

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

**Basel III, Pillar III Disclosures**

**30 June 2022**

**For identification purposes only**



**25 AUG 2022**

**Date: .....**

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

**Basel III, Pillar III Disclosures**

for the period ended 30 June 2022

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

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### **1 INTRODUCTION**

Al Baraka Islamic Bank B.S.C. (c) (the "Bank") is a closed shareholding company incorporated in the Kingdom of Bahrain on 21 February 1984. The Commercial Registration of the Bank was renewed on 7 January 2008 to change the status from exempt closed joint stock company to closed joint stock company. The Bank operates under a Retail Bank's license number RB/025 issued by the Central Bank of Bahrain (CBB). The Bank has seven commercial branches in the Kingdom of Bahrain.

The principal activities of the Bank and its subsidiary (the "Group") are taking demand, saving and investment accounts, providing Murabaha finance, Ijara financing and other Shari'a compliant forms of financing as well as managing investors' money on the basis of Mudaraba or agency for a fee, providing commercial banking services and other investment activities. The Bank's registered office is at Bahrain Bay, P.O. Box 1882, Manama, Kingdom of Bahrain.

For details on the Group's subsidiary as of 30 June 2022, refer note 2 of the consolidated financial statements of the Group.

The public disclosures under this section have been prepared in accordance with the Central Bank of Bahrain ("CBB") requirements outlined in its Public Disclosure Module ("PD"), Section PD-3: Public Disclosure requirements, CBB Rule Book, Volume II for Islamic Banks.

### **2 CAPITAL ADEQUACY**

To assess its capital adequacy requirements in accordance with the CBB requirements, the Group adopts the standardised approach for its credit risk, basic indicator approach for its operational risk and standardised measurement approach for its market risk. The CBB capital adequacy requirement is minimum accepted level for capital adequacy. The credit committee of the Group identify and approve assets suitable for funding by equity of Investment Accountholders ("IAH").

For the purpose of computing the Capital Adequacy Ratio ("CAR") and preparation of the PIRI form, the Group's financial subsidiary (Al Baraka Bank (Pakistan) Limited) and significant investment Itqan Capital Company are consolidated as per the requirement of the CA Module. As a result of consolidation of Itqan Capital for regulatory purposes, the amounts in certain tables within the quantitative disclosures might not match the amounts reported in the consolidated financial statements of the Group.

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**2 CAPITAL ADEQUACY (continued)**

**Table – 1. Capital structure**

The following table summarises the eligible capital after deductions for Capital Adequacy Ratio (CAR) calculation in accordance with Basel III requirements as of:

	30 June 2022		31 December 2021	
	CET1 US \$ '000	AT1 US \$ '000	Tier 2 US \$ '000	AT1 US \$ '000
<b>Common Equity Tier 1 (CET1)</b>				
Issued and fully paid ordinary shares	136,458		136,458	
General reserves	8,687		8,687	
Statutory reserves	24,840		24,840	
Retained earnings	(13,102)		(20,947)	
Current cumulative net income/ (losses)	8,786		10,093	
Unrealized gains and losses on available for sale financial instruments	3,637		3,899	
Gains and losses resulting from converting foreign currency subsidiaries to the parent currency	(51,172)		(42,985)	
Other reserves	(86)		(98)	
<b>Total CET1 capital before minority interest</b>	<b>118,049</b>		<b>119,947</b>	
Minority interest in banking subsidiaries	13,180		14,017	
<b>Total CET1 capital prior to regulatory adjustments</b>	<b>131,229</b>		<b>133,964</b>	
Less:				
Goodwill	28,046		29,805	
Intangible other than mortgage servicing rights	6,843		7,561	
Deferred tax assets	7,393		9,776	
<b>Total CET 1 capital after the regulatory adjustments above (CET 1a)</b>	<b>88,948</b>		<b>86,822</b>	
<b>Other Capital (AT1 &amp; T2)</b>				
Instruments issued by parent company	111,000	111,000		111,000
Instruments issued by banking subsidiaries to third parties	87	87	7,016	83
Assets revaluation reserve - property, plant, and equipment	-	-	471	-
Expected Credit Losses (ECL) Stages 1 & 2	-	-	7,628	-
Regulatory adjustment due to breach in CET1	-	-	-	-
<b>Total Available AT1 &amp; T2 Capital</b>	<b>111,087</b>	<b>111,087</b>	<b>15,115</b>	<b>111,083</b>
<b>Total CET 1 Capital</b>	<b>88,948</b>		<b>86,822</b>	
<b>Total T1 Capital</b>	<b>200,035</b>	<b>200,035</b>		<b>197,905</b>
<b>Total Capital</b>	<b>215,150</b>	<b>215,150</b>		<b>213,777</b>

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**2 CAPITAL ADEQUACY (continued)**

**Table – 2. Capital requirement by type of Islamic financing contracts**

The following table summarises the capital requirements by type of Islamic financing contracts:

Type of Islamic financing contracts	30 June 2022 Capital requirements US \$ '000	31 December 2021 Capital requirements US \$ '000
Receivables	14,133	14,972
Ijara Muntahia Bittamleek & Ijara receivables	13,952	12,110
Musharaka	10,007	11,790
	<b>38,092</b>	<b>38,872</b>

**Table – 3. Capital requirement for market risk**

The following table summarises the amount of exposures subject to standardised approach of market risk and related capital requirements as of:

Market risk - standardised approach	30 June 2022		31 December 2021	
	Self Financed US \$ '000	Financed by IAH US \$ '000	Self Financed US \$ '000	Financed by IAH US \$ '000
Price risk	526	-	-	-
Foreign exchange risk	99	-	-	-
	10,272	-	11,416	-
	<b>10,897</b>	<b>-</b>	<b>11,416</b>	<b>-</b>
<b>Total of market risk - standardised approach</b>	<b>12.50</b>	<b>12.50</b>	<b>12.50</b>	<b>12.50</b>
<b>Multiplier</b>	<b>136,213</b>	<b>-</b>	<b>142,700</b>	<b>-</b>
Eligible Portion for the purpose of the calculation	100%	30%	100%	100%
<b>Risk Weighted Exposures ("RWE") for CAR Calculation</b>	<b>136,213</b>	<b>-</b>	<b>142,700</b>	<b>-</b>
<b>Total market RWE</b>	<b>136,213</b>	<b>136,213</b>	<b>142,700</b>	<b>142,700</b>
<b>Minimum capital requirement</b>	<b>12.50%</b>	<b>12.50%</b>	<b>12.50%</b>	<b>12.50%</b>
	<b>17,027</b>	<b>17,027</b>	<b>17,027</b>	<b>17,027</b>

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**2 CAPITAL ADEQUACY (continued)**

**Table – 4. Capital Requirements for operational risk**

The following table summarises the amount of exposures subject to basic indicator approach of operational risk and related capital requirements as of:

Indicators of operational risk	30 June		31 December 2021	
	2022		US \$ '000	
Average gross income	86,183		86,183	
Multiplier	12.5		12.5	
	<b>1,077,288</b>		<b>1,077,288</b>	
Eligible Portion for the purpose of the calculation	15%		15%	
<b>Total operational RWE</b>	<b>161,593</b>		<b>161,593</b>	
	12.50%		12.50%	
<b>Minimum capital requirement</b>	<b>20,199</b>		<b>20,199</b>	

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**2 CAPITAL ADEQUACY (continued)**

**Table – 5. Capital adequacy ratios**

The following are capital adequacy ratios for total capital and tier 1 capital as of:

	30 June 2022		31 December 2021	
	Total capital ratio	Tier 1 capital ratio	Total capital ratio	Tier 1 capital ratio
Group's Capital adequacy ratio	23.70%	22.03%	22.96%	21.26%
Minimum regulatory requirements*	12.50%	10.50%	12.50%	10.50%
Al Baraka Bank Pakistan Limited**	17.66%	13.46%	18.65%	13.89%
Itqan Capital Company	38.46%	38.46%	39.28%	39.28%
				CET 1 capital ratio
				9.33%
				9.00%
				11.17%
				39.28%

\* Minimum required by CBB regulations under Basel III

\*\*The subsidiary's Capital adequacy ratio computed in accordance with the CBB requirements.

**Legal restrictions on capital and income mobility**

Distributing profits by subsidiary to the parent is subject to compliance with applicable laws and regulations in Pakistan. Such distribution should go through the legal and regulatory channels applicable in relevant jurisdiction (i.e. Pakistan). Mobilisation of capital, reserves and equivalent funds out of the subsidiary to the parent is subject to the local rules and regulations. The parent is not subject to any restriction to support its subsidiary in the form of deposits or capital. However, as a procedure and approval has to be obtained from the CBB for increasing investment in subsidiary.

**Table - 6. The Group's financial subsidiary capital adequacy ratios**

The following is the Group's financial subsidiary capital adequacy ratio prepared on the basis of SBP requirements, which may differ from the CBB requirements, as

	30 June 2022		31 December 2021	
	Total capital ratio	Tier 1 capital ratio	Total capital ratio	Tier 1 capital ratio
Capital adequacy ratio	14.33%	11.71%	13.25%	9.36%
Minimum regulatory requirements*	11.50%	10.50%	11.50%	10.50%
				CET 1 capital ratio
				9.00%
				9.00%

\*There are no capital conversion buffer required as per SBP requirements

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

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### 3 RISK MANAGEMENT

Risk management is an integral part of the Group's decision-making process. The risk management committee and executive committees, guide and assist with overall management of the Group's consolidated statement of financial position risks. The Group manages exposures by setting limits approved by the Board of Directors. The Group risk management strategies have been effectively implemented during the year in line with the objective defined.

#### a) 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 the counterparty, by collateral in form of mortgage of the objects financed or other tangible security.

**Table – 7. Credit risk exposure**

The following table summarises the amount of gross funded and unfunded credit exposures and average gross funded and unfunded exposures as of:

	30 June 2022			31 December 2021		
	Self financed		Financed by IAH	Self financed		Financed by IAH
	Total gross credit exposure US \$ '000	*Average gross exposure over the period US \$ '000		Total gross credit exposure US \$ '000	*Average gross exposure over the period US \$ '000	
<b>Funded</b>						
Cash and balances with banks and financial institutions	34,332	53,866	197,274	170,698	122,462	191,276
Receivables	1,418	1,215	431,127	500,422	1,112	484,124
Ijara Muntahia Bittamleek and Ijara receivables	14,979	26,252	491,275	473,870	92,331	426,107
Musharaka	39,846	43,762	239,299	255,336	52,870	276,152
Investments	726,858	679,444	487,665	455,212	634,487	452,408
Investment in real estate	11,832	11,783	-	-	12,343	-
Premises and equipment	53,965	53,977	-	-	29,833	35,349
Other assets	26,056	28,093	26,984	31,200	-	-
<b>Unfunded exposure</b>						
Contingencies and commitments	211,127	215,792	-	-	233,276	-
	1,120,313	1,113,184	1,873,614	1,886,738	1,178,714	1,865,416
				1,186,698		1,786,687

\*Average balances are computed based on quarter-end balances

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**3 RISK MANAGEMENT (continued)**

**a) Credit risk (continued)**

**Table – 8. Credit risk – geographic breakdown**

The following table summarises the geographic distribution of exposures, broken down into significant areas by major types of credit exposure as of:

	30 June 2022				31 December 2021			
	Self financed		Financed by IAH		Self financed		Financed by IAH	
	"geographic area		"geographic area		"geographic area		"geographic area	
	Middle East	Other Asian countries	Middle East	Other Asian countries	Middle East	Other Asian countries	Middle East	Other Asian countries
	US \$ '000	US \$ '000	US \$ '000	US \$ '000	US \$ '000	US \$ '000	US \$ '000	US \$ '000
Cash and balances with banks	-	34,332	93,419	103,855	10,275	112,187	146,109	45,167
Receivables	1,418	-	246,676	184,451	1,112	-	263,703	220,422
Ijara Muntahia Bittamleek and Ijara receivables	14,879	-	490,538	737	35,368	-	424,569	1,538
Musharaka	-	39,846	-	239,299	-	52,870	-	276,151
Investments	392,011	334,847	305,285	182,370	392,423	242,064	252,327	200,081
Investment in real estate	11,832	-	-	-	12,343	-	-	-
Premises and equipment	29,005	24,960	-	-	31,136	25,827	-	-
Other assets	1,151	24,905	17,854	9,130	-	29,833	21,826	13,523
	450,296	458,890	1,153,772	719,842	482,657	462,781	1,108,534	756,862

\* Segmental information is presented in respect of the Group's geographical segments. The geographical segments are based upon the location of the units responsible for recording the transactions and reflects the manner in which financial information is evaluated by management and the Board of Directors. For financial reporting purposes, the Group is divided into two geographical segments Middle East and Other Asian Countries. Other Asian Countries predominantly includes operations in Pakistan.

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### 3 RISK MANAGEMENT (continued)

#### a) Credit risk (continued)

#### Table – 9. Credit risk – counterparty type breakdown

The following table summarises the distribution of funded and unfunded exposure by counterparty type as of:

	30 June 2022		31 December 2021		Financed by IAH		Self financed		Financed by IAH			
	Self financed		Self financed		Funded		Unfunded		Funded		Unfunded	
	US \$ '000	US \$ '000	US \$ '000	US \$ '000	US \$ '000	US \$ '000	US \$ '000	US \$ '000	US \$ '000	US \$ '000	US \$ '000	US \$ '000
Cash items	28,473	-	1,063	-	32,650	-	914	-	-	-	-	-
Claims on Sovereigns	564,681	-	584,097	-	548,348	-	473,599	-	-	-	-	-
Claims on Public Sector Entities	117,651	-	57,609	-	157,147	-	58,462	-	-	-	-	-
Claims on banks	52,633	16,327	69,853	-	58,329	29,026	199,060	-	-	-	-	-
Claims on corporate	26,843	221,074	485,254	-	24,498	204,250	492,266	-	-	-	-	-
Mortgage	-	-	470,952	-	-	-	411,272	-	-	-	-	-
Past dues receivables	731	33	29,816	-	-	-	33,833	-	-	-	-	-
Regulatory Retail Portfolio	-	-	130,043	-	-	-	144,512	-	-	-	-	-
Equity investment	34,821	-	454	-	35,445	-	340	-	-	-	-	-
Investment in Funds	4,659	-	-	-	4,767	-	-	-	-	-	-	-
Holding of Real Estate	55,638	-	16,185	-	56,260	-	13,858	-	-	-	-	-
Other assets	23,157	-	28,290	-	25,995	-	37,300	-	-	-	-	-
	909,187	237,434	1,873,616	-	945,439	233,276	1,865,416	-	-	-	-	-

For the purpose of rating, the Group is using External Credit Assessment Institutions (ECAIs) Standard & Poors, Moody's, Capital Intelligence, Fitch and other approved credit rating agencies for assigning risk weight to assets.

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**3 RISK MANAGEMENT (continued)**

**a) Credit risk (continued)**

**Table – 10. Credit risk – related party transactions**

All transactions with related parties have been made on arms length basis. The following table summarises the balances with related parties as of:

	30 June 2022		31 December 2021	
	Self financed Funded US \$ '000	Financed by IAH Funded US \$ '000	Self financed Funded US \$ '000	Financed by IAH Funded US \$ '000
Cash and balances with bank	6	174	6	903
Receivables	-	1,074	-	5,442
Musharaka	-	1,429	-	1,433
Ijara Muntahia Bittamleek and Ijara Receivables	-	-	-	-
Investments	58,378	-	56,632	-
Other Assets	8,959	-	9,437	-
Contingencies and commitments	2,129	-	12,503	-
	<b>69,472</b>	<b>2,677</b>	<b>78,578</b>	<b>7,778</b>

The Group's intra-group transactions are as follows:

	30 June 2022		31 December 2021	
	Self financed US \$ '000	Financed by IAH US \$ '000	Self financed US \$ '000	Financed by IAH US \$ '000
<b>Assets</b>				
Investment in a subsidiary*	94,476	-	94,201	-
Equity investment in Itqan Capital	54,342	-	54,342	-
	<b>148,817</b>	<b>-</b>	<b>148,543</b>	<b>-</b>
<b>Contingencies and commitments</b>				
Letters of credit	-	-	-	-
Acceptances	-	-	-	-

The Bank carries investment in banking subsidiary located in Islamic Republic of Pakistan denominated in Pakistani Rupee. The gains/ losses on translation of such operations are duly reflected in a separate component of consolidated equity of the Group. The Bank is not using any hedging strategy to mitigate the impacts of fluctuation in Pakistani Rupee.

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**3 RISK MANAGEMENT (continued)**

**a) Credit risk (continued)**

**Table – 11. Credit risk – concentration of risk**

The Group follows the Central Bank of Bahrain's guidelines with respect to the definition and measurement of large exposures at the consolidated level as stipulated in the Central Bank of Bahrain Rulebook for Islamic Banks.

The following are the balances representing the concentration of risk to individual counterparties as of 30 June 2022:

	<i>Funded</i>
	<i>US \$ '000</i>
<b>Counterparties *</b>	
Counterparty # 1	531,228
Counterparty # 2	363,187
Counterparty # 3	105,079
Counterparty # 4	86,861
Counterparty # 5	45,445
Counterparty # 6	40,401
Counterparty # 7	39,893
Counterparty # 8	39,846
Counterparty # 9	34,415
Counterparty # 10	29,813
Counterparty # 11	28,440
Counterparty # 12	26,135
Counterparty # 13	20,591

\* These exposures are in excess of individual obligor limits. Further, these exposures are either exempt or undertaken after obtaining due approval from Central Bank of Bahrain.

The following are the balances representing the concentration of risk to individual counterparties as of 31 December 2021:

	<i>Funded</i>
	<i>US \$ '000</i>
<b>Counterparties *</b>	
Counterparty # 1	503,149
Counterparty # 2	300,031
Counterparty # 3	114,078
Counterparty # 4	91,200
Counterparty # 5	89,034
Counterparty # 6	72,295
Counterparty # 7	52,870
Counterparty # 8	52,808
Counterparty # 9	30,340
Counterparty # 10	37,391
Counterparty # 11	34,562
Counterparty # 12	33,992

\* These exposures are in excess of individual obligor limits. Further, these exposures are either exempt or undertaken after obtaining due approval from Central Bank of Bahrain.

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**3 RISK MANAGEMENT (continued)**

**a) Credit risk (continued)**

**Past due and non-performing facilities**

Past due represents installments that are not received on the contractual repayments date. The Group defines non-performing facilities as the facilities that are overdue for period of 90 days or more. These exposures are placed on a non-accrual status with income being recognised to the extent that it is actually received/distributed. It is the Group's policy, except for the subsidiary which is following their local regulations, that when an exposure is overdue for a period of 90 days or more, the whole financing facility extended is considered as past due.

**Highly leveraged counter parties**

Highly leveraged counter parties are determined by the Credit Department on case by case basis according to industry types and credit policies and procedures of the Group. Each industry has clear established leverage ratios set in place internally which are considered threshold for measuring how leveraged is our counterpart (Low, Medium/Acceptable or High). Any excess over such determined ratios, the customer is classified as highly leveraged with high risk. This ratio will have a big impact on Internal Rating / Grading of the customer. In this respect, the high risk exposure classified by the bank is as follows:

	US \$ '000
<b>2022</b>	
Counterparty # 1	8,044
Counterparty # 2	2,188
Counterparty # 3	1,184
Counterparty # 4	737
Counterparty # 5	584
Counterparty # 6	454
Counterparty # 7	419
Counterparty # 8	314
Counterparty # 9	236
Counterparty # 10	203
Counterparty # 11	202
Counterparty # 12	150
Counterparty # 13	126
Counterparty # 14	129
Counterparty # 15	88
Counterparty # 16	37
Counterparty # 17	28

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**3 RISK MANAGEMENT (continued)**

**a) Credit risk (continued)**

**Highly leveraged counter parties (continued)**

<u>2021</u>	<u>US \$ '000</u>
Counterparty # 1	548
Counterparty # 2	28
Counterparty # 3	234
Counterparty # 4	220
Counterparty # 5	402
Counterparty # 6	1,202
Counterparty # 7	882
Counterparty # 8	203
Counterparty # 9	238
Counterparty # 10	461
Counterparty # 11	2,112

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**3 RISK MANAGEMENT (continued)**

**a) Credit risk (continued)**

**Table – 12. Credit Risk – Residual Contractual Maturity Breakdown**

% of Group assets are financed by equity of IAH, while \_\_\_% are self financed. The following table summarises the residual contractual maturity breakdown of the whole credit portfolio as of 30 June 2022, broken down by major types of credit exposure.

	Up to 3 months US \$	3 to 6 months US \$	6 months to 1 year US \$	1 to 3 years US \$	3 to 5 years US \$	5 to 10 years US \$	10 to 20 years US \$	Over 20 years US \$	No fixed maturity US \$	Total US \$
<b>ASSETS</b>										
Cash and balances with banks	153,949,555	-	-	-	-	-	-	-	77,353,587	231,303,122
Receivables	146,836,213	86,284,128	44,618,265	53,413,708	36,946,088	22,142,723	3,636,007	6,455,100	31,525,143	431,856,364
Ijara Muntahia Bittamleeki and Ijara Income receivables	16,025,362	6,232,000	14,022,299	56,875,079	53,255,637	103,015,549	189,649,915	66,983,285	95,060	506,154,685
Musharaka	2,570,479	12,485,748	6,162,760	56,763,289	121,651,603	30,354,041	27,182,185	-	21,965,857	278,145,862
Investments*	100,689,434	15,884,382	-	96,796,571	588,542,450	377,929,159	493,630	1,000,000	87,857,413	1,239,193,039
Investment in real estate	-	-	-	8,932,910	-	-	-	-	-	8,932,910
Investment in joint venture	-	-	-	-	-	-	-	-	20,590,968	20,590,968
Premises and equipment	246,035	246,036	492,070	1,968,281	1,968,281	4,920,702	-	-	41,535,043	51,380,447
Goodwill	-	-	-	-	-	-	-	-	10,962,905	10,962,905
Other assets	25,460,878	2,347,948	1,497,792	5,301,034	18,571,520	-	-	-	394,727	53,573,897
<b>Total assets</b>	<b>446,778,456</b>	<b>123,480,241</b>	<b>66,783,175</b>	<b>280,050,870</b>	<b>790,946,478</b>	<b>538,362,174</b>	<b>220,961,738</b>	<b>74,439,386</b>	<b>292,204,682</b>	<b>2,633,096,199</b>
<b>LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS</b>										
Due to banks and financial institutions	144,178,808	87,339,666	52,659,970	-	302,968	8,306,897	-	-	-	272,786,099
Current accounts**	301,066,303	-	-	(0)	-	-	-	-	-	301,066,303
Other liabilities	79,338,629	2,225,337	114,493	11,085,783	2,074,694	5,166,732	-	-	-	100,026,568
<b>Total liabilities</b>	<b>524,573,640</b>	<b>89,564,993</b>	<b>52,774,463</b>	<b>11,085,783</b>	<b>2,377,662</b>	<b>13,493,429</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>673,889,970</b>
Equity of investment accountholders	1,833,830,688	101,485,746	420,208,538	149,698,232	78,853,377	68,331,541	21,205,816	-	-	1,873,614,938
Subordinated Debt	788,207	35,378	-	7,322,649	-	8,469,748	-	-	-	16,615,882
<b>Total owners' equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>284,995,409</b>	<b>284,995,409</b>
<b>Total liabilities, Equity of investment accountholders and owner's equity</b>	<b>1,569,192,535</b>	<b>171,087,117</b>	<b>472,983,001</b>	<b>168,106,564</b>	<b>81,231,039</b>	<b>90,294,718</b>	<b>21,205,816</b>	<b>-</b>	<b>266,995,409</b>	<b>2,533,096,199</b>
<b>Net gap</b>	<b>(1,113,414,080)</b>	<b>(47,595,876)</b>	<b>(406,198,826)</b>	<b>111,944,306</b>	<b>708,714,439</b>	<b>448,067,456</b>	<b>199,755,922</b>	<b>74,439,386</b>	<b>23,289,273</b>	<b>(0)</b>
<b>Cumulative net gap</b>	<b>(1,113,414,080)</b>	<b>(1,161,010,956)</b>	<b>(1,567,210,781)</b>	<b>(1,456,266,475)</b>	<b>(748,552,036)</b>	<b>(287,454,580)</b>	<b>(97,728,658)</b>	<b>(23,289,273)</b>	<b>(0)</b>	<b>(0)</b>
<b>Off-balance sheet equity of investment accountholders</b>	<b>-</b>	<b>9,290,547</b>	<b>8,130,000</b>	<b>5,895,149</b>	<b>17,181,126</b>	<b>100,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>120,396,822</b>

\* Investments in 1 to 3 years are easily convertible into liquid funds.

\*\* Current Accounts are shown under up to 3 months maturity in the above table. However, most of these current accounts are stable funds which are expected to be available to the bank on continuous basis.

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**3 RISK MANAGEMENT (continued)**

**a) Credit risk (continued)**

**Table – 12. Credit Risk – Residual Contractual Maturity Breakdown (continued)**

71% of Group assets are financed by equity of IAH, while 29% are self financed. The following table summarises the residual contractual maturity breakdown of the total assets portfolio as of 31 December 2021, broken down by major types of exposure:

	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	5 to 10 years	10 to 20 years	Over 20 years	No fixed maturity	Total
	US \$	US \$	US \$	US \$	US \$	US \$	US \$	US \$	US \$	US \$
<b>ASSETS</b>										
Cash and balances with banks	226,392,499	-	-	-	-	-	-	-	86,213,705	312,606,204
Receivables	236,293,962	97,505,609	24,366,787	48,089,880	29,334,797	20,373,204	2,458,597	3,888,914	22,824,602	485,236,352
Income receivables	13,907,183	26,662,271	14,899,330	47,427,085	46,983,431	91,778,340	185,670,186	53,074,776	1,064,689	461,475,291
Musharaka	12,484,310	937,732	17,419,014	77,545,532	150,899,244	39,144,493	24,512,541	-	6,078,370	328,021,236
Investments	101,041,410	189,239	-	62,144,526	506,941,872	353,456,520	571,145	1,000,000	86,281,954	1,113,626,666
Investment in real estate	-	-	-	9,525,805	-	-	-	-	-	9,525,805
Investment in Joint Venture	-	-	-	-	-	-	-	-	18,699,987	18,699,987
Premises and equipment	259,079	259,079	518,158	2,072,830	2,072,830	5,181,575	-	-	45,998,330	56,361,461
Goodwill	-	-	-	-	-	-	-	-	12,722,624	12,722,624
Other assets	30,695,833	2,544,227	2,014,802	6,151,933	20,263,536	-	-	-	2,495,780	64,186,111
<b>Total assets</b>	<b>621,074,277</b>	<b>128,068,156</b>	<b>59,216,091</b>	<b>252,957,390</b>	<b>756,505,511</b>	<b>509,932,132</b>	<b>193,312,469</b>	<b>57,963,690</b>	<b>284,380,041</b>	<b>2,863,441,757</b>
<b>LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS</b>										
Due to banks and financial institutions	19,610,515	16,518,108	6,404,343	51,028,522	243,838	7,630,868	-	-	-	101,436,194
Current accounts**	353,428,980	-	-	-	-	-	-	-	-	353,428,980
Borrowings	28,928,774	84,531,263	28,367,917	-	-	-	-	-	-	141,827,954
Other liabilities	87,934,087	2,671,818	585,368	2,127,300	2,093,457	14,233,712	-	-	-	108,645,742
Total liabilities	469,902,357	103,721,169	35,357,628	53,155,822	2,337,295	21,864,580	-	-	-	706,338,870
Equity of investment accountholders	993,183,238	237,069,460	287,928,532	177,295,869	76,621,980	69,987,479	23,329,166	-	-	1,865,415,724
Subordinated debt	1,060,398	31,810	-	6,497,934	-	9,829,277	-	-	-	19,439,419
Total owners equity	-	-	-	-	-	-	-	-	272,247,744	272,247,744
Total liabilities, Equity of investment accountholders and owner's equity	1,464,165,992	340,822,458	323,286,160	238,948,626	78,959,275	101,681,336	23,329,166	-	272,247,744	2,863,441,757
Net gap	(863,091,715)	(212,724,302)	(264,068,069)	14,007,765	677,546,236	408,250,796	169,983,303	57,963,690	12,132,297	(1)
Cumulative net gap	(863,091,715)	(1,075,816,017)	(1,339,884,086)	(1,325,876,321)	(648,330,086)	(240,079,290)	(70,095,987)	(12,132,297)	(1)	(1)
Off-balance sheet equity of investment accountholders	-	17,077,276	8,130,000	13,681,878	19,638,182	100,000,000	-	-	-	158,527,336

\* Investments in 1 to 3 years are easily convertible into liquid funds.

\*\* Current Accounts are shown under up to 3 months maturity in the above table. However, most of these current accounts are stable funds which are expected to be available to the bank on continuous basis.

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**3 RISK MANAGEMENT (continued)**

**a) Credit risk (continued)**

**Table – 13. Credit risk – credit quality of Islamic financing contracts by counterparty type**

The following table summarises the aging of non performing facilities disclosed by counterparty type as of:

	30 June 2022				31 December 2021			
	Non-performing Islamic financing contracts US \$ '000	Aging of non performing facilities			Non-performing Islamic financing contracts US \$ '000	Aging of non performing facilities		
		Past due but performing US \$ '000	90 days to 1 year US \$ '000	1 year to 3 years US \$ '000		Over 3 years US \$ '000	Past due but performing US \$ '000	90 days to 1 year US \$ '000
Corporates	14,324	28,023	14,975	45,999	27,336	33,292	30,420	43,496
Investment Firms	-	-	-	-	643	-	-	-
Individuals	711	2,346	1,686	3,418	494	1,928	1,696	2,702
Others	281	660	-	-	-	-	-	-
	<b>15,316</b>	<b>31,029</b>	<b>16,661</b>	<b>49,417</b>	<b>28,473</b>	<b>35,220</b>	<b>32,116</b>	<b>46,198</b>

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**3 RISK MANAGEMENT (continued)**

**a) Credit risk (continued)**

**Table – 14. Credit Risk – provision against financing facilities by counterparty type**

The following table summarises the total provisions against financing facilities disclosed by counterparty type as of 30 June 2022:

	Specific allowances							Balance at the end of the year US \$ '000	
	Opening Balance US \$ '000	Charges during the period US \$ '000	Net transition in Stage3 during the year US \$ '000	Write-Back during the year US \$ '000	Write-offs during the year US \$ '000	Write-back of written off during the year US \$ '000	Transferred to investment risk reserve US \$ '000		Exchange difference on opening balance US \$ '000
Corporates	62,797	3,623	(121)	(618)	(5,938)	-	-	(5,085)	54,658
Individuals	4,231	597	-	-	(88)	-	-	(426)	4,314
Others	12,847	638	-	(133)	(1,698)	-	-	(1,765)	9,889
	<b>79,875</b>	<b>4,858</b>	<b>(121)</b>	<b>(751)</b>	<b>(7,724)</b>	<b>-</b>	<b>-</b>	<b>(7,276)</b>	<b>68,861</b>

The following table summarises the total provisions against non performing financing facilities disclosed by counterparty type as of 31 December 2021:

	Specific allowances							Balance at the end of the year US \$ '000	
	Opening Balance US \$ '000	Charges during the period US \$ '000	Net transition in Stage3 during the year US \$ '000	Write-Back during the year US \$ '000	Write-offs during the year US \$ '000	Write-back of written off during the year US \$ '000	Transferred to investment risk reserve US \$ '000		Exchange difference on opening balance US \$ '000
Corporates	44,569	16,539	2,714	(1,733)	(2,618)	5,790	277	(2,741)	62,797
Individual	6,755	1,325	(622)	(2,324)	(410)	-	-	(493)	4,231
Others	10,145	4,542	-	(766)	(116)	-	-	(958)	12,847
	<b>61,469</b>	<b>22,406</b>	<b>2,092</b>	<b>(4,823)</b>	<b>(3,144)</b>	<b>5,790</b>	<b>277</b>	<b>(4,192)</b>	<b>79,875</b>

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**3 RISK MANAGEMENT (continued)**

**a) Credit risk (continued)**

**Table -- 15. Credit risk -- non performing facilities and provisions**

The following table summarises the total non performing facilities and provisions disclosed by geographical area as of:

	30 June 2022		31 December 2021	
	Non-performing Islamic financing contracts US \$ '000	ECL for Stage 3 US \$ '000	Non-performing Islamic financing contracts US \$ '000	ECL for stage 3 US \$ '000
Middle East	36,157	22,280	44,222	26,518
Other Asian countries	58,950	46,580	69,312	53,356
	97,107	68,860	113,534	79,874
				ECL for Stage 1 and 2 US \$ '000
				10,370
				4,664
				15,034

**Table -- 16. Credit risk -- restructured Islamic financing contracts**

The following table summarises the total outstanding Islamic financing contracts that were restructured during the year as of:

	30 June 2022		31 December 2021	
	Total US \$ '000	1,679	Total US \$ '000	34,737
Restructured Islamic financing contracts				

The amount represents total facilities restructured during the year. Further, there is no significant impact of the renegotiated Islamic financing contracts on the provisions as well as present and future earnings.

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3 RISK MANAGEMENT (continued)

a) Credit risk (continued)

Table – 17. Counterparty credit risk exposure

The following table summarises the counterparty credit risk exposure covered by collateral as of:

	30 June 2022		31 December 2021	
	Gross positive FV of contracts US \$ '000	* Collateral held US \$ '000	Gross positive FV of contracts US \$ '000	* Collateral held US \$ '000
Cash and balances with banks and financial institutions	231,806	-	313,737	-
Receivables	432,545	307,426	485,236	299,028
Ijara Muntahia Bittamleek	506,155	452,999	329,021	329,021
Musharaka	279,146	279,146	1,086,895	-
Investments	1,214,514	-	12,343	-
Investment in real estate	11,832	-	56,963	-
Premises and equipment	53,965	-	65,182	-
Other assets	53,040	-	-	-
	<b>2,782,803</b>	<b>1,039,571</b>	<b>2,810,852</b>	<b>1,022,527</b>

\* Collaterals values have been restricted to outstanding exposure of financing facilities.

Table – 18. Counterparty credit risk exposure

The following table summarises exposure by type of Islamic financing contract that is covered by eligible collateral after the application of haircuts as of:

	30 June 2022		31 December 2021	
	Gross positive FV of contracts US \$ '000	Collateral held US \$ '000	Gross positive FV of contracts US \$ '000	Collateral held US \$ '000
Receivables	12,531	485,236	485,236	22,877
Ijara Muntahia Bittamleek & Ijara income receivable	17,323	461,475	461,475	15,128

b) Market risk

Market risk arises from fluctuations in profit rates, equity prices and foreign exchange rates.

Table – 19. Market risk capital requirements

The following table summarises the capital requirement for each category of market risk as of:

	30 June 2022			31 December 2021		
	Equity Position Risk US \$ '000	Price risk US \$ '000	Foreign exchange risk US \$ '000	Equity Position Risk US \$ '000	Price risk US \$ '000	Foreign exchange risk US \$ '000
RWE	1,231	6,576	128,405	-	-	142,699
Capital requirements (12.5%)	154	822	16,051	-	-	17,837
Maximum value of RWE	1,381	6,829	128,405	-	2,582	146,041
Minimum value of RWE	1,231	6,576	108,886	-	-	139,979

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3 RISK MANAGEMENT (continued)

b) Market Risk (continued)

Table – 20. Equity position risk in Banking Book

The following table summarises the total and average gross exposure of equity based financing structures by types of financing contracts and investments as of 30 June 2022:

	Total gross exposure US \$ '000	Average gross exposure over the period US \$ '000	Publicly held US \$ '000	Privately held US \$ '000	Capital requirement US \$ '000
Managed funds	1,000	1,000	-	1,000	25
Private equity	44,265	45,419	34,894	9,472	10,776
Real estate related	34,227	33,085	-	34,227	3,906
	<b>79,592</b>	<b>79,505</b>	<b>34,894</b>	<b>44,699</b>	<b>14,708</b>

The following table summarises the total and average gross exposure of equity based financing structures by types of financing contracts and investments as of 31 December 2021:

	Total gross exposure US \$ '000	Average gross exposure over the period US \$ '000	Publicly held US \$ '000	Privately held US \$ '000	Capital requirement US \$ '000
Managed funds	1,000	1,000	-	1,000	25
Private equity	44,707	47,284	39,832	4,875	11,782
Real estate related	30,009	24,338	-	30,009	5,491
	<b>75,716</b>	<b>72,622</b>	<b>39,832</b>	<b>35,884</b>	<b>17,298</b>

The Bank carries a diversified portfolio of equity investments containing the securities held for trading or short-term capital gains and stakes in a few entities to secure strategic objectives like entrance in certain market or business segment. More specifically, the securities amounted to USD 3.9 million (2018: USD 6.8 million), in such portfolio, were held to generate capital gains.

Table – 21. Equity gains or losses in Banking Book

The following table summarises the cumulative realised and unrealised gains during the year ended:

	30 June 2022 US \$ '000	31 December 2021 US \$ '000
Cumulative realised gains arising from sale or liquidation	1,013	3,638
Total unrealised gains recognised in the balance sheet but not through P&L	3,637	3,899
Unrealised gross gains included in Tier One Capital	3,637	3,899
Assets revaluation reserve - property, plant, and equipment	379	471

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3 RISK MANAGEMENT (continued)

b) Market Risk (continued)

Table – 21. Equity gains or losses in Banking Book (continued)

Market risk arises from fluctuations in profit rates, equity prices and foreign exchange rates.

*Profit rate risk*

The Bank generates funds mainly through profit sharing arrangements or agency modes. The Bank continuously monitor the profit rates prevailing in the domestic/ regional markets (issued by competitors). Further, the following factors also affects the determination of profit rates:

- Availability of profitable opportunities in the market
- Key economic fundamentals and liquidity levels
- Policy interest rates promulgated by domestic and leading global monetary agencies.

Table – 22. Profit rate mismatch

The following are the profit rate mismatch between the rate of return on assets and the expected funding due to the sources of finance as of:

	30 June 2022				
	Up to 3 months US \$ '000	3 to 6 months US \$ '000	6 months to 1 year US \$ '000	1 to 3 years US \$ '000	Over 3 years US \$ '000
Receivables	146,836	86,284	44,618	53,414	100,706
Ijara Muntahia Bittamleek and Ijara Income Receivables	16,026	6,232	14,022	56,875	412,999
Musharaka	2,570	12,496	6,153	56,763	201,164
Investments-Sukuk	69,869	15,884	-	96,797	936,994
<b>Profit rate sensitive assets</b>	<b>235,101</b>	<b>120,896</b>	<b>64,793</b>	<b>263,849</b>	<b>1,651,863</b>
Murabaha and other payables	-	-	-	-	-
Equity of investment accountholders	1,033,631	101,487	420,209	149,698	168,391
Subordinated debt	788	35	-	7,323	8,470
<b>Profit rate sensitive liabilities</b>	<b>1,034,419</b>	<b>101,522</b>	<b>420,209</b>	<b>157,021</b>	<b>176,861</b>
<b>Profit rate gap</b>	<b>(799,318)</b>	<b>19,374</b>	<b>(355,416)</b>	<b>106,828</b>	<b>1,475,002</b>
<b>Profit rate sensitivity (200bps)</b>	<b>(15,990)</b>	<b>387</b>	<b>(7,108)</b>	<b>2,137</b>	<b>29,500</b>

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3 RISK MANAGEMENT (continued)

b) Market Risk (continued)

Table – 22. Profit rate mismatch (continued)

	31 December 2021				
	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	Over 3 years
	US \$ '000	US \$ '000	US \$ '000	US \$ '000	US \$ '000
Receivables	230,922	97,506	24,387	48,090	84,352
Ijara Muntahia Bittamleek and Ijara Income Receivables	3,436	26,662	14,899	47,427	369,051
Musharaka	12,058	938	17,419	77,548	221,060
Investments-Sukuk	99,885	189	-	62,145	815,307
<b>Profit rate sensitive assets</b>	<b>346,301</b>	<b>125,295</b>	<b>56,685</b>	<b>235,208</b>	<b>1,489,770</b>
Murabaha and other payables	48,539	101,049	34,772	51,029	7,875
Equity of					
Investment accountholders	1,241,034	237,069	205,312	94,679	87,322
Subordinated debt	1,060	32	-	8,498	9,829
<b>Profit rate sensitive liabilities</b>	<b>1,290,653</b>	<b>338,150</b>	<b>240,084</b>	<b>154,206</b>	<b>105,028</b>
<b>Profit rate gap</b>	<b>(944,352)</b>	<b>(212,855)</b>	<b>(183,399)</b>	<b>81,002</b>	<b>1,384,744</b>
<b>Profit rate sensitivity (200bps)</b>	<b>(18,887)</b>	<b>(4,257)</b>	<b>(3,668)</b>	<b>1,620</b>	<b>27,695</b>

This table contains the mismatch amongst profit bearing assets and liabilities to ensure compliance with public disclosure requirements. However, in lieu of inherent nature of Islamic Banking, such mismatches does not exists amongst assets and liabilities carried by the Bank as the bank has profit and loss sharing mudarba agreement with Investment accountholders. Whereby in case of any decrease in profit rates the corresponding impact has to be shared with the customers as per the mudaraba arrangement. It's hereby elaborated that the assets base represents receivable against various modes of sales/ deployment of funds under wakala and mudaraba arrangements, assets and receivables against Ijara and participations in ventures under Musharaka arrangements. While these assets are finance through capital, current accounts, funds received under mudaraba contract, payables against purchase and predominantly through funds received under profit sharing or Mudarba contracts. Therefore, the table given is just indicative of profit mismatches amongst assets and liabilities under various contracts.

*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.

Table – 23. Foreign currency translation risk

Following is the Group's exposure to different currencies in equivalent US dollars:

	30 June 2022
	Total equivalent US \$ '000
Pakistani rupees	117,908
Euro	(2,794)
Kuwaiti dinars	2
Pound sterling	(3,142)
Egyptian Pound	3,462
Algerian Dinar	6,000
Others	1,033

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3 RISK MANAGEMENT (continued)

b) Market Risk (continued)

Table – 23. Foreign currency translation risk (continued)

	31 December 2021
	Total equivalent US \$ '000
Pakistani rupees	130,510
Euro	(3,167)
Kuwaiti dinars	63
Pound sterling	(8,886)
Egyptian Pound	4,787
Algerian Dinar	6,000
Others	1,338

The strategic currency risk represents the amount of equity of the subsidiary

*Foreign currency risk sensitivity analysis*

In order to measure its exposures to currency risk, the Group stress tests its exposures following the standard shocks approach which calculates the effect on assets and income of the Group as a result of 20% appreciation and depreciation in foreign currencies in relation to the reporting currency of the Group. This is calculated using various percentages based upon the judgement of the management of the Group.

Table – 24. Foreign currency risk sensitivity analysis

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 owner's equity. The impact of a similar increase / (decrease) in exchange rates will be approximately opposite to the impact disclosed below:

At 30 June 2022

Currency	Particular	Change	Exposures in US \$ '000	Effect on profit and loss/Equity US \$ '000
Pakistani rupees	Net long Position	20%	117,908	23,582
Euro	Net short Position	20%	2,794	559
Kuwaiti dinars	Net long Position	20%	2	0
Pound sterling	Net long Position	20%	3,142	628
Egyptian Pound	Net long Position	20%	3,462	692
Algerian Dinar	Net long Position	20%	6,000	1,200
Others	Net long Position	20%	1,033	207

At 31 December 2021

Currency	Particular	Change	Exposures in US \$ '000	Effect on profit and loss/Equity US \$ '000
Pakistani Rupees	Net long Position	20%	130,510	26,102
Euro	Net short Position	20%	3,167	633
Kuwaiti Dinars	Net long Position	20%	63	13
Pound Sterling	Net short Position	20%	8,886	1,377
Egyptian Pound	Net long Position	20%	4,787	957
Algerian Dinar	Net long Position	20%	6,000	1,200
Others	Net long Position	20%	1,339	268

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3 RISK MANAGEMENT (continued)

c) Equity of Investment Accountholders (IAH)

The Group manages and deploys Equity of IAH according to its Article of Association – Chapter 3 on Rules of Business. In this respect, the Bank invests its own funds separately or jointly with amount received from Equity of IAH. These funds received are managed in accordance with Shari' a requirements and standard of prudence is applied in the context of managing the overall portfolios to enable the Group to exercise its fiduciary responsibilities. The Group is authorised by Equity of IAH to invest the funds on the basis of Mudaraba, Murabaha, Salam, Ijara transactions and other forms of contract in a manner which the Group deems appropriate without laying down any restrictions as to where, how and for what purpose the funds should be invested.

The composition, characteristics, diversification, and concentration of portfolios are monitored within appropriate risk limits and indicators detailed in the Group's credit risk, liquidity risk, and other risks policies of the group. The strategic objectives of the investments of the funds are:

- a) Investment in Shari' a compliant opportunities,
- b) Targeted returns;
- c) Compliance with credit and Investment policy and overall business plan and
- d) Diversified portfolio.

Funds are invested in Shari' a compliant commercial or consumer financing as well as short, medium, and long term investments excluding strategic investments. A due diligence process is in place which is consistent with business and risk policy guidelines of the Group after deduction of mandatory reserves and making allowance for short-term liquidity requirements.

Under all the aforesaid arrangement the Group can commingle the IAH funds with funds generated from various sources (Self-Financed). In this regards, the Bank at inception designate each asset separately as "Self" and "Jointly" financed, except liquid assets which are managed collectively. Further, the jointly financed assets are segregated proportionately based on amounts of funds contributed by each category of investors.

The Group's share of profit as a Mudarib for managing equity of IAH and their share of income is based on the terms and conditions of the related Mudarib agreements. These funds are invested in Islamic modes of financing and investments including murabaha, salam, istisna, wakala, musharaka, mudaraba and ijara. The Group is offering these accounts for saving and term accounts ranging from 1 months to 5 years. There are no separate designations for portfolio managers, investment advisors and trustee. IAH accounts are managed at Head Office and subsidiary levels by relevant departments.

Investors' share of income is calculated based on the income generated from joint investment accounts after deducting the expenses related to investment pool "mudarib expenses". Mudarib expenses include all expenses incurred by the Group, including specific provisions, but excluding staff cost and depreciation. The Group's "mudarib profit" is deducted from investors' share of income before distributing such income. In some cases, equity of IAH withdrawn before maturity and without completing agreed period are entitled to income available for tenor completed by the investor and after deducting some charges.

The basis applied by the Group in arriving at the investment accountholders share of income is [total investment income less investment pool expenses] divided by (average funds generating income (shareholders and equity of investment accountholders) times average funds of equity of IAH).

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3 RISK MANAGEMENT (continued)

c) Equity of Investment Accountholders (continued)

**Investment risk reserve**

The Group deducts investment risk reserve as per approved policy from time to time from the profit distributable to equity of investment accountholders of its Bahrain operations, after allocating the Mudarib share in order to cater against future losses for equity of IAH.

**Profit equalisation reserve**

The Group appropriates a certain amount in excess of the profit to be distributed to equity of investment accountholders before taking into consideration the mudarib share of income. This is used to maintain a certain level of return on investment for equity of IAH.

**Displaced commercial risk**

The Group is exposed to displaced commercial risk in the event of having equity of IAH profit rates that are lower than market rates. The Group has mitigated this risk through the setting up of reserves that will be used in case of a drop in IAH profit rates. The policies and procedures for displaced commercial risk are formulated and implemented at the segment level (Pakistan and Bahrain).

**Complaint procedure / awareness programs**

A complaint management system is established; procedures on handling complaints have been developed, new Complaints form has been introduced, a number of complaints channels are available where customers can communicate through branches, call centre, email, dedicated staff number and web-site. Monitoring procedures have been developed as well.

The Group uses its website, print and electronic media for consumer awareness program and to inform about new products.

**Penalty charges**

**Central Bank of Bahrain**

Discrepancies in credit, risk and compliance procedures and reporting of past dues  
Delays in settlement of ATM balances\*  
Wrong disclosure of penalties in prior periods  
Discrepancies in corporate governance disclosure  
Anomalies in standing orders, EFTS and other electronic channels

30 June 2022 US \$ '000	31 December 2021 US \$ '000
-------------------------------	-----------------------------------

-	-
-	-
-	-
-	-
85	77
<u>85</u>	<u>77</u>

**State Bank of Pakistan**

Various non-compliances with domestic laws and regulations

293	2
<u>293</u>	<u>2</u>

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3 RISK MANAGEMENT (continued)

c) Equity of Investment Accountholders (continued)

\* This penalty was paid in year 2018 but was waived off subsequent to yearend.

\*There was a penalty amounted to USD 1 thousand related to certain discrepancies in Corporate Governance paid subsequent to year 2018.

**Non-Shari'a complaint income**

The Group has received US \$ 149 thousand (2021: US \$ 531 thousand) from customers as penalty for default are other non sharia compliant sources, which was disposed through charity contribution.

**Table – 25. Equity of Investment Accountholders**

The following table summarises the breakdown of equity of IAH and the analysis of profit equalisation reserve, investment risk reserve and return on equity of IAH as of:

	30 June 2022 US \$ '000	31 December 2021 US \$ '000
IAH - Non-banks	1,327,368	1,371,711
IAH - Banks	545,838	493,294
Profit equalisation reserve	411	411
Investment risk reserve	-	-
	<b>1,873,615</b>	<b>1,865,416</b>

**Table – 26. Ratio of reserves to total IAH**

The following table summarises the ratio of reserves to the total amount of equity of IAH as of:

	30 June 2022	31 December 2021
PER to IAH (%)	0.02%	0.02%
IRR to IAH (%)	0.00%	0.00%

**Table – 27. Equity of Investment Accountholders by Islamic financing product type**

The following table summarises the percentage of IAH financing for each type of Shari's-compliant contract to total equity of IAH financing as of:

	30 June 2022	31 December 2021
Receivables	23.01%	25.95%
Musharaka	12.77%	14.80%
Ijara Muntahia Bittamleek & Ijara income receivable	26.22%	22.84%
Investments	26.03%	24.25%
Other assets	11.97%	12.15%

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3 RISK MANAGEMENT (continued)

c) Equity of Investment Accountholders (continued)

Table – 28. Equity of Investment Accountholders by Counterparty Type

The following table summarises the percentage of equity of investment accountholders for each category of counterparty to total equity as of:

Counterparty type	30 June 2022	31 December 2021
Banks	29.15%	26.47%
Investment Firms	5.46%	5.50%
Corporates	20.00%	21.43%
Residentals	39.59%	39.97%
Others	5.80%	6.63%

Table – 29. Investment Accountholders share of profit

The following table summarises the share of profits earned by and paid out to equity of IAH and the Group as Mudarib for the year ended:

	30 June 2022	31 December 2021	31 December 2020	31 December 2019	31 December 2018
Administrative expenses charged to equity of Investment accountholders	3,661	6,052	14,061	6,883	10,577
Share of profits earned by IAH, before transfers to/from reserves	49,866	82,941	87,437	84,531	69,829
Percentage share of profit earned by IAH before transfer to/from reserves	5.29%	4.64%	5.37%	6.06%	4.83%
Share of profit paid out to IAH after Mudarib fee and transfer to/from reserves	41,927	58,566	63,761	75,287	53,151
Percentage share of profit paid out to IAH after Mudarib fee and transfer to/from reserves	4.44%	3.28%	3.91%	5.40%	3.68%
Share of profit paid out to Bank as mudarib	7,940	24,374	23,676	9,244	16,477
Mudarib Fee to total Investment Profits	15.92%	29.39%	27.06%	10.94%	23.66%

Table – 30. Movement in profit equalisation reserve

The following table summarises the movement in profit equalisation reserve during the year ended:

	30 June 2022 US \$ '000	31 December 2021 US \$ '000	31 December 2020 US \$ '000	31 December 2019 US \$ '000	31 December 2018 US \$ '000
Balance at 1 January	411	344	229	115	572
Amount utilized on initial implementation of FAS 30	-	-	-	-	(572)
Restated balances as on 01 January	411	344	229	115	-
Amount apportioned from income	-	67	115	114	115
Foreign exchange gain / (loss)	-	-	-	-	-
	411	411	344	229	115
Percentage of the profit earned on equity of investment accountholders appropriated to profit equalisation reserve	0.00%	0.08%	0.13%	0.13%	0.17%

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3 RISK MANAGEMENT (continued)

c) Equity of Investment Accountholders (continued)

Table – 31. Movement in investment risk reserve

The following table summarises the movement in investment risk reserve during the year ended:

	30 June 2022 US \$ '000	31 December 2021 US \$ '000	31 December 2020 US \$ '000	31 December 2019 US \$ '000	31 December 2018 US \$ '000
Balance at 1 January	-	-	-	-	1,701
Amount utilized on initial implementation of FAS 30	0	-	-	-	(1,701)
Restated balances as on 01 January	0	-	-	-	-
Amount apportioned from income	-	277	-	-	-
Amount apportioned to provision	-	(277)	-	-	-
	0	-	-	-	-
Percentage of the profit earned on equity of investment accountholders appropriated to profit equalisation reserve	Nil	0.33%	Nil	Nil	Nil

The profit equalisation reserve and investment risk reserve will revert to IAH as per terms and conditions of the Mudaraba contract.

As IAH funds are commingled with the Group's funds for investment, no priority is granted to any party for the purpose of investments and distribution of profits.

The Group's share, as Mudarib, in the profits of IAH is up to a maximum of 70% (31 December 2018: up to 70%) as per the terms of IAH agreements.

Table – 32. Equity of Investment Accountholders rate of return

The following table summarises the average rate of return over the period:

	Average 30 June 2022 Rate of return %		
	Bahrain	US \$	Pakistan
Saving Accounts	0.10%	0.10%	5.56%
One Month Term Deposits	0.87%	0.57%	4.91%
Three Months Term Deposits	1.37%	1.09%	4.98%
Six Months Term Deposits	1.57%	1.17%	4.99%
Nine Months Term Deposits	1.89%	1.56%	-
1 Year Term Deposits	2.14%	1.84%	7.13%
2 Years Term Deposits	2.19%	1.93%	10.63%
3 Year Term Deposits	2.24%	2.01%	11.10%
4 Years Term Deposits	2.29%	2.10%	11.50%
5 Years Term Deposits	2.34%	2.15%	12.17%

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3 RISK MANAGEMENT (continued)

c) Equity of Investment Accountholders (continued)

	Average		
	31 December 2021 Rate of return %		
	Bahrain	US \$	Pakistan
Saving Accounts	0.10%	0.10%	3.83%
One Month Term Deposits	0.89%	0.69%	2.53%
Three Months Term Deposits	1.56%	1.27%	2.86%
Six Months Term Deposits	1.76%	1.47%	2.85%
Nine Months Term Deposits	2.08%	1.68%	0.00%
1 Year Term Deposits	2.33%	2.18%	5.95%
2 Years Term Deposits	2.38%	2.28%	7.19%
3 Year Term Deposits	2.43%	2.38%	7.31%
4 Years Term Deposits	2.48%	2.48%	7.30%
5 Years Term Deposits	2.53%	2.53%	7.84%

Table – 33. Equity of Investment Accountholders by type of assets

The following table summarises the types of assets in which the funds are invested and the actual allocation among various types of assets and the changes in the asset allocation for the year ended 30 June 2022:

	Opening	Movement	Closing
	Actual		Actual
	Allocation	US \$ '000	Allocation
	US \$ '000	US \$ '000	US \$ '000
Cash and balances with banks	191,276	5,998	197,274
Receivables	484,124	(52,997)	431,127
Ijara Muntahia Bittamleek	426,107	65,168	491,275
Musharaka	276,152	(36,853)	239,299
Investments	452,408	35,247	487,655
Other assets	35,349	(8,365)	26,984
	<b>1,865,416</b>	<b>8,188</b>	<b>1,873,614</b>

The following table summarises the types of assets in which the funds are invested and the actual allocation among various types of assets for the year ended 31 December 2021:

	Opening	Movement	Closing
	actual		actual
	allocation	US \$ '000	allocation
	US \$ '000	US \$ '000	US \$ '000
Cash and balances with banks	129,812	61,464	191,276
Receivables	552,018	(67,894)	484,124
Ijara Muntahia Bittamleek	0	-	-
Musharaka	285,202	140,905	426,107
Investments	316,638	(40,486)	276,152
Ijara income receivables	388,839	65,569	452,408
Other assets	26,399	8,950	35,349
	<b>1,696,908</b>	<b>188,508</b>	<b>1,865,416</b>

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3 RISK MANAGEMENT (continued)

c) Equity of Investment Accountholders (continued)

Table – 34. Equity of Investment Accountholders profit earned and paid

The following table summarises the amount and percentage of profits earned and paid out to profit sharing investment accounts over the past five years:

	Profit earned		Profit paid to IAH	
	US \$ '000	%age	US \$ '000	%age
2022	49,866	5.29%	41,827	4.44%
2021	82,941	4.84%	58,566	3.28%
2020	87,437	5.37%	63,761	3.91%
2019	84,531	6.06%	75,287	5.40%
2018	69,829	4.83%	53,151	3.68%

\* Annualised

Table - 35. Treatment of assets financed by Equity of Investment Accountholders

The following table summarises the treatment of assets financed by IAH in the calculation of risk weighted assets (RWA) for capital adequacy purposes as of 30 June 2022:

Type of Claims	RWA for capital adequacy purposes		
	RWA US\$ '000	US\$ '000	Capital charges US\$ '000
Claims on Sovereign	189	57	7
Claims on PSEs	1,077	323	40
Claims on Banks	33,300	9,990	1,249
Claims on Corporates	422,071	126,621	15,828
Claims on Investment Firms	-	-	-
Regulatory Retail Portfolio	97,195	29,159	3,845
Mortgage	256,046	78,814	9,602
Past due facilities	32,565	9,770	1,221
Investment in securities	1,113	334	42
Holding of Real Estates	59,316	17,795	2,224
Other Assets	28,290	8,487	1,061
	<b>931,161</b>	<b>279,350</b>	<b>34,919</b>

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3 RISK MANAGEMENT (continued)

c) Equity of Investment Accountholders (continued)

The following table summarises the treatment of assets financed by IAH in the calculation of risk weighted assets (RWA) for capital adequacy purposes as of 31 December 2021:

Type of Claims	RWA US\$ '000	RWA for capital adequacy purposes US\$ '000	Capital charges US\$ '000
Claims on Sovereign	127	38	5
Claims on PSEs	1,651	495	62
Claims on Banks	78,191	23,457	2,932
Claims on Corporates	435,252	130,576	16,322
Claims on Investment Firms	-	-	-
Regulatory Retail Portfolio	107,855	32,357	4,045
Mortgage	223,529	67,059	8,382
Past due facilities	35,643	10,693	1,337
Investment in securities	623	247	31
Holding of Real Estates	50,008	15,002	1,875
Other Assets	37,300	11,190	1,399
	970,379	291,114	36,390

d) Off-balance sheet equity of Investment Accountholders

Off-balance sheet equity of Investment accountholders is invested and managed in accordance with Shari'a requirements.

The Group is not engaged in investment management activities or in managing funds. Therefore, the investments policies or risk parameters related to funds management are not relevant amid with specific nature of such business. The exposures given above are raised predominantly under agency arrangements/ syndications with specified institutional customers. In this respect, the respective nature, associated risks and returns measures are duly disclosed.

The Group has appropriate procedures and controls in place commensurate to the size of its portfolio which includes:

- Organizing its internal affairs in a responsible manner, ensuring it has appropriate internal controls and risk management systems and procedures and controls designed to mitigate and manage such risks;
- Observing high standards of integrity and fair dealing in managing the scheme to the best interest of its investors; and
- Ensuring that the Group has the requisite level of knowledge and experience for the tasks that is undertaken and is competent for the work undertaken.

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3 RISK MANAGEMENT (continued)

d) Off-balance sheet equity of Investment Accountholders (continued)

Table – 36. Off-balance sheet equity of Investment Accountholders by Islamic product type

The following table summarises the breakdown of Off-balance sheet equity of IAH by type of Islamic financing contracts as of:

Islamic products	30 June 2022	31 December 2021
<i>On balance sheet jointly financed assets*</i>		
Others		
Receivables	85.27%	73.89%
Investments	14.73%	26.11%

\* Funds received under "Wakala" contracts are commingled or invested under multi level arrangements in " On Balance Sheet Equity of Investment Accountholders. In this regards, the distribution of such assets is duly given in section "C".

Table – 37. Off-balance sheet equity of Investment Accountholders by counterparty type

The following table summarises the percentage of financing for each category of counterparty to total financing as of:

Counterparty type	30 June 2022	31 December 2021
<i>On balance sheet jointly financed assets*</i>		
Others		
Banks	29.23%	21.49%
Corporate	61.82%	57.53%
Sovereigns	8.94%	20.98%

\* Funds received under "Wakala" contracts are commingled or invested under multi level arrangements in " On Balance Sheet Equity of Investment Accountholders. In this regards, the distribution of such assets is duly given in section "C".

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3 RISK MANAGEMENT (continued)

d) Off-balance sheet equity of Investment Accountholders (continued)

Table – 38. Off-balance sheet equity of Investment Accountholders by type of assets

The following table summarises the types of assets in which the funds are invested and the actual allocation among various types of assets and the changes in the asset allocation for the period ended 30 June 2022:

	Opening actual allocation US\$ '000	Movement US\$ '000	Closing actual allocation US\$ '000
<i>On balance sheet jointly financed assets</i>	514,684	61,903	576,587
	<u>514,684</u>	<u>61,903</u>	<u>576,587</u>
Others			
Receivables	125,280	2,660	127,928
Investments	33,259	(20,691)	12,568
	<u>158,527</u>	<u>(18,031)</u>	<u>140,496</u>
	<u>673,211</u>	<u>43,872</u>	<u>717,083</u>

The following table summarises the types of assets in which the funds are invested and the actual allocation among various types of assets and the changes in the asset allocation for the year ended 31 December 2021:

	Opening actual allocation US\$ '000	Movement US\$ '000	Closing actual allocation US\$ '000
<i>On balance sheet jointly financed assets</i>	384,143	150,541	514,684
	<u>384,143</u>	<u>150,541</u>	<u>514,684</u>
Others			
Receivables	136,357	(11,089)	125,268
Investments	22,705	10,554	33,259
	<u>159,062</u>	<u>(535)</u>	<u>158,527</u>
	<u>523,205</u>	<u>150,006</u>	<u>673,211</u>

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3 RISK MANAGEMENT (continued)

d) Off-balance sheet equity of Investment Accountholders (continued)

Table – 39. Off-balance sheet equity of Investment Accountholders historical returns

The following table summarises the historical returns over the past five year:

	June 2022	December 2021	December 2020	December 2019	December 2018
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Gross Income	13,311	25,593	17,153	23,830	1,175
Mudanib Fee	6,232	9,945	3,821	11,563	91

The Group's share of profit as a Mudarib for managing Off-balance sheet equity of Investment accountholders and their share of income is based on the terms and conditions of the related mudarib agreements. These mudarib agreements are done at the individual Counter party level.

e) 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. The liquidity management policy at a minimum includes the following:

- a. Provide clear guidance on the composition and role of the asset/liability committee or such other committee or department responsible for managing liquidity.
- b. Establish approval processes to ensure adherence to liquidity risk management processes.
- c. Require periodic calculations to determine the extent to which the segments are funding long-term assets with short-term liabilities.
- d. Establish liquidity ratio benchmarks, e.g. parameters for the funding of long-term assets with short-term liabilities to guide liquidity management and the method for computing liquidity indicators.
- e. Establish limits on the degree of concentrations that are deemed acceptable. This should:
  - i) Ensure diversification of funding by origin and term structure by, for example, guarding against concentration by individuals or groups of depositors, types of deposit instruments, market sources of deposit, geographical sources, term to maturity, and deposit currencies. Where concentrations occur, the segments manage their assets and liquidity profile to mitigate the risk; and
  - ii) Set procedures for the orderly restoration of the liquidity position in the event of loss of funding where such concentrations are unavoidable. In addition, the segments conduct an impact analysis on its dependency on any such concentrations.
- f. Provide for periodic review of the deposit structure. The review should include the volume and trend of various types of deposits offered, maturity distributions of time deposits, profit rate paid on each type of deposit, prevailing market profit rate, limits on large time deposits, public funds, and non-resident deposits.

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**3 RISK MANAGEMENT (continued)**

**e) Liquidity risk (continued)**

- g. Provide for the review of alternate funding sources including stand-by facilities and lines of credit.
- h. Establish a framework for the composition of assets.
- i. Assess the acceptable mismatch in combination with currency commitments. The segments undertake separate analysis of their strategy for each currency individually. They set and regularly review limits on the size of cash flow mismatches over particular time horizons for foreign currencies in aggregate, and for each significant currency.

**Table – 40. Liquidity ratios**

The following table summarises the liquidity ratios as of:

	30 June 2022	31 December 2021
Liquid assets to total assets	8.54%	13.35%
Short term assets to short term liabilities	28.87%	34.18%

**Table – 41. Quantitative Indicators of financial performance and position**

	June 2022	December 2021	December 2020	December 2019	December 2018
Return on average equity	7.7%	4.7%	2.8%	2.0%	-8.2%
Return on average assets	0.7%	0.5%	0.3%	0.2%	-0.8%
Cost to Income Ratio	70.5%	70.8%	67.7%	75.8%	82.8%

\* Return based on total income and equity (including non-controlling interests)

**4 OTHERS**

The responsibility for payment of Zakat is on individual shareholders and investment accountholders. However, in Pakistan, Zakah is deducted at source from the Equity of Investment accountholders as required by local laws.

The Group has dedicated staff and hires services of professional firms to ensure compliance with applicable laws and regulations. Further, the legal cases are actively followed in collaboration of legal councils and directly monitored by the strategic management.

Subject to the provisions thereof, deposits held with the Bahrain office of Al Baraka Islamic Bank B.S.C.(c) are covered by the Deposit Protection Scheme established by the Central Bank of Bahrain regulation concerning the establishment of a Deposit Protection Scheme and a Deposit Protection Board.

**For identification purposes only**



Date: ..... 25.AUG.2022.

**Al Baraka Islamic Bank B.S.C.(c)**  
**CBB - Composition of Capital Disclosure Requirements**  
**As at 30 June 2022**

**For identification purposes only**



**25 AUG 2022**

**Date: .....**

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

CBB - Composition of Capital Disclosure Requirements

PD-1 Regulatory Capital Reconciliation

As at 30 June 2022

Common Disclosure Template		PIRI	Reference
<b>Common Equity Tier 1 capital: instruments and reserves</b>			
1	Directly issued qualifying common share capital plus related stock surplus	136,458	E
2	Retained earnings	(4,316)	G
3	Accumulated other comprehensive income (and other reserves)	(14,093)	H-L
4	<i>Not applicable</i>	-	
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	13,180	N
6	Common Equity Tier 1 capital before regulatory adjustments	131,229	
<b>Common Equity Tier 1 capital: regulatory adjustments</b>			
7	Prudential valuation adjustments		
8	Goodwill (net of related tax liability)	28,045	B
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	6,843	A
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	3,605	C1
11	Cash-flow hedge reserve	-	
12	Shortfall of provisions to expected losses	-	
13	Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)	-	
14	Not applicable	-	
15	Defined-benefit pension fund net assets	-	
16	Investments in own shares	-	
17	Reciprocal cross-holdings in common equity	-	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-	
20	Mortgage servicing rights (amount above 10% threshold)	-	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	3,788	C2
22	Amount exceeding the 15% threshold	-	
23	of which: significant investments in the common stock of financials	-	
24	of which: mortgage servicing rights	-	
25	of which: deferred tax assets arising from temporary differences	-	
26	CBB specific regulatory adjustments	-	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	
28	Total regulatory adjustments to Common equity Tier 1	42,281	
29	Common Equity Tier 1 capital (CET1)	88,948	

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Date: ..... 25. AUG. 2022..

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

CBB - Composition of Capital Disclosure Requirements

PD-1 Regulatory Capital Reconciliation

As at 30 June 2022

Common Disclosure Template		PIRI	Reference
<b>Additional Tier 1 capital: Instruments</b>			
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	111,000	F
31	of which: classified as equity under applicable accounting standards	111,000	
32	of which: classified as liabilities under applicable accounting standards	-	
33	<i>Directly issued capital instruments subject to phase out from Additional Tier 1</i>	-	
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	87	O
35	<i>of which: instruments issued by subsidiaries subject to phase out</i>	-	
36	<b>Additional Tier 1 capital before regulatory adjustments</b>	<b>111,087</b>	
<b>Additional Tier 1 capital: regulatory adjustments</b>			
37	Investments in own Additional Tier 1 instruments	-	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-	
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
41	CBB specific regulatory adjustments	-	
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
43	<b>Total regulatory adjustments to Additional Tier 1 capital</b>	<b>-</b>	
44	<b>Additional Tier 1 capital (AT1)</b>	<b>111,087</b>	
45	Hair Cut due to shortage in CET-1 Capital	-	
46	<b>Net Available Capital after regulatory adjustments and haircut</b>	<b>111,087</b>	
47	<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>200,035</b>	
<b>Tier 2 capital: Instruments and provisions</b>			
48	Directly issued qualifying Tier 2 instruments plus related stock surplus	-	
49	<i>Directly issued capital instruments subject to phase out from Tier 2</i>	-	
50	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	7,016	D
51	<i>of which: instruments issued by subsidiaries subject to phase out</i>	-	
52	<i>Assets revaluation reserve - property, plant, and equipment</i>	471	P
53	Provisions	7,628	R
54	<b>Tier 2 capital before regulatory adjustments</b>	<b>15,115</b>	

For identification purposes only



25 AUG 2022

Date: .....

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

CBB - Composition of Capital Disclosure Requirements

PD-1 Regulatory Capital Reconciliation

As at 30 June 2022

Common Disclosure Template		PIRI	Reference
<b>Amounts below the thresholds for deduction (before risk weighting)</b>			
75	Non-significant investments in the capital of other financials	-	
76	Significant investments in the common stock of financials	-	
77	Mortgage servicing rights (net of related tax liability)	-	
78	Deferred tax assets arising from temporary differences (net of related tax liability)	9,274	
<b>Applicable caps on the inclusion of provisions in Tier 2</b>			
79	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	13,276	Q
80	Cap on inclusion of provisions in Tier 2 under standardised approach	7,628	
81	N/A		
82	N/A		
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2019 and 1 Jan 2023)</b>			
83	Current cap on CET1 instruments subject to phase out arrangements	-	
84	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	
85	Current cap on AT1 instruments subject to phase out arrangements	-	
86	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	
87	Current cap on T2 instruments subject to phase out arrangements	-	
88	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	

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Date: ..... 25 AUG 2022



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

CBB - Composition of Capital Disclosure Requirements

PD-1 Regulatory Capital Reconciliation

As at 30 June 2022

Common Disclosure Template		PIRI	Reference
<b>Tier 2 capital: regulatory adjustments</b>			
55	Investments in own Tier 2 Instruments	-	
56	Reciprocal cross-holdings in Tier 2 Instruments	-	
57	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-	
58	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
59	National specific regulatory adjustments	-	
60	Total regulatory adjustments to Tier 2 capital	-	
61	Tier 2 capital (T2)	15,115	
62	Total capital (TC = T1 + T2)	215,150	
63	Total risk weighted assets	907,932	
<b>Capital ratios and buffers</b>			
64	Common Equity Tier 1 (as a percentage of risk weighted assets)	9.80%	
65	Tier 1 (as a percentage of risk weighted assets)	22.03%	
66	Total capital (as a percentage of risk weighted assets)	23.70%	
67	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus D-SIB buffer requirement, expressed as a percentage of risk weighted assets)	12.5%	
68	of which: capital conservation buffer requirement	2.5%	
69	of which: bank specific countercyclical buffer requirement	N/A	
70	of which: D-SIB buffer requirement	N/A	
71	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	3.3%	
<b>National minima including CCB (where different from Basel III)</b>			
72	CBB Common Equity Tier 1 minimum ratio	9%	
73	CBB Tier 1 minimum ratio	10.5%	
74	CBB total capital minimum ratio	12.5%	

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25 AUG 2022

Date: .....

**Al Baraka Islamic Bank B.S.C.(c)**  
**CBB - Composition of Capital Disclosure Requirements**  
**Statement of Financial Position**  
**Appendix PD-2**  
**Step-1**

	As per published financial statements	As per Consolidated PIRi Return
	30 June 2022 US \$ '000	30 June 2022 US \$ '000
<b>Assets</b>		
Cash and balances with banks and financial institutions	231,303	232,293
Receivables	431,858	441,939
Ijara Muntahia Bittamleek & Ijara receivables	506,154	506,848
Musharaka	279,145	282,584
Investments	1,239,193	1,194,240
Investments in real estate	8,933	11,832
Investment in joint venture & associates	20,591	20,599
Premises and equipment	51,380	53,965
Goodwill	10,963	28,045
Other assets	53,574	53,041
<b>Total Assets</b>	<b>2,833,094</b>	<b>2,825,385</b>
<b>Liabilities</b>		
Current accounts	301,056	290,079
Murabaha and other payables	272,788	272,788
Other liabilities	100,023	114,084
<b>Total liabilities</b>	<b>673,867</b>	<b>676,951</b>
<b>Equity of Investment Account Holders</b>	<b>1,873,615</b>	<b>1,873,615</b>
<b>Subordinated debt</b>	<b>16,616</b>	<b>15,139</b>
<b>Shareholders' Equity</b>		
<b>CET 1</b>		
Share capital	136,458	136,458
Perpetual Tier1 capital	111,000	111,000
Retained earnings	13,148	(12,713)
Reserves	(13,181)	1,129
<b>Total Shareholders' Equity</b>	<b>247,425</b>	<b>235,874</b>
Non controlling interest	21,571	23,806
<b>Total Liabilities, URIA and shareholders' equity</b>	<b>2,833,094</b>	<b>2,825,385</b>

For identification purposes only



Date: ..... 25 AUG 2022

**Al Baraka Islamic Bank B.S.C.(c)**  
**CBB - Composition of Capital Disclosure Requirements**  
**Statement of Financial Position**  
**Appendix PD-2**  
**Step-2**

	As per published	As per Consolidated	
	financial statements	PIRI Return	
	30 June 2022	30 June 2022	
	US \$ '000	US \$ '000	
<b>Assets</b>			
Cash and balances with banks and financial institutions	231,303	232,293	
Receivables	431,858	441,939	
Ijara Muntahia Bittamleek & Ijara income receivable	506,154	506,848	
Musharaka	279,145	282,584	
Investments carried at fair value through profit & loss	-	24,636	
Investments carried at amortized cost	1,134,922	1,119,674	
Investments carried at fair value through equity	104,271	49,930	
Investments in real estate	8,933	11,832	
Investment in joint venture & associates	20,591	20,599	
Premises and equipment	51,380	53,965	
of which intangibles	6,843	6,843	A
Goodwill	10,963	28,045	B
Other assets	53,574	49,254	
of which deferred tax subject to direct deduction		3,605	C1
of which deferred tax subject to threshold deduction		3,788	C2
<b>Total Assets</b>	<b>2,833,094</b>	<b>2,825,386</b>	
<b>Liabilities</b>			
Current accounts	301,056	290,079	
Murabaha and other payables	272,788	272,788	
Other liabilities	100,023	107,163	
<b>Total liabilities</b>	<b>673,867</b>	<b>670,030</b>	
<b>Equity of Investment Account Holders</b>	<b>1,873,615</b>	<b>1,873,615</b>	
<b>Subordinated debt</b>	<b>16,616</b>	<b>15,139</b>	
of which allowed as T2		7,016	D
<b>Shareholders' Equity</b>			
<b>CET 1</b>			
Share capital	136,458	136,458	E
Perpetual AT1 Capital	111,000	111,000	F
Retained Earnings / (Accumulated losses)	13,148	(4,316)	G
Statutory reserve	24,840	24,840	H
General reserves	8,687	8,687	I
Foreign exchange reserve	(51,174)	(51,172)	J
Revaluation reserve on investments	4,172	3,637	K
Other reserves	(85)	(85)	L
Non controlling interest	21,571	23,806	M
NCI CET1		13,180	N
NCI AT1		87	O
<b>Tier 2</b>			
Revaluation reserve on premises and equipment	379	471	P
Expected credit losses for stage1 and stage2	-	13,276	Q
of which allowed as T2		7,628	R
<b>Total Shareholders' Equity</b>	<b>268,996</b>	<b>266,602</b>	
<b>Total Liabilities, URIA and shareholders' equity</b>	<b>2,833,094</b>	<b>2,825,386</b>	

Legal entities included within the regulatory scope of consolidation but excluded from the accounting scope of consolidation:

Name	Activities	Total Assets	Total Equity
Itqan Capital Company	Fund management and investment advisory	15,011	13,193

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Date: .....25.AUG.2022...

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

**CBB - Composition of Capital Disclosure Requirements**

**Disclosure template for main features of regulatory capital instruments**

Appendix PD-3

1	Issuer	Al Baraka Islamic Bank	Al Baraka Islamic Bank	Al Baraka Islamic Bank	Al Baraka Islamic Bank (Pakistan) Limited	Al Baraka Bank (Pakistan) Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	NA	NA	NA	NA	NA
3	Governing law(s) of the instrument	Kingdom of Bahrain	Kingdom of Bahrain	Kingdom of Bahrain	All applicable laws and regulations of the Islamic Republic of Pakistan	All applicable laws and regulations of the Islamic Republic of Pakistan
4	Regulator treatment	AT1	AT1	AT1	Tier 2	Tier 2
5	Transitional CBB rules	AT1	AT1	AT1	Tier 2	Tier 2
6	Post-transitional CBB rules	AT1	AT1	AT1	Tier 2	Tier 2
7	Eligible as solo/group/subsidiary	Both solo and Group	Both solo and Group	Both solo and Group	GROUP	GROUP
8	Instrument type (types to be specified by each jurisdiction)	Subordinated debt	Subordinated Mudaraba debt	Subordinated Mudaraba debt	Unrestricted Mudaraba Sukuk	Unrestricted Mudaraba Sukuk
9	Amount recognised as regulatory capital (Currency in USD k, as of most recent reporting date)	136,458	81,000	30,000	7,231	9,385
10	Par value of instrument	100	Not Applicable	Not Applicable	NA	NA
11	Accounting classification	Equity	Equity	Equity	Liability - amortized cost	Bulk Payment after 7 Years
12	Original date of issuance	Various	2018	2019	2014	2017
13	Perpetual or dated	Perpetual	Perpetual	Perpetual	Dated	Dated
14	Original maturity date	Not Applicable	Perpetual	Perpetual	2021	2024
15	Issuer call subject to prior supervisory approval	Not Applicable	Yes	Yes	Yes	Yes
16	Optional call date, contingent call dates and redemption amount	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
17	Subsequent call dates, if applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
18	Coupon <i>dividends</i>	As decided by shareholder	Fixed	Fixed	Floating	Floating
19	Fixed or floating dividend/coupon	Not Applicable	Various	Various	KIBOR	6 Month Kibor + 0.75%
20	Coupon rate and any related index	Not Applicable	Yes	Yes	No	No
21	Existence of a dividend stopper	Fully discretionary	Fully discretionary	Fully discretionary	Mandatory	Mandatory
22	Fully discretionary, partially discretionary or mandatory	Not Applicable	No	No	Not Applicable	Not Applicable
23	Existence of step up or other incentive to redeem	Not Applicable	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
24	Non-cumulative or cumulative	Not Applicable	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
25	Convertible or non-convertible	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
26	If convertible, conversion trigger (s)	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
27	Convertible or non-convertible	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
28	If convertible, conversion rate	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
29	If convertible, mandatory or optional conversion	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
30	If convertible, specify instrument type convertible into	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
31	If convertible, specify issuer of instrument it converts into	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
32	Write-down feature	Not Applicable	Yes	Yes	No	No
33	If write-down, write-down trigger(s)	Not Applicable	If regulatory requires to meet the minimum capital requirements as per laws applicable in country of incorporation.	If regulatory requires to meet the minimum capital requirements as per laws applicable in country of incorporation.	Not Applicable	Not Applicable
34	If write-down, full or partial	Not Applicable	Full	Full	Not Applicable	Not Applicable
35	If write-down, permanent or temporary	Not Applicable	Permanent	Permanent	Not Applicable	Not Applicable
36	If write-down, mechanism of write-up mechanism	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
37	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinate to all liabilities	Senior to common equity and subordinate to all liabilities	Senior to common equity and subordinate to all liabilities	Subordinate to all liabilities	Subordinate to all liabilities
38	Non-compliant transitioned features	Not Applicable	No	No	No	No
39	If yes, specify non-compliant features	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable

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Date: ..... 25 AUG 2022 .....