO	SICO B.S.C.(c)
Suspension Date	The date on which trading in the ABG Shares is suspended to enable a list of ABG Shareholders entitled to receive the Offer to be drawn up, which shall be 1 November 2023
Suspension Period	The period, during which trading in the ABG Shares will be suspended, which shall commence on the Suspension Date and will continue until the earlier of: (i) the date on which the Offer is discontinued due to failure in declaring it unconditional in all respects; and (ii) the Effective Date
Threshold	The threshold of valid Acceptances representing at least 90% or more of the ABG Shares subject to the Offer which are received by the Offeror (excluding, for the avoidance of doubt, the ABG Shares held by Connected ABG Shareholders as at the date of the Offer Document)
TMA Module	The Takeovers, Mergers and Acquisitions Module of Volume 6 of the CBB Rulebook
USD	United States Dollar, the lawful currency in the United States of America

III. EXPECTED TIMETABLE OF PRINCIPAL EVENT

The following dates will be publicly announced by ABG and/or Dallah in due course and will depend, among other things, on whether (and the dates on which) the Conditions Precedent are satisfied or waived (where applicable).

Offer Timetable and key dates

Event	Time and/or Date
Circulation of EGM Agenda	24 October 2023
Last Trading Date	31 October 2023
Suspension Date	1 November 2023
Record Date for ABG Shares	2 November 2023
Offer Opening Date	6 November 2023
EGM Date	14 November 2023
Publication of Conversion Notice*	23 November 2023
Start of Objection Period to Conversion*	26 November 2023
End of Objection Period to Conversion*	14 December 2023
Initial Offer Closing Date	21 December 2023 (subject to extension)
Offer to be declared unconditional in all respects	To be announced
Sell-Out Notice to Dissenting Shareholders sent	To be announced
Final Offer Closing Date	To be announced
Effective Date	Effective Date
End of Sell-Out period	To be announced
Delisting Date	To be announced
Conversion Date	To be announced

*Target dates subject to change

IV. LETTER TO ABG SHAREHOLDERS FROM THE BOARD

AL BARAKA GROUP B.S.C.
(Incorporated in the Kingdom of Bahrain with Commercial Registration No.: 48915)

Registered Office:
P. O. Box 1882,
Al Baraka Headquarters, Bahrain Bay,
Manama, Kingdom of Bahrain.

24 October 2023

To,

The Shareholders of Al Baraka Group B.S.C.

Dear Sir/Madam,

Dallah AlBaraka Holding Company B.S.C.(c) conditional exit offer to acquire up to 100% of the issued ordinary shares of Al Baraka Group B.S.C., excluding those shares held by the Connected ABG Shareholders, amount to 281,141,331 (22.62% stake) of the issued and paid-up ordinary shares of Al Baraka Group B.S.C. by way of cash offer of USD0.30 per share at the discretion of each ABG Shareholder with the intention of a subsequent voluntary delisting of Al Baraka Group B.S.C.

1. INTRODUCTION

1.1. Circular

The purpose of this Circular is to provide relevant information to the ABG Shareholders (other than the Connected ABG Shareholders) in compliance with the TMA and pertaining to the Offer and to set out the Recommendations of the Independent Committee of the Board of Directors and the Professional Independent Adviser's Opinion to the Independent Committee in relation to the Offer.

1.2. Background

1.2.1 On 19 June 2023, the Dallah Board approved the offer by Dallah and on 3 October 2023, the Dallah board received a no objection from the CBB to the publication and the dispatch of the Firm Intention and the Offer Document to ABG.

1.2.2 Upon the Offer becoming effective, Dallah will hold between 54.75% and 77.37% of the issued and paid-up share capital of ABG.

1.2.3 In accordance with the TMA rule 2.2.1, the Independent Committee was established on 11 November 2021 to discharge the responsibilities of the Board of ABG in relation to the Dallah Offer and delisting. The Independent Committee consists of Mr. Mohamed Ebrahim Alshroogi, Dr. Khaled Abdulla Ateeq and Mrs. Dalia Hazem Khorshid, all of whom have disclosed any interest they have in the Dallah Offer and it has been concluded that no such interest exists that would be contrary to the requirements of the TMA. All other Directors who are not members of the Independent Committee have disclosed conflict of interest (if any) and have abstained from all discussions and decisions made in relation to the Offer.

1.2.4 In accordance with TMA rule 2.2.1, on 20 July 2023, the Independent Committee appointed BDO consulting W.L.L. as its Professional Independent Adviser to provide advice to the Independent Committee in respect of the Offer, in particular, as to whether the Offer is, or is not, fair and reasonable and as to acceptance of the Offer, once received. The fairness opinion of the Professional Independent Adviser is set out in section VI of this Circular.

1.2.5 On 3 October 2023, ABG received from Dallah its Firm Intention to make the Offer and summary of the Offer Document to acquire up to 100% of the ABG Shares.

The consideration for the Offer is USD 0.30 in cash per ABG Share provided that the Offer becomes unconditional after the fulfilment, or waiver by Dallah, of the Conditions Precedent. Assuming that all ABG Shareholders who are not Connected ABG Shareholders avail of the Offer, the total value of the Offer would be USD 84,342,399.30.

1.2.6 On 3 October 2023, ABG received a voluntary conditional exit Offer Document from Dallah to acquire up to 100% of the issued ordinary shares of Al Baraka Group B.S.C., excluding those shares held by the Connected ABG Shareholders, amount to 281,141,331 (22.62% stake) of the issued and paid-up ordinary shares of Al Baraka Group B.S.C. by way of cash offer of USD 0.30 per share at the discretion of each ABG Shareholder with the intention of a subsequent voluntary delisting of Al Baraka Group B.S.C., subject to the fulfilment of certain other Conditions Precedent as set out in section 5.7 of the Dallah Offer Document and section 2.6 of this Circular. The consideration set out in 1.2.5 above was reiterated in the Dallah Offer.

1.2.7 The Acceptance and Transfer Form is enclosed with this Circular.

1.2.8 The ABG Shareholders (other than the Connected ABG Shareholders) should, at a minimum, carefully and diligently consider the following before deciding on whether or not to accept the Dallah Offer:

(i) the letter to the ABG Shareholders from the Board as set out in section IV of this Circular;

(ii) the letter to the ABG Shareholders from the Independent Committee containing the Recommendation of the Independent Committee as set out in section V of this Circular;

(iii) the fairness opinion of the Professional Independent Adviser as set out in section VI of this Circular;

(iv) the terms and conditions as mentioned in the enclosed Dallah Offer Document;

(v) the terms and conditions as mentioned in the Acceptance and Transfer Form; and

(vi) the Shari'a Supervisory Board Fatwa.

ABG Shareholders are advised to seek independent professional advice, as deemed appropriate, prior to making any decisions.

2. THE DALLAH OFFER

Information on the Dallah Offer is available in section 5 of the Dallah Offer Document. The information set out below is reproduced from the Offer Document:

The Board of Directors refer to the Firm Intention to make the Offer and summary of the Offer document dated 3 October 2023 whereby the ABG Board of Directors were notified of Dallah's firm intention to make a voluntary conditional exit Offer to the ABG Shareholders (other than the Connected ABG Shareholders) to acquire their shares in ABG. The details of the Offer are set out below and in the Offer Document:

2.1. Securities for which the voluntary conditional exit offer is made

The Offer is to acquire up to 281,141,331 ABG Shares which have a par value of USD 1.00 each in ABG, representing up to 22.62% of ABG's issued and paid-up share capital.

2.2. The Offeror

Dallah is registered with the MOIC under commercial registration number 23200 as a closed Bahraini shareholding company.

2.3. Consideration for the Offer

The consideration for the Offer is USD 0.30 in cash per ABG Share provided that the Offer becomes unconditional after the fulfilment, or waiver by Dallah, of the Conditions Precedent. Assuming that all ABG Shareholders who are not Connected ABG Shareholders avail of the Offer, the total value of the Offer would be USD 84,342,399.30.

The Offer price was determined based on ABG Share's average closing market price on all trading days on the Bahrain Bourse during the three months between 1 June 2023 and 31 August 2023 (inclusive) rounded to two decimal places. (see Appendix A, clause 1.2 of this Circular or section 12 (Market Price and Historical Stock Trading Summary)) of the Offer Document).

2.4. Shareholders Eligible for the Offer

ABG Shareholders who are not Connected ABG Shareholders and whose names appear in the ABG share register on the Record Date will be eligible to receive the Offer.

2.5. Suspension of Trading

Trading in ABG Shares will be suspended for the duration of the Suspension Period. If the Offer is declared unconditional in all respects, ABG Shares will remain suspended until the delisting of ABG from the Bahrain Bourse is effective.

2.6. Conditions Precedent to The Offer

The implementation of the Offer will be subject to the fulfilment or waiver, where applicable, by Dallah of the following Conditions Precedent. For the avoidance of doubt, the Offer shall not become unconditional unless the below Conditions Precedent are fulfilled or waived, where applicable, by Dallah:

2.6.1 no Material Adverse Effect having occurred prior to, and being continued as at, the date on which the Offer would have been declared unconditional in all respects but for the occurrence of a Material Adverse Effect;

2.6.2 the receipt of the following approvals or confirmations to the conversion of ABG into a closed Bahraini shareholding company and subsequent delisting of ABG from BHB, in accordance with any in-principle approvals received from various regulatory authorities:

a) EGM approval from the ABG Shareholders (other than Dallah and the Connected ABG Shareholders)

b) CBB approving Dallah's proposed increase in its shareholding in ABG as a controller of ABG;

c) CBB providing an exemption from Rule GR-5.3.3A of the General Requirements Module of CBB Rulebook Volume 4 "The percentage of direct or indirect control of an unregulated legal person in a Bahraini investment firm licensee must not exceed 30% of the issued and paid up capital";

d) confirmation from the CBB that it has no objection to the conversion and delisting of ABG; and

e) confirmation from the BHB that it has no objection to the conversion and delisting of ABG;

2.6.3 If the approvals or confirmations are obtained as set out in paragraph 2.6.2, ABG does not receive any objections from the creditors of the Company within the Objection Period which are not resolved within the Objection Period; and

2.6.4 ABG does not, from the date of the Firm Intention until the expiration of the Offer Period, do any of the following:

a) issue any shares and / or distribute cash dividends;

b) create, issue or grant, or permit the creation, issue or grant of, any convertible securities, options or warrants in respect of shares of ABG;

c) other than in the normal course of business, sell, dispose of or acquire assets;

d) enter into contracts, including service contracts, other than in the ordinary course of business, including contracts or actions which may give rise to any contingent liability;

e) cause ABG or any subsidiary or associate of ABG to purchase or redeem any shares in ABG or provide financial assistance for any such purchase;

f) acquire any company, partnership, other business organisation or division thereof, or enter into any joint venture or strategic alliance;

g) enter into any commitment, agreement or arrangement for assumption of third-party financing or bank debt or any other loan or debt, nor obtain or procure any such financing for ABG, other than in the ordinary course of business;

h) make any changes in the memorandum and articles of association or in the nature of the bank licence or registered address of ABG;

i) amend, waive, modify or consent to the termination of any contract or ABG's rights thereunder other than in the ordinary course of business consistent with past practice;

j) enter into any contract which is not in the ordinary course of business with any related party;

k) enter into any formal or informal agreement, or otherwise make a commitment to do any of the foregoing; or

l) carry out any actions prohibited by the TMA.

ABG Shareholders and/or potential investors of ABG should note that the Offer is subject to the satisfaction or, with the exception of the Condition Precedent at paragraphs 2.6.2 and 2.6.3, waiver by Dallah (where applicable), of the Conditions Precedent, and is conditional upon the Offer becoming or being declared unconditional in all respects. Accordingly, the Offer may or may not become unconditional. ABG Shareholders and / or potential investors of ABG should therefore exercise caution when dealing in the securities of ABG. Persons who are in doubt as to the action they should take should consult their licensed brokers, dealers, solicitors, professional accountants or other professional advisers.

In the event that the Conditions Precedent at paragraph 2.6.2 and 2.6.3 are satisfied above, and the other Conditions Precedent are not satisfied by the Initial Offer Closing Date, Dallah reserves the right to proceed to declaring the offer unconditional in all respects (subject to the satisfaction or, where applicable, waiver of the other conditions), following the EGM approval, in which case Dallah will procure that ABG applies to the CBB for the delisting of ABG from BHB and the conversion of ABG into a closed Bahraini shareholding company.

2.7. Offer Acceptance Procedures

ABG Shareholders (other than the Connected ABG Shareholders) willing to accept the Offer are required to tender all of their ABG Shares and may not tender only a part of their ABG Shares. ABG Shares held by nominee structures or funds may submit partial tenders of their ABG Shares. ABG Shareholders may potentially be holding the ABG Shares in one, or a combination, of the following forms:

a) shares in Demat form held in a brokerage account with a registered broker in BHB;

b) shares in Demat form held in the Central Securities Depositary at BC; and/or

c) shares in physical form with an original share certificate only.

Please refer to section 6 (Procedures for Accepting the Offer) of the Offer Document for further details.

2.8. Acceptance Irrevocable

Upon an ABG Shareholder (other than a Connected ABG Shareholder) submitting the completed Acceptance and Transfer Form, to the Receiving Agent through the Participating Branch, the Acceptance becomes irrevocable and cannot be withdrawn by that ABG Shareholder either in whole or in part except if an ABG Shareholder withdraws in accordance with the below paragraph.

ABG Shareholders should note that if they accept the Offer but object to the conversion or delisting at the EGM or during the Objection Period, their Acceptance and Transfer Form shall be considered void.

2.9. Sell-Out

The Offeror confirms that, should the Offer achieve the Threshold, and pursuant to Article 319 bis I of the Commercial Companies Law and article TMA-3.4.5 of the TMA Module, it will not be exercising its squeeze-out right to buy any ABG Shares owned by Dissenting Shareholders.

Subject to the Offer having achieved the Threshold, which would lead to Dallah receiving Acceptances of at least 90% of the ABG Shares subject to the Offer, and excluding the ABG Shares held by the Connected ABG

Shareholders and the satisfaction of the requirements under Article 319 bis I of the Commercial Companies Law and requirements under the TMA Module, any Dissenting Shareholder may exercise its right to require Dallah to acquire all ABG Shares held by that Dissenting Shareholder (pursuant to Article 319 bis I of the Commercial Companies Law, and article TMA-3.4.14 of the TMA Module), within the time limit specified in the Sell-Out Notice and in any event the ABG Shares held by the Dissenting Shareholder exercising the Sell-Out Right shall be acquired no later than three (3) months from the date the Offeror receives the Dissenting Shareholder Sell–Out Notice..

If the Sell-Out Right is exercised by a Dissenting Shareholder, such Dissenting Shareholder shall receive an amount per ABG Share which is equal to that received by the ABG Shareholders accepting the Offer, which is USD 0.30 per ABG Share.

No later than 15 calendar days from the date on which the Offer is declared unconditional in all respects (and provided that the Offer has achieved the Threshold), Dallah will issue to the Dissenting Shareholders the Sell-Out Notice in the form prescribed in Appendix TMA-F of the TMA Module. The Sell-Out Notice will be accompanied by a declaration from Dallah confirming that the Threshold has been met.

The Sell-Out Notice will be issued by Dallah to the Dissenting Shareholders and sent by registered mail to the address, where available, registered with the Central Registry of BHB as at the Initial Closing Date in respect of those Dissenting Shareholders. A Dissenting Shareholder that wishes to exercise its right to require Dallah to acquire all ABG Shares held by it shall, following receipt of the Sell-Out Notice, provide their request to Dallah in writing by email to agent@sicobank.com. Such written request from the Dissenting Shareholder shall be deemed received only if a confirmation of receipt is delivered via email from the Receiving Agent to such Dissenting Shareholder. If no such confirmation of receipt is received by the Dissenting Shareholder, the Dissenting Shareholder should contact the Receiving Agent to receive such confirmation.

ABG Shareholders are encouraged to update their details (including their registered address) with the Central Registry of BHB as soon as possible and prior to the Initial Offer Closing Date.

2.10. Untraceable ABG Shareholders

Dallah will fulfil its obligation to exercise best efforts to deliver the Sell-Out Notice by completion of serving the Sell-Out Notice in accordance with the manner prescribed above. Dallah has discussed with the CBB, the following alternative methods for serving the notice, in case Dallah, despite best efforts fails to deliver the Sell-Out Notice to the Dissenting Shareholders, pursuant to TMA-3.4.19 of the TMA module.

a) the dedication of an email address for any ABG Shareholder who would like to receive the Offer documentation and announcements (including the Sell-Out Notice). Any ABG Shareholder who would like to receive the Offer documentation and announcements (including the Sell-Out Notice) which is made available to the ABG Shareholders at any point in time shall send a request to the following email address: agent@sicobank.com; and

b) the Sell-Out Notice (if applicable) will be announced through a market announcement in the BHB and through a newspaper publication in two official newspapers in circulation in the Kingdom of Bahrain and such announcement shall be deemed to be a valid and effective notice issued by Dallah.

2.11. Payment of cash consideration

For the Dissenting Shareholders who have exercised their Sell-Out rights by sending a written request by email to agent@sicobank.com, the settlement of the cash consideration for their ABG Shares shall be effective on the Dissenting Shareholder Settlement Date by wire transfer in USD from an account held with the Offeror to the account of the Dissenting Shareholder.

No other modes of payment shall be effective and all settlement shall be net of any bank or related charges. All charges such as wire transfer charges, processing fees, collection charges, foreign currency conversion charges, special clearing changes shall be borne by the Dissenting Shareholder.

2.12. Delisting of ABG

Dallah intends to seek the delisting of ABG from BHB and the conversion of ABG into a closed Bahraini shareholding company. Dallah will request that the ABG Board of Directors invite the shareholders of ABG (after obtaining the approval of the CBB and other competent regulatory authorities in Bahrain) to convene an

EGM in order to consider and approve the delisting of ABG from the BHB and the conversion of ABG into a closed Bahraini shareholding company. This EGM will be held prior to the Initial Offer Closing Date.

Following EGM approval to delist from the BHB, Dallah will apply to the CBB to delist ABG from the BHB in accordance with the terms of the TMA Module.

2.13. Quorum and voting requirements at the EGM considering the delisting and conversion of ABG

All ABG Shareholders, including the Connected ABG Shareholders, attending the EGM shall be counted towards satisfying the EGM's quorum requirements. ABG Shareholders, including the ABG Shareholders who have accepted the Offer, but excluding the Connected ABG Shareholders, shall be eligible to vote their ABG Shares in such EGM. All ABG Shareholders who have accepted the Offer by completing the Acceptance and Transfer Form may also appoint SICO or such other third party as their proxy pursuant to the Proxy for Voting in respect of voting at the EGM. In this scenario, ABG Shareholders who do not accept the Offer should note that they will remain shareholders in a closed Bahraini shareholding company and will be exposed to the liquidity risk in relation to their holding of ABG Shares with no exit option through the BHB. Rights and obligations of such remaining ABG Shareholders will be governed by the memorandum and articles of association of ABG, as amended following completion of the Offer and the delisting of ABG.

ABG Shareholders should note that if they accept the Offer but object to the conversion or delisting at the EGM or during the Objection Period, their Acceptance and Transfer Form shall be considered void.

The resolution to delist ABG from the BHB shall be approved if votes equal to 75% of the issued share capital of ABG present at the EGM (either by proxy or in person), excluding the Connected ABG Shareholders and Dallah, vote in favour of such resolution.

The resolution to convert ABG into a closed Bahraini shareholding company shall be approved if votes equal to 75% of the issued share capital of ABG present at the EGM (either by proxy or in person) excluding the Connected ABG Shareholders and Dallah vote in favour of such resolution.

2.14. Objection to conversion and redemption

Pursuant to the Commercial Companies Law following the issuance of the conversion resolution at the EGM, and the commencement of the Objection Period, during which ABG Shareholders who voted against the conversion at the EGM are entitled to have their ABG Shares repurchased by submitting an application to ABG within the Objection Period.

ABG Shareholders, other than the Connected ABG Shareholders, who:

a) during the Offer Period, accepted the Offer for all (but not some) of their ABG Shares by way of completing the Acceptance and Transfer Form and delivering it to the Receiving Agent through the Participating Branch by no later than the Final Offer Closing Date, will be deemed to have accepted the Offer. ABG Shareholders are entitled to attend the EGM to vote (except for the Connected ABG Shareholders) in favour or against the resolution to convert ABG into a closed Bahraini shareholding company and delist from the BHB. ABG Shareholders may:

    i attend the EGM in person to vote for or against the resolution; or

    ii complete the Proxy for Voting to instruct SICO or such other party to vote in favour of the conversion of ABG to a closed Bahraini shareholding company;

b) have accepted the Offer but have not completed the Proxy for Voting and attend the EGM but vote against the resolution or lodge an objection form during the Objection Period and deliver it to the Receiving Agent through the Participating Branch by no later than 2pm on the final day of the Objection Period, shall have their Acceptance and Transfer Form considered void and may not participate further in the Offer;

c) voted against the conversion of ABG at the EGM or object to the conversion by way of completing an objection form and delivering it to the Receiving Agent through the Participating Branch by no later than 2pm on the final day of the Objection Period, will be deemed to have accepted that, should the conversion be approved at the EGM, they shall hold shares in ABG as a closed Bahraini shareholding company unless a written request is made to ABG for such shareholder to withdraw in line with article 307 of the Commercial Companies Law; and

d) did not accept the Offer during the Offer Period, may still vote in favour of the resolution to convert ABG into a closed Bahraini shareholding company and delist from the BHB.

3. POST-ACQUISITION STRATEGY OF DALLAH FOR ABG and EFFECT OF THE ACQUISITION

The post-acquisition strategy of Dallah for ABG and the effect of the Acquisition are set out in sections 9 and 13 respectively of the Dallah Offer Document.

4. OPINION ON IMPACT ON OFFEREE'S EMPLOYEES

As per section 13.4 of the Dallah Offer Document, the successful completion of the Acquisition will not result in any immediate effect on ABG's employees and there is no current intention to implement changes in management or organizational structure.

5. INFORMATION ABOUT THE OFFEREE

Relevant information about the Offeree is covered in Appendix A of this Circular.

6. INFORMATION ABOUT DALLAH

Relevant information about Dallah has been set out in section 7 of the Dallah Offer Document.

7. RECOMMENDATIONS OF THE INDEPENDENT COMMITTEE AND THE ADVISER'S OPINION

Your attention is drawn to (i) the letter to the ABG Shareholders from the Board as set out in section IV of this Circular; (ii) the letter to the ABG Shareholders from the Independent Committee set out in section V of this Circular which contains the recommendation of the Independent Committee as to whether the Offer is, or is not, fair and reasonable and whether or not the Shareholders should accept the DALLAH Offer and whether or not to vote in favor or against the resolutions considering the delisting of ABG ; and (iii) the fairness opinion of the Professional Independent Adviser set out in section VI of this Circular which contains the Professional Independent Adviser's Opinion to the Independent Committee in connection with the Offer and the principal factors considered by it in arriving at its opinion. ABG Shareholders should read these letters in conjunction with this Circular and the Offer Document carefully before taking any action in respect of the Offer.

8. ABG SHAREHOLDERS' RESPONSIBILITIES

8.1. Compliance with Applicable Laws

The availability of the Offer to the ABG Shareholders might be affected by the laws of their respective jurisdiction in which they are based. Accordingly, any ABG Shareholder should inform himself /herself about and observe any applicable legal requirements in their respective jurisdiction.

For the avoidance of doubt, the Offer is made to all ABG Shareholders including those to whom the Offer Document, Acceptance and Transfer Form, the Circular and any other related documents have not been, or will not be, sent.

Where there are potential restrictions on sending the Offer Document, the Acceptance and Transfer Form, the Circular and any other related documents to any jurisdiction, the Offeree reserves the right not to send the documents to ABG Shareholders in such jurisdictions. However, the Offeree may at its sole discretion take such action as it may deem necessary to send this Circular to ABG Shareholders in any jurisdiction.

The Offer may be made, directly or indirectly, in or into, or by the use of mails of, or by any means or instrumentality (including, without limitation, telephonically or electronically) of interstate or foreign commerce of, or any facility of a national, state or other securities exchange of, any Restricted Jurisdiction, and any ABG Shareholder should inform himself /herself about and observe any applicable legal requirements in their respective jurisdiction.

It is the responsibility of any ABG Shareholder who wishes to (i) request for the Offer Document, the Acceptance and Transfer Form, the Circular and any other related documents, or (ii) accept the Dallah Offer, to satisfy himself /herself as to the full observance of the laws of the relevant jurisdiction in that connection, including the obtaining of any governmental or other consent which may be required, and compliance with all necessary formalities or legal requirements and the payment of any taxes, imposts, duties or other requisite payments due in such jurisdiction. Such ABG Shareholders shall be liable for any such taxes, imposts, duties or other requisite payments payable and the Dallah Board and any person acting on its behalf shall be fully indemnified and held harmless by such ABG Shareholder for any such taxes, imposts, duties or other requisite payments as the Independent Committee and/or any person acting on its behalf may be required to pay. In (i) requesting for the Offer Document, the Acceptance and Transfer Form, the Circular and any other related documents and/or (ii) accepting the Dallah Offer, the ABG Shareholder represents and warrants to the Independent Committee that he /she is in full observance of the laws of the relevant jurisdiction in that connection, and that he /she is in full compliance with all necessary formalities or legal requirements. Any ABG Shareholder who is in any doubt about his /her position should consult his /her professional adviser in the relevant jurisdiction.

8.2. Notice

The Offeree and/or the Offeror has reserved the right to notify any matter, including the fact that the Offer has been made, to any or all ABG Shareholders by announcement to the BHB and/or paid advertisement in two daily newspapers published and circulated in Kingdom of Bahrain, in which case such notice shall be deemed to have been sufficiently given notwithstanding any failure by any ABG Shareholder to receive or see such announcement or advertisement.

9. ACTION TO BE TAKEN BY ABG SHAREHOLDERS

ABG Shareholders other than the Connected ABG Shareholders who wish to accept the Dallah Offer must do so not later than the close of business on the Final Closing Date.

There are different procedures for acceptance for ABG Shareholders holding shares in physical or Demat (electronic) form. ABG Shareholders other than the Connected ABG Shareholders who wish to accept the Offer, possessing shares in physical or Dematerialized form should take note of the "Procedures for Accepting the Offer" as set out in section 6 of the Offer Document and the "Important Instructions for Completion and Submission of this Acceptance and Transfer Form" section of the Acceptance and Transfer Form.

ABG Shareholders other than the Connected ABG Shareholders who wish to accept the Offer must submit the completed Acceptance and Transfer Form together with all the required documents to the Receiving Agent's address given below either visiting to their offices or sending them by registered mail/ courier, during the Offer Period.

9.1. Form Submission

9.1.1 Submission By Individuals

ABG Shareholders who are not Connected ABG Shareholders and are individuals and who wish to accept the Offer must submit the following documents:

i a signed Acceptance and Transfer Form (form with original 'wet ink' signatures only);

ii the original together with a copy, or only a Certified Copy, of the following two forms of identification

  a) the individual's valid passport or valid international travel document; and

  b) the individual's valid national identification card or an equivalent document;

iii proof of permanent residential address. The proof can consist of a copy of a recent utility bill, bank statement or similar statement from another bank or financial institution licensed in the country, which have been issued within three months prior to their presentation, or official documentation, such as a smartcard, from a public/governmental authority, or a tenancy agreement;

iv signature verification of the signature on the application (with a passport copy showing the specimen signature of the person signing the application form which will suffice for verification purposes);

v proof of IN is required in the form of a BHB investor card or statement of account, or a BHB system print-screen or an allotment notice from a previous initial public offering in Bahrain of no earlier than 2006;

vi original share certificates for those ABG Shareholders holding physical ABG Shares. Holders of physical ABG Shares that have been misplaced or damaged are required to obtain replacements of such shares directly from BC prior to submitting their Acceptance and Transfer Form. As an alternative to physical ABG Shares, holders of lost or damaged physical ABG Shares may also approach Bahrain Clear to have such replacement shares issued in electronic form at no additional cost;

vii an original letter from the individual's bank issued in the last three months detailing the individual's bank account details including account name (to match the individual's name), bank name, bank address, and IBAN (to match the IBAN provided in the Acceptance and Transfer Form). Where an application is being made by joint ABG Shareholders, either a bank account in the name of the same joint ABG Shareholders or one such joint ABG Shareholder with an original authorisation for such payment from the other joint ABG Shareholders;

viii a statement of securities account from Bahrain Clear or a BHB registered broker in respect of ABG Shares held in electronic form;

ix if located in the United States, a completed and executed US Investor Letter;

x the following additional documents are required when a person is signing on behalf of an individual ABG Shareholder by way of a power of attorney:

a) the original and a copy of the valid passport (or just a Certified Copy) or international travel document of the person applying and signing on behalf of the individual ABG Shareholder;

b) the original and a copy (or just a Certified Copy) of the valid national identification card or an equivalent document of the person applying and signing on behalf of the individual ABG Shareholder; and

c) the original and a copy (or just a Certified Copy) of the notarized (or where from outside the Kingdom of Bahrain, apostilled/legalized) power of attorney;

xi the following additional documents are required for applications on behalf of Minors :

a) the original and a copy (or just a Certified Copy) of the valid passport or valid international travel document of the legal guardian applying and signing on behalf of the Minor;

b) the original and a copy (or just a Certified Copy) of a government-issued valid national identification card or an equivalent document of the legal guardian applying and signing on behalf of the Minor; and

c) unless the legal guardian signing on behalf of the Minor is the Minor’s father, the original and a copy (or just a Certified Copy) of the proof of guardianship to the applying Minor.

9.1.2 **Submission By Institutions**

All institutions must provide the following documentation:

i the signed Acceptance and Transfer Form (form with original ‘wet ink’ signatures only);

ii A copy of a valid commercial registration certificate of the institution;

iii A copy of the memorandum and articles of association, or equivalent, of the institution;

iv The original or Certified Copy and a copy of two of the following three forms of identification in respect of the individual signing on behalf of the institution:

a) the individual’s valid passport or valid international travel document;

b) the individual’s valid national identification card or an equivalent document; and

v signature verification of the signature on the application (with a passport copy showing the specimen of the person signing the application form to suffice);

vi An original letter from the institution's bank issued in the last three months detailing the institution's bank account details including account name (to match the individual’s name), bank name, bank address, and IBAN (to match the IBAN provided in the Acceptance and Transfer Form);

vii proof of IN is required in the form of a BHB investor card or statement of account, or a BHB system print-screen, or an allotment notice from a previous initial public offering in Bahrain of no earlier than 2006;

viii original share certificates for those institutions holding ABG Shares in physical form. Holders of physical ABG Shares that have been misplaced or damaged are required to obtain replacements of such shares directly from BC prior to submitting their Acceptance and Transfer Form. As an alternative to physical ABG Shares, holders of lost or damaged physical ABG Shares may also approach Bahrain Clear to have such replacement shares issued in electronic form at no additional cost;

ix a statement of securities account from Bahrain Clear or a BHB registered broker in respect of their ABG Shares held in electronic form;

x the original and copy of the document authorizing the person(s), whose signature(s) appear(s) on the Acceptance and Transfer Form to sign such document on behalf of the institution. Such a document can be either a power of attorney or a resolution of the board of the institution; and

xi if located in the United States, a completed and executed US Investor Letter.

9.1.3 Other provisions relation to Acceptance

i All completed Acceptance and Transfer Forms, together with the required documentation, may be submitted physically at the Participating Branch, following the step set out in paragraph (vii), listed in section 6.5 (The Participating Branch) during the Offer Period. The Receiving Agent may make an electronic platform for submissions available at its sole discretion.

ii The documents should be submitted no later than the close of business on the Initial Offer Closing Date. The Receiving Agent may accept couriered applications from ABG Shareholders residing outside of Bahrain and where such process has been pre-agreed (in writing) and pre-arranged by such ABG Shareholder with the Receiving Agent with Certified Copies and on the basis of receipt of such Acceptances by the Receiving Agent prior to the Initial Offer Closing Date.

iii At the time of submission of a completed Acceptance and Transfer Form, the Receiving Agent or the Participating Branch shall verify the validity of all copies of each participating ABG Shareholder's identification documents along with the submitted Acceptance and Transfer Form.

iv Any ABG Shareholder who has electronically submitted a completed Acceptance and Transfer Form but has not received written confirmation of delivery prior to the Final Offer Closing Date should contact the Receiving Agent on agent@sicobank.com. All ABG Shareholders who make physical submissions will receive a copy of their Acceptance and Transfer Form at the time of application as their receipt of submission.

v ABG Shareholders intending to accept the Offer and who hold ABG Shares that are mortgaged will have to provide an original written clearance from the mortgagee in a form acceptable to the Receiving Agent.

vi The following important directions should be followed when completing the Acceptance and Transfer Form:

a) only the prescribed Acceptance and Transfer Form made available on the prescribed electronic platform should be used, and completed in full in accordance with the instructions contained therein;

b) in the case of joint owners of ABG Shares only one Acceptance and Transfer Form may be used and signed by all such joint owners; and

c) in the case of any ABG Shares held by investment managers, the Acceptance and Transfer Form should be signed by the investment manager (or the custodian) and sent along with a copy of the document reflecting the investment manager's position as the investment manager for the ABG Shareholder. The Acceptance and Transfer Form must state the beneficial owners of the ABG Shares and be provided together with their specific signed mandate.

vii The Offeror and the Receiving Agent reserve the right to accept, at their sole discretion, duly completed Acceptance and Transfer Forms where the information or procedure set out in this section 6.1 (Form Submission) of the offer document has not been provided in its entirety but sufficient information and documentation has been provided or otherwise procured to comply with all applicable laws and regulations associated with know your client and anti-money laundering requirements and other laws and regulations applicable to the Offeror and the Offer have been complied with.

viii ABG Shareholders holding ABG Shares in physical form must submit the original share certificates to BC and obtain an IN.

ix Any ABG Shareholder holding ABG Shares who accepts the Offer shall:

a) consent to the passing on of any information about that ABG Shareholder to any relevant regulatory authorities by the Receiving Agent, the registrar, the Offeror or the Offeree (as the case may be) or their delegates and any onward transmission by those regulatory authorities of such information;

b) acknowledge that due to money laundering regulations applying within Bahrain, the Receiving Agent, the Offeror or the Offeree (as the case may be) may require identification of the ABG Shareholder(s) and source of funds before the Acceptance and Transfer Forms indicating acceptance can be processed;

c) hold the Receiving Agent, the Offeror or the Offeree (as the case may be) harmless and indemnified and shall keep them held harmless and indemnified against any loss arising from the failure to process the Acceptance and Transfer Form, if information that has been required from the ABG Shareholder has not been provided within the allotted time to the satisfaction of the party requesting such information;

d) understand and agree that any amount payable as consideration for the ABG Shares may be retained pending the completion of any verification of identity required by the Receiving Agent, the Offeror or the Offeree (as the case may be); and

e) accept the terms of the privacy notice at Schedule 1 and consent to the use, sharing and retention of the ABG Shareholder's personal data including sensitive personal data in accordance with such privacy notice.

9.1.4 The Receiving Agent and the Participating Branches

The Participating Branch as set out below will receive the completed Acceptance and Transfer Forms on behalf of the Receiving Agent together with the information stated in section 9.1 (Form Submission) (as applicable).

No.	Branch Name	Address	Telephone Number(s)	Opening Days	Operating Hours
1	Al Baraka Islamic Bank B.S.C. (C) - Bahrain Bahrain Bay - Main Branch	Manama - Sea Front Building 370, Road 4611, Block 346 www.albaraka.bh	(+973) 13300400	Sunday to Thursday except where such days are not Business Days	08:00 am - 03:00 pm

9.1.5 General information

ABG Shareholders should note that only Acceptances that are not rejected will count towards the Threshold Any queries regarding the application procedure should be directed to the Receiving Agent or the Participating Branches at the details outlined above.

Once all the Conditions Precedent have been fulfilled or waived, where applicable, and the Offer becomes unconditional in all respects, during or at the end of the Final Offer Closing Date, Dallah will arrange to make an announcement to this effect in two newspapers in the Kingdom of Bahrain and the websites of: (i) the BHB and (ii) ABG and SICO.

Any queries regarding the application procedure should be directed to the Receiving Agent or via email to agent@sicobank.com.

10. SUSPENSION OF TRADING

Trading in ABG Shares will be suspended for the duration of the Suspension Period. If the Offer is declared unconditional in all respects, ABG Shares will remain suspended until the delisting of ABG from the Bahrain Bourse is effective.

V. RECOMMENDATION LETTER TO THE ABG SHAREHOLDERS FROM THE INDEPENDENT COMMITTEE

AL BARAKA GROUP B.S.C.
(Incorporated in the Kingdom of Bahrain with Commercial Registration No.: 48915)

Registered Office:
P. O. Box 1882,
Al Baraka Headquarters, Bahrain Bay
Manama, Kingdom of Bahrain

24 October 2023

To,

The Shareholders of Al Baraka Group B.S.C.

Dear Sir/Madam,

Voluntary conditional exit offer made by Dallah AlBaraka Holding Company B.S.C.(c) to acquire up to 100% of the issued and paid-up ordinary shares of Al Baraka Group B.S.C. (constituting voting rights), excluding those shares held by the Connected ABG Shareholders, amounting to 281,141,331 (22.62% stake) of the issued and paid-up ordinary shares of Al Baraka Group B.S.C. by way of cash offer of USD 0.30 per share at the discretion of each ABG Shareholder with the intention of a subsequent voluntary delisting of Al Baraka Group B.S.C.

INTRODUCTION

We refer to the Circular dated 24 October 2023 issued by ABG, of which this letter forms part. Capitalized terms used herein shall have the same meanings as those defined in the Circular unless the context requires otherwise.

We have been appointed as the members of the Independent Committee of the Board of Directors of ABG to advise the Shareholders (other than the Connected ABG Shareholders) as to whether the Offer is, or is not, fair, and reasonable and to recommend whether to accept or reject the Offer and whether or not to vote in favor or against the resolutions considering the delisting of ABG. BDO Consulting W.L.L. has been appointed as the Professional Independent Adviser to provide us with their opinion on the fairness and reasonableness of the Offer. We have taken into consideration the fairness opinion issued by the Professional Independent Adviser as provided in section VI of the Circular and the detailed report prepared by the Professional Independent Adviser in making our recommendations herein.

Delisting of ABG

Dallah intends to seek the delisting of ABG from BHB and the conversion of ABG into a closed Bahraini shareholding company. Dallah will request that the ABG Board of Directors invites the shareholders of ABG (after obtaining the approval of the CBB and other competent regulatory authorities in Bahrain) to convene an EGM in order to consider and approve the delisting of ABG from the BHB and the conversion of ABG into a closed Bahraini shareholding company. This EGM will be held prior to the Initial Offer Closing Date.

Following EGM approval to delist from the BHB, Dallah will apply to the CBB to delist ABG from the BHB in accordance with the terms of the TMA Module.

Please refer to section 5.13 of the Offer Document for details of Dallah's proposal on the delisting of ABG.

RECOMMENDATION

Taking into consideration Dallah's statements made in the Offer Document and relying solely on the contents of the Adviser's Opinion, the Independent Committee's assessment is that the Offer is **FAIR and REASONABLE** in accordance with the facts available at the time of review. Accordingly, the Independent Committee unanimously recommends that the ABG Shareholders (other than the Connected ABG Shareholders) **ACCEPT** the Dallah Offer to acquire ABG Shares at the cash price of USD 0.30 per share.

The Independent Committee unanimously recommends that the ABG shareholders vote in favor of the relevant resolutions which will be proposed in such a general meeting to consider the delisting of ABG.

As required by the TMA Module, the above recommendations are the views of the Independent Committee and not of the entire Board (given that some of the Directors of ABG have conflict of interest and have recused themselves from all discussions and decisions made in relation to the Offer).

ABG Shareholders (other than the Connected ABG Shareholders) are advised to read the Adviser's Opinion as set out in section VI of the Circular, the Offer Document and the terms of the Offer as set out therein carefully and in their entirety before accepting or rejecting the Dallah Offer. In case of any doubt, ABG Shareholders (other than the Connected ABG Shareholders) are also advised to seek independent professional advice, as deemed appropriate, prior to making any decision.

Yours faithfully,

Mr. Mohamed Ebrahim Alshroogi
Vice Chairman of the Board of Directors

Dr. Khaled Abdulla Ateeq

Mrs. Dalia Hazem Khorshid

VI. FAIRNESS OPINION OF THE PROFESSIONAL INDEPENDENT ADVISER

BDO

Tel: +973 1753 0077
Fax: +973 1791 5091
www.bdo.bh

17th Floor
Diplomat Commercial
Office Tower
PO Box 787
Manama
Kingdom of Bahrain

The Board Independent Committee
Al Baraka Group B.S.C.
Al Baraka Headquarters, Bahrain Bay
Manama, Kingdom of Bahrain
PO Box 1882
Manama, Kingdom of Bahrain

19 October 2023

Re: Fairness Opinion Letter

Dear Sirs,

Pursuant to the requirements of the Takeover, Mergers & Acquisition Module under Volume 6 of the Central Bank of Bahrain's ("CBB") Rulebook ("TMA Module"), Al Baraka Group B.S.C. ("ABG" or the "ABG Group" or the "Client") has engaged BDO Consulting W.L.L. ("BDO" or "we" or "us") as an independent professional advisor for the purpose of evaluating Dallah AlBaraka Holding Company B.S.C. (c) ("Dallah") offer (as described below) and advising ABG's board (the "Board") as to whether or not the offer is fair and reasonable.

The Offer

We understand that Dallah on 3 October 2023 has issued an Offer Document (the "Offer Document") in relation to its voluntary conditional exit Offer to acquire up to 100% of the issued and paid up ordinary shares of ABG (constituting voting rights), excluding those shares held by the Connected ABG Shareholders (as defined in the Offer Document), amounting to 281,141,331 (22.62% stake) of the issued and paid up ordinary shares of ABG by way of cash Offer of USD 0.30 per share at the discretion of each ABG Shareholder with the intention of a subsequent voluntary delisting of ABG (the " Offer" or the "Proposed Transaction" or the "Proposed Acquisition").

The consideration for the Offer is USD 0.30 in cash per ABG share provided that the Offer becomes unconditional after the fulfilment, or waiver by Dallah, of the Conditions Precedent (as defined in the Offer Document). Assuming that all ABG Shareholders who are not Connected ABG Shareholders (as defined in the Offer Document) avail the Offer, the total value of the Offer would be USD 84,342,399.30.

We understand that the Offer will be implemented by way of a voluntary conditional offer to the ABG Shareholders who are not Connected ABG Shareholders (as defined in the Offer Document) by Dallah in line with the requirements of TMA Module. The implementation of the Offer will be subject to the fulfilment, or waiver by Dallah where applicable, of the Conditions Precedent (as defined in the Offer Document).

We understand that following the announcement that the Offer is unconditional in all respects, Dallah intends to finalize the delisting of ABG from the Bahrain Bourse in accordance with the TMA Module and the conversion of ABG into a Bahrain Shareholding Company (closed).

We further understand that following the successful implementation of the Offer and the acquisition, Dallah intends to maintain ABG's commercial registration. ABG will continue to operate in the normal course of business and maintain its operations. It is not expected that there will be any disruption to or cessation of any significant line of operations of ABG or the ABG Group as a result of the Proposed Acquisition of shares under the Offer.

Please note that we have outlined some pronouncements of the Offer in this letter, however the Offer is fully described in the Offer Document. Accordingly, the description of the Offer contained herein is subject to reference in the Offer Document. The terms that are not defined herein bear the meanings specified in the Offer Document.

Scope of Analyses

In developing our fairness opinion (the "Opinion"), our procedures included, but were not limited to, the following:

1. Reviewed Firm Intention to make the Offer and summary of Offer Document;
2. Reviewed Offer Document;
3. Participated in discussions with ABG's management team (the "Management") regarding ABG's financial condition, business, expected future performance, and the Offer.
4. Reviewed the following documents:
   a. Reviewed financial statements of ABG for the fiscal years ending 31 December 2020 through 31 December 2022 and for the six months period ending 30 June 2023;
   b. Reviewed the forecast financial operating data for the fiscal years ending 31 December 2023 through 31 December 2027, for ABG, as prepared by the Management;
   c. Other financial schedules where relevant.
5. Reviewed price history of ABG shares listed on the Bahrain Bourse.
6. Performed certain valuation and comparative analyses using generally accepted valuation and analytical techniques.
7. Took into account general economic, market, and financial conditions.
8. Conducted such other analyses and considered such factors as we deemed appropriate.

Assumptions and Limiting Conditions

This Opinion is subject to certain overall assumptions and limiting conditions, many of which may have a significant influence on the conclusion, including without limitation, the following:

1. In developing our Opinion, we have relied on information provided by ABG and have performed no independent verification of the information provided.
2. We have relied on information, data, and representations obtained from public sources or provided by private sources and have performed no independent verification of the information provided.
3. We have assumed the accuracy and completeness of all information provided and assume projections and forecasts have been prepared in good faith by the Management, upon reasonable estimates that represent ABG's best judgment as to future performance.
4. We have assumed that there have been no material changes in the financial condition, business, or prospects of ABG since the date of the most recent financial statements and other information provided to us.
5. Our Opinion is necessarily based on economic, market, and other conditions as in effect on, and the information made available to us as of, the date hereof. Accordingly, it is important to understand that although subsequent developments may affect our Opinion, we do not have any obligation to further update, revise, or reaffirm our Opinion.
6. We express no opinion on matters of a legal, regulatory, tax, or accounting nature of the Proposed Transaction or the ability of the Proposed Transaction, as set forth in the Offer Document, to be consummated.
7. We have assumed the Proposed Transaction will be completed in accordance with the Offer Document and without any amendments thereto or any waivers of any terms or conditions thereof.

8. We have relied upon the fact that ABG has been advised by its counsel as to all legal matters with respect to the Proposed Transaction, including whether all procedures required by law to be taken in connection with the Proposed Transaction have been duly, validly, and timely taken.
9. No opinion is expressed as to whether any alternative transaction might be more favorable to holders of ABG shares than the Proposed Transaction.

Disclosures

We represent to the Client as follows:

- With respect to the Proposed Transaction, we have not acted as a financial adviser to any party involved.
- Our compensation is not contingent upon any action or event resulting from use of the Opinion, including the successful completion of the Proposed Transaction.
- We have had no material relationships in past years or that are mutually understood to be contemplated in which any compensation was received or is intended to be received as a result of the relationship between BDO and any party to the Proposed Transaction that is the subject of this Opinion.

Use of Opinion Letter

We are providing our Opinion to the Board Independent Committee who may use this document only in its entirety in the communication with the shareholders of ABG concerning the Offer.

Methodology and Valuation

To establish fair equity value per ABG ordinary share, we have deployed Comparable Companies Multiple ("CCM") method under the Market Approach and Residual Income ("RI") method under the Income Approach of valuation.

With the application of CCM and RI methods, the weighted average fair equity value per ABG ordinary share is arrived at USD 0.271 as of 30 June 2023 (the "Valuation Date"). Based on the Offer Document, Dallah will pay a cash consideration of USD 84,342,399.30 or USD 0.30 per ABG share against 281,141,331 shares of ABG, based on ABG's average closing market price on all trading days on the Bahrain Bourse during the three months between 1 June 2023 and 31 August 2023 (inclusive) rounded to two decimal places, which is c.11% higher than the concluded weighted average fair equity value per ABG ordinary share as of the Valuation Date.

Conclusion

Subject to the foregoing, it is our opinion as of the date hereof that the Offer is Fair and Reasonable, from a financial point of view to the shareholders of the 281,141,331 ordinary and paid-up shares of ABG, not currently owned by Dallah, representing up to 22.62% stake of ABG's issued and paid-up share capital. Based on our Opinion, it is our advice to the Board Independent Committee that they recommend Acceptance of the Offer to the shareholders of ABG concerning the Offer.

This fairness opinion letter should read in conjunction with the ABG valuation report submitted to the Management on 19 October 2023.

Yours faithfully,

Bipin Shete
Regional Partner, Advisory

APPENDIX A –

INFORMATION ABOUT THE OFFEREE AND OTHER STATUTORY INFORMATION

1. BUSINESS OVERVIEW

1.1. Al Baraka Group B.S.C.

ABG incorporated in the Kingdom of Bahrain on 27 June 2002, under commercial registration number 48915 as a public Bahraini shareholding company whose ordinary shares are listed on the BHB.

ABG is licensed by the CBB as a locally incorporated category 1 investment business firm and provides its clients, through its network of subsidiaries and associated companies, with financial services offering retail, corporate, treasury and investment banking services, strictly in accordance with the principles of Islamic Shari'ah. ABG operates regionally through its subsidiaries and associates in Jordan, Egypt, Tunisia, Bahrain, Sudan, Turkey, South Africa, Algeria, Pakistan, Syria, Lebanon, and Germany, as well as two branches in Iraq and a representative office in Libya.

1.2. Market Price and Historical Trading Summary

i. ABG shares are traded on the BHB. Below are the market closing prices of ABG shares on the following key dates:

On 18 October 2023, the Last Practicable Date	ABG shares closing market price on BHB on 18 October 2023 was USD 0.270 per share. The Offer price of USD 0.30 per share is 11.1% higher.
0n 2 October 2023, the last Business Day prior to the date of firm intention and summary of Offer Document of 3 October 2023	ABG shares closing market price on BHB on 2 October 2023 was USD 0.275 per share. The Offer price of USD 0.30 per share is 9.1% higher.
On 19 July 2023, the last Business Day prior to the date of the initial announcement of 20 July 2023	ABG shares closing market price on BHB on 19 July 2023 was USD 0.310 per share. The Offer price of USD 0.30 per share is 3.2% lower.

ii. Over the period commencing six months prior to the posting of the Circular and ending on the Last Practicable Date, the lowest closing price, of USD 0.270 per ABG share on BHB was on 18 October 2023. The Offer price of USD 0.30 per share is 11.1% higher.

iii. Over the period commencing six months prior to the dispatch of the Circular and ending on the Last Practicable Date, the highest closing price of USD 0.312 per ABG share on BHB was on 24 May 2023. The Offer price of USD 0.30 per share is 3.8% lower.

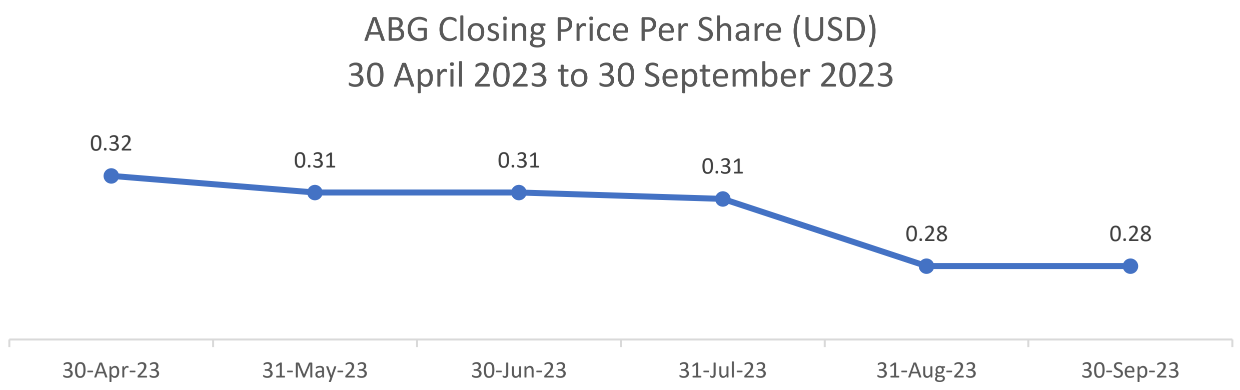
iv. Over the six months prior to and up to the Last Practicable Date, the volume weighted price per ABG share on days where the share traded was USD 0.288 (data for the volume weighted price calculations were sourced from Thomson Reuters). The Offer price of USD 0.30 per share is 4.0% higher.

v. The following table details the closing price for the ABG Shares at the end of each of the calendar months (where price quotes were available through BHB's website) during the period commencing six months prior to the commencement of the Offer Period and ending on the Last Practicable Date:

	Closing price per share on BHB (USD)	**Comparison to the Offer Price of USD 0.30 per share**
Last Practicable Date	0.270	The Offer price is 11.1% higher
28 September 2023	0.275	The Offer price is 9.1% higher
31 August 2023	0.275	The Offer price is 9.1% higher
30 July 2023	0.307	The Offer price is 2.3% lower
27 June 2023	0.310	The Offer price is 3.2% lower
31 May 2023	0.310	The Offer price is 3.2% lower
30 April 2023	0.318	The Offer price is 5.7% lower

vi. ABG average closing market price on all trading days on the BHB during the three months between 1 July 2023 and 30 September 2023 (inclusive) was USD 0.290. The Offer price of USD 0.30 per share is 3.4% higher.

vii. The market price movement of ABG Shares for the period from 30 April 2023 to 30 September 2023 is shown in the charts below:



2. MAJOR SHAREHOLDERS

Currently, the following shareholders own 5% or more shares in ABG:

Shareholder Name	% Ownership	No. Outstanding of Shares
Dallah AlBaraka Holding Company B.S.C.	54.746%	680,431,667
AlTawfeek Company for Investment Funds	19.32%	240,173,054
Abdulla AbdulAziz AlRajhi	7.03%	87,313,197

3. GROUP STRUCTURE

The following table depicts the subsidiaries and associated companies of ABG:

Legal Entity Name	Shareholding %	Country of Incorporation
Banque Al Baraka D'Algerie (BAA)	55.67%	Algeria
Al Baraka Islamic Bank - Bahrain (AIB)	92.82%	Kingdom of Bahrain
Al Baraka Bank Tunis (ABT)	78.40%	Tunisia
Al Baraka Bank Egypt (ABE)	73.47%	Egypt
Al Baraka Bank Lebanon (ABBL)	98.98%	Lebanon
Jordan Islamic Bank (JIB)	65.82%	Jordan
Al Baraka Turk Participation Bank (ATPB)	45.09%	Turkey
Al Baraka Bank Limited (ABL)	64.51%	South Africa
Al Baraka Bank Sudan (ABS)	75.73%	Sudan
Al Baraka Bank Syria	29%	Syria

4. DIRECTORS OF THE OFFEREE

The Directors of ABG are:

Name of Director	Title
Shaikh Abdullah Saleh Kamel	Chairman
Mr. Mohamed Ebrahim Alshroogi	Vice Chairman
Mr. Tawfig Shaker Mufti	Board Member

Dr. Khaled Abdulla Ateeq	Board Member
Mrs. Dalia Hazem Khorshid	Board Member
Dr. Ziad Ahmed Bahaa-Eldin	Board Member
Mr. Saud Saleh Al Saleh	Board Member
Mr. Abdul Elah Abdul Rahim Sabbahi	Board Member
Mr. Fahd bin Ibrahim Al Mufarrij	Board Member
Mr. Masood Ahmed Al Bastaki	Board Member
Mr. Musa Abdel-Aziz Shihadeh	Board Member
Mr. Naser Mohamed Ali Al Nuwais	Board Member
Mr. Houssem Ben Haj Amor	Board Member & Group CEO

The Independent Committee is comprised of the following non-conflicted Directors of ABG:

Name of Director	Title
Mr. Mohamed Ebrahim Alshroogi	Vice Chairman
Dr. Khaled Abdulla Ateeq	Board Member
Mrs. Dalia Hazem Khorshid	Board Member

A brief description of each Director is set out below.

Shaikh Abdullah Saleh Kamel

Shaikh Abdullah Saleh Kamel is the Chairman of Dallah AlBaraka Holding Company. He has over 30 years of experience in key business positions. He possesses the Chairmanship of several large conglomerate including but not limited to Dallah AlBaraka Investment Holding Company, Dallah Real Estate, Umm Alqura for Development & Constructions Company, Okaz Press and Publishing Corporation, General Council for Islamic Banks and Financial Institutions, Islamic Chamber of Commerce, Industry and Agriculture and Makkah Chamber of Commerce and Industry. He is also the Chairman of the Board of Trustees of Saleh Abdullah Kamel Humanitarian Foundation and active in public and charitable activities through his membership in many organizations and associations such as the Jeddah Chamber of Commerce and the Friends of Saudi Arabia Association.

Mr. Mohamed Ebrahim AlShroogi

Mr. Mohamed Ebrahim AlShroogi is the Vice Chairman of the ABG. He has over 40 years of experience in Banking, Investment, and Economics in a number of different sectors. Mr. Mohamed Ebrahim AlShroogi is a Board Member of Wisayah Saudi, Aramco's Pension Fund, Investcorp Financial Services, and APM Terminals, which operates one of the world's most comprehensive ports. He is also a Board Member of Bahraini Health Insurance Fund, Chairman of Saudi joint stock company L'azurde, Chairman of the GCC Board of Directors Institute (BDI), and the National US-Arab Chamber of Commerce located in Washington, DC. He has also served as member of Bahrain Shura Council among other board positions.

Mr. Tawfig Shaker Mufti

Mr. Tawfig Shaker Mufti has served as the Group Treasurer of a multinational Middle Eastern conglomerate and held CEO positions and Board memberships in several group / non-group companies. Previously, he served as a Financial Institutions Executive in the Corporate & Investment Banking and Private Banking groups. He has also worked in the big five accounting firms in the areas of Corporate Finance and Financial Planning. Mr. Mufti has over 25 years' experience and holds a Bachelor of Science degree in International Business from the University of Bridgeport, Connecticut, USA.

Mr. Houssem Ben Haj Amor

Mr. Houssem Ben Haj Amor has over 23 years of experience in the Finance industry across the MENA. He previously served as CFO at Amlak Finance, UAE. Earlier, he was the GM of SHUAA Capital, a leading Investment bank in the GCC. He commenced his career with Andersen and later with Societe Generale Banking Group. He has held board positions in several banks and financial institutions and has valuable experience from working at the board level of listed entities across the GCC, North Africa and Turkey.

Dr. Khaled Abdulla Ateeq

Dr. Khaled Abdulla Ateeq is currently the Chief Executive Officer and a Board Member of Family Microfinance House in Bahrain. He earlier served as the Executive Director of Banking Supervision at the Central Bank of Bahrain (CBB). He is also the Chairman of Al Baraka Bank Sudan and a Board Member at Al Baraka Islamic Bank (Bahrain). He has held senior posts with a number of financial institutions, including Deputy CEO at Venture Capital Bank. Dr Ateeq has over 40 years of experience in Banking, Finance, Auditing, and Accounting. Before joining the CBB, Dr. Ateeq was an Assistant Professor at the University of Bahrain. He holds a PhD in Philosophy in Accounting from Hull University, U.K.

Mrs. Dalia Hazem Khorshid

Mrs. Dalia Hazem Khorshid is currently the Group CEO and Managing Director at Beltone Financial Holding. She previously served as Founder, Chairwoman and CEO at EAGLE Capital for Financial Investment from 2017 until 2018 and the Chairwoman, CEO, and Founder of MASAR Financial Advisory from 2018 to 2022. She was the first and the youngest female minister in the Cabinet of Ministers of the Government of Egypt from 2016 to 2017. She oversaw and managed more than 10,000 employees and also served as a public servant during the transformational year in Egypt with the launch of the Economic Reform Program. She has over 25 years of global experience in various management capacities and in working within the Investment Banking and Corporate Finance sectors. She possesses a Bachelor of Arts degree in Business Administration and Economics.

Dr. Ziad Ahmed Bahaa-Eldin

Dr. Ziad Ahmed Bahaa-Eldin is an Egyptian lawyer and an expert on Financial law, Investment and Company Laws, Governance, Compliance, and Economic Legislation. He is currently the Managing Partner of Thebes Consultancy and Bahaa-Eldin Law Office in Cooperation with BonelliErede. the Founder and member of the Board of Directors of the Ahmed Bahaa-Eldin Cultural Foundation and a member of the Board of Trustees of the American University in Cairo and of the Board of Trustees of the Cairo Regional Centre for International Commercial Arbitration. He is also serving as the Non-Executive Chairman of Bank of Alexandria, and a non-executive member on several company boards including of the National Bank of Egypt UK, Arabian Cement Company, AXA Egypt, Allam Holding, MTI, Samcrete for Industrial Development, Saray Capital (Dubai International Financial Centre). Dr. Bahaa-Eldin received his Ph.D. in Financial Law from the London School of Economics and Political Sciences

Mr. Saud Saleh Al Saleh

Mr. Saud Saleh Al Saleh is a Board Member of Emaar the Economic City. Previously, he held several positions including: Head of the Board of Trustees of the Riyadh Economic Forum, Chairman of SAIB-BNP Paribas Assets Management Company, Vice Chairman of American Express (KSA) Limited (ASAL). Mr. Al Saleh was also a Board Member in: Saudi Arabian General Investment Authority (SAGIA), General Organization for Social Insurance (GOSI), Higher Education Fund and Saline Water Conversion Corporation (SWCC), Saudi Orix Leasing Company (SOLC), Boeing Industrial Technology Group L.P. (BITG), AMLAK International for Real Estate Development and Mortgage Finance and The Mediterranean & Gulf Cooperative Insurance & Reinsurance Co. (MEDGULF). Mr. Al Saleh has more than 33 years of experience and holds a Bachelor of Science degree in Business Administration from Portland State University, Oregon, USA and an M.A. in Economics from The University of Rhode Island, USA.

Mr. Abdul Elah Abdul Rahim Sabbahi

Mr. Sabbahi is currently the Chief Executive Officer of Dar Saleh, KSA. He is also Chairman of Al Baraka Bank Tunisia, Al Baraka Bank Algeria and Chairman of Société Al Buhaira de Developpement et d'Investissement, Tunisia. He is also on the Boards of a number of other international companies. He has over 40 years' experience in International Banking and Business, the last three decades of which were with the Dallah AlBaraka Group in the Kingdom of Saudi Arabia, where he was the Executive Vice President of Finance and Human Resources. Mr. Sabbahi is a Saudi national, holds a Bachelor of Science Degree in Accounting from King Abdulaziz University, Saudi Arabia.

Mr. Fahd bin Ibrahim Al Mufarrij

Mr. Fahd Al-Mufarrij has more than 30 years of experience in the banking supervision field. Mr. Fahd is a member of the Board of Directors of The Saudi Printing and Packaging Company, and Vice Chairman of Yaqeen Financial Company, which is considered one of the first investment companies in the Kingdom of Saudi Arabia. Previously, he was a Board Member in Samba Financial Group, the Social Development Bank and the Saudi Moroccan Investment Company. Mr. Fahd also worked as Director of Banking Supervision at the Central Bank of Saudi Arabia until 2012. He has held memberships in several Committees, including the

Basel Committee on Banking Supervision, the Basel Coordination Group, and other supervisory committees, He holds a Bachelor in Administrative Sciences from King Abdulaziz University.

Mr. Masood Ahmed Al Bastaki

Mr. Masood has over 35 years of experience in Banking and International Business ranging from Conventional Banking, Islamic Banking and International Investment Banking. He is currently a Board Member of Family Microfinance House in Bahrain. Mr. Al Bastaki's experience extends through the aviation industry where he held the position of founding partner and CEO of Aerolease Aircraft and Equipment Leasing Company. He was also the founding partner and managing director of Two Seas Equity Consulting Company.

Mr. Musa Abdel-Aziz Shihadeh

Mr. Musa has over 60 years of experience in banking, finance and investment. He currently possesses Chairmanship of several institutions including but not limited to University of Petra Company, Board of Trustees of the University of Petra, the Islamic Insurance Company, the Arab Company for the Manufacturing of Metal Pipes, the Omariya Schools Company and Sanabel Al-Khair for Financial Investments. He also has several other memberships in non-profit social and service organizations and establishments and is considered one of the few people/pillars who supported the Islamic banking industry in the Arab world and globally. He previously held several positions, the most recent of which was Chairman of the Board of Directors of Jordan Islamic Bank, and prior to that he held the position of CEO/General Manager of Jordan Islamic Bank. He also worked in several banks, including the Jordan National Bank and the Arab Bank Limited.

Mr. Musa has written many books and researches, and participated in several symposiums and seminars on Islamic banks. He holds Master in Business Administration from University of San Francisco, USA and Bachelor of Commerce from Beirut Arab University.

Mr. Naser Mohamed Ali Al Nuwais

Mr. Naser Mohamed Ali Al Nuwais holds a variety of positions in several different corporations. He is serving as a Director General of Abu Dhabi Fund for Development, Chairman of Rotana Hotel Management Corp. Ltd and Aswaq Management & Services. He also held other positions including Chairman of Arab Insurance Group in Bahrain and Board Member in Dana Gas Board of Directors in Sharjah, UAE. He has more than 40 years of experience in Business, Insurance and Real Estate Development. His outstanding work as a businessperson earned him a Lifetime Achievement Award at the Arabian Hotel Investment Conference in 2011 as well as Pioneer in the Tourism Industry in the Arab World Award in 2003. Mr. Al Nuwais acquired his BA degree in Business & Public Administration from New York University in 1974.

5. SHARE CAPITAL

5.1 Capital structure

The share capital of ABG consists of 2.5 billion authorized shares of USD 1.00 each. The issued and fully paid-up capital of ABG consists of 1,242,879,755 shares as of 30 June 2023 of USD 1.00 each.

5.2 Paid-up share capital

At the Last Practicable Date, ABG has one class of shares, comprising ordinary shares and the issued share capital of ABG is USD 1,242,879,755/- comprising 1,242,879,755 shares of USD 1.00 each. The ABG Shares are quoted and listed on the BHB and all the shares carry equal rights as to dividend, vote at shareholders' meetings

5.3 Number of shares issued since the end of the last financial year

As of 31 December 2022, ABG maintained issued and fully paid ordinary shares of 1,242,879,755. No further ordinary shares have been issued in 2023 until the date of this document.

5.4 Outstanding instruments convertible into, rights to subscribe for an option in respect of, securities being offered for or which carry voting rights affecting the ABG Shares

As at the Last Practicable Date, there are no outstanding options, warrants or conversion rights affecting the ABG Shares. ABG has closed its share incentive scheme in 2020.

5.5 **Treasury Shares**

ABG holds 31,380,000 shares as treasury shares representing 2.52% of the total outstanding ABG Shares and the said treasury shares will not be available for acquisition.

6. DISCLOSURE OF INTERESTS

6.1 **Appointment of Independent Committee**

In accordance with the TMA rule 2.2.1, the Independent Committee was established on 11 November 2021 to discharge the responsibilities of the Board of ABG in relation to the Offer and delisting. The Independent Committee consists of:

1) Mr. Mohamed Ebrahim Alshroogi
2) Dr. Khaled Abdulla Ateeq; and
3) Mrs. Dalia Hazem Khorshid;

All other Directors who are not members of the Independent Committee have disclosed conflict of interest (if any) and have abstained from all discussions and decisions made in relation to the Offer.

6.2 **Shareholdings**

6.2.1 **Interests of ABG in the shares of Dallah**

ABG has no interest in the Dallah Shares as at the Last Practicable Date and has not undertaken any dealings in the Dallah Shares in the last six months prior to the Last Practicable Date.

6.2.2 **Dealing in shares of Dallah by ABG**

ABG has not dealt for value in the shares of Dallah during the six months prior to the Offer Period.

6.2.3 **Interests of Directors in Shares**

No members of the Independent Committee have any direct or deemed interest in the ABG Shares as at the Last Practicable Date.

The following directors of ABG have direct or deemed interest in the ABG shares as at the Last Practicable Date, which is the reason they are conflicted to the Offer:

Name of Director	Number of shares currently owned	% of shares
Shaikh Abdullah Saleh Kamel	338,598	0.03%
Abdulelah Abdulrahim A.Sabbahi	225,899	0.02%
Musa Abdel-Aziz Mohammad Shihadeh	968,590	0.08%

In addition to the above, Mr. Houssem Ben Haj Amor and Mr. Tawfig Shaker Mufti are also conflicted to Offer as the former is the current Group CEO of ABG and the latter is an ex-employee of Dallah.

6.2.4 **Interests of the Board of Directors in the Shares of Dallah**

Except as discussed below, no members of the Board of Directors have any direct or deemed interest in shares or convertible securities of Dallah.

Name of Director	Designation	Shareholding
Shaikh Abdullah Saleh Kamel	Chairman	10.61%

6.2.5 **Dealings in Shares of Dallah by the Board of Directors**

No members of the Board of Directors have dealt for value in the shares of Dallah during the six months prior to the Offer Period.

6.2.6 **Interests of the Adviser**

BDO neither:

a) owns or controls any shares in ABG; nor

b) manages any shares of ABG through investments in funds on a discretionary basis.

6.2.7 Dealings by the Adviser

BDO has not dealt in shares of ABG or Dallah in the six months prior to the Offer Period.

6.3 ABG Directors' Intentions

No members of the Independent Committee have any direct or deemed interest in the ABG Shares as at the Last Practicable Date.

As per 6.2.3. above, following Directors of ABG hold directly or indirectly ABG shares:

Name of Director	Number of shares currently owned or controlled	% of shares
Shaikh Abdullah Saleh Kamel	338,598	0.03%
Abdulelah Abdulrahim A.Sabbahi	225,899	0.02%
Musa Abdel-Aziz Mohammad Shihadeh	968,590	0.08%

Shaikh Abdullah Saleh Kamel is a Connected Shareholder as per the Offer Document, and accordingly will not be participating in the Offer and will maintain his shareholding in ABG. Also, as he is a party acting in concert with Dallah, he will abstain from voting on the resolutions considering the delisting of ABG.

Mr. Abdulelah Abdulrahim A.Sabbahi will not accept Dallah's Offer and will maintain his shareholding in ABG. He will vote in favor of delisting of ABG.

Mr. Musa Abdel-Aziz Mohammad Shihadeh will accept Dallah's Offer to sell his shareholding in ABG. He will also vote in favor of delisting of ABG.

6.4 Financial Disclosures

6.4.1 The complete set of consolidated audited financial statements for the year ended 31 December 2020, 31 December 2021, 31 December 2022 and reviewed interim condensed consolidated financial statements for the period ending 30 June 2023 are provided in Appendix C of this Circular.

6.4.2 Statement of Material Changes

There have been no material changes in the financial position of ABG subsequent to the last published audited financial statements as of 31 December 2022.

During December 2022, ABG agreed in principle with Bank of Africa, through the signing of a sale and purchase agreement for sale of ABG's stake in BTI Morroco. The transaction was approved by ABG's Board of Directors in December 2022. The transaction is subject to various legal and regulatory formalities that are expected to be completed in 2023. The transaction didn't have any impact on the financial position of ABG. Please refer Note (22) of financial statements for 2022.

In addition to the above, there have been no material transactions (not in the ordinary course of business) to be reported subsequent to the last published audited financial statements as of 31 December 2022.

6.4.3 Significant Accounting Policies

All the significant accounting policies as contained in the financial statements for the financial year ending 31 December 2022 have been mentioned in Appendix C of this Circular, under the heading "Notes to the Consolidated Financial Statements".

6.4.4 Auditor's Qualification

The auditors have not made any qualifications in the Auditors Report in respect to the financials of ABG in the past three years.

6.4.5 Change in Accounting Policy

There has been no material change in the Accounting Policy during the past three financial years except as mentioned in Appendix C of this Circular, under the heading "Significant Accounting Policies".

6.5 Other Disclosures

Directors' Service Agreements

ABG executed a formal directorship agreement effective from 22 March 2023 with each of the directors appointed by the shareholders at the last Annual General Meeting held on 22 March 2023.

There are no Director's Service Contracts (either current or prior contracts which have been replaced or amended) between the Directors and ABG:

a) which have been entered into or amended within 6 months before the Last Practicable Date;

b) no continuous service contracts in force which have a notice period of 12 months or more.

c) no fixed term contract with more than 12 months irrespective of the notice period.

7. MANAGEMENT

A brief description of the management of ABG is furnished below:

Mr. Houssem Ben Haj Amor – Chief Executive Officer

Mr. Houssem Ben Haj Amor has over 23 years of experience in the Finance industry across the MENA. He previously served as CFO at Amlak Finance, UAE. Earlier, he was the GM of SHUAA Capital, a leading Investment bank in the GCC. He commenced his career with Andersen and later with Societe Generale Banking Group. He has held board positions in several banks and financial institutions and has valuable experience from working at the board level of listed entities across the GCC, North Africa and Turkey.

Mr. Azhar Aziz Dogar – Senior Vice President - Head of Credit and Risk Management

Mr. Azhar Aziz Dogar has over 30 years of international banking experience that includes ME&A/GCC and Asia regions with short assignments in U.K., Netherlands and U.S.A. His banking experience encompasses credit and risk management covering all business segments inclusive of Corporate/Investment banking, Commercial/Middle Market, Private and Retail banking. Over the years, Mr. Dogar's work also involved corporate strategy and buy-side due diligence on financial sector acquisitions. Mr. Dogar is a graduate of the University of Pennsylvania and Brown University, USA with a Bachelors and Masters in Economics. His Masters' thesis was in Islamic Finance.

Mr. Mohammed Al-Alawi – Senior Vice President - Head of Internal Audit

Mr. Mohammed Alawi Al-Alawi has over 26 years of external and internal audit experience, mainly in Islamic banks. He reports directly to the Audit Committee of the Board of Directors of ABG and acts as Secretary of the Committee in addition to participating as an observer member in Audit Committee meetings of ABG's subsidiaries. Previously, Mr. Al-Alawi worked as an Internal Audit Manager at Ithmaar Bank. Prior to this, Mr. Al-Alawi worked in leading audit firms including PricewaterhouseCoopers and Ernst & Young. Mr. Al-Alawi is an FCCA - Fellow of the Association of Chartered Certified Accountants, U.K. and ICAEW - Member of the Institute of Chartered Accountants in England & Wales.

Mr. Suhail Tohami– Senior Vice President - Head of Treasury

Mr. Suhail Tohami has more than 26 years of experience in the Banking industry, both in conventional and Islamic banking and other diversified businesses. His last position was SVP - Head of Treasury & Placement at Seera Investments, Bahrain. Prior to Seera, his banking experience included more than 7 years at BBK, Bahrain. Mr. Tohami is CFA charter holder, CPA from the University of Illinois, a member of the American Institute of Certified Public Accountants, MBA and a Bachelor's Degree in Accounting with distinction from the University of Bahrain.

Dr. Mohammed Mustapha Khemira – Senior Vice President – Head of Strategic Planning, Investments and Investor Relations

Dr. Mohamed Mustapha Khemira has over 27 years of experience in Islamic finance and banking services, management consulting and education. He joined the Strategic Planning Department at ABG in 2017, and was appointed as Head of Strategic Planning in November 2019. Prior to joining ABG, Dr. Khemira worked in different managerial positions with prominent global and GCC-based institutions. Dr. Khemira holds a Ph.D. and a M.Sc. in Mechanical Engineering from the Massachusetts Institute of Technology (MIT) in Cambridge, MA, USA with a minor in Management.

Mr. Abdul Malek Mezher– Senior Vice President - Group Head of Compliance, Governance & Board Affairs and MLRO

Mr. Abdul Malek Mezher joined ABG in November 2019 as Head of Corporate Governance & Board Affairs. He has over 19 years of experience in Compliance, AML/CTF, Operational Risk, Corporate Governance and Board Secretariat matters in Banking and Asset Management sectors. Prior to joining ABG, he worked for Alistithmar Capital, the subsidiary of the Saudi Investment Bank, as Head of Corporate Governance in addition to handling Board Affairs matters. Mr. Mezher holds a BA in Accounting from the University of Jordan and .has several Professional Certificates in the Compliance, AML/CTF and Governance fields. He also holds the ICGC-International Corporate Governance Certificate, and GRCP – Governance, Risk and Compliance Professional, in addition to the CSAA – Certified Shari'a Advisor & Auditor designation.

Mr. Ali Asgar Mandasorwala– First Vice President – Head of Finance

Mr. Ali Asgar Mandasorwala possesses a rich experience of over 28 years in the Finance and Accounting discipline, of which over two decades were in the financial services sector in the UAE and the Kingdom of Bahrain. He joined Al Baraka Group in the year 2008. Prior to joining Al Baraka Group, Mr. Mandasorwala was Management Accountant (Derivatives & Hedge Funds) at Abu Dhabi Investment Authority, UAE.

Mr. Mohsin Dashti – First Vice President- Head of Special Projects

Mr. Mohsin Dashti has over 21 years of experience in the Islamic & Investment Banking industry and audit field. He started his career with KPMG in 2002 in the Audit and Advisory Services, then joined Al Baraka Group in 2005 in the Finance Department. He has also served in Seera Investment Bank during the period from 2007 to 2010 in the Financial Control. He was appointed earlier as a board member and audit committee member in Itqan Capital in the Kingdom of Saudi Arabia. Mr. Mohsin Dashti is a Fellow Chartered Certified Accountant (FCCA) from the United Kingdom, Certified Islamic Public Accountant (CIPA) and holds a Bachelor of Science degree in Accounting with honors from the University of Bahrain.

Mr. Mohammed Abdullatif Al Mahmood – First Vice President - Head of Internal Shari'a Audit

Mr. Mohammed Abdullatif Al Mahmood has more than 15 years of experience in Internal Shari'a Audit. He joined ABG in August 2007 to establish the Internal Shari'a Audit function and audit its subsidiaries. Earlier, he worked as a Research and Teaching Assistant at the University of Bahrain. Mr. Al Mahmood was also a lawyer in a local firm and after he became certified lawyer, he practiced law in Bahrain's courts for over four years. He has been appointed as a working group member to participate in formulating a certain AAOIFI standard. Mr. Al Mahmood is a Certified Shari'a Advisor and Auditor (CSAA) and holds a Master's degree in Islamic Jurisprudence and its Foundations from the University of Jordan in addition to a Bachelor of Arts degree in Shari'a and Law from Azhar University in Egypt.

Mr. Mohamed Jamsheer - First Vice President - Head of IT

Mr. Mohamed Jamsheer is a seasoned executive with over 20 years of experience in Information Technology and Banking. He is currently the Head of IT at Al Baraka Group, where he drives the implementation of the Group's technologies and develops IT infrastructure to enhance its services and customer experience. Mr. Jamsheer is also a Board Member of Al Baraka Bank Algeria. Before joining Al Baraka Group, Mr. Jamsheer held several roles at Arcapita Bank, Labour Market Regulatory Authority (LMRA), and Electronic Data Systems (EDS), where he developed and implemented IT governance, oversaw project management, and improved IT operations. Mr. Jamsheer holds an MBA from the New York Institute of Technology (NYIT) and a BSc in Computer Information Systems from Strayer University, as well as leading industry certifications including CISA, CGEIT, and PMP.

Mr. Fouad Janahi – First Vice President – Head of Operations and Support

Mr. Fouad Janahi has a diverse and rich banking experience spanning 35 years in the areas of Internal Audit, Compliance, Operations, Financial Control and Financial Institutions. Mr. Janahi joined Al Baraka Group in October 2004 in the Internal Audit department. Prior to joining ABG, Mr. Janahi worked in several Arab and International banks in the Internal Audit and Financial Control and Operations functions. Earlier on in his career, Mr. Janahi worked for Shamil Bank, Faysal Islamic Bank, Arab Banking Corporation and ABC Investment and Services Co. (E.C.), in the Internal Audit, Financial Control and Operations. Mr. Janahi holds an MBA in Banking and Finance from the University of Hull, UK..

Dr. Eltigani El Tayeb Mohammed – Shari'a Officer and Secretary of the Unified Shari'a Supervisory Board

Dr. El Tigani El Tayeb Mohammed has over 14 years of extensive experience in Islamic banking and finance, with specialization in Islamic Banking law. He joined Al Baraka Group in November 2007. Dr. El Tigani is a Certified Shari'a Advisor and Auditor (CSAA) from the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and received his Doctorate degree in the principles of Islamic jurisprudence from University of Khartoum – Sudan. He also has an MBA in principles of Islamic jurisprudence from Omdurman Islamic University - Sudan. Dr. El Tigani was also a professor at the Sultan Zainal Abidin Religious College (KUSZA) and the International Islamic University (HUM) in Malaysia.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at https://www.albaraka.com for the period for which the Offer remains open for acceptance:

a) Memorandum and Articles of Association of ABG, as amended from time to time;

b) Consolidated audited financial statements of ABG for the financial years 2020, 2021, 2022 and the reviewed interim condensed consolidated financial statements for the period ending 30 June 2023;

a) Firm Intention to make the Offer and summary of the Offer document dated 3 October 2023;

b) The Offer Document dated 3 October 2023.;

c) This Circular;

d) ABG Shari'a Supervisory Board Fatwa;

e) Professional Independent Adviser's Opinion;

f) Written consent of the Professional Independent Adviser to share the Professional Independent Adviser's Opinion;

g) Cover Letter to ABG shareholders;

h) Sample of the Acceptance and Transfer Form;

The contents of this Circular, Offer Document, Firm Intention to make the Offer and summary of the Offer document, Cover Letter to ABG shareholders, and sample of the Acceptance and Transfer Form are also available at https://www.sicobank.com.

The summary of Circular, Firm Intention to make the Offer and summary of the Offer document, and EGM Invitation to ABG Shareholders are also available at https://www.bahrainbourse.com. Alternatively, any ABG shareholder who wishes to receive electronic copies of any of the above documents may email Mr. Ahmed M. AbdulGhaffar, First Vice President - Investor Relations at aghaffar@albaraka.com.

The redacted version of the valuation report is available for inspection with Mr. Ahmed M. AbdulGhaffar, First Vice President - Investor Relations at ABG, Bahrain Bay Main Branch, Sea Front Building, Manama, Kingdom of Bahrain during normal office hours for the period for which the Offer remains open for acceptance.

APPENDIX B –

ABG SHARI'A SUPERVISORY BOARD'S FATWA IN RELATION TO DALLAH ACQUIRING THE SHARES OF ABG

alBaraka

04 October 2023

Fatwa from the Unified Sharia Board in relation to the announcement to acquire the shares of Al Baraka Group excluding the shares held by Dallah's connected shareholders

The Unified Sharia Board has reviewed the Voluntary Conditional Exit Offer submitted by Dallah AlBaraka Holding Bahrain B.S.C. (closes) with regard to acquiring the shares of the Al Baraka Group shareholders not connected to Dallah; the Unified Sharia Board has undertaken the general practices that govern such sales procedures, and the process of determining the fair price that is carried out by an independent party.

In accordance with the relevant regulations and the steps followed by the supervisory and regulatory authorities, the Unified Sharia Board does not object to this purchase and acquisition transaction.

Tigani

Dr. Eltigani El Tayeb Mohammed
Secretary of the Unified Sharia Board

APPENDIX C –

CONSOLIDATED AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2020, 2021, 2022 AND THE REVIEWED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2023

Al Baraka Group B.S.C.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2023 (UNAUDITED AND REVIEWED)

Review report on the interim condensed consolidated financial statements to the Board of Directors of Al Baraka Group B.S.C.

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of Al Baraka Group B.S.C. (the "Firm") and its subsidiaries (together the “Group”) as at 30 June 2023 and the related interim consolidated statement of income for the three-month and six-month periods then ended, and the related interim consolidated statements of cash flows, changes in equity and changes in off-balance sheet equity of investment account holders for the six-month period then ended and other explanatory notes. The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with FAS 41, “Interim Financial Reporting”. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with FAS 41 “Interim Financial Reporting”.

PricewaterhouseCoopers

Elias Abi Nakhoul
PricewaterhouseCoopers M.E Limited
Partner’s registration number: 196
Manama, Kingdom of Bahrain
9 August 2023

PricewaterhouseCoopers M.E Limited, Office no. 4701, Building no. 1459, Road no. 4626,
Block no. 346, P.O. Box 60771, Manama/Sea Front, Kingdom of Bahrain, Floor 47, West Tower,
Bahrain Financial Harbour, T: +973 17 118800, F: +973 17 540556, www.pwc.com/me, CR no. 47378

Al Baraka Group B.S.C.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023 (Reviewed)

	Notes	***Reviewed*** ***30 June 2023*** ***US$ '000***	*Audited* *31 December 2022* *US$ '000*
ASSETS			
Cash and balances with banks	3	**4,536,194**	4,396,612
Receivables	4	**10,149,684**	10,437,573
Mudaraba and Musharaka financing	5	**1,059,887**	1,497,324
Investments	6	**5,093,079**	5,234,714
Ijarah Muntahia Bittamleek	7	**2,423,761**	2,233,356
Property and equipment		**464,604**	461,472
Other assets	8	**634,624**	720,783
TOTAL ASSETS		**24,361,833**	24,981,834
LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND EQUITY			
LIABILITIES			
Customers current and other accounts		**6,148,835**	6,451,061
Due to banks		**1,199,075**	971,459
Long term financing	9	**466,158**	308,037
Other liabilities	10	**1,331,153**	1,151,678
Total liabilities		**9,145,221**	8,882,235
EQUITY OF INVESTMENT ACCOUNTHOLDERS			
Financial institutions		**473,169**	670,694
Non-financial institutions and individuals		**12,857,003**	13,462,134
Total equity of investment accountholders	11	**13,330,172**	14,132,828
EQUITY			
Share capital	14	**1,242,879**	1,242,879
Treasury shares		**(14,884)**	(15,000)
Share premium		**16,353**	16,059
Reserves		**208,363**	208,363
Cumulative changes in fair value		**58,140**	55,006
Foreign currency translations reserve	14	**(1,240,050)**	(1,127,651)
Retained earnings		**549,766**	483,571
Equity attributable to parent's shareholders		**820,567**	863,227
Sukuk (Tier 1 Capital)		**400,000**	400,000
Equity attributable to parent's shareholders and Sukuk (Tier 1 Capital) holders		**1,220,567**	1,263,227
Non-controlling interest		**665,873**	703,544
TOTAL EQUITY		**1,886,440**	1,966,771
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND EQUITY		**24,361,833**	24,981,834

Abdullah Saleh Kamel
Chairman

Houssem Ben Haj Amor
Board member and Group Chief Executive Officer

The attached notes 1 to 23 form part of these interim condensed consolidated financial statements.

Al Baraka Group B.S.C.

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the three and six month ended 30 June 2023 (Reviewed)

	Notes	*Three months ended* **30 June 2023 US$ '000**	*Three months ended* *30 June 2022 US$ '000*	*Six months ended* **30 June 2023 US$ '000**	*Six months ended* *30 June 2022 US$ '000*
INCOME					
Net income from jointly financed contracts and investments		**363,910**	333,023	**711,280**	663,526
Return on equity of investment accountholders before Group's share as a Mudarib		**(370,468)**	(271,662)	**(667,653)**	(545,690)
Group's share as a Mudarib		**104,019**	88,478	**193,522**	185,112
Return on equity of investment accountholders		**(266,449)**	(183,184)	**(474,131)**	(360,578)
Group's share of income from equity of investment accountholders (as a Mudarib and Rabalmal)		**97,461**	149,839	**237,149**	302,948
Mudarib share for managing off-balance sheet equity of investment accountholders		**6,644**	7,554	**7,087**	9,661
Net income from self financed contracts and investments		**110,867**	138,917	**224,158**	229,202
Fees and commission income		**59,711**	39,253	**98,242**	79,953
Other operating income	15	**68,461**	26,774	**88,055**	62,338
		343,144	362,337	**654,691**	684,102
Profit paid on long term financing		**(14,770)**	(8,451)	**(23,468)**	(14,998)
TOTAL OPERATING INCOME		**328,374**	353,886	**631,223**	669,104
OPERATING EXPENSES					
Staff expenses		**69,763**	64,655	**154,397**	133,757
Depreciation and amortisation		**11,623**	14,126	**21,196**	28,854
Other operating expenses		**44,594**	47,827	**96,828**	96,702
TOTAL OPERATING EXPENSES		**125,980**	126,608	**272,421**	259,313
NET INCOME FOR THE PERIOD BEFORE NET ALLOWANCE FOR EXPECTED CREDIT LOSSES / IMPAIRMENT AND TAXATION		**202,394**	227,278	**358,802**	409,791
Net allowance for expected credit losses / impairment	16	**(69,888)**	(121,761)	**(125,931)**	(206,078)
NET INCOME FOR THE PERIOD BEFORE TAXATION		**132,506**	105,517	**232,871**	203,713
Taxation		**(35,206)**	(31,075)	**(62,916)**	(66,235)
NET INCOME FOR THE PERIOD		**97,300**	74,442	**169,955**	137,478
Attributable to:					
Equity holders of the parent		**47,335**	45,106	**88,769**	84,638
Non-controlling interest		**49,965**	29,336	**81,186**	52,840
		97,300	74,442	**169,955**	137,478
Basic and diluted earnings per share - US cents	13	**2.46**	2.42	**5.87**	5.68

Abdullah Saleh Kamel
Chairman

Houssem Ben Haj Amor
Board member and Group Chief Executive Officer

The attached notes 1 to 23 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six month ended 30 June 2023 (Reviewed)

	Six months ended	
	30 June 2023 US$ '000	*30 June 2022 US$ '000*
OPERATING ACTIVITIES		
Net income for the period before taxation	**232,871**	203,713
Adjustments for:		
Depreciation and amortisation	**21,196**	28,854
Depreciation on Ijarah Muntahia Bittamleek	**68,755**	81,936
Unrealised gain on equity and debt-type instruments at fair value through statement of income	**(73,971)**	(99,141)
Gain on sale of property and equipment	**(5,041)**	(5,852)
Gain on sale of investment in real estate	**(1,349)**	(3,227)
Gain on sale of equity-type instruments at fair value through equity	**(12)**	(98)
Gain on sale of equity and debt-type instruments at fair value through statement of income	**(267)**	(5)
Net allowance for expected credit losses / impairment	**125,931**	206,078
Income from associates	**(10,909)**	(4,690)
Operating profit before changes in operating assets and liabilities	**357,204**	407,568
Net changes in operating assets and liabilities:		
Reserves with central banks	**(86,993)**	397,109
Receivables	**164,997**	303,750
Mudaraba and Musharaka financing	**435,743**	1,431,837
Ijarah Muntahia Bittamleek	**(258,908)**	(156,919)
Other assets	**62,931**	(20,341)
Customer current and other accounts	**(302,227)**	(612,486)
Due to banks	**227,616**	(445,373)
Other liabilities	**249,064**	73,075
Equity of investment accountholders	**(799,921)**	(836,955)
Taxation paid	**(102,970)**	(69,211)
Net cash (used in) / generated from operating activities	**(53,464)**	472,054
INVESTING ACTIVITIES		
Net proceeds from sale / (purchase) of investments	**211,451**	(373,180)
Net (purchase) / proceeds from sale of property and equipment	**(14,109)**	25,255
Dividend received from associates	**-**	2,242
Net movement in investment in associates	**3,620**	(2,628)
Net cash generated from / (used in) investing activities	**200,962**	(348,311)
FINANCING ACTIVITIES		
Long term financing	**158,120**	42,843
Net movement in treasury shares	**410**	175
Profit distributed on perpetual tier 1 capital	**(17,550)**	(15,750)
Movement related to subsidiaries tier 1 capital	**(2,871)**	(2,622)
Net change in non-controlling interest	**(39,083)**	97,447
Net cash generated from financing activities	**99,026**	122,093
Foreign currency translation adjustments	**(193,716)**	(187,199)
NET CHANGE IN CASH AND CASH EQUIVALENTS	**52,808**	58,637
Cash and cash equivalents at 1 January	**2,212,263**	2,706,115
CASH AND CASH EQUIVALENTS AT 30 JUNE (Note 19)	**2,265,071**	2,764,752

The attached notes 1 to 23 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six month ended 30 June 2023 (Reviewed)

	Equity attributable to parent's shareholders and Sukuk holders												
				Reserves									
	Share capital US$ '000	*Treasury shares US$ '000*	*Share premium US$ '000*	*Statutory reserve US$ '000*	*Other reserves US$ '000*	*Cumulative changes in fair value of investments US$ '000*	*Cumulative changes in fair value of property and equipment US$ '000*	*Foreign currency translations reserve US$ '000*	*Retained earnings US$ '000*	*Total US$ '000*	*Sukuk (Tier 1 Capital) US$ '000*	*Non-controlling interest US$ '000*	*Total equity US$ '000*
At 1 January 2023	1,242,879	(15,000)	16,059	208,363	-	9,745	45,261	(1,127,651)	483,571	863,227	400,000	703,544	1,966,771
Net movement in treasury shares	-	116	294	-	-	-	-	-	-	410	-	-	410
Net movement in cumulative changes in fair values	-	-	-	-	-	2,914	220	-	-	3,134	-	1,022	4,156
Foreign currency translations	-	-	-	-	-	-	-	(112,399)	-	(112,399)	-	(81,317)	(193,716)
Net income for the period	-	-	-	-	-	-	-	-	88,769	88,769	-	81,186	169,955
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(32,275)	(32,275)
Allocation of Zakah	-	-	-	-	-	-	-	-	(610)	(610)	-	-	(610)
Profit distribution on perpetual tier 1 capital	-	-	-	-	-	-	-	-	(17,550)	(17,550)	-	-	(17,550)
Movement related to subsidiaries' tier 1 capital	-	-	-	-	-	-	-	-	(2,871)	(2,871)	-	(5,765)	(8,636)
Effect of change in ownership	-	-	-	-	-	-	-	-	(1,543)	(1,543)	-	-	(1,543)
Net movement in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(522)	(522)
At 30 June 2023	**1,242,879**	**(14,884)**	**16,353**	**208,363**	**-**	**12,659**	**45,481**	**(1,240,050)**	**549,766**	**820,567**	**400,000**	**665,873**	**1,886,440**

Al Baraka Group B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six month ended 30 June 2023 (Reviewed)

	Equity attributable to parent's shareholders and Sukuk holders												
				Reserves									
	Share capital US$ '000	*Treasury shares US$ '000*	*Share premium US$ '000*	*Statutory reserve US$ '000*	*Other reserves US$ '000*	*Cumulative changes in fair value of investments US$ '000*	*Cumulative changes in fair value of property and equipment US$ '000*	*Foreign currency translation reserve US$ '000*	*Retained earnings US$ '000*	*Total US$ '000*	*Sukuk (Tier 1 Capital) US$ '000*	*Non-controlling interest US$ '000*	*Total equity US$ '000*
At 1 January 2022	1,242,879	(15,655)	16,619	194,051	2,488	10,475	46,929	(940,728)	430,312	987,370	400,000	670,757	2,058,127
Restatement*	-	-	-	-	-	-	(1,668)	-	(27,438)	(29,106)	-	(28,433)	(57,539)
Restated balance as of 1 January 2022	**1,242,879**	**(15,655)**	**16,619**	**194,051**	**2,488**	**10,475**	**45,261**	**(940,728)**	**402,874**	**958,264**	**400,000**	**642,324**	**2,000,588**
Net movement in treasury shares	-	732	(557)	-	-	-	-	-	-	175	-	-	175
Net movement in other reserves	-	-	-	-	(2,488)	-	-	-	-	(2,488)	-	(2,873)	(5,361)
Net movement in cumulative changes in fair values	-	-	-	-	-	(725)	-	-	-	(725)	-	(314)	(1,039)
Foreign currency translations	-	-	-	-	-	-	-	(112,180)	-	(112,180)	-	(75,019)	(187,199)
Net income for the period	-	-	-	-	-	-	-	-	84,638	84,638	-	52,840	137,478
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	-		(31,913)	(31,913)
Allocation of Zakah	-	-	-	-	-	-	-	-	(347)	(347)	-	-	(347)
Profit distribution on perpetual tier 1 capital	-	-	-	-	-	-	-	-	(15,750)	(15,750)	-	-	(15,750)
Movement related to subsidiaries' tier 1 capital	-	-	-	-	-	-	-	-	(2,622)	(2,622)	-	(5,628)	(8,250)
Effect of change in ownership	-	-	-	-	-	-	-	-	828	828	-	-	828
Net movement in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	137,857	137,857
At 30 June 2022	**1,242,879**	**(14,923)**	**16,062**	**194,051**	**-**	**9,750**	**45,261**	**(1,052,908)**	**469,621**	**909,793**	**400,000**	**717,274**	**2,027,067**

* The Group holds directly and indirectly 29% of the ordinary share capital of Al Baraka Bank Syria ("ABS"). During the quarter ended 30 June 2022, the Group re-assessed its relationship with ABS and concluded that it does not have control over the investee hence resulting in the deconsolidation of ABS (refer note 22).

Al Baraka Group B.S.C.

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

For the six month ended 30 June 2023 (Reviewed)

	Cash *US$ '000*	*Sales receivable* *US$ '000*	*Mudaraba financing* *US$ '000*	*Investment in real estate* *US$ '000*	*Ijarah Muntahia Bittamleek* *US$ '000*	*Investments* *US$ '000*	*Total* *US$ '000*
At 1 January 2023	51,767	519,725	189,326	48,246	242,560	482,063	1,533,687
Deposits	187,492	145,812	102,155	494	56,311	143,507	635,771
Withdrawals	(180,159)	(43,394)	(101,827)	-	6,444	(246,302)	(565,238)
Income net of expenses	-	7,265	3,115	-	-	3,287	13,667
Mudarib's share	-	(6,896)	-	-	(187)	(4)	(7,087)
Foreign exchange translation	-	3,317	-	-	-	(23)	3,294
At 30 June 2023	**59,100**	**625,829**	**192,769**	**48,740**	**305,128**	**382,528**	**1,614,094**
At 1 January 2022	67,715	456,222	85,846	53,319	219,412	245,189	1,127,703
Deposits	11,760	84,341	217,450	227	22,181	253,460	589,419
Withdrawals	(161)	(85,101)	(120,174)	(1,304)	(2,212)	(35,378)	(244,330)
Income net of expenses	-	19,778	1,892	259	7,574	13,292	42,795
Mudarib's share	-	(6,583)	(2,929)	-	(145)	(4)	(9,661)
Foreign exchange translation	-	(15,506)	-	-	-	(205)	(15,711)
At 30 June 2022	79,314	453,151	182,085	52,501	246,810	476,354	1,490,215

The attached notes 1 to 23 form part of these interim condensed consolidated financial statements.

1 CORPORATE INFORMATION AND ACTIVITIES

Al Baraka Group B.S.C., formerly Al Baraka Banking Group B.S.C., (the "Firm" or "ABG") is a Bahrain shareholding company incorporated in the Kingdom of Bahrain on 27 June 2002, under Commercial Registration ("CR") number 48915. The Firm is engaged in investment firm activities in the Middle East, Europe, and African region. The address of the Firm's registered office is Bahrain Bay, P.O. Box 1882, Manama, Kingdom of Bahrain.

ABG was operating under an Islamic wholesale banking license issued by the Central Bank of Bahrain (the "CBB") however on 30 November 2020, the shareholders of ABG resolved in an extra-ordinary meeting to change the license of ABG from Wholesale Banking to “Investment Business Firm - Category 1” which the CBB approved vide its letter dated 22 March 2022. Furthermore, the shareholders also resolved to change the name of ABG from Al Baraka Banking Group B.S.C. to Al Baraka Group B.S.C. The change in the name and the license have been approved and the Firm’s (previously Bank) Commercial Registration is updated with the Ministry of Industry and Commerce to reflect these changes.

The principal activities of the ABG and its subsidiaries (the "Group") comprise of international and commercial banking, financing, treasury and investment activities. The Firm is supervised and regulated by the CBB under its Rule Book Volume 4 - Investment Business and Volume 6 - Capital Markets.

A potential conditional exit offer has been provided by the Group's major shareholder, Dallah Al Baraka Holding Company B.S.C. (c) ("Dallah"), to other ABG's shareholders that are not connected to Dallah. Dallah's direct shareholding in ABG currently stands at 54.75%. This matter was announced by ABG's management on Bahrain Bourse website on 20 July 2023.

The interim condensed consolidated financial statements were approved by the Board of Directors on 9 August 2023.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements have been prepared on a historical cost basis, except for investment in real estate, equity and debt-type instruments through statement of income, equity-type and debt-type instruments through equity and land occupied by the Group (classified as property and equipment) that have been measured at fair value. The interim condensed consolidated financial statements are presented in United States Dollars ("US$") being the functional currency of ABG. All values are rounded to the nearest US$ thousand ("US$ '000") unless otherwise indicated.

Statement of compliance

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

There are no differences between FAS 41 "Interim Financial Reporting" and IAS 34 - Interim Financial Reporting, which was the basis of preparation used for the interim condensed financial statement for the six-month period ended 30 June 2022.

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

New standards, interpretations and amendments adopted by the Group

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

FAS 39 - Financial Reporting for Zakah

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

FAS 41 - Interim Financial Reporting

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

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

New standards, amendments and interpretations issued but not yet effective

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

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

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

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

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

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

FAS 40 - Financial Reporting for Islamic Finance Windows

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

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

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

FAS 43 - Accounting for Takaful: Recognition and Measurement

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

3 CASH AND BALANCES WITH BANKS

	Reviewed 30 June 2023 US$ '000	*Audited 31 December 2022 US$ '000*
Balances with central banks*	**3,231,892**	3,331,927
Balances with other banks	**661,611**	530,747
Cash and cash in transit	**643,054**	534,119
Allowance for expected credit losses	**(363)**	(181)
	4,536,194	4,396,612

* Balances with central banks include mandatory reserves amounting to US$ 2,271,486 thousand (31 December 2022: US$ 2,184,530 thousand). These amounts are not available for use in the Group's day-to-day operations.

4 RECEIVABLES

	Reviewed 30 June 2023 US$ '000	*Audited 31 December 2022 US$ '000*
Sales (Murabaha) receivables	**10,321,229**	10,610,013
Ijarah receivables	**149,211**	136,924
Salam receivables	**286,428**	283,574
Istisna'a receivables	**139,454**	150,365
Allowance for expected credit losses	**(746,638)**	(743,303)
	10,149,684	10,437,573

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and stage classification.

	Reviewed 30 June 2023				*Audited 31 December 2022*
	Stage 1 US$ '000	***Stage 2 US$ '000***	***Stage 3 US$ '000***	***Total US$ '000***	*Total US$ '000*
Good (1-4)	**2,802,513**	**198,487**	**-**	**3,001,000**	2,900,074
Satisfactory (5-7)	**5,919,347**	**1,435,621**	**-**	**7,354,968**	7,744,442
Default (8-10)	**-**	**-**	**540,354**	**540,354**	536,360
Less: allowance for expected credit losses	**(88,226)**	**(279,412)**	**(379,000)**	**(746,638)**	(743,303)
	8,633,634	**1,354,696**	**161,354**	**10,149,684**	10,437,573

4 RECEIVABLES (continued)

The below table shows the movement in allowance for expected credit losses by stage:

	Reviewed For the six month period ended 30 June 2023				Audited For the year ended 31 December 2022
	Stage 1: 12-month ECL US$ '000	Stage 2: Lifetime ECL not credit-impaired US$ '000	Stage 3: Lifetime ECL credit-impaired US$ '000	Total US$ '000	Total US$ '000
Balance at 1 January	**45,453**	**282,885**	**414,965**	**743,303**	860,900
Net movement between stages	**(730)**	**7,225**	**(6,495)**	**-**	-
Net remeasurement of loss allowance	**73,127**	**13,705**	**54,338**	**141,170**	277,880
Recoveries / write-backs	**-**	**-**	**(18,278)**	**(18,278)**	(60,564)
Allocation from / (to) investment risk reserve	**(4,000)**	**(4,613)**	**6,567**	**(2,046)**	11,794
Amounts written off	**-**	**-**	**(41,465)**	**(41,465)**	(263,736)
FX translation	**(25,624)**	**(19,790)**	**(30,632)**	**(76,046)**	(82,971)
	88,226	**279,412**	**379,000**	**746,638**	743,303

5 MUDARABA AND MUSHARAKA FINANCING

	Reviewed 30 June 2023 US$ '000	Audited 31 December 2022 US$ '000
Mudaraba financing	**378,618**	691,226
Musharaka financing	**709,948**	836,032
Allowance for expected credit losses	**(28,679)**	(29,934)
	1,059,887	1,497,324

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and stage classification.

	Reviewed 30 June 2023				Audited 31 December 2022
	Stage 1 US$ '000	Stage 2 US$ '000	Stage 3 US$ '000	Total US$ '000	Total US$ '000
Good (1-4)	**718,270**	**60,302**	**-**	**778,572**	782,563
Satisfactory (5-7)	**167,355**	**91,312**	**-**	**258,667**	691,100
Default (8-10)	**-**	**-**	**51,327**	**51,327**	53,595
Less: allowance for expected credit losses	**(4,004)**	**(3,235)**	**(21,440)**	**(28,679)**	(29,934)
	881,621	**148,379**	**29,887**	**1,059,887**	1,497,324

5 MUDARABA AND MUSHARAKA FINANCING (continued)

The below table shows the movement in allowance for expected credit losses by stage:

	Reviewed For the six month period ended 30 June 2023				Audited For the year ended 31 December 2022
	Stage 1: 12-month ECL US$ '000	Stage 2: Lifetime ECL not credit-impaired US$ '000	Stage 3: Lifetime ECL credit-impaired US$ '000	Total US$ '000	Total US$ '000
Balance at 1 January	**3,457**	**4,474**	**22,003**	**29,934**	34,329
Net movement between stages	**(71)**	**30**	**41**	**-**	-
Net remeasurement of loss allowance	**1,239**	**(377)**	**831**	**1,693**	1,596
Recoveries / write-backs	**-**	**-**	**-**	**-**	(1,134)
Allocation from / (to) investment risk reserve	**(6)**	**25**	**(54)**	**(35)**	(11)
Amounts written off	**-**	**-**	**-**	**-**	-
FX translation	**(615)**	**(917)**	**(1,381)**	**(2,913)**	(4,846)
	4,004	**3,235**	**21,440**	**28,679**	29,934

6 INVESTMENTS

	Reviewed 30 June 2023 US$ '000	Audited 31 December 2022 US$ '000
Equity and debt-type instruments at fair value through statement of income (6.1)	**218,442**	135,926
Equity-type instruments at fair value through equity (6.2)	**528,399**	593,612
Debt-type instruments at amortised cost (6.3)	**4,120,412**	4,274,330
	4,867,253	5,003,868
Investment in real estate (6.4)	**168,397**	172,708
Investment in associates	**57,429**	58,138
	5,093,079	5,234,714

6 INVESTMENTS (continued)

6.1 Equity and debt-type instruments at fair value through statement of income

	Reviewed 30 June 2023 US$ '000	*Audited 31 December 2022 US$ '000*
Quoted investments		
Debt instruments	**50**	67
Equity securities	**168,750**	135,064
Unquoted investments		
Equity securities	**49,642**	795
	218,442	135,926

6.2 Equity-type instruments at fair value through statement of equity

	Reviewed 30 June 2023 US$ '000	*Audited 31 December 2022 US$ '000*
Quoted investments		
Equity securities	**39,701**	43,104
Managed funds	**23,413**	23,523
Sukuk	**398,606**	477,899
	461,720	544,526
Unquoted investments		
Equity securities	**41,336**	35,932
Managed funds	**13,096**	12,257
Sukuk	**18,506**	7,577
	72,938	55,766
Provision for impairment	**(6,259)**	(6,680)
	528,399	593,612

6.3 Debt-type instruments at amortised cost

	Reviewed 30 June 2023 US$ '000	*Audited 31 December 2022 US$ '000*
Quoted investments		
Sukuk and similar items	**2,962,616**	3,404,475
Unquoted investments		
Sukuk and similar items	**1,170,769**	878,567
Allowance for expected credit losses	**(12,973)**	(8,712)
	4,120,412	4,274,330

6 INVESTMENTS (continued)

6.3 Debt-type instruments at amortised cost

Quoted equity type instruments are investments which are fair valued using quoted prices in active markets for identical instruments and unquoted equity type instruments are investments that are fair valued using directly or indirectly observable inputs.

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and stage classification.

	Reviewed 30 June 2023				*Audited 31 December 2022*
	Stage 1 US$ '000	***Stage 2 US$ '000***	***Stage 3 US$ '000***	***Total US$ '000***	*Total US$ '000*
Good (1-4)	**3,552,348**	**-**	**-**	**3,552,348**	3,677,323
Satisfactory (5-7)	**564,347**	**14,125**	**-**	**578,472**	603,154
Default (8-10)	**-**	**-**	**2,565**	**2,565**	2,565
Less: allowance for expected credit losses	**(10,247)**	**(161)**	**(2,565)**	**(12,973)**	(8,712)
	4,106,448	**13,964**	**-**	**4,120,412**	4,274,330

The below table shows the movement in allowance for expected credit losses by stage:

	Reviewed For the six month period ended 30 June 2023				*Audited For the year ended 31 December 2022*
	Stage 1: 12-month ECL US$ '000	***Stage 2: Lifetime ECL not credit-impaired US$ '000***	***Stage 3: Lifetime ECL credit-impaired US$ '000***	***Total US$ '000***	*Total US$ '000*
Balance at 1 January	**5,872**	**275**	**2,565**	**8,712**	7,568
Net remeasurement of loss allowance	**5,523**	**61**	**-**	**5,584**	3,094
Allocation (to) / from investment risk reserve	**(54)**	**(175)**	**-**	**(229)**	221
FX translation	**(1,094)**	**-**	**-**	**(1,094)**	(2,171)
	10,247	**161**	**2,565**	**12,973**	8,712

6.4 Investment in real estate

	Reviewed 30 June 2023 US$ '000	*Audited 31 December 2022 US$ '000*
Land	**93,155**	97,437
Buildings	**75,242**	75,271
	168,397	172,708

6 INVESTMENTS (continued)

6.4 Investment in real estate (continued)

The following is a reconciliation between the carrying amounts of investment in real estate at the beginning and end of the period / year:

	Reviewed 30 June 2023 US$ '000	*Audited 31 December 2022 US$ '000*
Beginning balance of the period / year	**172,708**	186,767
Acquisition	**933**	3,106
Net gain from fair value adjustments	**-**	190
Disposal	**(5,157)**	(15,269)
Foreign exchange translation - net	**(87)**	(2,086)
	(4,311)	(14,059)
	168,397	172,708

7 IJARAH MUNTAHIA BITTAMLEEK

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and stage classification.

	Reviewed 30 June 2023				*Audited 31 December 2022*
	Stage 1 US$ '000	***Stage 2 US$ '000***	***Stage 3 US$ '000***	***Total US$ '000***	*Total US$ '000*
Good (1-4)	**721,738**	**8,140**	**-**	**729,878**	812,654
Satisfactory (5-7)	**1,483,203**	**223,757**	**-**	**1,706,960**	1,433,945
Default (8-10)	**-**	**-**	**7**	**7**	11
Less: allowance for expected credit losses	**(2,203)**	**(10,881)**	**-**	**(13,084)**	(13,254)
	2,202,738	**221,016**	**7**	**2,423,761**	2,233,356

7 IJARAH MUNTAHIA BITTAMLEEK (continued)

The below table shows the movement in allowance for expected credit losses by stage:

	Reviewed For the six month period ended 30 June 2023				*Audited For the year ended 2022*
	Stage 1: 12-month ECL US$ '000	***Stage 2: Lifetime ECL not credit-impaired US$ '000***	***Stage 3: Lifetime ECL credit-impaired US$ '000***	***Total US$ '000***	*Total US$ '000*
Balance at 1 January	**1,926**	**11,326**	**2**	**13,254**	12,988
Net movement between stages	**2**	**-**	**(2)**	**-**	-
Net remeasurement of loss allowance	**317**	**(568)**	**-**	**(251)**	269
Allocation from investment risk reserve	**-**	**-**	**-**	**-**	53
FX translation	**(42)**	**123**	**-**	**81**	(56)
	2,203	**10,881**	**-**	**13,084**	13,254

8 OTHER ASSETS

	Reviewed 30 June 2023 US$ '000	*Audited 31 December 2022 US$ '000*
Bills receivable	**201,407**	262,124
Goodwill and intangible assets	**69,378**	73,461
Collateral pending sale*	**147,830**	149,857
Good faith qard	**47,466**	59,153
Deferred taxation	**66,016**	88,219
Prepayments	**65,361**	29,237
Assets held for sale	**39,978**	39,978
Others	**25,958**	51,233
	663,394	753,262
Allowance for expected credit losses	**(28,770)**	(32,479)
	634,624	720,783

* The nature of the collateral pending sale are mainly residential and commercial real estates.

9 LONG TERM FINANCING

	Reviewed 30 June 2023 US$ '000	*Audited 31 December 2022 US$ '000*
Murabaha financing	**124,040**	23,491
Subordinated financing obtained by a subsidiaries	**342,118**	284,546
	466,158	308,037

10 OTHER LIABILITIES

	Reviewed 30 June 2023 US$ '000	*Audited 31 December 2022 US$ '000*
Payables	**445,648**	310,059
Cash margins	**333,821**	235,099
Managers' cheques	**98,233**	69,807
Current taxation	**56,372**	119,287
Deferred taxation	**14,074**	13,416
Accrued expenses	**78,131**	92,729
Charity fund	**17,410**	20,389
Net Ijarah liability	**52,824**	52,562
Liabilities held for sale	**39,978**	39,978
Others	**132,859**	135,481
Allowance for expected credit losses	**61,803**	62,871
	1,331,153	1,151,678

11 EQUITY OF INVESTMENT ACCOUNTHOLDERS

	Reviewed 30 June 2023 US$ '000	*Audited 31 December 2022 US$ '000*
Equity of investment accountholders	**13,161,817**	13,966,177
Profit equalisation reserve (note 11.1)	**62,791**	66,501
Investment risk reserve (note 11.2)	**106,917**	98,768
Cumulative changes in fair value attributable to equity of investment accountholders - net (note 11.3)	**(1,353)**	1,382
	13,330,172	14,132,828

Medium term Sukuk

This includes unsecured, sub-ordinated and privately placed unrestricted mudaraba sukuk amounting to US$ 12,204 thousand (31 December 2022: US$ 15,600 thousand) issued by Al Baraka Bank (Pakistan) Limited (ABPL) during 2014 and 2021 and will mature in 2024 and 2031 respectively. The issuance of sukuk is intended to comply with regulatory requirements related to capital adequacy ratio of ABPL. The principal repayment, started after six months of the drawdown date and is being made semi-annually on a straight line basis.

11 EQUITY OF INVESTMENT ACCOUNTHOLDERS (continued)

The following table summarises the breakdown of IAH as of:

	Reviewed 30 June 2023 US$ '000	*Audited 31 December 2022 US$ '000*
IAH - Financial institutions	**473,169**	670,694
IAH - Non-financial institutions and individuals	**12,857,003**	13,462,134
	13,330,172	14,132,828

11.1 Profit equalisation reserve

The following shows the movement in profit equalisation reserve:

	Reviewed 30 June 2023 US$ '000	*Audited 31 December 2022 US$ '000*
Balance at 1 January	**66,501**	3,152
Amount apportioned from income allocable to equity of investment accountholders	**19,668**	73,409
Amount used during the period / year	**(616)**	1,674
Foreign exchange translations	**(22,762)**	(11,734)
Balance at period / year	**62,791**	66,501

The Group has apportioned an amount related to its operations in Turkey during the period. This amount also considers the fact that AAOIFI does not currently has a standard for hyperinflation accounting.

11 EQUITY OF INVESTMENT ACCOUNTHOLDERS (continued)

11.2 Investment risk reserve

The following shows the movement in investment risk reserve:

	Reviewed 30 June 2023 US$ '000	*Audited 31 December 2022 US$ '000*
Balance at 1 January	**98,768**	62,005
Amount appropriated to provision	**(4,392)**	(12,056)
Amount apportioned from income allocable to equity of investment accountholders	**23,406**	51,259
Foreign exchange translations	**(10,865)**	(2,440)
Balance at period / year	**106,917**	98,768

The economic environment in Turkey was considered hyperinflationary. Unlike IFRS which issued IAS 29 'Financial Reporting in Hyperinflationary Environment' to consider the impact on hyperinflation, the AAOIFI standards do not have similar requirements and are still under consideration of the AAOIFI Board. IAS 29 requires financial statements that are prepared in the currency of a hyper-inflationary economy to be stated in terms of the purchasing power at the end of the reporting period. This is because money loses purchasing power at such a rate that comparison of amounts from transactions and other events that have occurred at different times, even within the same accounting period, are likely to be misleading without this impact

As a result of the impact hyperinflation may have on the Group's consolidated financial position and performance results and its implication on the purchasing power on the return on investments for participants, the Group appropriated amounts to the PER and IRR respectively. The PER and IRR may be utilized to absorb the negative impact of hyperinflation in Turkey, which has not been recognized in these interim condensed financial statements.

11.3 Cumulative changes in fair value attributable to equity of investment accountholders

	Reviewed 30 June 2023 US$ '000	*Audited 31 December 2022 US$ '000*
Balance at 1 January	**1,382**	2,183
Change in fair values during the period / year	**(303)**	613
Realised gain transferred to consolidated statement of income	**(2,569)**	(1,466)
Deferred taxation effect	**131**	58
Transfer to shareholders' equity	**6**	(6)
Balance at period end / year end	**(1,353)**	1,382
Attributable to investment in real estate	**2,356**	2,897
Attributable to equity-type instruments at fair value through equity	**(3,709)**	(1,515)
	(1,353)	1,382

12 COMMITMENTS AND CONTINGENCIES

	Reviewed 30 June 2023 US$ '000	*Audited 31 December 2022 US$ '000*
Letters of credit	**589,138**	630,421
Guarantees	**1,308,900**	1,496,283
Acceptances	**43,797**	56,076
Undrawn commitments	**1,066,658**	857,095
Sharia'a compliant promise contracts	**588,471**	252,006
	3,596,964	3,291,881

13 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share amounts are calculated by dividing net income for the period attributable to equity holders of the parent by the number of shares outstanding during the period as follows:

	Three months ended		*Six months ended*	
	30 June 2023 US$ '000	*30 June 2022 US$ '000*	***30 June 2023 US$ '000***	*30 June 2022 US$ '000*
Net income attributable to the equity holders of the parent for the period - US$ '000	**47,335**	45,106	**88,769**	84,638
Less: Profit distributed on perpetual tier 1 capital	**(17,550)**	(15,750)	**(17,550)**	(15,750)
Net income attributable to the shareholders	**29,785**	29,356	**71,219**	68,888
Weighted number of shares outstanding without the effect of treasury shares (in thousands	**1,242,879**	1,242,879	**1,242,879**	1,242,879
Treasury shares effect (in thousands)	**(30,132)**	(30,185)	**(30,132)**	(29,999)
Weighted number of shares outstanding (in thousands)	**1,212,747**	1,212,694	**1,212,747**	1,212,880
Basic and diluted earnings per share - US cents	**2.46**	2.42	**5.87**	5.68

14 EQUITY

	Reviewed 30 June 2023 US$ '000	*Audited 31 December 2022 US$ '000*
Share capital		
Authorised:		
Ordinary shares 2,500,000,000 (2022: 2,500,000,000) of US$ 1 each	**2,500,000**	2,500,000
Issued and fully paid up:		
1,242,879,755 (2022: 1,242,879,755) shares of US$1 each	**1,242,879**	1,242,879

14 EQUITY (continued)

Foreign currency translation reserve

The foreign currency reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

The following table summarises the subsidiary wise and the direct associate foreign currency translation (gain) / loss balance.

Component	***Currency***	***Reviewed 30 June 2023 US$ '000***	*Audited 31 December 2022 US$ '000*
Banque Al Baraka D'Algerie	Algerian Dinar	**71,049**	72,806
Al Baraka Bank (Pakistan) Limited	Pakistani Rupees	**58,251**	49,345
Al Baraka Bank Egypt	Egyptian Pound	**284,603**	237,882
Al Baraka Turk Participation Bank*	Turkish Lira	**561,421**	514,209
Al Baraka Bank Limited	South African Rand	**28,449**	25,057
Al Baraka Bank Sudan	Sudanese Pound	**134,843**	134,216
Al Baraka Bank Tunis	Tunisian Dinar	**37,317**	37,915
Al Baraka Bank Syria	Syrian Pound	**64,897**	57,001
Others		**(780)**	(780)
		1,240,050	1,127,651

*Refer to note 21 for further details.

15 OTHER OPERATING INCOME

	Six months ended	
	30 June 2023 US$ '000	*30 June 2022 US$ '000*
Foreign exchange gain	**83,014**	55,562
Gain on sale of property and equipment	**5,041**	6,776
	88,055	62,338

16 NET ALLOWANCE FOR EXPECTED CREDIT LOSSES / IMPAIRMENT

	Six months ended	
	30 June 2023 US$ '000	*30 June 2022 US$ '000*
Cash and balances with banks	**217**	81
Receivables	**122,892**	196,746
Mudaraba and Musharaka financing	**1,693**	2,751
Ijarah Muntahia Bittamleek	**(251)**	(970)
Investments	**4,024**	2,240
Other assets	**(3,534)**	838
Other liabilities	**890**	4,392
	125,931	206,078

17 RELATED PARTY TRANSACTIONS AND BALANCES

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

The income and expenses in respect of transactions with related parties were as follows:

	Associated companies US$ '000	Major shareholders US$ '000	Directors and key management personnel US$ '000	Other related parties US$ '000	Six months ended 30 June 2023 US$ '000	Six months ended 30 June 2022 US$ '000
Net income from jointly financed contracts and investments	**877**	**-**	**43**	**-**	**920**	683
Return on equity of investment accountholders	**415**	**-**	**48**	**-**	**463**	1,202
Fees and commission income	**38**	**-**	**1**	**-**	**39**	175

The significant balances with related parties were as follows:

	Associated companies US$ '000	Major shareholders US$ '000	Directors and key management personnel US$ '000	Other related parties US$ '000	Reviewed 30 June 2023 US$ '000	Audited 31 December 2022 US$ '000
Assets						
Receivables	**1,728**	**-**	**-**	**-**	**1,728**	2,858
Mudaraba and Musharaka financing	**-**	**-**	**-**	**-**	**-**	1,370
Investments	**62,188**	**-**	**-**	**-**	**62,188**	64,904
Other assets	**9,304**	**-**	**397**	**-**	**9,701**	9,666
Liabilities						
Customer current and other accounts	**60,444**	**1,532**	**587**	**2**	**62,565**	76,615
Other liabilities	**19**	**-**	**-**	**-**	**19**	383
Equity of investment accountholders	**39,464**	**10,076**	**16,141**	**18**	**65,699**	35,119
Off-balance sheet equity of investment accountholders	**132,260**	**8,898**	**1,763**	**-**	**142,921**	134,050

18 SEGMENTAL INFORMATION

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

For financial reporting purposes, the Group is divided into the following geographic segments:

Middle East
North Africa
Europe
Others

The results reported for the geographic segments are based on the Group's internal financial reporting systems. The accounting policies of the segments are the same as those applied in the preparation of the Group's interim condensed consolidated financial statements as set out in note 2. Transactions between segments are conducted at mutually agreed terms.

Segment assets, liabilities and equity of investment accountholders are as follows:

	Reviewed 30 June 2023			*Audited 31 December 2022*		
	Assets US$ '000	***Liabilities US$ '000***	***Equity of investment accountholders US$ '000***	*Assets US$ '000*	*Liabilities US$ '000*	*Equity of investment accountholders US$ '000*
Segment						
Middle East	**12,934,899**	**3,305,954**	**8,360,198**	12,999,079	3,002,644	8,719,950
North Africa	**2,821,442**	**1,530,836**	**1,023,198**	2,627,922	1,348,227	994,496
Europe	**7,125,901**	**3,845,266**	**3,038,837**	7,647,797	4,051,269	3,337,415
Others	**1,479,591**	**463,165**	**907,939**	1,707,036	480,095	1,080,967
	24,361,833	**9,145,221**	**13,330,172**	24,981,834	8,882,235	14,132,828

Segment operating income, net income before ECL, impairment and tax and net income were as follows:

	Six months ended 30 June 2023			*Six months ended 30 June 2022*		
	Total operating income US$ '000	***Net income before ECL, impairment and tax US$ '000***	***Net income US$ '000***	*Total operating income US$ '000*	*Net income before ECL, impairment and tax US$ '000*	*Net income US$ '000*
Segment						
Middle East	**230,644**	**108,539**	**61,086**	280,720	148,735	76,471
North Africa	**51,827**	**15,492**	**9,969**	50,155	17,428	12,400
Europe	**301,832**	**213,564**	**106,358**	285,289	220,992	33,719
Others	**46,920**	**21,207**	**(7,458)**	52,940	22,636	14,888
	631,223	**358,802**	**169,955**	669,104	409,791	137,478

19 CASH AND CASH EQUIVALENTS

	Six months ended	
	30 June 2023 US$ '000	*30 June 2022 US$ '000*
Balances with central banks excluding mandatory reserve	**960,406**	1,373,406
Balances with other banks	**661,611**	731,828
Cash and cash in transit	**643,054**	659,518
	2,265,071	2,764,752

20 FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2022.

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on regular basis. Each of the Group's subsidiaries has a documented and implemented domestic and foreign currency liquidity policy appropriate to the nature and complexity of its business. The policy addresses the subsidiaries' goal of protecting financial strength even for stressful events.

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

Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk.

Russia-Ukraine Conflict

The current ongoing conflict between Russia-Ukraine has impacted the global economy through increased volatility in financial markets and commodity prices. The conflict may affect a broad range of entities across different jurisdictions and industries. Management will continue to closely monitor and assess any direct or indirect impact on its portfolio.

21 Classification of Turkey as a hyperinflationary economy

The Accounting Board (AAB) of Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) held its 29th meeting on 25-26 September 2022. During the meeting, AAB considered the recent developments in certain countries that may indicate hyperinflation in those economies. AAB deliberated in detail the resultant Shariah issues in financial reporting in such economies by the Islamic financial institutions (IFIs).

After due deliberations, and considering the views of the AAOIFI Shari’ah Board’s relevant committee on the subject, AAB concluded that the application of the generally accepted accounting principles for hyperinflation is not deemed aligned with the AAOIFI Financial Accounting Standards (FASs).

AAB further decided to develop, on priority basis, a dedicated FAS on accounting and financial reporting by IFIs in hyperinflationary economies, duly aligned with the AAOIFI Conceptual Framework for Financial Reporting and related Shari’ah Guidance. AAB advised the IFIs which have adopted AAOIFI FASs as reporting framework to continue preparing and presenting their financial statements without considering the effect of hyperinflation, till the time AAOIFI issues FAS on hyperinflation.

The AAB held meetings on 22 May 2023 and 23 May 2023 during which they issued an exposure draft of financial accounting standard “Financial Reporting for Institutions Operating in Hyperinflationary Economies” and discussed a host of other agenda items. At this stage, with the issuance of the exposure draft, the public views will be sought and obtained by means of a series of public hearing sessions in the foreseen future.

22 Prior year restatement

Deconsolidation of an investee

The Group holds directly and indirectly 29% of the ordinary share capital of Al Baraka Bank Syria ("ABS" or the "investee"). The Group entered into a management agreement [the "management agreement"] with ABS and provides ABS with technical and management support.

Given the management agreement, the Group concluded it controlled ABS and consequently consolidated ABS within the Group's financial statements.

During the quarter ended 30 June 2022, the Group re-assessed its relationship with ABS in terms of the requirements of FAS 23 - Consolidation. Based on the reassessment, management determined the following:

- The key decisions to direct the financial and operating activities of ABS are made by the Board of Directors and not by decisions provided to the Group in the management agreement.
- The management agreement does not convey power to the Group and is renewable each year by the Board of Directors. Furthermore, the decisions in management agreements are as directed by the Board of Directors and may be changed by the Board of Directors.
- Determination of who has the ability to appoint and remove the majority of the Board of Directors would determine the party which has the ability to direct the financial and operating policies of ABS.
- Pursuant to the constitutional documents, the Board of Directors consists of nine members who are elected by a majority decision of the shareholders. The Group currently only holds 29% of the voting rights and does not have the majority of the voting rights. Furthermore, the Group does not have de facto power considering the voting rights of other shareholders.

As such, the Group does not have the ability to appoint and remove the majority of the Board of Directors, and as a result does not have the power to direct the financial and operating activities of ABS.

Based on the re-assessment, management has concluded that the Group does not have the unanimous ability to direct the financial and operating policies of ABS and consequently the Group concluded that it does not have control over the investee.

Statement of changes in equity

	Oringinally reported 1 January 2022	Adjustments	Restated 1 January 2022
Cumulative changes in fair value of property and equipment	46,929	(1,668)	45,261
Foreign currency translation reserve	(940,728)	-	(940,728)
Retained earnings	430,312	(27,438)	402,874
Total equity attributable to parent's shareholders and Sukuk holders	1,387,370	(29,106)	1,358,264
Non-controlling interest	670,757	(28,433)	642,324
Total equity	2,058,127	(57,539)	2,000,588

23 Subsequent events

During December 2022, ABG agreed in principle with Bank of Africa, through the signing of a sale and purchase agreement for sale of ABG's stake in BTI Morocco. The transaction was approved by ABG's Board of Directors in December 2022. The transaction was then still subject to various legal and regulatory formalities that were expected to be completed in the year 2023. As a result, the investment in BTI was classified as assets and liabilities held for sale.

On 27 July 2023, the Group announced the completion of exiting from Bank Al-Tamweel wal Al-Inma S.A (BTI) in Morocco,currently named Bank Al Karam after receiving the required approvals from the Central Bank of Bahrain (CBB) and Bank Al-Maghrib. There has been no gain or loss upon the completion of exiting BTI.

Consolidated
Financial Statements
For the year ended 31 December 2022

Consolidated statement of financial position

At 31 December 2022

	Notes	2022 US$ '000	31 December 2021 US$ '000 (restated - note 32)	1 January 2021 US$ '000 (restated - note 32)
ASSETS				
Cash and balances with banks	3	**4,396,612**	5,681,353	5,156,577
Receivables	4	**10,437,573**	10,975,647	11,937,952
Mudaraba and Musharaka financing	5	**1,497,324**	3,493,107	2,698,516
Investments	6	**5,234,714**	4,495,469	5,098,597
Ijarah Muntahia Bittamleek	7	**2,233,356**	2,018,800	1,747,627
Property and equipment	8	**461,472**	524,111	468,919
Other assets	9	**720,783**	604,888	759,466
TOTAL ASSETS		**24,981,834**	27,793,375	27,867,654
LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY				
LIABILITIES				
Customer current and other accounts		**6,451,061**	7,579,275	7,344,227
Due to banks		**971,459**	1,253,451	1,600,555
Long term financing	10	**308,037**	286,833	319,364
Other liabilities	11	**1,151,678**	1,114,895	1,270,981
TOTAL LIABILITIES		**8,882,235**	10,234,454	10,535,127
EQUITY OF INVESTMENT ACCOUNTHOLDERS				
Financial institutions		**670,694**	744,793	538,321
Non-financial institutions and individuals		**13,462,134**	14,813,540	14,624,227
TOTAL EQUITY OF INVESTMENT ACCOUNTHOLDERS	12	**14,132,828**	15,558,333	15,162,548
EQUITY				
Share capital	13	**1,242,879**	1,242,879	1,242,879
Treasury shares	13	**(15,000)**	(15,655)	(17,462)
Share premium		**16,059**	16,619	18,084
Reserves		**208,363**	196,539	183,121
Cumulative changes in fair values		**55,006**	55,736	32,940
Foreign currency translations	13	**(1,127,651)**	(940,728)	(800,489)
Retained earnings		**483,571**	402,874	350,296
EQUITY ATTRIBUTABLE TO PARENT'S SHAREHOLDERS		**863,227**	958,264	1,009,369
Sukuk (Tier 1 Capital)	14	**400,000**	400,000	400,000
EQUITY ATTRIBUTABLE TO PARENT'S SHAREHOLDERS AND SUKUK (TIER 1 CAPITAL) HOLDERS		**1,263,227**	1,358,264	1,409,369
Non-controlling interest		**703,544**	642,324	760,610
TOTAL EQUITY		**1,966,771**	2,000,588	2,169,979
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND EQUITY		**24,981,834**	27,793,375	27,867,654

Abdullah Saleh Kamel
Chairman

Houssem Ben Haj Amor
Board member and Group Chief Executive Officer

The attached notes 1 to 33 form part of these consolidated financial statements.

Consolidated statement of income

For the year ended 31 December 2022

	Notes	2022 US$ '000	31 December 2021 US$ '000 (restated - note 32)
INCOME			
Net income from jointly financed contracts and investments	15	1,408,471	1,301,626
Return on equity of investment accountholders before Group's share as a Mudarib		(1,310,448)	(1,069,616)
Group's share as a Mudarib	16	337,894	363,856
Return on equity of investment accountholders		(972,554)	(705,760)
Group's share of income from Equity of Investment accountholders (as a Mudarib and Rabalmal)		435,917	595,866
Mudarib share for managing off-balance sheet Equity of Investment Accountholders		17,755	12,122
Net income from self financed contracts and investments	15	402,980	162,503
Other fees and commission income	17	170,318	163,692
Other operating income	18	144,573	91,665
		1,171,543	1,025,848
Profit paid on long term financing	19	(32,811)	(33,031)
TOTAL OPERATING INCOME		1,138,732	992,817
OPERATING EXPENSES			
Staff expenses		285,301	280,422
Depreciation and amortisation	20	50,587	58,272
Other operating expenses	21	186,167	185,197
TOTAL OPERATING EXPENSES		522,055	523,891
NET OPERATING INCOME FOR THE YEAR BEFORE NET ALLOWANCE FOR CREDIT LOSSES / IMPAIRMENT AND TAXATION		616,677	468,926
Net allowance for credit losses / impairment	23	(239,635)	(249,099)
NET INCOME BEFORE TAXATION		377,042	219,827
Taxation		(137,588)	(62,713)
NET INCOME FOR THE YEAR		239,454	157,114
Attributable to:			
Equity holders of the parent		143,116	94,105
Non-controlling interest		96,338	63,009
		239,454	157,114
Basic and diluted earnings per share - US cents	24	9.06	5.17

Abdullah Saleh Kamel
Chairman

Houssem Ben Haj Amor
Board member and Group Chief Executive Officer

The attached notes 1 to 33 form part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2022

	Notes	2022 US$ '000	31 December 2021 US$ '000 (restated - note 32)
OPERATING ACTIVITIES			
Net income before taxation		377,042	219,827
Adjustments for:			
Depreciation and amortisation	20	50,587	58,272
Depreciation on Ijarah Muntahia Bittamleek	15.4	188,970	133,349
Unrealised gain on equity and debt-type instruments at fair value through statement of income	15.3	(131,650)	(15,319)
Gain on sale of property and equipment	18	(10,446)	(19,017)
Gain on sale of investment in real estate	15.3	(4,597)	(3,266)
Gain on sale of equity type instruments at fair value through equity	15.3	(108)	(2,400)
Gain on sale of equity and debt-type instruments at fair value through statement of income	15.3	(391)	(1,751)
Income from associates	15.3	(17,371)	(15,583)
Net allowance for credit losses		239,635	249,099
Operating profit before changes in operating assets and liabilities		691,671	603,211
Net changes in operating assets and liabilities:			
Reserves with central banks		790,758	(411,963)
Receivables		320,758	678,720
Mudaraba and Musharaka financing		1,995,322	(899,705)
Ijarah Muntahia Bittamleek		(403,797)	(394,757)
Other assets		(85,475)	154,634
Customer current and other accounts		(1,128,217)	236,225
Due to banks		(281,992)	(260,496)
Other liabilities		(7,576)	(180,663)
Equity of investment accountholders		(1,423,828)	398,755
Taxation paid		(106,512)	(62,198)
Net cash from / (used in) operating activities		361,112	(138,237)
INVESTING ACTIVITIES			
Net sale/ (purchase) of investments		(616,197)	617,137
Net purchase of property and equipment		34,107	(64,590)
Dividends received from associates		4,152	5,332
Disposal of investment in associate		(28,754)	7,075
Net cash (used in) / from investing activities		(606,692)	564,954
FINANCING ACTIVITIES			
Long term financing		21,204	(32,531)
Net movement in treasury shares		95	(363)
Profit distributed on perpetual tier 1 capital		(33,300)	(31,500)
Movement related to subsidiaries' tier 1 capital		(5,244)	5,706
Net changes in non-controlling interest		66,758	105,535
Net cash from financing activities		49,513	46,847
Foreign currency translation adjustments		(297,784)	(304,656)
NET CHANGES IN CASH AND CASH EQUIVALENTS		(493,851)	168,908
Cash and cash equivalents at 1 January		2,706,114	2,537,206
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	25	2,212,263	2,706,114

The attached notes 1 to 33 form part of these consolidated financial statements.

Consolidated statement of changes in owners' equity

For the year ended 31 December 2022

	Attributable to equity holders of the parent												
				Reserves									
	Share capital	Treasury shares	Share premium	Statutory reserve	Other reserves	Cumulative changes in fair value of investments	Cumulative changes in fair value of property and equipment	Foreign currency translations reserve	Retained earnings	Total	Perpetual tier 1 capital	Non-controlling interest	Total equity
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
1 January 2022	1,242,879	(15,655)	16,619	194,051	2,488	10,475	46,929	(940,728)	430,312	987,370	400,000	670,757	2,058,127
Restatement (note 32)	-	-	-	-	-	-	(1,668)	-	(27,438)	(29,106)	-	(28,433)	(57,539)
Restated Balance as of 1 January 2022	1,242,879	(15,655)	16,619	194,051	2,488	10,475	45,261	(940,728)	402,874	958,264	400,000	642,324	2,000,588
Movement in treasury shares	-	655	(560)	-	-	-	-	-	-	95	-	-	95
Net movement in cumulative change in fair value for investments	-	-	-	-	-	(591)	-	-	-	(591)	-	(585)	(1,176)
Net movement in other reserves	-	-	-	-	(2,488)	-	-	-	-	(2,488)	-	(11,077)	(13,565)
Foreign currency translation	-	-	-	-	-	-	-	(186,693)	-	(186,693)	-	(111,091)	(297,784)
Net income for the year	-	-	-	-	-	-	-	-	143,116	143,116	-	96,338	239,454
Transfer to statutory reserve (note 13)	-	-	-	14,312	-	-	-	-	(14,312)	-	-	-	-
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(32,149)	(32,149)
Zakah paid on behalf of shareholders (note 13)	-	-	-	-	-	-	-	-	(347)	(347)	-	-	(347)
Profit distributed on perpetual tier 1 capital	-	-	-	-	-	-	-	-	(33,300)	(33,300)	-	-	(33,300)
Movement related to subsidiaries' tier 1 capital	-	-	-	-	-	-	-	-	(5,244)	(5,244)	-	(11,256)	(16,500)
Effect of change in ownership	-	-	-	-	-	(139)	-	(230)	(9,216)	(9,585)	-	40,546	30,961
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	90,494	90,494
Balance at 31 December 2022	**1,242,879**	**(15,000)**	**16,059**	**208,363**	**-**	**9,745**	**45,261**	**(1,127,651)**	**483,571**	**863,227**	**400,000**	**703,544**	**1,966,771**

The attached notes 1 to 33 form part of these consolidated financial statements.

Consolidated statement of changes in owners' equity

For the year ended 31 December 2022

	Equity attributable to parent's shareholders and Sukuk holders												
				Reserves									
	Share capital	Treasury shares	Share premium	Statutory reserve	Other reserves	Cumulative changes in fair value of investments	Cumulative changes in fair value of property and equipment	Foreign currency translations reserve	Retained earnings	Total	Perpetual tier 1 capital	Non-controlling interest	Total equity
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
1 Janauary 2021	1,242,879	(17,462)	18,084	182,776	345	8,786	24,154	(800,489)	364,496	1,023,569	400,000	798,825	2,222,394
Restatement (note 22)	-	-	-	-	-	-	-	-	(14,200)	(14,200)	-	(38,215)	(52,415)
Restated Balance as of 1 January 2021	**1,242,879**	**(17,462)**	**18,084**	**182,776**	**345**	**8,786**	**24,154**	**(800,489)**	**350,296**	**1,009,369**	**400,000**	**760,610**	**2,169,979**
Movement in treasury shares	-	1,807	(1,465)	-	-	-	-	-	(705)	(363)	-	-	(363)
Net movement in cumulative change in fair values	-	-	-	-	-	1,688	21,108	-	-	22,796	-	7,698	30,494
Net movement in other reserves	-	-	-	-	2,143	-	-	-	-	2,143	-	1,640	3,783
Foreign currency translation	-	-	-	-	-	-	-	(150,317)	-	(150,317)	-	(154,339)	(304,656)
Net income for the year	-	-	-	-	-	-	-	-	94,105	94,105	-	63,009	157,114
Transfer to statutory reserve (note 13)	-	-	-	11,275	-	-	-	-	(11,275)	-	-	-	-
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(18,196)	(18,196)
Zakah paid on behalf of shareholders (note 13)	-	-	-	-	-	-	-	-	(1,015)	(1,015)	-	-	(1,015)
Profit distributed on perpetual tier 1 capital	-	-	-	-	-	-	-	-	(31,500)	(31,500)	-	-	(31,500)
Movement related to subsidiaries' tier 1 capital	-	-	-	-	-	-	-	-	5,706	5,706	-	(12,706)	(7,000)
Effect of change in ownership	-	-	-	-	-	-	-	10,078	(2,738)	7,340	-	-	7,340
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(5,392)	(5,392)
Balance at 31 December 2021 (restated)	**1,242,879**	**(15,655)**	**16,619**	**194,051**	**2,488**	**10,474**	**45,262**	**(940,728)**	**402,874**	**958,264**	**400,000**	**642,324**	**2,000,588**

The attached notes 1 to 33 form part of these consolidated financial statements.

Consolidated statement of changes in off-balance sheet equity of investment accountholders

For the year ended 31 December 2022

	Cash US$ '000	Sales receivables US$ '000	Mudaraba financing US$ '000	Investment in real estate US$ '000	Ijarah Muntahia Bittamleek US$ '000	Investments US$ '000	Total US$ '000
Balance at 1 January 2022	67,715	456,222	85,846	53,319	219,412	245,189	1,127,703
Deposits	367,957	255,273	157,142	148	74,567	299,250	1,154,337
Withdrawals	(383,905)	(177,117)	(53,174)	(7,297)	(51,088)	(88,765)	(761,346)
Income net of expenses	-	10,789	3,890	2,076	-	26,613	43,368
Mudarib's share	-	(13,038)	(4,378)	-	(331)	(8)	(17,755)
Foreign exchange translations	-	(12,404)	-	-	-	(216)	(12,620)
Balance at 31 December 2022	**51,767**	**519,725**	**189,326**	**48,246**	**242,560**	**482,063**	**1,533,687**
Balance at 1 January 2021	72,556	569,572	503,823	48,099	160,352	227,508	1,581,910
Transfer on adoption of FAS 31	-	(15,001)	(68,433)	-	-	-	(83,434)
Deposits	96,945	216,628	24,708	4,689	65,447	38,574	446,991
Withdrawals	(101,786)	(317,961)	(377,269)	(389)	(19,000)	(28,893)	(845,298)
Income net of expenses	-	35,558	3,017	940	12,831	16,964	69,310
Mudarib's share	-	(11,876)	-	(20)	(218)	(8)	(12,122)
Foreign exchange translations	-	(20,698)	-	-	-	(8,956)	(29,654)
Balance at 31 December 2021	67,715	456,222	85,846	53,319	219,412	245,189	1,127,703

The attached notes 1 to 33 form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

at 31 December 2022

1 CORPORATE INFORMATION AND ACTIVITIES

Al Baraka Group B.S.C., formerly Al Baraka Banking Group B.S.C., (the "Firm" or "ABG") is a Bahrain shareholding company incorporated in the Kingdom of Bahrain on 27 June 2002, under Commercial Registration ("CR") number 48915 - 1. The Firm is engaged in investment firm activities in the Middle East, Europe, and African region. The address of the Firm's registered office is Bahrain Bay, P.O. Box 1882, Manama, Kingdom of Bahrain. During the year, ABG has been deslisted from NASDAQ Dubai.

ABG was operating under an Islamic wholesale banking license issued by the Central Bank of Bahrain (the "CBB") however on 30 November 2020, the shareholders of ABG resolved in an extra-ordinary meeting to change the license of ABG from Wholesale Banking to "Investment Business Firm - Category 1" which the CBB approved vide its letter dated 22 March 2022. Furthermore, the shareholders also resolved to change the name of ABG from Al Baraka Banking Group B.S.C. to Al Baraka Group B.S.C.. The change in the name and the license have been approved and the Firm's (previously Bank) Commercial Registration is updated with the Ministry of Industry and Commerce to reflect these changes.

The principal activities of the ABG and its subsidiaries (the "Group") comprise of international and commercial banking, financing, treasury and investment activities. The Firm is supervised and regulated by the CBB under its Rule Book Volume 4 - Investment Business and Volume 6 - Capital Markets.

The consolidated financial statements were approved by the Board of Directors on 20 February 2023.

2 ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for investment in real estate, equity and debt-type instruments through statement of income, equity-type and debt-type instruments through equity and land occupied by the Group (classified as property and equipment) that have been measured at fair value. The consolidated financial statements are presented in United States Dollars ("US$") being the functional currency of ABG. All values are rounded to the nearest US$ thousand ("US$ '000") unless otherwise indicated.

Statement of compliance

The consolidated financial statements of the Group are prepared in accordance with applicable rules and regulations issued by the Central Bank of Bahrain ("CBB"). These rules and regulations require the adoption of all Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation of Islamic Financial Institutions (AAOIFI). In accordance with the AAOIFI framework, for matters not covered by FAS, the Group uses the requirements of the relevant International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). This framework is referred to as "FAS issued by AAOIFI".

Regulatory compliance

The CBB, sets and monitors ABG's capital requirements at Head Office level, while ABG's banking subsidiaries are directly regulated by their local banking supervisors, which set and monitor their capital adequacy requirements.

The CBB requires each Bahrain-based Investment company under Category 1 of Volume 4 to maintain a minimum capital of BHD 1.0 million and minimum capital adequacy ratio not lower than 110%.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Firm and its subsidiaries as at and for the year ended 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting year as the Firm, using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that control ceases. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Non-controlling interest in a subsidiary's net assets is reported as a separate item in the Group's owners' equity. In the consolidated statement of income, non-controlling interest is included in net profit, and shown separately from that of the shareholders.

Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in owners' equity since the date of combination. Statement of income and each component of OCI are attributed to the equity holders of the parent of the Firm and to the non-controlling interests (NCIs), even if this results in the NCIs having a deficit balance.

Notes to the Consolidated Financial Statements

at 31 December 2022

2 ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

The following are the principal subsidiaries of the Firm, which are consolidated in these consolidated financial statements:

	Ownership for 2022	Ownership for 2021 (restated - note 32)	Year of incorporation	Country of incorporation	No. of branches/ offices at 31 December 2022
Held directly by the Bank					
Banque Al Baraka D'Algerie (BAA)	**55.67%**	55.67%	1991	Algeria	**31**
Al Baraka Islamic Bank - Bahrain (AIB)*	**92.82%**	92.03%	1984	Bahrain	**175**
Al Baraka Bank Tunis (ABT)	**78.40%**	78.40%	1983	Tunisia	**37**
Al Baraka Bank Egypt (ABE)	**73.47%**	73.47%	1980	Egypt	**32**
Al Baraka Bank Lebanon (ABBL)**	**98.98%**	98.98%	1991	Lebanon	**3**
Jordan Islamic Bank (JIB)	**65.82%**	65.82%	1978	Jordan	**111**
Al Baraka Turk Participation Bank (ATPB)***	**45.09%**	38.02%	1985	Turkey	**225**
Al Baraka Bank Limited (ABL)	**64.51%**	64.51%	1989	South Africa	**9**
Al Baraka Bank Sudan (ABS)	**75.73%**	75.73%	1984	Sudan	**30**
BTI Bank****	**43.56%**	49.00%	2017	Morocco	**5**

* The extraordinary general assembly (EGA) has approved increasing the share capital of AIB by 150,000 shares for the par value of USD 100 and to amend the memorandum and the articles of association. The CBB has approved the request through their letter dated 6 July 2022 where the issued and paid up capital is increased from USD 136,457,800 to USD 151,457,800 with the full amount of USD 15,000,000 allocated to ABG.

** The Central Bank of Lebanon issued a letter dated 17 November 2022 addressed to the Chairman of the Board of Directors of Al Baraka Bank Lebanon informing the subsidiary that it is now under the Central Bank of Lebanon administration by appointing a temporary manager with the jurisdiction of the BOD, the Chairman of the BOD, the general manager and authority of the AGM (refer to note 22 for further details).

*** During the year, the ownership of Al Baraka Turk Participation Bank (ATPB) increased from 38.02% to 45.09%. ATPB did a Rights Issue to increase its capital from TRY 1,350 million to TRY 2,500 million in May 2022. The Group participated into the Rights Issue. The majority of the Rights Issue eligibility of Dallah Al Baraka Holding Company BSC were assigned to ABG. By assigning the subscription of this Rights Issue to ABG, Dallah Al Baraka Holding Company BSC ownership reduced from 15.38% to 8.3%. The assigned voting power of the Ultimate Parent and the 45.09% direct ownership of shares in ATPB, ABG continues to control ATPB after the Rights Issue.

**** The ownership of BTI decreased from 49% to 43.56%. BTI carried out a rights issue to increase its capital from MAD 400 million to MAD 430 million in September 2022. ABG did not subscribe in this rights issue, which ultimately decreased ABG's ownership to 43.56%. The Group has already signed a sale agreement with Bank of Africa to transfer the full ownership of BTI Bank which is still subject to the regulatory approvals (refer to note 22 for further details).

Notes to the Consolidated Financial Statements

at 31 December 2022

2 ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

The following are the subsidiaries held indirectly through the principal subsidiaries of the Firm:

	Subsidiary held through	Effective Ownership for 2022	Effective Ownership for 2021	Year of incorporation	Country of incorporation
Held indirectly by the Firm					
Al Baraka Bank (Pakistan) Limited	AIB	**54.89%**	54.42%	2010	Pakistan
Al-Omariya School Company	JIB	**65.69%**	65.69%	1987	Jordan
Al-Samaha Real Estate Company	JIB	**65.82%**	65.82%	1998	Jordan
Future Applied Computer Technology Company	JIB	**65.82%**	65.82%	1998	Jordan
Sanable Alkhair for Financial Investment	JIB	**65.82%**	65.82%	2006	Jordan
Al Baraka Properties (Pty) Ltd.	ABL	**64.51%**	64.51%	1991	South Africa
Insha GMBH	ATPB	**45.09%**	38.02%	2018	Germany

Significant accounting policies

The significant accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial year, except for the adoption of new standards and interpretations effective as of 1 January 2022:

2.1 Adoption of new and amended standards and interpretations

These consolidated financial statements have been prepared using accounting policies, which are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2021 except for the new standards, interpretations and amendments issued and effective as of 1 January 2022 which are as follows:

FAS 37 - Financial reporting by Waqf institutions

AAOIFI issued FAS 37 "Financial Reporting by Waqf Institutions" in 2020. The objective of the standard is to establish principles of financial reporting by Waqf institutions, which are established and operated in line with Shari'ah principles and rules. The Group has adopted this standard and the adoption did not result in any material impact on the consolidated financial statements of the Group.

FAS 38 - Wa'ad, Khiyar and Tahawwut

AAOIFI has issued FAS 38 in 2020. The objective of this standard is to prescribe the accounting and reporting principles for recognition, measurement and disclosure in relation to Shari'ah compliant Wa'ad (promise), Khiyar (option) and Tahawwut (hedging) arrangements for Islamic financial institutions. The Group has adopted this standard and the adoption did not result in any material impact on the consolidated financial statements of the Group.

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

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

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

2 ACCOUNTING POLICIES (continued)

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

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

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.

FAS 39 - Financial Reporting for Zakah
AAOIFI has issued FAS 39 in 2021. This standard improves upon and supersedes FAS 9 on "Zakah" and aims at setting out the accounting treatment of Zakah in the books of the institutions, including the presentation and disclosure by an Islamic financial institution. The accounting and financial reporting requirements such as recognition, presentation and disclosure requirements of this standard shall apply to institutions that are obliged to pay Zakah on behalf of certain or all stakeholders. Institutions that are not obliged to pay Zakah shall apply the disclosure requirements of this standard for certain or all stakeholders, as relevant. This standard shall be effective for the financial periods beginning on or after 1 January 2023 with early adoption permitted. The Group is currently evaluating the impact of the standard.

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

2.3 Summary of significant accounting policies

a. Financial contracts
Financial contracts consist of cash and balances with banks, receivables, Mudaraba (net of deferred profit) and Musharaka financing, Investments - debt type instruments at amortised cost, Ijarah Muntahia Bittamleek (where the estimates of future cash flows dependent on a single customer) and certain other assets. In addition it consist of off-balance sheets exposures such as letter of credit, letter of guaranties and undrawn commitments. Balances relating to these contracts are stated net of allowance for credit losses.

b. Impairment assessment

Impairment of financial assets
The Group applies three-stage approach to measure ECL on financial assets carried at amortised cost. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

Stage 1: twelve months ECL
For exposures where there has not been a Significant Increase in Credit Risk ("SICR"), since initial recognition, a portion of the lifetime ECL's that represent the ECL that result from default events on a financial contract that is possible within 12 months after the reporting date (or a shorter period if the expected life of the financial instrument is less than 12 months) of the lifetime ECL associated with the probability of default events occurring within next twelve months after the reporting date is recognised.

2 ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

b. Impairment assessment (continued)

Stage 2: lifetime ECL – not credit impaired

For credit exposures where there has been a SICR since initial recognition but that are not credit impaired, a lifetime ECL is recognised. Lifetime ECL is the loss that results from all possible default events over the expected life of the financial contract.

Lifetime ECL (Stage 2) is a probability-weighted estimate of credit losses and is determined based on the difference between the present value of all cash shortfalls. The cash shortfall is the difference between all contractual cash flows that are due to the Group and the present value of the recoverable amount, for financial assets that are not credit-impaired at the reporting date.

Stage 3: Lifetime ECL – credit impaired

Financial contracts are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred.

For Stage 3 financial contracts, the provisions for credit-impairment are determined based on the difference between the net carrying amount and the recoverable amount of the financial contract. As this uses the same criteria as under FAS 11, the Group methodology for specific allowance for credit losses remains largely unchanged.

In cases where there are no collaterals or guarantees which the Group can recover its exposure, the past due rules as per Group's policy or local requirements, whichever is more strict, are applied for allowance for credit losses calculation.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- probability that the borrower will enter bankruptcy or other financial reorganization; or
- the restructuring of a facility by the Group on terms that the Group would not consider otherwise.

Measurement of ECL

Following are the key inputs into the measurement of ECL:

- Probability of Default (PD);
- Loss Given Default (LGD); and
- Exposure At Default (EAD).

These parameters are generally derived from internally developed models and other historical data. These are adjusted to reflect forward-looking information as described below.

Definition of default

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as liquidating collateral; or the borrower is past due more than 90 days or any material credit obligation to the Group. In assessing whether a borrower is in default, the Group considers both qualitative factors such as breaches of covenants and quantitative factors such as overdue status and non-payment on another obligation of the same issuer to the Group.

Probability of default

Credit risk grades are a primary input into the determination of the term structure of Probability of Default (PD) for exposures. The Group collects performance and default information about its credit risk exposures analysed by credit risk grading for corporate and days-past-due for retail portfolio. The Group employs statistical models for analysing the data collected and generate estimates of PD of exposures and how these are expected to change as a result of the passage of time. This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors, across various geographies in which the Group operates.

Each component (subsidiary) of the Group uses combination of key macro-economic indicators including, fiscal surplus/deficit as a percentage of GDP, gross domestic product (GDP) growth, oil prices, government spending, stock market volatility, cost of funding, lending rates credit growth, inflation rate and unemployment.

Types of PDs used for ECL computation

- 12-month PDs – This is the estimated probability of default occurring within the next 12 months (or over the remaining life of the financial instrument if that is less than 12 months). This is used to calculate 12-month ECLs.
- Lifetime PDs – This is the estimated probability of a default occurring over the remaining life of the financial instrument. This is used to calculate lifetime ECLs for 'stage 2'.

2 ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

b. Impairment assessment (continued)

Incorporation of forward - looking information

The Group considers latest available economic forecasts published by the International Monetary Fund (IMF) or other reputed service providers, for 5 years. The Group employs statistical models to incorporate macro-economic factors on historical default rates. In case none of the macro-economic parameters are statistically significant or the results of forecasted PDs are significantly deviated from the present forecast for the economic conditions, quantitative PD overlay shall be used by the management after analyzing the portfolio as per the diagnostic tool.

Incorporating forward-looking information increases the level of judgment as to how changes in these macroeconomic factors will affect the ECL applicable to the stage 1 and stage 2 exposures which are considered as performing (Stage 3 are the exposures under default category). As per the policy, the methodologies and assumptions involved, including any forecasts of future economic conditions, are required to be reviewed periodically.

Loss Given Default

LGD is a percentage that determine the amount of loss that will arise if the borrower was to default. This is calculated by looking at the collateral and other resources available to the Group that can be used to recover the asset in case of default.

The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties, based on historical data using both internal and external factors. For Estimation of LGD, the Group considers use of any of the following methods:

Internal default history: When data is available units can estimate LGDs using the historical default information and corresponding recovery data.

Basel LGD: local regulatory recommended Basel LGD adjusted depending on the available collateral.

Collateral-based LGD: for secured financing the Group uses collateral-based LGD, where the Group has effective collateral management framework that is able to assess and provide up to date collateral valuation and establish legal charge and enforceability.

Exposure At Default

EAD represents estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and profit, and expected drawdowns on committed facilities.

On-balance sheet EADs

EADs for on-balance sheet items are the amount that is outstanding at the time of default. Outstanding of an on-balance sheet exposure shall be directly taken subject to inclusion of its repayment structure.

Prepayments have to be estimated using previous trends and deducted from EAD while calculating ECL."

Off-balance sheet EADs

Off-balance sheet exposures do not have fixed payout date; thus, the EAD for off-balance sheet is calculated after applying the Credit Conversion Factor (CCF) to the nominal amount of the Off-balance sheet exposure. The Group uses following methods to work out CCF for off- balance sheet EADs.

CCF based on internal data - The Group performs off-balance sheet product based analysis to study the average percentage utilization/conversion over a period of 3- 5 years. Based on the analysis product wide conversion/utilization factors are estimated. For Letters of Credit (LCs) and Letters of Guarantees (LGs) issued, units determines CCF by estimating total amount of LCs/LGs devolved/converted over last 3-5 years as a percentage of total LC/LG issued to arrive at the expected exposure over the future for these off-balance sheet items.

Regulatory CCFs - In absence of internal data, The Group uses same as Basel CCF that are used for calculating the Capital Adequacy Ratio (CAR) as per the CBB regulations. These rates are 20% for exposures with maturity equal to or less than 1 year and 50% for exposures with maturity of more than 1 year.

Collective ECL computation and staging

ECL on individually large exposures and credit-impaired loans are generally measured individually. For retail exposures and other exposures to small and medium-sized enterprises, where less client-specific information is available, ECL is measured on a collective basis. This incorporates borrower-specific information, such as delinquency, collective historical experience of losses and forward-looking macroeconomic information.

Notes to the Consolidated Financial Statements

at 31 December 2022

2 ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

b. Impairment assessment (continued)

Collective ECL computation and staging (continued)

To assess the staging of exposures and to measure a loss allowance on a collective basis, the Group groups its exposures into segments on the basis of shared credit risk characteristics, such as geography, type of customer, industry, rating, date of initial recognition, maturity and collateral value.

Significant Increase in Credit Risk

When determining whether the risk of default on a financial contracts has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost and efforts. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment including forward-looking information.

The assessment is carried out for specific instrument rather than a counterparty. As each instrument may have had different credit risk at initial recognition.

The application of above requirements of SICR to various locations of the Group varies depending on a number of circumstances faced by each location and each location applies a robust risk assessment methodology that is commensurate with the size, complexity, structure, economic significance and risk profile of its portfolio.

Renegotiated financial assets

The accounts which are performing prior to restructuring but restructured due to financial difficulty are categorised under stage 2. The accounts that are non-performing or meet any criteria for classifying as non-performing (prior to restructuring), then such restructured accounts are categorized under stage 3.

Backward transition

FAS 30 staging model is of symmetrical nature as movement across stages is a "Two Way" phenomenon. However, backward movement across stages are not immediate once SICR indicators are no longer triggered. Once such indicators are no longer triggered, movement back to Stage 1 or Stage 2 has to be calibrated and cannot be automatic or immediate. Certain criteria like cooling off period, SICR indicators and payment history are considered for migrating customers to Stage 2 or Stage 1. Following factors including cure period are considered for any backward transition:

From Stage 2 to stage 1

- The criteria to classify the exposure into Stage 2 (criteria covered in SICR section above) is no longer present;
- Up to date payment with no arrears;
- A minimum cool-off/cure period of 6 months for any stage 2 accounts; and
- A minimum cool-off/cure period of 12 months for restructured accounts.

From stage 3 to stage 2

- The criteria to classify the exposure into Stage 3 (criteria covered in default section above) is no longer present.
- Up to date payment with no arrears.
- A minimum cool-off/cure period of 12 months for non-performing and restructured facilities.

Write-offs

Financing facilities are written-off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written-off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Presentation of allowance for credit losses in the consolidated statement of financial position

Allowance for credit losses are presented in the consolidated statement of financial position as follows:

- financial assets measured at amortised cost, as a deduction from the gross carrying amount of the assets;
- financing commitments and financial guarantee contracts: generally as a provision included in other liabilities; and
- where a financial contract includes both a drawn and undrawn component, and the Group has identified the ECL on the financing commitments / off-balance sheet component separately from those on the drawn component, allowance for credit losses on undrawn component is presented as a provision in other liabilities.

2 ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

c. Cash and cash equivalents

Cash and cash equivalents as referred to in the consolidated statement of cash flows comprise cash and cash in transit, balances with central banks excluding mandatory reserves and balances with other banks with an original maturity of three months or less.

d. Receivables

Receivables comprise Sales (Murabaha) receivables, Ijarah receivables, Salam receivables and Istisna'a receivables.

Sales (Murabaha) receivables

Sales (Murabaha) receivables consist mainly of murabaha and international commodities stated net of deferred profits and provision for doubtful amount. The Group considers promise made in sales (murabaha) receivables to the purchase orderer as obligatory.

Ijarah receivables

Ijarah receivables is the outstanding rental at the end of the year less any provision for doubtful amount.

Salam receivables

Salam receivables is the outstanding amount at the end of the year less any provision for doubtful amount.

Istisna'a receivables

Istisna'a receivables is the outstanding amount at the end of the year less any provision for doubtful amount.

e. Mudaraba and Musharaka financing

Mudaraba and Musharaka financing are partnerships in which the Group contributes capital. These are stated at the fair value of consideration given less impairment.

f. Investments

Investments comprise equity and debt-type instruments at fair value through statement of income, equity-type instruments at fair value through equity, debt-type instruments at amortised cost, investment in real estate and investment in associates.

Investment in real estate

Properties held for rental, or for capital appreciation purposes, or both, are classified as investment in real estate. Investments in real estate are initially recorded at cost, being the fair value of the consideration given and acquisition charges associated with the property. Subsequent to initial recognition, investments in real estate are re-measured at fair value and changes in fair value (only gains) are recognised as property fair value reserve in the consolidated statement of changes in equity.

Losses arising from changes in the fair values of investment in real estate are firstly adjusted against the property fair value reserve to the extent of the available balance and then the remaining losses are recognised in the consolidated statement of income. If there are unrealised losses that have been recognised in the consolidated statement of income in the previous financial periods, the current period unrealised gain shall be recognised in the consolidated statement of income to the extent of crediting back such previous losses in the consolidated statement of income. When the property is disposed of, the cumulative gain previously transferred to the property fair value reserve, is transferred to the consolidated statement of income.

Investment in associates

The Group's investment in associates is accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. The consolidated statement of income reflects the Group's share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in owners' equity. Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The reporting dates of the associates and the Group are identical and the associates accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Equity and debt-type instruments at fair value through statement of income

This includes instruments held for trading purposes to gain profits from market fluctuations in the short term. These are initially recognised at cost, being the fair value of the consideration given excluding acquisition costs. These are subsequently re-measured at fair value. All related realised and unrealised gains or losses are included in the consolidated statement of income.

2 ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

f. Investments (continued)

All other investments are initially recognised at cost, being the fair value of the consideration given including acquisition costs.

Equity-type instruments at fair value through equity
This includes all instruments that are not covered above. Subsequent to acquisition, investments designated at fair value through equity are re-measured at fair value with unrealised gains or losses recognised proportionately in owners' equity and equity of investment accountholders until the investment is derecognised or determined to be impaired at which time the cumulative gain or loss previously recorded in owners' equity or equity of investment accountholders is recognised in consolidated statement of income.

Debt-type instruments at amortised cost
Debt-type instruments which are managed on a contractual yield basis and are not held for trading and has not been designated at fair value through statement of income are classified as debt-type instruments at amortised cost. Such investments are carried at amortised cost, less provision for impairment in value. Amortised cost is calculated by taking into account any premium or discount on acquisition. Any gain or loss on such investment is recognised in the consolidated statement of income, when the investment is de-recognised or impaired.

g. Ijarah Muntahia Bittamleek

Ijara income is recognised on a time apportioned basis over the Ijara term and is stated net of depreciation. Income related to non-performing ijara muntahia bittamleek accounts that are non-performing is excluded from the consolidated statement of income.

h. Property and equipment

Property and equipment are initially recognised at cost. Subsequent to initial recognition property and equipment are stated at cost less accumulated depreciation and accumulated impairment in value, except for land which is carried at fair value. The cost of additions and major improvements are capitalised; maintenance and repairs are charged to the consolidated statement of income as incurred. Gains or losses on disposal are reflected in other operating income. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets other than freehold land, which is deemed to have an indefinite life.

The calculation of depreciation is on the following basis:

Buildings	30 - 50 years
Office furniture and equipment	4 - 10 years
Vehicles	3 years
Others	4 - 5 years

Any subsequent change in fair value of land (only gains) are recognised as property fair value reserve in the consolidated statement of changes in owners' equity. Losses arising from changes in the fair value of land is first adjusted against the property fair value reserve to the extent of the available balance and then the remaining losses are recognised in the consolidated statement of income. If there are unrealised losses that have been recognised in the consolidated statement of income in the previous financial periods, the current period unrealised gain shall be recognised in the consolidated statement of income to the extent of crediting back such previous losses in the consolidated statement of income. When the land is disposed of, the cumulative gain previously transferred to the property fair value reserve, is transferred to the consolidated statement of income.

i. Fair values

For investments actively traded in organised financial markets, fair value is determined by reference to quoted market bid prices.

For investment where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument, which is substantially the same or is based on the assessment of future cash flows. The cash equivalent values are determined by the Group at current profit rates for contracts with similar term and risk characteristics.

For Sales (Murabaha) receivables the fair value is determined at the Firm or subsidiary level at the end of the financial period at their cash equivalent value.

2 ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

j. Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

k. Intangible assets

Intangible assets comprise principally the value of computer software. Intangible assets acquired are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

l. Collateral pending sale

Collateral acquired in settlement of certain financing facilities is stated at the lower of the net realisable value of the related financing facilities and the current fair value of such assets. Gains or losses on disposal, and revaluation losses, are recognised in the consolidated statement of income.

m. Employees' end of service benefits

The Group provides for end of service benefits to its employees. Entitlement to these benefits is based upon the employees' length of service and the completion of a minimum service period. The expected costs of these benefits are accrued for over the period of employment.

n. Provision

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate can be made of the amount of the obligation.

o. Dividends

Dividends to shareholders are recognised as liabilities in the year in which they are declared.

p. Equity of investment accountholders

All equity of investment accountholders are carried at cost plus accrued profit and related reserves. Investment risk reserves and profit equalisation reserves are made at the Bank or subsidiary level.

q. Investment risk reserve

Investment risk reserves are amounts appropriated out of the income of equity of investment accountholders, after allocating the mudarib share, in order to cater against future losses for equity of investment accountholders.

r. Profit equalisation reserve

Profit equalisation reserves represent amounts appropriated from Mudaraba income, before allocating the mudarib share and are utilized to maintain a certain level of return on investments attributed to participants.

s. Sukuk

Sukuk issued by the Group are treated based on the underlying contracts and structure.

t. Off-balance sheet equity of investment accountholders

Off-balance sheet equity of investment accountholders represent funds received by the Group from third parties for investment in specified products as directed by them. These products are managed in a fiduciary capacity and the Group has no entitlement to these products. Third parties bear all of the risks and earn all of the rewards on these products. Off-balance sheet equity of investment accountholders are not included in the consolidated statement of financial position since the Group does not have the right to use or dispose these products except within the conditions of the contract between the Group and third parties.

2 ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

u. Treasury shares

Own equity instruments which are reacquired (treasury shares) are deducted from equity of the parent and accounted for at weighted average cost. Consideration paid or received on the purchase, sale, issue or cancellation of the Group's own equity instruments are recognised directly in equity of the parent. No gain or loss is recognised in consolidated statement of income on the purchase, sale, issue or cancellation of own equity instruments.

v. Revenue recognition

Sales (Murabaha) receivables

Profit from Sales (Murabaha) receivables is recognised when the income is both contractually determinable and quantifiable at the commencement of the transaction. Such income is recognised on time-apportioned basis over the period of the transaction. Where the income from a contract is not contractually determinable or quantifiable, it is recognised when the realisation is reasonably certain or when actually realised. Income related to accounts that are 90 days overdue is excluded from the consolidated statement of income.

Salam and Istisna'a receivables

Income on Salam and Istisna'a is recognised on time-apportioned basis when the income from a contract is contractually determinable or quantifiable.

Mudaraba and Musharaka financing

Income on Mudaraba and Musharaka financing is recognised when the right to receive payment is established or on distribution by the Mudarib. Income related to accounts that are 90 days overdue is excluded from the consolidated statement of income.

Ijarah Muntahia Bittamleek

Income net of depreciation is recognised on a time-apportioned basis over the lease term.

Fee and commission income

Fee and commission income is recognised when earned.

Other income

Other income on investments is recognised when the right to receive payment is established.

Group's share as a Mudarib

The Group's share of profit as a Mudarib for managing equity of investment accountholders is based on the terms and conditions of the related mudarib agreements.

Mudarib's share of off-balance sheet equity of investment accountholders

The Group shares profit for managing off-balance sheet equity of investment accountholders based on the terms and conditions of related contracts.

w. Return on equity of investment accountholders

Equity of investment accountholders' share of income is calculated based on the applicable local laws and based on the underlining individual Mudaraba contract. It represents the income generated from joint investment accounts and after deducting other expenses. Other expenses include all expenses incurred by the Group including specific provisions. The Group's share is deducted before distributing such income.

x. Joint and self financed

Investments, financing and receivables that are jointly owned by the Group and the equity of investment accountholders are classified under the caption "jointly financed" in the consolidated financial statements. Investments, financing and receivables that are financed solely by the Group are classified under "self financed".

y. Taxation

There is no tax on corporate income in the Kingdom of Bahrain. Taxation on foreign operations is provided in accordance with the fiscal regulations of the respective countries in which the subsidiaries operate. The Group accounts for its share of associates profit after accounting for corporate taxation. Deferred income tax is provided using the liability method on temporary differences at the financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2 ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

z. Shari'a supervisory board

The Group's business activities are subject to the supervision of a Shari'a supervisory board consisting of five members appointed by the general assembly.

aa. Zakah

The article of association of Al Baraka Group is not empowering the Group for paying Zakah on behalf of the shareholders and there is no such law in Kingdom of Bahrain requiring the Group to pay Zakah on behalf of the shareholders, unless there is a direct empowerment from the general assembly to the Group to pay Zakah on the behalf of the shareholders.

ab. Earnings prohibited by Shari'a

The Group is committed to avoid recognising any income generated from non-Islamic source. Accordingly, all non-Islamic income is credited to a charity account where the Group uses these funds for various social welfare activities.

ac. Impairment of financial assets

An assessment is made at each financial position date to determine whether there is objective evidence that a specific financial asset or a group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss, based on the assessment by the Group of the estimated cash equivalent value, is recognised in the consolidated statement of income. Specific provisions are created to reduce all impaired financial contracts to their realisable cash equivalent value. Financial assets are written off only in circumstances where effectively all possible means of recovery have been exhausted.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment value was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the consolidated statement of income.

In addition, the Group maintains a provision to reflect a potential loss that may occur as a result of currently unidentifiable risks in relation to receivables, financings or investment assets. The amount reflects estimated losses affecting these assets attributable to events that have already occurred at the date of the financial statements, and not estimated losses attributable to future events.

ad. Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

ae. Assets classified as Held for sale

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

af. Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. The monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the financial position date. All differences are taken to income statement at the entity level.

Foreign currency translations

As at the reporting date, the assets and liabilities in foreign currencies are translated into the presentation currency of the Group (United States Dollars) at the rate of exchange ruling at the financial position date and their income statements are translated at the average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of owners' equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in owners' equity relating to that particular foreign entity is recognised in the consolidated statement of income.

2 ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

ag. Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which affects the amounts recognised in the consolidated financial statements:

Classification of investments

Management decides on acquisition of an investment whether it should be classified as equity and debt-type instrument at fair value through statement of income, equity-type instrument at fair value through equity or debt-type instrument at amortised cost.

The management of the Group exercises professional judgement in assessing control and significant influence over investees, which has a determintial role in deciding the accounting method for such investments.

Going concern

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

ah. Use of estimates in preparation of the consolidated financial statements

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of financial assets and liabilities at the date of the consolidated financial statements. The use of estimates is used primarily to the determination of provisions for sales (Murabaha) receivable, mudaraba financing, musharaka financing, equity-type instrument at fair value through equity, debt-type instrument at amortised cost, ijarah receivable and other assets.

ai. Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

(i) the right to receive cash flows from the asset has expired;

(ii) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of income.

3. CASH AND BALANCES WITH BANKS

	2022 US$ '000	2021 US$ '000 (restated)
Balances with central banks*	**3,331,927**	4,441,912
Balances with other banks	**530,747**	570,938
Cash and cash in transit	**534,119**	672,190
Allowance for credit losses (note 23)	**(181)**	(3,687)
	4,396,612	5,681,353

* Balances with central banks include mandatory reserves amounting to US$ 2,184,530 thousand (2021: US$ 2,978,925 thousand). These amounts are not available for use in the Group's day-to-day operations.

4. RECEIVABLES

	2022 US$ '000	2021 US$ '000 (restated)
Sales (Murabaha) receivables (note 4.1)	**10,610,013**	11,237,522
Ijarah receivables (note 4.2)	**136,924**	140,804
Salam receivables (note 4.3)	**283,574**	259,295
Istisna'a receivables (note 4.4)	**150,365**	198,926
Allowance for credit losses	**(743,303)**	(860,900)
	10,437,573	10,975,647

Notes to the Consolidated Financial Statements

at 31 December 2022

4 RECEIVABLES (continued)

4.1 Sales (Murabaha) receivables

	2022			2021		
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000 (restated)
Commodity murabaha	23,679	314,383	338,062	61,144	532,345	593,489
Other murabaha	954,173	10,246,009	11,200,182	1,668,364	10,082,127	11,750,491
Gross sales (murabaha) receivables	977,852	10,560,392	11,538,244	1,729,508	10,614,472	12,343,980
Deferred profits (note 4.1(a))	(86,767)	(841,464)	(928,231)	(180,162)	(926,296)	(1,106,458)
	891,085	9,718,928	10,610,013	1,549,346	9,688,176	11,237,522
Allowance for credit losses (note 23)	(263,339)	(398,762)	(662,101)	(276,405)	(500,130)	(776,535)
Net sales (murabaha) receivables	627,746	9,320,166	9,947,912	1,272,941	9,188,046	10,460,987

	2022 US$'000	2021 US$'000 (restated)
Non-performing	381,464	632,814

4.1(a) Murabaha deferred profit movement

	2022 US$ '000	2021 US$ '000
Deferred profit at the beginning of the year	1,106,458	1,295,325
Murabaha Sales during the year	2,793,595	2,872,895
Murabaha Cost of Sales	(2,279,654)	(2,226,503)
	1,620,399	1,941,717
Deferred profit collected during the year	(488,655)	(408,726)
Deferred profit settled during the year	(15,947)	(20,591)
Deferred profit waived during the period	(5,033)	(1,923)
FX translation	(182,533)	(404,019)
Deferred profit at the end of the year	928,231	1,106,458

4.2 Ijarah receivables

	2022			2021		
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000 (restated)
Gross ijarah receivables	3,657	133,267	136,924	9,150	131,654	140,804
Allowance for credit losses (note 23)	(179)	(46,424)	(46,603)	(318)	(47,671)	(47,989)
Net ijarah receivables	3,478	86,843	90,321	8,832	83,983	92,815

	2022 US$'000	2021 US$'000 (restated)
Non-performing	110,053	111,857

4 RECEIVABLES (continued)

4.3 Salam receivables

	2022			2021		
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000 (restated)
Gross salam receivables	-	283,574	283,574	-	259,295	259,295
Allowance for credit losses (note 23)	-	(17,361)	(17,361)	-	(18,912)	(18,912)
Net salam receivables	-	266,213	266,213	-	240,383	240,383

	2022 US$'000	2021 US$'000 (restated)
Non-performing	24,543	30,040

4.4 Istisna'a receivables

	2022			2021		
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000 (restated)
Gross istisna'a receivables	-	150,365	150,365	-	198,926	198,926
Allowance for credit losses (note 23)	-	(17,238)	(17,238)	-	(17,464)	(17,464)
Net istisna'a receivables	-	133,127	133,127	-	181,462	181,462

	2022 US$'000	2021 US$'000 (restated)
Non-performing	20,300	19,570

The table below shows the receivables credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and stage classification.

	31 December 2022			
	Stage 1 US$ '000	Stage 2 US$ '000	Stage 3 US$ '000	Total US$ '000
Good (1-4)	2,732,623	167,451	-	2,900,074
Satisfactory (5-7)	6,180,829	1,563,613	-	7,744,442
Default (8-10)	-	-	536,360	536,360
Allowance for credit losses	(45,453)	(282,885)	(414,965)	(743,303)
	8,867,999	1,448,179	121,395	10,437,573

	31 December 2021			
	Stage 1 US$ '000	Stage 2 US$ '000	Stage 3 US$ '000	Total US$ '000 (restated)
Good (1-4)	2,940,382	184,300	-	3,124,682
Satisfactory (5-7)	6,164,742	1,752,842	-	7,917,584
Default (8-10)	-	-	794,281	794,281
Allowance for credit losses	(57,197)	(293,781)	(509,922)	(860,900)
	9,047,927	1,643,361	284,359	10,975,647

4 RECEIVABLES (continued)

The below table shows the movement in allowance for credit losses by stage:

	31 December 2022			
	Stage 1: 12-month ECL US$ '000	Stage 2: Lifetime ECL not credit-impaired US$ '000	Stage 3: Lifetime ECL credit-impaired US$ '000	Total US$ '000
Balance at 1 January	57,197	293,781	509,922	860,900
Changes due to receivables recognised in opening balance that have:				
- transferred to Stage 1	5,745	(3,986)	(1,759)	-
- transferred to Stage 2	(3,932)	19,947	(16,015)	-
- transferred to Stage 3	(88)	(63,175)	63,263	-
Net remeasurement of loss allowance	15,837	72,087	189,956	277,880
Recoveries / write-backs	-	-	(60,564)	(60,564)
Allocation from (to) investment risk reserve	(9,699)	439	21,054	11,794
Amounts written off	-	-	(263,736)	(263,736)
FX translation / others	(19,607)	(36,208)	(27,156)	(82,971)
	45,453	282,885	414,965	743,303

	31 December 2021			
	Stage 1: 12-month ECL US$ '000	Stage 2: Lifetime ECL not credit-impaired US$ '000	Stage 3: Lifetime ECL credit-impaired US$ '000	Total US$ '000 (restated)
Balance at 1 January	72,533	150,469	497,025	720,027
Changes due to receivables recognised in opening balance that have:				
- transferred to Stage 1	5,727	(2,711)	(3,016)	-
- transferred to Stage 2	(3,846)	12,704	(8,858)	-
- transferred to Stage 3	(150)	(42,681)	42,831	-
Net remeasurement of loss allowance	6,768	117,556	199,045	323,369
Recoveries / write-backs	-	-	(78,333)	(78,333)
Allocation from (to) investment risk reserve	(8,093)	(2,184)	7,687	(2,590)
Amounts written off	-	-	(41,306)	(41,306)
FX translation / others	(15,742)	60,628	(105,153)	(60,267)
	57,197	293,781	509,922	860,900

5 MUDARABA AND MUSHARAKA FINANCING

	2022 US$ '000	2021 US$ '000 (restated)
Mudaraba financing (note 5.1)	691,226	2,569,329
Musharaka financing (note 5.2)	836,032	958,107
Allowance for credit losses	(29,934)	(34,329)
	1,497,324	3,493,107

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5 MUDARABA AND MUSHARAKA FINANCING (continued)

5.1 Mudaraba financing

	2022			2021		
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000 (restated)
Gross mudaraba financing	10,927	680,299	691,226	193,695	2,375,634	2,569,329
Allowance for credit losses (note 23)	(420)	(16,643)	(17,063)	(420)	(17,311)	(17,731)
Net mudaraba financing	10,507	663,656	674,163	193,275	2,358,323	2,551,598

	2022 US$ '000	2021 US$ '000 (restated)
Non-performing	35,275	30,227

5.2 Musharaka financing

	2022			2021		
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000 (restated)
Gross musharaka financing	242,597	593,435	836,032	332,700	625,407	958,107
Allowance for credit losses (note 22)	(808)	(12,063)	(12,871)	(4,049)	(12,549)	(16,598)
Net musharaka financing	241,789	581,372	823,161	328,651	612,858	941,509

	2022 US$'000	2021 US$'000 (restated)
Non-performing	18,320	27,637

The table below shows the mudaraba and musharaka credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and stage classification.

	31 December 2022			
	Stage 1 US$ '000	Stage 2 US$ '000	Stage 3 US$ '000	Total US$ '000
Good (1-4)	749,979	32,584	-	782,563
Satisfactory (5-7)	536,874	154,226	-	691,100
Default (8-10)	-	-	53,595	53,595
Allowance for credit losses	(3,457)	(4,474)	(22,003)	(29,934)
	1,283,396	182,336	31,592	1,497,324

	31 December 2021			
	Stage 1 US$ '000	Stage 2 US$ '000	Stage 3 US$ '000	Total US$ '000 (restated)
Good (1-4)	1,142,014	79,440	-	1,221,454
Satisfactory (5-7)	2,113,415	134,703	-	2,248,118
Default (8-10)	-	-	57,864	57,864
Allowance for credit losses	(6,460)	(3,886)	(23,983)	(34,329)
	3,248,969	210,257	33,881	3,493,107

5 MUDARABA AND MUSHARAKA FINANCING (continued)

The below table shows the movement in allowance for credit losses by stage:

	31 December 2022			
	Stage 1: 12-month ECL US$ '000	Stage 2: Lifetime ECL not credit-impaired US$ '000	Stage 3: Lifetime ECL credit-impaired US$ '000	Total US$ '000
Balance at 1 January	6,460	3,886	23,983	34,329
Changes due to financing recognised in opening balance that have:				
- transferred to Stage 1	(126)	128	(2)	-
- transferred to Stage 2	575	(573)	(2)	-
- transferred to Stage 3	-	(36)	36	-
Net remeasurement of loss allowance	(2,162)	2,495	1,263	1,596
Recoveries / write-backs	-	-	(1,134)	(1,134)
Allocation from (to) investment risk reserve	(1)	28	(38)	(11)
Amounts written off	-	-	-	-
FX translation / others	(1,289)	(1,454)	(2,103)	(4,846)
	3,457	4,474	22,003	29,934

	31 December 2021			
	Stage 1: 12-month ECL US$ '000	Stage 2: Lifetime ECL not credit-impaired US$ '000	Stage 3: Lifetime ECL credit-impaired US$ '000	Total US$ '000 (restated)
Balance at 1 January	12,270	9,383	14,753	36,406
Changes due to receivables recognised in opening balance that have:				
- transferred to Stage 1	498	(496)	(2)	-
- transferred to Stage 2	(239)	263	(24)	-
- transferred to Stage 3	(3)	(211)	214	-
Net remeasurement of loss allowance	(1,207)	(4,731)	6,776	838
Recoveries / write-backs	-	-	(553)	(553)
Allocation from (to) investment risk reserve	(1,069)	(26)	94	(1,001)
Amounts written off	-	-	(11,579)	(11,579)
FX translation / others	(3,790)	(296)	14,304	10,218
	6,460	3,886	23,983	34,329

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6. INVESTMENTS

	2022 US$ '000	2021 US$ '000 (restated)
Equity and debt-type instruments at fair value through statement of income (note 6.1)	135,926	52,688
Equity-type instruments at fair value through equity (note 6.2)	593,612	479,243
Debt-type instruments at amortised cost (note 6.3)	4,274,330	3,710,737
	5,003,868	4,242,668
Investment in real estate (note 6.4)	172,708	186,767
Investment in associates (note 6.5)	58,138	66,034
	5,234,714	4,495,469

6.1 Equity and debt-type instruments at fair value through statement of income

	2022			2021		
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000 (restated)
Quoted investments						
Debt Instruments	67	-	67	-	33,653	33,653
Equity Securities	131,772	3,292	135,064	7,569	4,596	12,165
	131,839	3,292	135,131	7,569	38,249	45,818
Unquoted investments						
Equity Securities	795	-	795	6,870	-	6,870
	795	-	795	6,870	-	6,870
	132,634	3,292	135,926	14,439	38,249	52,688

6.2 Equity-type instruments at fair value through equity

	2022			2021		
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000 (restated)
Quoted investments						
Equity securities	12,255	30,849	43,104	13,754	31,552	45,306
Managed funds	3,131	20,392	23,523	3,382	11,146	14,528
Sukuk	256,326	221,573	477,899	225,722	162,544	388,266
	271,712	272,814	544,526	242,858	205,242	448,100
Unquoted investments						
Equity Securities	14,610	21,322	35,932	10,215	15,177	25,392
Managed funds	711	11,546	12,257	546	9,032	9,578
Sukuk	-	7,577	7,577	-	3,506	3,506
	15,321	40,445	55,766	10,761	27,715	38,476
Provisions for impairment	(6,875)	195	(6,680)	(6,911)	(422)	(7,333)
	280,158	313,454	593,612	246,708	232,535	479,243

Notes to the Consolidated Financial Statements
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6. INVESTMENTS (continued)

6.3 Debt-type instruments at amortised cost

	2022			2021		
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000 (restated)
Quoted investments						
Sukuk and similar items	2,070,759	1,333,716	3,404,474	1,687,797	1,341,915	3,029,712
	2,070,759	1,333,716	3,404,474	1,687,797	1,341,915	3,029,712
Unquoted investments						
Sukuk and similar items	93,286	785,281	878,567	97,905	590,688	688,593
Allowance for credit losses	(715)	(7,997)	(8,712)	(502)	(7,066)	(7,568)
	2,163,330	2,111,000	4,274,330	1,785,200	1,925,537	3,710,737

The table below shows the debt type instruments credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and stage classification.

	31 December 2022			
	Stage 1 US$ '000	Stage 2 US$ '000	Stage 3 US$ '000	Total US$ '000
Good (1-4)	3,677,322	-	-	3,677,322
Satisfactory (5-7)	595,055	8,099	-	603,154
Default (8-10)	-	-	2,565	2,565
Allowance for credit losses	(5,872)	(275)	(2,565)	(8,712)
	4,266,506	7,824	-	4,274,330

	31 December 2021			
	Stage 1 US$ '000	Stage 2 US$ '000	Stage 3 US$ '000	Total US$ '000 (restated)
Good (1-4)	3,095,671	-	-	3,095,671
Satisfactory (5-7)	608,155	11,914	-	620,069
Default (8-10)	-	-	2,565	2,565
Allowance for credit losses	(4,966)	(37)	(2,565)	(7,568)
	3,698,860	11,877	-	3,710,737

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6 INVESTMENTS
6.3 Debt-type instruments at amortised cost (continued)

The below table shows the movement in allowance for credit losses by stage:

	31 December 2022			
	Stage 1: 12-month ECL	Stage 2: Lifetime ECL not credit-impaired	Stage 3: Lifetime ECL credit-impaired	Total
	US$ '000	US$ '000	US$ '000	US$ '000
Balance at 1 January	4,966	37	2,565	7,568
Net remeasurement of loss allowance	3,113	(19)	-	3,094
Allocation to investment risk reserve	(39)	260	-	221
FX translation / others	(2,168)	(3)	-	(2,171)
	5,872	275	2,565	8,712

	31 December 2021			
	Stage 1: 12-month ECL	Stage 2: Lifetime ECL not credit-impaired	Stage 3: Lifetime ECL credit-impaired	Total
	US$ '000	US$ '000	US$ '000	US$ '000 (restated)
Balance at 1 January	4,490	1,201	2,565	8,256
Changes due to instruments recognised in opening balance that have:				
- transferred to Stage 1	74	(74)	-	-
- transferred to Stage 2	710	(710)	-	-
Net remeasurement of loss allowance	464	(370)	-	94
Allocation from investment risk reserve	(620)	-	-	(620)
FX translation / others	(152)	(10)	-	(162)
	4,966	37	2,565	7,568

6 INVESTMENTS (continued)

6.4 Investment in real estate

	2022			2021		
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000 (restated)
At cost	14,084	152,180	166,264	18,720	167,016	185,736
At fair value	10,465	162,243	172,708	14,321	172,446	186,767

Investment in real estate at fair value at 31 December consist of the following:

	2022			2021		
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000 (restated)
Land	1,624	95,813	97,437	1,973	100,572	102,545
Buildings	8,841	66,430	75,271	12,348	71,874	84,222
	10,465	162,243	172,708	14,321	172,446	186,767

The following is a reconciliation between carrying amounts of investment in real estate at the beginning and end of the year:

	2022 US$ '000	2021 US$ '000 (restated)
Beginning balance of the year	186,767	176,136
Acquisitions	3,106	33,113
Net gain / (loss) from fair value adjustments	190	(6,843)
Disposals	(15,269)	(11,467)
Foreign exchange translation / others - net	(2,086)	(4,172)
	(14,059)	10,631
Ending balance of the year	172,708	186,767

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6 INVESTMENTS (continued)

6.5 Investment in associates

Investment in associates comprise the following:

	2022			
	Self financed	Jointly financed	Total	Market value
	US$ '000	US$ '000	US$ '000	US$ '000
Quoted associates	-	13,169	13,169	11,500
Unquoted associates	44,969	-	44,969	
	44,969	13,169	58,138	

	2021 (restated)			
	Self financed	Jointly financed	Total	Market value
	US$ '000	US$ '000	US$ '000	US$ '000
Quoted associates	22,820	12,767	35,587	11,834
Unquoted associates	30,447	-	30,447	
	53,267	12,767	66,034	

The investment in associates are net of impairment of US$ 23,000 thousand (2021: US$ Nil thousand).

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7 IJARAH MUNTAHIA BITTAMLEEK

	2022			2021 (restated)		
	Self financed	Jointly financed	Total	Self financed	Jointly financed	Total
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
Land and building						
Cost	-	2,451,334	2,451,334	2,340	2,209,182	2,211,522
Accumulated depreciation	-	(439,221)	(439,221)	(328)	(408,494)	(408,822)
Allowance for credit losses	-	(8,186)	(8,186)	-	(8,384)	(8,384)
Net book value	-	2,003,927	2,003,927	2,012	1,792,304	1,794,316
Equipment						
Cost	50,890	257,906	308,796	76,581	233,925	310,506
Accumulated depreciation	(9,639)	(71,470)	(81,109)	(13,100)	(71,703)	(84,803)
Allowance for credit losses	(492)	(4,488)	(4,980)	(259)	(4,337)	(4,596)
Net book value	40,759	181,948	222,707	63,222	157,885	221,107
Others						
Cost	-	9,110	9,110	-	5,349	5,349
Accumulated depreciation	-	(2,300)	(2,300)	-	(1,964)	(1,964)
Allowance for credit losses	-	(88)	(88)	-	(8)	(8)
Net book value	-	6,722	6,722	-	3,377	3,377
TOTAL						
Cost	50,890	2,718,350	2,769,240	78,921	2,448,456	2,527,377
Accumulated depreciation	(9,639)	(512,991)	(522,630)	(13,428)	(482,161)	(495,589)
Less: allowance for credit losses (note 23)	(492)	(12,762)	(13,254)	(259)	(12,729)	(12,988)
Net book value	40,759	2,192,597	2,233,356	65,234	1,953,566	2,018,800

7 IJARAH MUNTAHIA BITTAMLEEK (continued)

The table below shows the ijarah muntahia bittamleek credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and stage classification.

	31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
	US$ '000	US$ '000	US$ '000	US$ '000
Good (1-4)	803,338	9,316	-	812,654
Satisfactory (5-7)	1,208,469	225,476	-	1,433,945
Default (8-10)	-	-	11	11
Allowance for credit losses	(1,926)	(11,326)	(2)	(13,254)
	2,009,881	223,466	9	2,233,356

	31 December 2021 (restated)			
	Stage 1	Stage 2	Stage 3	Total
	US$ '000	US$ '000	US$ '000	US$ '000
Good (1-4)	570,992	4,872	-	575,864
Satisfactory (5-7)	1,217,341	238,570	-	1,455,911
Default (8-10)	-	-	13	13
Allowance for credit losses	(2,355)	(10,631)	(2)	(12,988)
	1,785,978	232,811	11	2,018,800

The below table shows the movement in allowance for credit losses by stage:

	31 December 2022			
	Stage 1: 12-month ECL	Stage 2: Lifetime ECL not credit-impaired	Stage 3: Lifetime ECL credit-impaired	Total
	US$ '000	US$ '000	US$ '000	US$ '000
Balance at 1 January	2,355	10,631	2	12,988
Net remeasurement of loss allowance	(391)	660	-	269
Allocation to (from) investment risk reserve	53	-	-	53
FX translation / others	(91)	35	-	(56)
	1,926	11,326	2	13,254

	31 December 2021			
	Stage 1: 12-month ECL	Stage 2: Lifetime ECL not credit-impaired	Stage 3: Lifetime ECL credit-impaired	Total
	US$ '000	US$ '000	US$ '000	US$ '000 (restated)
Balance at 1 January	2,408	21,434	8	23,850
Net remeasurement of loss allowance	201	(9,964)	-	(9,763)
Allocation to (from) investment risk reserve	53	-	-	53
FX translation / others	(307)	(839)	(6)	(1,152)
	2,355	10,631	2	12,988

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8 PROPERTY AND EQUIPMENT

	Buildings US$ '000	Lands US$ '000	Office furniture and equipment US$ '000	Vehicles US$ '000	Others US$ '000	Right of use asset* US$ '000	Total US$ '000 (restated)
Cost:							
At 1 January 2021	259,051	142,020	243,315	10,453	81,189	-	736,028
Additions	(1,127)	12,973	17,332	363	17,410	58,546	105,497
Revaluation	-	28,237	-	-	-	-	28,237
Disposals	(1,729)	(645)	(13,957)	(672)	(258)	41,697	24,436
Foreign exchange translations	(6,951)	(24,747)	(19,370)	(3,301)	(15,942)	(18,154)	(88,465)
At 31 December 2021	249,244	157,838	227,320	6,843	82,399	82,089	805,733
Additions	**71,343**	**29,119**	**11,552**	**514**	**19,272**	**14,382**	**146,182**
Disposals	**(56,514)**	**(16,229)**	**(1,916)**	**(469)**	**(7,409)**	**(2,435)**	**(84,972)**
Foreign exchange translations	**(39,372)**	**(7,321)**	**(25,399)**	**(968)**	**(52,588)**	**(17,544)**	**(143,192)**
At 31 December 2022	**224,701**	**163,407**	**211,557**	**5,920**	**41,674**	**76,492**	**723,751**
Depreciation:							
At 1 January 2021	59,229	-	186,115	5,630	16,136	-	267,110
Charged during the year (note 20)	8,466	-	17,051	659	3,500	14,956	44,632
Relating to disposals	(1,099)	-	(13,224)	(451)	(37)	15,517	706
Foreign exchange translations	(6,546)	-	(11,509)	(1,104)	(5,828)	(5,839)	(30,826)
At 31 December 2021	60,050	-	178,433	4,734	13,771	24,634	281,622
Charged during the year (note 20)	**9,965**	**-**	**15,720**	**580**	**3,464**	**9,251**	**38,980**
Relating to disposals	**(8,778)**	**-**	**(1,275)**	**(152)**	**(3,969)**	**(1,155)**	**(15,329)**
Foreign exchange translations	**(9,616)**	**-**	**(15,803)**	**(659)**	**(10,484)**	**(6,432)**	**(42,994)**
At 31 December 2022	**51,621**	**-**	**177,075**	**4,503**	**2,782**	**26,298**	**262,279**
Net book values:							
At 31 December 2022	**173,080**	**163,407**	**34,482**	**1,417**	**38,892**	**50,194**	**461,472**
At 31 December 2021	189,194	157,838	48,887	2,109	68,628	57,455	524,111

*Additions includes right-of-use assets recognized by Group on adoption of FAS 32 Ijarah on 1 January 2021 amounted to USD 74.3 million.

9. OTHER ASSETS

	2022 US$'000	2021 US$'000 (restated)
Bills receivables	**262,124**	194,046
Goodwill and intangible assets (note 9 (a))	**73,461**	76,013
Collateral pending sale*	**149,857**	114,751
Good faith qard	**59,153**	97,675
Deferred taxation	**88,219**	90,720
Prepayments	**29,237**	26,215
Assets held for sale	**39,978**	-
Others	**51,233**	32,763
	753,262	632,183
Impairment / allowance for credit losses	**(32,479)**	(27,295)
	720,783	604,888

* The Nature of the Collateral pending sale are mainly Residential and Commercial Real Estates.

9 OTHER ASSETS (continued)

9 (a) Goodwill and intangible assets

	2022			2021		
	Goodwill US$ '000	Intangible assets US$ '000	Total US$ '000	Goodwill US$ '000	Intangible assets US$ '000	Total US$ '000 (restated)
At 1 January	43,377	32,636	76,013	46,805	28,944	75,749
Additions	4,014	19,369	23,383	-	18,910	18,910
Amortisation charge for the year (note 20)	-	(11,607)	(11,607)	-	(13,640)	(13,640)
Foreign exchange translations	(6,953)	(7,375)	(14,328)	(3,428)	(1,578)	(5,006)
At 31 December	40,438	33,023	73,461	43,377	32,636	76,013

Goodwill acquired through business combinations with indefinite lives have been allocated to four individual cash-generating units. The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	2022 US$ '000	2021 US$ '000 (restated)
Al Baraka Turk Participation Bank	3,484	3,004
Al Barak Bank Egypt	638	1,004
Jordan Islamic Bank	26,646	26,646
Al Baraka Bank (Pakistan) Limited	9,670	12,723
	40,438	43,377

The recoverable amounts of the cash-generating units were determined based on value in use calculation using cash flow projections from financial budgets covering a five year period or market capitalisation approved by the Group's senior management. For cashflow projections, management determined budgeted spreads based on the cash-generating units' past performance and its expectation of market development.

10. LONG TERM FINANCING

	2022 US$ '000	2021 US$ '000 (restated)
Murabaha financing	23,491	15,889
Subordinated financing obtained by a subsidiary	284,546	270,944
	308,037	286,833

11. OTHER LIABILITIES

	2022 US$ '000	2021 US$ '000 (restated)
Payables	310,059	400,401
Cash margins	235,099	226,820
Managers' cheques	69,807	73,997
Current taxation *	119,287	84,269
Deferred taxation *	13,416	19,859
Accrued expenses	92,729	80,359
Charity fund	20,389	25,636
Net Ijarah liability	52,562	60,488
Liabilities held for sale	39,978	-
Others	135,481	57,669
Allowance for credit losses (note 23)	62,871	85,397
	1,151,678	1,114,895

* In view of the operations of the Group being subject to various tax jurisdictions and regulations, it is not practical to provide a reconciliation between the accounting and taxable profits together with details of effective tax rates.

12 EQUITY OF INVESTMENT ACCOUNTHOLDERS (IAH)

	2022 US$ '000	2021 US$ '000 (restated)
Equity of investment accountholders *	13,966,177	15,490,993
Profit equalisation reserve (note 12.1)	66,501	3,152
Investment risk reserve (note 12.2)	98,768	62,005
Cumulative changes in fair value attributable to equity of investment accountholders - net (note 12.3)	1,382	2,183
	14,132,828	15,558,333

** Medium term Sukuk*

This includes unsecured, sub-ordinated and privately placed unrestricted mudaraba sukuk amounting to US$ 15,600 thousand (2021: US$ 19,439 thousand) issued by Al Baraka Bank (Pakistan) Limited (ABPL) during 2014 and 2021 and will mature in 2024 and 2031 respectively. The issuance of sukuk is intended to comply with regulatory requirements related to capital adequacy ratio of ABPL. The principal repayment, started after six months of the drawdown date and is being made semi-annually on a straight line basis.

The following table summarises the breakdown of IAH as of:

	2022 US$ '000	2021 US$ '000 (restated)
IAH - Financial institutions	670,694	744,793
IAH - Non-financial institutions and individuals	13,462,134	14,813,540
	14,132,828	15,558,333

12.1 Profit equalisation reserve

The following shows the movement in profit equalisation reserve:

	2022 US$ '000	2021 US$ '000 (restated)
Balance at 1 January	3,152	5,864
Amount apportioned from income allocable to equity of investment accountholders	73,409	1,098
Amount used during the year	1,674	(3,555)
Foreign exchange translations	(11,734)	(255)
Balance at 31 December	66,501	3,152

The Group has apportioned an amount related to its operations in turkey during the year. This amount also considers the fact that AAOIFI does not currently has a standard for hyperinflation accounting (refer to note 29h).

12 EQUITY OF INVESTMENT ACCOUNTHOLDERS (IAH) (continued)

12.2 Investment risk reserve

The following shows the movement in investment risk reserve:

	2022 US$ '000	2021 US$ '000 (restated)
Balance at 1 January	**62,005**	64,255
Amount appropriated to provision (note 23)	**(12,056)**	4,159
Amount apportioned from income allocable to equity of investment accountholders	**51,259**	(6,466)
Foreign exchange translations	**(2,440)**	57
Balance at 31 December	**98,768**	62,005

As noted under note 29h, the economic environment in Turkey was considered hyperinflationary. Unlike IFRS which issued IAS 29 'Financial Reporting in Hyperinflationary Environment' to consider the impact on hyperinflation, the AAOIFI standards do not have similar requirements and are still under consideration of the AAOIFI Board. IAS 29 requires financial statements that are prepared in the currency of a hyper-inflationary economy to be stated in terms of the purchasing power at the end of the reporting period. This is because money loses purchasing power at such a rate that comparison of amounts from transactions and other events that have occurred at different times, even within the same accounting period, are likely to be misleading without this impact.

As a result of the impact hyperinflation may have on the Group's financial position and performance results and its implication on the purchasing power on the return on investments for participants, the Group appropriated amounts to the PER and IRR respectively. The PER and IRR may be utilized to absorb the negative impact of hyperinflation in Turkey, which has not been recognized in these financial statements.

12.3 Cumulative changes in fair value attributable to equity of investment accountholders - net

	2022 US$ '000	2021 US$ '000 (restated)
Balance at 1 January	**2,183**	5,802
Change in fair values during the year	**613**	(714)
Realised gain transferred to consolidated statement of income	**(1,466)**	(2,406)
Deferred taxation effect	**58**	1,186
Transfer to shareholders equity	**(6)**	(1,685)
Balance at 31 December	**1,382**	2,183
Attributable to investment in real estate	**2,897**	4,136
Attributable to equity-type instruments at fair value through equity	**(1,515)**	(1,953)
	1,382	2,183

13 EQUITY

	2022 US$ '000	2021 US$ '000 (restated)
Share capital		
Authorised: 2,500,000,000 (2021: 2,500,000,000) ordinary shares of US$ 1 each	**2,500,000**	2,500,000
Issued and fully paid up:		
At beginning of the year		
1,242,879,755 (2021: 1,242,879,755) shares of US$1 each	**1,242,879**	1,242,879
At end of the year		
1,242,879,755 (2021: 1,242,879,755) shares of US$1 each	**1,242,879**	1,242,879

13 EQUITY (continued)

Treasury shares

	Number of shares ('000)	2022 US$ '000	2021 US$ '000 (restated)
At 1 January	30,695	15,655	17,462
Purchase of treasury shares	973	973	1,914
Sale of treasury shares	(1,628)	(1,628)	(3,721)
At 31 December	30,040	15,000	15,655

The market value of the treasury shares is US$ 9,763 thousand (2021: US$ 9,209 thousand) and it represents 2.4% (2021: 2.5%) of the outstanding shares.

Additional information on shareholding pattern

i) Names and nationalities of the major shareholders and the number of shares in which they have an interest of 5% or more of outstanding shares:

At 31 December 2022

Names	Nationality/ Incorporation	Number of shares	% holding
Late Saleh Abdullah Kamel	Saudi	374,236,973	30.11%
Dallah Albaraka Holding Company E.C.	Bahrain	306,194,694	24.64%
Altawfeek Company For Investment Funds	Cayman Island	240,173,054	19.32%
Abdulla AbdulAziz AlRajihi	Saudi	87,313,197	7.03%

At 31 December 2021 (Restated)

Names	Nationality/ Incorporation	Number of shares	% holding
Late Saleh Abdullah Kamel	Saudi	374,236,973	30.11%
Dallah Albaraka Holding Company E.C.	Bahrain	306,194,694	24.64%
Altawfeek Company For Investment Funds	Cayman Island	240,173,054	19.32%
Abdulla AbdulAziz AlRajihi	Saudi	87,313,197	7.03%

ii) The Group has only one class of shares and the holders of these shares have equal voting rights.
iii) Distribution schedule of shares, setting out the number and percentage of holders in the following categories:

At 31 December 2022

Categories:	Number of shares	Number of shareholders	% of total outstanding shares
Less than 1%	89,593,279	1,076	7.21%
1% up to less than 5%	145,368,558	6	11.70%
5% up to less than 10%	87,313,197	1	7.03%
10% up to less than 20%	240,173,054	1	19.32%
20% up to less than 50%	680,431,667	2	54.75%
	1,242,879,755	1,086	100.00%

13 EQUITY (continued)

Additional information on shareholding pattern (continued)

At 31 December 2021 (restated)

Categories:	Number of shares	Number of shareholders	% of total outstanding shares
Less than 1%	104,607,036	1,083	8.42%
1% up to less than 5%	130,354,801	5	10.48%
5% up to less than 10%	87,313,197	1	7.03%
10% up to less than 20%	240,173,054	1	19.32%
20% up to less than 50%	680,431,667	2	54.75%
	1,242,879,755	1,092	100.00%

a. Share premium/Equity transaction cost

Amounts collected in excess of the par value of the issued share capital during any new issue of shares, net of issue costs, are treated as share premium. This amount is not available for distribution, but can be utilised as stipulated in the Bahrain Commercial Companies Law (BCCL).

Equity transaction cost, represent costs incurred by the Group that are directly related to raising capital and have been incurred in cash.

b. Statutory reserve

In accordance with the BCCL and the Group's articles of association, 10% of the parent's share of the net income for the year is transferred to the statutory reserve until such time as the reserve reaches 50% of the Group's paid-up share capital. The reserve is not distributable except in such circumstances as stipulated in the Bahrain Commercial Companies Law. During the year US$ 14,312 thousand (2021: US$ 11,275 thousand) was transferred to statutory reserve.

c. Cumulative changes in fair values

This represents the net unrealised fair value gains and losses relating to the equity of the parent on equity-type instruments at fair value through equity, investment in real estate and land occupied by the Group (classified as property and equipment).

d. Foreign currency translations

The foreign currency translations are used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

The following table summarises the subsidiary wise foreign currency translation reserve as at 31 December:

Subsidiary	Currency	2022 US$ '000	2021 US$ '000 (restated)
Banque Al Baraka D'Algerie (BAA)	Algerian Dinar	**72,806**	74,184
Al Baraka Bank (Pakistan) Limited	Pakistani Rupees	**49,345**	37,615
Al Baraka Bank Egypt (ABE)	Egyptian Pound	**237,882**	116,329
Al Baraka Turk Participation Bank (ATPB)*	Turkish Lira	**514,209**	475,106
Al Baraka Bank Limited (ABL)	South African Rand	**25,057**	22,674
Al Baraka Bank Sudan (ABS)	Sudanese Pound	**134,216**	128,790
Al Baraka Bank Tunis (ABT)	Tunisian Dinar	**37,915**	33,046
Al Baraka Bank Syria (ABBS)**	Syrian Pound	**57,001**	53,267
Others		**(780)**	(283)
		1,127,651	940,728

* Refer to note 29 (h) for further details

** Al Baraka Bank Syria is an associate, refer to note 32 (i) for further details

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13 EQUITY (continued)

Additional information on shareholding pattern (continued)

e. Other reserves

Other reserves mainly consist of general banking risk reserves maintained by the subsidiaries in accordance with local regulations.

f. Zakah paid on behalf of shareholders

The General Assembly in its annual meeting conducted on 30 March 2022 empowered the Executive Management of Al Baraka Group to pay an amount of US$ 347 thousand as Zakah on behalf of the shareholders deducted from the retained earnings for the financial year of 2021. The Group has paid and distributed the full amount to those who are entitled to receive Zakah as per Shari'a boundaries and as approved by the Unified Shari'a Board.

	2022 **US$ '000**	2021 US$ '000 (restated)
Zakah to be paid on behalf of shareholders for the year	**347**	1,015
Uses of Zakah:		
Zakah for the poor and needy	**47**	427
Scholarships	**300**	588
Total uses	**347**	1,015
Remaining Zakah to be paid	**-**	-

g. Net movement in non-controlling interest

This mainly includes the effect of changes in capital of subsidiaries, buying (selling) by the non-controlling interest from (to) the Group.

Non-controlling interest

Non-controlling interest constitutes equity in a subsidiary not attributable, directly or indirectly, to a parent. This includes the portion of the Tier 1 Mudaraba Sukuk amounted to US$ 165 million (31 December 2021: US$ 50 million) issued by the Group's subsidiary in February 2018 which is not subscribed by the parent.

14. PERPETUAL TIER 1 CAPITAL

On 31 May 2017, the Bank completed an issuance of US$ 400 million Additional Tier 1 Mudaraba Sukuk in compliance with CBB regulations; listed on Irish Stock Exchange. Profit shall be payable subject to and in accordance with terms and conditions on the outstanding nominal amount of the Sukuk at an expected profit of 7.875% per annum, payable on semi-annual basis. These Sukuks are recognised under equity in the consolidated statement of financial position and the corresponding profit payable on those Sukuk are accounted as appropriation of profits. Expenses relating to the issuance have been included in the retained earnings. As per the terms and conditions, the Sukuk holders will not have a right to claim the profit and such event of non-payment of profit will not be considered as event of default. The Sukuk can be redeemed only at the option of ABG.

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15 NET INCOME FROM JOINTLY AND SELF FINANCED CONTRACTS AND INVESTMENTS

	2022 US$ '000	2021 US$ '000 (restated)
Receivables (note 15.1)	965,958	922,935
Mudaraba and Musharaka financing (note 15.2)	177,907	239,169
Investments (note 15.3)	573,492	342,999
Ijarah Muntahia Bittamleek (note 15.4)	130,547	121,803
Others	-	6,830
	1,847,904	1,633,736
Net income from jointly financed contracts and investments	1,408,471	1,301,626
Gross income from self financed contracts and investments	439,433	332,110
	1,847,904	1,633,736
Gross income from self financed contracts and investments	439,433	332,110
Profit paid on short term financing	(36,453)	(169,607)
Net income from self financed contracts and investments	402,980	162,503

15.1 Receivables

	2022 US$ '000	2021 US$ '000 (restated)
Sales (Murabaha) receivables	944,944	895,205
Salam receivables	15,881	15,652
Istisna'a receivables	5,133	12,078
	965,958	922,935

15.2 Mudaraba and Musharaka financing

	2022 US$ '000	2021 US$ '000 (restated)
Mudaraba financing	111,779	181,047
Musharaka financing	66,128	58,122
	177,907	239,169

15.3 Investments

	2022 US$ '000	2021 US$ '000 (restated)
Equity-type instruments at fair value through equity	19,541	4,584
Debt-type instruments at amortised cost	396,773	297,017
Unrealised loss on equity and debt-type instruments at fair value through statement of income	131,650	15,319
Gain on sale of equity-type instruments at fair value through equity	108	2,400
Gain on sale of equity and debt-type instruments at fair value through statement of income	391	1,751
Gain income from investment in real estate	2,083	3,079
Income from associates	17,371	15,583
Gain on sale of investment in real estate	4,597	3,266
Gain on sale of investment in subsidiaries	978	-
	573,492	342,999

15. NET INCOME FROM JOINTLY AND SELF FINANCED CONTRACTS AND INVESTMENTS (continued)

15.4 Ijarah Muntahia Bittamleek

	2022 US$ '000	2021 US$ '000 (restated)
Income from Ijarah Muntahia Bittamleek	319,517	255,152
Depreciation on Ijarah Muntahia Bittamleek	(188,970)	(133,349)
	130,547	121,803

16. GROUP'S SHARE AS A MUDARIB

Group's share as a Mudarib is determined at the level of each subsidiary and is based on the terms and conditions of the related agreements.

17. OTHER FEES AND COMMISSION INCOME

	2022 US$ '000	2021 US$ '000 (restated)
Banking fees and commissions	129,067	110,015
Letters of credit	15,259	22,464
Guarantees	21,774	24,176
Acceptances	4,218	7,037
	170,318	163,692

18. OTHER OPERATING INCOME

	2022 US$ '000	2021 US$ '000 (restated)
Foreign exchange gain	134,127	72,648
Gain on sale of property and equipment	10,446	19,017
	144,573	91,665

19. PROFIT PAID ON LONG TERM FINANCING

	2022 US$ '000	2021 US$ '000 (restated)
Murabaha financing	180	986
Subordinated financing obtained by a subsidiary	26,662	30,387
Wakala	-	1,658
Sukuk	5,969	-
	32,811	33,031

20. DEPRECIATION AND AMORTISATION

	2022 US$ '000	2021 US$ '000 (restated)
Property and equipment depreciation (note 8)	38,980	44,632
Intangible assets amortisation (note 9 (a))	11,607	13,640
	50,587	58,272

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21. OTHER OPERATING EXPENSES

	2022 US$ '000	2021 US$ '000 (restated)
General and administration expenses	123,937	125,215
Professional and business expenses	28,247	25,673
Premises related expenses	33,983	34,309
	186,167	185,197

22. ASSETS CLASSIFIED AS HELD-FOR-SALE, SUBSIDIARY LOSS OF CONTROL AND SUBSIDIARY SOLD DURING THE YEAR

1. Assets classified as Held for Sale: BTI Morroco

During December 2022, ABG agreed in principle with Bank of Africa, through the signing of a sale and purchase agreement for sale of ABG's stake in BTI Morroco. The transaction was approved by ABG's Board of Directors in December 2022. The transaction is subject to various legal and regulatory formalities that are expected to be completed in 2023.

Accordingly, the following assets and liabilities relating to the subsidiary have been classified as held-for-sale as of 31 December 2022:

	2022 US$ '000
Cash and balances with banks	14,935
Financing	20,867
Others	4,176
Total Assets classified as held-for-sale	39,978
Customer accounts and due to banks	16,479
Others	23,499
Liabilities and IAH directly associated with assets classified as held for sale	39,978

The net results of the above operations included in the consolidated financial statements are as follows:

	2022 US$ '000
Net loss	(3,266)

The above asset amounts are net of Impairment provision which was previously booked on the net asset book value to bring down to the net realizable value.

The application of IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations) underlies highly judgmental areas, where the management evaluates compliance with the accounting, measurement and disclosure requirements of IFSR 5.

22. ASSETS CLASSIFIED AS HELD-FOR-SALE, SUBSIDIARY LOSS OF CONTROL AND SUBSIDIARY SOLD DURING THE YEAR (continued)

2. Loss of control of Al Baraka Lebanon

During November 2022, ABG lost control of its susbsidary Al Baraka Lebanon, which was taken into administration by the Central Bank of Lebanon. As a result, the investment in Lebanon was classified as an Investment.

Accordingly, the following assets and liabilities relating to the subsidiary were deconsolidated as of 31 December 2022:

	2022 US$ '000
Cash and balances with banks	205,739
Financing	71,051
Others	50,225
Total Assets	327,015
Customer accounts and due to banks	244,004
Others	83,011
Total Liabilities and IAH	327,015

The net results of the above operations included in the consolidated financial statements are as follows:

	2022 US$ '000
Net income	520

The above asset amounts are net of Impairment provision which was previously booked on the net asset book value to bring down to the net realizable value.

3. Sale of Itqan Capital

During December 2022, ABG fianlised the sale of shareholding in Itqan Capital. The transaction was approved by ABG's Board of Directors on 26 December 2022.

Accordingly, the following assets and liabilities relating to the subsidiary were deconsolidated as of 31 December 2022:

	2022 US$ '000
Total Assets	15,067
Total Liabilities	1,777

The net results of the above operations included in the consolidated financial statements are as follows:

	2022 US$ '000
Net income	434

23. NET ALLOWANCE FOR CREDIT LOSSES / IMPAIRMENT

2022	Cash and balances with banks US$ '000 (note 3)	Sales (Murabaha) receivables US$ '000 (note 4.1)	Ijarah receivables US$ '000 (note 4.2)	Salam receivables US$ '000 (note 4.3)	Istisna'a receivables US$ '000 (note 4.4)	Mudaraba financing US$ '000 (note 5.1)	Musharaka financing US$ '000 (note 5.2)	Investments US$ '000 (note 6.2 & 6.3)	Ijarah Muntahia Bittamleek US$ '000 (note 7)	Other assets US$ '000 (note 9)	Other liabilities US$ '000 (note 11)	Total US$ '000
Allowance at 1 January	3,688	776,535	47,989	18,912	17,464	17,731	16,597	14,902	12,988	27,295	85,397	1,039,498
Charged during the year	131	264,014	9,915	2,772	1,179	1,053	543	3,202	270	(1,895)	1,064	282,248
Written back/recovered during the year	-	(46,279)	(12,494)	(1,639)	(152)	-	(1,134)	(187)	(1)	(36)	(1,224)	(63,146)
	131	217,735	(2,579)	1,133	1,027	1,053	(591)	3,015	269	(1,931)	(160)	219,102
	3,819	994,270	45,410	20,045	18,491	18,784	16,006	17,917	13,257	25,364	85,237	1,258,600
Written off during the year	-	(263,035)	(495)	(206)	-	-	-	-	-	(7)	-	(263,743)
Amount appropriated from investment risk reserve (note 12.2)	-	7,895	1,628	-	2,271	-	(12)	221	53	-	-	12,056
Foreign exchange translations/others - net	(3,638)	(77,029)	60	(2,478)	(3,524)	(1,721)	(3,123)	(2,746)	(56)	7,122	(22,366)	(109,499)
Allowance at 31 December	181	662,101	46,603	17,361	17,238	17,063	12,871	15,392	13,254	32,479	62,871	897,414

During the year, an impairment loss of US$ 20.5 million (2021: US$ 391 thousand) was charged against investments.

An amount of US$ 6,680 thousand (2021: US$ 7,333 thousand) is related to provision of equity type instruments at fair value through equity.

2021 (restated)	Cash and balances with banks US$ '000 (note 3)	Sales (Murabaha) receivables US$ '000 (note 4.1)	Ijarah receivables US$ '000 (note 4.2)	Salam receivables US$ '000 (note 4.3)	Istisna'a receivables US$ '000 (note 4.4)	Mudaraba financing US$ '000 (note 5.1)	Musharaka financing US$ '000 (note 5.2)	Investments US$ '000 (note 6.2 & 6.3)	Ijarah Muntahia Bittamleek US$ '000 (note 7)	Other assets US$ '000 (note 9)	Other liabilities US$ '000 (note 11)	Total US$ '000
Allowance at 1 January	3,718	641,704	51,973	15,186	11,164	14,618	21,787	15,675	23,850	25,051	86,133	910,859
Charged during the year	(28)	298,140	8,729	5,769	10,730	(68)	905	2,448	(9,763)	3,373	9,673	329,908
Written back/recovered during the year	-	(63,961)	(11,450)	(885)	(2,037)	-	(553)	(2,284)	-	(747)	716	(81,201)
	(28)	234,179	(2,721)	4,884	8,693	(68)	352	164	(9,763)	2,626	10,389	248,707
	3,690	875,883	49,252	20,070	19,857	14,550	22,139	15,839	14,087	27,677	96,522	1,159,566
Written off during the year	-	(41,283)	(23)	-	-	(11,579)	-	-	-	-	-	(52,885)
Amount appropriated from investment risk reserve	-	(1,088)	(32)	-	(1,470)	-	(1,002)	(620)	53	-	-	(4,159)
Foreign exchange translations/others - net	(2)	(56,977)	(1,208)	(1,158)	(923)	14,760	(4,540)	(317)	(1,152)	(382)	(11,125)	(63,024)
Allowance at 31 December	3,688	776,535	47,989	18,912	17,464	17,731	16,597	14,902	12,988	27,295	85,397	1,039,498

23. NET ALLOWANCE FOR CREDIT LOSSES / IMPAIRMENT (continued)

The provisions relate to the following geographical areas:

2022	Cash and balances with banks US$ '000 (note 3)	Sales (Murabaha) receivables US$ '000 (note 4.1)	Ijarah receivables US$ '000 (note 4.2)	Salam receivables US$ '000 (note 4.3)	Istisna'a receivables US$ '000 (note 4.4)	Mudaraba financing US$ '000 (note 5.1)	Musharaka financing US$ '000 (note 5.2)	Investments US$ '000 (note 6.2 & 6.3)	Ijarah Muntahia Bittamleek US$ '000 (note 7)	Other assets US$ '000 (note 9)	Other liabilities US$ '000 (note 11)	Total US$ '000
Middle East	163	355,786	12,422	-	2,808	17,063	423	11,990	106	27,977	53,750	482,488
North Africa	18	52,274	33,131	6,993	756	-	136	1,837	12,620	3,644	2,850	114,259
Europe	-	238,045	-	-	-	-	806	215	524	185	2,159	241,934
Others	-	15,996	1,050	10,368	13,674	-	11,506	1,350	4	673	4,112	58,733
Total	181	662,101	46,603	17,361	17,238	17,063	12,871	15,392	13,254	32,479	62,871	897,414
2021 (restated)												
Middle East	3,679	391,404	10,936	-	538	17,731	444	11,143	53	22,101	76,019	534,048
North Africa	9	51,426	34,720	7,394	918	-	1,230	1,782	12,607	2,777	2,993	115,856
Europe	-	312,819	-	-	-	-	4,037	12	320	1,545	1,839	320,572
Others	-	20,886	2,333	11,518	16,008	-	10,886	1,965	8	872	4,546	69,022
Total	3,688	776,535	47,989	18,912	17,464	17,731	16,597	14,902	12,988	27,295	85,397	1,039,498

The fair value of collateral the Group holds relating to non-performing facilities as at 31 December 2022 amounts to US$ 322 million (2021: US$ 484 million). The collateral consists of cash margin, securities and properties. The utilisation of the collaterals will be on customer by customer basis and will be limited to the customer's total exposure.

24. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share amounts are calculated by dividing net income for the year attributable to equity holders of the parent by the weighted average number of shares outstanding during the year as follows:

	2022 US$ '000	2021 US$ '000 (restated)
Net income attributable to the equity shareholders of the parent for the year - US$ '000	**143,116**	94,105
Profit distributed on perpetual tier 1 capital - US$ '000	**(33,300)**	(31,500)
	109,816	62,605
Number of shares outstanding at the beginning of the year (in thousands)	**1,242,879**	1,242,879
Treasury shares effect (in thousands)	**(30,645)**	(32,350)
Weighted average number of shares outstanding at the end of the year (in thousands)	**1,212,234**	1,210,529
Earnings per share - US cents	**9.06**	5.17

25. CASH AND CASH EQUIVALENTS

	2022 US$ '000	2021 US$ '000 (restated)
Balances with central banks excluding mandatory reserve	**1,147,397**	1,462,987
Balances with other banks	**530,747**	570,937
Cash and cash in transit	**534,119**	672,190
	2,212,263	2,706,114

26. RELATED PARTY TRANSACTIONS

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

The income and expenses in respect of related parties were as follows:

	Associated companies US$ '000	Major shareholders US$ '000	Directors and key management personnel US$ '000	Other related parties US$ '000	2022 US$ '000	2021 US$ '000 (restated)
Net income from jointly financed contracts and investments	1,474	-	121	-	1,595	2,094
Return on equity of investment accountholders	274	-	471	-	745	2,456
Other fees and commission income	237	-	1	32	270	231

Compensation of key management personnel of the Group, included in consolidated statement of income, is as follows:

	2022 US$ '000	2021 US$ '000 (restated)
Short term benefits	3,175	6,378
Long term benefits	366	698

Short term benefits includes basic salaries, bonuses, allowances and other benefits paid during the year and long term benefits includes indemnity, social insurance benefits and investment scheme.

Director's remuneration accrued for the year ended 31 December 2022 amounted to US$ 1.5 million (2021: US$ 1.5 million).

The balances with related parties at 31 December were as follows:

	Associated companies US$ '000	Major shareholders US$ '000	Directors and key management personnel US$ '000	Other related parties US$ '000	2022 US$ '000	2021 US$ '000 (restated)
Assets:						
Receivables	1,990	-	868	-	2,858	1,109
Mudaraba and Musharaka financing	-	-	1,370	-	1,370	1,433
Investments	64,904	-	-	-	64,904	46,726
Other assets	9,312	-	354	-	9,666	275
Liabilities:						
Customer current and other accounts	72,743	2,125	1,737	10	76,615	7,856
Due to banks	-	-	-	-	-	23
Other liabilities	30	3	150	200	383	52
Equity of investment accountholders	10,295	7,671	17,133	20	35,119	37,130
Off-balance sheet equity of investment accountholders	122,835	8,606	2,609	-	134,050	29,266

All related party exposures are performing and are free of any specific provision for credit losses.

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26. RELATED PARTY TRANSACTIONS (Continued)

Details of Directors' and Executive Management's direct and indirect interests in the group's shares as at the end of the year were:

			2022	Transaction
Name of directors	*Position*	Nationality	Number of shares	Number of shares
Abdulla Saleh Kamel	Chairman	Saudi	338,598	-
Abdul Elah Sabbahi	Board Member	Saudi	225,899	-
Fahad AlRajhi (indirect)	Board Member	Saudi	10,815	-

			2021	*Transaction*
Name of directors	*Position*	*Nationality*	*Number of shares (restated)*	*Number of shares*
Abdulla Saleh Kamel	Chairman	Saudi	338,598	-
AbdulElah Sabbahi	Board Member	Saudi	225,899	-
Fahad AlRajhi (indirect)	Board Member	Saudi	10,815	-

27. COMMITMENTS AND CONTINGENCIES

	2022 US$ '000	2021 US$ '000 (restated)
Letters of credit	630,421	842,993
Guarantees	1,496,283	1,557,930
Acceptances	56,076	130,561
Commitments	857,095	1,052,955
Shari'a compliant promise contracts	252,006	516,793
	3,291,881	4,101,232

28. SEGMENTAL ANALYSIS

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

For financial reporting purposes, the Group is divided into the following geographic segments:

- Middle East
- North Africa
- Europe
- Others

The results reported for the geographic segments are based on the Group's internal financial reporting systems. The accounting policies of the segments are the same as those applied in the preparation of the Group's consolidated financial statements as set out in Note 2. Transactions between segments are conducted at estimated market rates on an arm's length basis.

No business segment is presented as that is not applicable to the Group.

28. SEGMENTAL ANALYSIS (Continued)

Segment assets, liabilities and equity of investment accountholders were as follows:

	2022			2021		
Segment	Assets US$ '000	Liabilities US$ '000	IAH US$ '000	Assets US$ '000	Liabilities US$ '000	IAH US$ '000
Middle East	12,999,079	3,002,644	8,719,950	14,938,795	3,603,522	10,000,824
North Africa	2,627,922	1,348,227	994,496	2,734,389	1,498,991	943,683
Europe	7,647,797	4,051,269	3,337,415	8,051,980	4,428,389	3,400,171
Others	1,707,036	480,095	1,080,967	2,068,211	703,552	1,213,655
	24,981,834	8,882,235	14,132,828	27,793,375	10,234,454	15,558,333

Segment operating income, net operating income and net income were as follows:

	2022			2021		
Segment	Total operating income US$ '000	Net operating income US$ '000	Net income US$ '000	Total operating income US$ '000 (restated)	Net operating income US$ '000 (restated)	Net income US$ '000 (restated)
Middle East	532,618	289,005	138,567	518,976	281,511	108,160
North Africa	105,553	41,718	33,117	117,624	51,953	30,365
Europe	405,528	252,700	49,036	258,940	97,744	3,232
Others	95,033	33,254	18,734	97,277	37,718	15,357
	1,138,732	616,677	239,454	992,817	468,926	157,114

29. RISK MANAGEMENT

Risk management is an integral part of the Group's decision-making process. The management risk committee and executive committees guide and assist with overall management of the Group's balance sheet risks. The Group manages exposures by setting limits approved by the Board of Directors. These risks and the processes to mitigate these risks have not significantly altered from the previous year.

The most important types of risk are liquidity risk, credit risk, concentration risk, market risk and other operational risk. Market risk includes profit rate risk, equity price risk and foreign exchange risk.

a) Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on regular basis. Each of the Group's subsidiaries has a documented and implemented domestic and foreign currency liquidity policy appropriate to the nature and complexity of its business. The policy addresses the subsidiaries' goal of protecting financial strength even for stressful events.

The table next page summarises the maturity profile of the Group's assets and liabilities based on contractual repayment arrangements. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the financial position date to the contractual maturity date and do not take account of the effective maturities as indicated by the Group's retention history of its investment account holders and the availability of bank lines.

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29. RISK MANAGEMENT (Continued)

a) Liquidity risk (Continued)

The maturity profile at 31 December 2022 was as follows:

	Up to 1 month US$ '000	1 to 3 months US$ '000	3 to 6 months US$ '000	6 months to 1 year US$ '000	1 to 3 years US$ '000	3 to 5 years US$ '000	5 to 10 years US$ '000	10 to 20 years US$ '000	20 years and above US$ '000	Undated US$ '000	Total US$ '000
Assets											
Cash and balances with banks	2,651,676	34,344	7,532	-	320,664	10,263	-	-	-	1,372,133	4,396,612
Receivables	1,017,103	1,641,641	1,347,738	1,721,298	2,465,707	1,773,181	359,693	89,642	12,942	8,628	10,437,573
Mudaraba and Musharaka financing	507,552	27,778	13,322	36,081	340,758	324,410	160,734	83,579	3,110	-	1,497,324
Investments	111,249	224,521	180,714	333,808	1,860,230	1,762,620	376,597	21,782	7,017	356,176	5,234,714
Ijarah Muntahia Bittamleek	23,662	39,765	83,575	111,836	421,014	359,798	559,823	551,568	82,315	-	2,233,356
Property and equipment	-	-	-	-	-	-	-	-	-	461,472	461,472
Other assets	226,332	35,945	15,225	42,700	22,777	28,697	28,224	-	-	320,883	720,783
Total assets	4,537,574	2,003,994	1,648,106	2,245,723	5,431,150	4,258,969	1,485,071	746,571	105,384	2,519,292	24,981,834
Liabilities											
Customer current and other accounts	6,451,061	-	-	-	-	-	-	-	-	-	6,451,061
Due to banks	647,835	131,242	59,889	65,086	2,726	189	9,223	55,269	-	-	971,459
Long term financing	9,129	16,443	-	6,790	-	63,144	212,531	-	-	-	308,037
Other liabilities	439,426	119,732	63,631	57,061	22,301	56,237	1,951	371,721	-	19,618	1,151,678
Total liabilities	7,547,451	267,417	123,520	128,937	25,027	119,570	223,705	426,990	-	19,618	8,882,235
Equity of investment accountholders	3,598,216	2,374,839	825,016	1,283,299	3,039,521	783,726	1,672,572	555,639	-	-	14,132,828
Total liabilities and equity of investment accountholders	11,145,667	2,642,256	948,536	1,412,236	3,064,548	903,296	1,896,277	982,629	-	19,618	23,015,063
Net liquidity gap	(6,608,093)	(638,262)	699,570	833,487	2,366,602	3,355,673	(411,206)	(236,058)	105,384	2,499,674	1,966,771
Cumulative net liquidity gap	(6,608,093)	(7,246,355)	(6,546,785)	(5,713,298)	(3,346,696)	8,977	(402,229)	(638,287)	(532,903)	1,966,771	
Off-balance sheet equity of investment accountholders	140,046	147,676	82,988	1,078,705	66,546	1,784	1,867	535	13,540	-	1,533,687

29. RISK MANAGEMENT (Continued)

a) Liquidity risk (Continued)

The maturity profile at 31 December 2021 (restated) was as follows:

	Up to 1 month US$ '000	1 to 3 months US$ '000	3 to 6 months US$ '000	6 months to 1 year US$ '000	1 to 3 years US$ '000	3 to 5 years US$ '000	5 to 10 years US$ '000	10 to 20 years US$ '000	20 years and above US$ '000	Undated US$ '000	Total US$ '000
Cash and balances with banks	3,452,477	13,908	7,406	-	410,676	8,849	-	-	-	1,788,037	5,681,353
Receivables	1,336,976	1,314,369	1,435,258	1,548,304	2,517,177	2,097,327	536,476	176,496	13,264	-	10,975,647
Mudaraba and Musharaka financing	2,397,844	18,392	9,842	52,820	421,261	370,583	149,958	72,407	-	-	3,493,107
Investments	219,594	360,877	93,529	329,029	1,656,410	1,153,266	357,223	17,387	1,000	307,154	4,495,469
Ijarah Muntahia Bittamleek	31,400	32,074	84,693	119,967	406,966	318,549	497,678	472,567	54,906	-	2,018,800
Property and equipment	-	-	-	-	-	-	-	-	-	524,111	524,111
Other assets	162,375	39,817	55,939	75,210	61,294	20,079	2	1,630	-	188,542	604,888
Total assets	7,600,666	1,779,437	1,686,667	2,125,330	5,473,784	3,968,653	1,541,337	740,487	69,170	2,807,844	27,793,375
Liabilities											
Customer current and other accounts	7,579,275	-	-	-	-	-	-	-	-	-	7,579,275
Due to banks	679,549	259,438	112,113	45,913	130,063	244	7,631	18,500	-	-	1,253,451
Long term financing	21,360	5,254	750	9,620	7,460	61,827	180,562	-	-	-	286,833
Other liabilities	389,553	82,910	86,783	112,690	32,784	175,900	14,436	21,014	-	198,825	1,114,895
Total liabilities	8,669,737	347,602	199,646	168,223	170,307	237,971	202,629	39,514	-	198,825	10,234,454
Equity of investment accountholders	5,331,674	1,691,344	871,913	1,425,810	3,195,086	851,720	1,663,761	527,025	-	-	15,558,333
Total liabilities and equity of investment accountholders	14,001,411	2,038,946	1,071,559	1,594,033	3,365,393	1,089,691	1,866,390	566,539	-	198,825	25,792,787
Net liquidity gap	(6,400,745)	(259,509)	615,108	531,297	2,108,391	2,878,962	(325,053)	173,948	69,170	2,609,019	2,000,588
Cumulative net liquidity gap	(6,400,745)	(6,660,254)	(6,045,146)	(5,513,849)	(3,405,458)	(526,496)	(851,549)	(677,601)	(608,431)	2,000,588	
Off-balance sheet equity of investment accountholders	223,417	88,282	71,933	447,210	103,163	68,083	117,877	7,691	47	-	1,127,703

b) Credit risk

Credit risk is the risk that one party to a financial contract will fail to discharge an obligation and cause the other party to incur a financial loss. The Group controls credit risk by monitoring credit exposures, and continually assessing the creditworthiness of counterparties. Financing contracts are mostly secured by the personal guarantees of individuals who own the counterparty, by collateral in form of mortgage of the objects financed or other types of tangible security.

Type of credit risk

Financing contracts mainly comprise Sales (Murabaha) receivables, Salam receivables, Istisna'a receivables, Mudaraba financing, Musharaka financing and Ijarah Muntahia Bittamleek.

Sales (Murabaha) receivables

The Group finances these transactions through buying a commodity which represents the object of the Murabaha and then resells this commodity to the murabeh (beneficiary) at a profit. The sale price (cost plus the profit margin) is repaid in instalments by the murabeh over the agreed period. The transactions are secured at times by the object of the Murabaha (in case of real estate finance) and other times by a total collateral package securing all the facilities given to the client.

29. RISK MANAGEMENT (Continued)

b) Credit risk (Continued)

Salam receivables

Salam is a contract whereby the Group makes an immediate payment to a seller for the future delivery of a commodity. To protect itself from risk associated with the commodity the Group simultaneously enters into Parallel Salam contract whereby it sells the commodity for deferred delivery for immediate payment.

Istisna'a receivables

Istisna'a is a sale agreement between the Group as the seller and the customer as the ultimate purchaser whereby the Group undertakes to have manufactured (or acquire) goods and sell it to the customer for an agreed upon price on completion at future date.

Mudaraba financing

The Group enters into Mudaraba contracts by investing in funds managed primarily by other banks and financial institutions for a definite period of time.

Musharaka financing

An agreement between the Group and a customer to contribute to a certain investment enterprise, whether existing or new, or the ownership of a certain property either permanently or according to a diminishing arrangement ending up with the acquisition by the customer of the full ownership. The profit is shared as per the agreement set between both parties while the loss is shared in proportion to their shares of capital or the enterprise.

Maximum exposure to credit risk before collateral held or other credit enhancements

	Maximum exposure	
	2022 US$ '000	2021 US$ '000 (restated)
Balances with central banks	3,331,927	4,441,912
Balances with other banks	530,747	570,938
Receivables	10,437,573	10,975,647
Mudaraba and Musharaka financing	1,497,324	3,493,107
Investments	5,234,714	4,495,469
Other assets	340,031	297,189
Total	21,372,316	24,274,262
Commitments and contingencies	3,291,881	4,101,232
	24,664,197	28,375,494

Credit quality by type of Islamic financing contracts

The table below shows the credit quality by type of islamic financing contracts, based on the Group's credit rating system as of:

	31 December 2022			
Type of Islamic Financing Contracts	Neither past due nor non performing US$ '000	Past due but performing US$ '000	Non performing islamic financing contracts US$ '000	Total US$ '000
Receivables	10,033,850	610,666	536,360	11,180,876
Mudaraba and Musharaka financing	1,470,087	3,576	53,595	1,527,258
Other assets	363,215	828	8,467	372,510
	11,867,152	615,070	598,422	13,080,644

	31 December 2021			
Type of Islamic Financing Contracts	Neither past due nor non performing US$ '000	Past due but performing US$ '000	Non performing islamic financing contracts US$ '000	Total US$ '000 (restated)
Receivables	10,415,857	626,409	794,281	11,836,547
Mudaraba and Musharaka financing	3,467,870	1,702	57,864	3,527,436
Other assets	313,457	1,177	9,850	324,484
	14,197,184	629,288	861,995	15,688,467

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29. RISK MANAGEMENT (Continued)

b) Credit risk (Continued)

Ageing analysis of past due but performing Islamic financing contracts

The following table summarises the ageing of past due but performing islamic financing contracts as of:

	31 December 2022			
Type of Islamic Financing Contracts	Less than 30 days US$ '000	31 to 60 days US$ '000	61 to 90 days US$ '000	Total US$ '000
Receivables	152,824	134,816	323,026	610,666
Mudaraba and Musharaka financing	3,024	154	398	3,576
Other assets	426	258	144	828
	156,274	135,228	323,568	615,070

	31 December 2021			
Type of Islamic Financing Contracts	Less than 30 days US$ '000	31 to 60 days US$ '000	61 to 90 days US$ '000	Total US$ '000 (restated)
Receivables	89,298	222,988	314,123	626,409
Mudaraba and Musharaka financing	1,307	211	184	1,702
Other assets	482	404	291	1,177
	91,087	223,603	314,598	629,288

The following table summarises the total past due, non performing and neither past due nor non performing Islamic financing contracts and aging of non performing Islamic financing contracts disclosed by counterparty type as of 31 December 2022:

					Aging of non performing Islamic financing contracts		
	Total US$ '000	Neither past due nor non performing US$ '000	Past due but performing US$ '000	Non performing Islamic financing contracts US$ '000	90 days to 1 year US$ '000	1 year to 3 years US$ '000	Over 3 years US$ '000
Sovereign	1,348,060	1,316,335	23,185	8,540	4,270	-	4,270
Bank	1,340,536	1,267,221	21,320	51,995	31,240	20,424	331
Investment Firms	12,888	12,888	-	-	-	-	-
Corporates	6,603,089	5,697,015	523,522	382,552	151,609	147,160	83,783
Retail	3,776,071	3,573,693	47,043	155,335	71,815	29,209	54,311
	13,080,644	11,867,152	615,070	598,422	258,934	196,793	142,695

The following table summarises the total expected credit loss (ECL) on stage 3 disclosed by counterpaarty type as of 31 December 2022:

	Opening Balance US$ '000	Charged during the year US$ '000	Write-back during the year US$ '000	Write-offs during the year US$ '000	Foreign Exchange translation/ Others-net US$ '000	Balance at the end of the year US$ '000
Bank	4,256	38,972	-	(3,813)	4,809	44,224
Corporates	417,204	205,966	(55,914)	(259,703)	49,056	356,609
Retail	95,132	30,565	(5,785)	(220)	(821)	118,871
	516,592	275,503	(61,699)	(263,736)	53,044	519,704

29. RISK MANAGEMENT (Continued)

Credit Risk Mitigation

All the Group's subsidiaries, with exposures secured by real estate or other collateral carry out regular and periodic collateral verification and valuation. This collateral verification and valuation is conducted by an independent qualified assessor or Collateral Analyst at the subsidiary. The frequency of such collateral verification is determined as a part of the credit or investment policy and approval process. The Group's subsidiaries allow cars, ships, aircraft, satellites, railcars, and fleets as collateral for a credit and investment product but do not accept perishable assets or any other assets with depreciable life of less than five years. Subsidiaries do not accept any assets as collateral if the assets are susceptible for obsolescence in case they are moved (e.g. furniture). Subsidiaries also ensure that these assets are insured in order to be accepted as collateral.

Third party cheques are accepted as collateral by the Group's subsidiaries. The Group's subsidiaries accept commercial papers as qualifying collateral if they are issued by banks or corporations of good credit standing. Since the maturity tenure of the commercial papers are generally short in nature, they are not accepted as collateral for long–term facilities (i.e. the financing tenure should not exceed the commercial papers maturity tenure). The subsidiaries do not accept vehicles or equipment, if new, as qualifying collateral for more than 80% of its market value. No vehicles or equipment, if used, are accepted as qualifying collateral for more than 50% of its insured value.

Collaterals listed hereunder may attract capital relief from capital adequacy requirements as per the Central Bank of Bahrain's stipulations:

1. Hamish Jiddiyyah (Good faith deposit): Subsidiaries take this type of collateral in the transactions for which non-binding promises to perform is given by the customer. If a customer does not honor his promise to perform, the subsidiary has recourse to the deposit.

2. Third party guarantee: The subsidiary should have recourse to the guarantor in case of customer's default. In order to qualify as eligible collateral, the guarantee should be unconditional and irrevocable. The guarantor must be solvent and, if applicable, of investment grade rating.

3. Urbon: This is the amount that should be taken from a purchaser or lessee when a contract is established and it is the first line of defense for the subsidiary if the purchaser or lessee breaches the contract.

4. Underlying assets of the lease contract: The underlying asset must be of monetary value and the subsidiary must have legal access to it, own it and sell it to cover the open exposure with the customers in question. The assets have also to be free of any of any kind of encumbrance.

   Any excess amount resulting from the closure of the pledge by the subsidiary should be returned to the customer (pledger). The subsidiary should conduct at least annual evaluation of the pledged assets and keep adequate documentation of this evaluation.

5. Cash deposit free from any legal encumbrance with the subsidiary either in the form of equity of investment accountholders or off-balance sheet equity of investment accountholders.

6. Rated and unrated senior Sukuk issued by first class financial institutions or by GCC sovereigns.

Credit Quality

Credit Risk Management at the Group will be based upon the creation and maintenance of a Credit Rating System (CRS) for the non-retail business. All the Group's units are to incorporate into their respective credit policies the CRS as the framework for credit management taking into consideration the methodology requirements of their local central banks, in this respect. The methodology for obligor (issuer) rating will reflect the specifics of the Group's main business and the geographical diversity of its operations. Ratings of countries, governments and financial institutions are carried out in centralised fashion at the Bank in Bahrain whereas rating of corporates is done at the subsidiaries level, unless the exposure to the corporate involves cross-border risk, in which case, that rating will also be at the Bank as part of the credit limit approval.

The CRS at the Bank has also been designed to be comparable to the rating system of major international rating agencies (Moody's, Standard & Poor's, Fitch) in respect of their foreign currency rating of countries, governments and financial institutions.

Accordingly, countries, governments and financial Institutions will be rated on the basis of their unsecured medium term foreign currency obligations. This means that for governments and financial institutions the cross-border risk will also be part of the rating and the country's rating will be, in most cases, the ceiling on the financial institution's rating.

The basic approach of the major credit rating agencies to rating is the same as what the Group credit policies require i.e. a comprehensive fundamental analysis of all relevant quantitative and non quantitative factors aimed at identifying actual and potential vulnerability. Credit rating will be applied to countries and single obligors. Single obligors, in turn are categorised as financial institutions, corporates, governments and retail. CRS therefore rates obligors (issuers) and not facilities. The obligor rating of countries and single obligors will identify the relative probability of default but will not take into account the impact of collateral security and other mitigants in the event of default. Facility ratings by contrast, combine both the probability of default and loss severity in case of defaults. However, initially the Group wide policy will be to set up obligor ratings only (which does not prevent individual subsidiaries internally to also rate facilities if they so wish).

29. RISK MANAGEMENT (continued)

c) Concentration risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Group policies and procedures include specific guidelines to focus on country and counter party limits and maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

The distribution of assets, liabilities and equity of investment accountholders items by economic sectors was as follows:

	2022			2021		
	Assets US$ '000	Liabilities US$ '000	IAH US$ '000	Assets US$ '000 (restated)	Liabilities US$ '000 (restated)	IAH US$ '000 (restated)
Manufacturing	2,619,599	173,239	146,216	2,945,213	187,003	353,186
Mining and quarrying	79,764	4,103	35,410	101,177	3,151	26,840
Agriculture	250,264	24,152	4,438	132,246	36,658	12,958
Construction and real estate	2,091,058	18,467	22,094	2,562,346	22,380	13,693
Financial	3,681,726	1,539,683	1,750,814	4,755,320	1,552,019	1,888,435
Trade	1,720,022	276,529	84,953	1,973,875	181,439	229,889
Personal and consumer finance	3,410,399	5,091,356	9,098,784	3,428,089	6,091,288	10,217,345
Government	8,202,628	44,264	300,817	8,693,965	136,607	268,130
Other Sectors	2,926,374	1,710,442	2,689,302	3,201,144	2,023,909	2,547,857
	24,981,834	8,882,235	14,132,828	27,793,375	10,234,454	15,558,333

d) Market risk

Market risk arises from fluctuations in profit rates, equity prices and foreign exchange rates. Under Market Risk Policies currently implemented by management of the Group, have set certain limits on the level of risk that may be accepted. This is monitored by local management at the subsidiary level.

Profit rate risk

Profit rate risk is the risk that the Group will incur a financial loss as a result of mismatch in the profit rate on the Group's assets and on equity of investment accountholders. The profit distribution to equity of investment accountholders is based on profit sharing agreements. Therefore, the Group is not subject to any significant profit rate risk.

However, the profit-sharing agreements will result in displaced commercial risk when the Group's results do not allow the Group to distribute profits in line with the market rates.

Equity price risk

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The equity price risk exposure arises from the investment portfolio. The Group manages this risk through diversification of investments in terms of geographical distribution and industry concentration.

The Group has total equity portfolio of US$ 243,995 thousand (2021: US$ 106,486 thousand) comprising of equity-type instruments at fair value through equity amounting to US$ 108,136 thousand (2021: US$ 87,451 thousand) and equity-type instruments at fair value through statement of income amounting to US$ 135,859 thousand (2021: US$ 19,035 thousand). Variation of 10% increase or decrease in the portfolio value will not have a significant impact on the Group's consolidated net income or owners' equity.

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29. RISK MANAGEMENT (Continued)

d) Market risk (Continued)

Foreign exchange risk

Foreign exchange risk arise from the movement of the rate of exchange over a period of time. Positions are monitored on a regular basis to ensure positions are maintained within established approved limits.

Following is the Group's exposure to different currencies in equivalent US dollars:

	2022		
Currency	Operational equivalent Long (Short) US$ '000	Strategic equivalent Long (Short) US$ '000	Total equivalent Long (Short) US$ '000
Turkish Lira	**280,830**	**66,863**	**347,693**
Jordanian Dinar	**325,884**	**505,911**	**831,795**
Egyptian Pound	**190,040**	**232,478**	**422,518**
Sudanese Pound	**36,775**	**21,025**	**57,800**
Algerian Dinar	**148,806**	**112,900**	**261,706**
Lebanese Pound	**42**	**-**	**42**
Pound Sterling	**(4,624)**	**-**	**(4,624)**
Tunisian Dinar	**84,830**	**63,692**	**148,522**
Euro	**34,022**	**-**	**34,022**
South African Rand	**51,048**	**33,542**	**84,590**
Pakistani Rupees	**104,757**	**94,475**	**199,232**
Syrian Pound	**5,612**	**-**	**5,612**
Moroccan Dirham	**(2)**	**-**	**(2)**
Others	**46,936**	**-**	**46,936**

	2021		
Currency	Operational equivalent Long (Short) US$ '000	Strategic equivalent Long (Short) US$ '000	Total equivalent Long (Short) US$ '000 (restated)
Turkish Lira	80,395	77,323	157,718
Jordanian Dinar	(38,032)	492,904	454,872
Egyptian Pound	(105,399)	287,765	182,366
Sudanese Pound	2,176	21,625	23,801
Algerian Dinar	13,155	104,291	117,446
Lebanese Pound	1,317	16,923	18,240
Pound Sterling	(6,845)	-	(6,845)
Tunisia Dinar	(4,196)	63,073	58,877
Euro	151,056	-	151,056
South African Rand	(437)	33,975	33,538
Pakistani Rupees	36,035	94,475	130,510
Syrian Pound	(39,928)	11,614	(28,314)
Moroccan Dirham	-	9,247	9,247
Others	14,608	-	14,608

The strategic currency risk represents the amount of equity of the subsidiaries.

28. RISK MANAGEMENT (Continued)

d) Market risk (Continued)

Foreign currency risk sensitivity analysis

In order to measure its exposures to currency risk, the Group stress tests its exposures following the standard shocks adopted by Derivatives Policy Group in this respect which calculates the effect on assets and income of the Group as a result of appreciation and depreciation in foreign currencies in relation to the reporting currency of the Group. This is done using various percentages based upon the judgement of the management of the Group.

Following is the sensitivity analysis that calculates the effect of a reasonable possible movement of the currency exchange rate against the US Dollar with all other variables held constant on the consolidated statement of income and the consolidated statement of owners' equity.

At 31 December 2022

Currency	Particular	Exposures in US$ '000	Maximum expected decrease %	Change in net income and owners' equity US$ '000	Maximum expected increase %	Change in net income and owners' equity US$ '000
Algerian Dinar	Net Income	22,003	-15%	(2,870)	5%	1,158
	Total owners' equity	203,914	-15%	(26,598)	5%	10,732
Egyptian Pound	Net Income	84,243	-20%	(14,041)	5%	4,434
	Total owners' equity	310,466	-20%	(51,744)	5%	16,340
Turkish Lira	Net Income	49,036	-20%	(8,173)	5%	2,581
	Total owners' equity	259,113	-20%	(43,185)	5%	13,638
Sudanese Pound	Net Income	6,373	-100%	(3,187)	5%	335
	Total owners' equity	37,469	-100%	(18,735)	5%	1,972
S.African Rand	Net Income	3,436	-15%	(448)	5%	181
	Total owners' equity	51,999	-15%	(6,783)	5%	2,737
Pakistani Rupees	Net Income	8,925	-10%	(811)	5%	470
	Total owners' equity	56,505	-10%	(5,137)	5%	2,974
Tunisian Dinar	Net Income	14,380	-10%	(1,307)	5%	757
	Total owners' equity	81,285	-10%	(7,390)	5%	4,278

At 31 December 2021 (restated)

Currency	Particular	Exposures in US$ '000	Maximum expected decrease %	Change in net income and owners' equity US$ '000	Maximum expected increase %	Change in net income and owners' equity US$ '000
Algerian Dinar	Net Income	21,747	-15%	(2,837)	5%	1,145
	Total owners' equity	192,392	-15%	(25,095)	5%	10,126
Egyptian Pound	Net Income	59,704	-20%	(9,951)	5%	3,142
	Total owners' equity	396,734	-20%	(66,122)	5%	20,881
Turkish Lira	Net Income	3,232	-20%	(539)	5%	170
	Total owners' equity	203,386	-20%	(33,898)	5%	10,705
Sudanese Pound	Net Income	6,808	-100%	(3,404)	5%	358
	Total owners' equity	28,554	-100%	(14,277)	5%	1,503
S.African Rand	Net Income	2,419	-15%	(316)	5%	127
	Total owners' equity	52,666	-15%	(6,869)	5%	2,772
Pakistani Rupees	Net Loss	6,131	-10%	(557)	5%	323
	Total owners' equity	69,779	-10%	(6,344)	5%	3,673
Tunisian Dinar	Net Income	12,657	-10%	(1,151)	5%	666
	Total owners' equity	80,451	-10%	(7,314)	5%	4,234
Moroccan Dirham	Net Loss	(4,039)	-20%	673	5%	(213)
	Total owners' equity	18,872	-20%	(3,145)	5%	993

29. RISK MANAGEMENT (continued)

e) Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk.

Operational Risk Management Framework

The Group guidelines have the following sections: (1) Operational Risk Appetite, (2) Operational Risk Management – Structure and Rules, (3) Risk and Control Assessment, (4) Internal Audit, (5) Operational Risk and Basel II and (6) Operational Risk Capital Requirement.

The Group's Operational Risk Appetite is defined as the level of risk which the Group chooses to accept in its identified risk categories. Operational risk appetite is expressed in terms of both impact (direct loss) and the probability of occurrence.

The Operational Risk framework is subject to periodic internal audit.

The Group categorizes operational risk loss events into the following categories:

Infrastructure Risks

Availability of information technology is of paramount importance to the Group's infrastructure. The operations of the Group and the subsidiaries might be disrupted and severe operational risks could occur.

In order to hedge the subsidiaries from the infrastructure risk as outlined above, every subsidiary must take all the necessary measures indicated in the Business Continuity Plan and/or Disaster Recovery Plan (BCP and DRP) to cater for these risks.

Information Technology Risks

The main risks that the Group is exposed to in this context is from inadequate software and hardware quality, unauthorized access by third parties or employees, etc.

Staff risk

The main risks that arises from staff risks are risks due to larceny, fraud, corruption, crime, etc. In order to prevent these risks from occurring, the Group has established Group Human Resources Policies and Code of Conduct which entails constructive ways in dealing with mistakes and frauds. The Group has also established approval control steps in business processes as well as creating separate internal control processes. Further, the Group has established measures of organizational structure in terms of segregation of duties as well as diverse training measures to reduce human errors and frauds, etc.

Business risk

This risk may take on the following forms:

1. Processes without clear definitions, for example, when insufficient time was spent on documenting or updating the already documented processes.
2. Outdated process descriptions in cases where "reality" already strongly differs from the guidelines laid down in the past.
3. The extreme case of a completely missing documentation. To hedge this risk, the Group adopts sound documentation policies of business processes as it is a basic requirement for a well functioning process organization. The process description are up to date and clear; furthermore, it is accessible to all employees.

29. RISK MANAGEMENT (continued)

f) Corporate governance

Board of Directors

The Board of Directors is responsible for approving the Group's overall business strategy, monitoring its operations and taking critical business decisions. In line with international leading practices, the Board has instituted corporate governance measures to ensure that the interests of the shareholders are protected, including the appointment to the Board of four independent non-executive directors as defined in the Rule Book of the CBB.

The Group is administered by a Board of Directors consisting of not less than five and not more than fifteen members. However, subject to the provisions of the law, the shareholders at an Ordinary General Meeting may determine that the number of directors shall exceed fifteen in certain circumstances. Members of the Board of Directors hold office for a three-year renewable term, although the term of office may be extended at the request of the Board for a period not exceeding six months by resolution of the MOICT.

There are currently thirteen Directors on the Board, who have varied backgrounds and experience and who individually and collectively exercise independent and objective judgment. Other than the President and Chief Executive, all Directors are non-executive. The posts of Chairman and President and Chief Executive are held by different Directors and each has separate, clearly defined responsibilities.

The Board of Directors meets regularly (usually four times a year) and has a formal schedule of matters reserved to it, considering key aspects of the Group's affairs referred to it for decision. The Board reviews the Group's strategy and financial plans, all proposed material changes to the Group's policies, structure and organisation, reports provided to it on the operations of the Group (with emphasis on organisational development, risk management and information technology development) and the performance of executive management. The Board and its committees are supplied with full and timely information to enable them to discharge their responsibilities. All Directors have access to the advice and services of the secretary, who is responsible for ensuring that the Board procedures and applicable rules and regulations are observed.

The Board of Directors has overall responsibility for the Group's system of internal control and its effectiveness. There are established and ongoing procedures in place for identifying, evaluating and managing significant risks faced by the Group, which are regularly reviewed by the Board. The Group's system of internal control provides for a documented and auditable trail of accountability and applies across its operations, is designed to ensure effective and efficient operation and compliance with all applicable laws and regulations, and seeks to manage risk with a view to avoiding material errors, losses and fraud.

g) Russia-Ukraine Conflict

The current ongoing conflict between Russia-Ukraine has impacted the global economy through increased volatility in financial markets and commodity prices. The conflict may affect a broad range of entities across different jurisdictions and industries. Management will continue to closely monitor and assess any direct or indirect impact on its portfolio.

h) Classification of Turkey as a hyperinflationary economy

The Accounting Board (AAB) of Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) held its 29th meeting on 25-26 September 2022. During the meeting, AAB considered the recent developments in certain countries that may indicate hyperinflation in those economies. AAB deliberated in detail the resultant Shariah issues in financial reporting in such economies by the Islamic financial institutions (IFIs). After due deliberations, and considering the views of the AAOIFI Shari'ah Board's relevant committee on the subject, AAB concluded that the application of the generally accepted accounting principles for hyperinflation is not deemed aligned with the AAOIFI Financial Accounting Standards (FASs). AAB further decided to develop, on priority basis, a dedicated FAS on accounting and financial reporting by IFIs in hyperinflationary economies, duly aligned with the AAOIFI Conceptual Framework for Financial Reporting and related Shari'ah Guidance. AAB advised the IFIs which have adopted AAOIFI FASs as reporting framework to continue preparing and presenting their financial statements without considering the effect of hyperinflation, till the time AAOIFI issues FAS on hyperinflation.

30 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the value representing the estimate of the amount of cash or cash equivalent that would be received for an asset sold or the amount of cash or cash equivalent paid for a liability extinguished or transferred in an orderly transaction between a willing buyer and a willing seller at the measurement date.

Quoted equity type instruments are investments which are fair valued using quoted prices in active markets for identical instruments and unquoted equity type instruments are investments that are fair valued using directly or indirectly observable inputs.

The Group's investments in sukuk held at amortised cost have fair values amounting to US$ 4,452 million (2021: US$ 4,310 million).

Also included under investments are unquoted equity-type instruments at fair value through equity amounting to US$ 55,766 thousand (2021: US$ 34,950 thousand) which are carried at net asset value or cost due to lack of other reliable methods for arriving at a reliable fair value for these investments.

The fair values of other on-balance sheet financial instruments are not significantly different from the carrying values included in the consolidated financial statements.

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at 31 December 2022

31. EARNINGS PROHIITED BY SHARI'A

Earnings realised during the year from transactions that were not permitted by Shari'a amounted to US$ 10 million (2021: US$ 19 million). This amount has been taken to charity.

32. COMPARATIVE FIGURES

Certain of the prior year's figures have been reclassified to conform to the presentation adopted in the current year. Such reclassification did not affect previously reported consolidated income or consolidated owners' equity.

i) Prior year classification and restatement

a. Investments

In these Group's consolidated financial statements, investments amounting to USD 389 million at 31 December 2021 were reclassified from "Debt type investments carried at amortized cost" to "Debt type investments carried at fair value through equity" within note 7, in order to comply with FAS 33 "Investment in Sukuk, Shares and Similar Instruments" which became effective from 1 January 2021. This reclassification did not materially impact previously reported net income or owners' equity.

b. Deconsolidation of an investee

The Group holds directly and indirectly 29% of the ordinary share capital of Al Baraka Bank Syria ("ABS" or the "investee"). The Group entered into a management agreement [the "management agreement"] with ABS and provides ABS with technical and management support.

Given the management agreement, the Group concluded it controlled ABS and consequently consolidated ABS within the Group's financial statements.

During the quarter ended 30 September 2022, the Group re-assessed its relationship with ABS in terms of the requirements of FAS 23 - Consolidation. Based on the reassessment, management determined the following:

- The key decisions to direct the financial and operating activities of ABS are made by the Board of Directors and not by decisions provided to the Group in the management agreement.
- The management agreement does not convey power to the Group and is renewable each year by the Board of Directors. Furthermore, the decisions in management agreements are as directed by the Board of Directors and may be changed by the Board of Directors.
- Determination of who has the ability to appoint and remove the majority of the Board of Directors would determine the party which has the ability to direct the financial and operating policies of ABS.
- Pursuant to the constitutional documents, the Board of Directors consists of nine members who are elected by a majority decision of the shareholders. The Group currently only holds 29% of the voting rights and does not have the majority of the voting rights. Furthermore, the Group does not have de facto power considering the voting rights of other shareholders.

As such, the Group does not have the ability to appoint and remove the majority of the Board of Directors, and as a result does not have the power to direct the financial and operating activities of ABS.

Based on the re-assessment, management has concluded that the Group does not have the unanimous ability to direct the financial and operating policies of ABS and consequently the Group concluded that it does not have control over the investee.

As a result, the management has restated the comparative figures to correct the consolidation error in the consolidated financial statements for the period ended 31 December 2022 as prior year restatements.

Notes to the Consolidated Financial Statements

at 31 December 2022

32. COMPARATIVE FIGURES (Continued)

i) Prior year classification and restatement (continued)

A summary of the impact of the restatement is as follows:

I. Statement of financial position

	Oringinally reported 31 December 2020	Adjustments	Restated 1 January 2021	Oringinally reported 31 December 2021	Adjustments	Restated 31 December 2021
Cash and balances with banks	5,361,444	(204,867)	5,156,577	5,923,878	(242,525)	5,681,353
Receivables	11,945,993	(8,041)	11,937,952	10,996,072	(20,425)	10,975,647
Mudaraba and Musharaka financing	2,854,658	(156,142)	2,698,516	3,623,315	(130,208)	3,493,107
Ijarah Muntahia Bittamleek	1,747,627	-	1,747,627	2,018,800	-	2,018,800
Investments	5,097,189	1,408	5,098,597	4,472,649	22,820	4,495,469
Property and equipment	478,572	(9,653)	468,919	539,960	(15,849)	524,111
Other assets	764,516	(5,050)	759,466	607,503	(2,615)	604,888
Total assets	**28,249,999**	**(382,345)**	**27,867,654**	**28,182,177**	**(388,802)**	**27,793,375**
Customer current and other accounts	7,508,344	(164,117)	7,344,227	7,728,895	(149,620)	7,579,275
Due to banks	1,628,032	(27,477)	1,600,555	1,303,793	(50,342)	1,253,451
Long term financing	319,364	-	319,364	286,833	-	286,833
Other liabilities	1,341,676	(70,695)	1,270,981	1,205,122	(90,227)	1,114,895
Total liabilities	**10,797,416**	**(262,289)**	**10,535,127**	**10,524,643**	**(290,189)**	**10,234,454**
Financial institutions	538,177	144	538,321	744,845	(52)	744,793
Non-financial institutions and individuals	14,692,012	(67,785)	14,624,227	14,854,562	(41,022)	14,813,540
Total equity of investment accountholders	**15,230,189**	**(67,641)**	**15,162,548**	**15,599,407**	**(41,074)**	**15,558,333**
Share capital	1,242,879	-	1,242,879	1,242,879	-	1,242,879
Treasury shares	(17,462)	-	(17,462)	(15,655)	-	(15,655)
Share premium	18,084	-	18,084	16,619	-	16,619
Reserves	183,121	-	183,121	196,539	-	196,539
Cumulative changes in fair value	32,940	-	32,940	57,404	(1,668)	55,736
Foreign currency translation reserve	(800,489)	-	(800,489)	(940,728)	-	(940,728)
Retained earnings	364,496	(14,200)	350,296	430,312	(27,438)	402,874
Equity attributable to parent's shareholders	**1,023,569**	**(14,200)**	**1,009,369**	**987,370**	**(29,106)**	**958,264**
Perpetual tier 1 capital	400,000	-	400,000	400,000	-	400,000
Equity attributable to parent's shareholders and Sukuk holders	**1,423,569**	**(14,200)**	**1,409,369**	**1,387,370**	**(29,106)**	**1,358,264**
Non-controlling interests	798,825	(38,215)	760,610	670,757	(28,433)	642,324
Total equity	**2,222,394**	**(52,415)**	**2,169,979**	**2,058,127**	**(57,539)**	**2,000,588**
Total liabilities, equity of investment accountholders and equity	**28,249,999**	**(382,345)**	**27,867,654**	**28,182,177**	**(388,802)**	**27,793,375**

Notes to the Consolidated Financial Statements

at 31 December 2022

32. COMPARATIVE FIGURES (Continued)

i) Prior year classification and restatement (continued)

II. Statement of income

	Oringinally reported 31 December 2021	Adjustments	Restated 1 January 2021
Net income from jointly financed contracts and investments	1,304,017	(2,391)	1,301,626
Return on equity of investment accountholders before Group's share as a Mudarib	(1,070,743)	1,127	(1,069,616)
Group's share as a Mudarib	364,142	(286)	363,856
Return on equity of investment accountholders	(706,601)	841	(705,760)
Group's share of income from equity of investment accountholders (as a Mudarib and Rabalmal)	597,416	(1,550)	595,866
Mudarib share for managing off-balance sheet equity of investment accountholders	12,122	-	12,122
Net income from self financed contracts and investments	162,948	(445)	162,503
Fees and commission income	180,599	(16,907)	163,692
Other operating income	121,408	(29,743)	91,665
	1,074,493	(48,645)	1,025,848
Profit on long term financing	(33,031)	-	(33,031)
Total operating income	**1,041,462**	**(48,645)**	**992,817**
Staff expenses	284,035	(3,613)	280,422
Depreciation and amortisation	58,765	(493)	58,272
Other operating expenses	186,586	(1,389)	185,197
Total operating expense	**529,386**	**(5,495)**	**523,891**
Net income for the period before net allowance for expected credit losses/impairment and taxation	**512,076**	**(43,150)**	**468,926**
Net allowance for expected credit losses/impairment	**(253,713)**	**4,614**	**(249,099)**
Net income for the period before taxation	**258,363**	**(38,536)**	**219,827**
Taxation	(68,682)	5,969	(62,713)
Net income for the period	**189,681**	**(32,567)**	**157,114**
Attributale to:			
Equity holders of the parent	112,750	(33,319)	79,431
Non-controlling interests	76,931	(38,215)	38,716
	189,681	**(71,534)**	**118,147**

32. COMPARATIVE FIGURES (Continued)

i) Prior year classification and restatement (continued)

III. Statement of changes in equity

	Oringinally reported 1 January 2021	Adjustments	Restated 1 January 2021	Oringinally reported 1 January 2022	Adjustments	Restated 1 January 2022
Equity attributable to parent's shareholders and Sukuk holders						
Cumulative changes in fair value of property and equipment	24,154	-	24,154	46,929	(1,668)	45,261
Foreign currency translation reserve	(800,489)	-	(800,489)	(940,728)	-	(940,728)
Retained Earnings	364,496	(14,200)	350,296	430,312	(27,438)	402,874
Total equity attributable to parent's shareholders and Sukuk holders	1,423,569	(14,200)	1,409,369	1,387,370	(29,106)	1,358,264
Non-controlling interests	798,825	(38,215)	760,610	670,757	(28,433)	642,324
Total equity	2,222,394	(52,415)	2,169,979	2,058,127	(57,539)	2,000,588

IV. Statement of cash flows

	Oringinally reported 31 December 2021	Adjustments	Restated 31 December 2021
Net income for the period before taxation	258,363	(38,536)	219,827
Change in cash from operating activities	(25,462)	(112,775)	(138,237)
Change in cash from investing activities	600,954	(36,000)	564,954
Change in cash from financing activities	(103,127)	149,974	46,847
Net change in cash and cash equivalents	151,580	17,328	168,908
Cash and cash equivalents at 1 January	2,778,177	(240,971)	2,537,206
Cash and cash equivalents at 31 December	2,929,757	(223,643)	2,706,114

V. Basic and diluted earnings per share

	Oringinally reported 1 January 2022	Adjustments	Restated 1 January 2022
Net income attributable to the equity holders of the parent for the period - US$ '000	112,750	(33,319)	79,431
Less: Profit distributed on perpetual tier 1 capital	(31,500)	-	(31,500)
Net income attributable to the shareholders	81,250	(33,319)	47,931
Weighted number of shares outstanding without the effect of treasury shares (in thousands)	1,242,879	-	1,242,879
Treasury shares effect (in thousands)	(32,350)	-	(32,350)
Weighted number of shares outstanding (in thousands)	1,210,529	-	1,210,529
Earnings per share - US cents	6.71	(2.75)	3.96

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at 31 December 2022

33. CAPITAL ADEQUACY RATIO

The CBB, sets and monitors ABG's capital requirements at Head Office level, while ABG's banking subsidiaries are directly regulated by their local banking supervisors, which set and monitor their capital adequacy requirements.

The CBB requires each Bahrain-based Investment company under Category 1 to maintain a minimum capital of BHD 1.0 million and minimum capital adequacy ratio not lower than 110%.

The Regulatory capital must be calculated for all Bahrain based Investment firm based on the shareholders' Equity, the investment firm also must maintain adequate human, financial and other resources sufficient to run the business in ordinary manner.

The following table summarizes the calculation of capital adequacy ratio (CBB Volume 4 - Investment Business, Module Capital Adequacy) based on ABG Solo level:

	2022 US$ '000
1- Regulatory Capital (A)	84,824
2- Regulatory Requirement (B)	27,695
3- Risk Based Capital Requirement (C)	27,695
4- Minimum Capital Requirement (D)	2,653
5- Ratio of (A) to (B)	306%

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For the year ended 31 December 2021

Consolidated statement of financial position

At 31 December 2021

	Notes	2021 US$ '000	2020 US$ '000
ASSETS			
Cash and balances with banks	3	5,923,878	5,361,444
Receivables	4	10,996,072	11,945,993
Mudaraba and Musharaka financing	5	3,623,315	2,854,658
Investments	6	4,472,649	5,097,189
Ijarah Muntahia Bittamleek	7	2,018,800	1,747,627
Property and equipment	8	539,960	478,572
Other assets	9	607,503	764,516
TOTAL ASSETS		28,182,177	28,249,999
LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY			
LIABILITIES			
Customer current and other accounts		7,728,895	7,508,344
Due to banks		1,303,793	1,642,085
Long term financing	10	286,833	319,364
Other liabilities	11	1,205,122	1,327,623
TOTAL LIABILITIES		10,524,643	10,797,416
EQUITY OF INVESTMENT ACCOUNTHOLDERS			
Financial institutions		744,845	538,177
Non-financial institutions and individuals		14,854,562	14,692,012
TOTAL EQUITY OF INVESTMENT ACCOUNTHOLDERS	12	15,599,407	15,230,189
EQUITY			
Share capital	13	1,242,879	1,242,879
Treasury shares	13	(15,655)	(17,462)
Share premium		16,619	18,084
Reserves		196,539	183,121
Cumulative changes in fair values		57,404	32,940
Foreign currency translations	13	(940,728)	(800,489)
Retained earnings		430,312	364,496
EQUITY ATTRIBUTABLE TO PARENT'S SHAREHOLDERS		987,370	1,023,569
Perpetual tier 1 capital	14	400,000	400,000
EQUITY ATTRIBUTABLE TO PARENT'S SHAREHOLDERS AND SUKUK HOLDERS		1,387,370	1,423,569
Non-controlling interest		670,757	798,825
TOTAL EQUITY		2,058,127	2,222,394
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND EQUITY		28,182,177	28,249,999

Abdullah Saleh Kamel
Chairman

Mazin Manna
Member of the Board and Group Chief Executive

The attached notes 1 to 32 form part of these consolidated financial statements.

Consolidated statement of income

For the year ended 31 December 2021

	Notes	2021 US$ '000	2020 US$ '000
INCOME			
Net income from jointly financed contracts and investments	15	1,304,017	1,285,391
Return on equity of investment accountholders before Group's share as a Mudarib		(1,070,743)	(1,066,575)
Group's share as a Mudarib	16	364,142	354,552
Return on equity of investment accountholders		(706,601)	(712,023)
Group's share of income from equity of investment accountholders (as a Mudarib and Rabalmal)		597,416	573,368
Mudarib share for managing off-balance sheet equity of investment accountholders		12,122	14,654
Net income from self financed contracts and investments	15	162,948	265,075
Other fees and commission income	17	180,599	165,988
Other operating income	18	121,408	155,063
		1,074,493	1,174,148
Profit paid on long term financing	19	(33,031)	(34,399)
TOTAL OPERATING INCOME		1,041,462	1,139,749
OPERATING EXPENSES			
Staff expenses		284,035	308,623
Depreciation and amortisation	20	58,765	39,591
Other operating expenses	21	186,586	212,105
TOTAL OPERATING EXPENSES		529,386	560,319
NET OPERATING INCOME FOR THE YEAR BEFORE NET ALLOWANCE FOR CREDIT LOSSES / IMPAIRMENT AND TAXATION		512,076	579,430
Net allowance for credit losses / impairment	22	(253,713)	(290,121)
NET INCOME BEFORE TAXATION		258,363	289,309
Taxation		(68,682)	(123,420)
NET INCOME FOR THE YEAR		189,681	165,889
Attributable to:			
Equity holders of the parent		112,750	66,580
Non-controlling interest		76,931	99,309
		189,681	165,889
Basic and diluted earnings per share - US cents	23	6.71	2.90

Abdullah Saleh Kamel
Chairman

Mazin Manna
Member of the Board and Group Chief Executive

The attached notes 1 to 32 form part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2021

	Notes	2021 US$ '000	2020 US$ '000
OPERATING ACTIVITIES			
Net income before taxation		258,363	289,309
Adjustments for:			
Depreciation and amortisation	20	58,765	39,591
Depreciation on Ijarah Muntahia Bittamleek	15.4	133,349	211,751
Unrealised gain on equity and debt-type instruments at fair value through statement of income	15.3	(15,319)	(24,705)
Gain on sale of property and equipment	18	(19,114)	(10,484)
Gain on sale of investment in real estate	15.3	(3,266)	(3,303)
(Gain) / loss on sale of equity type instruments at fair value through equity	15.3	(2,400)	(1,076)
Gain on sale of equity and debt-type instruments at fair value through statement of income	15.3	(1,751)	(3,664)
Income from associates	15.3	(9,896)	(5,049)
Net allowance for credit losses / impairment		253,713	290,121
Operating profit before changes in operating assets and liabilities		652,444	782,491
Net changes in operating assets and liabilities:			
Reserves with central banks		(410,840)	(122,577)
Receivables		700,369	(1,260,739)
Mudaraba and Musharaka financing		(768,938)	357,075
Ijarah Muntahia Bittamleek		(394,757)	(210,724)
Other assets		157,067	(117,012)
Customer current and other accounts		220,541	1,313,287
Due to banks		(324,241)	521,108
Other liabilities		(161,127)	175,806
Equity of investment accountholders		372,189	76,054
Taxation paid		(68,169)	(110,458)
Net cash (used in) / from operating activities		(25,462)	1,404,311
INVESTING ACTIVITIES			
Net sale/ (purchase) of investments		653,137	(1,190,872)
Net purchase of property and equipment		(64,590)	(43,872)
Dividends received from associates		5,332	1,955
Disposal of investment in associate		7,075	2,354
Net cash from / (used in) investing activities		600,954	(1,230,435)
FINANCING ACTIVITIES			
Long term financing		(32,531)	(59,905)
Dividends paid to equity holders of the parent		-	(24,858)
Net movement in treasury shares		(363)	(8,129)
Profit distributed on perpetual tier 1 capital		(31,500)	(31,500)
Movement related to subsidiaries' tier 1 capital		5,706	7,695
Net changes in non-controlling interest		(44,439)	(13,392)
Net cash used in financing activities		(103,127)	(130,089)
Foreign currency translation adjustments		(320,785)	(191,795)
NET CHANGES IN CASH AND CASH EQUIVALENTS		151,580	(148,008)
Cash and cash equivalents at 1 January		2,778,177	2,926,185
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	24	2,929,757	2,778,177

The attached notes 1 to 32 form part of these consolidated financial statements.

Consolidated statement of changes in owners' equity

For the year ended 31 December 2021

	Attributable to equity holders of the parent												
				Reserves		Cumulative changes in fair values							
	Share capital	Treasury shares	Share premium	Statutory reserve	Other reserves	Investments	Property and equipment	Foreign currency translations reserve	Retained earnings	Total	Perpetual tier 1 capital	Non-controlling interest	Total owners' equity
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
Balance at 1 January 2021	1,242,879	(17,462)	18,084	182,776	345	8,786	24,154	(800,489)	364,496	1,023,569	400,000	798,825	2,222,394
Movement in treasury shares	-	1,807	(1,465)	-	-	-	-	-	(705)	(363)	-	-	(363)
Net movement in cumulative change in fair value for investments	-	-	-	-	-	1,689	-	-	-	1,689	-	229	1,918
Net movement in cumulative change in fair value for property and equipment	-	-	-	-	-	-	22,775	-	-	22,775	-	9,973	32,748
Net movement in other reserves	-	-	-	-	2,143	-	-	-	-	2,143	-	1,640	3,783
Foreign currency translation	-	-	-	-	-	-	-	(150,317)	-	(150,317)	-	(180,547)	(330,864)
Net income for the year	-	-	-	-	-	-	-	-	112,750	112,750	-	76,931	189,681
Transfer to statutory reserve (note 13)	-	-	-	11,275	-	-	-	-	(11,275)	-	-	-	-
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(18,196)	(18,196)
Zakah paid on behalf of shareholders (note 13)	-	-	-	-	-	-	-	-	(1,015)	(1,015)	-	-	(1,015)
Profit distributed on perpetual tier 1 capital	-	-	-	-	-	-	-	-	(31,500)	(31,500)	-	-	(31,500)
Movement related to subsidiaries' tier 1 capital	-	-	-	-	-	-	-	-	5,706	5,706	-	(12,706)	(7,000)
Effect of change in ownership	-	-	-	-	-	-	-	10,078	(8,145)	1,933	-	(1,933)	-
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(3,459)	(3,459)
Balance at 31 December 2021	**1,242,879**	**(15,655)**	**16,619**	**194,051**	**2,488**	**10,475**	**46,929**	**(940,728)**	**430,312**	**987,370**	**400,000**	**670,757**	**2,058,127**

The attached notes 1 to 32 form part of these consolidated financial statements.

Consolidated statement of changes in owners’ equity

For the year ended 31 December 2021

	Attributable to equity holders of the parent													
				Reserves		Cumulative changes in fair values								
	Share capital	Treasury shares	Share premium	Statutory reserve	Other reserves	Investments	Property and equipment	Foreign currency translations reserve	Retained earnings	Proposed appro-priations	Total	Perpetual tier 1 capital	Non-controlling interest	Total owners’ equity
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
Balance at 1 January 2020	1,242,879	(8,308)	18,138	176,118	1,136	5,216	24,154	(752,068)	335,089	24,858	1,067,212	400,000	855,978	2,323,190
Dividends paid	-	-	-	-	-	-	-	-	-	(24,858)	(24,858)	-	-	(24,858)
Movement in treasury shares	-	(9,154)	(54)	-	-	-	-	-	1,079	-	(8,129)	-	-	(8,129)
Net movement in cumulative change in fair value for investments	-	-	-	-	-	3,570	-	-	-	-	3,570	-	941	4,511
Net movement in other reserves	-	-	-	-	(791)	-	-	-	-	-	(791)	-	(385)	(1,176)
Foreign currency translation	-	-	-	-	-	-	-	(48,421)	-	-	(48,421)	-	(143,390)	(191,811)
Net income for the year	-	-	-	-	-	-	-	-	66,580	-	66,580	-	99,309	165,889
Transfer to statutory reserve (note 13)	-	-	-	6,658	-	-	-	-	(6,658)	-	-	-	-	-
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(12,727)	(12,727)
Zakah paid on behalf of shareholders (note 13)	-	-	-	-	-	-	-	-	(1,656)	-	(1,656)	-	-	(1,656)
Profit distributed on perpetual tier 1 capital	-	-	-	-	-	-	-	-	(31,500)	-	(31,500)	-	-	(31,500)
Movement related to subsidiaries’ tier 1 capital	-	-	-	-	-	-	-	-	7,695	-	7,695	-	(12,706)	(5,011)
Modification loss net of government assistance	-	-	-	-	-	-	-	-	(6,370)	-	(6,370)	-	(552)	(6,922)
Effect of change in ownership	-	-	-	-	-	-	-	-	237	-	237	-	(237)	-
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	12,594	12,594
Balance at 31 December 2020	**1,242,879**	**(17,462)**	**18,084**	**182,776**	**345**	**8,786**	**24,154**	**(800,489)**	**364,496**	**-**	**1,023,569**	**400,000**	**798,825**	**2,222,394**

The attached notes 1 to 32 form part of these consolidated financial statements.

Consolidated statement of changes in off-balance sheet equity of investment account holders

For the year ended 31 December 2021

	Cash	Sales receivables	Mudaraba financing	Investment in real estate	Ijarah Muntahia Bittamleek	Investments	Total
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
Balance at 1 January 2021	72,556	569,572	503,823	48,099	160,352	227,508	1,581,910
Transfer on adoption of FAS 31	-	(15,001)	(68,433)	-	-	-	(83,434)
Deposits	96,945	216,628	24,708	4,689	65,447	38,574	446,991
Withdrawals	(101,786)	(317,961)	(377,269)	(389)	(19,000)	(28,893)	(845,298)
Income net of expenses	-	35,558	3,017	940	12,831	16,964	69,310
Mudarib's share	-	(11,876)	-	(20)	(218)	(8)	(12,122)
Foreign exchange translations	-	(20,698)	-	-	-	(8,956)	(29,654)
Balance at 31 December 2021	**67,715**	**456,222**	**85,846**	**53,319**	**219,412**	**245,189**	**1,127,703**
Balance at 1 January 2020	56,041	464,361	422,488	46,720	143,002	286,329	1,418,941
Deposits	170,514	352,327	339,485	1,953	34,392	120,784	1,019,455
Withdrawals	(153,999)	(272,262)	(258,722)	(1,093)	(22,968)	(185,492)	(894,536)
Income net of expenses	-	20,603	2,641	519	6,065	7,351	37,179
Mudarib's share	-	(12,269)	(2,069)	-	(139)	(177)	(14,654)
Foreign exchange translations	-	16,812	-	-	-	(1,287)	15,525
Balance at 31 December 2020	72,556	569,572	503,823	48,099	160,352	227,508	1,581,910

The attached notes 1 to 32 form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

at 31 December 2021

1 CORPORATE INFORMATION AND ACTIVITIES

Al Baraka Banking Group B.S.C. ("the Bank") is a joint stock company incorporated in the Kingdom of Bahrain on 27 June 2002, under Commercial Registration (CR) number 48915. The Bank is engaged in banking activities in the Middle East, Europe, North African and South African region. The address of the Bank's registered office is Bahrain Bay, P.O. Box 1882, Manama, Kingdom of Bahrain. The Bank is listed on Bahrain Bourse and NASDAQ Dubai.

The Bank operates under an Islamic wholesale banking license issued by the Central Bank of Bahrain ('the CBB').

The principal activities of the Bank and its subsidiaries ("the Group") comprise of international and commercial banking, financing, treasury and investment activities. The Bank is supervised and regulated by the CBB.

On 30 November 2020, the shareholders of the Bank resolved in an extra-ordinary meeting to change the license of the Bank from Wholesale Banking to "Investment Business Firm - Category 1" subject to approval by the CBB. Furthermore, the shareholders also resolved to change the name of the Bank from Al Baraka Banking Group B.S.C. to Al Baraka Group B.S.C. subject to the approval of Ministry of Industry, Commerce and Tourism ("MOICT"). The change in the name and the activities are still in process and the Bank's CR is not updated to reflect these changes.

The consolidated financial statements were approved by the Board of Directors on 23 February 2022.

2 ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for investment in real estate, equity and debt-type instruments at fair value through statement of income, equity-type instruments at fair value through equity and land occupied by the Group (classified as property and equipment) that have been measured at fair value. The consolidated financial statements are presented in United States Dollars ('US$') being the reporting currency of the Group. All values are rounded to the nearest US$ thousand ('US$ '000') unless otherwise indicated.

Statement of compliance

The consolidated financial statements have been prepared in accordance with Financial Accounting Standards ('FAS') issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ('AAOIFI') as modified by Central Bank of Bahrain ("CBB") including two exceptions which are set out below, the Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Group, the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 2 and applicable provisions of Volume 6) and CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse or the terms of the Bank's memorandum and articles of association. In accordance with the requirements of AAOIFI, for matters for which no AAOIFI standard exists, the Group uses the relevant International Financial Reporting Standards ('the IFRS') as issued by the International Accounting Standards Board (the 'IASB'), given it does not contradict with Shari'a Rules and Principles and the conceptual framework of AAOIFI.

The two exceptions mentioned above are as follows:

a. to recognise modification losses amounted to US$ 8.8 million during the period ended 31 December 2020 on financial assets arising from payment holidays provided to customers impacted by COVID-19 without charging additional profit, in statement of changes in equity instead of the statement of income as required by FAS 30 - Impairment, Credit Losses and Onerous Commitments ("FAS 30"). Any other modification gain or loss on financial assets are recognised in accordance with the requirements of FAS 30. Please refer below for further details; and

b. recognition of financial assistance amounted to US$ 1.9 million during the period ended 31 Deceber 2020 received from the government and/or regulators in response to its COVID-19 support measures that meets the government grant requirement, in equity, instead of profit or loss. This will only be to the extent of any modification loss recorded in statement of changes in owner's equity as a result of (a) above, and the balance amount to be recognized in profit or loss. Any other financial assistance is recognised in accordance with the relevant requirements of FAS issued by AAOIFI.

Notes to the Consolidated Financial Statements

at 31 December 2021

2 ACCOUNTING POLICIES (continued)

Statement of compliance (continued)

The above framework for basis of preparation of the consolidated financial statements is hereinafter referred to as 'FAS issued by AAOIFI as modified by CBB', which has been applied retrospectively and did not result in any change to the financial information reported for the comparative period.

The Group had provided payment holidays to certain customers on the basis of regulatory directives issued by the CBB as concessionary measures to mitigate the impact of COVID-19 and requests received. As of 31 December 2021, the outstanding balance of customers to whom such payment holidays have been provided amounted to US$ 195 million (year ended 31 December 2020: US$ 98 million). However, this did not result in any modification loss as these deferrals were provided to the customers at the profit rate as per the terms of original agreement.

COVID-19

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

Liquidity support

During the year, based on a regulatory directive issued by the CBB as concessionary measures to mitigate the impact of COVID-19, CBB has reduced the regulatory reserve requirements from 5% to 3%.

Regulatory compliance

As required by CBB rulebook, the bank is required to compute Group capital adequacy ratio and Head Office solo capital adequacy ratio. The Group capital adequacy ratio, which is of primary importance is above the minimum regulatory threshold of 12.5%. However, at solo level, the Bank breached rule CA 2.2.1A as the solo core equity tier 1 (CET1) ratio has declined below 4.5% which is the minimum regulatory threshold for solo CET 1 as prescribed by the CBB rule book volume 2 - capital adequacy module. Management believes that there will be no impact of this breach on the business of the Group or any of its operations.

Notes to the Consolidated Financial Statements

at 31 December 2021

2 ACCOUNTING POLICIES (continued)

Basis of consolidation

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that control ceases. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Non-controlling interest in a subsidiary's net assets is reported as a separate item in the Group's owners' equity. In the consolidated statement of income, non-controlling interest is included in net profit, and shown separately from that of the shareholders.

Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in owners' equity since the date of combination. Statement of income and each component of OCI are attributed to the equity holders of the parent of the Bank and to the non-controlling interests (NCIs), even if this results in the NCIs having a deficit balance.

The following are the principal subsidiaries of the Bank, which are consolidated in these consolidated financial statements:

	Ownership for 2021	Ownership for 2020	Year of incorporation	Country of incorporation	No. of branches/ offices at 31 December 2021
Held directly by the Bank					
Banque Al Baraka D'Algerie (BAA)	**55.67%**	55.67%	1991	Algeria	**31**
Al Baraka Islamic Bank - Bahrain (AIB)	**92.03%**	92.03%	1984	Bahrain	**186**
Al Baraka Bank Tunis (ABT)	**78.40%**	78.40%	1983	Tunisia	**37**
Al Baraka Bank Egypt (ABE)	**73.47%**	73.47%	1980	Egypt	**32**
Al Baraka Bank Lebanon (ABBL)	**98.98%**	98.98%	1991	Lebanon	**3**
Jordan Islamic Bank (JIB)	**65.82%**	65.82%	1978	Jordan	**109**
Al Baraka Turk Participation Bank (ATPB)**	**38.02%**	38.02%	1985	Turkey	**231**
Al Baraka Bank Limited (ABL)	**64.51%**	64.51%	1989	South Africa	**10**
Al Baraka Bank Sudan (ABS)	**75.73%**	75.73%	1984	Sudan	**29**
Al Baraka Bank Syria (ABBS) *	**29.00%**	23.00%	2009	Syria	**15**
BTI Bank *	**49.00%**	49.00%	2017	Morocco	**5**

* The Group consolidate BTI Bank (49% ownership) and Al Baraka Bank Syria (29% ownership) due to the Group's control through the power to govern their financial and operating policies.

** The ownership of Al Baraka Turk Participation bank (ATPB) reduced from 56.64% to 38.02% in December 2019. ATPB did rights issue to increase its capital from TRY 900 million to TRY 1,350 million in December 2019. The Bank did not participate into this rights issue. The majority of the rights eligibility of the Bank were assigned to Dallah Al Baraka Holding Company BSC. By subscribing to this rights issue, Dallah Al Baraka Holding Company BSC became 15.38% owner of ATPB shares. However, Dallah Al Baraka through a management agreement assigned all their voting power to the Bank. On the basis of this management agreement and the 38.02% ownership of shares in ATPB, the management and control of ATPB was held by the Bank. Based on the management agreement, the Bank controls 53.4% of voting power in ATPB and hence has the power to govern the financial and operating policies of ATPB. On the basis of these controls ATPB is treated as a subsidiary and is consolidated in the financials of the Group.

Notes to the Consolidated Financial Statements

at 31 December 2021

2 ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

The following are the subsidiaries held indirectly through the principal subsidiaries of the Bank:

	Subsidiary held through	Effective Ownership for 2021	Effective Ownership for 2020	Year of incorporation	Country of incorporation
Held indirectly by the Bank					
Al Baraka Bank (Pakistan) Limited	AIB	**54.42%**	54.42%	2010	Pakistan
Itqan Capital	AIB	**76.45%**	76.45%	2007	Saudi Arabia
Al-Omariya School Company	JIB	**65.69%**	65.69%	1987	Jordan
Al-Samaha Real Estate Company	JIB	**65.82%**	65.82%	1998	Jordan
Future Applied Computer Technology Company	JIB	**65.82%**	65.82%	1998	Jordan
Sanable Alkhair for Financial Investment	JIB	**65.82%**	65.82%	2006	Jordan
Al Baraka Properties (Pty) Ltd.	ABL	**64.51%**	64.51%	1991	South Africa
Insha GMBH	ATPB	**38.02%**	38.02%	2018	Germany

Significant accounting policies

The significant accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial year, except for the adoption of new standards and interpretations effective as of 1 January 2021:

2.1 Adoption of new and amended standards and interpretations

These consolidated financial statements have been prepared using accounting policies, which are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2020 except for the new standards, interpretations and amendments issued and effective as of 1 January 2021 which are as follows:

FAS 31 Investment Agency (Al-Wakala Bi Al-Istithmar)

This standard defines the accounting principles and reporting requirements for investment agency (Al-Wakala Bi Al-Istithmar) transactions and instruments, in the hands of both the principal and the agent. This standard shall be effective beginning on or after 1 January 2021, with early adoption permitted. The standard requires the principal to evaluate the nature of the investment as either a) a pass-through investment or b) wakala venture.

In case of a pass-through investment approach, the principal shall initially recognize the assets underlying the wakala arrangement in its books of account applying the initial recognition principles as applicable in line with respective FAS. The principal may opt to apply the wakala venture approach if, and only if, the investment agency contract meets any of the conditions described below:

- The instrument is transferable; or
- The investment is made in a single asset (or pool of assets) where such asset(s) are subject to frequent changes throughout the term of the contract i.e. there are routine changes or replacements over the term of arrangement (unless it constitutes a business) at the discretion of the agent; or
- The role of the agent is not limited whereby the agent performs day-to-day asset management function and, where applicable, is also responsible for replacement of assets or recoveries against them.

In case of wakala venture approach, an investment shall be accounted for in the books of the investor applying the "equity method of accounting"; where the investment shall be recognized initially at cost and subsequently shall be measured at the end of the financial period at carrying amount and shall be adjusted to include the investor's share in profit or loss of the wakala venture.

FAS 31 Investment Agency (Al-Wakala Bi Al-Istithmar)

From the agent perspective, the standard requires that at inception of the transaction the agent shall recognize an agency arrangement under off-balance sheet approach since the agent does not control the related assets / business. However, there are exceptions to off-balance sheet approach where by virtue of additional considerations attached to the instrument based on investment agency may mandate the same to be accounted for as on-balance sheet. An agent may maintain multi-level investment arrangements. Under such arrangement, the Group is reinvesting Wakala funds into a secondary contract. Such secondary contracts shall be accounted for in line with the requirements of respective FAS in the books of the agent.

Notes to the Consolidated Financial Statements

at 31 December 2021

2 ACCOUNTING POLICIES (continued)

2.1 Adoption of new and amended standards and interpretations (continued)

FAS 31 Investment Agency (Al-Wakala Bi Al-Istithmar) (continued)

The Group has adopted the standard with effect from 1 January 2021.

From the principal perspective, the Group opted to use Wakala venture approach instead of pass-through approach given the difficulties for the principal to identify in which assets the funds are invested in, and hence, the investment is accounted for applying the equity method of accounting.

The Group provides funds to other financial institutions under this Wakala venture arrangement where the Group is acting as principal. Those Wakala funds are mainly invested in money market placements.

From agent perspective, a multi-level investment arrangement is maintained, whereby the Group invests funds under the investment agency into unrestricted investment arrangements, under a separate contract and accounted for accordingly based on the relevant accounting standard.

The adoption of the above accounting standard did not have a material impact on net profit or equity. However, the standard affects the classification of the Bank's Wakala based contracts previously accounted for as part of on-balance sheet liabilities or off-balance sheet equity of investment accountholders.

As a result of this, the Group has accounted for all wakala contracts as follows:

- Contracts falling within the definition of Restricted Investment Account ("RIA") were classified as off-balance sheet equity of investment accountholders as being done before the adoption of this standard; and
- Other wakala contracts are classified as either on-balance sheet or off-balance sheet depending on the relevant terms of the contract and whether the Group has invested such funds into secondary contracts through multi-level arrangement.

Further, based on the directions of CBB, all Wakala contracts (except RIA) managed within Bahrain, either directly by the Bank or its Bahrain based banking subsidiary, have been invested into secondary contract under multi-level arrangement and have been recorded on-balance sheet as either other liabilities, due to banks or (on balance-sheet) equity of investment accountholders. This resulted in wakala balances amounting to US$ 83,434 thousand outstanding as at 31 December 2020 previously classified as off-balance sheet equity of investment accountholders being reclassified to due to banks (with an equivalent increase in total assets; sales receivable and mudaraba financing increased by US$ 15,001 thousand and US$ 68,433 thousand respectively) with effect from 1 January 2021 upon formalization of multi-level arrangement.

FAS 32 Ijarah

This standard supersedes FAS 8 "Ijarah and Ijarah Muntahia Bittamleek". The standard aims at setting out principles for the classification, recognition, measurement, presentation and disclosure of Ijarah type transactions including their different forms entered into by an institution, in both the capacities of lessor and lessee. This standard shall be effective beginning or after 1 January 2021, with early adoption permitted.

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

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

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

a) Right-of-use asset

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

Notes to the Consolidated Financial Statements

at 31 December 2021

2 ACCOUNTING POLICIES (continued)

2.1 Adoption of new and amended standards and interpretations (continued)

FAS 32 Ijarah (continued)

b) Ijarah liability

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

FAS 33 Investment in Sukuk, shares and similar instruments (FAS 33)

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

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

Classification

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

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

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

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

Recognition and initial measurement

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

Subsequent measurement

a) Investments at amortised cost

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

b) Investments at fair value through income statement

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

Notes to the Consolidated Financial Statements

at 31 December 2021

2.1 Adoption of new and amended standards and interpretations (continued)
FAS 33 Investment in Sukuk, shares and similar instruments (FAS 33) (continued)

c) Investments at fair value through equity
Investment carried at fair value through equity shall be re-measured at fair value at the end of each reporting period. The resultant re-measurement gain or loss, if any, being the difference between the carrying amount and the fair value shall be directly recognized in equity under "fair value through equity reserve". Investment carried at fair value through equity shall be tested for impairment at each reporting period in accordance with FAS 30 "Impairment, credit losses and onerous commitments".

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

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

FAS 34 Financial Reporting for Sukuk-holders
This standard prescribes the accounting principles and reporting requirements for underlying assets of a sukuk instrument. It requires the originator to prepare or cause to prepare financing reports as needed under this standard. This standard shall be effective from the financial periods beginning on or after 1 January 2021, with early adoption permitted.

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

FAS 35 Risk Reserves
This standard defines the accounting and financial reporting principles for risk reserves to be in line with global best practices for accounting and risk management. This standard complements FAS 30 "Impairment, Credit Losses and Onerous Commitments". Both standards FAS 35 & FAS 30 together supersede the earlier FAS 11 "Provisions and Reserves". This standard shall be effective beginning or after 1 January 2021, with early adoption is permitted, only if the financial institution decided to early adopt FAS 30.

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

2.2 New standards, amendments and interpretations issued but not yet effective
2.2.1 FAS 37 Financial Reporting by Waqf Institutions
AAOIFI issued FAS 37 "Financial Reporting by Waqf Institutions" in 2020. The objective of the standard is to establish principles of financial reporting by Waqf institutions, which are established and operated in line with Shari'ah principles and rules. This standard shall be effective for the financial periods beginning on or after 1 January 2022 with early adoption permitted.

The Board of Directors does not expect the above accounting standard to have an impact on the consolidated financial statements of the Group.

2.2.2 FAS 38 Wa'ad, Khiyar and Tahawwut
AAOIFI 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 Shari'ah compliant Wa'ad (promise), Khiyar (option) and Tahawwut (hedging) arrangements for Islamic financial institutions (the institutions). This standard shall be effective for the financial periods beginning on or after 1 January 2022 with early adoption permitted.

2.3 Summary of significant accounting policies
a.Financial contracts
Financial contracts consist of cash and balances with banks, receivables, Mudaraba (net of deferred profit) and Musharaka financing, Investments - debt type instruments at amortised cost, Ijarah Muntahia Bittamleek (where the estimates of future cash flows dependent on a single customer) and certain other assets. In addition it consist of off-balance sheets exposures such as letter of credit, letter of guaranties and undrawn commitments. Balances relating to these contracts are stated net of allowance for credit losses.

Notes to the Consolidated Financial Statements

at 31 December 2021

2 ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

b. Impairment assessment

Impairment of financial assets

The Group applies three-stage approach to measure ECL on financial assets carried at amortised cost. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

Stage 1: twelve months ECL

For exposures where there has not been a Significant Increase in Credit Risk ("SICR"), since initial recognition, a portion of the lifetime ECL's that represent the ECL that result from default events on a financial contract that is possible within 12 months after the reporting date (or a shorter period if the expected life of the financial instrument is less than 12 months) of the lifetime ECL associated with the probability of default events occurring within next twelve months after the reporting date is recognised.

Stage 2: lifetime ECL – not credit impaired

For credit exposures where there has been a SICR since initial recognition but that are not credit impaired, a lifetime ECL is recognised. Lifetime ECL is the loss that results from all possible default events over the expected life of the financial contract.

Lifetime ECL (Stage 2) is a probability-weighted estimate of credit losses and is determined based on the difference between the present value of all cash shortfalls. The cash shortfall is the difference between all contractual cash flows that are due to the Group and the present value of the recoverable amount, for financial assets that are not credit-impaired at the reporting date.

Stage 3: Lifetime ECL – credit impaired

Financial contracts are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred.

For Stage 3 financial contracts, the provisions for credit-impairment are determined based on the difference between the net carrying amount and the recoverable amount of the financial contract. As this uses the same criteria as under FAS 11, the Group methodology for specific allowance for credit losses remains largely unchanged.

In cases where there are no collaterals or guarantees which the Group can recover its exposure, the past due rules as per Group's policy or local requirements, whichever is more strict, are applied for allowance for credit losses calculation.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event; -
- probability that the borrower will enter bankruptcy or other financial reorganization; or
- the restructuring of a facility by the Group on terms that the Group would not consider otherwise.

Measurement of ECL

Following are the key inputs into the measurement of ECL:

- Probability of Default (PD);
- Loss Given Default (LGD); and
- Exposure At Default (EAD).

These parameters are generally derived from internally developed models and other historical data. These are adjusted to reflect forward-looking information as described below.

Notes to the Consolidated Financial Statements

at 31 December 2021

2 ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

b. Impairment assessment (continued)

Definition of default

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as liquidating collateral; or the borrower is past due more than 90 days or any material credit obligation to the Group. In assessing whether a borrower is in default, the Group considers both qualitative factors such as breaches of covenants and quantitative factors such as overdue status and non-payment on another obligation of the same issuer to the Group.

Probability of default

Credit risk grades are a primary input into the determination of the term structure of Probability of Default (PD) for exposures. The Group collects performance and default information about its credit risk exposures analysed by credit risk grading for corporate and days-past-due for retail portfolio. The Group employs statistical models for analysing the data collected and generate estimates of PD of exposures and how these are expected to change as a result of the passage of time. This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors, across various geographies in which the Group operates.

Each component (subsidiary) of the Group uses combination of key macro-economic indicators including, fiscal surplus/deficit as a percentage of GDP, gross domestic product (GDP) growth, oil prices, government spending, stock market volatility, cost of funding, lending rates credit growth, inflation rate and unemployment.

Types of PDs used for ECL computation

- 12-month PDs – This is the estimated probability of default occurring within the next 12 months (or over the remaining life of the financial instrument if that is less than 12 months). This is used to calculate 12-month ECLs.
- Lifetime PDs – This is the estimated probability of a default occurring over the remaining life of the financial instrument. This is used to calculate lifetime ECLs for 'stage 2'.

Incorporation of forward - looking information

The Group considers latest available economic forecasts published by the International Monetary Fund (IMF) or other reputed service providers, for 5 years. The Group employs statistical models to incorporate macro-economic factors on historical default rates. In case none of the macro-economic parameters are statistically significant or the results of forecasted PDs are significantly deviated from the present forecast for the economic conditions, quantitative PD overlay shall be used by the management after analyzing the portfolio as per the diagnostic tool.

Incorporating forward-looking information increases the level of judgment as to how changes in these macroeconomic factors will affect the ECL applicable to the stage 1 and stage 2 exposures which are considered as performing (Stage 3 are the exposures under default category). As per the policy, the methodologies and assumptions involved, including any forecasts of future economic conditions, are required to be reviewed periodically.

Loss Given Default

LGD is a percentage that determine the amount of loss that will arise if the borrower was to default. This is calculated by looking at the collateral and other resources available to the Group that can be used to recover the asset in case of default.

The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties, based on historical data using both internal and external factors. For Estimation of LGD, the Group considers use of any of the following methods:

Internal default history: When data is available units can estimate LGDs using the historical default information and corresponding recovery data.

Basel LGD: local regulatory recommended Basel LGD adjusted depending on the available collateral.

Collateral-based LGD: for secured financing the Group uses collateral-based LGD, where the Group has effective collateral management framework that is able to assess and provide up to date collateral valuation and establish legal charge and enforceability.

Notes to the Consolidated Financial Statements

at 31 December 2021

2 ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

b. Impairment assessment (continued)

Exposure At Default

EAD represents estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and profit, and expected drawdowns on committed facilities.

On-balance sheet EADs

EADs for on-balance sheet items are the amount that is outstanding at the time of default. Outstanding of an on-balance sheet exposure shall be directly taken subject to inclusion of its repayment structure.

Prepayments have to be estimated using previous trends and deducted from EAD while calculating ECL.

Off-balance sheet EADs

Off-balance sheet exposures do not have fixed payout date; thus, the EAD for off-balance sheet is calculated after applying the Credit Conversion Factor (CCF) to the nominal amount of the Off-balance sheet exposure. The Group uses following methods to work out CCF for off- balance sheet EADs.

CCF based on internal data - The Group performs off-balance sheet product based analysis to study the average percentage utilization/conversion over a period of 3- 5 years. Based on the analysis product wide conversion/utilization factors are estimated. For Letters of Credit (LCs) and Letters of Guarantees (LGs) issued, units determines CCF by estimating total amount of LCs/LGs devolved/converted over last 3-5 years as a percentage of total LC/LG issued to arrive at the expected exposure over the future for these off-balance sheet items.

Regulatory CCFs - In absence of internal data, The Group uses same as Basel CCF that are used for calculating the Capital Adequacy Ratio (CAR) as per the CBB regulations. These rates are 20% for exposures with maturity equal to or less than 1 year and 50% for exposures with maturity of more than 1 year.

Collective ECL computation and staging

ECL on individually large exposures and credit-impaired loans are generally measured individually. For retail exposures and other exposures to small and medium-sized enterprises, where less client-specific information is available, ECL is measured on a collective basis. This incorporates borrower-specific information, such as delinquency, collective historical experience of losses and forward-looking macroeconomic information.

To assess the staging of exposures and to measure a loss allowance on a collective basis, the Group groups its exposures into segments on the basis of shared credit risk characteristics, such as geography, type of customer, industry, rating, date of initial recognition, maturity and collateral value.

Significant Increase in Credit Risk

When determining whether the risk of default on a financial contracts has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost and efforts. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment including forward-looking information.

The assessment is carried out for specific instrument rather than a counterparty. As each instrument may have had different credit risk at initial recognition.

The application of above requirements of SICR to various locations of the Group varies depending on a number of circumstances faced by each location and each location applies a robust risk assessment methodology that is commensurate with the size, complexity, structure, economic significance and risk profile of its portfolio.

Renegotiated financial assets

The accounts which are performing prior to restructuring but restructured due to financial difficulty are categorised under stage 2. The accounts that are non-performing or meet any criteria for classifying as non-performing (prior to restructuring), then such restructured accounts are categorized under stage 3.

2 ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

b. Impairment assessment (continued)

Backward transition

FAS 30 staging model is of symmetrical nature as movement across stages is a “Two Way” phenomenon. However, backward movement across stages are not immediate once SICR indicators are no longer triggered. Once such indicators are no longer triggered, movement back to Stage 1 or Stage 2 has to be calibrated and cannot be automatic or immediate. Certain criteria like cooling off period, SICR indicators and payment history are considered for migrating customers to Stage 2 or Stage 1. Following factors including cure period are considered for any backward transition:

From Stage 2 to stage 1

- The criteria to classify the exposure into Stage 2 (criteria covered in SICR section above) is no longer present;
- Up to date payment with no arrears;
- A minimum cool-off/cure period of 6 months for any stage 2 accounts; and
- A minimum cool-off/cure period of 12 months for restructured accounts.

From stage 3 to stage 2

- The criteria to classify the exposure into Stage 3 (criteria covered in default section above) is no longer present.
- Up to date payment with no arrears.
- A minimum cool-off/cure period of 12 months for non-performing and restructured facilities.

Write-offs

Financing facilities are written-off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written-off could still be subject to enforcement activities in order to comply with the Group’s procedures for recovery of amounts due.

Presentation of allowance for credit losses in the interim consolidated statement of financial position

Allowance for credit losses are presented in the consolidated statement of financial position as follows:

- financial assets measured at amortised cost, as a deduction from the gross carrying amount of the assets;
- financing commitments and financial guarantee contracts: generally as a provision included in other liabilities; and
- where a financial contract includes both a drawn and undrawn component, and the Group has identified the ECL on the financing commitments / off-balance sheet component separately from those on the drawn component, allowance for credit losses on undrawn component is presented as a provision in other liabilities.

c. Cash and cash equivalents

Cash and cash equivalents as referred to in the consolidated statement of cash flows comprise cash and cash in transit, balances with central banks excluding mandatory reserves and balances with other banks with an original maturity of three months or less.

Notes to the Consolidated Financial Statements

at 31 December 2021

2 ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

d. Receivables

Receivables comprise Sales (Murabaha) receivables, Ijarah receivables, Salam receivables and Istisna'a receivables.

Sales (Murabaha) receivables

Sales (Murabaha) receivables consist mainly of murabaha and international commodities stated net of deferred profits and provision for doubtful amount. The Group considers promise made in sales (murabaha) receivables to the purchase orderer as obligatory.

Ijarah receivables

Ijarah receivables is the outstanding rental at the end of the year less any provision for doubtful amount.

Salam receivables

Salam receivables is the outstanding amount at the end of the year less any provision for doubtful amount.

Istisna'a receivables

Istisna'a receivables is the outstanding amount at the end of the year less any provision for doubtful amount.

e. Mudaraba and Musharaka financing

Mudaraba and Musharaka financing are partnerships in which the Bank contributes capital. These are stated at the fair value of consideration given less impairment.

f. Investments

Investments comprise equity and debt-type instruments at fair value through statement of income, equity-type instruments at fair value through equity, debt-type instruments at amortised cost, investment in real estate and investment in associates.

Investment in real estate

Properties held for rental, or for capital appreciation purposes, or both, are classified as investment in real estate. Investments in real estate are initially recorded at cost, being the fair value of the consideration given and acquisition charges associated with the property. Subsequent to initial recognition, investments in real estate are re-measured at fair value and changes in fair value (only gains) are recognised as property fair value reserve in the consolidated statement of changes in equity.

Losses arising from changes in the fair values of investment in real estate are firstly adjusted against the property fair value reserve to the extent of the available balance and then the remaining losses are recognised in the consolidated statement of income. If there are unrealised losses that have been recognised in the consolidated statement of income in the previous financial periods, the current period unrealised gain shall be recognised in the consolidated statement of income to the extent of crediting back such previous losses in the consolidated statement of income. When the property is disposed of, the cumulative gain previously transferred to the property fair value reserve, is transferred to the consolidated statement of income.

Notes to the Consolidated Financial Statements

at 31 December 2021

2 ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

f. Investments (continued)

Investment in associates

The Group's investment in associates is accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. The consolidated statement of income reflects the Group's share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in owners' equity. Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The reporting dates of the associates and the Group are identical and the associates accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Equity and debt-type instruments at fair value through statement of income

This includes instruments held for trading purposes to gain profits from market fluctuations in the short term. These are initially recognised at cost, being the fair value of the consideration given excluding acquisition costs. These are subsequently re-measured at fair value. All related realised and unrealised gains or losses are included in the consolidated statement of income.

All other investments are initially recognised at cost, being the fair value of the consideration given including acquisition costs.

Equity-type instruments at fair value through equity

This includes all instruments that are not covered above. Subsequent to acquisition, investments designated at fair value through equity are re-measured at fair value with unrealised gains or losses recognised proportionately in owners' equity and equity of investment accountholders until the investment is derecognised or determined to be impaired at which time the cumulative gain or loss previously recorded in owners' equity or equity of investment accountholders is recognised in consolidated statement of income.

Debt-type instruments at amortised cost

Debt-type instruments which are managed on a contractual yield basis and are not held for trading and has not been designated at fair value through statement of income are classified as debt-type instruments at amortised cost. Such investments are carried at amortised cost, less provision for impairment in value. Amortised cost is calculated by taking into account any premium or discount on acquisition. Any gain or loss on such investment is recognised in the consolidated statement of income, when the investment is de-recognised or impaired.

g. Ijarah Muntahia Bittamleek

Ijara income is recognised on a time apportioned basis over the Ijara term and is stated net of depreciation. Income related to non-performing ijara muntahia bittamleek accounts that are non-performing is excluded from the consolidated statement of income.

h. Property and equipment

Property and equipment are initially recognised at cost. Subsequent to initial recognition property and equipment are stated at cost less accumulated depreciation and accumulated impairment in value, except for land which is carried at fair value. The cost of additions and major improvements are capitalised; maintenance and repairs are charged to the consolidated statement of income as incurred. Gains or losses on disposal are reflected in other operating income. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets other than freehold land, which is deemed to have an indefinite life.

Notes to the Consolidated Financial Statements

at 31 December 2021

2 ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

h. Property and equipment (continued)

The calculation of depreciation is on the following basis:

Buildings	30 - 50 years
Office furniture and equipment	4 - 10 years
Vehicles	3 years
Others	4 - 5 years

Any subsequent change in fair value of land (only gains) are recognised as property fair value reserve in the consolidated statement of changes in owners' equity. Losses arising from changes in the fair value of land is first adjusted against the property fair value reserve to the extent of the available balance and then the remaining losses are recognised in the consolidated statement of income. If there are unrealised losses that have been recognised in the consolidated statement of income in the previous financial periods, the current period unrealised gain shall be recognised in the consolidated statement of income to the extent of crediting back such previous losses in the consolidated statement of income. When the land is disposed of, the cumulative gain previously transferred to the property fair value reserve, is transferred to the consolidated statement of income.

i. Fair values

For investments actively traded in organised financial markets, fair value is determined by reference to quoted market bid prices.

For investment where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument, which is substantially the same or is based on the assessment of future cash flows. The cash equivalent values are determined by the Group at current profit rates for contracts with similar term and risk characteristics.

For Sales (Murabaha) receivables the fair value is determined at the Bank or subsidiary level at the end of the financial period at their cash equivalent value.

j. Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

k. Intangible assets

Intangible assets comprise principally the value of computer software. Intangible assets acquired are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

l. Collateral pending sale

Collateral acquired in settlement of certain financing facilities is stated at the lower of the net realisable value of the related financing facilities and the current fair value of such assets. Gains or losses on disposal, and revaluation losses, are recognised in the consolidated statement of income.

m. Employees' end of service benefits

The Group provides for end of service benefits to its employees. Entitlement to these benefits is based upon the employees' length of service and the completion of a minimum service period. The expected costs of these benefits are accrued for over the period of employment.

Notes to the Consolidated Financial Statements

at 31 December 2021

2 ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

n. Provision

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate can be made of the amount of the obligation.

o. Dividends

Dividends to shareholders are recognised as liabilities in the year in which they are declared.

p. Equity of investment accountholders

All equity of investment accountholders are carried at cost plus accrued profit and related reserves. Investment risk reserves and profit equalisation reserves are made at the Bank or subsidiary level.

q. Investment risk reserve

Investment risk reserves are amounts appropriated out of the income of equity of investment accountholders, after allocating the mudarib share, in order to cater against future losses for equity of investment accountholders.

r. Profit equalisation reserve

Profit equalisation reserves are amounts appropriated out of the Mudaraba income, before allocating the mudarib share, in order to maintain a certain level of return on investments for equity of investment accountholders.

s. Sukuk

Sukuk issued by the Group are treated based on the underlying contracts and structure.

t. Off-balance sheet equity of investment accountholders

Off-balance sheet equity of investment accountholders represent funds received by the Group from third parties for investment in specified products as directed by them. These products are managed in a fiduciary capacity and the Group has no entitlement to these products. Third parties bear all of the risks and earn all of the rewards on these products. Off-balance sheet equity of investment accountholders are not included in the consolidated statement of financial position since the Group does not have the right to use or dispose these products except within the conditions of the contract between the Group and third parties.

u. Treasury shares

Own equity instruments which are reacquired (treasury shares) are deducted from equity of the parent and accounted for at weighted average cost. Consideration paid or received on the purchase, sale, issue or cancellation of the Group's own equity instruments are recognised directly in equity of the parent. No gain or loss is recognised in consolidated statement of income on the purchase, sale, issue or cancellation of own equity instruments.

v. Revenue recognition

Sales (Murabaha) receivables

Profit from Sales (Murabaha) receivables is recognised when the income is both contractually determinable and quantifiable at the commencement of the transaction. Such income is recognised on time-apportioned basis over the period of the transaction. Where the income from a contract is not contractually determinable or quantifiable, it is recognised when the realisation is reasonably certain or when actually realised. Income related to accounts that are 90 days overdue is excluded from the consolidated statement of income.

Salam and Istisna'a receivables

Income on Salam and Istisna'a is recognised on time-apportioned basis when the income from a contract is contractually determinable or quantifiable.

Notes to the Consolidated Financial Statements
at 31 December 2021

2 ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

v. Revenue recognition (continued)

Mudaraba and Musharaka financing
Income on Mudaraba and Musharaka financing is recognised when the right to receive payment is established or on distribution by the Mudarib. Income related to accounts that are 90 days overdue is excluded from the consolidated statement of income.

Ijarah Muntahia Bittamleek
Income net of depreciation is recognised on a time-apportioned basis over the lease term.

Fee and commission income
Fee and commission income is recognised when earned.

Other income
Other income on investments is recognised when the right to receive payment is established.

Group's share as a Mudarib
The Group's share of profit as a Mudarib for managing equity of investment accountholders is based on the terms and conditions of the related mudarib agreements.

Mudarib's share of off-balance sheet equity of investment accountholders
The Group shares profit for managing off-balance sheet equity of investment accountholders based on the terms and conditions of related contracts.

w. Return on equity of investment accountholders
Equity of investment accountholders' share of income is calculated based on the applicable local laws and based on the underlining individual Mudaraba contract. It represents the income generated from joint investment accounts and after deducting other expenses. Other expenses include all expenses incurred by the Group including specific provisions. The Group's share is deducted before distributing such income.

x. Joint and self financed
Investments, financing and receivables that are jointly owned by the Group and the equity of investment accountholders are classified under the caption "jointly financed" in the consolidated financial statements. Investments, financing and receivables that are financed solely by the Group are classified under "self financed".

y. Taxation
There is no tax on corporate income in the Kingdom of Bahrain. Taxation on foreign operations is provided in accordance with the fiscal regulations of the respective countries in which the subsidiaries operate. The Group accounts for its share of associates profit after accounting for corporate taxation. Deferred income tax is provided using the liability method on temporary differences at the financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

z. Shari'a supervisory board
The Group's business activities are subject to the supervision of a Shari'a supervisory board consisting of five members appointed by the general assembly.

Notes to the Consolidated Financial Statements

at 31 December 2021

2 ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

aa. Zakah

The article of association of Al Baraka Banking Group is not empowering the Group for paying Zakah on behalf of the shareholders and there is no such law in Kingdom of Bahrain requiring the Group to pay Zakah on behalf of the shareholders, unless there is a direct empowerment from the general assembly to the Group to pay Zakah on the behalf of the shareholders.

ab. Earnings prohibited by Shari'a

The Group is committed to avoid recognising any income generated from non-Islamic source. Accordingly, all non-Islamic income is credited to a charity account where the Group uses these funds for various social welfare activities.

ac. Impairment of financial assets

An assessment is made at each financial position date to determine whether there is objective evidence that a specific financial asset or a group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss, based on the assessment by the Group of the estimated cash equivalent value, is recognised in the consolidated statement of income. Specific provisions are created to reduce all impaired financial contracts to their realisable cash equivalent value. Financial assets are written off only in circumstances where effectively all possible means of recovery have been exhausted.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment value was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the consolidated statement of income.

In addition, the Group maintains a provision to reflect a potential loss that may occur as a result of currently unidentifiable risks in relation to receivables, financings or investment assets. The amount reflects estimated losses affecting these assets attributable to events that have already occurred at the date of the financial statements, and not estimated losses attributable to future events.

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

ae. Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. The monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the financial position date. All differences are taken to income statement at the entity level.

Foreign currency translations

As at the reporting date, the assets and liabilities in foreign currencies are translated into the presentation currency of the Group (United States Dollars) at the rate of exchange ruling at the financial position date and their income statements are translated at the average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of owners' equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in owners' equity relating to that particular foreign entity is recognised in the consolidated statement of income.

Notes to the Consolidated Financial Statements

at 31 December 2021

2 ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

af. Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which affects the amounts recognised in the consolidated financial statements:

Classification of investments

Management decides on acquisition of an investment whether it should be classified as equity and debt-type instrument at fair value through statement of income, equity-type instrument at fair value through equity or debt-type instrument at amortised cost.

Going concern

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

ag. Use of estimates in preparation of the consolidated financial statements

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of financial assets and liabilities at the date of the consolidated financial statements. The use of estimates is used primarily to the determination of provisions for sales (Murabaha) receivable, mudaraba financing, musharaka financing, equity-type instrument at fair value through equity, debt-type instrument at amortised cost, ijarah receivable and other assets.

ah. Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

(i) the right to receive cash flows from the asset has expired;

(ii)the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of income.

3. CASH AND BALANCES WITH BANKS

	2021 US$ '000	2020 US$ '000
Balances with central banks*	**4,572,189**	4,027,943
Balances with other banks	**646,835**	497,408
Cash and cash in transit	**708,578**	839,830
Allowance for credit losses	**(3,724)**	(3,737)
	5,923,878	5,361,444

* Balances with central banks include mandatory reserves amounting to US$ 2,997,845 thousand (2020: US$ 2,587,004 thousand). These amounts are not available for use in the Group's day-to-day operations.

4. RECEIVABLES

	2021 US$ '000	2020 US$ '000
Sales (Murabaha) receivables (note 4.1)	**11,279,456**	12,126,087
Ijarah receivables (note 4.2)	**140,805**	150,787
Salam receivables (note 4.3)	**259,295**	225,550
Istisna'a receivables (note 4.4)	**198,926**	198,804
Allowance for credit losses	**(882,410)**	(755,235)
	10,996,072	11,945,993

Notes to the Consolidated Financial Statements

at 31 December 2021

4 RECEIVABLES (continued)

4.1 Sales (Murabaha) receivables

	2021			2020		
	Self financed	Jointly financed	Total	Self financed	Jointly financed	Total
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
Commodity murabaha	61,144	532,345	593,489	58,485	569,723	628,208
Other murabaha	1,668,364	10,129,562	11,797,926	2,466,023	10,332,891	12,798,914
Gross sales (murabaha) receivables	1,729,508	10,661,907	12,391,415	2,524,508	10,902,614	13,427,122
Deferred profits (note 4.1(a))	(180,162)	(931,797)	(1,111,959)	(296,564)	(1,004,471)	(1,301,035)
	1,549,346	9,730,110	11,279,456	2,227,944	9,898,143	12,126,087
Less: allowance for credit losses (note 22)	(290,041)	(508,005)	(798,046)	(221,835)	(455,075)	(676,910)
Net sales (murabaha) receivables	1,259,305	9,222,105	10,481,410	2,006,109	9,443,068	11,449,177

	2021	2020
	US$'000	US$'000
Non-performing	645,795	769,795

4.1(a) Murabaha deferred profit movement

	2021	2020
	US$ '000	US$ '000
Deferred profit at the beginning of the year	1,301,035	1,564,665
Murabaha Sales during the year	2,875,541	3,960,783
Murabaha Cost of Sales	(2,226,503)	(3,493,121)
	1,950,073	2,032,327
Deferred profit collected during the year	(408,726)	(498,002)
Deferred profit settled during the year	(20,591)	(31,019)
Deferred profit waived during the period	(1,923)	(3,172)
FX translation	(406,874)	(199,099)
Deferred profit at the end of the year	1,111,959	1,301,035

4.2 Ijarah receivables

	2021			2020		
	Self financed	Jointly financed	Total	Self financed	Jointly financed	Total
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
Gross ijarah receivables	9,150	131,655	140,805	12,272	138,515	150,787
Allowance for credit losses (note 22)	(318)	(47,671)	(47,989)	(382)	(51,593)	(51,975)
Net ijarah receivables	8,832	83,984	92,816	11,890	86,922	98,812

	2021	2020
	US$'000	US$'000
Non-performing	111,857	127,733

Notes to the Consolidated Financial Statements

at 31 December 2021

4 RECEIVABLES (continued)

4.3 Salam receivables

	2021			2020		
	Self financed	Jointly financed	Total	Self financed	Jointly financed	Total
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
Gross salam receivables	-	259,295	259,295	-	225,550	225,550
Allowance for credit losses (note 22)	-	(18,912)	(18,912)	-	(15,186)	(15,186)
Net salam receivables	-	240,383	240,383	-	210,364	210,364

	2021	2020
	US$'000	US$'000
Non-performing	30,040	22,619

4.4 Istisna'a receivables

	2021			2020		
	Self financed	Jointly financed	Total	Self financed	Jointly financed	Total
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
Gross istisna'a receivables	-	198,926	198,926	-	198,804	198,804
Allowance for credit losses (note 22)	-	(17,463)	(17,463)	-	(11,164)	(11,164)
Net istisna'a receivables	-	181,463	181,463	-	187,640	187,640

	2021	2020
	US$'000	US$'000
Non-performing	19,570	14,682

The table below shows the receivables credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and stage classification.

	31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
	US$ '000	US$ '000	US$ '000	US$ '000
Good (1-4)	2,954,925	185,249	-	3,140,174
Satisfactory (5-7)	6,173,234	1,757,812	-	7,931,046
Default (8-10)	-	-	807,262	807,262
Allowance for credit losses	(59,970)	(305,981)	(516,459)	(882,410)
	9,068,189	1,637,080	290,803	10,996,072

	31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
	US$ '000	US$ '000	US$ '000	US$ '000
Good (1-4)	2,816,741	228,144	-	3,044,885
Satisfactory (5-7)	7,018,497	1,703,017	-	8,721,514
Default (8-10)	-	-	934,829	934,829
Allowance for credit losses	(73,192)	(179,520)	(502,523)	(755,235)
	9,762,046	1,751,641	432,306	11,945,993

Notes to the Consolidated Financial Statements

at 31 December 2021

4 RECEIVABLES (continued)

The below table shows the movement in allowance for credit losses by stage:

	31 December 2021			
	Stage 1: 12-month ECL	Stage 2: Lifetime ECL not credit-impaired	Stage 3: Lifetime ECL credit-impaired	Total
	US$ '000	US$ '000	US$ '000	US$ '000
Balance at 1 January	73,192	179,520	502,523	755,235
Changes due to receivables recognised in opening balance that have:				
- transferred to Stage 1	5,727	(2,711)	(3,016)	-
- transferred to Stage 2	(3,846)	12,704	(8,858)	-
- transferred to Stage 3	(150)	(42,681)	42,831	-
Net remeasurement of loss allowance	7,413	121,665	198,809	327,887
Recoveries / write-backs	-	-	(78,333)	(78,333)
Allocation from (to) investment risk reserve	(8,093)	(2,184)	7,687	(2,590)
Amounts written off	-	-	(41,305)	(41,305)
FX translation / others	(14,273)	39,668	(103,879)	(78,484)
	59,970	305,981	516,459	882,410

	31 December 2020			
	Stage 1: 12-month ECL	Stage 2: Lifetime ECL not credit-impaired	Stage 3: Lifetime ECL credit-impaired	Total
	US$ '000	US$ '000	US$ '000	US$ '000
Balance at 1 January	54,358	115,719	401,005	571,082
Changes due to receivables recognised in opening balance that have:				
- transferred to Stage 1	12,761	(3,304)	(9,457)	-
- transferred to Stage 2	(1,223)	(37,684)	38,907	-
- transferred to Stage 3	(65)	(1,800)	1,865	-
Net remeasurement of loss allowance	11,701	95,572	153,572	260,845
Recoveries / write-backs	-	-	(57,534)	(57,534)
Allocation from (to) investment risk reserve	(6,439)	12,794	13,325	19,680
Amounts written off	-	-	(13,185)	(13,185)
FX translation / others	2,099	(1,777)	(25,975)	(25,653)
	73,192	179,520	502,523	755,235

5 MUDARABA AND MUSHARAKA FINANCING

	2021	2020
	US$ '000	US$ '000
Mudaraba financing (note 5.1)	2,698,975	1,784,183
Musharaka financing (note 5.2)	958,669	1,106,881
Allowance for credit losses	(34,329)	(36,406)
	3,623,315	2,854,658

Notes to the Consolidated Financial Statements

at 31 December 2021

5 MUDARABA AND MUSHARAKA FINANCING (continued)

5.1 Mudaraba financing

	2021			2020		
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000
Gross mudaraba financing	381,618	2,317,357	2,698,975	427,218	1,356,965	1,784,183
Allowance for credit losses (note 22)	(420)	(17,311)	(17,731)	(420)	(14,198)	(14,618)
Net mudaraba financing	381,198	2,300,046	2,681,244	426,798	1,342,767	1,769,565

	2021 US$ '000	2020 US$ '000
Non-performing	30,227	15,994

5.2 Musharaka financing

	2021			2020		
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000
Gross musharaka financing	333,261	625,408	958,669	451,433	655,448	1,106,881
Allowance for credit losses (note 22)	(4,049)	(12,549)	(16,598)	(8,436)	(13,352)	(21,788)
Net musharaka financing	329,212	612,859	942,071	442,997	642,096	1,085,093

	2021 US$'000	2020 US$'000
Non-performing	27,920	26,167

The table below shows the mudaraba and musharaka credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and stage classification.

	31 December 2021			
	Stage 1 US$ '000	Stage 2 US$ '000	Stage 3 US$ '000	Total US$ '000
Good (1-4)	1,194,146	79,440	-	1,273,586
Satisfactory (5-7)	2,148,254	177,657	-	2,325,911
Default (8-10)	-	-	58,147	58,147
Allowance for credit losses	(6,461)	(3,883)	(23,985)	(34,329)
	3,335,939	253,214	34,162	3,623,315

	31 December 2020			
	Stage 1 US$ '000	Stage 2 US$ '000	Stage 3 US$ '000	Total US$ '000
Good (1-4)	1,219,723	139,196	-	1,358,919
Satisfactory (5-7)	1,170,475	319,509	-	1,489,984
Default (8-10)	-	-	42,161	42,161
Allowance for credit losses	(12,269)	(9,381)	(14,756)	(36,406)
	2,377,929	449,324	27,405	2,854,658

Notes to the Consolidated Financial Statements

at 31 December 2021

5 MUDARABA AND MUSHARAKA FINANCING (continued)

5.2 Musharaka financing (continued)

The below table shows the movement in allowance for credit losses by stage:

	31 December 2021			
	Stage 1: 12-month ECL	Stage 2: Lifetime ECL not credit-impaired	Stage 3: Lifetime ECL credit-impaired	Total
	US$ '000	US$ '000	US$ '000	US$ '000
Balance at 1 January	12,269	9,381	14,756	36,406
Changes due to financing recognised in opening balance that have:				
- transferred to Stage 1	498	(496)	(2)	-
- transferred to Stage 2	(239)	263	(24)	-
- transferred to Stage 3	(3)	(211)	214	-
Net remeasurement of loss allowance	(1,207)	(4,731)	6,776	838
Recoveries / write-backs	-	-	(553)	(553)
Allocation from (to) investment risk reserve	(1,069)	(26)	94	(1,001)
Amounts written off	-	-	(11,579)	(11,579)
FX translation / others	(3,788)	(297)	14,303	10,218
	6,461	3,883	23,985	34,329

	31 December 2020			
	Stage 1: 12-month ECL	Stage 2: Lifetime ECL not credit-impaired	Stage 3: Lifetime ECL credit-impaired	Total
	US$ '000	US$ '000	US$ '000	US$ '000
Balance at 1 January	2,496	2,406	14,723	19,625
Changes due to receivables recognised in opening balance that have:				
- transferred to Stage 1	(252)	262	(10)	-
- transferred to Stage 2	(2,581)	2,583	(2)	-
- transferred to Stage 3	(4)	(4)	8	-
Net remeasurement of loss allowance	12,860	4,235	266	17,361
Recoveries / write-backs	-	-	(482)	(482)
Allocation from (to) investment risk reserve	346	(2)	(3)	341
FX translation / others	(596)	(99)	256	(439)
	12,269	9,381	14,756	36,406

Notes to the Consolidated Financial Statements
at 31 December 2021

6. INVESTMENTS

	2021 US$ '000	2020 US$ '000
Equity and debt-type instruments at fair value through statement of income (note 6.1)	52,688	234,405
Equity-type instruments at fair value through equity (note 6.2)	87,451	107,971
Debt-type instruments at amortised cost (note 6.3)	4,102,509	4,533,589
	4,242,648	4,875,965
Investment in real estate (note 6.4)	186,767	176,136
Investment in associates (note 6.5)	43,234	45,088
	4,472,649	5,097,189

6.1 Equity and debt-type instruments at fair value through statement of income

	2021			2020		
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000
Quoted investments						
Debt Instruments	-	33,653	33,653	3,308	3,389	6,697
Equity Securities	7,569	4,596	12,165	221,493	686	222,179
	7,569	38,249	45,818	224,801	4,075	228,876
Unquoted investments						
Equity Securities	6,870	-	6,870	1,885	3,644	5,529
	6,870	-	6,870	1,885	3,644	5,529
	14,439	38,249	52,688	226,686	7,719	234,405

6.2 Equity-type instruments at fair value through equity

	2021			2020		
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000
Quoted investments						
Equity Securities	13,754	31,552	45,306	20,292	30,044	50,336
Managed funds	3,382	11,146	14,528	3,515	4,342	7,857
	17,136	42,698	59,834	23,807	34,386	58,193
Unquoted investments						
Equity Securities	10,215	15,157	25,372	7,216	14,039	21,255
Managed funds	546	9,032	9,578	993	34,949	35,942
	10,761	24,189	34,950	8,209	48,988	57,197
Provisions for impairment	(6,911)	(422)	(7,333)	(6,952)	(467)	(7,419)
	20,986	66,465	87,451	25,064	82,907	107,971

Notes to the Consolidated Financial Statements

at 31 December 2021

6. INVESTMENTS (continued)

6.3 Debt-type instruments at amortised cost

	2021			2020		
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000
Quoted investments						
Sukuk and similar items	1,913,519	1,504,459	3,417,978	1,673,465	1,556,333	3,229,798
Unquoted investments						
Sukuk and similar items	97,905	594,194	692,099	119,526	1,192,521	1,312,047
Allowance for credit losses	(502)	(7,066)	(7,568)	(772)	(7,484)	(8,256)
	2,010,922	2,091,587	4,102,509	1,792,219	2,741,370	4,533,589

The table below shows the debt type instruments credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and stage classification.

	31 December 2021			
	Stage 1 US$ '000	Stage 2 US$ '000	Stage 3 US$ '000	Total US$ '000
Good (1-4)	3,483,937	-	-	3,483,937
Satisfactory (5-7)	611,661	11,914	-	623,575
Default (8-10)	-	-	2,565	2,565
Allowance for credit losses	(4,966)	(37)	(2,565)	(7,568)
	4,090,632	11,877	-	4,102,509

	31 December 2020			
	Stage 1 US$ '000	Stage 2 US$ '000	Stage 3 US$ '000	Total US$ '000
Good (1-4)	3,959,071	-	-	3,959,071
Satisfactory (5-7)	517,658	62,551	-	580,209
Default (8-10)	-	-	2,565	2,565
Less: allowance for credit losses	(4,490)	(1,201)	(2,565)	(8,256)
	4,472,239	61,350	-	4,533,589

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at 31 December 2021

6 INVESTMENTS

6.3 Debt-type instruments at amortised cost (continued)

The below table shows the movement in allowance for credit losses by stage:

	31 December 2021			
	Stage 1: 12-month ECL US$ '000	Stage 2: Lifetime ECL not credit-impaired US$ '000	Stage 3: Lifetime ECL credit-impaired US$ '000	Total US$ '000
Balance at 1 January	4,490	1,201	2,565	8,256
Changes due to instruments recognised in opening balance that have:				
- transferred to Stage 1	74	(74)	-	-
- transferred to Stage 2	710	(710)	-	-
Net remeasurement of loss allowance	464	(370)	-	94
Allocation from investment risk reserve	(620)	-	-	(620)
FX translation / others	(152)	(10)	-	(162)
	4,966	37	2,565	7,568

	31 December 2020			
	Stage 1: 12-month ECL US$ '000	Stage 2: Lifetime ECL not credit-impaired US$ '000	Stage 3: Lifetime ECL credit-impaired US$ '000	Total US$ '000
Balance at 1 January	4,651	584	2,565	7,800
Net remeasurement of loss allowance	(272)	480	-	208
Allocation from investment risk reserve	54	126	-	180
FX translation / others	57	11	-	68
	4,490	1,201	2,565	8,256

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6 INVESTMENTS (continued)

6.4 Investment in real estate

	2021			2020		
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000
Land	1,973	100,572	102,545	3,951	114,316	118,267
Buildings	12,348	71,874	84,222	11,573	46,296	57,869
	14,321	172,446	186,767	15,524	160,612	176,136

The following is a reconciliation between carrying amounts of investment in real estate at the beginning and end of the year:

	2021 US$ '000	2020 US$ '000
Beginning balance of the year	176,136	206,108
Acquisitions	33,113	3,729
Net loss from fair value adjustments	(6,843)	(4,063)
Disposals	(11,467)	(26,531)
Foreign exchange translation / others - net	(4,172)	(3,107)
	10,631	(29,972)
Ending balance of the year	186,767	176,136

6.5 Investment in associates

Investment in associates comprise the following:

	2021			
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Market value US$ '000
Quoted associates	-	12,767	12,767	11,834
Unquoted associates	30,447	20	30,467	
	30,447	12,787	43,234	

	2020			
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Market value US$ '000
Quoted associates	-	11,729	11,729	9,742
Unquoted associates	33,359	-	33,359	
	33,359	11,729	45,088	

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7 IJARAH MUNTAHIA BITTAMLEEK

	2021			2020		
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000
Land and building						
Cost	2,340	2,209,182	2,211,522	16,679	1,942,652	1,959,331
Accumulated depreciation	(328)	(408,494)	(408,822)	(114)	(395,219)	(395,333)
Allowance for credit losses	-	(8,384)	(8,384)	(170)	(15,506)	(15,676)
Net book value	2,012	1,792,304	1,794,316	16,395	1,531,927	1,548,322
Equipment						
Cost	76,581	233,925	310,506	72,853	224,737	297,590
Accumulated depreciation	(13,100)	(71,703)	(84,803)	(24,673)	(70,157)	(94,830)
Allowance for credit losses	(259)	(4,337)	(4,596)	(431)	(7,712)	(8,143)
Net book value	63,222	157,885	221,107	47,749	146,868	194,617
Others						
Cost	-	5,349	5,349	-	12,780	12,780
Accumulated depreciation	-	(1,964)	(1,964)	-	(8,061)	(8,061)
Allowance for credit losses	-	(8)	(8)	-	(31)	(31)
Net book value	-	3,377	3,377	-	4,688	4,688
TOTAL						
Cost	78,921	2,448,456	2,527,377	89,532	2,180,169	2,269,701
Accumulated depreciation	(13,428)	(482,161)	(495,589)	(24,787)	(473,437)	(498,224)
Less: allowance for credit losses	(259)	(12,729)	(12,988)	(601)	(23,249)	(23,850)
Net book value	65,234	1,953,566	2,018,800	64,144	1,683,483	1,747,627

The table below shows the ijarah muntahia bittamleek credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and stage classification.

	31 December 2021			
	Stage 1 US$ '000	Stage 2 US$ '000	Stage 3 US$ '000	Total US$ '000
Good (1-4)	570,992	4,872	-	575,864
Satisfactory (5-7)	1,217,341	238,570	-	1,455,911
Default (8-10)	-	-	13	13
Allowance for credit losses	(2,355)	(10,631)	(2)	(12,988)
	1,785,978	232,811	11	2,018,800

	31 December 2020			
	Stage 1 US$ '000	Stage 2 US$ '000	Stage 3 US$ '000	Total US$ '000
Good (1-4)	447,363	6,548	-	453,911
Satisfactory (5-7)	1,051,050	266,465	-	1,317,515
Default (8-10)	-	-	51	51
Allowance for credit losses	(2,408)	(21,434)	(8)	(23,850)
	1,496,005	251,579	43	1,747,627

Notes to the Consolidated Financial Statements

at 31 December 2021

7 IJARAH MUNTAHIA BITTAMLEEK (continued)

The below table shows the movement in allowance for credit losses by stage:

	31 December 2021			
	Stage 1: 12-month ECL	Stage 2: Lifetime ECL not credit-impaired	Stage 3: Lifetime ECL credit-impaired	Total
	US$ '000	US$ '000	US$ '000	US$ '000
Balance at 1 January	2,408	21,434	8	23,850
Net remeasurement of loss allowance	201	(9,964)	-	(9,763)
Allocation to (from) investment risk reserve	53	-	-	53
FX translation / others	(307)	(839)	(6)	(1,152)
	2,355	10,631	2	12,988

	31 December 2020			
	Stage 1: 12-month ECL	Stage 2: Lifetime ECL not credit-impaired	Stage 3: Lifetime ECL credit-impaired	Total
	US$ '000	US$ '000	US$ '000	US$ '000
Balance at 1 January	4,627	13,160	-	17,787
Changes due to ijarah muntahia bittamleek recognised in opening balance that have:				
- transferred to Stage 1	(8)	-	8	-
Net remeasurement of loss allowance	(1,820)	9,918	-	8,098
FX translation / others	(391)	(1,644)	-	(2,035)
	2,408	21,434	8	23,850

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8 PROPERTY AND EQUIPMENT

	Buildings US$ '000	Lands US$ '000	Office furniture and equipment US$ '000	Vehicles US$ '000	Others US$ '000	Right of use asset* US$ '000	Total US$ '000
Cost:							
At 1 January 2020	236,059	161,094	228,432	11,903	74,550	-	712,038
Additions	22,480	19,968	22,004	1,496	30,631	-	96,579
Disposals	(7,781)	-	(3,087)	(961)	(5,154)	-	(16,983)
Foreign exchange translations	(8,298)	(11,119)	(7,999)	(1,181)	(14,123)	-	(42,720)
At 31 December 2020	242,460	169,943	239,350	11,257	85,904	-	748,914
Additions	768	12,973	17,907	362	18,113	103,370	153,493
Revaluation	-	42,035	-	-	-	-	42,035
Disposals	(2,512)	(645)	(12,679)	(672)	(258)	(2,798)	(19,564)
Foreign exchange translations	(13,738)	(25,599)	(20,766)	(3,705)	(18,301)	(18,154)	(100,263)
At 31 December 2021	**226,978**	**198,707**	**223,812**	**7,242**	**85,458**	**82,418**	**824,615**
Depreciation:							
At 1 January 2020	59,018	-	177,081	5,359	15,549	-	257,007
Charged during the year (note 20)	7,835	-	18,376	888	3,716	-	30,815
Relating to disposals	(74)	-	(2,760)	(86)	(461)	-	(3,381)
Foreign exchange translations	(5,048)	-	(5,999)	(382)	(2,670)	-	(14,099)
At 31 December 2020	61,731	-	186,698	5,779	16,134	-	270,342
Charged during the year (note 20)	8,516	-	17,384	734	3,500	14,956	45,090
Relating to disposals	(651)	-	(12,181)	(361)	(37)	(4,327)	(17,557)
Foreign exchange translations	(7,290)	-	(12,845)	(1,270)	(5,828)	14,013	(13,220)
At 31 December 2021	**62,306**	**-**	**179,056**	**4,882**	**13,769**	**24,642**	**284,655**
Net book values:							
At 31 December 2021	**164,672**	**198,707**	**44,756**	**2,360**	**71,689**	**57,776**	**539,960**
At 31 December 2020	180,729	169,943	52,652	5,478	69,770	-	478,572

*Additions includes right-of-use assets recognized by Group on adoption of FAS 32 Ijarah on 1 January 2021 amounted to USD 74.3 million.

9. OTHER ASSETS

	2021 US$'000	2020 US$'000
Bills receivables	**214,699**	297,067
Goodwill and intangible assets (note 9 (a))	**76,026**	75,788
Collateral pending sale	**114,751**	176,126
Good faith qard	**97,675**	115,012
Deferred taxation	**79,451**	60,284
Prepayments	**27,396**	25,606
Others	**24,885**	39,684
	634,883	789,567
Impairment / allowance for credit losses	**(27,380)**	(25,051)
	607,503	764,516

Notes to the Consolidated Financial Statements

at 31 December 2021

9 OTHER ASSETS (continued)

9 (a) Goodwill and intangible assets

	2021			2020		
	Goodwill	Intangible assets	Total	Goodwill	Intangible assets	Total
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
At 1 January	46,804	28,984	75,788	51,360	23,722	75,082
Additions	-	18,910	18,910	117	14,603	14,720
Amortisation charge for the year (note 20)	-	(13,675)	(13,675)	-	(8,776)	(8,776)
Impairment loss for the year	-	-	-	(2,500)	-	(2,500)
Foreign exchange translations	(3,428)	(1,569)	(4,997)	(2,173)	(565)	(2,738)
At 31 December	43,376	32,650	76,026	46,804	28,984	75,788

Goodwill acquired through business combinations with indefinite lives have been allocated to four individual cash-generating units. The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	2021	2020
	US$ '000	US$ '000
Al Baraka Turk Participation Bank	3,004	5,107
Al Barak Bank Egypt	1,004	1,001
Jordan Islamic Bank	26,646	26,646
Al Baraka Bank (Pakistan) Limited	12,722	14,050
	43,376	46,804

The recoverable amounts of the cash-generating units were determined based on value in use calculation using cash flow projections from financial budgets covering a five year period or market capitalisation approved by the Group's senior management. For cashflow projections, management determined budgeted spreads based on the cash-generating units' past performance and its expectation of market development.

10. LONG TERM FINANCING

	2021	2020
	US$ '000	US$ '000
Murabaha financing	15,889	35,787
Subordinated financing obtained by a subsidiary	270,944	283,577
	286,833	319,364

11. OTHER LIABILITIES

	2021	2020
	US$ '000	US$ '000
Payables	407,696	600,558
Cash margins	280,934	236,028
Managers' cheques	89,928	102,106
Current taxation *	84,269	80,612
Deferred taxation *	27,391	11,368
Accrued expenses	84,987	99,712
Charity fund	25,640	30,077
Net Ijarah liability	60,791	-
Others	57,715	80,646
Allowance for credit losses	85,771	86,516
	1,205,122	1,327,623

* In view of the operations of the Group being subject to various tax jurisdictions and regulations, it is not practical to provide a reconciliation between the accounting and taxable profits together with details of effective tax rates.

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12 EQUITY OF INVESTMENT ACCOUNTHOLDERS (IAH)

	2021 US$ '000	2020 US$ '000
Equity of investment accountholders *	15,530,827	15,152,840
Profit equalisation reserve (note 12.1)	3,597	6,345
Investment risk reserve (note 12.2)	62,800	65,202
Cumulative changes in fair value attributable to equity of investment accountholders - net (note 12.3)	2,183	5,802
	15,599,407	15,230,189

* Medium term Sukuk

This includes unsecured, sub-ordinated and privately placed unrestricted mudaraba sukuk amounting to US$ 19,439 thousand (2020: US$ 12,883 thousand) issued by Al Baraka Bank (Pakistan) Limited (ABPL) during 2014 and 2021 and will mature in 2024 and 2031 respectively. The issuance of sukuk is intended to comply with regulatory requirements related to capital adequacy ratio of ABPL. The principal repayment, started after six months of the drawdown date and is being made semi-annually on a straight line basis.

12.1 Profit equalisation reserve

The following shows the movement in profit equalisation reserve:

	2021 US$ '000	2020 US$ '000
Balance at 1 January	6,345	7,400
Amount apportioned from income allocable to equity of investment accountholders	1,302	2,423
Amount used during the year	(3,556)	(2,582)
Foreign exchange translations	(494)	(896)
Balance at 31 December	3,597	6,345

12.2 Investment risk reserve

The following shows the movement in investment risk reserve:

	2021 US$ '000	2020 US$ '000
Balance at 1 January	65,202	77,199
Amount appropriated to provision (note 22)	4,159	(20,201)
Amount apportioned from income allocable to equity of investment accountholders	(6,145)	8,469
Foreign exchange translations	(416)	(265)
Balance at 31 December	62,800	65,202

12.3 Movement in cumulative changes in fair value attributable to equity of investment accountholders - net

	2021 US$ '000	2020 US$ '000
Balance at 1 January	5,802	7,423
Change in fair values during the year	(714)	(1,215)
Realised gain transferred to consolidated statement of income	(2,406)	(157)
Deferred taxation effect	1,186	521
Transfer to shareholders equity	(1,685)	(770)
Balance at 31 December	2,183	5,802
Attributable to investment in real estate	4,136	8,591
Attributable to equity-type instruments at fair value through equity	(1,953)	(2,789)
	2,183	5,802

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13 EQUITY

	2021 US$ '000	2020 US$ '000
Share capital		
Authorised: 2,500,000,000 (2020: 2,500,000,000) ordinary shares of US$ 1 each	**2,500,000**	2,500,000
Issued and fully paid up:		
At beginning of the year		
1,242,879,755 (2020: 1,242,879,755) shares of US$1 each	**1,242,879**	1,242,879
At end of the year		
1,242,879,755 (2020: 1,242,879,755) shares of US$1 each	**1,242,879**	1,242,879

Treasury shares

	Number of shares ('000)	2021 US$ '000	2020 US$ '000
At 1 January	32,502	17,462	8,308
Purchase of treasury shares	1,914	1,914	9,636
Sale of treasury shares	(3,721)	(3,721)	(482)
At 31 December	**30,695**	**15,655**	17,462

The market value of the treasury shares is US$ 9,209 thousand (2020: US$ 8,386 thousand) and it represents 2.5% (2020: 2.6%) of the outstanding shares.

Additional information on shareholding pattern

i) Names and nationalities of the major shareholders and the number of shares in which they have an interest of 5% or more of outstanding shares:

At 31 December 2021

Names	Nationality/ Incorporation	Number of shares	% holding
Late Saleh Abdullah Kamel	Saudi	**374,236,973**	**30.11%**
Dallah Albaraka Holding Company E.C.	Bahrain	**306,194,694**	**24.64%**
Altawfeek Company For Investment Funds	Cayman Island	**240,173,054**	**19.32%**
Abdulla AbdulAziz AlRajihi	Saudi	**87,313,197**	**7.03%**

At 31 December 2020

Names	Nationality/ Incorporation	Number of shares	% holding
Late Saleh Abdullah Kamel	Saudi	374,236,973	30.11%
Dallah Albaraka Holding Company E.C.	Bahrain	306,194,694	24.64%
Altawfeek Company For Investment Funds	Cayman Island	240,173,054	19.32%
Abdulla AbdulAziz AlRajihi	Saudi	87,313,197	7.03%

ii) The Bank has only one class of shares and the holders of these shares have equal voting rights.
iii) Distribution schedule of shares, setting out the number and percentage of holders in the following categories:

Notes to the Consolidated Financial Statements

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13 EQUITY (continued)

Additional information on shareholding pattern (continued)

At 31 December 2021

Categories:	Number of shares	Number of shareholders	% of total outstanding shares
Less than 1%	104,607,036	1,083	8.42%
1% up to less than 5%	130,354,801	5	10.48%
5% up to less than 10%	87,313,197	1	7.03%
10% up to less than 20%	240,173,054	1	19.32%
20% up to less than 50%	680,431,667	2	54.75%
	1,242,879,755	1,092	100.00%

At 31 December 2020

Categories:	Number of shares	Number of shareholders	% of total outstanding shares
Less than 1%	104,768,232	1,101	8.43%
1% up to less than 5%	130,193,605	5	10.47%
5% up to less than 10%	87,313,197	1	7.03%
10% up to less than 20%	240,173,054	1	19.32%
20% up to less than 50%	680,431,667	2	54.75%
	1,242,879,755	1,110	100.00%

a. Share premium/Equity transaction cost

Amounts collected in excess of the par value of the issued share capital during any new issue of shares, net of issue costs, are treated as share premium. This amount is not available for distribution, but can be utilised as stipulated in the Bahrain Commercial Companies Law (BCCL).

Equity transaction cost, represent costs incurred by the Bank that are directly related to raising capital and have been incurred in cash.

b. Statutory reserve

In accordance with the BCCL and the Bank's articles of association, 10% of the parent's share of the net income for the year is transferred to the statutory reserve until such time as the reserve reaches 50% of the Bank's paid-up share capital. The reserve is not distributable except in such circumstances as stipulated in the Bahrain Commercial Companies Law. During the year US$ 11,275 thousand (2020: US$ 6,658 thousand) was transferred to statutory reserve.

c. Cumulative changes in fair values

This represents the net unrealised fair value gains and losses relating to the equity of the parent on equity-type instruments at fair value through equity, investment in real estate and land occupied by the Group (classified as property and equipment).

d. Foreign currency translations

The foreign currency translations are used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

The following table summarises the subsidiary wise foreign currency translation reserve as at 31 December:

Subsidiary	Currency	2021 US$ '000	2020 US$ '000
Banque Al Baraka D'Algerie (BAA)	Algerian Dinar	74,184	68,594
Al Baraka Bank (Pakistan) Limited	Pakistani Rupees	37,615	31,499
Al Baraka Bank Egypt (ABE)	Egyptian Pound	116,329	117,960
Al Baraka Turk Participation Bank (ATPB)	Turkish Lira	475,106	392,992
Al Baraka Bank Limited (ABL)	South African Rand	22,674	19,637
Al Baraka Bank Sudan (ABS)	Sudanese Pound	128,790	91,312
Al Baraka Bank Tunis (ABT)	Tunisian Dinar	33,046	28,677
Al Baraka Bank Syria (ABBS)	Syrian Pound	53,267	50,480
BTI Bank	Moroccan Dirham	(283)	(662)
		940,728	800,489

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13 EQUITY (continued)

Additional information on shareholding pattern (continued)

e. Other reserves

Other reserves mainly consist of general banking risk reserves maintained by the subsidiaries in accordance with local regulations.

f. Zakah paid on behalf of shareholders

The General Assembly in its annual meeting conducted on 20 March 2021 empowered the Executive Management of Al Baraka Banking Group to pay an amount of US$ 1,015 thousand as Zakah on behalf of the shareholders deducted from the retained earnings for the financial year of 2020. The Group has paid and distributed the full amount to those who are entitled to receive Zakah as per Shari'a boundaries and as approved by the Unified Shari'a Board.

	2021	2020
	US$ '000	US$ '000
Zakah to be paid on behalf of shareholders for the year	**1,015**	1,656
Uses of Zakah:		
Zakah for the poor and needy	**427**	751
Zakah for new converts to islam	**-**	20
Scholarships	**588**	650
Total uses	**1,015**	1,421
Remaining Zakah to be paid	**-**	235

g. Net movement in non-controlling interest

This mainly includes the effect of changes in capital of subsidiaries, buying (selling) by the non-controlling interest from (to) the Group.

Non-controlling interest

Non-controlling interest constitues equity in a subsidiary not attributable, directly or indirectly, to a parent. This includes the portion of the Tier 1 Mudaraba Sukuk amounted to US$ 50 million (31 December 2020: US$ 50 million) issued by the Group's subsidiary in February 2018 which is not subscribed by the parent.

14. PERPETUAL TIER 1 CAPITAL

On 31 May 2017, the Bank completed an issuance of US$ 400 million Additional Tier 1 Mudaraba Sukuk in compliance with CBB regulations; listed on Irish Stock Exchange. Profit shall be payable subject to and in accordance with terms and conditions on the outstanding nominal amount of the Sukuk at an expected profit of 7.875% per annum, payable on semi-annual basis. These Sukuks are recognised under equity in the consolidated statement of financial position and the corresponding profit payable on those Sukuk are accounted as appropriation of profits. Expenses relating to the issuance have been included in the retained earnings. As per the terms and conditions, the Sukuk holders will not have a right to claim the profit and such event of non-payment of profit will not be considered as event of default.

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15 NET INCOME FROM JOINTLY AND SELF FINANCED CONTRACTS AND INVESTMENTS

	2021 US$ '000	2020 US$ '000
Receivables (note 15.1)	**925,161**	924,381
Mudaraba and Musharaka financing (note 15.2)	**245,465**	180,308
Investments (note 15.3)	**337,312**	435,390
Ijarah Muntahia Bittamleek (note 15.4)	**121,803**	104,300
Others	**6,831**	2,226
	1,636,572	1,646,605
Net income from jointly financed contracts and investments	**1,304,017**	1,285,391
Gross income from self financed contracts and investments	**332,555**	361,214
	1,636,572	1,646,605
Gross income from self financed contracts and investments	**332,555**	361,214
Profit paid on short term financing	**(169,607)**	(96,139)
Net income from self financed contracts and investments	**162,948**	265,075

15.1 Receivables

	2021 US$ '000	2020 US$ '000
Sales (Murabaha) receivables	**897,431**	889,571
Salam receivables	**15,652**	16,727
Istisna'a receivables	**12,078**	18,083
	925,161	924,381

15.2 Mudaraba and Musharaka financing

	2021 US$ '000	2020 US$ '000
Mudaraba financing	**187,290**	121,292
Musharaka financing	**58,175**	59,016
	245,465	180,308

15.3 Investments

	2021 US$ '000	2020 US$ '000
Equity-type instruments at fair value through equity	**4,584**	3,560
Debt-type instruments at amortised cost	**297,017**	394,642
Unrealised loss on equity and debt-type instruments at fair value through statement of income	**15,319**	24,705
Gain on sale of equity-type instruments at fair value through equity	**2,400**	1,076
Gain on sale of equity and debt-type instruments at fair value through statement of income	**1,751**	3,664
Gain (loss) income from investment in real estate	**3,079**	(609)
Income from associates	**9,896**	5,049
Gain on sale of investment in real estate	**3,266**	3,303
	337,312	435,390

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15.4 Ijarah Muntahia Bittamleek

	2021 US$ '000	2020 US$ '000
Income from Ijarah Muntahia Bittamleek	**255,152**	316,051
Depreciation on Ijarah Muntahia Bittamleek	**(133,349)**	(211,751)
	121,803	104,300

16. GROUP'S SHARE AS A MUDARIB

Group's share as a Mudarib is determined at the level of each subsidiary and is based on the terms and conditions of the related agreements.

17. OTHER FEES AND COMMISSION INCOME

	2021 US$ '000	2020 US$ '000
Banking fees and commissions	**124,754**	104,569
Letters of credit	**24,107**	31,181
Guarantees	**24,701**	24,793
Acceptances	**7,037**	5,445
	180,599	165,988

18. OTHER OPERATING INCOME

	2021 US$ '000	2020 US$ '000
Foreign exchange gain*	**102,294**	122,593
Gain on sale of property and equipment	**19,114**	32,470
	121,408	155,063

* An amount of US$ 25 million (2020: US$ 37 million) is related to foreign currency revaluation gain from subsidiaries.

19. PROFIT PAID ON LONG TERM FINANCING

	2021 US$ '000	2020 US$ '000
Murabaha financing	**986**	4,255
Subordinated financing obtained by a subsidiary	**30,387**	28,353
Wakala	**1,658**	1,791
	33,031	34,399

20. DEPRECIATION AND AMORTISATION

	2021 US$ '000	2020 US$ '000
Property and equipment depreciation (note 8)	**45,090**	30,815
Intangible assets amortisation (note 9 (a))	**13,675**	8,776
	58,765	39,591

21. OTHER OPERATING EXPENSES

	2021 US$ '000	2020 US$ '000
General and administration expenses	**124,345**	133,458
Professional and business expenses	**26,570**	29,145
Premises related expenses	**35,671**	49,502
	186,586	212,105

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22 NET ALLOWANCE FOR CREDIT LOSSES / IMPAIRMENT

2021	Cash and balances with banks US$ '000 (note 3)	Sales (Murabaha) receivables US$ '000 (note 4.1)	Ijarah receivables US$ '000 (note 4.2)	Salam receivables US$ '000 (note 4.3)	Istisna'a receivables US$ '000 (note 4.4)	Mudaraba financing US$ '000 (note 5.1)	Musharaka financing US$ '000 (note 5.2)	Investments US$ '000 (note 6.2 & 6.3)	Ijarah Muntahia Bittamleek US$ '000 (note 7)	Other assets US$ '000 (note 9)	Other liabilities US$ '000 (note 11)	Total US$ '000
Allowance at 31 December	3,737	676,910	51,975	15,186	11,164	14,618	21,788	15,675	23,850	25,051	86,516	946,470
Charged during the year	(17)	302,660	8,729	5,769	10,729	(68)	906	2,448	(9,763)	3,457	9,673	334,523
Written back/recovered during the year	-	(63,962)	(11,450)	(885)	(2,036)	-	(553)	(2,284)	-	(747)	716	(81,201)
	(17)	238,698	(2,721)	4,884	8,693	(68)	353	164	(9,763)	2,710	10,389	253,322
	3,720	915,608	49,254	20,070	19,857	14,550	22,141	15,839	14,087	27,761	96,905	1,199,792
Written off during the year	-	(41,282)	(23)	-	-	(11,579)	-	-	-	-	-	(52,884)
Amount appropriated from investment risk reserve (note 12.2)	-	(1,088)	(32)	-	(1,470)	-	(1,001)	(621)	53	-	-	(4,159)
Foreign exchange translations/others - net	4	(75,192)	(1,210)	(1,158)	(924)	14,760	(4,542)	(317)	(1,152)	(381)	(11,134)	(81,246)
Allowance at 31 December	3,724	798,046	47,989	18,912	17,463	17,731	16,598	14,901	12,988	27,380	85,771	1,061,503

During the year, an impairment loss of US$ 391 thousand (2020: US$ 4,106 thousand) was charged against investments.

An amount of US$ 7,333 thousand (2020: US$ 7,419 thousand) is related to provision of equity type instruments at fair value through equity.

2020	Cash and balances with banks US$ '000 (note 3)	Sales (Murabaha) receivables US$ '000 (note 4.1)	Ijarah receivables US$ '000 (note 4.2)	Salam receivables US$ '000 (note 4.3)	Istisna'a receivables US$ '000 (note 4.4)	Mudaraba financing US$ '000 (note 5.1)	Musharaka financing US$ '000 (note 5.2)	Investments US$ '000 (note 6.2 & 6.3)	Ijarah Muntahia Bittamleek US$ '000 (note 7)	Other assets US$ '000 (note 9)	Other liabilities US$ '000 (note 11)	Total US$ '000
Allowance at 31 December	3,685	519,229	34,452	12,441	4,960	6,831	12,794	14,610	17,787	23,181	23,137	673,107
Charged during the year	52	228,572	22,939	4,547	4,787	7,015	10,346	1,569	8,098	2,399	57,126	347,450
Written back/recovered during the year	-	(52,658)	(3,886)	(985)	(5)	-	(482)	(701)	-	(12)	(2,706)	(61,435)
	52	175,914	19,053	3,562	4,782	7,015	9,864	868	8,098	2,387	54,420	286,015
	3,737	695,143	53,505	16,003	9,742	13,846	22,658	15,478	25,885	25,568	77,557	959,122
Written off during the year	-	(13,185)	-	-	-	-	-	-	-	-	-	(13,185)
Amount appropriated from investment risk reserve (note Attributable to investment in real estate)	-	17,400	645	-	1,635	-	341	180	-	-	-	20,201
Foreign exchange translations/others - net	-	(22,448)	(2,175)	(817)	(213)	772	(1,211)	17	(2,035)	(517)	8,959	(19,668)
Allowance at 31 December	3,737	676,910	51,975	15,186	11,164	14,618	21,788	15,675	23,850	25,051	86,516	946,470

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22 NET ALLOWANCE FOR CREDIT LOSSES / IMPAIRMENT (continued)

The provisions relate to the following geographical areas:

2021	Cash and balances with banks US$ '000 (note 3)	Sales (Murabaha) receivables US$ '000 (note 4.1)	Ijarah receivables US$ '000 (note 4.2)	Salam receivables US$ '000 (note 4.3)	Istisna'a receivables US$ '000 (note 4.4)	Mudaraba financing US$ '000 (note 5.1)	Musharaka financing US$ '000 (note 5.2)	Investments US$ '000 (note 6.2 & 6.3)	Ijarah Muntahia Bittamleek US$ '000 (note 7)	Other assets US$ '000 (note 9)	Other liabilities US$ '000 (note 11)	Total US$ '000
Middle East	3,715	412,915	10,936	-	537	17,731	445	11,142	53	22,186	76,393	556,053
North Africa	9	51,426	34,720	7,394	918	-	1,230	1,782	12,607	2,777	2,993	115,856
Europe	-	312,819	-	-	-	-	4,037	12	320	1,545	1,839	320,572
Others	-	20,886	2,333	11,518	16,008	-	10,886	1,965	8	872	4,546	69,022
Total	3,724	798,046	47,989	18,912	17,463	17,731	16,598	14,901	12,988	27,380	85,771	1,061,503
2020												
Middle East	3,677	340,437	11,738	-	2,007	14,618	1,439	10,872	-	21,365	78,393	484,546
North Africa	60	30,708	37,555	6,710	977	-	1,210	1,510	23,112	1,847	3,215	106,904
Europe	-	280,487	-	-	-	-	8,431	8	711	756	4,725	295,118
Others	-	25,278	2,682	8,476	8,180	-	10,708	3,285	27	1,083	183	59,902
Total	3,737	676,910	51,975	15,186	11,164	14,618	21,788	15,675	23,850	25,051	86,516	946,470

The fair value of collateral the Group holds relating to non-performing facilities as at 31 December 2021 amounts to US$ 488 million (2020: US$ 588.7 million). The collateral consists of cash margin, securities and properties. The utilisation of the collaterals will be on customer by customer basis and will be limited to the customer's total exposure.

23. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share amounts are calculated by dividing net income for the year attributable to equity holders of the parent by the weighted average number of shares outstanding during the year as follows:

	2021	2020
Net income attributable to the equity shareholders of the parent for the year - US$ '000	112,750	66,580
Profit distributed on perpetual tier 1 capital	(31,500)	(31,500)
	81,250	35,080
Number of shares outstanding at the beginning of the year (in thousands)	1,242,879	1,242,879
Treasury shares effect (in thousands)	(32,350)	(32,502)
Weighted average number of shares outstanding at the end of the year (in thousands)	1,210,529	1,210,377
Earnings per share - US cents	6.71	2.90

24. CASH AND CASH EQUIVALENTS

	2021 US$ '000	2020 US$ '000
Balances with central banks excluding mandatory reserve	1,574,344	1,440,939
Balances with other banks	646,835	497,408
Cash and cash in transit	708,578	839,830
	2,929,757	2,778,177

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25. RELATED PARTY TRANSACTIONS

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

The income and expenses in respect of related parties were as follows:

	Associated companies US$ '000	Major shareholders US$ '000	Directors and key management personnel US$ '000	Other related parties US$ '000	2021 US$ '000	2020 US$ '000
Net income from jointly financed contracts and investments	2,011	(33)	116	-	2,094	2,941
Return on equity of investment accountholders	199	1,816	441	-	2,456	3,710
Other fees and commission income	190	-	-	41	231	444

Compensation of key management personnel of the Bank, included in consolidated statement of income, is as follows:

	2021 US$ '000	2020 US$ '000
Short term benefits	6,378	7,415
Long term benefits	698	927

Short term benefits includes basic salaries, bonuses, allowances and other benefits paid during the year and long term benefits includes indemnity, social insurance benefits and investment scheme.

Director's remuneration accrued for the year ended 31 December 2021 amounted to US$ 1.5 million (2020: US$ 1.5 million).

The balances with related parties at 31 December were as follows:

	Associated companies US$ '000	Major shareholders US$ '000	Directors and key management personnel US$ '000	Other related parties US$ '000	2021 US$ '000	2020 US$ '000
Assets:						
Receivables	196	-	913	-	1,109	6,040
Mudaraba and Musharaka financing	-	-	1,433	-	1,433	1,717
Investments	46,726	-	-	-	46,726	16,808
Other assets	42	-	233	-	275	573
Liabilities:						
Customer current and other accounts	6,187	178	1,323	5	7,693	13,052
Due to banks	13	10	-	-	23	579
Other liabilities	2	4	1	45	52	49
Equity of investment accountholders	21,554	1,086	14,469	21	37,130	28,954
Off-balance sheet equity of investment accountholders	18,817	8,548	1,901	-	29,266	24,779

All related party exposures are performing and are free of any specific provision for credit losses.

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25. RELATED PARTY TRANSACTIONS (Continued)

Details of Directors' and Executive Management's direct and indirect interests in the Bank's shares as at the end of the year were:

			2021	**Transaction**
Name of directors	**Position**	**Nationality**	**Number of shares**	**Number of shares**
Abdulla Saleh Kamel	**Chairman**	**Saudi**	**338,598**	**-**
AbdulElah Sabbahi	**Board Member**	**Saudi**	**225,899**	**-**
Fahad AlRajhi (indirect)	**Board Member**	**Saudi**	**10,815**	**-**

			2020	Transaction
Name of directors	Position	Nationality	Number of shares	Number of shares
Abdulla Saleh Kamel	Chairman - elected on June 2020	Saudi	338,598	-
AbdulElah Sabbahi	Board Member	Saudi	225,899	-
Fahad AlRajhi (indirect)	Board Member	Saudi	10,815	-

26. COMMITMENTS AND CONTINGENCIES

	2021	2020
	US$ '000	US$ '000
Letters of credit	**877,971**	645,083
Guarantees	**1,587,388**	1,832,887
Acceptances	**130,561**	104,947
Undrawn commitments	**1,067,056**	890,708
Shari'a compliant promise contracts	**516,793**	869,261
	4,179,769	4,342,886

27. SEGMENTAL ANALYSIS

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

For financial reporting purposes, the Group is divided into the following geographic segments:

- Middle East
- North Africa
- Europe
- Others

The results reported for the geographic segments are based on the Group's internal financial reporting systems. The accounting policies of the segments are the same as those applied in the preparation of the Group's consolidated financial statements as set out in Note 2. Transactions between segments are conducted at estimated market rates on an arm's length basis.

No business segment is presented as that is not applicable to the Group.

Notes to the Consolidated Financial Statements

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27. SEGMENTAL ANALYSIS (Continued)

Segment assets, liabilities and equity of investment accountholders were as follows:

	2021			2020		
Segment	Assets US$ '000	Liabilities US$ '000	IAH US$ '000	Assets US$ '000	Liabilities US$ '000	IAH US$ '000
Middle East	15,327,597	3,893,707	10,041,898	13,891,840	3,430,814	9,130,834
North Africa	2,734,389	1,498,991	943,683	2,631,510	1,446,142	899,172
Europe	8,051,980	4,428,389	3,400,171	9,256,366	4,965,210	3,870,198
Others	2,068,211	703,556	1,213,655	2,470,283	955,250	1,329,985
	28,182,177	10,524,643	15,599,407	28,249,999	10,797,416	15,230,189

Segment operating income, net operating income and net income were as follows:

	2021			2020		
	Total operating income	Net operating income	Net income	Total operating income	Net operating income	Net income
Segment	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
Middle East	567,621	324,661	140,727	557,179	304,659	77,812
North Africa	117,624	51,953	30,365	126,688	62,264	18,339
Europe	258,940	97,744	3,232	325,800	152,825	36,990
Others	97,277	37,718	15,357	130,082	59,682	32,748
	1,041,462	512,076	189,681	1,139,749	579,430	165,889

28. RISK MANAGEMENT

Risk management is an integral part of the Group's decision-making process. The management risk committee and executive committees guide and assist with overall management of the Group's balance sheet risks. The Group manages exposures by setting limits approved by the Board of Directors. These risks and the processes to mitigate these risks have not significantly altered from the previous year.

The most important types of risk are liquidity risk, credit risk, concentration risk, market risk and other operational risk. Market risk includes profit rate risk, equity price risk and foreign exchange risk.

a) Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on regular basis. Each of the Group's subsidiaries has a documented and implemented domestic and foreign currency liquidity policy appropriate to the nature and complexity of its business. The policy addresses the subsidiaries' goal of protecting financial strength even for stressful events.

The table next page summarises the maturity profile of the Group's assets and liabilities based on contractual repayment arrangements. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the financial position date to the contractual maturity date and do not take account of the effective maturities as indicated by the Group's retention history of its investment account holders and the availability of bank lines.

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28. RISK MANAGEMENT (Continued)

a) Liquidity risk (Continued)

The maturity profile at 31 December 2021 was as follows:

	Up to 1 month US$ '000	1 to 3 months US$ '000	3 to 6 months US$ '000	6 months to 1 year US$ '000	1 to 3 years US$ '000	3 to 5 years US$ '000	5 to 10 years US$ '000	10 to 20 years US$ '000	20 years and above US$ '000	Undated US$ '000	Total US$ '000
Assets											
Cash and balances with banks	3,695,001	13,908	7,406	-	410,676	8,849	-	-	-	1,788,038	5,923,878
Receivables	1,336,808	1,323,233	1,430,250	1,553,715	2,525,074	2,100,390	536,841	176,496	13,265	-	10,996,072
Mudaraba and Musharaka financing	2,527,772	18,392	9,846	52,820	421,261	370,583	150,233	72,408	-	-	3,623,315
Investments	219,593	360,877	93,529	329,029	1,656,410	1,153,266	357,223	17,387	1,000	284,335	4,472,649
Ijarah Muntahia Bittamleek	31,400	32,073	84,693	119,967	406,966	318,549	497,678	472,566	54,908	-	2,018,800
Property and equipment	-	-	-	-	-	-	-	-	-	539,960	539,960
Other assets	162,762	41,334	55,939	75,568	61,635	20,079	-	1,631	-	188,555	607,503
Total assets	7,973,336	1,789,817	1,681,663	2,131,099	5,482,022	3,971,716	1,541,975	740,488	69,173	2,800,888	28,182,177
Liabilities											
Customer current and other accounts	7,728,895	-	-	-	-	-	-	-	-	-	7,728,895
Due to banks	729,831	259,438	112,113	45,973	130,063	244	7,631	18,500	-	-	1,303,793
Long term financing	21,360	5,254	750	9,620	7,460	61,827	180,562	-	-	-	286,833
Other liabilities	421,195	126,327	94,139	119,357	33,929	175,900	14,436	21,014	-	198,825	1,205,122
Total liabilities	8,901,281	391,019	207,002	174,950	171,452	237,971	202,629	39,514	-	198,825	10,524,643
Equity of investment accountholders	5,343,801	1,704,038	878,758	1,434,923	3,195,381	851,720	1,663,761	527,025	-	-	15,599,407
Total liabilities and equity of investment accountholders	14,245,082	2,095,057	1,085,760	1,609,873	3,366,833	1,089,691	1,866,390	566,539	-	198,825	26,124,050
Net liquidity gap	(6,271,746)	(305,240)	595,903	521,226	2,115,189	2,882,025	(324,415)	173,949	69,173	2,602,063	2,058,127
Cumulative net liquidity gap	(6,271,746)	(6,576,986)	(5,981,083)	(5,459,857)	(3,344,668)	(462,643)	(787,058)	(613,109)	(543,936)	2,058,127	
Off-balance sheet equity of investment accountholders	223,416	88,282	71,933	447,211	103,163	68,083	117,877	7,691	47	-	1,127,703

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28. RISK MANAGEMENT (Continued)

a) Liquidity risk (Continued)

The maturity profile at 31 December 2020 was as follows:

	Up to 1 month US$ '000	1 to 3 months US$ '000	3 to 6 months US$ '000	6 months to 1 year US$ '000	1 to 3 years US$ '000	3 to 5 years US$ '000	5 to 10 years US$ '000	10 to 20 years US$ '000	20 years and above US$ '000	Undated US$ '000	Total US$ '000
Assets											
Cash and balances with banks	4,002,827	11,625	8,709	-	451,964	8,770	-	-	-	877,549	5,361,444
Receivables	1,739,016	1,458,536	1,467,365	1,743,098	2,514,567	2,282,171	650,300	83,788	7,152	-	11,945,993
Mudaraba and Musharaka financing	1,596,182	8,173	81,358	20,771	577,180	373,274	68,310	128,220	1,190	-	2,854,658
Investments	369,294	491,021	615,995	582,046	1,394,276	878,468	538,437	930	2,166	224,556	5,097,189
Ijarah Muntahia Bittamleek	35,586	39,018	79,764	116,590	313,724	288,946	440,493	405,320	28,186	-	1,747,627
Property and equipment	-	-	-	-	-	-	-	-	-	478,572	478,572
Other assets	125,737	30,988	101,532	52,423	196,464	39,907	8,841	1,686	-	206,938	764,516
Total assets	7,868,642	2,039,361	2,354,723	2,514,928	5,448,175	3,871,536	1,706,381	619,944	38,694	1,787,615	28,249,999
Liabilities											
Customer current and other accounts	6,204,996	278,473	224,936	171,399	211,197	159,661	257,682	-	-	-	7,508,344
Due to banks	884,190	391,828	105,265	109,799	136,950	-	-	-	-	-	1,628,032
Long term financing	21,165	15,260	7,081	1,726	10,161	17,977	245,994	-	-	-	319,364
Other liabilities	687,828	95,083	131,838	65,096	22,311	90,328	208	-	-	248,984	1,341,676
Total liabilities	7,798,179	780,644	469,120	348,020	380,619	267,966	503,884	-	-	248,984	10,797,416
Equity of investment accountholders	5,709,229	1,799,658	825,006	1,582,718	2,856,958	860,371	1,504,637	91,612	-	-	15,230,189
Total liabilities and equity of investment accountholders	13,507,408	2,580,302	1,294,126	1,930,738	3,237,577	1,128,337	2,008,521	91,612	-	248,984	26,027,605
Net liquidity gap	(5,638,766)	(540,941)	1,060,597	584,190	2,210,598	2,743,199	(302,140)	528,332	38,694	1,538,631	2,222,394
Cumulative net liquidity gap	(5,638,766)	(6,179,707)	(5,119,110)	(4,534,920)	(2,324,322)	418,877	116,737	645,069	683,763	2,222,394	
Off-balance sheet equity of investment accountholders	79,005	258,075	149,759	681,955	97,501	152,295	116,390	7,695	39,235	-	1,581,910

b) Credit risk

Credit risk is the risk that one party to a financial contract will fail to discharge an obligation and cause the other party to incur a financial loss. The Group controls credit risk by monitoring credit exposures, and continually assessing the creditworthiness of counterparties. Financing contracts are mostly secured by the personal guarantees of individuals who own the counterparty, by collateral in form of mortgage of the objects financed or other types of tangible security.

Type of credit risk

Financing contracts mainly comprise Sales (Murabaha) receivables, Salam receivables, Istisna'a receivables, Mudaraba financing, Musharaka financing and Ijarah Muntahia Bittamleek.

Sales (Murabaha) receivables

The Group finances these transactions through buying a commodity which represents the object of the Murabaha and then resells this commodity to the murabeh (beneficiary) at a profit. The sale price (cost plus the profit margin) is repaid in instalments by the murabeh over the agreed period. The transactions are secured at times by the object of the Murabaha (in case of real estate finance) and other times by a total collateral package securing all the facilities given to the client.

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28. RISK MANAGEMENT (Continued)

b) Credit risk (Continued)

Salam receivables

Salam is a contract whereby the Group makes an immediate payment to a seller for the future delivery of a commodity. To protect itself from risk associated with the commodity the Group simultaneously enters into Parallel Salam contract whereby it sells the commodity for deferred delivery for immediate payment.

Istisna'a receivables

Istisna'a is a sale agreement between the Group as the seller and the customer as the ultimate purchaser whereby the Group undertakes to have manufactured (or acquire) goods and sell it to the customer for an agreed upon price on completion at future date.

Mudaraba financing

The Group enters into Mudaraba contracts by investing in funds managed primarily by other banks and financial institutions for a definite period of time.

Musharaka financing

An agreement between the Group and a customer to contribute to a certain investment enterprise, whether existing or new, or the ownership of a certain property either permanently or according to a diminishing arrangement ending up with the acquisition by the customer of the full ownership. The profit is shared as per the agreement set between both parties while the loss is shared in proportion to their shares of capital or the enterprise.

Maximum exposure to credit risk before collateral held or other credit enhancements

	Maximum exposure	
	2021	2020
	US$ '000	US$ '000
Balances with central banks	**4,572,189**	4,027,943
Balances with other banks	**646,835**	497,408
Receivables	**10,996,072**	11,945,993
Mudaraba and Musharaka financing	**3,623,315**	2,854,658
Investments	**4,472,649**	5,097,189
Other assets	**309,879**	426,712
Total	**24,620,939**	24,849,903
Commitments and contingencies	**4,179,769**	4,342,886
	28,800,708	29,192,789

Credit quality by type of Islamic financing contracts

The table below shows the credit quality by type of islamic financing contracts, based on the Group's credit rating system as of:

	31 December 2021			
Type of Islamic Financing Contracts	**Neither past due nor non performing US$ '000**	**Past due but performing US$ '000**	**Non performing islamic financing contracts US$ '000**	**Total US$ '000**
Receivables	**10,444,593**	**626,627**	**807,262**	**11,878,482**
Mudaraba and Musharaka financing	**3,597,795**	**1,702**	**58,147**	**3,657,644**
Other assets	**326,232**	**1,177**	**9,850**	**337,259**
	14,368,620	**629,506**	**875,259**	**15,873,385**

	31 December 2020			
Type of Islamic Financing Contracts	Neither past due nor non performing US$ '000	Past due but performing US$ '000	Non performing islamic financing contracts US$ '000	Total US$ '000
Receivables	11,109,733	656,666	934,829	12,701,228
Mudaraba and Musharaka financing	2,845,225	3,678	42,161	2,891,064
Other assets	444,301	1,123	6,339	451,763
	14,399,259	661,467	983,329	16,044,055

Notes to the Consolidated Financial Statements

at 31 December 2021

28. RISK MANAGEMENT (Continued)

b) Credit risk (Continued)

Aging analysis of past due but performing Islamic financing contracts

The following table summarises the aging of past due but performing islamic financing contracts as of:

	31 December 2021			
Type of Islamic Financing Contracts	Less than 30 days US$ '000	31 to 60 days US$ '000	61 to 90 days US$ '000	Total US$ '000
Receivables	89,393	222,988	314,246	626,627
Mudaraba and Musharaka financing	1,307	211	184	1,702
Other assets	482	404	291	1,177
	91,182	223,603	314,721	629,506

	31 December 2020			
Type of Islamic Financing Contracts	Less than 30 days US$ '000	31 to 60 days US$ '000	61 to 90 days US$ '000	Total US$ '000
Receivables	149,787	158,996	347,883	656,666
Mudaraba and Musharaka financing	2,570	421	687	3,678
Other assets	391	411	321	1,123
	152,748	159,828	348,891	661,467

Credit Risk Mitigation

All the Group's subsidiaries, with exposures secured by real estate or other collateral carry out regular and periodic collateral verification and valuation. This collateral verification and valuation is conducted by an independent qualified assessor or Collateral Analyst at the subsidiary. The frequency of such collateral verification is determined as a part of the credit or investment policy and approval process. The Group's subsidiaries allow cars, ships, aircraft, satellites, railcars, and fleets as collateral for a credit and investment product but do not accept perishable assets or any other assets with depreciable life of less than five years. Subsidiaries do not accept any assets as collateral if the assets are susceptible for obsolescence in case they are moved (e.g. furniture). Subsidiaries also ensure that these assets are insured in order to be accepted as collateral.

Third party cheques are accepted as collateral by the Group's subsidiaries. The Group's subsidiaries accept commercial papers as qualifying collateral if they are issued by banks or corporations of good credit standing. Since the maturity tenure of the commercial papers are generally short in nature, they are not accepted as collateral for long–term facilities (i.e. the financing tenure should not exceed the commercial papers maturity tenure). The subsidiaries do not accept vehicles or equipment, if new, as qualifying collateral for more than 80% of its market value. No vehicles or equipment, if used, are accepted as qualifying collateral for more than 50% of its insured value.

28. RISK MANAGEMENT (Continued)

b) Credit risk (Continued)

Credit Risk Mitigation (Continued)

Collaterals listed hereunder may attract capital relief from capital adequacy requirements as per the Central Bank of Bahrain's stipulations:

1. Hamish Jiddiyyah (Good faith deposit): Subsidiaries take this type of collateral in the transactions for which non-binding promises to perform is given by the customer. If a customer does not honor his promise to perform, the subsidiary has recourse to the deposit.

2. Third party guarantee: The subsidiary should have recourse to the guarantor in case of customer's default. In order to qualify as eligible collateral, the guarantee should be unconditional and irrevocable. The guarantor must be solvent and, if applicable, of investment grade rating.

3. Urbon: This is the amount that should be taken from a purchaser or lessee when a contract is established and it is the first line of defense for the subsidiary if the purchaser or lessee breaches the contract.

4. Underlying assets of the lease contract: The underlying asset must be of monetary value and the subsidiary must have legal access to it, own it and sell it to cover the open exposure with the customers in question. The assets have also to be free of any of any kind of encumbrance.

   Any excess amount resulting from the closure of the pledge by the subsidiary should be returned to the customer (pledger). The subsidiary should conduct at least annual evaluation of the pledged assets and keep adequate documentation of this evaluation.

5. Cash deposit free from any legal encumbrance with the subsidiary either in the form of equity of investment accountholders or off-balance sheet equity of investment accountholders.

6. Rated and unrated senior Sukuk issued by first class financial institutions or by GCC sovereigns.

Credit Quality

Credit Risk Management at the Group will be based upon the creation and maintenance of a Credit Rating System (CRS) for the non-retail business. All the Group's units are to incorporate into their respective credit policies the CRS as the framework for credit management taking into consideration the methodology requirements of their local central banks, in this respect. The methodology for obligor (issuer) rating will reflect the specifics of the Group's main business and the geographical diversity of its operations. Ratings of countries, governments and financial institutions are carried out in centralised fashion at the Bank in Bahrain whereas rating of corporates is done at the subsidiaries level, unless the exposure to the corporate involves cross-border risk, in which case, that rating will also be at the Bank as part of the credit limit approval.

The CRS at the Bank has also been designed to be comparable to the rating system of major international rating agencies (Moody's, Standard & Poor's, Fitch) in respect of their foreign currency rating of countries, governments and financial institutions.

Accordingly, countries, governments and financial Institutions will be rated on the basis of their unsecured medium term foreign currency obligations. This means that for governments and financial institutions the cross-border risk will also be part of the rating and the country's rating will be, in most cases, the ceiling on the financial institution's rating.

The basic approach of the major credit rating agencies to rating is the same as what the Group credit policies require i.e. a comprehensive fundamental analysis of all relevant quantitative and non quantitative factors aimed at identifying actual and potential vulnerability. Credit rating will be applied to countries and single obligors. Single obligors, in turn are categorised as financial institutions, corporates, governments and retail. CRS therefore rates obligors (issuers) and not facilities. The obligor rating of countries and single obligors will identify the relative probability of default but will not take into account the impact of collateral security and other mitigants in the event of default. Facility ratings by contrast, combine both the probability of default and loss severity in case of defaults. However, initially the Group wide policy will be to set up obligor ratings only (which does not prevent individual subsidiaries internally to also rate facilities if they so wish).

Notes to the Consolidated Financial Statements

at 31 December 2021

28 RISK MANAGEMENT (continued)

c) Concentration risk (continued)

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Group policies and procedures include specific guidelines to focus on country and counter party limits and maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

The distribution of assets, liabilities and equity of investment accountholders items by economic sectors was as follows:

	2021			2020		
	Assets US$ '000	Liabilities US$ '000	IAH US$ '000	Assets US$ '000	Liabilities US$ '000	IAH US$ '000
Manufacturing	2,956,333	200,344	354,311	4,529,603	166,488	403,783
Mining and quarrying	101,177	3,151	26,840	178,966	3,630	29,542
Agriculture	132,246	36,953	13,065	176,243	34,575	15,851
Construction and real estate	2,562,346	22,380	19,304	2,704,963	23,255	20,379
Financial	5,073,272	1,607,138	1,901,811	4,304,550	2,065,887	1,735,509
Trade	2,006,368	280,891	229,889	1,716,019	294,681	214,500
Personal and consumer finance	3,428,089	6,091,288	10,217,345	3,069,122	5,620,301	10,143,401
Government	8,693,965	136,607	268,130	8,634,720	74,731	161,054
Other Sectors	3,228,381	2,145,890	2,568,712	2,935,813	2,513,868	2,506,170
	28,182,177	10,524,643	15,599,407	28,249,999	10,797,416	15,230,189

d) Market risk

Market risk arises from fluctuations in profit rates, equity prices and foreign exchange rates. Under Market Risk Policies currently implemented by management of the Group, have set certain limits on the level of risk that may be accepted. This is monitored by local management at the subsidiary level.

Profit rate risk

Profit rate risk is the risk that the Group will incur a financial loss as a result of mismatch in the profit rate on the Group's assets and on equity of investment accountholders. The profit distribution to equity of investment accountholders is based on profit sharing agreements. Therefore, the Group is not subject to any significant profit rate risk.

However, the profit-sharing agreements will result in displaced commercial risk when the Group's results do not allow the Group to distribute profits in line with the market rates.

Equity price risk

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The equity price risk exposure arises from the investment portfolio. The Group manages this risk through diversification of investments in terms of geographical distribution and industry concentration.

The Group has total equity portfolio of US$ 106,486 thousand (2020: US$ 335,679 thousand) comprising of equity-type instruments at fair value through equity amounting to US$ 87,451 thousand (2020: US$ 107,971 thousand) and equity-type instruments at fair value through statement of income amounting to US$ 19,035 thousand (2020: US$ 227,708 thousand). Variation of 10% increase or decrease in the portfolio value will not have a significant impact on the Group's consolidated net income or owners' equity.

Notes to the Consolidated Financial Statements

at 31 December 2021

28. RISK MANAGEMENT (Continued)

d) Market risk (Continued)

Foreign exchange risk

Foreign exchange risk arise from the movement of the rate of exchange over a period of time. Positions are monitored on a regular basis to ensure positions are maintained within established approved limits.

Following is the Group's exposure to different currencies in equivalent US dollars:

	2021		
Currency	Operational equivalent Long (Short) US$ '000	Strategic equivalent Long (Short) US$ '000	Total equivalent Long (Short) US$ '000
Turkish Lira	80,395	77,323	157,718
Jordanian Dinar	(37,935)	492,904	454,969
Egyptian Pound	(105,399)	287,765	182,366
Sudanese Pound	2,176	21,625	23,801
Algerian Dinar	13,155	104,291	117,446
Lebanese Pound	1,858	16,923	18,781
Pound Sterling	(6,845)	-	(6,845)
Tunisian Dinar	(4,196)	63,073	58,877
Euro	151,089	-	151,089
South African Rand	(437)	33,975	33,538
Pakistani Rupees	36,035	94,475	130,510
Syrian Pound	(12,150)	11,614	(536)
Moroccan Dirham	-	9,247	9,247
Others	14,608	-	14,608

	2020		
Currency	Operational equivalent Long (Short) US$ '000	Strategic equivalent Long (Short) US$ '000	Total equivalent Long (Short) US$ '000
Turkish Lira	309,231	146,342	455,573
Jordanian Dinar	14,280	458,019	472,299
Egyptian Pound	(1,440)	236,477	235,037
Sudanese Pound	1,254	42,679	43,933
Algerian Dinar	5,387	103,600	108,987
Lebanese Pound	1,292	16,923	18,215
Pound Sterling	(3,859)	-	(3,859)
Tunisia Dinar	(16,853)	55,946	39,093
Euro	(22,812)	-	(22,812)
South African Rand	(717)	35,530	34,813
Pakistani Rupees	(25,462)	94,475	69,013
Syrian Pound	3,423	12,379	15,802
Moroccan Dirham	-	11,606	11,606
Others	70,736	-	70,736

The strategic currency risk represents the amount of equity of the subsidiaries.

Notes to the Consolidated Financial Statements

at 31 December 2021

28. RISK MANAGEMENT (Continued)

d) Market risk (Continued)

Foreign currency risk sensitivity analysis

In order to measure its exposures to currency risk, the Group stress tests its exposures following the standard shocks adopted by Derivatives Policy Group in this respect which calculates the effect on assets and income of the Group as a result of appreciation and depreciation in foreign currencies in relation to the reporting currency of the Group. This is done using various percentages based upon the judgement of the management of the Group.

Following is the sensitivity analysis that calculates the effect of a reasonable possible movement of the currency exchange rate against the US Dollar with all other variables held constant on the consolidated statement of income and the consolidated statement of owners' equity.

At 31 December 2021

Currency	Particular	Exposures in US$ '000	Maximum expected decrease %	Change in net income and owners' equity US$ '000	Maximum expected increase %	Change in net income and owners' equity US$ '000
Algerian Dinar	Net Income	21,747	-15%	(2,837)	5%	1,145
	Total owners' equity	192,392	-15%	(25,095)	5%	10,126
Egyptian Pound	Net Income	59,704	-20%	(9,951)	5%	3,142
	Total owners' equity	396,734	-20%	(66,122)	5%	20,881
Turkish Lira	Net Income	3,232	-20%	(539)	5%	170
	Total owners' equity	203,386	-20%	(33,898)	5%	10,705
Sudanese Pound	Net Income	6,808	-100%	(3,404)	5%	358
	Total owners' equity	28,554	-100%	(14,277)	5%	1,503
S.African Rand	Net Income	2,419	-15%	(316)	5%	127
	Total owners' equity	52,666	-15%	(6,869)	5%	2,772
Syrian Pound	Net Income	19,608	-100%	(9,804)	5%	1,032
	Total owners' equity	40,047	-100%	(20,024)	5%	2,108
Pakistani Rupees	Net Income	6,131	-10%	(557)	5%	323
	Total owners' equity	69,779	-10%	(6,344)	5%	3,673
Tunisian Dinar	Net Income	12,657	-10%	(1,151)	5%	666
	Total owners' equity	80,451	-10%	(7,314)	5%	4,234
Moroccan Dirham	Net Loss	(4,039)	-20%	673	5%	(213)
	Total owners' equity	18,872	-20%	(3,145)	5%	993

At 31 December 2020

Currency	Particular	Exposures in US$ '000	Maximum expected decrease %	Change in net income and owners' equity US$ '000	Maximum expected increase %	Change in net income and owners' equity US$ '000
Algerian Dinar	Net Income	15,197	-15%	(1,982)	5%	800
	Total owners' equity	191,150	-15%	(24,933)	5%	10,061
Egyptian Pound	Net Income	74,062	-20%	(12,344)	5%	3,898
	Total owners' equity	326,924	-20%	(54,487)	5%	17,207
Turkish Lira	Net Income	36,990	-20%	(6,165)	5%	1,947
	Total owners' equity	384,930	-20%	(64,155)	5%	20,259
Sudanese Pound	Net Income	26,630	-100%	(13,315)	5%	1,402
	Total owners' equity	56,354	-100%	(28,177)	5%	2,966
S.African Rand	Net Income	2,334	-15%	(304)	5%	123
	Total owners' equity	55,075	-15%	(7,184)	5%	2,899
Syrian Pound	Net Income	22,753	-100%	(11,377)	5%	1,198
	Total owners' equity	53,824	-100%	(26,912)	5%	2,833
Pakistani Rupees	Net Loss	3,783	-10%	(344)	5%	199
	Total owners' equity	73,614	-10%	(6,692)	5%	3,874
Tunisian Dinar	Net Income	7,758	-10%	(705)	5%	408
	Total owners' equity	71,360	-10%	(6,487)	5%	3,756
Moroccan Dirham	Net Loss	(4,616)	-20%	769	5%	(243)
	Total owners' equity	23,686	-20%	(3,948)	5%	1,247

Notes to the Consolidated Financial Statements

at 31 December 2021

28 RISK MANAGEMENT (continued)

e) Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk.

Operational Risk Management Framework

The Group guidelines have the following sections: (1) Operational Risk Appetite, (2) Operational Risk Management – Structure and Rules, (3) Risk and Control Assessment, (4) Internal Audit, (5) Operational Risk and Basel II and (6) Operational Risk Capital Requirement.

The Group's Operational Risk Appetite is defined as the level of risk which the Group chooses to accept in its identified risk categories. Operational risk appetite is expressed in terms of both impact (direct loss) and the probability of occurrence.

The Operational Risk framework is subject to periodic Internal Audit.

The Group categorizes operational risk loss events into the following categories:

Infrastructure Risks

Availability of information technology is of paramount importance to the Group's infrastructure. The operations of the Group and the subsidiaries might be disrupted and severe operational risks could occur.

In order to hedge the subsidiaries from the infrastructure risk as outlined above, every subsidiary must take all the necessary measures indicated in the Business Continuity Plan and/or Disaster Recovery Plan (BCP and DRP) to cater for these risks.

Information Technology Risks

The main risks that the Group is exposed to in this context is from inadequate software and hardware quality, unauthorized access by third parties or employees, etc.

Staff risk

The main risks that arises from staff risks are risks due to larceny, fraud, corruption, crime, etc. In order to prevent these risks from occurring, the Group has established Group Human Resources Policies and Code of Conduct which entails constructive ways in dealing with mistakes and frauds. The Group has also established approval control steps in business processes as well as creating separate internal control processes. Further, the Group has established measures of organizational structure in terms of segregation of duties as well as diverse training measures to reduce human errors and frauds, etc.

Business risk

This risk may take on the following forms:

1. Processes without clear definitions, for example, when insufficient time was spent on documenting or updating the already documented processes.
2. Outdated process descriptions in cases where "reality" already strongly differs from the guidelines laid down in the past.
3. The extreme case of a completely missing documentation. To hedge this risk, the Group adopts sound documentation policies of business processes as it is a basic requirement for a well functioning process organization. The process description are up to date and clear; furthermore, it is accessible to all employees.

Capital Adequacy Ratio (CAR)

The Group capital adequacy ratio as of 31 December 2021 is 15.62% (2020: 15.97%) and the minimum requirement as per Central Bank of Bahrain is 12.5%.

Notes to the Consolidated Financial Statements

at 31 December 2021

28 RISK MANAGEMENT (continued)

f) Corporate governance

Board of Directors

The Board of Directors is responsible for approving the Group's overall business strategy, monitoring its operations and taking critical business decisions. In line with international leading practices, the Board has instituted corporate governance measures to ensure that the interests of the shareholders are protected, including the appointment to the Board of four independent non-executive directors as defined in the Rule Book of the CBB.

The Bank is administered by a Board of Directors consisting of not less than five and not more than fifteen members. However, subject to the provisions of the law, the shareholders at an Ordinary General Meeting may determine that the number of directors shall exceed fifteen in certain circumstances. Members of the Board of Directors hold office for a three-year renewable term, although the term of office may be extended at the request of the Board for a period not exceeding six months by resolution of the MOICT.

There are currently thirteen Directors on the Board, who have varied backgrounds and experience and who individually and collectively exercise independent and objective judgment. Other than the President and Chief Executive, all Directors are non-executive. The posts of Chairman and President and Chief Executive are held by different Directors and each has separate, clearly defined responsibilities.

The Board of Directors meets regularly (usually four times a year) and has a formal schedule of matters reserved to it, considering key aspects of the Group's affairs referred to it for decision. The Board reviews the Group's strategy and financial plans, all proposed material changes to the Group's policies, structure and organisation, reports provided to it on the operations of the Group (with emphasis on organisational development, risk management and information technology development) and the performance of executive management. The Board and its committees are supplied with full and timely information to enable them to discharge their responsibilities. All Directors have access to the advice and services of the secretary, who is responsible for ensuring that the Board procedures and applicable rules and regulations are observed.

The Board of Directors has overall responsibility for the Group's system of internal control and its effectiveness. There are established and ongoing procedures in place for identifying, evaluating and managing significant risks faced by the Group, which are regularly reviewed by the Board. The Group's system of internal control provides for a documented and auditable trail of accountability and applies across its operations, is designed to ensure effective and efficient operation and compliance with all applicable laws and regulations, and seeks to manage risk with a view to avoiding material errors, losses and fraud.

29 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the value representing the estimate of the amount of cash or cash equivalent that would be received for an asset sold or the amount of cash or cash equivalent paid for a liability extinguished or transferred in an orderly transaction between a willing buyer and a willing seller at the measurement date.

Quoted equity type instruments are investments which are fair valued using quoted prices in active markets for identical instruments and unquoted equity type instruments are investments that are fair valued using directly or indirectly observable inputs.

The Group's investments in sukuk held at amortised cost have fair values amounting to US$ 4,310 million (2020: US$ 4,671 million).

Also included under investments are unquoted equity-type instruments at fair value through equity amounting to US$ 34,950 thousand (2020: US$ 57,197 thousand) which are carried at net asset value or cost due to lack of other reliable methods for arriving at a reliable fair value for these investments.

The fair values of other on-balance sheet financial instruments are not significantly different from the carrying values included in the consolidated financial statements.

Notes to the Consolidated Financial Statements

at 31 December 2021

30 NSFR REQUIREMENTS AND CALCULATION METHODOLOGY

The Net Stable Funding Ratio ('NSFR') is calculated in accordance with the Liquidity Risk Management Module guidelines, issued by the CBB and is effective from 2019. The minimum NSFR ratio as per CBB is 100%. The Group's consolidated NSFR ratio as of 31 December 2021 is 251%.

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

	Unweighted Values (i.e. before / relevant factors)				
Item	No specified maturity US$ '000	Less than 6 months US$ '000	More than 6 months and less than one year US$ '000	Over one year US$ '000	Total weighted value US$ '000
Available Stable Funding (ASF):					
Capital:					
Regulatory Capital	1,879,017	-	-	252,172	2,131,189
Other Capital Instruments	-	-	-	-	-
Retail deposits and deposits from small business customers:					
Stable deposits	-	3,038,386	181,261	77,332	3,135,997
Less stable deposits	-	6,480,400	1,780,852	843,324	8,278,451
Wholesale funding:					
Operational deposits	-	128,179	9,240	-	68,710
Other wholesale funding	-	3,898,887	360,800	338,164	1,933,428
Other liabilities:					
NSFR Shari'a-compliant hedging contract liabilities	-	-	-	-	-
All other liabilities not included in the above categories	-	470,122	32,734	78,058	78,058
Total ASF	1,879,017	14,015,974	2,364,887	1,589,050	15,625,833
Required Stable Funding (RSF):					
Total NSFR high-quality liquid assets (HQLA)	4,390,764	2,668,718	-	-	42,524
Deposits held at other financial institutions for operational purposes	-	62,151	-	-	31,075
Performing financing and Sukuk/securities:					
Performing financing to financial institutions secured by Level 1 HQLA	-	24,624	1,747	50,271	53,607
Performing financing to financial institutions secured by non-level 1 HQLA and unsecured performing financing to financial institutions	-	779,834	50,604	249,988	392,265

Notes to the Consolidated Financial Statements

at 31 December 2021

30 NSFR REQUIREMENTS AND CALCULATION METHODOLOGY (continued)

	Unweighted Values (i.e. before / relevant factors)				
Item	No specified maturity US$ '000	Less than 6 months US$ '000	More than 6 months and less than one year US$ '000	Over one year US$ '000	Total weighted value US$ '000
Performing financing to non- financial corporate clients, financing to retail and small business customers, and financing to sovereigns, central banks and PSEs, of which:					
With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines	-	2,954,494	2,073,771	-	2,514,132
Performing residential mortgages, of which:					
With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	1,751,249	1,138,312
Securities/Sukuk that are not in default and do not qualify as HQLA, including exchange - traded equities	-	52,992	6,137	47,455	69,901
Other assets:					
Physical traded commodities, including gold	5	-	-	-	4
Assets posted as initial margin for Shari'a-compliant hedging contracts contracts and contributions to default funds of CCPs	-	-	-	-	-
NSFR Shari'a-compliant hedging assets	-	-	-	-	-
NSFR Shari'a-compliant hedging contract liabilities before deduction of variation margin posted	-	-	-	-	-
All other assets not included in the above categories	1,661,018	37,614	7,564	106,854	1,785,571
OBS items	3,735,779	-	-	-	186,789
Total RSF	9,787,566	6,580,427	2,139,823	2,205,817	6,214,180
NSFR (%)	19%	213%	111%	72%	251%

31 EARNINGS PROHIITED BY SHARI'A

Earnings realised during the year from transactions that were not permitted by Shari'a amounted to US$ 19 million (2020: US$ 10 million). This amount has been taken to charity.

32 COMPARATIVE FIGURES

Certain of the prior year's figures have been reclassified to conform to the presentation adopted in the current year. Such reclassification did not affect previously reported consolidated income or consolidated owners' equity.

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

The fiscal and monetary authorities, both domestic and international, have announced various support measures across the globe to counter possible adverse implications and offset such slowdown in economies. More specifically, the Central Bank of Bahrain and government has introduced the following fiscal stimulus package:

- Payment holiday for 6 months to eligible customers free of any additional profit in 2020;
- Concessionary repo to eligible banks free of cost or zero percent profit rate in 2020;
- Reduction of cash reserve ratio from 5% to 3% of subjective liabilities;
- Reduction of liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) ratio from 100% to 80%;
- Allowing to addback any additional impact on "Equity", from modification loss and ECL net of any subsidy / grant, to equity for the determination of capital adequacy ratio during the financial year 2020 and 2021. Thereafter, such amount will be amortized over a period of three year on an equal basis.
- Support provided to local business in the form of subsidy in utility bills and staff salaries for a period of three months.

Consolidated
Financial Statements
For the year ended 31 December 2020

Consolidated statement of financial position

At 31 December 2020

	Notes	2020 US$ '000	2019 US$ '000
ASSETS			
Cash and balances with banks	3	5,361,444	5,386,926
Receivables	4	11,945,993	10,894,937
Mudaraba and Musharaka financing	5	2,854,658	3,228,615
Investments	6	5,097,189	3,872,538
Ijarah Muntahia Bittamleek	7	1,747,627	1,756,756
Property and equipment	8	478,572	455,031
Other assets	9	764,516	663,728
TOTAL ASSETS		28,249,999	26,258,531
LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY			
LIABILITIES			
Customer current and other accounts		7,508,344	6,195,073
Due to banks		1,628,032	1,106,923
Long term financing	10	319,364	379,269
Other liabilities	11	1,341,676	1,098,200
TOTAL LIABILITIES		10,797,416	8,779,465
EQUITY OF INVESTMENT ACCOUNTHOLDERS			
Financial institutions		538,177	542,078
Non-financial institutions and individuals		14,692,012	14,613,798
TOTAL EQUITY OF INVESTMENT ACCOUNTHOLDERS	12	15,230,189	15,155,876
OWNERS' EQUITY			
Share capital	13	1,242,879	1,242,879
Treasury shares	13	(17,462)	(8,308)
Share premium		18,084	18,138
Reserves		183,121	177,254
Cumulative changes in fair values		32,940	29,370
Foreign currency translations	13	(800,489)	(752,068)
Retained earnings		364,496	335,089
Proposed appropriations		-	24,858
EQUITY ATTRIBUTABLE TO PARENT’S SHAREHOLDERS		1,023,569	1,067,212
Perpetual tier 1 capital	14	400,000	400,000
EQUITY ATTRIBUTABLE TO PARENT'S SHAREHOLDERS AND SUKUK HOLDERS		1,423,569	1,467,212
Non-controlling interest		798,825	855,978
TOTAL EQUITY		2,222,394	2,323,190
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY		28,249,999	26,258,531

Abdullah Saleh Kamel
Chairman

Mohamed Al Shroogi
Vice Chairman

The attached notes 1 to 32 form part of these consolidated financial statements.

Consolidated statement of income

For the year ended 31 December 2020

	Notes	2020 US$ '000	2019 US$ '000
INCOME			
Net income from jointly financed contracts and investments	15	1,285,391	1,391,699
Return on equity of investment accountholders before Group's share as a Mudarib		(1,066,575)	(1,244,567)
Group's share as a Mudarib	16	354,552	357,774
Return on equity of investment accountholders		(712,023)	(886,793)
Group's share of income from equity of investment accountholders (as a Mudarib and Rabalmal)		573,368	504,906
Mudarib share for managing off-balance sheet equity of investment accountholders		14,654	14,797
Net income from self financed contracts and investments	15	265,075	216,983
Other fees and commission income	17	187,974	181,816
Other operating income	18	133,077	95,852
		1,174,148	1,014,354
Profit paid on long term financing	19	(34,399)	(46,957)
TOTAL OPERATING INCOME		1,139,749	967,397
OPERATING EXPENSES			
Staff expenses		308,623	352,291
Depreciation and amortisation	20	39,591	40,523
Other operating expenses	21	212,105	202,344
TOTAL OPERATING EXPENSES		560,319	568,158
NET OPERATING INCOME FOR THE YEAR BEFORE NET ALLOWANCE FOR CREDIT LOSSES / IMPAIRMENT AND TAXATION		579,430	399,239
Net allowance for credit losses / impairment	22	(290,121)	(121,791)
NET INCOME BEFORE TAXATION		289,309	277,448
Taxation		(123,420)	(97,282)
NET INCOME FOR THE YEAR		165,889	180,166
Attributable to:			
Equity holders of the parent		66,580	105,672
Non-controlling interest		99,309	74,494
		165,889	180,166
Basic and diluted earnings per share - US cents	23	2.90	6.01

Abdullah Saleh Kamel
Chairman

Mohamed Al Shroogi
Vice Chairman

The attached notes 1 to 32 form part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2020

	Notes	2020 US$ '000	2019 US$ '000
OPERATING ACTIVITIES			
Net income before taxation		289,309	277,448
Adjustments for:			
Depreciation and amortisation	20	39,591	40,523
Depreciation on Ijarah Muntahia Bittamleek	15.4	211,751	195,294
Unrealised gain on equity and debt-type instruments at fair value through statement of income	15.3	(24,705)	(21,952)
Gain on sale of property and equipment	18	(10,484)	(7,194)
Gain on sale of investment in real estate	15.3	(3,303)	(431)
(Gain) / loss on sale of equity type instruments at fair value through equity	15.3	(1,076)	654
Gain on sale of equity and debt-type instruments at fair value through statement of income	15.3	(3,664)	(3,874)
Income from associates	15.3	(5,049)	(5,818)
Net allowance for credit losses / impairment		290,121	121,791
Operating profit before changes in operating assets and liabilities		782,491	596,441
Net changes in operating assets and liabilities:			
Reserves with central banks		(122,577)	(374,147)
Receivables		(1,260,739)	(703,307)
Mudaraba and Musharaka financing		357,075	(511,448)
Ijarah Muntahia Bittamleek		(210,724)	(180,628)
Other assets		(117,012)	(123,866)
Customer current and other accounts		1,313,287	869,141
Due to banks		521,108	(71,835)
Other liabilities		175,806	126,613
Equity of investment accountholders		76,054	2,037,376
Taxation paid		(110,458)	(92,836)
Net cash from operating activities		1,404,311	1,571,504
INVESTING ACTIVITIES			
Net purchase of investments		(1,190,872)	(792,093)
Net purchase of property and equipment		(43,872)	(76,344)
Dividends received from associates		1,955	1,053
Disposal of investment in associate		2,354	13,032
Net cash used in investing activities		(1,230,435)	(854,352)
FINANCING ACTIVITIES			
Long term financing		(59,905)	(597,622)
Dividends paid to equity holders of the parent		(24,858)	(37,286)
Net movement in treasury shares		(8,129)	204
Profit distributed on perpetual tier 1 capital		(31,500)	(31,500)
Movement related to subsidiaries' tier 1 capital		7,695	2,396
Net changes in non-controlling interest		(13,392)	65,186
Net cash used in financing activities		(130,089)	(598,622)
Foreign currency translation adjustments		(191,795)	(110,139)
NET CHANGES IN CASH AND CASH EQUIVALENTS		(148,008)	8,391
Cash and cash equivalents at 1 January		2,926,185	2,917,794
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	24	2,778,177	2,926,185

The attached notes 1 to 32 form part of these consolidated financial statements.

Consolidated statement of changes in owners' equity

For the year ended 31 December 2020

	Attributable to equity holders of the parent													
				Reserves		Cumulative changes in fair values								
	Share capital	Treasury shares	Share premium	Statutory reserve	Other reserves	Investments	Property and equipment	Foreign currency translations reserve	Retained earnings	Proposed appro-priations	Total	Perpetual tier 1 capital	Non-controlling interest	Total owners' equity
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
Balance at 1 January 2020	1,242,879	(8,308)	18,138	176,118	1,136	5,216	24,154	(752,068)	335,089	24,858	1,067,212	400,000	855,978	2,323,190
Dividends paid	-	-	-	-	-	-	-	-	-	(24,858)	(24,858)	-	-	(24,858)
Movement in treasury shares	-	(9,154)	(54)	-	-	-	-	-	1,079	-	(8,129)	-	-	(8,129)
Net movement in cumulative change in fair value for investments	-	-	-	-	-	3,570	-	-	-	-	3,570	-	941	4,511
Net movement in other reserves	-	-	-	-	(791)	-	-	-	-	-	(791)	-	(385)	(1,176)
Foreign currency translation	-	-	-	-	-	-	-	(48,421)	-	-	(48,421)	-	(143,390)	(191,811)
Net income for the year	-	-	-	-	-	-	-	-	66,580	-	66,580	-	99,309	165,889
Transfer to statutory reserve (note 13)	-	-	-	6,658	-	-	-	-	(6,658)	-	-	-	-	-
Proposed dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(12,727)	(12,727)
Zakah paid on behalf of shareholders (note 13)	-	-	-	-	-	-	-	-	(1,656)	-	(1,656)	-	-	(1,656)
Profit distributed on perpetual tier 1 capital	-	-	-	-	-	-	-	-	(31,500)	-	(31,500)	-	-	(31,500)
subsidiaries' tier 1 capital	-	-	-	-	-	-	-	-	7,695	-	7,695	-	(12,706)	(5,011)
Modification loss net of government assisstance	-	-	-	-	-	-	-	-	(6,370)	-	(6,370)	-	(552)	(6,922)
Effect of change in ownership	-	-	-	-	-	-	-	-	237	-	237	-	(237)	-
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	12,594	12,594
Balance at 31 December 2020	**1,242,879**	**(17,462)**	**18,084**	**182,776**	**345**	**8,786**	**24,154**	**(800,489)**	**364,496**	**-**	**1,023,569**	**400,000**	**798,825**	**2,222,394**

The attached notes 1 to 32 form part of these consolidated financial statements.

Consolidated statement of changes in owners' equity

For the year ended 31 December 2020

	Attributable to equity holders of the parent													
				Reserves		Cumulative changes in fair values								
	Share capital	Treasury shares	Share premium	Statutory reserve	Other reserves	Investments	Property and equipment	Foreign currency translations reserve	Retained earnings	Proposed appro-priations	Total	Perpetual tier 1 capital	Non-controlling interest	Total owners' equity
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
Balance at 1 January 2019	1,242,879	(9,203)	18,829	165,551	-	4,739	27,190	(861,313)	519,587	37,286	1,145,545	400,000	710,442	2,255,987
Dividends paid	-	-	-	-	-	-	-	-	-	(37,286)	(37,286)	-	-	(37,286)
Movement in treasury shares	-	895	(691)	-	-	-	-	-	-	-	204	-	-	204
Net movement in cumulative change in fair value for investments	-	-	-	-	-	477	-	-	-	-	477	-	(2,284)	(1,807)
Net movement in cumulative change in fair value for property and equipment	-	-	-	-	-	-	(3,036)	-	-	-	(3,036)	-	2,322	(714)
Net movement in other reserves	-	-	-	-	1,136	-	-	-	-	-	1,136	-	1,796	2,932
Foreign currency translation	-	-	-	-	-	-	-	(73,421)	-	-	(73,421)	-	(36,718)	(110,139)
Net income for the year	-	-	-	-	-	-	-	-	105,672	-	105,672	-	74,494	180,166
Transfer to statutory reserve (note 13)	-	-	-	10,567	-	-	-	-	(10,567)	-	-	-	74,494	180,166
Proposed dividends	-	-	-	-	-	-	-	-	(24,858)	24,858	-	-	-	-
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(26,755)	(26,755)
Zakah paid on behalf of shareholders (note 13)	-	-	-	-	-	-	-	-	(2,235)	-	(2,235)	-	-	(2,235)
Profit distributed on perpetual tier 1 capital	-	-	-	-	-	-	-	-	(31,500)	-	(31,500)	-	-	(31,500)
Movement related to subsidiaries' tier 1 capital	-	-	-	-	-	-	-	-	2,396	-	2,396	-	(12,706)	(10,310)
Effect of change in ownership	-	-	-	-	-	-	-	182,666	(223,406)	-	(40,740)	-	40,740	-
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	104,647	104,647
Balance at 31 December 2019	**1,242,879**	**(8,308)**	**18,138**	**176,118**	**1,136**	**5,216**	**24,154**	**(752,068)**	**335,089**	**24,858**	**1,067,212**	**400,000**	**855,978**	**2,323,190**

The attached notes 1 to 32 form part of these consolidated financial statements.

Consolidated statement of changes in off-balance sheet equity of investment account holders

For the year ended 31 December 2020

	Cash US$ '000	Sales receivables US$ '000	Mudaraba financing US$ '000	Investment in real estate US$ '000	Ijarah Muntahia Bittamleek US$ '000	Investments US$ '000	Total US$ '000
Balance at 1 January 2020	56,041	464,361	422,488	46,720	143,002	286,329	1,418,941
Deposits	170,514	352,327	339,485	1,953	34,392	120,784	1,019,455
Withdrawals	(153,999)	(272,262)	(258,722)	(1,093)	(22,968)	(185,492)	(894,536)
Income net of expenses	-	20,603	2,641	519	6,065	7,351	37,179
Mudarib's share	-	(12,269)	(2,069)	-	(139)	(177)	(14,654)
Foreign exchange translations	-	16,812	-	-	-	(1,287)	15,525
Balance at 31 December 2020	**72,556**	**569,572**	**503,823**	**48,099**	**160,352**	**227,508**	**1,581,910**
Balance at 1 January 2019	30,447	295,001	335,288	48,468	159,134	125,700	994,038
Deposits	214,769	797,383	292,869	1,774	37,684	162,503	1,506,982
Withdrawals	(189,175)	(665,883)	(207,389)	(4,110)	(61,157)	(8,260)	(1,135,974)
Income net of expenses	-	35,776	4,867	588	7,457	6,913	55,601
Mudarib's share	-	(10,665)	(3,147)	-	(116)	(869)	(14,797)
Foreign exchange translations	-	12,749	-	-	-	342	13,091
Balance at 31 December 2019	56,041	464,361	422,488	46,720	143,002	286,329	1,418,941

The attached notes 1 to 32 form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

at 31 December 2020

1 CORPORATE INFORMATION AND ACTIVITIES

Al Baraka Banking Group B.S.C. ("the Bank") is a joint stock company incorporated in the Kingdom of Bahrain on 27 June 2002, under Commercial Registration (CR) number 48915. The Bank is engaged in banking activities in the Middle East, Europe, North African and South African region. The address of the Bank's registered office is Bahrain Bay, P.O. Box 1882, Manama, Kingdom of Bahrain. The Bank is listed on Bahrain Bourse and NASDAQ Dubai.

The Bank operates under an Islamic wholesale banking license issued by the Central Bank of Bahrain ('the CBB').

The principal activities of the Bank and its subsidiaries ("the Group") comprise of international and commercial banking, financing, treasury and investment activities. The Bank is supervised and regulated by the CBB.

On 30 November 2020, the shareholders of the Bank resolved in an extra-ordinary meeting to change the license of the Bank from Wholesale Banking to "Investment Business Firm - Category 1" subject to the CBB approval. Furthermore, the shareholders also resolved to change the name of the Bank from Al Baraka Banking Group B.S.C. to Al Baraka Group B.S.C. subject to the approval of Ministry of Industry, Commerce and Tourism ("MOICT"). The change in the name and the activities are still in process and the Bank's CR is not updated to reflect these changes.

The consolidated financial statements were approved by the Board of Directors on 25 February 2021.

2 ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for investment in real estate, equity and debt-type instruments at fair value through statement of income, equity-type instruments at fair value through equity and land occupied by the Group (classified as property and equipment) that have been measured at fair value. The consolidated financial statements are presented in United States Dollars ('US$') being the reporting currency of the Group. All values are rounded to the nearest US$ thousand ('US$ '000') unless otherwise indicated.

Statement of compliance

The consolidated financial statements have been prepared in accordance with Financial Accounting Standards ('FAS') issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ('AAOIFI') as modified by Central Bank of Bahrain ("CBB"), the Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Group, the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 2 and applicable provisions of Volume 6) and CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse or the terms of the Bank's memorandum and articles of association. In accordance with the requirements of AAOIFI, for matters for which no AAOIFI standard exists, the Group uses the relevant International Financial Reporting Standards ('the IFRS') as issued by the International Accounting Standards Board (the 'IASB'), given it does not contradict with Shari'a Rules and Principles and the conceptual framework of AAOIFI.

The two exceptions mentioned above are as follows:

a. to recognise modification losses on financial assets arising from payment holidays provided to customers impacted by COVID-19 without charging additional profit, in statement of changes in equity instead of the statement of income as required by FAS 30 - Impairment, Credit Losses and Onerous Commitments ("FAS 30"). Any other modification gain or loss on financial assets are recognised in accordance with the requirements of FAS 30. Please refer below for further details; and

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

Notes to the Consolidated Financial Statements

at 31 December 2020

2 ACCOUNTING POLICIES (continued)

Statement of compliance (continued)

The above framework for basis of preparation of the consolidated financial statements is hereinafter referred to as 'FAS issued by AAOIFI as modified by CBB', which has been applied retrospectively and did not result in any change to the financial information reported for the comparative period.

The accounting policies used in the preparation of annual audited consolidated financial statements of the Group for the year ended 31 December 2020 were in accordance with FAS issued by AAOIFI. However, except for the above-mentioned modifications to accounting policies that have been applied retrospectively, all other accounting policies remain the same and have been consistently applied in these consolidated financial statements. The retrospective application of the change in accounting policies did not result in any change to the financial information reported for the comparative period.

COVID-19

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

Modification loss

During the current year, based on a regulatory directive issued by the CBB as concessionary measures to mitigate the impact of COVID-19, the one-off modification losses amounting to US$ 8.8 million arising from the 6 month payment holidays provided to financing customers without charging additional profits has been recognized directly in statement of changes in equity. The modification loss has been calculated as the loss of income on the modified cash flows calculated using the original effective profit rate and the current carrying value of the financial assets on the date of modification. The Group provided payment holidays to financing exposures amounting to US$ 301.1 million as part of its support to impacted customers.

Government assistance and subsidies

As per the regulatory directive, financial assistance amounting to US$ 1.9 million (representing specified reimbursement of a portion of staff costs and waiver of fees, levies and utility charges) received from the government, in response to its COVID-19 support measures, have been recognized directly in statement of changes in equity instead of being recognized through profit or loss account.

Liquidity support

During the period, based on a regulatory directive issued by the CBB as concessionary measures to mitigate the impact of COVID-19, CBB has reduced the regulatory reserve requirements from 5% to 3% and offered free of cost REPO facility. In this regards, the Group raised US$ 79.6 million against REPO of investments in Government of Bahrain Sukuk which were matured during the period.

Regulatory compliance

As required by CBB rulebook, the bank is required to compute Group capital adequacy ratio and Head Office solo capital adequacy ratio. The Group capital adequacy ratio, which is of primary importance is above the minimum regulatory threshold of 12.5%. However, at solo level, the Bank breached rule CA 2.2.1A as the solo core equity tier 1 (CET1) ratio has declined below 4.5% which is the minimum regulatory threshold for solo CET 1 as prescribed by the CBB rule book volume 2 - capital adequacy module. Management believes that there will be no impact of this breach on the business of the Group or any of its operations.

Notes to the Consolidated Financial Statements

at 31 December 2020

2 ACCOUNTING POLICIES (continued)

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at and for the year ended 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting year as the Bank, using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that control ceases. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Non-controlling interest in a subsidiary's net assets is reported as a separate item in the Group's owners' equity. In the consolidated statement of income, non-controlling interest is included in net profit, and shown separately from that of the shareholders.

Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in owners' equity since the date of combination. Statement of income and each component of OCI are attributed to the equity holders of the parent of the Bank and to the non-controlling interests (NCIs), even if this results in the NCIs having a deficit balance.

The following are the principal subsidiaries of the Bank, which are consolidated in these consolidated financial statements:

	Ownership for 2020	Ownership for 2019	Year of incorporation	Country of incorporation	No. of branches/ offices at 31 December 2020
Held directly by the Bank					
Banque Al Baraka D'Algerie (BAA)	**55.67%**	55.67%	1991	Algeria	**31**
Al Baraka Islamic Bank - Bahrain (AIB)	**92.03%**	92.03%	1984	Bahrain	**195**
Al Baraka Bank Tunis (ABT)	**78.40%**	78.40%	1983	Tunisia	**37**
Al Baraka Bank Egypt (ABE)	**73.47%**	73.47%	1980	Egypt	**32**
Al Baraka Bank Lebanon (ABBL)	**98.98%**	98.98%	1991	Lebanon	**6**
Jordan Islamic Bank (JIB)	**65.82%**	65.82%	1978	Jordan	**108**
Al Baraka Turk Participation Bank (ATPB)**	**38.02%**	38.02%	1985	Turkey	**230**
Al Baraka Bank Limited (ABL)	**64.51%**	64.51%	1989	South Africa	**11**
Al Baraka Bank Sudan (ABS)	**75.73%**	75.73%	1984	Sudan	**29**
Al Baraka Bank Syria (ABBS) *	**23.00%**	23.00%	2009	Syria	**13**
BTI Bank *	**49.00%**	49.00%	2017	Morocco	**5**

* The Group consolidate BTI Bank (49% ownership), Al Baraka Bank Syria (23% ownership) and Al Baraka Sukuk Limited SPV (0% ownership) due to the Group's control through the power to govern their financial and operating policies.

** The ownership of Al Baraka Turk Participation bank (ATPB) reduced from 56.64% to 38.02% in December 2019. ATPB did Rights issue to increase its capital from TRY 900 million to TRY 1,350 million in December 2019. The Group did not participate into this Rights issue. The majority of the Rights eligibility of ABG were assigned to Dallah Al Baraka Holding Company BSC. By subscribing to this Rights issue, Dallah Al Baraka Holding Company BSC became 15.38% owner of ATPB shares. However, Dallah Al Baraka through a management agreement assigned all their voting power to the Group. On the basis of this management agreement and the 38.01% ownership of shares in ATPB, the management and control of ATPB was held by ABG. Based on the management agreement, the Group controls 53.4% of voting power in ATPB and hence has the power to govern the financial and operating policies of ATPB. On the basis of these controls, ATPB is treated as a subsidiary and is consolidated in the financials of the Group.

Notes to the Consolidated Financial Statements

at 31 December 2020

2 ACCOUNTING POLICIES (continued)

Statement of compliance (continued)

The following are the subsidiaries held indirectly through the principal subsidiaries of the Bank:

	Subsidiary held through	Effective Ownership for 2020	Effective Ownership for 2019	Year of incorporation	Country of incorporation
Held indirectly by the Bank					
Al Baraka Bank (Pakistan) Limited	AIB	**54.42%**	54.42%	2010	Pakistan
Itqan Capital	AIB	**76.45%**	76.45%	2007	Saudi Arabia
Al-Omariya School Company	JIB	**65.69%**	62.11%	1987	Jordan
Al-Samaha Real Estate Company	JIB	**65.82%**	62.77%	1998	Jordan
Future Applied Computer Technology Company	JIB	**65.82%**	65.80%	1998	Jordan
Sanable Alkhair for Financial Investment	JIB	**65.82%**	65.80%	2006	Jordan
Al Baraka Properties (Pty) Ltd.	ABL	**64.51%**	64.51%	1991	South Africa
Insha GMBH	ATPB	**38.02%**	38.02%	2018	Germany

Significant accounting policies

The significant accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial year, except for the adoption of new standards and interpretations effective as of 1 January 2020:

2.1 Adoption of new and amended standards and interpretations

These consolidated financial statements have been prepared using accounting policies, which are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2019. All the mandatory applications of new standards and interpretation effective from 1 January 2020 has been deferred to 1 January 2021 by the Accounting Board (AAB) of Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) through its 18th meeting held on 22-23 June 2020. The new standards, interpretations and amendments issued but not effective are as follows:

FAS 31 Investment Agency (Al-Wakala Bi Al-Istithmar)

This standard defines the accounting principles and reporting requirements for investment agency (Al-Wakala Bi Al-Istithmar) transactions and instruments, in the hands of both the principal and the agent. This standard shall be effective beginning on or after 1 January 2021, with early adoption permitted. The standard requires the principal to evaluate the nature of the investment as either a) a pass-through investment or b) wakala venture.

In case of a pass-through investment approach, the principal shall initially recognize the assets underlying the wakala arrangement in its books of account applying the initial recognition principles as applicable in line with respective FAS. The principal may opt to apply the wakala venture approach if, and only if, the investment agency contract meets any of the conditions described below:

-The instrument is transferable; or

-The investment is made in a single asset (or pool of assets) where such asset(s) are subject to frequent changes throughout the term of the contract i.e. there are routine changes or replacements over the term of arrangement (unless it constitutes a business) at the discretion of the agent; or

-The role of the agent is not limited whereby the agent performs day-to-day asset management function and, where applicable, is also responsible for replacement of assets or recoveries against them.

In case of wakala venture approach, an investment shall be accounted for in the books of the investor applying the "equity method of accounting"; where the investment shall be recognized initially at cost and subsequently shall be measured at the end of the financial period at carrying amount and shall be adjusted to include the investor's share in profit or loss of the wakala venture.

From the agent perspective, the standard requires that at inception of the transaction the agent shall recognize an agency arrangement under off-balance sheet approach since the agent does not control the related assets / business. However, there are exceptions to off-balance sheet approach where by virtue of additional considerations attached to the instrument based on investment agency may mandate the same to be accounted for as on-balance sheet. An agent may maintain multi-level investment arrangements. Under such arrangement, the Group is reinvesting Wakala funds into a secondary contract. Such secondary contracts shall be accounted for in line with the requirements of respective FAS in the books of the agent.

The Board of Directors decided not to early adopt the standard with effect from the current year.

Notes to the Consolidated Financial Statements
at 31 December 2020

2 ACCOUNTING POLICIES (continued)

2.1 Adoption of new and amended standards and interpretations (continued)

FAS 32 Ijarah

This standard supersedes FAS 8 "Ijarah and Ijarah Muntahia Bittamleek". The standard aims at setting out principles for the classification, recognition, measurement, presentation and disclosure of Ijarah type transactions including their different forms entered into by an institution, in both the capacities of lessor and lessee. This standard shall be effective beginning or after 1 January 2021, with early adoption permitted.

FAS 33 Investment in sukuk, shares and similar instruments (FAS 33)

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

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

Classification

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

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

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

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

Recognition and Initial measurement

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

Subsequent measurement

a) Investments at amortised cost

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

Notes to the Consolidated Financial Statements

at 31 December 2020

2 ACCOUNTING POLICIES (continued)

2.1 Adoption of new and amended standards and interpretations (continued)

Subsequent measurement (continued)

b) Investments at fair value through income statement

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

c) Investments at fair value through equity

Investment carried at fair value through equity shall be re-measured at fair value at the end of each reporting period. The resultant re-measurement gain or loss, if any, being the difference between the carrying amount and the fair value shall be directly recognized in equity under "fair value through equity reserve". Investment carried at fair value through equity shall be tested for impairment at each reporting period in accordance with FAS 30 "Impairment, credit losses and onerous commitments".

FAS 34 Financial Reporting for Sukuk -holders

This standard prescribes the accounting principles and reporting requirements for underlying assets of a sukuk instrument. It requires the originator to prepare or cause to prepare financing reports as needed under this standard. This standard shall be effective from the financial periods beginning on or after 1 January 2021, with early adoption permitted.

FAS 35 Risk Reserves

This standard defines the accounting and financial reporting principles for risk reserves to be in line with global best practices for accounting and risk management. This standard complements FAS 30 "Impairment, Credit Losses and Onerous Commitments". Both standards FAS 35 & FAS 30 together supersede the earlier FAS 11 "Provisions and Reserves". This standard shall be effective beginning or after 1 January 2021, with early adoption is permitted, only if the financial institution decided to early adopt FAS 30.

2.2 Summary of significant accounting policies

a. Financial contracts

Financial contracts consist of cash and balances with banks, receivables, Mudaraba (net of deferred profit) and Musharaka financing, Investments - debt type instruments at amortised cost, Ijarah Muntahia Bittamleek (where the estimates of future cash flows dependent on a single customer) and certain other assets. In addition it consist of off-balance sheets exposures such as letter of credit, letter of guaranties and undrawn commitments. Balances relating to these contracts are stated net of allowance for credit losses.

b. Impairment assessment

Impairment of financial assets

The Group applies three-stage approach to measure ECL on financial assets carried at amortised cost. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

Stage 1: twelve months ECL

For exposures where there has not been a Significant Increase in Credit Risk ("SICR"), since initial recognition, a portion of the lifetime ECL's that represent the ECL that result from default events on a financial contract that is possible within 12 months after the reporting date (or a shorter period if the expected life of the financial instrument is less than 12 months).of the lifetime ECL associated with the probability of default events occurring within next twelve months after the reporting date is recognised.

Stage 2: lifetime ECL – not credit impaired

For credit exposures where there has been a SICR since initial recognition but that are not credit impaired, a lifetime ECL is recognised. Lifetime ECL is the loss that results from all possible default events over the expected life of the financial contract.

Lifetime ECL (Stage 2) is a probability-weighted estimate of credit losses and is determined based on the difference between the present value of all cash shortfalls. The cash shortfall is the difference between all contractual cash flows that are due to the Group and the present value of the recoverable amount, for financial assets that are not credit-impaired at the reporting date.

Notes to the Consolidated Financial Statements
at 31 December 2020

2 ACCOUNTING POLICIES (continued)

2.2 Summary of significant accounting policies (continued)

b. Impairment assessment (continued)

Stage 3: Lifetime ECL – credit impaired
Financial contracts are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred.

For Stage 3 financial contracts, the provisions for credit-impairment are determined based on the difference between the net carrying amount and the recoverable amount of the financial contract. As this uses the same criteria as under FAS 11, the Group methodology for specific allowance for credit losses remains largely unchanged.

In case where there is no collaterals or guarantees which the Group can recover its exposure, the past due rules as per Group's policy or local requirements, whichever is more strict, are applied for allowance for credit losses calculation.

Credit-impaired financial assets
At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- probability that the borrower will enter bankruptcy or other financial reorganization; or
- the restructuring of a facility by the Group on terms that the Group would not consider otherwise.

Measurement of ECL
Following are the key inputs into the measurement of ECL:

- Probability of Default (PD);
- Loss Given Default (LGD); and
- Exposure At Default (EAD).

These parameters are generally derived from internally developed models and other historical data. These are adjusted to reflect forward-looking information as described below.

Definition of default
The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as liquidating collateral; or the borrower is past due more than 90 days or any material credit obligation to the Group. In assessing whether a borrower is in default, the Group considers both qualitative factors such as breaches of covenants and quantitative factors such as overdue status and non-payment on another obligation of the same issuer to the Group.

Probability of default
Credit risk grades are a primary input into the determination of the term structure of Probability of Default (PD) for exposures. The Group collects performance and default information about its credit risk exposures analysed by credit risk grading for corporate and days-past-due for retail portfolio. The Group employs statistical models for analysing the data collected and generate estimates of PD of exposures and how these are expected to change as a result of the passage of time. This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors, across various geographies in which the Group operates.

Notes to the Consolidated Financial Statements

at 31 December 2020

2 ACCOUNTING POLICIES (continued)

2.2 Summary of significant accounting policies (continued)

b. Impairment assessment (continued)

Probability of default (continued)

Each component (subsidiary) of the Group uses combination of key macro-economic indicators including, fiscal surplus/deficit as a percentage of GDP, gross domestic product (GDP) growth, oil prices, government spending, stock market volatility, cost of funding, lending rates credit growth, inflation rate and unemployment.

Types of PDs used for ECL computation

- 12-month PDs – This is the estimated probability of default occurring within the next 12 months (or over the remaining life of the financial instrument if that is less than 12 months). This is used to calculate 12-month ECLs.
- Lifetime PDs – This is the estimated probability of a default occurring over the remaining life of the financial instrument. This is used to calculate lifetime ECLs for 'stage 2'.

Incorporation of forward - looking information

The Group considers latest available economic forecasts published by the International Monetary Fund (IMF) or other reputed service providers, for 5 years. The Group employs statistical models to incorporate macro-economic factors on historical default rates. In case none of the macro-economic parameters are statistically significant or the results of forecasted PDs are significantly deviated from the present forecast for the economic conditions, quantitative PD overlay shall be used by the management after analyzing the portfolio as per the diagnostic tool.

Incorporating forward-looking information increases the level of judgment as to how changes in these macroeconomic factors will affect the ECL applicable to the stage 1 and stage 2 exposures which are considered as performing (Stage 3 are the exposures under default category). As per the policy the, methodologies and assumptions involved, including any forecasts of future economic conditions, are required to be reviewed periodically.

Loss Given Default

LGD is a parentage that determine the amount of loss that will arise if the borrower was to default. This is calculated by looking at the collateral and other resources available to the Group that can be used to recover the asset in case of default.

The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties, based on historical data using both internal and external factors. For Estimation of LGD, the Group considers use of any of the following methods:

Internal default history: When data is available units can estimate LGDs using the historical default information and corresponding recovery data.

Basel LGD: local regulatory recommended Basel LGD adjusted depending on the available collateral.

Collateral-based LGD: for secured financing the Group uses collateral-based LGD, where the Group has effective collateral management framework that is able to assess and provide up to date collateral valuation and establish legal charge and enforceability.

Exposure At Default

EAD represents estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and profit, and expected drawdowns on committed facilities.

Notes to the Consolidated Financial Statements

at 31 December 2020

2 ACCOUNTING POLICIES (continued)

2.2 Summary of significant accounting policies (continued)

b. Impairment assessment (continued)

Exposure At Default (continued)

On-balance sheet EADs

EADs for on-balance sheet items are the amount that is outstanding at the time of default. Outstanding of an on-balance sheet exposure shall be directly taken subject to inclusion of its repayment structure.

Prepayments have to be estimated using previous trends and deducted from EAD while calculating ECL.

Off-balance sheet EADs

Off-balance sheet exposures do not have fixed payout date; thus, the EAD for off-balance sheet is calculated after applying the Credit Conversion Factor (CCF) to the nominal amount of the Off-balance sheet exposure. The Group uses following methods to work out CCF for off- balance sheet EADs.

CCF based on internal data - The Group performs off-balance sheet product based analysis to study the average percentage utilization/conversion over a period of 3- 5 years. Based on the analysis product wide conversion/utilization factors is estimated. For letter of Credit (LCs) and letter of guarantees (LGs) issued, units determines CCF by estimating total amount of LCs/LGs devolved/converted over last 3-5 years as a percentage of total LC/LG issued to arrive at the expected exposure over the future for these off-balance sheet items.

Regulatory CCFs - In absence of internal data, The Group uses same as Basel CCF that are used for calculating the Capital Adequacy Ratio (CAR) as per the CBB regulations. These rates are 20% for exposures with maturity equal to or less than 1 year and 50% for exposures with maturity of more than 1 year.

Collective ECL computation and staging

ECL on individually large exposures and credit-impaired loans are generally measured individually. For retail exposures and other exposures to small and medium-sized enterprises, where less client-specific information is available, ECL is measured on a collective basis. This incorporates borrower-specific information, such as delinquency, collective historical experience of losses and forward-looking macroeconomic information.

To assess the staging of exposures and to measure a loss allowance on a collective basis, the Group groups its exposures into segments on the basis of shared credit risk characteristics, such as geography, type of customer, industry, rating, date of initial recognition, maturity and collateral value.

Significant increase in Credit Risk

When determining whether the risk of default on a financial contracts has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost and efforts. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment including forward-looking information.

The assessment is carried out for specific instrument rather than a counterparty. As each instrument may have had different credit risk at initial recognition.

The application of above requirements of SICR to various locations of the Group varies depending on a number of circumstances facing by each location and each location applies a robust risk assessment methodology that is commensurate with the size, complexity, structure, economic significance and risk profile of its portfolio.

Notes to the Consolidated Financial Statements

at 31 December 2020

2 ACCOUNTING POLICIES (continued)

2.2 Summary of significant accounting policies (continued)

b. Impairment assessment (continued)

Renegotiated financial assets
The accounts which are performing prior to restructuring but restructured due to financial difficulty are categorised under stage 2. The accounts that are non-performing or meet any criteria for classifying as non-performing (prior to restructuring), then such restructured accounts are categorized under stage 3.

Backward transition
FAS 30 staging model is of symmetrical nature as movement across stages is a "Two Way" phenomenon. However, backward movement across stages are not immediate once SICR indicators are no longer triggered. Once such indicators are no longer triggered, movement back to Stage 1 or Stage 2 has to be calibrated and cannot be automatic or immediate. Certain criteria like cooling off period, SICR indicators and payment history are considered for migrating customers to Stage 2 or Stage 1. Following factors including cure period are considered for any backward transition:

From Stage 2 to stage 1

- The criteria to classify the exposure into Stage 2 (criteria covered in SICR section above) is no longer present;
- Up to date payment with no arrears;
- A minimum cool-off/cure period of 6 months for any stage 2 accounts; and
- A minimum cool-off/cure period of 12 months for restructured accounts.

From stage 3 to stage 2

- The criteria to classify the exposure into Stage 3 (criteria covered in default section above) is no longer present.
- Up to date payment with no arrears.
- A minimum cool-off/cure period of 12 months for non-performing and restructured facilities.

Write-offs
Financing facilities are written-off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written-off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Presentation of allowance for credit losses in the interim consolidated statement of financial position
Allowance for credit losses are presented in the interim consolidated statement of financial position as follows:

- financial assets measured at amortised cost, as a deduction from the gross carrying amount of the assets;
- financing commitments and financial guarantee contracts: generally as a provision included in other liabilities; and
- where a financial contract includes both a drawn and undrawn component, and the Group has identified the ECL on the financing commitments / off-balance sheet component separately from those on the drawn component, allowance for credit losses on undrawn component is presented as a provision in other liabilities.

c. Cash and cash equivalents

Cash and cash equivalents as referred to in the consolidated statement of cash flows comprise cash and cash in transit, balances with central banks excluding mandatory reserves and balances with other banks with an original maturity of three months or less.

Notes to the Consolidated Financial Statements
at 31 December 2020

2 ACCOUNTING POLICIES (continued)

2.2 Summary of significant accounting policies (continued)

d. Receivables
Receivables comprise Sales (Murabaha) receivables, Ijarah receivables, Salam receivables and Istisna'a receivables.

Sales (Murabaha) receivables
Sales (Murabaha) receivables consist mainly of murabaha and international commodities stated net of deferred profits and provision for doubtful amount. The Group considers promise made in sales (murabaha) receivables to the purchase orderer as obligatory.

Ijarah receivables
Ijarah receivables is the outstanding rental at the end of the year less any provision for doubtful amount.

Salam receivables
Salam receivables is the outstanding amount at the end of the year less any provision for doubtful amount.

Istisna'a receivables
Istisna'a receivables is the outstanding amount at the end of the year less any provision for doubtful amount.

e. Mudaraba and Musharaka financing
Mudaraba and Musharaka financing are partnerships in which the Bank contributes capital. These are stated at the fair value of consideration given less impairment.

f. Investments
Investments comprise equity and debt-type instruments at fair value through statement of income, equity-type instruments at fair value through equity, debt-type instruments at amortised cost, investment in real estate and investment in associates.

Investment in real estate
Properties held for rental, or for capital appreciation purposes, or both, are classified as investment in real estate. Investments in real estate are initially recorded at cost, being the fair value of the consideration given and acquisition charges associated with the property. Subsequent to initial recognition, investments in real estate are re-measured at fair value and changes in fair value (only gains) are recognised as property fair value reserve in the consolidated statement of changes in owners' equity.

Losses arising from changes in the fair values of investment in real estate are firstly adjusted against the property fair value reserve to the extent of the available balance and then the remaining losses are recognised in the consolidated statement of income. If there are unrealised losses that have been recognised in the consolidated statement of income in the previous financial periods, the current period unrealised gain shall be recognised in the consolidated statement of income to the extent of crediting back such previous losses in the consolidated statement of income. When the property is disposed of, the cumulative gain previously transferred to the property fair value reserve, is transferred to the consolidated statement of income.

Notes to the Consolidated Financial Statements

at 31 December 2020

2 ACCOUNTING POLICIES (continued)

2.2 Summary of significant accounting policies (continued)

f. Investments (continued)

Investment in associates

The Group's investment in associates is accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. The consolidated statement of income reflects the Group's share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in owners' equity. Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The reporting dates of the associates and the Group are identical and the associates accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Equity and debt-type instruments at fair value through statement of income

This includes instruments held for trading purposes to gain profits from market fluctuations in the short term. These are initially recognised at cost, being the fair value of the consideration given excluding acquisition costs. These are subsequently re-measured at fair value. All related realised and unrealised gains or losses are included in the consolidated statement of income.

All other investments are initially recognised at cost, being the fair value of the consideration given including acquisition costs.

Equity-type instruments at fair value through equity

This includes all instruments that are not covered above. Subsequent to acquisition, investments designated at fair value through equity are re-measured at fair value with unrealised gains or losses recognised proportionately in owners' equity and equity of investment accountholders until the investment is derecognised or determined to be impaired at which time the cumulative gain or loss previously recorded in owners' equity or equity of investment accountholders is recognised in consolidated statement of income.

Debt-type instruments at amortised cost

Debt-type instruments which are managed on a contractual yield basis and are not held for trading and has not been designated at fair value through statement of income are classified as debt-type instruments at amortised cost. Such investments are carried at amortised cost, less provision for impairment in value. Amortised cost is calculated by taking into account any premium or discount on acquisition. Any gain or loss on such investment is recognised in the consolidated statement of income, when the investment is de-recognised or impaired.

g. Ijarah Muntahia Bittamleek

Ijara income is recognised on a time apportioned basis over the Ijara term and is stated net of depreciation. Income related to non-performing ijara muntahia bittamleek accounts that are non-performing is excluded from the consolidated statement of income.

h. Property and equipment

Property and equipment are initially recognised at cost. Subsequent to initial recognition property and equipment are stated at cost less accumulated depreciation and accumulated impairment in value, except for land which is carried at fair value. The cost of additions and major improvements are capitalised; maintenance and repairs are charged to the consolidated statement of income as incurred. Gains or losses on disposal are reflected in other operating income. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets other than freehold land, which is deemed to have an indefinite life.

Notes to the Consolidated Financial Statements

at 31 December 2020

2 ACCOUNTING POLICIES (continued)

2.2 Summary of significant accounting policies (continued)

h. Property and equipment (continued)

The calculation of depreciation is on the following basis:

Buildings	30 - 50 years
Office furniture and equipment	4 - 10 years
Vehicles	3 years
Others	4 - 5 years

i. Fair values

For investments actively traded in organised financial markets, fair value is determined by reference to quoted market bid prices.

For investment where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument, which is substantially the same or is based on the assessment of future cash flows. The cash equivalent values are determined by the Group at current profit rates for contracts with similar term and risk characteristics.

For Sales (Murabaha) receivables the fair value is determined at the Bank or subsidiary level at the end of the financial period at their cash equivalent value.

j. Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

k. Intangible assets

Intangible assets comprise principally the value of computer software. Intangible assets acquired are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

l. Collateral pending sale

Collateral acquired in settlement of certain financing facilities is stated at the lower of the net realisable value of the related financing facilities and the current fair value of such assets. Gains or losses on disposal, and revaluation losses, are recognised in the consolidated statement of income.

m. Employees' end of service benefits

The Group provides for end of service benefits to its employees. Entitlement to these benefits is based upon the employees' length of service and the completion of a minimum service period. The expected costs of these benefits are accrued for over the period of employment.

Notes to the Consolidated Financial Statements

at 31 December 2020

2 ACCOUNTING POLICIES (continued)

2.2 Summary of significant accounting policies (continued)

n. Provision

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate can be made of the amount of the obligation.

o. Dividends

Dividends to shareholders are recognised as liabilities in the year in which they are declared.

p. Equity of investment accountholders

All equity of investment accountholders are carried at cost plus accrued profit and related reserves. Investment risk reserves and profit equalisation reserves are made at the Bank or subsidiary level.

q. Investment risk reserve

Investment risk reserves are amounts appropriated out of the income of equity of investment accountholders, after allocating the mudarib share, in order to cater against future losses for equity of investment accountholders.

r. Profit equalisation reserve

Profit equalisation reserves are amounts appropriated out of the Mudaraba income, before allocating the mudarib share, in order to maintain a certain level of return on investments for equity of investment accountholders.

s. Sukuk

Sukuk issued by the Group are treated based on the underlying contracts and structure.

t. Off-balance sheet equity of investment accountholders

Off-balance sheet equity of investment accountholders represent funds received by the Group from third parties for investment in specified products as directed by them. These products are managed in a fiduciary capacity and the Group has no entitlement to these products. Third parties bear all of the risks and earn all of the rewards on these products. Off-balance sheet equity of investment accountholders are not included in the consolidated statement of financial position since the Group does not have the right to use or dispose these products except within the conditions of the contract between the Group and third parties.

u. Treasury shares

Own equity instruments which are reacquired (treasury shares) are deducted from equity of the parent and accounted for at weighted average cost. Consideration paid or received on the purchase, sale, issue or cancellation of the Group's own equity instruments is recognised directly in equity of the parent. No gain or loss is recognised in consolidated statement of income on the purchase, sale, issue or cancellation of own equity instruments.

v. Revenue recognition

Sales (Murabaha) receivables

Profit from Sales (Murabaha) receivables is recognised when the income is both contractually determinable and quantifiable at the commencement of the transaction. Such income is recognised on time-apportioned basis over the period of the transaction. Where the income from a contract is not contractually determinable or quantifiable, it is recognised when the realisation is reasonably certain or when actually realised. Income related to accounts that are 90 days overdue is excluded from the consolidated statement of income.

Salam and Istisna'a receivables

Income on Salam and Istisna'a is recognised on time-apportioned basis when the income from a contract is contractually determinable or quantifiable.

Notes to the Consolidated Financial Statements
at 31 December 2020

2 ACCOUNTING POLICIES (continued)

2.2 Summary of significant accounting policies (continued)

v. Revenue recognition (continued)

Mudaraba and Musharaka financing
Income on Mudaraba and Musharaka financing is recognised when the right to receive payment is established or on distribution by the Mudarib. Income related to accounts that are 90 days overdue is excluded from the consolidated statement of income.

Ijarah Muntahia Bittamleek
Income net of depreciation is recognised on a time-apportioned basis over the lease term.

Fee and commission income
Fee and commission income is recognised when earned.

Other income
Other income on investments is recognised when the right to receive payment is established.

Group's share as a Mudarib
The Group's share of profit as a Mudarib for managing equity of investment accountholders is based on the terms and conditions of the related mudarib agreements.

Mudarib's share of off-balance sheet equity of investment accountholders
The Group shares profit for managing off-balance sheet equity of investment accountholders based on the terms and conditions of related contracts.

w. Return on equity of investment accountholders
Equity of investment accountholders' share of income is calculated based on the applicable local laws and based on the underlining individual Mudaraba contract. It represents the income generated from joint investment accounts and after deducting other expenses. Other expenses include all expenses incurred by the Group including specific provisions. The Group's share is deducted before distributing such income.

x. Joint and self financed
Investments, financing and receivables that are jointly owned by the Group and the equity of investment accountholders are classified under the caption "jointly financed" in the consolidated financial statements. Investments, financing and receivables that are financed solely by the Group are classified under "self financed".

y. Taxation
There is no tax on corporate income in the Kingdom of Bahrain. Taxation on foreign operations is provided in accordance with the fiscal regulations of the respective countries in which the subsidiaries operate. The Group accounts for its share of associates profit after accounting for corporate taxation. Deferred income tax is provided using the liability method on temporary differences at the financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

z. Shari'a supervisory board
The Group's business activities are subject to the supervision of a Shari'a supervisory board consisting of five members appointed by the general assembly.

Notes to the Consolidated Financial Statements

at 31 December 2020

2 ACCOUNTING POLICIES (continued)

2.2 Summary of significant accounting policies (continued)

aa. Zakah

The article of association of Al Baraka Banking Group is not empowering the Group for paying Zakah on behalf of the shareholders and there is no such law in Kingdom of Bahrain requiring the Group to pay Zakah on behalf of the shareholders, unless there is a direct empowerment from the general assembly to the Group to pay Zakah on the behalf of the shareholders.

ab. Earnings prohibited by Shari'a

The Group is committed to avoid recognising any income generated from non-Islamic source. Accordingly, all non-Islamic income is credited to a charity account where the Group uses these funds for various social welfare activities.

ac. Impairment of financial assets

An assessment is made at each financial position date to determine whether there is objective evidence that a specific financial asset or a group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss, based on the assessment by the Group of the estimated cash equivalent value, is recognised in the consolidated statement of income. Specific provisions are created to reduce all impaired financial contracts to their realisable cash equivalent value. Financial assets are written off only in circumstances where effectively all possible means of recovery have been exhausted.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment value was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the consolidated statement of income.

In addition, the Group maintains a provision to reflect a potential loss that may occur as a result of currently unidentifiable risks in relation to receivables, financings or investment assets. The amount reflects estimated losses affecting these assets attributable to events that have already occurred at the date of the financial statements, and not estimated losses attributable to future events.

ad. Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

ae. Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. The monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the financial position date. All differences are taken to income statement at the entity level.

Foreign currency translations

As at the reporting date, the assets and liabilities in foreign currencies are translated into the presentation currency of the Group (United States Dollars) at the rate of exchange ruling at the financial position date and their income statements are translated at the average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of owners' equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in owners' equity relating to that particular foreign entity is recognised in the consolidated statement of income.

Notes to the Consolidated Financial Statements

at 31 December 2020

2 ACCOUNTING POLICIES (continued)

2.2 Summary of significant accounting policies (continued)

af. Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which affects the amounts recognised in the consolidated financial statements:

Classification of investments

Management decides on acquisition of an investment whether it should be classified as equity and debt-type instrument at fair value through statement of income, equity-type instrument at fair value through equity or debt-type instrument at amortised cost.

Going concern

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

ag. Use of estimates in preparation of the consolidated financial statements

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of financial assets and liabilities at the date of the consolidated financial statements. The use of estimates is used primarily to the determination of provisions for sales (Murabaha) receivable, mudaraba financing, musharaka financing, equity-type instrument at fair value through equity, debt-type instrument at amortised cost, ijarah receivable and other assets.

ah. Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

(i)the right to receive cash flows from the asset has expired;
(ii)the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of income.

3. CASH AND BALANCES WITH BANKS

	2020 US$ '000	2019 US$ '000
Balances with central banks*	**4,027,943**	3,956,830
Balances with other banks	**497,408**	707,214
Cash and cash in transit	**839,830**	726,567
Less: allowance for credit losses	**(3,737)**	(3,685)
	5,361,444	5,386,926

* Balances with central banks include mandatory reserves amounting to US$ 2,587,004 thousand (2019: US$ 2,464,426 thousand). These amounts are not available for use in the Group's day-to-day operations.

4. RECEIVABLES

	2020 US$ '000	2019 US$ '000
Sales (Murabaha) receivables (note 4.1)	**12,126,087**	10,944,436
Ijarah receivables (note 4.2)	**150,787**	97,919
Salam receivables (note 4.3)	**225,550**	265,926
Istisna'a receivables (note 4.4)	**198,804**	157,738
Less: allowance for credit losses	**(755,235)**	(571,082)
	11,945,993	10,894,937

Notes to the Consolidated Financial Statements
at 31 December 2020

4 RECEIVABLES (continued)

4.1 Sales (Murabaha) receivables

	2020			2019		
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000
Commodity murabaha	58,485	569,723	628,208	33,967	600,802	634,769
Other murabaha	2,466,023	10,332,891	12,798,914	1,659,381	10,214,951	11,874,332
Gross sales (murabaha) receivables	2,524,508	10,902,614	13,427,122	1,693,348	10,815,753	12,509,101
Deferred profits (note 4.1(a))	(296,564)	(1,004,471)	(1,301,035)	(272,405)	(1,292,260)	(1,564,665)
	2,227,944	9,898,143	12,126,087	1,420,943	9,523,493	10,944,436
Less: allowance for credit losses (note 22)	(221,835)	(455,075)	(676,910)	(157,268)	(361,961)	(519,229)
Net sales (murabaha) receivables	2,006,109	9,443,068	11,449,177	1,263,675	9,161,532	10,425,207

	2020 US$'000	2019 US$'000
Non-performing	769,795	684,126

4.1(a) Murabaha deferred profit movement

	2020 US$ '000	2019 US$ '000
Deferred profit at the beginning of the year	1,564,665	1,393,888
Murabaha Sales during the year	3,960,783	5,246,048
Murabaha Cost of Sales	(3,493,121)	(3,903,575)
	2,032,327	2,736,361
Deferred profit collected during the year	(498,002)	(720,167)
Deferred profit settled during the year	(31,019)	(345,204)
Deferred profit waived during the period	(3,172)	(6,794)
FX translation	(199,099)	(99,531)
Deferred profit at the end of the year	1,301,035	1,564,665

4.2 Ijarah receivables

	2020			2019		
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000
Gross ijarah receivables	12,272	138,515	150,787	10,027	87,892	97,919
Less: allowance for credit losses (note 22)	(382)	(51,593)	(51,975)	(119)	(34,333)	(34,452)
Net ijarah receivables	11,890	86,922	98,812	9,908	53,559	63,467

	2020 US$'000	2019 US$'000
Non-performing	127,733	85,851

Notes to the Consolidated Financial Statements
at 31 December 2020

4 RECEIVABLES (continued)

4.3 Salam receivables

	2020			2019		
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000
Gross salam receivables	-	225,550	225,550	-	265,926	265,926
Less: allowance for credit losses (note 22)	-	(15,186)	(15,186)	-	(12,441)	(12,441)
Net salam receivables	-	210,364	210,364	-	253,485	253,485

	2020 US$'000	2019 US$'000
Non-performing	22,619	24,264

4.4 Istisna'a receivables

	2020			2019		
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000
Gross istisna'a receivables	-	198,804	198,804	-	157,738	157,738
Less: allowance for credit losses (note 22)	-	(11,164)	(11,164)	-	(4,960)	(4,960)
Net istisna'a receivables	-	187,640	187,640	-	152,778	152,778

	2020 US$'000	2019 US$'000
Non-performing	14,682	8,063

The table below shows the receivables credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and stage classification.

	31 December 2020			
	Stage 1 US$ '000	Stage 2 US$ '000	Stage 3 US$ '000	Total US$ '000
Good (1-4)	2,816,741	228,144	-	3,044,885
Satisfactory (5-7)	7,018,497	1,703,017	-	8,721,514
Default (8-10)	-	-	934,829	934,829
Less: allowance for credit losses	(73,192)	(179,520)	(502,523)	(755,235)
	9,762,046	1,751,641	432,306	11,945,993

	31 December 2019			
	Stage 1 US$ '000	Stage 2 US$ '000	Stage 3 US$ '000	Total US$ '000
Good (1-4)	2,637,228	161,309	-	2,798,537
Satisfactory (5-7)	6,265,444	1,599,734	-	7,865,178
Default (8-10)	-	-	802,304	802,304
Less: allowance for credit losses	(54,358)	(115,719)	(401,005)	(571,082)
	8,848,314	1,645,324	401,299	10,894,937

Notes to the Consolidated Financial Statements

at 31 December 2020

4 RECEIVABLES (continued)

4.4 Istisna'a receivables (continued)

The below table shows the movement in allowance for credit losses by stage:

	31 December 2020			
	Stage 1: 12-month ECL US$ '000	Stage 2: Lifetime ECL not credit-impaired US$ '000	Stage 3: Lifetime ECL credit-impaired US$ '000	Total US$ '000
Balance at 1 January	54,358	115,719	401,005	571,082
Changes due to receivables recognised in opening balance that have:				
- transferred to Stage 1	12,761	(3,304)	(9,457)	-
- transferred to Stage 2	(1,223)	(37,684)	38,907	-
- transferred to Stage 3	(65)	(1,800)	1,865	-
Net remeasurement of loss allowance	11,701	95,572	153,572	260,845
Recoveries / write-backs	-	-	(57,534)	(57,534)
Allocation from investment risk reserve	(6,439)	12,794	13,325	19,680
Amounts written off	-	-	(13,185)	(13,185)
FX translation / others	2,099	(1,777)	(25,975)	(25,653)
	73,192	179,520	502,523	755,235

	31 December 2019			
	Stage 1: 12-month ECL US$ '000	Stage 2: Lifetime ECL not credit-impaired US$ '000	Stage 3: Lifetime ECL credit-impaired US$ '000	Total US$ '000
Balance at 1 January	29,750	124,404	412,349	566,503
Changes due to receivables recognised in opening balance that have:				
- transferred to Stage 1	4,073	(4,020)	(53)	-
- transferred to Stage 2	(3,378)	11,315	(7,937)	-
- transferred to Stage 3	(13,779)	(48,112)	61,891	-
Net remeasurement of loss allowance	12,896	(3,150)	148,541	158,287
Recoveries / write-backs	-	-	(46,050)	(46,050)
Allocation from investment risk reserve	20,741	34,604	(49,628)	5,717
Amounts written off	-	-	(113,220)	(113,220)
FX translation / others	4,055	678	(4,888)	(155)
	54,358	115,719	401,005	571,082

5 MUDARABA AND MUSHARAKA FINANCING

	2020 US$ '000	2019 US$ '000
Mudaraba financing (note 5.1)	1,784,183	2,207,515
Musharaka financing (note 5.2)	1,106,881	1,040,725
Less: allowance for credit losses	(36,406)	(19,625)
	2,854,658	3,228,615

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5 MUDARABA AND MUSHARAKA FINANCING (continued)

5.1 Mudaraba financing

	2020			2019		
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000
Gross mudaraba financing	427,218	1,356,965	1,784,183	393,725	1,813,790	2,207,515
Less: allowance for credit losses (note 22)	(420)	(14,198)	(14,618)	(420)	(6,411)	(6,831)
Net mudaraba financing	426,798	1,342,767	1,769,565	393,305	1,807,379	2,200,684

	2020 US$ '000	2019 US$ '000
Non-performing	15,994	16,311

5.2 Musharaka financing

	2020			2019		
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000
Gross musharaka financing	451,433	655,448	1,106,881	493,070	547,655	1,040,725
Less: allowance for credit losses (note 22)	(8,436)	(13,352)	(21,788)	(582)	(12,212)	(12,794)
Net musharaka financing	442,997	642,096	1,085,093	492,488	535,443	1,027,931

	2020 US$'000	2019 US$'000
Non-performing	26,167	21,415

The table below shows the mudaraba and musharaka credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and stage classification.

	31 December 2020			
	Stage 1 US$ '000	Stage 2 US$ '000	Stage 3 US$ '000	Total US$ '000
Good (1-4)	1,219,723	139,196	-	1,358,919
Satisfactory (5-7)	1,170,475	319,509	-	1,489,984
Default (8-10)	-	-	42,161	42,161
Less: allowance for credit losses	(12,269)	(9,381)	(14,756)	(36,406)
	2,377,929	449,324	27,405	2,854,658

	31 December 2019			
	Stage 1 US$ '000	Stage 2 US$ '000	Stage 3 US$ '000	Total US$ '000
Good (1-4)	2,152,918	68,381	-	2,221,299
Satisfactory (5-7)	737,563	251,652	-	989,215
Default (8-10)	-	-	37,726	37,726
Less: allowance for credit losses	(2,496)	(2,406)	(14,723)	(19,625)
	2,887,985	317,627	23,003	3,228,615

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5 MUDARABA AND MUSHARAKA FINANCING (continued)

5.2 Musharaka financing (continued)

The below table shows the movement in allowance for credit losses by stage:

	31 December 2020			
	Stage 1: 12-month ECL US$ '000	Stage 2: Lifetime ECL not credit-impaired US$ '000	Stage 3: Lifetime ECL credit-impaired US$ '000	Total US$ '000
Balance at 1 January	2,496	2,406	14,723	19,625
Changes due to financing recognised in opening balance that have:				
- transferred to Stage 1	(252)	262	(10)	-
- transferred to Stage 2	(2,581)	2,583	(2)	-
- transferred to Stage 3	(4)	(4)	8	-
Net remeasurement of loss allowance	12,860	4,235	266	17,361
Recoveries / write-backs	-	-	(482)	(482)
Allocation from (to) investment risk reserve	346	(2)	(3)	341
Amounts written off	-	-	-	-
FX translation / others	(596)	(99)	256	(439)
	12,269	9,381	14,756	36,406

	31 December 2019			
	Stage 1: 12-month ECL US$ '000	Stage 2: Lifetime ECL not credit-impaired US$ '000	Stage 3: Lifetime ECL credit-impaired US$ '000	Total US$ '000
Balance at 1 January	2,957	8,138	8,813	19,908
Changes due to receivables recognised in opening balance that have:				
- transferred to Stage 1	86	(74)	(12)	-
- transferred to Stage 2	(58)	59	(1)	-
- transferred to Stage 3	(25)	(6,363)	6,388	-
Net remeasurement of loss allowance	(656)	298	2,416	2,058
Recoveries / write-backs	-	-	(319)	(319)
Allocation from (to) investment risk reserve	105	(7)	3	101
Amounts written off	-	-	(565)	(565)
FX translation / others	87	355	(2,000)	(1,558)
	2,496	2,406	14,723	19,625

Notes to the Consolidated Financial Statements
at 31 December 2020

6. INVESTMENTS

	2020 US$ '000	2019 US$ '000
Equity and debt-type instruments at fair value through statement of income (note 6.1)	234,405	291,611
Equity-type instruments at fair value through equity (note 6.2)	107,971	94,446
Debt-type instruments at amortised cost (note 6.3)	4,533,589	3,235,903
	4,875,965	3,621,960
Investment in real estate (note 6.4)	176,136	206,108
Investment in associates (note 6.5)	45,088	44,470
	5,097,189	3,872,538

6.1 Equity and debt-type instruments at fair value through statement of income

	2020			2019		
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000
Quoted investments						
Debt Instruments	3,308	3,389	6,697	2,939	-	2,939
Equity Securities	221,493	686	222,179	283,976	879	284,855
	224,801	4,075	228,876	286,915	879	287,794
Unquoted investments						
Equity Securities	1,885	3,644	5,529	1,079	2,738	3,817
	1,885	3,644	5,529	1,079	2,738	3,817
	226,686	7,719	234,405	287,994	3,617	291,611

6.2 Equity-type instruments at fair value through equity

	2020			2019		
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000
Quoted investments						
Equity Securities	20,292	30,044	50,336	10,981	28,158	39,139
Managed funds	3,515	4,342	7,857	3,627	4,655	8,282
	23,807	34,386	58,193	14,608	32,813	47,421
Unquoted investments						
Equity Securities	7,216	14,039	21,255	15,749	21,872	37,621
Managed funds	993	34,949	35,942	828	15,386	16,214
	8,209	48,988	57,197	16,577	37,258	53,835
Provisions (note 22)	(6,952)	(467)	(7,419)	(5,082)	(1,728)	(6,810)
	25,064	82,907	107,971	26,103	68,343	94,446

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6. INVESTMENTS (continued)

6.3 Debt-type instruments at amortised cost

	2020			2019		
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000
Quoted investments						
Sukuk and similar items	1,673,465	1,556,333	3,229,798	1,196,959	1,155,569	2,352,528
Unquoted investments						
Sukuk and similar items	119,526	1,192,521	1,312,047	114,511	776,664	891,175
Less: allowance for credit losses	(772)	(7,484)	(8,256)	(785)	(7,015)	(7,800)
	1,792,219	2,741,370	4,533,589	1,310,685	1,925,218	3,235,903

The table below shows the debt type instruments credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and stage classification.

	31 December 2020			
	Stage 1 US$ '000	Stage 2 US$ '000	Stage 3 US$ '000	Total US$ '000
Good (1-4)	3,959,071	-	-	3,959,071
Satisfactory (5-7)	517,658	62,551	-	580,209
Default (8-10)	-	-	2,565	2,565
Less: allowance for credit losses	(4,490)	(1,201)	(2,565)	(8,256)
	4,472,239	61,350	-	4,533,589

	31 December 2019			
	Stage 1 US$ '000	Stage 2 US$ '000	Stage 3 US$ '000	Total US$ '000
Good (1-4)	2,700,451	-	-	2,700,451
Satisfactory (5-7)	530,687	10,000	-	540,687
Default (8-10)	-	-	2,565	2,565
Less: allowance for credit losses	(4,651)	(584)	(2,565)	(7,800)
	3,226,487	9,416	-	3,235,903

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at 31 December 2020

6 INVESTMENTS
6.3 Debt-type instruments at amortised cost (continued)

The below table shows the movement in allowance for credit losses by stage:

	31 December 2020			
	Stage 1: 12-month ECL US$ '000	Stage 2: Lifetime ECL not credit-impaired US$ '000	Stage 3: Lifetime ECL credit-impaired US$ '000	Total US$ '000
Balance at 1 January	4,651	584	2,565	7,800
Changes due to instruments recognised in opening balance that have:				
- transferred to Stage 1	-	-	-	-
- transferred to Stage 2	-	-	-	-
- transferred to Stage 3	-	-	-	-
Net remeasurement of loss allowance	(272)	480	-	208
Allocation from investment risk reserve	54	126	-	180
Recoveries / write-backs	-	-	-	-
Amounts written off during the year	-	-	-	-
FX translation / others	57	11	-	68
	4,490	1,201	2,565	8,256

	31 December 2019			
	Stage 1: 12-month ECL US$ '000	Stage 2: Lifetime ECL not credit-impaired US$ '000	Stage 3: Lifetime ECL credit-impaired US$ '000	Total US$ '000
Balance at 1 January	2,334	2,246	7,022	11,602
Changes due to instruments recognised in opening balance that have:				
- transferred to Stage 1	38	(38)	-	-
- transferred to Stage 2	-	-	-	-
- transferred to Stage 3	-	-	-	-
Net remeasurement of loss allowance	2,103	(189)	408	2,322
Allocation (to) investment risk reserve	(47)	(1,435)	(2,563)	(4,045)
Recoveries / write-backs	-	-	-	-
Amounts written off during the year	-	-	(2,302)	(2,302)
FX translation / others	223	-	-	223
	4,651	584	2,565	7,800

Notes to the Consolidated Financial Statements

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6 INVESTMENTS (continued)

6.4 Investment in real estate

	2020			2019		
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000
Land	3,951	114,316	118,267	4,698	120,754	125,452
Buildings	11,573	46,296	57,869	17,165	63,491	80,656
Net musharaka financing	15,524	160,612	176,136	21,863	184,245	206,108

The following is a reconciliation between carrying amounts of investment in real estate at the beginning and end of the year:

	2020 US$ '000	2019 US$ '000
Beginning balance of the year	206,108	215,530
Acquisitions	3,729	15,584
Net (loss) gain from fair value adjustments	(4,063)	6,075
Disposals	(26,531)	(82)
Transfer	-	(27,178)
Foreign exchange translation / others - net	(3,107)	(3,821)
	(29,972)	(9,422)
Ending balance of the year	176,136	206,108

6.5 Investment in associates

Investment in associates comprise the following:

	2020			
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Market value US$ '000
Quoted associates	-	11,729	11,729	9,742
Unquoted associates	33,359	-	33,359	
	33,359	11,729	45,088	

	2019			
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Market value US$ '000
Quoted associates	-	11,581	11,581	9,026
Unquoted associates	32,889	-	32,889	
	32,889	11,581	44,470	

Notes to the Consolidated Financial Statements
at 31 December 2020

7 IJARAH MUNTAHIA BITTAMLEEK

	2020			2019		
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000
Land and building						
Cost	16,679	1,942,652	1,959,331	23,261	1,914,053	1,937,314
Accumulated depreciation	(114)	(395,219)	(395,333)	(5,205)	(401,518)	(406,723)
Less: allowance for credit losses	(170)	(15,506)	(15,676)	(226)	(11,556)	(11,782)
Net book value	16,395	1,531,927	1,548,322	17,830	1,500,979	1,518,809
Equipment						
Cost	72,853	224,737	297,590	88,154	262,302	350,456
Accumulated depreciation	(24,673)	(70,157)	(94,830)	(40,023)	(74,287)	(114,310)
Less: allowance for credit losses	(431)	(7,712)	(8,143)	(132)	(5,771)	(5,903)
Net book value	47,749	146,868	194,617	47,999	182,244	230,243
Others						
Cost	-	12,780	12,780	-	13,735	13,735
Accumulated depreciation	-	(8,061)	(8,061)	-	(5,929)	(5,929)
Less: allowance for credit losses	-	(31)	(31)	-	(102)	(102)
Net book value	-	4,688	4,688	-	7,704	7,704
TOTAL						
Cost	89,532	2,180,169	2,269,701	111,415	2,190,090	2,301,505
Accumulated depreciation	(24,787)	(473,437)	(498,224)	(45,228)	(481,734)	(526,962)
Less: allowance for credit losses	(601)	(23,249)	(23,850)	(358)	(17,429)	(17,787)
Net book value	64,144	1,683,483	1,747,627	65,829	1,690,927	1,756,756

The table below shows the ijarah muntahia bittamleek credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and stage classification.

	31 December 2020			
	Stage 1 US$ '000	Stage 2 US$ '000	Stage 3 US$ '000	Total US$ '000
Good (1-4)	447,363	6,548	-	453,911
Satisfactory (5-7)	1,051,050	266,465	-	1,317,515
Default (8-10)	-	-	51	51
Less: allowance for credit losses	(2,408)	(21,434)	(8)	(23,850)
	1,496,005	251,579	43	1,747,627

	31 December 2019			
	Stage 1 US$ '000	Stage 2 US$ '000	Stage 3 US$ '000	Total US$ '000
Good (1-4)	459,419	7,331	-	466,750
Satisfactory (5-7)	934,002	373,791	-	1,307,793
Default (8-10)	-	-	-	-
Less: allowance for credit losses	(4,627)	(13,160)	-	(17,787)
	1,388,794	367,962	-	1,756,756

Notes to the Consolidated Financial Statements

at 31 December 2020

7 IJARAH MUNTAHIA BITTAMLEEK (continued)

The below table shows the movement in allowance for credit losses by stage:

	31 December 2020			
	Stage 1: 12-month ECL US$ '000	Stage 2: Lifetime ECL not credit-impaired US$ '000	Stage 3: Lifetime ECL credit-impaired US$ '000	Total US$ '000
Balance at 1 January	4,627	13,160	-	17,787
Changes due to ijarah muntahia bittamleek recognised in opening balance that have:				
- transferred to Stage 1	(8)	-	8	-
- transferred to Stage 2	-	-	-	-
- transferred to Stage 3	-	-	-	-
Net remeasurement of loss allowance	(1,820)	9,918	-	8,098
FX translation / others	(391)	(1,644)	-	(2,035)
	2,408	21,434	8	23,850

	31 December 2019			
	Stage 1: 12-month ECL US$ '000	Stage 2: Lifetime ECL not credit-impaired US$ '000	Stage 3: Lifetime ECL credit-impaired US$ '000	Total US$ '000
Balance at 1 January	3,999	14,587	-	18,586
Changes due to ijarah muntahia bittamleek recognised in opening balance that have:				
- transferred to Stage 1	(11)	11	-	-
- transferred to Stage 2	-	-	-	-
- transferred to Stage 3	-	-	-	-
Net remeasurement of loss allowance	705	(1,293)	-	(588)
FX translation / others	(66)	(145)	-	(211)
	4,627	13,160	-	17,787

Notes to the Consolidated Financial Statements

at 31 December 2020

8 PROPERTY AND EQUIPMENT

	Buildings US$ '000	Lands US$ '000	Office furniture and equipment US$ '000	Vehicles US$ '000	Others US$ '000	Total US$ '000
Cost:						
At 1 January 2019	225,233	147,018	218,198	10,307	50,229	650,985
Additions	22,492	13,715	17,453	2,350	38,493	94,503
Disposals	(11,398)	-	(5,730)	(994)	(13,068)	(31,190)
Foreign exchange translations	(268)	361	(1,489)	240	(1,104)	(2,260)
At 31 December 2019	236,059	161,094	228,432	11,903	74,550	712,038
Additions	22,480	19,968	22,004	1,496	30,631	96,579
Disposals	(7,781)	-	(3,087)	(961)	(5,154)	(16,983)
Foreign exchange translations	(8,298)	(11,119)	(7,999)	(1,181)	(14,123)	(42,720)
At 31 December 2020	**242,460**	**169,943**	**239,350**	**11,257**	**85,904**	**748,914**
Depreciation:						
At 1 January 2019	61,517	-	160,926	4,640	17,338	244,421
Charged during the year (note 20)	8,513	-	19,123	1,130	3,271	32,037
Relating to disposals	(10,632)	-	(2,424)	(427)	(4,664)	(18,147)
Foreign exchange translations	(380)	-	(544)	16	(396)	(1,304)
At 31 December 2019	59,018	-	177,081	5,359	15,549	257,007
Charged during the year (note 20)	7,835	-	18,376	888	3,716	30,815
Relating to disposals	(74)	-	(2,760)	(86)	(461)	(3,381)
Foreign exchange translations	(5,048)	-	(5,999)	(382)	(2,670)	(14,099)
At 31 December 2020	**61,731**	**-**	**186,698**	**5,779**	**16,134**	**270,342**
Net book values:						
At 31 December 2020	**180,729**	**169,943**	**52,652**	**5,478**	**69,770**	**478,572**
At 31 December 2019	177,041	161,094	51,351	6,544	59,001	455,031

9. OTHER ASSETS

	2020 US$'000	2019 US$'000
Bills receivables	**297,067**	199,615
Goodwill and intangible assets (note 9 (a))	**75,788**	75,082
Collateral pending sale	**176,126**	220,610
Good faith qard	**115,012**	30,177
Deferred taxation	**60,284**	62,850
Prepayments	**25,606**	68,622
Others	**39,684**	29,953
	789,567	686,909
Less: impairment / allowance for credit losses	**(25,051)**	(23,181)
	764,516	663,728

Notes to the Consolidated Financial Statements

at 31 December 2020

9 OTHER ASSETS (continued)

9 (a) Goodwill and intangible assets

	2020			2019		
	Goodwill US$ '000	Intangible assets US$ '000	Total US$ '000	Goodwill US$ '000	Intangible assets US$ '000	Total US$ '000
At 1 January	51,360	23,722	75,082	53,325	22,598	75,923
Additions	117	14,603	14,720	705	9,963	10,668
Amortisation charge for the year (note 20)	-	(8,776)	(8,776)	-	(8,486)	(8,486)
Impairment loss for the year	(2,500)	-	(2,500)	-	-	-
Foreign exchange translations	(2,173)	(565)	(2,738)	(2,670)	(353)	(3,023)
At 31 December	46,804	28,984	75,788	51,360	23,722	75,082

Goodwill acquired through business combinations with indefinite lives have been allocated to four individual cash-generating units. The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	2020 US$ '000	2019 US$ '000
Al Baraka Turk Participation Bank	5,107	9,298
Al Barak Bank Egypt	1,001	914
Jordan Islamic Bank	26,646	26,646
Al Baraka Bank (Pakistan) Limited	14,050	14,502
	46,804	51,360

The recoverable amounts of the cash-generating units were determined based on value in use calculation using cash flow projections from financial budgets approved by the Group's senior management covering a five year period. Management determined budgeted spreads based on the cash-generating units' past performance and its expectation of market development.

10. LONG TERM FINANCING

	2020 US$ '000	2019 US$ '000
Murabaha financing	35,787	99,841
Subordinated financing obtained by a subsidiary	283,577	279,428
	319,364	379,269

11. OTHER LIABILITIES

	2020 US$ '000	2019 US$ '000
Payables	614,611	517,130
Cash margins	236,028	224,177
Managers' cheques	102,106	94,500
Current taxation *	80,612	74,885
Deferred taxation *	11,368	6,698
Accrued expenses	99,712	97,931
Charity fund	30,077	36,645
Others	80,646	23,097
Allowance for credit losses on unfunded exposures	86,516	23,137
	1,341,676	1,098,200

* In view of the operations of the Group being subject to various tax jurisdictions and regulations, it is not practical to provide a reconciliation between the accounting and taxable profits together with details of effective tax rates.

Notes to the Consolidated Financial Statements

at 31 December 2020

12 EQUITY OF INVESTMENT ACCOUNTHOLDERS (IAH)

	2020 US$ '000	2019 US$ '000
Equity of investment accountholders *	15,152,840	15,063,854
Profit equalisation reserve (note 12.1)	6,345	7,400
Investment risk reserve (note 12.2)	65,202	77,199
Cumulative changes in fair value attributable to equity of investment accountholders - net (note 12.3)	5,802	7,423
	15,230,189	15,155,876

* Medium term Sukuk

This includes unsecured, sub-ordinated and privately placed unrestricted mudaraba sukuk amounting to US$ 12,883 thousand (2019: US$ 14,667 thousand) issued by Al Baraka Bank (Pakistan) Limited (ABPL) during 2014. The issuance of sukuk is intended to comply with regulatory requirements related to capital adequacy ratio of ABPL. The tenure of the sukuk is seven years maturing in 2021. The principal repayment, started after six months of the drawdown date and is being made semi-annually on a straight line basis.

12.1 Profit equalisation reserve

The following shows the movement in profit equalisation reserve:

	2020 US$ '000	2019 US$ '000
Balance at 1 January	7,400	5,320
Amount apportioned from income allocable to equity of investment accountholders	2,423	(962)
Amount used during the year	(2,582)	(21)
Foreign exchange translations	(896)	3,063
Balance at 31 December	6,345	7,400

12.2 Investment risk reserve

The following shows the movement in investment risk reserve:

	2020 US$ '000	2019 US$ '000
Balance at 1 January	77,199	104,005
Amount appropriated to provision (note 22)	(20,201)	(1,771)
Amount apportioned from income allocable to equity of investment accountholders	8,469	(24,616)
Foreign exchange translations	(265)	(419)
Balance at 31 December	65,202	77,199

12.3 Movement in cumulative changes in fair value attributable to equity of investment accountholders - net

	2020 US$ '000	2019 US$ '000
Balance at 1 January	7,423	8,229
Change in fair values during the year	(1,215)	(274)
Realised gain transferred to consolidated statement of income	(157)	(160)
Deferred taxation effect	521	165
Transfer to shareholders equity	(770)	(537)
Balance at 31 December	5,802	7,423
Attributable to investment in real estate	8,591	11,137
Attributable to equity-type instruments at fair value through equity	(2,789)	(3,714)
	5,802	7,423

Notes to the Consolidated Financial Statements

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13 OWNERS' EQUITY

	2020 US$ '000	2019 US$ '000
Share capital		
Authorised: 2,500,000,000 (2019: 2,500,000,000) ordinary shares of US$ 1 each	**2,500,000**	2,500,000
Issued and fully paid up:		
At beginning of the year		
1,242,879,755 (2019: 1,242,879,755) shares of US$1 each	**1,242,879**	1,242,879
At end of the year		
1,242,879,755 (2019: 1,242,879,755) shares of US$1 each	**1,242,879**	1,242,879

Treasury shares

	Number of shares ('000)	2020 US$ '000	2019 US$ '000
At 1 January	**8,308**	**8,308**	9,203
Purchase of treasury shares	**24,676**	**9,636**	230
Sale of treasury shares	**(482)**	**(482)**	(1,125)
At 31 December	**35,502**	**17,462**	8,308

The market value of the treasury shares is US$ 8,386 thousand (2019: US$ 2,575 thousand) and it represents 0.7% (2019: 0.7%) of the outstanding shares.

Additional information on shareholding pattern

i) Names and nationalities of the major shareholders and the number of shares in which they have an interest of 5% or more of outstanding shares:

At 31 December 2020

Names	Nationality/ Incorporation	Number of shares	% holding
Late Saleh Abdullah Kamel	Saudi	**374,236,973**	**30.11%**
Dallah Albaraka Holding Company E.C.	Bahrain	**306,194,694**	**24.64%**
Altawfeek Company For Investment Funds	Cayman Island	**240,173,054**	**19.32%**
Abdulla AbdulAziz AlRajihi	Saudi	**87,313,197**	**7.03%**

At 31 December 2019

Names	Nationality/ Incorporation	Number of shares	% holding
Late Saleh Abdullah Kamel	Saudi	374,236,973	30.11%
Dallah Albaraka Holding Company E.C.	Bahrain	306,194,694	24.64%
Altawfeek Company For Investment Funds	Cayman Island	240,173,054	19.32%
Abdulla AbdulAziz AlRajihi	Saudi	87,313,197	7.03%

ii) The Bank has only one class of shares and the holders of these shares have equal voting rights.

Notes to the Consolidated Financial Statements
at 31 December 2020

13 OWNERS' EQUITY (continued)

Additional information on shareholding pattern (continued)

iii) Distribution schedule of shares, setting out the number and percentage of holders in the following categories:

At 31 December 2020

Categories:	Number of shares	Number of shareholders	% of total outstanding shares
Less than 1%	104,768,232	1,101	8.43%
1% up to less than 5%	130,193,605	5	10.47%
5% up to less than 10%	87,313,197	1	7.03%
10% up to less than 20%	240,173,054	1	19.32%
20% up to less than 50%	680,431,667	2	54.75%
	1,242,879,755	1,110	100.00%

At 31 December 2019

Categories:	Number of shares	Number of shareholders	% of total outstanding shares
Less than 1%	104,768,232	1,097	8.43%
1% up to less than 5%	130,193,605	5	10.47%
5% up to less than 10%	87,313,197	1	7.03%
10% up to less than 20%	240,173,054	1	19.32%
20% up to less than 50%	680,431,667	2	54.75%
	1,242,879,755	1,106	100.00%

a. Share premium/Equity transaction cost

Amounts collected in excess of the par value of the issued share capital during any new issue of shares, net of issue costs, are treated as share premium. This amount is not available for distribution, but can be utilised as stipulated in the Bahrain Commercial Companies Law (BCCL).

Equity transaction cost, represent costs incurred by the Bank that are directly related to raising capital and have been incurred in cash.

b. Statutory reserve

In accordance with the BCCL and the Bank's articles of association, 10% of the parent's share of the net income for the year is transferred to the statutory reserve until such time as the reserve reaches 50% of the Bank's paid-up share capital. The reserve is not distributable except in such circumstances as stipulated in the Bahrain Commercial Companies Law. During the year US$ 6,658 thousand (2019: US$ 10,567 thousand) was transferred to statutory reserve.

c. Cumulative changes in fair values

This represents the net unrealised fair value gains and losses relating to the equity of the parent on equity-type instruments at fair value through equity, investment in real estate and land occupied by the Group (classified as property and equipment).

d. Foreign currency translations

The foreign currency translations are used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. The following table summarises the subsidiary wise foreign currency translation reserve as at 31 December:

Subsidiary	Currency	2020 US$ '000	2019 US$ '000
Banque Al Baraka D'Algerie (BAA)	Algerian Dinar	68,594	57,159
Al Baraka Bank (Pakistan) Limited	Pakistani Rupees	31,499	30,006
Al Baraka Bank Egypt (ABE)	Egyptian Pound	117,960	121,363
Al Baraka Turk Participation Bank (ATPB)	Turkish Lira	392,992	373,936
Al Baraka Bank Limited (ABL)	South African Rand	19,637	18,593
Al Baraka Bank Sudan (ABS)	Sudanese Pound	91,312	85,822
Al Baraka Bank Tunis (ABT)	Tunisian Dinar	28,677	31,437
Al Baraka Bank Syria (ABBS)	Syrian Pound	50,480	33,534
BTI Bank	Moroccan Dirham	(662)	218
		800,489	752,068

Notes to the Consolidated Financial Statements

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13 OWNERS' EQUITY (continued)

e. Other reserves

Other reserves mainly consist of general banking risk reserves maintained by the subsidiaries in accordance with local regulations.

f. Zakah paid on behalf of shareholders

The General Assembly in its annual meeting conducted on 20 March 2020 empowered the Executive Management of Al Baraka Banking Group to pay an amount of US$ 1,656 thousand as Zakah on behalf of the shareholders deducted from the retained earnings for the financial year of 2019. The Group has paid and distributed an amount of US$ 1,421 thousand to those who's entitled to receive Zakah as per Shari'a boundaries and as approved by the Unified Shari'a Board. The remaining amount of US$ 235 thousands has been allocated to be paid maximum by end of first quarter of 2021.

	2020 US$ '000	2019 US$ '000
Zakah to be paid on behalf of shareholders for the year	1,656	2,235
Uses of Zakah:		
Zakah for the poor and needy	751	1,007
Zakah for new converts to islam	20	58
Scholarships	650	800
Total uses	1,421	1,865
Remaining Zakah to be paid	235	370

g. Proposed Appropriations

	2020 US$ '000	2019 US$ '000
Cash dividend 0% (2019: 2%)	-	24,858
	-	24,858

The above proposed appropriations exclude appropriations to the statutory reserve as mentioned above and will be submitted for formal approval at the Annual General Meeting subject to regulatory approval.

The Bank declare a cash dividend of US$ nil per issued share (2019: cash dividened of US$ 0.02 per issued share and no bonus shares). This will be submitted for formal approval at the Annual General Meeting subject to regulatory approval.

The proposed appropriations for the year 2019 was approved at the Annual General Meeting on 21 March 2020 and was effected in 2020 following the approval.

h. Net movement in non-controlling interest

This mainly includes the effect of changes in capital of subsidiaries, buying (selling) by the non-controlling interest from (to) the Group.

14. PERPETUAL TIER 1 CAPITAL

On 31 May 2017, the Bank completed an issuance of US$ 400 million Additional Tier 1 Mudaraba Sukuk in compliance with CBB regulations; listed on Irish Stock Exchange. Profit shall be payable subject to and in accordance with terms and conditions on the outstanding nominal amount of the Sukuk at an expected profit of 7.875% per annum, payable on semi-annual basis. These Sukuks are recognised under equity in the consolidated statement of financial position and the corresponding profit payable on those Sukuk are accounted as appropriation of profits. Expenses relating to the issuance have been included in the retained earnings. As per the terms and conditions, the Sukuk holders will not have a right to claim the profit and such event of non-payment of profit will not be considered as event of default.

Notes to the Consolidated Financial Statements

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15 NET INCOME FROM JOINTLY AND SELF FINANCED CONTRACTS AND INVESTMENTS

	2020 US$ '000	2019 US$ '000
Receivables (note 15.1)	924,381	998,512
Mudaraba and Musharaka financing (note 15.2)	180,308	304,126
Investments (note 15.3)	435,390	319,227
Ijarah Muntahia Bittamleek (note 15.4)	104,300	109,305
Others	2,226	914
	1,646,605	1,732,084
Net income from jointly financed contracts and investments	1,285,391	1,391,699
Gross income from self financed contracts and investments	361,214	340,385
	1,646,605	1,732,084
Gross income from self financed contracts and investments	361,214	340,385
Profit paid on short term financing	(96,139)	(123,402)
Net income from self financed contracts and investments	265,075	216,983

15.1 Receivables

	2020 US$ '000	2019 US$ '000
Sales (Murabaha) receivables	889,571	968,863
Salam receivables	16,727	17,215
Istisna'a receivables	18,083	12,434
	924,381	998,512

15.2 Mudaraba and Musharaka financing

	2020 US$ '000	2019 US$ '000
Mudaraba financing	121,292	233,524
Musharaka financing	59,016	70,602
	180,308	304,126

15.3 Investments

	2020 US$ '000	2019 US$ '000
Equity-type instruments at fair value through equity	3,560	4,513
Debt-type instruments at amortised cost	394,642	282,737
Unrealised loss on equity and debt-type instruments at fair value through statement of income	24,705	21,952
Gain (loss) on sale of equity-type instruments at fair value through equity	1,076	(654)
Gain on sale of equity and debt-type instruments at fair value through statement of income	3,664	3,874
(Loss) income from investment in real estate	(609)	556
Income from associates	5,049	5,818
Gain on sale of investment in real estate	3,303	431
	435,390	319,227

Notes to the Consolidated Financial Statements
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15 NET INCOME FROM JOINTLY AND SELF FINANCED CONTRACTS AND INVESTMENTS (continued)

15.4 Ijarah Muntahia Bittamleek

	2020 US$ '000	2019 US$ '000
Income from Ijarah Muntahia Bittamleek	**316,051**	304,599
Depreciation on Ijarah Muntahia Bittamleek	**(211,751)**	(195,294)
	104,300	109,305

16. GROUP'S SHARE AS A MUDARIB

Group's share as a Mudarib is determined at the level of each subsidiary and is based on the terms and conditions of the related agreements.

17. OTHER FEES AND COMMISSION INCOME

	2020 US$ '000	2019 US$ '000
Banking fees and commissions	**126,555**	131,469
Letters of credit	**31,181**	15,748
Guarantees	**24,793**	27,869
Acceptances	**5,445**	6,730
	187,974	181,816

18. OTHER OPERATING INCOME

	2020 US$ '000	2019 US$ '000
Foreign exchange gain*	**122,593**	88,658
Gain on sale of property and equipment	**10,484**	7,194
	133,077	95,852

* An amount of US$ 37 million is related to foreign currency revaluation gain from subsidiaries.

19. PROFIT PAID ON LONG TERM FINANCING

	2020 US$ '000	2019 US$ '000
Murabaha financing	**4,255**	5,540
Subordinated financing obtained by a subsidiary	**28,353**	28,427
Wakala	**1,791**	12,990
	34,399	46,957

20. DEPRECIATION AND AMORTISATION

	2020 US$ '000	2019 US$ '000
Property and equipment depreciation (note 8)	**30,815**	32,037
Intangible assets amortisation (note 9 (a))	**8,776**	8,486
	39,591	40,523

21. OTHER OPERATING EXPENSES

	2020 US$ '000	2019 US$ '000
General and administration expenses	**133,458**	114,877
Professional and business expenses	**29,145**	32,510
Premises related expenses	**49,502**	54,957
	212,105	202,344

Notes to the Consolidated Financial Statements
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22 NET ALLOWANCE FOR CREDIT LOSSES / IMPAIRMENT

2020	Cash and balances with banks US$ '000 (note 3)	Sales (Murabaha) receivables US$ '000 (note 4.1)	Ijarah receivables US$ '000 (note 4.2)	Salam receivables US$ '000 (note 4.3)	Istisna'a receivables US$ '000 (note 4.4)	Mudaraba financing US$ '000 (note 5.1)	Musharaka financing US$ '000 (note 5.2)	Investments US$ '000 (note 6.2 & 6.3)	Ijarah Muntahia Bittamleek US$ '000 (note 7)	Other assets US$ '000 (note 9)	Other liabilities US$ '000 (note 11)	Total US$ '000
Allowance at 31 December	3,685	519,229	34,452	12,441	4,960	6,831	12,794	14,610	17,787	23,181	23,137	673,107
Charged during the year	52	228,572	22,939	4,547	4,787	7,015	10,346	1,569	8,098	2,399	57,126	347,450
Written back/recovered during the year	-	(52,658)	(3,886)	(985)	(5)	-	(482)	(701)	-	(12)	(2,706)	(61,435)
	52	175,914	19,053	3,562	4,782	7,015	9,864	868	8,098	2,387	54,420	286,015
	3,737	695,143	53,505	16,003	9,742	13,846	22,658	15,478	25,885	25,568	77,557	959,122
Written off during the year	-	(13,185)	-	-	-	-	-	-	-	-	-	(13,185)
Amount appropriated from investment risk reserve (note 12.2)	-	17,400	645	-	1,635	-	341	180	-	-	-	20,201
Foreign exchange translations/others - net	-	(22,448)	(2,175)	(817)	(213)	772	(1,211)	17	(2,035)	(517)	8,959	(19,668)
Allowance at 31 December	3,737	676,910	51,975	15,186	11,164	14,618	21,788	15,675	23,850	25,051	86,516	946,470

During the year, an impairment loss of US$ 4,106 thousand (2019: US$ 155 thousand) was charged against investments and goodwill.

An amount of US$ 7,419 thousand (2019: US$ 6,810 thousand) is related to provision of equity type instrumnets at fair value through equity.

2019	Cash and balances with banks US$ '000 (note 3)	Sales (Murabaha) receivables US$ '000 (note 4.1)	Ijarah receivables US$ '000 (note 4.2)	Salam receivables US$ '000 (note 4.3)	Istisna'a receivables US$ '000 (note 4.4)	Mudaraba financing US$ '000 (note 5.1)	Musharaka financing US$ '000 (note 5.2)	Investments US$ '000 (note 6.2 & 6.3)	Ijarah Muntahia Bittamleek US$ '000 (note 7)	Other assets US$ '000 (note 9)	Other liabilities US$ '000 (note 11)	Total US$ '000
Allowance at 1 January	65	521,619	33,217	7,724	3,943	7,204	12,704	18,010	18,586	58,516	22,395	703,983
Charged during the year	990	137,660	12,311	6,586	1,730	431	1,627	3,026	(588)	5,856	1,638	171,267
Written back during the year	-	(41,431)	(3,012)	(1,464)	(143)	-	(319)	-	-	(1,554)	(1,708)	(49,631)
	990	96,229	9,299	5,122	1,587	431	1,308	3,026	(588)	4,302	(70)	121,636
	1,055	617,848	42,516	12,846	5,530	7,635	14,012	21,036	17,998	62,818	22,325	825,619
Written off during the year	-	(104,833)	(8,387)	-	-	-	(565)	(2,302)	-	(18)	-	(116,105)
Amount appropriated from investment risk reserve (note 12.2)	-	5,152	843	-	(278)	-	101	(4,047)	-	-	-	1,771
Foreign exchange translations/others - net	2,630	1,062	(520)	(405)	(292)	(804)	(754)	(77)	(211)	(39,619)	812	(38,178)
Allowance at 31 December	3,685	519,229	34,452	12,441	4,960	6,831	12,794	14,610	17,787	23,181	23,137	673,107

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22 NET ALLOWANCE FOR CREDIT LOSSES / IMPAIRMENT (continued)

2020	Cash and balances with banks US$ '000 (note 3)	Sales (Murabaha) receivables US$ '000 (note 4.1)	Ijarah receivables US$ '000 (note 4.2)	Salam receivables US$ '000 (note 4.3)	Istisna'a receivables US$ '000 (note 4.4)	Mudaraba financing US$ '000 (note 5.1)	Musharaka financing US$ '000 (note 5.2)	Investments US$ '000 (note 6.2 & 6.3)	Ijarah Muntahia Bittamleek US$ '000 (note 7)	Other assets US$ '000 (note 9)	Other liabilities US$ '000 (note 11)	Total US$ '000
Middle East	3,677	340,437	11,738	-	2,007	14,618	1,439	10,872	-	21,365	78,393	484,546
North Africa	60	30,708	37,555	6,710	977	-	1,210	1,510	23,112	1,847	3,215	106,904
Europe	-	280,487	-	-	-	-	8,431	8	711	756	4,725	295,118
Others	-	25,278	2,682	8,476	8,180	-	10,708	3,285	27	1,083	183	59,902
Total	**3,737**	**676,910**	**51,975**	**15,186**	**11,164**	**14,618**	**21,788**	**15,675**	**23,850**	**25,051**	**86,516**	**946,470**
2019												
Middle East	3,664	259,583	8,834	-	371	6,831	3,852	9,716	-	18,895	16,881	328,627
North Africa	21	27,506	22,829	5,295	793	-	715	1,006	17,374	1,835	2,958	80,332
Europe	-	209,099	-	-	-	-	-	222	369	1,324	3,140	214,154
Others	-	23,041	2,789	7,146	3,796	-	8,227	3,666	44	1,127	158	49,994
Total	3,685	519,229	34,452	12,441	4,960	6,831	12,794	14,610	17,787	23,181	23,137	673,107

The fair value of collateral the Group holds relating to non-performing facilities as at 31 December 2020 amounts to US$ 588.7 million (2019: US$ 684.5 million). The collateral consists of cash margin, securities and properties. The utilisation of the collaterals will be on customer by customer basis and will be limited to the customer's total exposure.

23. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share amounts are calculated by dividing net income for the year attributable to equity holders of the parent by the weighted average number of shares outstanding during the year as follows:

	2020	2019
Net income attributable to the equity shareholders of the parent for the year - US$ '000	**66,580**	105,672
Less: Profit distributed on perpetual tier 1 capital	**(31,500)**	(31,500)
	35,080	74,172
Number of shares outstanding at the beginning of the year (in thousands)	**1,242,879**	1,242,879
Treasury shares effect (in thousands)	**(32,502)**	(8,754)
Weighted average number of shares outstanding at the end of the year (in thousands)	**1,210,377**	1,234,125
Earnings per share - US cents	**2.90**	6.01

24. CASH AND CASH EQUIVALENTS

	2020 US$ '000	2019 US$ '000
Balances with central banks excluding mandatory reserve	**1,440,939**	1,492,404
Balances with other banks	**497,408**	707,214
Cash and cash in transit	**839,830**	726,567
	2,778,177	2,926,185

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25. RELATED PARTY TRANSACTIONS

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

The income and expenses in respect of related parties were as follows:

	Associated companies US$ '000	Major shareholders US$ '000	Directors and key management personnel US$ '000	Other related parties US$ '000	2020 US$ '000	2019 US$ '000
Net income from jointly financed contracts and investments	2,921	-	20	-	2,941	2,868
Return on equity of investment accountholders	221	2,874	615	-	3,710	1,735
Other fees and commission income	444	-	-	-	444	2,319

Compensation of key management personnel of the Bank, included in consolidated statement of income, is as follows:

	2020 US$ '000	2019 US$ '000
Short term benefits	7,415	8,851
Long term benefits	927	1,559

Short term benefits includes basic salaries, bonuses, allowances and other benefits paid during the year and long term benefits includes indemnity, social insurance benefits and investment scheme.

Director's remuneration accrued for the year ended 31 December 2020 amounted to US$ 1.5 million (2019: US$ 1.5 million).

The balances with related parties at 31 December were as follows:

	Associated companies US$ '000	Major shareholders US$ '000	Directors and key management personnel US$ '000	Other related parties US$ '000	2020 US$ '000	2019 US$ '000
Assets:						
Receivables	5,779	-	261	-	6,040	2,441
Mudaraba and Musharaka financing	-	-	1,717	-	1,717	1,656
Investments	16,808	-	-	-	16,808	15,783
Ijarah Muntahia Bittamleek	-	-	-	-	-	62
Other assets	156	-	417	-	573	2,154
Liabilities:						
Customer current and other accounts	2,335	8,342	2,371	4	13,052	34,534
Due to banks	-	579	-	-	579	7
Other liabilities	-	-	-	49	49	8
Equity of investment accountholders	8,927	1,777	18,250	-	28,954	24,347
Off-balance sheet equity of investment accountholders	12,371	11,280	1,128	-	24,779	47,366

All related party exposures are performing and are free of any provision for possible credit losses.

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25. RELATED PARTY TRANSACTIONS (Continued)

Details of Directors' and Executive Management's direct and indirect interests in the Bank's shares as at the end of the year were:

			2020	Transaction
Name of directors	**Position**	**Nationality**	**Number of shares**	**Number of shares**
Abdulla Saleh Kamel	**Chairman - elected on June 2020**	**Saudi**	**338,598**	**-**
AbdulElah Sabbahi	**Board Member**	**Saudi**	**225,899**	**-**
Fahad AlRajhi	**Board Member**	**Saudi**	**10,815**	**-**

			2019	Transaction
Name of directors	Position	Nationality	Number of shares	Number of shares
Late Saleh Abdulla Kamel	Chairman	Saudi	680,431,667	-
Abdulla Saleh Kamel	Chairman - elected on June 2020	Saudi	338,598	-
Abdulla Ammar Saudi	Vice Chairman	Bahraini	666,350	-
Mohydin Saleh Kamel	Board Member	Saudi	707,976	-
AbdulElah Sabbahi	Board Member	Saudi	225,899	-
Adnan Ahmed Yousif	Board Member (President & Chief Executive)*	Bahraini	362	-
Abdulrahman Shehab	Executive Vice President, Head of Operations and Administration*	Bahraini	339,231	-

* Retired on 31 December 2020

26. COMMITMENTS AND CONTINGENCIES

	2020 US$ '000	2019 US$ '000
Letters of credit	**645,083**	635,669
Guarantees	**1,832,887**	2,027,755
Acceptances	**104,947**	111,075
Undrawn commitments	**890,708**	874,750
Shari'a compliant promise contracts	**869,261**	84,641
	4,342,886	3,733,890

27. SEGMENTAL ANALYSIS

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

For financial reporting purposes, the Group is divided into the following geographic segments:

- Middle East
- North Africa
- Europe
- Others

The results reported for the geographic segments are based on the Group's internal financial reporting systems. The accounting policies of the segments are the same as those applied in the preparation of the Group's consolidated financial statements as set out in Note 2. Transactions between segments are conducted at estimated market rates on an arm's length basis.

No business segment are presented as that is not applicable to the Group.

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27. SEGMENTAL ANALYSIS (Continued)

Segment assets, liabilities and equity of investment accountholders were as follows:

	2020			2019		
Segment	Assets US$ '000	Liabilities US$ '000	IAH US$ '000	Assets US$ '000	Liabilities US$ '000	IAH US$ '000
Middle East	13,891,840	3,430,814	9,130,834	13,147,200	3,183,416	8,602,235
North Africa	2,631,510	1,446,142	899,172	2,711,726	1,412,977	992,650
Europe	9,256,366	4,965,210	3,870,198	8,509,482	3,654,755	4,361,686
Others	2,470,283	955,250	1,329,985	1,890,123	528,317	1,199,305
	28,249,999	10,797,416	15,230,189	26,258,531	8,779,465	15,155,876

Segment operating income, net operating income and net income were as follows:

	2020			2019		
Segment	Total operating income US$ '000	Net operating income US$ '000	Net income US$ '000	Total operating income US$ '000	Net operating income US$ '000	Net income US$ '000
Middle East	557,179	304,659	77,812	491,027	245,515	118,293
North Africa	126,688	62,264	18,339	145,346	77,421	46,888
Europe	325,800	152,825	36,990	242,382	52,028	2,469
Others	130,082	59,682	32,748	88,642	24,275	12,516
	1,139,749	579,430	165,889	967,397	399,239	180,166

28. RISK MANAGEMENT

Risk management is an integral part of the Group's decision-making process. The management risk committee and executive committees guide and assist with overall management of the Group's balance sheet risks. The Group manages exposures by setting limits approved by the Board of Directors. These risks and the processes to mitigate these risks have not significantly altered from the previous year.

The most important types of risk are liquidity risk, credit risk, concentration risk, market risk and other operational risk. Market risk includes profit rate risk, equity price risk and foreign exchange risk.

a) Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on regular basis. Each of the Group's subsidiaries has a documented and implemented domestic and foreign currency liquidity policy appropriate to the nature and complexity of its business. The policy addresses the subsidiaries' goal of protecting financial strength even for stressful events.

The table next page summarises the maturity profile of the Group's assets and liabilities based on contractual repayment arrangements. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the financial position date to the contractual maturity date and do not take account of the effective maturities as indicated by the Group's retention history of its investment account holders and the availability of bank lines.

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28. RISK MANAGEMENT (Continued)

a) Liquidity risk (Continued)

The maturity profile at 31 December 2020 was as follows:

	Up to 1 month US$ '000	1 to 3 months US$ '000	3 to 6 months US$ '000	6 months to 1 year US$ '000	1 to 3 years US$ '000	3 to 5 years US$ '000	5 to 10 years US$ '000	10 to 20 years US$ '000	20 years and above US$ '000	Undated US$ '000	Total US$ '000
Assets											
Cash and balances with banks	4,002,827	11,625	8,709	-	451,964	8,770	-	-	-	877,549	5,361,444
Receivables	1,739,016	1,458,536	1,467,365	1,743,098	2,514,567	2,282,171	650,300	83,788	7,152	-	11,945,993
Mudaraba and Musharaka financing	1,596,182	8,173	81,358	20,771	577,180	373,274	68,310	128,220	1,190	-	2,854,658
Investments	369,294	491,021	615,995	582,046	1,394,276	878,468	538,437	930	2,166	224,556	5,097,189
Ijarah Muntahia Bittamleek	35,586	39,018	79,764	116,590	313,724	288,946	440,493	405,320	28,186	-	1,747,627
Property and equipment	-	-	-	-	-	-	-	-	-	478,572	478,572
Other assets	125,737	30,988	101,532	52,423	196,464	39,907	8,841	1,686	-	206,938	764,516
Total assets	7,868,642	2,039,361	2,354,723	2,514,928	5,448,175	3,871,536	1,706,381	619,944	38,694	1,787,615	28,249,999
Liabilities											
Customer current and other accounts	6,204,996	278,473	224,936	171,399	211,197	159,661	257,682	-	-	-	7,508,344
Due to banks	884,190	391,828	105,265	109,799	136,950	-	-	-	-	-	1,628,032
Long term financing	21,165	15,260	7,081	1,726	10,161	17,977	245,994	-	-	-	319,364
Other liabilities	687,828	95,083	131,838	65,096	22,311	90,328	208	-	-	248,984	1,341,676
Total liabilities	7,798,179	780,644	469,120	348,020	380,619	267,966	503,884	-	-	248,984	10,797,416
Equity of investment accountholders	5,709,229	1,799,658	825,006	1,582,718	2,856,958	860,371	1,504,637	91,612	-	-	15,230,189
Total liabilities and equity of investment accountholders	13,507,408	2,580,302	1,294,126	1,930,738	3,237,577	1,128,337	2,008,521	91,612	-	248,984	26,027,605
Net liquidity gap	(5,638,766)	(540,941)	1,060,597	584,190	2,210,598	2,743,199	(302,140)	528,332	38,694	1,538,631	2,222,394
Cumulative net liquidity gap	(5,638,766)	(6,179,707)	(5,119,110)	(4,534,920)	(2,324,322)	418,877	116,737	645,763	683,763	2,222,394	
Off-balance sheet equity of investment accountholders	79,005	258,075	149,759	681,955	97,501	152,295	116,390	7,695	39,235	-	1,581,910

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28. RISK MANAGEMENT (Continued)

a) Liquidity risk (Continued)

The maturity profile at 31 December 2019 was as follows:

	Up to 1 month US$ '000	1 to 3 months US$ '000	3 to 6 months US$ '000	6 months to 1 year US$ '000	1 to 3 years US$ '000	3 to 5 years US$ '000	5 to 10 years US$ '000	10 to 20 years US$ '000	20 years and above US$ '000	Undated US$ '000	Total US$ '000
Assets											
Cash and balances with banks	4,183,191	7,835	10,597	20,000	391,168	9,807	-	-	-	764,328	5,386,926
Receivables	1,803,083	864,854	1,246,223	1,498,193	2,524,020	1,943,389	744,506	266,606	4,063	-	10,894,937
Mudaraba and Musharaka financing	1,933,154	9,792	16,211	26,693	667,145	430,979	121,026	23,463	-	152	3,228,615
Investments	224,330	169,914	390,586	339,534	1,170,147	621,021	406,004	(61,696)	-	612,698	3,872,538
Ijarah Muntahia Bittamleek	44,643	34,523	86,317	120,988	433,509	285,874	421,193	309,765	19,944	-	1,756,756
Property and equipment	-	-	-	-	-	-	-	-	-	455,031	455,031
Other assets	147,697	21,990	43,897	91,556	27,306	63,087	4,650	1,539	-	262,006	663,728
Total assets	8,336,098	1,108,908	1,793,831	2,096,964	5,213,295	3,354,157	1,697,379	539,677	24,007	2,094,215	26,258,531
Liabilities											
Customer current and other accounts	6,195,073	-	-	-	-	-	-	-	-	-	6,195,073
Due to banks	552,272	256,845	105,053	23,310	38,000	-	-	131,443	-	-	1,106,923
Long term financing	1,993	62	-	44,212	83,158	17,440	232,404	-	-	-	379,269
Other liabilities	536,937	115,338	74,178	70,266	20,896	23,283	241	249,535	-	7,526	1,098,200
Total liabilities	7,286,275	372,245	179,231	137,788	142,054	40,723	232,645	380,978	-	7,526	8,779,465
Equity of investment accountholders	6,288,760	1,603,538	767,885	1,535,142	2,602,576	881,752	1,377,304	98,919	-	-	15,155,876
Total liabilities and equity of investment accountholders	13,575,035	1,975,783	947,116	1,672,930	2,744,630	922,475	1,609,949	479,897	-	7,526	23,935,341
Net liquidity gap	(5,238,937)	(866,875)	846,715	424,034	2,468,665	2,431,682	87,430	59,780	24,007	2,086,689	2,323,190
Cumulative net liquidity gap	(5,238,937)	(6,105,812)	(5,259,097)	(4,835,063)	(2,366,398)	65,284	152,714	212,494	236,501	2,323,190	
Off-balance sheet equity of investment accountholders	35,499	174,234	219,965	680,233	20,274	121,520	134,259	317	20,868	11,772	1,418,941

b) Credit risk

Credit risk is the risk that one party to a financial contract will fail to discharge an obligation and cause the other party to incur a financial loss. The Group controls credit risk by monitoring credit exposures, and continually assessing the creditworthiness of counterparties. Financing contracts are mostly secured by the personal guarantees of individuals who own the counterparty, by collateral in form of mortgage of the objects financed or other types of tangible security.

Type of credit risk

Financing contracts mainly comprise Sales (Murabaha) receivables, Salam receivables, Istisna'a receivables, Mudaraba financing, Musharaka financing and Ijarah Muntahia Bittamleek.

Sales (Murabaha) receivables

The Group finances these transactions through buying a commodity which represents the object of the Murabaha and then resells this commodity to the murabeh (beneficiary) at a profit. The sale price (cost plus the profit margin) is repaid in instalments by the murabeh over the agreed period. The transactions are secured at times by the object of the Murabaha (in case of real estate finance) and other times by a total collateral package securing all the facilities given to the client.

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28. RISK MANAGEMENT (Continued)

b) Credit risk (Continued)

Salam receivables

Salam is a contract whereby the Group makes an immediate payment to a seller for the future delivery of a commodity. To protect itself from risk associated with the commodity the Group simultaneously enters into Parallel Salam contract whereby it sells the commodity for deferred delivery for immediate payment.

Istisna'a receivables

Istisna'a is a sale agreement between the Group as the seller and the customer as the ultimate purchaser whereby the Group undertakes to have manufactured (or acquire) goods and sell it to the customer for an agreed upon price on completion at future date.

Mudaraba financing

The Group enters into Mudaraba contracts by investing in funds managed primarily by other banks and financial institutions for a definite period of time.

Musharaka financing

An agreement between the Group and a customer to contribute to a certain investment enterprise, whether existing or new, or the ownership of a certain property either permanently or according to a diminishing arrangement ending up with the acquisition by the customer of the full ownership. The profit is shared as per the agreement set between both parties while the loss is shared in proportion to their shares of capital or the enterprise.

Maximum exposure to credit risk before collateral held or other credit enhancements

	Maximum exposure	
	2020	2019
	US$ '000	US$ '000
Balances with central banks	**4,027,943**	3,956,830
Balances with other banks	**497,408**	707,214
Receivables	**11,945,993**	10,894,937
Mudaraba and Musharaka financing	**2,854,658**	3,228,615
Investments	**5,097,189**	3,872,538
Other assets	**426,712**	236,564
Total	**24,849,903**	22,896,698
Commitments and contingencies	**4,342,886**	3,733,890
	29,192,789	26,630,588

Credit quality by type of Islamic financing contracts

The table below shows the credit quality by type of islamic financing contracts, based on the Group's credit rating system as of:

	31 December 2020			
Type of Islamic Financing Contracts	**Neither past due nor non performing US$ '000**	**Past due but performing US$ '000**	**Non performing islamic financing contracts US$ '000**	**Total US$ '000**
Receivables	**11,109,733**	**656,666**	**934,829**	**12,701,228**
Mudaraba and Musharaka financing	**2,845,225**	**3,678**	**42,161**	**2,891,064**
Other assets	**444,301**	**1,123**	**6,339**	**451,763**
	14,399,259	**661,467**	**983,329**	**16,044,055**

	31 December 2019			
Type of Islamic Financing Contracts	Neither past due nor non performing US$ '000	Past due but performing US$ '000	Non performing islamic financing contracts US$ '000	Total US$ '000
Receivables	9,878,412	785,303	802,304	11,466,019
Mudaraba and Musharaka financing	3,205,304	5,210	37,726	3,248,240
Other assets	250,190	1,668	7,887	259,745
	13,333,906	792,181	847,917	14,974,004

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28. RISK MANAGEMENT (Continued)

b) Credit risk (Continued)

Aging analysis of past due but performing Islamic financing contracts
The following table summarises the aging of past due but performing islamic financing contracts as of:

	31 December 2020			
Type of Islamic Financing Contracts	**Less than 30 days US$ '000**	**31 to 60 days US$ '000**	**61 to 90 days US$ '000**	**Total US$ '000**
Receivables	**149,787**	**158,996**	**347,883**	**656,666**
Mudaraba and Musharaka financing	**2,570**	**421**	**687**	**3,678**
Other assets	**391**	**411**	**321**	**1,123**
	152,748	**159,828**	**348,891**	**661,467**

	31 December 2019			
Type of Islamic Financing Contracts	Less than 30 days US$ '000	31 to 60 days US$ '000	61 to 90 days US$ '000	Total US$ '000
Receivables	119,090	505,294	160,919	785,303
Mudaraba and Musharaka financing	1,678	429	3,103	5,210
Other assets	398	576	694	1,668
	121,166	506,299	164,716	792,181

Credit Risk Mitigation
All the Group's subsidiaries, with exposures secured by real estate or other collateral carry out regular and periodic collateral verification and valuation. This collateral verification and valuation is conducted by an independent qualified assessor or Collateral Analyst at the subsidiary. The frequency of such collateral verification is determined as a part of the credit or investment policy and approval process. The Group's subsidiaries allow cars, ships, aircraft, satellites, railcars, and fleets as collateral for a credit and investment product but do not accept perishable assets or any other assets with depreciable life of less than five years. Subsidiaries do not accept any assets as collateral if the assets are susceptible for obsolescence in case they are moved (e.g. furniture). Subsidiaries also ensure that these assets are insured in order to be accepted as collateral.

Third party cheques are accepted as collateral by the Group's subsidiaries. The Group's subsidiaries accept commercial papers as qualifying collateral if they are issued by banks or corporations of good credit standing. Since the maturity tenure of the commercial papers are generally short in nature, they are not accepted as collateral for long–term facilities (i.e. the financing tenure should not exceed the commercial papers maturity tenure). The subsidiaries do not accept vehicle or equipments, if new, as qualifying collateral for more than 80% of its market value. No vehicles or equipments, if used, are accepted as qualifying collateral for more than 50% of its insured value.

Notes to the Consolidated Financial Statements

at 31 December 2020

28. RISK MANAGEMENT (Continued)

b) Credit risk (Continued)

Credit Risk Mitigation (Continued)

Collaterals listed hereunder may attract capital relief from capital adequacy requirements as per the Central Bank of Bahrain's stipulations:

1) Hamish Jiddiyyah (Good faith deposit): Subsidiaries take this type of collateral in the transactions for which non-binding promises to perform is given by the customer. If a customer does not honor his promise to perform, the subsidiary has recourse to the deposit.

2) Third party guarantee: The subsidiary should have recourse to the guarantor in case of customer's default. In order to qualify as eligible collateral, the guarantee should be unconditional and irrevocable. The guarantor must be solvent and, if applicable of investment grade rating.

3) Urbon: This is the amount that should be taken from a purchaser or lessee when a contract is established and it is the first line of defense for the subsidiary if the purchaser or lessee breaches the contract.

4) Underlying assets of the lease contract: The underlying asset must be of monetary value and the subsidiary must have legal access to it, own it and sell it to cover the open exposure with the customers in question. The assets have also to be free of any of any kind of encumbrance.

   Any excess amount resulting from the closure of the pledge by the subsidiary should be returned to the customer (pledger). The subsidiary should conduct at least annual evaluation of the pledged assets and keep adequate documentation of this evaluation.

5) Cash deposit free from any legal encumbrance with the subsidiary either in the form of equity of investment accountholders or off-balance sheet equity of investment accountholders.

6) Rated and unrated senior sukuk issued by first class financial institutions or by GCC sovereigns.

Credit Quality

Credit Risk Management at the Group will be based upon the creation and maintenance of a Credit Rating System (CRS) for the non-retail business. All the Group's units are to incorporate into their respective credit policies the CRS as the framework for credit management taking into consideration the methodology requirements of their local central banks, in this respect. The methodology for obligor (issuer) rating will reflect the specifics of the Group's main business and the geographical diversity of its operations. Ratings of countries, governments and financial institutions are carried out in centralised fashion at the Bank in Bahrain whereas rating of corporates is done at the subsidiaries level, unless the exposure to the corporate involves cross-border risk, in which case, that rating will also be at the Bank as part of the credit limit approval.

The CRS at the Bank has also been designed to be comparable to the rating system of major international rating agencies (Moody's, Standard & Poor's, Fitch) in respect of their foreign currency rating of countries, governments and financial institutions.

Accordingly, countries, governments and financial Institutions will be rated on the basis of their unsecured medium term foreign currency obligations. This means that for governments and financial institutions the cross-border risk will also be part of the rating and the country's rating will be, in most cases, the ceiling on the financial institution's rating.

The basic approach of the major credit rating agencies to rating is the same as what the Group credit policies require i.e. a comprehensive fundamental analysis of all relevant quantitative and non quantitative factors aimed at identifying actual and potential vulnerability. Credit rating will be applied to countries and single obligors. Single obligors, in turn are categorised as financial institutions, corporates, governments and retail. CRS therefore rates obligors (issuers) and not facilities. The obligor rating of countries and single obligors will identify the relative probability of default but will not take into account the impact of collateral security and other mitigants in the event of default. Facility ratings by contrast, combine both the probability of default and loss severity in case of defaults. However, initially the Group wide policy will be to set up obligor ratings only (which does not prevent individual subsidiaries internally to also rate facilities if they so wish).

Notes to the Consolidated Financial Statements

at 31 December 2020

28 RISK MANAGEMENT (continued)

c) Concentration risk (continued)

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Group policies and procedures include specific guidelines to focus on country and counter party limits and maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

The distribution of assets, liabilities and equity of investment accountholders items by economic sectors was as follows:

	2020			2019		
	Assets US$ '000	Liabilities US$ '000	IAH US$ '000	Assets US$ '000	Liabilities US$ '000	IAH US$ '000
Manufacturing	4,529,603	166,488	403,783	3,973,201	207,022	249,199
Mining and quarrying	178,966	3,630	29,542	87,175	5,623	38,993
Agriculture	176,243	34,575	15,851	159,492	29,803	11,967
Construction and real estate	2,704,963	23,255	20,379	2,834,481	28,612	20,410
Financial	4,304,550	2,065,887	1,735,509	5,246,635	1,524,956	1,933,975
Trade	1,716,019	294,681	214,500	1,752,862	267,965	282,359
Personal and consumer finance	3,069,122	5,620,301	10,143,401	2,641,012	4,657,786	10,540,573
Government	8,634,720	74,731	161,054	6,949,245	85,353	105,790
Other Services	2,935,813	2,513,868	2,506,170	2,614,428	1,972,345	1,972,610
	28,249,999	10,797,416	15,230,189	26,258,531	8,779,465	15,155,876

d) Market risk

Market risk arises from fluctuations in profit rates, equity prices and foreign exchange rates. Under Market Risk Policies currently implemented by management of the Group, have set certain limits on the level of risk that may be accepted. This is monitored by local management at the subsidiary level.

Profit rate risk

Profit rate risk is the risk that the Group will incur a financial loss as a result of mismatch in the profit rate on the Group's assets and on equity of investment accountholders. The profit distribution to equity of investment accountholders is based on profit sharing agreements. Therefore, the Group is not subject to any significant profit rate risk.

However, the profit sharing agreements will result in displaced commercial risk when the Group's results do not allow the Group to distribute profits in line with the market rates.

Equity price risk

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The equity price risk exposure arises from the investment portfolio. The Group manages this risk through diversification of investments in terms of geographical distribution and industry concentration.

The Group has total equity portfolio of US$ 335,679 thousand (2019: US$ 383,115 thousand) comprising of equity-type instruments at fair value through equity amounting to US$ 107,971 thousand (2019: US$ 94,443 thousand) and equity-type instruments at fair value through statement of income amounting to US$ 227,708 thousand (2019: US$ 288,672 thousand). Variation of 10% increase or decrease in the portfolio value will not have a significant impact on the Group's consolidated net income or owners' equity.

Notes to the Consolidated Financial Statements

at 31 December 2020

28. RISK MANAGEMENT (Continued)

d) Market risk (Continued)

Foreign exchange risk

Foreign exchange risk arise from the movement of the rate of exchange over a period of time. Positions are monitored on a regular basis to ensure positions are maintained within established approved limits.

Following is the Group's exposure to different currencies in equivalent US dollars:

	2020		
Currency	Operational equivalent Long (Short) US$ '000	Strategic equivalent Long (Short) US$ '000	Total equivalent Long (Short) US$ '000
Turkish Lira	309,231	146,342	455,573
Jordanian Dinar	14,280	458,019	472,299
Egyptian Pound	(1,440)	236,477	235,037
Sudanese Pound	1,254	42,679	43,933
Algerian Dinar	5,387	103,600	108,987
Lebanese Pound	1,292	16,923	18,215
Pound Sterling	(3,859)	-	(3,859)
Tunisian Dinar	(16,853)	55,946	39,093
Euro	(22,812)	-	(22,812)
South African Rand	(717)	35,530	34,813
Pakistani Rupees	(25,462)	94,475	69,013
Syrian Pound	3,423	12,379	15,802
Moroccan Dirham	-	11,606	11,606
Others	70,736	-	70,736

	2019		
Currency	Operational equivalent Long (Short) US$ '000	Strategic equivalent Long (Short) US$ '000	Total equivalent Long (Short) US$ '000
Turkish Lira	64,897	175,310	240,207
Jordanian Dinar	8,406	413,150	421,556
Egyptian Pound	(9,832)	188,947	179,115
Sudanese Pound	2,718	28,001	30,719
Algerian Dinar	(3,935)	122,139	118,204
Lebanese Pound	(2,169)	15,249	13,080
Pound Sterling	(5,176)	-	(5,176)
Tunisia Dinar	(8,558)	47,128	38,570
Euro	(24,528)	-	(24,528)
South African Rand	(828)	35,075	34,247
Pakistani Rupees	(32,940)	94,475	61,535
Syrian Pound	(36,782)	20,586	(16,196)
Moroccan Dirham	(20,718)	12,988	(7,730)
Others	88,379	-	88,379

The strategic currency risk represents the amount of equity of the subsidiaries.

Notes to the Consolidated Financial Statements

at 31 December 2020

28. RISK MANAGEMENT (Continued)

d) Market risk (Continued)

Foreign currency risk sensitivity analysis

In order to measure its exposures to currency risk, the Group stress tests its exposures following the standard shocks adopted by Derivatives Policy Group in this respect which calculates the effect on assets and income of the Group as a result of appreciation and depreciation in foreign currencies in relation to the reporting currency of the Group. This is done using various percentages based upon the judgment of the management of the Group.

Following is the sensitivity analysis that calculates the effect of a reasonable possible movement of the currency exchange rate against the US Dollar with all other variables held constant on the consolidated statement of income and the consolidated statement of owners' equity.

At 31 December 2020

Currency	Particular	Exposures in US$ '000	Maximum expected decrease %	Change in net income and owners' equity US$ '000	Maximum expected increase %	Change in net income and owners' equity US$ '000
Algerian Dinar	Net Income	15,197	(15%)	(1,982)	5%	800
	Total owners' equity	191,150	(15%)	(24,933)	5%	10,061
Egyptian Pound	Net Income	74,062	(20%)	(12,344)	5%	3,898
	Total owners' equity	326,924	(20%)	(54,487)	5%	17,207
Turkish Lira	Net Income	36,990	(20%)	(6,165)	5%	1,947
	Total owners' equity	384,930	(20%)	(64,155)	5%	20,259
Sudanese Pound	Net Income	26,630	(100%)	(13,315)	5%	1,402
	Total owners' equity	56,354	(100%)	(28,177)	5%	2,966
S.African Rand	Net Income	2,334	(15%)	(304)	5%	123
	Total owners' equity	55,075	(15%)	(7,184)	5%	2,899
Syrian Pound	Net Income	22,753	(100%)	(11,377)	5%	1,198
	Total owners' equity	53,824	(100%)	(26,912)	5%	2,833
Pakistani Rupees	Net Income	3,783	(10%)	(344)	5%	199
	Total owners' equity	73,614	(10%)	(6,692)	5%	3,874
Tunisian Dinar	Net Income	7,758	(10%)	(705)	5%	408
	Total owners' equity	71,360	(10%)	(6,487)	5%	3,756
Moroccan Dirham	Net (Loss)	(4,616)	(20%)	769	5%	(243)
	Total owners' equity	23,686	(20%)	(3,948)	5%	1,247

At 31 December 2019

Currency	Particular	Exposures in US$ '000	Maximum expected decrease %	Change in net income and owners' equity US$ '000	Maximum expected increase %	Change in net income and owners' equity US$ '000
Algerian Dinar	Net Income	50,621	(15%)	(6,603)	5%	2,664
	Total owners' equity	221,481	(15%)	(28,889)	5%	11,657
Egyptian Pound	Net Income	55,857	(20%)	(9,309)	5%	2,940
	Total owners' equity	260,269	(20%)	(43,378)	5%	13,698
Turkish Lira	Net Income	3,961	(20%)	(660)	5%	208
	Total owners' equity	462,542	(20%)	(77,090)	5%	24,344
Sudanese Pound	Net Income	8,191	(130%)	(4,630)	5%	431
	Total owners' equity	36,973	(130%)	(20,898)	5%	1,946
S.African Rand	Net Income	4,764	(15%)	(621)	5%	251
	Total owners' equity	54,371	(15%)	(7,092)	5%	2,862
Syrian Pound	Net Income	14,845	(20%)	(2,474)	5%	781
	Total owners' equity	89,506	(20%)	(14,918)	5%	4,711
Pakistani Rupees	Net (Loss)	(436)	(10%)	40	5%	(23)
	Total owners' equity	71,161	(10%)	(6,469)	5%	3,745
Tunisian Dinar	Net Income	4,072	(10%)	(370)	5%	214
	Total owners' equity	60,113	(10%)	(5,465)	5%	3,164
Moroccan Dirham	Net (Loss)	(5,807)	(20%)	968	5%	(306)
	Total owners' equity	26,505	(20%)	(4,418)	5%	1,395

Notes to the Consolidated Financial Statements

at 31 December 2020

28 RISK MANAGEMENT (continued)

e) Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk.

Operational Risk Management Framework

The Group guidelines have the following sections: (1) Operational Risk Appetite, (2) Operational Risk Management – Structure and Rules, (3) Risk and Control Assessment, (4) Internal Audit, (5) Operational Risk and Basel II and (6) Operational Risk Capital Requirement.

The Group's Operational Risk Appetite is defined as the level of risk which the Group chooses to accept in its identified risk categories. Operational risk appetite is expressed in terms of both impact (direct loss) and the probability of occurrence.

The Operational Risk framework is subject to periodic Internal Audit.

The Group categorizes operational risk loss events into the following categories:

Infrastructure Risks

Availability of information technology is of paramount importance to the Group's infrastructure. The operations of the Group and the subsidiaries might be disrupted and severe operational risks could occur.

In order to hedge the subsidiaries from the infrastructure risk as outlined above, every subsidiary must take all the necessary measures indicated in the Business Continuity Plan and/or Disaster Recovery Plan (BCP and DRP) to cater for these risks.

Information Technology Risks

The main risks that the Group is exposed to in this context is from inadequate software and hardware quality, unauthorized access by third parties or employees, etc.

Staff risk

The main risks that arises from staff risks are risks due to larceny, fraud, corruption, crime, etc. In order to prevent these risks from occurring, the Group has established Group Human Resources Policies and Code of Conduct which entails constructive ways in dealing with mistakes and frauds. The Group has also established approval control steps in business processes as well as creating separate internal control processes. Further, the Group has established measures of organizational structure in terms of segregation of duties as well as diverse training measures to reduce human errors and frauds, etc.

Business risk

This risk may take on the following forms:

1. Processes without clear definitions, for example, when insufficient time was spent on documenting or updating the already documented processes.
2. Outdated process descriptions in cases where "reality" already strongly differs from the guidelines laid down in the past.
3. The extreme case of a completely missing documentation. To hedge this risk, the Group adopts sound documentation policies of business processes as it is a basic requirement for a well functioning process organization. The process description are up to date and clear; furthermore, it is accessible to all employees.

Capital Adequacy Ratio (CAR) and Net Stabale Funding Ratio (NSFR)

The regulatory capital, risk-weighted assets and NSFR have been calculated in accordance with Basel III as adopted by the CBB. The Group capital adequacy ratio as of 31 December 2020 is 15.97% (2019: 16.71%) and the minimum requirement as per Central Bank of Bahrain is 12.5%. The Group NSFR as of 31 December 2020 is 242% and the minimum requirement as per Central Bank of Bahrain is 100%.

Notes to the Consolidated Financial Statements

at 31 December 2020

28 RISK MANAGEMENT (continued)

f) Corporate governance

Board of Directors

The Board of Directors is responsible for approving the Group's overall business strategy, monitoring its operations and taking critical business decisions. In line with international leading practices, the Board has instituted corporate governance measures to ensure that the interests of the shareholders are protected, including the appointment to the Board of four independent non-executive directors as defined in the Rule Book of the CBB.

The Bank is administered by a Board of Directors consisting of not less than five and not more than fifteen members. However, subject to the provisions of the law, the shareholders at an Ordinary General Meeting may determine that the number of directors shall exceed fifteen in certain circumstances. Members of the Board of Directors hold office for a three-year renewable term, although the term of office may be extended at the request of the Board for a period not exceeding six months by resolution of the Bahrain Minister of Industry and Commerce.

There are currently thirteen Directors on the Board, who have varied backgrounds and experience and who individually and collectively exercise independent and objective judgment. Other than the President and Chief Executive, all Directors are non-executive. The posts of Chairman and President and Chief Executive are held by different Directors and each has separate, clearly defined responsibilities.

The Board of Directors meets regularly (usually four times a year) and has a formal schedule of matters reserved to it, considering key aspects of the Group's affairs referred to it for decision. The Board reviews the Group's strategy and financial plans, all proposed material changes to the Group's policies, structure and organisation, reports provided to it on the operations of the Group (with emphasis on organisational development, risk management and information technology development) and the performance of executive management. The Board and its committees are supplied with full and timely information to enable them to discharge their responsibilities. All Directors have access to the advice and services of the secretary, who is responsible for ensuring that the Board procedures and applicable rules and regulations are observed.

The Board of Directors has overall responsibility for the Group's system of internal control and its effectiveness. There are established and ongoing procedures in place for identifying, evaluating and managing significant risks faced by the Group, which are regularly reviewed by the Board. The Group's system of internal control provides for a documented and auditable trail of accountability and applies across its operations, is designed to ensure effective and efficient operation and compliance with all applicable laws and regulations, and seeks to manage risk with a view to avoiding material errors, losses and fraud.

29 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the value representing the estimate of the amount of cash or cash equivalent that would be received for an asset sold or the amount of cash or cash equivalent paid for a liability extinguished or transferred in an orderly transaction between a willing buyer and a willing seller at the measurement date.

Quoted equity type instruments are investments which are fair valued using quoted prices in active markets for identical instruments and unquoted equity type instruments are investments that are fair valued using directly or indirectly observable inputs.

The Group's investments in sukuk held at amortised cost have fair values amounting to US$ 4,671 million (2019: US$ 3,519 million).

Also included under investments are unquoted equity-type instruments at fair value through equity amounting to US$ 57,197 thousand (2019: US$ 53,835 thousand) which are carried at cost due to lack of other reliable methods for arriving at a reliable fair value for these investments.

The fair values of other on-balance sheet financial instruments are not significantly different from the carrying values included in the consolidated financial statements.

Notes to the Consolidated Financial Statements

at 31 December 2020

30 NSFR REQUIREMENTS AND CALCULATION METHODOLOGY

The Net Stable Funding Ratio ('NSFR') is calculated in accordance with the Liquidity Risk Management Module guidelines, issued by the CBB and is effective from 2019. The minimum NSFR ratio as per CBB is 100%. The Group's consolidated NSFR ratio as of 31 December 2020 is 242%.

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

	Unweighted Values (i.e. before / relevant factors)				
Item	No specified maturity US$ '000	Less than 6 months US$ '000	More than 6 months and less than one year US$ '000	Over one year US$ '000	Total weighted value US$ '000
Available Stable Funding (ASF):					
Capital:					
Regulatory Capital	1,689,009	-	-	235,815	1,924,824
Other Capital Instruments	-	-	-	-	-
Retail deposits and deposits from small business customers:					
Stable deposits	-	3,503,212	240,280	71,549	3,627,867
Less stable deposits	-	6,489,787	1,647,943	745,226	8,069,183
Wholesale funding:					
Operational deposits	-	8,459	-	-	4,230
Other wholesale funding	-	3,622,711	430,177	274,188	1,722,990
Other liabilities:					
NSFR Shari'a-compliant hedging contract liabilities	-	-	-	-	-
All other liabilities not included in the above categories	-	1,056,288	138,355	131,711	131,711
Total ASF	1,689,009	14,680,457	2,456,755	1,458,489	15,480,805
Required Stable Funding (RSF):					
Total NSFR high-quality liquid assets (HQLA)	4,056,321	1,484,825	-	-	41,382
Deposits held at other financial institutions for operational purposes	-	59,295	-	-	29,647
Performing financing and Sukuk/securities:					
Performing financing to financial institutions secured by Level 1 HQLA	-	26,450	-	70,582	73,227
Performing financing to financial institutions secured by non-level 1 HQLA and unsecured performing financing to financial institutions	-	671,037	136,590	137,322	306,272

Notes to the Consolidated Financial Statements

at 31 December 2020

30 NSFR REQUIREMENTS AND CALCULATION METHODOLOGY (continued)

	Unweighted Values (i.e. before / relevant factors)				
Item	No specified maturity US$ '000	Less than 6 months US$ '000	More than 6 months and less than one year US$ '000	Over one year US$ '000	Total weighted value US$ '000
Performing financing to non- financial corporate clients, financing to retail and small business customers, and financing to sovereigns, central banks and PSEs, of which:					
With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines	-	3,219,953	2,180,085	-	2,700,019
Performing residential mortgages, of which:					
With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	1,449,466	942,153
Securities/Sukuk that are not in default and do not qualify as HQLA, including exchange - traded equities	-	12,249	6,023	30,987	35,475
Other assets:					
Physical traded commodities, including gold	-	-	-	-	-
Assets posted as initial margin for Shari'a-compliant hedging contracts contracts and contributions to default funds of CCPs	-	-	-	-	-
NSFR Shari'a-compliant hedging assets	-	-	-	-	-
NSFR Shari'a-compliant hedging contract liabilities before deduction of variation margin posted	-	-	-	-	-
All other assets not included in the above categories	1,968,209	2,518	28,236	112,683	2,089,169
OBS items	3,622,724	-	-	-	181,136
Total RSF	9,647,254	5,476,327	2,350,934	1,801,040	6,398,480
NSFR (%)	18%	268%	105%	81%	242%

31 EARNINGS PROHIITED BY SHARI'A

Earnings realised during the year from transactions that were not permitted by Shari'a amounted to US$ 10 million (2019: US$ 12 million). This amount has been taken to charity.

32 COMPARATIVE FIGURES

Certain of the prior year's figures have been reclassified to conform to the presentation adopted in the current year. Such reclassification did not affect previously reported consolidated income or consolidated owners' equity.