بسم الله الرحمن الرحيم

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

REPORT OF THE FATWA AND SHARIA SUPERVISORY BOARD,
BOARD OF DIRECTORS' REPORT,
INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS AND
CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2023

alBaraka

Date: 2nd Shaaban 1445 A.H.
Corresponding to: 12th February 2024

In the Name of Allah, the Most Gracious, the Most Merciful

Report of the Fatwa and Sharia Supervisory Board From 01.01.2023 to 31.12.2023

To the Shareholders of alBaraka Islamic Bank
Praise be to Allah, the Almighty, and Peace and Blessings be upon our Prophet Muhammad, his Family, and Companions.

In accordance with the General Assembly Resolution appointing the Sharia Supervisory Board of Al Baraka Islamic Bank and entrusting us with this task, we present to you the following report:

We have independently and under no duress reviewed the applicable principles, contracts, financial reports, relating to the Bank's activities and products offered by Al Baraka Islamic Bank during the period from January 1st until the end of December 2023. We have done the necessary reviewing to express an opinion as to whether the Bank has complied with the provisions and principles of Islamic Sharia as well as the Fatwa, resolutions and guidelines that we have issued within this period, in addition to reviewing the report issued by IESCA "PwC".

We also have monitored the procedures of the Bank on the basis of testing each type of transactions, either directly or through the Sharia Officer or the Sharia Auditor. This was achieved through convening 4 meetings of SSB and reviewing: ("137" documents), (audits on "1686" executed transactions), (Sharia training program for staff, trainees), ("738" new advertisement and promotional material).

Additionally we carried out the necessary planning and arrangements in order to obtain all the information and explanations that we deemed essential to provide us with sufficient evidence to give reasonable assurance that the Bank did not violate the provisions and principles of Islamic Sharia.

In our opinion:

1. The contracts, transactions and services entered into and provided by the Bank during the financial year ended 31st December 2023 which we reviewed (except those we decided as a non-halal income) were made in compliance with the provisions and principles of Islamic Sharia.
2. The management has committed itself to segregate all the unintended gains obtained from sources or means prohibited by the provisions and principles of Islamic Sharia and disburse of it towards charitable causes under the supervision of the Sharia Supervisory Board.
3. The allocation of profits and charging of losses related to investment accounts conform to the basis that has been approved by us in accordance with Sharia provisions and principles.
4. The management is not authorized to pay the Zakat on behalf of the shareholders, and as such the responsibility for payment of the Zakat lies with the shareholders in accordance with the Zakat calculation approved by the Sharia Supervisory Board, which is equivalent to USD 0.127 per share.

We pray to Allah Almighty to guide us to the righteous path.

Shaikh Esam Ishaq
Chairman of Sharia Supervisory Board

Shaikh Dr. Nedham Yaqoobi
Member of sharia Supervisory Board

Shaikh Judge Waleed Al Mahmood
Member of sharia Supervisory Board

Mohamed Jasim Ebrahim
Sharia Officer & Secretory of Sharia Supervisory Board

Al Baraka Islamic Bank B.S.C. (Closed)
Board of Directors' Report
For the year ended 31 December 2023

In the name of Allah, the most beneficent, the most merciful.

Praise be to Allah, Lord of the Worlds, and prayers and peace be upon the last Apostle and Messenger Prophet Mohamed (Peace be upon him) and his family and companions.

Ladies and gentlemen, distinguished shareholders,

On behalf of the Board of Directors, it is my pleasure to present the annual report of Al Baraka Islamic Bank and its subsidiaries (the "Group") for the financial year ended 31 December 2023.

The year 2023 has witnessed a notable global hyperinflationary economic environment, combined with regional instability in Palestine and Ukraine, as well as heightened market competition. Unofficial data suggested that the Eurozone is anticipated to experience an overall slowdown in 2023, as individual European countries faced diverse circumstances. Similarly, they also expected that China report a slowdown in 2023 due to the property sector recession and the ongoing impact of COVID-19 pandemic.

In the meantime, the Gulf Cooperation Council economies achieved a moderate economic growth in 2023, averaging around 4.8%, although it was initially forecasted to be higher. This performance surpassed global growth estimates and demonstrated the region's resilience amongst volatile global conditions. Higher oil prices and continued diversification efforts fuelled this growth, particularly benefiting major oil producers. However, some non-oil dependent member countries witnessed slower expansion.

Bahrain's economic performance in 2023 presented a mixed picture. With estimated overall GDP growth at around 2.5%, the year witnessed significant progress in diversification efforts and resilience against global challenges. Non-oil sectors such as financial services and trade exhibited robust growth. However, maintenance work in key oil fields led to a dip in oil production and affected overall GDP growth. In addition, rising interest rates, supply chain disruptions, and geopolitical uncertainties pose risks to Bahrain's economy.

Pakistan's economic performance in 2023 marked significant challenges and mixed outcomes with official estimated GDP growth at 2.5%, while independent analysts suggested a contraction by 0.6%. The main domestic and global factors include devastating floods in 2022, high inflation rates exceeding 25% year-on-year basis, slowdown in key sectors, significant currency depreciation, and unemployment rates.

Such factors transformed into liquidity strains, hikes in cost of funding and operations, increase in delinquency rates, and slowdown in growth momentum in both Bahrain and Pakistan. Over the past two years, the US Federal Reserve increased interest rates by 550bps to combat inflation as well as to maintain price stability and prevent the creation of asset bubbles.

As a result, the overall liability-base (predominantly short term in nature) was re-priced to the prevailing market rates, in contrast with the financing assets (having longer maturities and not been subject to re-pricing either due to strategic arrangement or due to underlying nature of contract), which carried previous profit rates. Accordingly, the overall spreads narrowed or became negative for certain business sectors.

With all the challenges posed by market fundamentals in addition to the material devaluation (around 25% on year-to-year basis) in Pakistani Rupee, Al Baraka Islamic Bank Group reported a decline of 0.4% in its consolidated total assets, i.e. from USD 2,723mn in 2022 to USD 2,711mn in 2023. Although financing assets have grown by 11% in Bahrain operations, the consolidated financing assets reported a decline of 1% due to devaluation in Pakistani Rupee, i.e. from USD 1,206mn in 2022 to USD 1,193mn in 2023.

However, even with the devaluation impact, consolidated total deposits reported a growth of 1%, i.e. from USD 2,328mn in 2022 to USD 2,356mn in 2023. The Group total operating income declined by 10%, i.e. from USD 98mn in 2022 to USD 74mn in 2023, the main contributor to this decline was the significant increase in return paid on equity of investment accountholders and other funds providers by 40%, i.e. from USD 130mn in 2022 to USD 150mn in 2023.

The Group incorporated expected credit losses and allowances for impairments amount to USD 17mn in comparison with USD 6mn booked in last year. In order to overcome this unprecedented situation, the Group closely monitor its operating expenses, which recorded an inflationary increase of 3% only as compared with last year. Eventually, the Group announced a net loss of USD 24.6mn for the year ended 31 December 2023 as compared with USD 16.4mn net profits reported in the previous year.

The Islamic International Rating Agency has maintained Al Baraka Islamic Bank's international scale investment grade credit rating of BB (long term)/A3 (short term) with a stable outlook and a national scale rating of BBB+ (long term)/A3 (short term) with a stable outlook. At the same time, the VIS Credit Rating Company Limited reaffirmed long term/ short term credit rating of A+/A-1 on a national scale. Such ratings reflect the strong capacity of the Group to meet its financial obligations and commitments, and the presence of a strong compliance and governance environment.

The Group continues to adhere to its philosophy of sustainability and social responsibility, considering it as a fundamental pillar of its strategic agenda, with a focus on engaging in commercial activities that utilise sustainable resources to enhance income and living standards.

In the context of fulfilling its social obligations, the Group has supported various health, educational and sports activities and programmes. This includes donating significant amounts to educational institutions, hospitals, orphanages and other charitable institutions. Additionally, the Group sponsored workshops and activities conducted by various ministries and universities throughout the year 2023.

Furthermore, Group delegates visited Salmaniya Medical Complex and social welfare centres for the elderly. The Group also provided on-job training to university and school students, in cooperation with the INJAZ Bahrain programme. Moreover, the Group continued its partnership in many Islamic finance and banking events and conferences organised by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

Other milestones in this area included winning five awards in different categories and sectors, such as best Islamic banking product, best medical financing services, best bank for social media in Bahrain, best new marketing activation campaign of the year, and best Islamic Bank for SME's financing.

Dear shareholders,

The global economic outlook is mixed in 2024, with major economies experiencing a slower pace of inflation, easing pressure on central banks and consumers. Global growth is projected to remain at 3.1% in 2024, according to the IMF, despite initial expectations of a slowdown. Many countries, including the US, are experiencing robust

labour markets with low unemployment rates, indicating sustained consumer spending power.
However, central banks are still raising interest rates to combat inflation, which could potentially dampen economic activity. In addition, conflicts in Palestine and Ukraine, as well as other regional tensions are creating uncertainty and could cause further disruptions to energy supplies and trade. Global debt levels remain high, which could limit governments' ability to stimulate the economy in the event of a downturn. Furthermore, some emerging market economies are facing headwinds due to rising interest rates and weaker external demand.

In 2024, the Group will prioritise business expansion strategies to increase market share and drive digital transformation initiatives. Our focus will also be on enhancing our physical network presence and growing our volume in strategic products and services to bolster revenue streams. The Group will also focus on Retail, structured finance, private banking, wealth management, and SME sectors. The Group will leverage on its network to enhance services offered to its client base.

At the corporate level, the Group remains steadfast in upholding robust Corporate Governance practices, in full compliance with regulations and directives set forth by the Central Bank of Bahrain. We are dedicated to refining our internal framework and practices, and delivering continuous training to our workforce to elevate their competencies and ensure operational excellence.

During this time, and in line with our commitment to client protection, we continue to enhance our cybersecurity infrastructure to safeguard client rights, assets and data, in accordance with the highest global banking standards. Our goal is to fortify our defences and effectively mitigate cyber risks.

Dear shareholders,

It is worth noting that the Board of Directors has been playing a crucial role in providing oversight and guidance to the Executive Management team, through closely monitoring the Bank's performance and ensuring that strategic objectives are being met in accordance with regulatory requirements and best practices in the banking industry. This has been essential in driving the bank's success and maintaining its reputation as a trusted and respected Islamic banking institution.

In this context, the Board has been keen to provide valuable insights and recommendations to the Executive Management in making informed decisions to drive the bank's growth and sustainability, ensuring that the necessary measures are taken in a timely manner to address challenges and seize opportunities in the ever-evolving banking landscape.

In addition, the Board is constantly committed to enhancing cooperation with regulatory bodies such as the Central Bank of Bahrain, the Ministry of Industry and Commerce, the Bahrain Association of Banks, State Bank of Pakistan, and other stakeholders, in order to ensure compliance with regulatory guidelines and foster a culture of transparency and integrity within the organisation.

Furthermore, the Group is focused on improving operational efficiency through proactive measures such as streamlining costs and optimising processes. As an agile and lightweight institution, we prioritise resilience and cost-effectiveness to navigate through uncertainties and challenges, while remaining competitive in the dynamic banking landscape. Our unwavering dedication to driving sustainable growth and innovation underscores our mission to deliver exceptional value to stakeholders and uphold our position as a leading Islamic banking institution.

The Group is actively engaged in addressing risk management parameters to ensure a secure and stable financial environment. By improving its capitalisation and key performance indicators (KPI's), the Group aims to enhance its financial strength and resilience to external market fluctuations.

Through a focus on efficiency ratio, the Group continues its endeavours to optimise its operational processes and cost structures to achieve optimal profitability and sustainability. With this strategic approach to risk management and capitalisation, the Group is positioning itself as a competitive player in the dynamic banking industry, ensuring long-term success and growth opportunities at both a banking and corporate levels.

In conclusion, on behalf of the Board of Directors, I would like to express my sincere gratitude and appreciation to His Majesty King Hamad bin Isa Al Khalifa, King of the Kingdom of Bahrain, and to His Royal Highness Prince Salman bin Hamad Al Khalifa, Crown Prince and Prime Minister, for their unwavering support for the advancement of the banking sector in the Kingdom of Bahrain.

Our sincere gratitude to the Central Bank of Bahrain, Ministry of Industry and Commerce, the State Bank of Pakistan, and all government agencies for their continued assistance and support. We also express our gratitude to our shareholders, valued customers and business partners for their trust and loyalty, while we extend our sincere regards to our parent company and Sharia Supervisory Board for their patronage.

A special thanks and appreciation goes to our employees for the hard work and dedication that supported the Group throughout the challenges and difficulties it faced.

As part of the Group's commitment towards its shareholders, and in compliance with the provisions of the Commercial Companies Law promulgated by Decree No. (21) of 2001 and its amendments and pursuant to the provisions of Article No. (188) thereto, and in compliance with the Executive Regulations of the Commercial Companies Law issued by the order of the Minister of Industry and Commerce No. (6) of 2002 and its amendments and pursuant to the provisions of Article No. (125) thereto, we are pleased to attach herewith tables that shows the remuneration of the Board of Directors and the Executive Management for the year ended 31 December 2023:

Details of the Board of Directors Remunerations:

All amounts in Bahraini Dinars (unless otherwise stated)

Name	Fixed Remunerations					Variable Remunerations[1]					End of service award[1]	Aggregate amount *(excluding expenses allowance)*	Expenses allowance
	Remunerations of the chairman and Board	Total allowance for attending Board and committee meetings	Salaries	Others	Total	Remunerations of the chairman and Board	Bonus	Incentive plans	Others	Total			
First: independent Directors:													
1. Saleh Salman Al Kawari [2]	-	4,524	-	-	**4,524**	-	-	-	-	-	-	**4,524**	-
2. Yousef Ali Bin Fadil [2]	-	4,524	-	-	**4,524**	-	-	-	-	-	-	**4,524**	1,938
3. Abdulrahman Abdulla Mohamed [2]	-	4,524	-	-	**4,524**	-	-	-	-	-	-	**4,524**	-
4. Abdulrahman Abdulla Al Sayed	-	24,882	-	-	**24,882**	-	-	-	-	-	-	**24,882**	-
5. Adnan Abdulla Al Bassam	-	26,013	-	-	**26,013**	-	-	-	-	-	-	**26,013**	-
6. Sabah Khalil Almoayyed [3]	-	26,013	-	-	**26,013**	-	-	-	-	-	-	**26,013**	-
7. Akram Yassin [3]	-	21,489	-	-	**21,489**	-	-	-	-	-	-	**21,489**	-
Second: Non-Executive Directors:													
8. Abdullatif Abdulrahim Janahi [2]	-	4,524	-	-	**4,524**	-	-	-	-	-	-	**4,524**	-
9. Dr. Khalid Abdulla Ateeq	-	20,358	-	-	**20,358**	-	-	-	-	-	-	**20,358**	-
10. Abdulrazzaq Abdulkhaleq Abdulla [2]	-	4,524	-	-	**4,524**	-	-	-	-	-	-	**4,524**	-
11. Abdulla Tarrar Edham [3]	-	23,751	-	-	**23,751**	-	-	-	-	-	-	**23,751**	-
12. Masood Ahmed Albastaki [3]	-	15,834	-	-	**15,834**	-	-	-	-	-	-	**15,834**	-
Third: Executive Directors:													
13. Hamad Abdulla Al-Oqab[4]	-	13,572	-	-	**13,572**	-	-	-	-	-	-	**13,572**	-
14. Abdulmalek Shehadeh Mezher [3]	-	20,358	-	-	**20,358**	-	-	-	-	-	-	**20,358**	-
TOTAL	**-**	**214,890**	**-**	**-**	**214,890**	**-**	**-**	**-**	**-**	**-**	**-**	**214,890**	**1,938**

Details of the Executive Management Remunerations:

All amounts in Bahraini Dinars (unless otherwise stated)

Executive Management	Total paid salaries and allowances	Total paid remuneration (Bonus)[5]	Any other cash/ in-kind remuneration for 2023	Aggregate Amount
Remuneration of top 6 executives (including the Chief Executive Officer and the Chief Financial Officer)	644,180	-	269,705	913,885

(1) The Group did not pay any variable remunerations or end-of-service awards during the year.
(2) Directorship term expired in 23 March 2023.
(3) Directorship term started in 23 March 2023.
(4) He resigned from the Group in 31 August 2023 and his Directorship was terminated on the same date.
(5) No bonus payment as at 31 December 2023.

Sabah Khalil Al Moayyed
Chairperson
Al Baraka Islamic Bank B.S.C. (c)
Manama, Kingdom of Bahrain
20 February 2024

Dr. Adel Abdulla Salem
Chief Executive Officer
Al Baraka Islamic Bank B.S.C. (c)
Manama, Kingdom of Bahrain
20 February 2024

Independent auditor's report to the shareholders of Al Baraka Islamic Bank B.S.C. (c)

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Al Baraka Islamic Bank B.S.C. (c) (the "Bank") and its subsidiary (together the "Group") as at 31 December 2023, its consolidated financial performance, its consolidated cash flows and consolidated statement of changes in off-balance sheet equity of investment accountholders for the year then ended in accordance with the Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI").

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2023;
- the consolidated statement of income for the year then ended;
- the consolidated statement of changes in owners' equity for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in off-balance sheet equity of investment accountholders for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with the Auditing Standards for Islamic Financial Institutions issued by AAOIFI. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with AAOIFI's Code of Ethics for Accountants and Auditors of Islamic Financial Institutions (AAOIFI Code) and the ethical requirements that are relevant to our audit of the consolidated financial statements in the Kingdom of Bahrain. We have fulfilled our other ethical responsibilities in accordance with these requirements and the AAOIFI Code.

Independent auditor's report to the shareholders of Al Baraka Islamic Bank B.S.C. (c) (continued)

Report on the audit of the consolidated financial statements (continued)

Other information

The Board of Directors is responsible for the other information. The other information comprises the Report of the Fatwa and Sharia Supervisory Board and the Board of Directors' Report (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report and the Annual Report which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of those charged with governance for the consolidated financial statements

These consolidated financial statements and the Group's undertaking to operate in accordance with Islamic Sharia' Rules and Principles are the responsibility of the Board of Directors.

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the FAS and the Bahrain Commercial Companies Law number (21) of 2001, as amended (the "Commercial Companies Law"), the Central Bank of Bahrain ("CBB") Rulebook (Volume 2) and for such internal control as the Board of Directors determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e., the Board of Directors, are responsible for overseeing the Group's financial reporting process.

Independent auditor’s report to the shareholders of Al Baraka Islamic Bank B.S.C. (c) (continued)

Report on the audit of the consolidated financial statements (continued)

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Auditing Standards for Islamic Financial Institutions issued by AAOIFI will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Auditing Standards for Islamic Financial Institutions issued by AAOIFI, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent auditor's report to the shareholders of Al Baraka Islamic Bank B.S.C. (c) (continued)

Report on the audit of the consolidated financial statements (continued)

Report on other legal and regulatory and Sharia' requirements

As required by the Commercial Companies Law and the CBB Rulebook (Volume 2), we report the following:

i. The Bank has maintained proper accounting records and the consolidated financial statements are in agreement therewith;

ii. The financial information contained in the Report of the Fatwa and Sharia Supervisory Board and the Board of Directors' Report is consistent with the consolidated financial statements;

iii. Except for the matter described below in connection with the non-compliance with the requirements of the CBB's Rulebook (Volume 2 – Licensing Requirements module – LR-2.5.2A), nothing has come to our attention which causes us to believe that the Bank has, during the year, breached any of the applicable provisions of the Commercial Companies Law, the CBB Rulebook (Volume 2), the Central Bank of Bahrain and Financial Institutions Law, and CBB directives or the items of its Memorandum and Articles of Association that would have a material adverse effect on its activities for the year ended 31 December 2023 or its financial position as at that date;

   - The total consolidated owners' equity of the Bank as at 31 December 2023 stood less than BD 100 million which is a non-compliance with the requirements of the CBB's Rulebook (Volume 2 – Licensing Requirements module – LR-2.5.2A); and

iv. Satisfactory explanations and information have been provided to us by the Board of Directors in response to all our requests.

Further, we report that the Bank has complied with the Islamic Sharia' Principles and Rules as determined by the Sharia' Supervisory Board of the Group during the year under audit.

PricewaterhouseCoopers

Elias Abi Nakhoul
Partner's registration number: 196
PricewaterhouseCoopers M.E Limited
Manama, Kingdom of Bahrain
20 February 2024

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Notes	***2023 BD '000***	*2022 BD '000*
ASSETS			
Cash and balances with banks and financial institutions	3	**91,752**	61,239
Receivables	4	**169,493**	169,216
Ijara muntahia bittamleek and ijara receivables	5	**239,310**	211,856
Musharaka	6	**59,669**	90,270
Investments	7	**398,178**	423,044
Investment in joint venture	8	**6,291**	6,948
Investments in real estate	9	**2,911**	3,331
Premises and equipment	10	**34,735**	37,065
Goodwill	11	**3,004**	3,739
Other assets	12	**16,514**	19,708
TOTAL ASSETS		**1,021,857**	1,026,416
LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS, SUBORDINATED MUDARABA AND OWNERS' EQUITY			
Liabilities			
Current accounts		**97,571**	91,631
Murabaha and other payables		**152,174**	64,767
Other liabilities	13	**42,700**	42,671
Total liabilities		**292,445**	199,069
Equity of investment accountholders (IAH)	14	**638,334**	721,190
Subordinated mudaraba	15	**4,515**	5,881
Owners' equity			
Share capital	16	**57,100**	57,100
Additional tier-1 capital		**36,192**	36,192
Reserves		**(9,110)**	(6,595)
(Accumulated losses) / retained earnings		**(4,870)**	6,093
Equity attributable to parent's shareholders		**79,312**	92,790
Non-controlling interest		**7,251**	7,486
Net owners' equity		**86,563**	100,276
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS, SUBORDINATED MUDARABA AND OWNERS' EQUITY		**1,021,857**	1,026,416
OFF-BALANCE SHEET ITEMS: EQUITY OF INVESTMENT ACCOUNTHOLDERS		**190,965**	313,171
CONTINGENCIES AND COMMITMENTS	17	**96,803**	128,475

Sabah Khalil Al Moayyed	Akram Yassin	Dr. Adel Abdulla Salem
Chairperson	Vice Chairman	Chief Executive Officer

The attached explanatory notes 1 to 34 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2023

	Notes	2023 BD '000	2022 BD '000
INCOME FROM JOINTLY FINANCED ASSETS			
Financings	18	**37,512**	35,907
Investments	19	**19,858**	16,324
Income from jointly financed assets		**57,370**	52,231
Return on equity of investment accountholders before Group's share as a Mudarib		**(53,954)**	(46,119)
Group's share as a Mudarib		**4,675**	7,652
Return on equity of investment accountholders		**(49,279)**	(38,467)
Group's share as a Mudarib and Rabalmal		**8,091**	13,764
INCOME FROM SELF FINANCED ASSETS			
Financings	18	**3,008**	2,978
Share of income from investment in joint venture	8	**526**	1,225
Investments	19	**17,553**	15,161
Income from self financed assets		**21,087**	19,364
INCOME FROM BANKING SERVICES AND OTHERS			
Revenue from banking services	20	**3,063**	3,539
Other income	21	**2,785**	1,858
Group's mudarib / agency fee from off-balance sheet equity of investment accountholders		**63**	65
Income from banking services and others		**5,911**	5,462
TOTAL OPERATING INCOME BEFORE OTHER FINANCING COST		**35,089**	38,590
Other financing costs		**(7,161)**	(1,582)
TOTAL OPERATING INCOME		**27,928**	37,008
OPERATING EXPENSES			
Staff expenses		**(11,774)**	(12,312)
Depreciation and amortization	10	**(3,611)**	(3,051)
Other operating expenses	22	**(12,154)**	(11,416)
TOTAL OPERATING EXPENSES		**(27,539)**	(26,779)
NET OPERATING INCOME		**389**	10,229
Expected credit losses & allowances for impairment - net	23	**(6,300)**	(2,202)
(LOSS) / INCOME BEFORE TAXATION		**(5,911)**	8,027
Taxation	24	**(3,363)**	(1,829)
(LOSS) / INCOME FOR THE YEAR		**(9,274)**	6,198
Attributable to:			
Equity shareholders of the parent		**(10,770)**	4,822
Non-controlling interest		**1,496**	1,376
		(9,274)	6,198

Sabah Khalil Al Moayyed
Chairperson

Akram Yassin
Vice Chairman

Dr. Adel Abdulla Salem
Chief Executive Officer

The attached explanatory notes 1 to 34 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the year ended 31 December 2023

	Equity attributable to shareholders of the parent											
			Reserves									
	Share capital BD '000	Additional tier-1 capital BD '000	Statutory BD '000	General BD '000	Employee defined benefit plan BD '000	Cumulative changes in fair value of investments BD '000	Revaluation of premises and equipment BD '000	Foreign exchange BD '000	Retained earnings / (Accumulated losses) BD '000	Equity attributable to parent's shareholders BD '000	*Non-controlling interest* BD '000	Total owners' equity BD '000
Balance at 1 January 2023	**57,100**	**36,192**	**9,845**	**3,275**	**(53)**	**1,495**	**130**	**(21,287)**	**6,093**	**92,790**	**7,486**	**100,276**
Cumulative changes in fair value	-	-	-	-	-	1,100	-	-	-	1,100	343	1,443
Translation of foreign currency operations	-	-	-	-	-	-	-	(3,548)	-	(3,548)	(2,027)	(5,575)
Remeasurement gains on defined benefit plan	-	-	-	-	(56)	-	-	-	-	(56)	(39)	(95)
Deferred tax adjustment on revaluation of premises and equipment	-	-	-	-	-	-	(11)	-	-	(11)	(8)	(19)
Distribution of Zakah	-	-	-	-	-	-	-	-	(193)	(193)	-	(193)
(Loss) / income for the year	-	-	-	-	-	-	-	-	(10,770)	(10,770)	1,496	(9,274)
Balance at 31 December 2023	**57,100**	**36,192**	**9,845**	**3,275**	**(109)**	**2,595**	**119**	**(24,835)**	**(4,870)**	**79,312**	**7,251**	**86,563**
Balance at 1 January 2022	51,445	41,847	9,363	3,275	(38)	1,637	178	(16,206)	1,929	93,430	9,210	102,640
Cumulative changes in fair value	-	-	-	-	-	(142)	-	-	-	(142)	(152)	(294)
Translation of foreign currency operations	-	-	-	-	-	-	-	(5,081)	-	(5,081)	(2,903)	(7,984)
Remeasurement loss on defined benefit plan	-	-	-	-	(15)	-	-	-	-	(15)	(11)	(26)
Deferred tax adjustment on revaluation of premises and equipment	-	-	-	-	-	-	(48)	-	-	(48)	(34)	(82)
Distribution of Zakah	-	-	-	-	-	-	-	-	(176)	(176)	-	(176)
Redemption of AT1 Capital	-	(5,655)	-	-	-	-	-	-	-	(5,655)	-	(5,655)
Issuance of ordinary shares	5,655	-	-	-	-	-	-	-	-	5,655	-	5,655
Income for the year	-	-	-	-	-	-	-	-	4,822	4,822	1,376	6,198
Allocation to statutory reserve	-	-	482	-	-	-	-	-	(482)	-	-	-
Balance at 31 December 2022	57,100	36,192	9,845	3,275	(53)	1,495	130	(21,287)	6,093	92,790	7,486	100,276

The attached explanatory notes 1 to 34 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Notes	**2023 BD '000**	2022 BD '000
OPERATING ACTIVITIES			
(Loss) / income before taxation		**(5,911)**	8,027
Adjustments for:			
Depreciation and amortization (Note 10)		**3,611**	3,051
Allowances for impairment - net (Note 23)		**6,300**	2,202
Gain on sale of premises and equipment		**(8)**	(12)
Share of income from investment in joint venture		**(526)**	(1,225)
Loss / (gain) on sale of investments		**373**	(386)
Unrealized loss on revaluation of investment properties		**420**	37
Operating profit before changes in operating assets and liabilities		**4,259**	11,694
Net changes in operating assets and liabilities:			
Balances with central banks in mandatory reserves		**(5,727)**	179
Receivables		**29**	2,563
Ijara muntahia bittamleek and ijara receivables		**(28,804)**	(37,863)
Musharaka		**27,982**	32,686
Other assets		**3,571**	3,349
Other liabilities		**(1,025)**	308
Murabaha and other payables		**87,407**	(26,943)
Current accounts		**5,941**	(41,612)
Equity of investment accountholders (IAH)		**(82,855)**	17,927
Taxation paid		**(3,818)**	(776)
Net cash generated from / (used) in operating activities		**6,960**	(38,488)
INVESTING ACTIVITIES			
Purchase of investments		**(121,626)**	(112,601)
Investments sold / matured		**147,288**	90,220
Dividend received from joint venture		**1,183**	1,327
Purchase of premises and equipment		**(1,922)**	(919)
Sale of premises and equipment		**20**	220
Net cash generated from / (used) in investing activities		**24,943**	(21,753)
FINANCING ACTIVITIES			
Receipt / (repayment) of subordinated mudaraba		**(1,366)**	(1,447)
Zakah distributed		**(193)**	(176)
Net cash used in financing activities		**(1,559)**	(1,623)
Foreign currency translation adjustments		**(3,293)**	(4,280)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**27,051**	(66,144)
Cash and cash equivalents at 1 January		**45,441**	111,585
CASH AND CASH EQUIVALENTS AT 31 DECEMBER (Note 25)		**72,492**	45,441

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

For the year ended 31 December 2023

	Balance at 1 January 2023	***Net deposits / (withdrawals)***	***Gross income***	***Mudarib's / agency fee***	***Balance at 31 December 2023***
	BD '000	***BD '000***	***BD '000***	***BD '000***	***BD '000***
Wakala Bi Al-Istithmar on balance sheet jointly financed assets	**241,600**	**(112,544)**	**11,802**	**(4,361)**	**136,497**
Receivables	**61,305**	**(19,046)**	**3,882**	**(63)**	**46,078**
Investments	**10,266**	**(1,876)**	**-**	**-**	**8,390**
	313,171	**(133,466)**	**15,684**	**(4,424)**	**190,965**

	Balance at 1 January 2022	*Net deposits / (withdrawals)*	*Gross income*	*Mudarib's / agency fee*	*Balance at 31 December 2022*
	BD '000	*BD '000*	*BD '000*	*BD '000*	*BD '000*
Wakala Bi Al-Istithmar on balance sheet jointly financed assets	194,037	42,355	9,407	(4,199)	241,600
Receivables	44,160	13,590	3,620	(65)	61,305
Investments	15,604	(5,338)	-	-	10,266
	253,801	50,607	13,027	(4,264)	313,171

1 INCORPORATION AND PRINCIPAL ACTIVITIES

Al Baraka Islamic Bank B.S.C. (c) (the "Bank") is a closed shareholding company incorporated in the Kingdom of Bahrain on 21 February 1984. The Bank operates under a Retail Banking license number RB/025 issued by the Central Bank of Bahrain (CBB). The Bank has five commercial branches in the Kingdom of Bahrain. The Bank is 92.81% (2022: 92.81%) owned by Al Baraka Group B.S.C. (the "Ultimate Parent").

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

The consolidated financial statements were approved and authorised by the Board of Directors on 20 February 2024.

2 ACCOUNTING POLICIES

2.1 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 Bahraini Dinars, being the reporting currency of the Bank. All values are rounded to nearest Bahraini Dinar (BD) thousand unless otherwise indicated. However, the functional currency of the subsidiary is Pakistani Rupees. Items included in the financial statements of each entity are measured using respective functional currency.

Regulatory non-compliance - CBB rule book volume 2 - High level standards

Rule LR-2.5.2A requires all Bahraini Islamic retail bank licensees to maintain a minimum total equity of BD 100 million. The Bank is in breach of this rule as at 31 December 2023 as the equity stood at BD 86.6 million as of that date. The Bank has applied for exemption from CBB in its letter dated 3 December 2023 referencing to their meeting held at the CBB premises on 27th November 2023 and as per their discussion as well as earlier communication with CBB related to capital increase, that the Bank are working on action plan that will be delivered by June, 2024 to reinstate the capital position with not later than 31st December 2024. In this regards, the Bank is currently working in collaboration with its major shareholder to develop, submit and implement a comprehensive capitalization plan to cover said breach within timelines prescribed by CBB.

2.2 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 IFRS Accounting Standards issued by the International Accounting Standards Board (“IASB”). This framework is referred to as “FAS issued by AAOIFI”.

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiary as at and for the year ended 31 December each year. The financial statements of the subsidiary 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 are eliminated in full on consolidation.

Subsidiary is fully consolidated from the date control is transferred to the Bank and continue to be consolidated until the date that control ceases. Control is achieved where the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

2 ACCOUNTING POLICIES (continued)

2.3 Basis of consolidation (continued)

Non-controlling interest in a subsidiary's net assets is reported as a separate line 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.

Transactions with non-controlling interests are handled in the same way as transactions with external parties. Changes in the ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transaction.

The subsidiary of the Bank, which is consolidated in these consolidated financial statements is follows:

Bank	***Ownership for 2023 / 2022***	***Year of incorporation***	***Country of incorporation***	***No. of branches/ offices at 31 December 2023 / 2022***
Held directly by the Bank				
Al Baraka Bank (Pakistan) Limited*	59.13%/ 59.13%	2004	Pakistan	170/ 170

*Al Baraka Bank (Pakistan) Limited became a subsidiary on 21 December 2010.

2.4 New standards, interpretations and amendments adopted by the Group

2.4.1 FAS 39 - Financial Reporting for Zakah

The responsibility for the payment of Zakah is on the individual shareholders and investment accountholders. However, the shareholders provides authority to the Group to pay Zakah on their behalf during the annual general meeting which be directly deducted from “Owners' equity” and accordingly distributed to eligible parties. Nevertheless, the Group has no obligation to collect and pay Zakah on behalf of equity of investment accountholders.
The Group determines said Zakah by using the “Net Equity Method” as prescribed in AAOFI standards and under the guidance and interpretations of Sharia Board. Zakah per share is presented in the Shari'a Supervisory Board Report.

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

2.5.1 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 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;

2 ACCOUNTING POLICIES (continued)

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

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

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.

2.5.2 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. As per the Group evaluation, the implementation of this standard will not have any impact on its financial statements.

2.5.3 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. As per the Group evaluation, the implementation of this standard will not have any impact on its financial statements.

2.5.4 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. As per the Group evaluation, the implementation of this standard will not have any impact on its financial statements.

2.6 Summary of accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below:

2.6.1 Financial contracts

Financial contracts consist of balances with banks, receivables, Mudaraba and Musharaka financing, Investments - debt type instruments at amortised cost & through equity, 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.

2 ACCOUNTING POLICIES (continued)

2.6 Summary of accounting policies (continued)

2.6.2 Cash and cash equivalents

Cash and cash equivalents as referred to in the consolidated statement of cash flows comprise cash on hand, balances with central banks in non-restricted accounts, balances with other banks and financial institutions and receivables with an original maturity of 90 days or less.

2.6.3 Financial instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. All financial assets and liabilities are initially recognised on the trade date, i.e. the date that the Group becomes a party to the contractual provisions of the instrument.

The classification of financial instruments at initial recognition depends on the purpose and the management's intention for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets recorded at fair value through statement of income.

2.6.4 Impairment, Credit Losses and Onerous Commitments

Financial assets consist of cash and balances with banks and financial institution, receivables and Musharaka financing, Investments - debt type instruments at amortised cost, Ijarah Muntahia Bittamleek and certain other assets. Balances relating to these contracts are stated net of allowance for expected credit losses.

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).

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 sum of the present value of all cash shortfalls and the carrying value. 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 losses for credit-impairment are determined based on the difference between the net carrying amount and the recoverable amount of the financial contract. In this respect, the Bank recognises the lifetime expected credit losses for these financing with the PD set at 100%.

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 obligor or issuer;
- a breach of contract such as a default or past due event; or
- probability that the borrower will enter bankruptcy or other financial reorganization.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced through the use of a provision account and the amount of the loss is recognised in the consolidated statement of income.

2 ACCOUNTING POLICIES (continued)

2.6 Summary of accounting policies (continued)

2.6.4 Impairment, Credit Losses and Onerous Commitments (continued)

Credit-impaired financial assets (continued)

Financing contracts together with the associated provisions are written off when there is no realistic prospect of future recovery and collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced in the consolidated statement of income.

The present value of the estimated future cash flows is discounted at the financial asset's original effective profit rate. If a financial asset has a variable profit rate, the discount rate for measuring any impairment loss is the current effective profit rate. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs of obtaining and selling the collateral, whether or not foreclosure is probable.

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 follows.

Definition of default
The Group considers a financial asset to be in default when the obligor is unlikely to pay its credit

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 generates 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.

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.

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 magnitude that determines the amount of loss that will arise if the obligor was to default. This is calculated by looking at the collateral and other recourses available to the Group that can be used to recover the asset in case of default.

2 ACCOUNTING POLICIES (continued)

2.6 Summary of accounting policies (continued)

2.6.4 Impairment, Credit Losses and Onerous Commitments (continued)

Loss Given Default (continued)
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 LGD can be estimated 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. However, the Group applies 10% floor regardless of collateral coverage of the exposure.

Exposure At Default (EAD)
EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amounts allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For financing commitments and financial guarantees, the EAD is converted to on balance sheet equivalents.

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 method to work out CCF for off- balance sheet EADs.

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.

ECL on individually large exposures and credit-impaired finances are generally measured individually. For retail exposures and other exposures to small sized enterprises, where less client-specific information is available, ECL is measured on a collective basis. This incorporates obligor-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 combines 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, including days past due and risk rating.

The assessment is carried out for specific facility rather than a counterparty. As each facility 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.

2 ACCOUNTING POLICIES (continued)

2.6 Summary of accounting policies (continued)

2.6.4 Impairment, Credit Losses and Onerous Commitments (continued)

Renegotiated financial assets
The contractual terms of a financing may be modified for a number of reasons including changing market conditions, and other factors not related to the current or potential credit deterioration of a customer. When the terms of a financial asset are modified and the modification does not result in a derecognition, the determination of whether the asset's credit risk has increased significantly reflects a comparison of its remaining lifetime PD at the reporting date based on modified terms, with the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

The Group renegotiates financing to customers in financial difficulties to maximize collection opportunities and minimize the risk of default. This may involve extending the payment arrangements and documenting the agreement of new conditions for providing finance. Management continuously reviews renegotiated facilities to ensure that all criteria are met and that future payments are likely to occur.

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, 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 backwards 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
- 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; and
- A minimum cool-off/cure period of 12 months for non-performing and restructured facilities.

Credit Conversion Factor
The estimation of EAD takes into account any unexpected changes in the exposure after the assessment date, including estimation of expected drawdowns on committed facilities through the application of a credit conversion factor (CCF). The EAD is estimated using the outstanding exposure adjusted by CCF times undrawn portion of the facilities.

The outstanding exposure is calculated as principal plus profit less expected prepayments. The undrawn portion refers to the portion of the unutilized credit limit. CCF applied to the facilities would be the higher of average behavioral utilization over the last five years or capital charge.

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 obligor 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.

2 ACCOUNTING POLICIES (continued)

2.6 Summary of accounting policies (continued)

2.6.4 Impairment, Credit Losses and Onerous Commitments (continued)

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; where the Group has not identified the 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 against the drawn commitment.

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

(i) 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.

(ii) Investment in joint venture
Investment in joint venture is accounted for using the equity method of accounting. Under the equity method, the investment in the joint venture 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 joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group’s net investment in the joint venture. The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount in the consolidated statement of income.

The consolidated statement of income reflects the share of the results of operations of the joint venture. Where there has been an income or expense recognised in the other comprehensive income of the joint venture, the Group recognises its share of any such income or expense, when applicable, in other comprehensive income. Gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of stake in the joint venture.

(iii) Equity and non-monetary 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)

2.6 Summary of accounting policies (continued)

2.6.5 Investments (continued)

(iv) Equity and non-monetary debt-type instruments at fair value through equity

These investments will be initially recognized at their value plus transaction costs. Subsequent to acquisition, investments designated at fair value through equity are remeasured 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. Investment carried at fair value through equity shall be tested for impairment at each reporting period.

(v) Monetary ane no-monetary debt type instruments at amortized 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.

2.6.6 Financing contracts

(i) Murabaha

Murabaha represents the sale of goods at cost plus an agreed profit. Murabaha receivables are stated net of deferred profits, any amounts written off and allowances for expected credit losses, if any. Promise made in the murabaha to the purchase orderer is not obligatory upon the customer.

(ii) Ijarah Muntahia Bittamleek

Ijarah Muntahia Bittamleek mainly comprise right of use of assets. Ijarah Muntahia Bittamleek is a lease whereby the legal title of the leased asset passes to the lessee at the end of the ijarah (lease term), provided that all ijarah installments are settled.

Assets under Ijarah Muntahia Bittamleek are initially recognised at cost and subsequently depreciated at rates calculated to write off the cost of each asset over its useful life to its residual value.

(iii) Musharaka

Musharaka represents a partnership between the Group and a customer whereby each party contributes to the capital in equal or varying proportions to establish a new project or share in an existing one, and whereby each of the parties becomes an owner of the capital on a permanent or declining basis and shall have a share of profits or losses. These are stated at the fair value of consideration given less any amounts written off and allowances for expected credit losses, if any.

(iv) Salam receivables

Salam receivables are carried at cost being the fair value of consideration less the allowances for expected credit losses.

(v) Istisna receivables

Istisna receivables are carried at cost less the allowances for expected credit losses.

(vi) Wakala receivables

At the inception of the transaction, the Bank as "principal /(investor)" shall evaluate the nature of investment as either:

i. Pass through investment; or
ii. Wakala venture.

2 ACCOUNTING POLICIES (continued)

2.6 Summary of accounting policies (continued)

2.6.6 Financing contracts (continued)

(vi) Wakala receivables (continued)

i. Pass through Investment

A pass-through investment is an investment in which the involvement of the agent, as well as, the options for transferability of the instrument are limited and the investor principally takes a direct exposure on the underlying assets. On initial recognition & subsequently, the asset shall be recognized underlying the Wakala arrangement applying the initial recognition principles as applicable in line with respective FAS, and in absence thereof, in line with the generally accepted accounted principles applicable to such

ii. Wakala Venture

These are investments, under a Wakala agency contract, in transferable instruments or the investment 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. On initial recognition, these assets will be recognized at cost in Wakala Venture. Subsequently, the carrying amount is adjusted to incorporate gains/ losses net of agent's remuneration and impairments, if any.

2.6.7 Equity of investment accountholders

a) Mudaraba payable

Equity of investment account holders is invested in cash, balances with banks and Central Bank of Bahrain, due from banks, sukuk and financing contracts. No priority is granted to any party for the purpose of distribution of profits. According to the terms of acceptance of the investment account holders funds, 100% of these funds are invested after deductions of mandatory reserve and sufficient operational cash requirements.

All equity of investment accountholders are initially measured at cost being the fair value of consideration received at the inception of contracts. Subsequently, the equity of investment accountholders are carried at cost inclusive of undistributed profit or accumulated losses and reserves.

b) Wakala payable under multi level arrangements

The Bank maintains multi-level investment arrangements to invest funds received under “Wakala “to invest as “Mudaraba” in jointly financed assets. The funds invested under such arrangements are recorded and disclosed as “On Balance Sheet Equity Accountholders” in consolidated statement of

2.6.8 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.

2.6.9 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.

2.6.10 Off-balance sheet equity of investment accountholders

Off-balance sheet equity of investment accountholders represents funds received by the Group from third parties for investment in specified products as directed by the investment accountholders. These assets are managed in a fiduciary capacity and the Group has no entitlement to these assets. Clients bear all of the risks and earn all of the rewards on these investments. 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 investments except within the conditions of the contract between the Group and off-balance sheet equity of investment accountholders.

2 ACCOUNTING POLICIES (continued)

2.6 Summary of accounting policies (continued)

2.6.11 Premises and equipment

Premises and equipment are stated at cost less accumulated depreciation and accumulated impairment in value except for land which is carried at fair value subsequent to initial recognition. 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 calculated using the straight-line method at rates intended to write-off the cost of the assets over their estimated useful lives. 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'

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

2.6.12 Fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability, and the principal or the most advantageous market must be accessible to by the Group.

Fair value is determined for each financial asset individually in accordance with the valuation policies set out below:

(i) For investments that are traded in organised financial markets, fair value is determined by reference to the quoted market bid prices prevailing on the reporting date.

(ii) For unquoted investments, fair value is determined by reference to recent significant buy or sell transactions with third parties that are either completed or are in progress. Where no recent significant transactions have been completed or are in progress, fair value is determined by reference to the current market value of similar investments. For others, the fair value is based on the net present value of estimated future cash flows, or other relevant valuation methods.

(iii) For investments that have fixed or determinable cash flows, fair value is based on the net present value of estimated future cash flows determined by the Group using current profit rates for investments with similar terms and risk characteristics.

(iv) Investments which cannot be remeasured to fair value using any of the above techniques are carried at cost, less provision for impairment.

2.6.13 Business combination and goodwill

Business combinations are accounted for using the purchase method of accounting. This involves recognising identifiable assets and liabilities (including contingent liabilities) of the acquired business at fair value. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the fair values of the identifiable net assets acquired, the discount on acquisition is recognised directly in the consolidated statement of income in the year of acquisition.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. 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.

2 ACCOUNTING POLICIES (continued)

2.6 Summary of accounting policies (continued)

2.6.13 Business combination and goodwill (continued)

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. Impairment losses relating to goodwill cannot be reversed in future periods.

2.6.14 Revenue recognition

Murabaha receivable

Profit from sales transactions (murabaha) is recognised when the income is both contractually determinable and quantifiable at the commencement of the transaction. Such income is recognised on a 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 non-performing is excluded from the consolidated statement of income.

Mudaraba financing

Income on mudaraba financing is recognised when the right to receive payment is established or on distribution by the mudarib, whereas losses are charged to income on declaration by the mudarib.

Wakala financing

Income on Wakala financing is accrued on a time apportioned basis over the period of the contract based on the principal amounts outstanding.

Ijara 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.

Musharaka

Income on musharaka is recognised when the right to receive payment is established or on distribution.

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.

Group's share of income from equity of investment accountholders (as a Mudarib)

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

Fees and commission income

Fees and commission income including structuring fees is recognised when earned.

Dividends

Dividends are recognised when the right to receive payment is established.

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.

Income from debt type instrument

Income on debt type securities is amortized to consolidated statement of income on effective profit rate.

Rental income

Rental income is accounted for on a straight-line basis over the Ijara terms.

2.6.15 Return on equity of investment accountholders

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 costs and depreciation. The Group's "mudarib profit" is deducted from the investors' share of income before distributing such income. In some cases, equity of investment accountholders withdrawn before maturity are entitled to income only after deducting a penalty charge.

2 ACCOUNTING POLICIES (continued)

2.6 Summary of accounting policies (continued)

2.6.15 Return on equity of investment accountholders (continued)

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 investment accountholders) times average funds of equity of investment

2.6.16 Investment pool expenses

Investment pool expenses include business, administrative, general and other expenses.

2.6.17 Taxation

There is no tax on corporate income in the Kingdom of Bahrain. The subsidiary in Pakistan pays tax as per Pakistan tax regulations.

Current

Provision for current taxation is based on taxable income in accordance with the tax laws as applicable in Pakistan.

Deferred

The Group accounts for deferred taxation on material temporary differences using the liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences. Deferred tax assets are recognised only if there is a reasonable expectation of realisation in the foreseeable future. Deferred tax is reduced to the extent that it is no longer probable that related tax benefits will be realised.

2.6.18 Contingencies and Commitments

Contingencies are possible obligation or assets that arises from past events and whose existence will be confirmed only by occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Further, the obligation arisen from past events where the liability cannot be determined with reasonable certainty or probability of outflow of resources cannot be determined are also contingencies.

A commitment is a binding contract for the exchange of a specified quantity of resources at a specific price on a specified future dates or date.

2.6.19 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 ownership or (b) when it has neither transferred or retained substantially all the risks and rewards and when it no longer has control over the financial asset, but has transferred control of the asset; or

(iii) the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

2.6.20 Earnings prohibited by Shari'a

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

2 ACCOUNTING POLICIES (continued)

2.6 Summary of accounting policies (continued)

2.6.21 Foreign currencies

(i) Transactions and balances

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. All differences are taken to consolidated statement of income at the

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

(ii) Group companies

As at the reporting date, the assets and liabilities in foreign currencies are translated into the presentation currency of the Group (United States Dollar) at the rate of exchange ruling at the reporting date and their income and expenses 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 operation, the deferred cumulative amount recognised in owners' equity relating to that particular foreign operation is recognised in the consolidated statement of income.

2.6.22 Employees' end of service benefits

Provision is made for leaving indemnity payable under the Bahraini Labour Law applicable to non-Bahraini employees' accumulated periods of service at reporting date. Moreover provision for indemnity payable is also made for Bahraini employees as per terms of employment contracts.

Bahraini employees of the Group are covered by contributions made to the Social Insurance Organisation (SIO) as a percentage of the employees' salaries. the Group's obligations are limited to these contributions, which are expensed when due.

The subsidiary in Pakistan also operates a recognised contributory provident fund for all permanent employees. Equal monthly contributions are made, both by the subsidiary and the employees, to the fund at a rate of 10 percent of basic salary.

The subsidiary in Pakistan operates an approved funded gratuity scheme for all its permanent employees. Annual contributions are made to the scheme in accordance with the actuarial recommendation. The actuarial valuation is carried out using the projected unit credit method.

2.6.23 Zakah

The responsibility of payment of zakah is on individual shareholders and investment accountholders. However, the shareholders provides authority to the Group to pay Zakah on their behalf during the annual general meeting which be directly deducted from "Owner's equity" and accordingly distributed to eligible parties. While, the Group had no obligation to collect and pay Zakah on behalf of equity of investment accountholders. Zakah per share is presented in the Shari'a Supervisory Board Report.

2.6.24 Joint and self financed

Investments, financing and receivable 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 receivable that are financed solely by the Group are classified under "self financed".

2.6.25 Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a legal or religious enforceable right to set off the recognised amounts and the Group intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.6.26 Shari'a supervisory board

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

2 ACCOUNTING POLICIES (continued)

2.6 Summary of accounting policies (continued)

2.6.27 Trade date accounting

All "regular way" purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

2.7 Judgements and estimates

In the process of applying the Group's accounting policies, management has used its judgements and made estimates in determining the amounts recognised in the consolidated financial statements. The most significant use of judgements and estimates are as follows:

2.7.1 Judgements

Going concern

The Group's management has made an assessment of its 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 consolidated financial statements continue to be prepared on the going concern basis.

Classification of investments

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

2.7.2 Estimates

Impairment and uncollectibility of financial assets

In determining impairment on financial assets, judgment is required in the estimation of the amount and timing of future cash flows as well as an assessment of whether credit risk on the financial contract has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of expected credit losses ("ECL").

Impairment of Goodwill

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU (or group of CGUs) is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

3 CASH AND BALANCES WITH BANKS AND FINANCIAL INSTITUTIONS

		2023	*2022*
		BD '000	*BD '000*
Cash on hand		**9,418**	8,342
Balances with State Bank of Pakistan			
Current account		**18**	3,127
Mandatory reserves	3.1	**21,884**	18,927
		21,902	22,054
Balances with CBB			
Current account and overnight placements		**22,418**	1,906
Mandatory reserves	3.1	**16,166**	13,396
		38,584	15,302
Balances with other banks and financial institutions		**21,848**	15,541
		91,752	61,239

3.1 The mandatory reserves with central banks are not available for use in the day-to-day operations.

4 RECEIVABLES

	2023			2022		
	Self financed BD '000	***Jointly financed BD '000***	***Total BD '000***	*Self financed BD '000*	*Jointly financed BD '000*	*Total BD '000*
Commodities and wakala placements with FIs	**18,789**	**-**	**18,789**	-	16,522	16,522
Salam financing	**-**	**9,840**	**9,840**	-	14,138	14,138
Istisna'a financing	**-**	**38,822**	**38,822**	-	40,672	40,672
Murabaha	**424**	**134,956**	**135,380**	424	130,318	130,742
Bills receivable and others	**-**	**6,542**	**6,542**	-	5,961	5,961
Gross receivables	**19,213**	**190,160**	**209,373**	424	207,611	208,035
Deferred profits (4.1)	**-**	**(16,176)**	**(16,176)**	-	(14,318)	(14,318)
	19,213	**173,984**	**193,197**	424	193,293	193,717
Allowances for expected credit losses (4.2)	**(425)**	**(23,279)**	**(23,704)**	(250)	(24,251)	(24,501)
Net receivables	**18,788**	**150,705**	**169,493**	174	169,042	169,216

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and stage classification. The amounts presented are gross of expected credit losses allowances.

	2023			
	Stage 1: 12-month ECL BD '000	**Stage 2: Lifetime ECL not credit-impaired BD '000**	**Stage 3: Lifetime ECL credit-impaired BD '000**	**Total BD '000**
Good (1-4)	**88,784**	**7,215**	**-**	**95,999**
Satisfactory (5-7)	**49,107**	**20,055**	**-**	**69,162**
Default (8-10)	**-**	**-**	**28,036**	**28,036**
	137,891	**27,270**	**28,036**	**193,197**

	2022			
	Stage 1: 12-month ECL BD '000	Stage 2: Lifetime ECL not credit-impaired BD '000	Stage 3: Lifetime ECL credit-impaired BD '000	Total BD '000
Good (1-4)	88,897	8,526	-	97,423
Satisfactory (5-7)	51,491	20,398	-	71,889
Default (8-10)	-	-	24,405	24,405
	140,388	28,924	24,405	193,717

4.1 Movements in deferred profit from murabaha contracts:

	2023 BD '000	2022 BD '000
Balance at 1 January	**14,280**	10,871
Murabaha sales	**218,550**	283,565
Murabaha cost of sales	**(209,218)**	(274,558)
Profit amortized to consolidated statement of income	**(7,204)**	(5,371)
Deferred profit written off	**(124)**	(124)
Foreign exchange (FX) translation	**(136)**	(103)
Balance at 31 December	**16,148**	14,280

4 RECEIVABLES (continued)

4.2 Allowances for expected credit losses

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

	2023			
	Stage 1: 12-month ECL BD '000	**Stage 2: Lifetime ECL not credit-impaired BD '000**	**Stage 3: Lifetime ECL credit-impaired BD '000**	**Total BD '000**
Balance at 1 January	**613**	**3,427**	**20,461**	**24,501**
Changes during the year:				
- transferred to Stage 1: 12 month ECL	**21**	**(19)**	**(2)**	**-**
- transferred to Stage 2: Lifetime ECL not credit-impaired	**(44)**	**76**	**(32)**	**-**
- transferred to Stage 3: Lifetime ECL credit-impaired	**-**	**(516)**	**516**	**-**
Net remeasurement of loss allowance	**129**	**461**	**1,462**	**2,052**
Recoveries	**-**	**-**	**(95)**	**(95)**
	106	**2**	**1,849**	**1,957**
Amounts written off	**-**	**-**	**(17)**	**(17)**
Foreign exchange (FX) translation	**(1)**	**(35)**	**(2,701)**	**(2,737)**
Balance at 31 December	**718**	**3,394**	**19,592**	**23,704**

	2022			
	Stage 1: 12-month ECL BD '000	Stage 2: Lifetime ECL not credit-impaired BD '000	Stage 3: Lifetime ECL credit-impaired BD '000	Total BD '000
Balance at 1 January	782	3,071	24,739	28,592
Changes during the year:				
- transferred to Stage 1: 12 month ECL	-	-	-	-
- transferred to Stage 2: Lifetime ECL not credit-impaired	(35)	86	(51)	-
- transferred to Stage 3: Lifetime ECL credit-impaired	-	(11)	11	-
Net remeasurement of loss allowance	(120)	323	2,247	2,450
Recoveries	-	-	(1,101)	(1,101)
	(155)	398	1,106	1,349
Amounts written off	-	-	(1,660)	(1,660)
Foreign exchange (FX) translation	(14)	(42)	(3,724)	(3,780)
Balance at 31 December	613	3,427	20,461	24,501

5 IJARA MUNTAHIA BITTAMLEEK AND IJARA RECEIVABLES

	2023			2022		
	Self financed BD '000	**Jointly financed BD '000**	**Total BD '000**	Self financed BD '000	Jointly financed BD '000	Total BD '000
Ijara muntahia bittamleek (5.1)	**3,226**	**220,614**	**223,840**	4,087	195,268	199,355
Ijara receivables (5.2)	**1,163**	**18,529**	**19,692**	1,379	14,070	15,449
	4,389	**239,143**	**243,532**	5,466	209,338	214,804
Allowance for expected credit losses (5.3)	**(32)**	**(4,190)**	**(4,222)**	(67)	(2,881)	(2,948)
	4,357	**234,953**	**239,310**	5,399	206,457	211,856

5 IJARA MUNTAHIA BITTAMLEEK AND IJARA RECEIVABLES (continued)

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and stage classification. The amounts presented are gross of expected credit losses allowances.

	2023			
	Stage 1: 12-month ECL BD '000	**Stage 2: Lifetime ECL not credit-impaired BD '000**	**Stage 3: Lifetime ECL credit-impaired BD '000**	**Total BD '000**
Good (1-4)	**221,425**	**50**	**-**	**221,475**
Satisfactory (5-7)	**12,011**	**3,547**	**-**	**15,558**
Default (8-10)	**-**	**-**	**6,499**	**6,499**
	233,436	**3,597**	**6,499**	**243,532**

	2022			
	Stage 1: 12-month ECL BD '000	Stage 2: Lifetime ECL not credit-impaired BD '000	Stage 3: Lifetime ECL credit-impaired BD '000	Total BD '000
Good (1-4)	204,256	1,238	-	205,494
Satisfactory (5-7)	1,052	2,491	-	3,543
Default (8-10)	-	-	5,767	5,767
	205,308	3,729	5,767	214,804

5.1 Ijara muntahia bittamleek

	2023			2022		
	Self financed BD '000	**Jointly financed BD '000**	**Total BD '000**	Self financed BD '000	Jointly financed BD '000	Total BD '000
Land and building						
Cost	**-**	**269,071**	**269,071**	-	233,650	233,650
Accumulated depreciation	**-**	**(48,460)**	**(48,460)**	-	(38,387)	(38,387)
Net book value	**-**	**220,611**	**220,611**	-	195,263	195,263
Equipment						
Cost	**5,608**	**4**	**5,612**	5,608	6	5,614
Accumulated depreciation	**(2,383)**	**-**	**(2,383)**	(1,521)	-	(1,521)
Net book value	**3,225**	**4**	**3,229**	4,087	6	4,093
TOTAL						
Cost	**5,608**	**269,075**	**274,683**	5,608	233,656	239,263
Accumulated depreciation	**(2,383)**	**(48,460)**	**(50,843)**	(1,521)	(38,387)	(39,908)
Net book value	**3,225**	**220,615**	**223,840**	4,087	195,269	199,355

5.2 Ijara receivables

	2023			2022		
	Self financed *BD '000*	**Jointly financed *BD '000***	**Total *BD '000***	Self financed *BD '000*	Jointly financed *BD '000*	Total *BD '000*
Ijara receivable	**1,163**	**18,529**	**19,692**	1,379	14,070	15,449
	1,163	**18,529**	**19,692**	1,379	14,070	15,449

5 IJARA MUNTAHIA BITTAMLEEK AND IJARA RECEIVABLES (continued)

5.3 Allowances for expected credit losses

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

	2023			
	Stage 1: 12-month ECL BD '000	**Stage 2: Lifetime ECL not credit-impaired BD '000**	**Stage 3: Lifetime ECL credit-impaired BD '000**	**Total BD '000**
Balance at 1 January	**240**	**43**	**2,665**	**2,948**
Changes during the year:				
- transferred to Stage 1: 12 month ECL	**6**	**(6)**	**-**	**-**
- transferred to Stage 2: Lifetime ECL not credit-impaired	**(5)**	**5**	**-**	**-**
- transferred to Stage 3: Lifetime ECL credit-impaired	**(9)**	**(3)**	**11**	**(1)**
Net remeasurement of loss allowance	**106**	**247**	**1,435**	**1,788**
Recoveries / write-backs	**-**	**-**	**(437)**	**(437)**
Allowances for credit losses	**98**	**243**	**1,009**	**1,350**
FX translation	**-**	**-**	**(76)**	**(76)**
Balance at 31 December	**338**	**286**	**3,598**	**4,222**

	2022			
	Stage 1: 12-month ECL BD '000	Stage 2: Lifetime ECL not credit-impaired BD '000	Stage 3: Lifetime ECL credit-impaired BD '000	Total BD '000
Balance at 1 January	293	18	3,031	3,342
Changes during the year:				
- transferred to Stage 1: 12 month ECL	-	-	-	-
- transferred to Stage 2: Lifetime ECL not credit-impaired	(31)	31	-	-
- transferred to Stage 3: Lifetime ECL credit-impaired	-	(2)	2	-
Net remeasurement of loss allowance	(22)	(4)	326	300
Recoveries / write-backs	-	-	(318)	(318)
Allowances for credit losses	(53)	25	10	(18)
Amounts written off	-	-	(187)	(187)
FX translation	-	-	(189)	(189)
Balance at 31 December	240	43	2,665	2,948

6 MUSHARAKA

	2023			2022		
	Self financed BD '000	**Jointly financed BD '000**	**Total BD '000**	Self financed BD '000	Jointly financed BD '000	Total BD '000
Musharakas	**8,638**	**56,930**	**65,568**	12,071	82,282	94,353
Allowances for expected credit losses (6.1)	**-**	**(5,899)**	**(5,899)**	-	(4,083)	(4,083)
	8,638	**51,031**	**59,669**	12,071	78,199	90,270

6 MUSHARAKAS (continued)

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and stage classification. The amounts presented are gross of expected credit losses allowances.

	2023			
	Stage 1: 12-month ECL BD '000	**Stage 2: Lifetime ECL not credit-impaired BD '000**	**Stage 3: Lifetime ECL credit-impaired BD '000**	**Total BD '000**
Good (1-4)	**40,990**	**2,376**	**-**	**43,366**
Satisfactory (5-7)	**914**	**17,709**	**-**	**18,623**
Default (8-10)	**-**	**-**	**3,579**	**3,579**
	41,904	**20,085**	**3,579**	**65,568**

	2022			
	Stage 1: 12-month ECL BD '000	Stage 2: Lifetime ECL not credit-impaired BD '000	Stage 3: Lifetime ECL credit-impaired BD '000	Total BD '000
Good (1-4)	81,012	3,919	-	84,931
Satisfactory (5-7)	2,673	3,227	-	5,900
Default (8-10)	-	-	3,522	3,522
	83,685	7,146	3,522	94,353

6.1 Allowances for expected credit losses

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

	2023			
	Stage 1: 12-month ECL BD '000	***Stage 2: Lifetime ECL not credit-impaired BD '000***	***Stage 3: Lifetime ECL credit-impaired BD '000***	***Total BD '000***
Balance at 1 January	**739**	**769**	**2,575**	**4,083**
Changes during the year:				
- transferred to Stage 1: 12 month ECL	**19**	**(19)**	**-**	**-**
- transferred to Stage 2: Lifetime ECL not credit-impaired	**(27)**	**27**	**-**	**-**
- transferred to Stage 3: Lifetime ECL credit-impaired	**-**	**-**	**-**	**-**
Net remeasurement of loss allowance	**225**	**718**	**1,677**	**2,620**
	217	**726**	**1,677**	**2,620**
FX translation	**(125)**	**(172)**	**(507)**	**(804)**
Balance at 31 December	**831**	**1,323**	**3,745**	**5,899**

6.1 Allowances for expected credit losses (continued)

	2022			
	Stage 1: 12-month ECL BD '000	*Stage 2: Lifetime ECL not credit-impaired BD '000*	*Stage 3: Lifetime ECL credit-impaired BD '000*	*Total BD '000*
Balance at 1 January	648	857	2,342	3,847
Changes during the year:				
- transferred to Stage 1: 12 month ECL	32	(32)	-	-
- transferred to Stage 2: Lifetime ECL not credit-impaired	(61)	61	-	-
Net remeasurement of loss allowance	262	72	750	1,084
	233	101	750	1,084
FX translation	(142)	(189)	(517)	(848)
Balance at 31 December	739	769	2,575	4,083

7 INVESTMENTS

	2023			2022		
	Self financed BD '000	**Jointly financed BD '000**	**Total BD '000**	Self financed BD '000	Jointly financed BD '000	Total BD '000
i) Debt-type instruments at fair value through statement of income						
Quoted						
Sukuk	**12,871**	**3,998**	**16,869**	**-**	**-**	**-**
i) Debt-type instruments at fair value through equity (Note 7.1)						
Quoted						
Sukuk	**71,720**	**74,805**	**146,525**	94,503	84,971	179,474
Unquoted						
Sukuk	**-**	**7,431**	**7,431**	4,646	2,737	7,383
	71,720	**82,236**	**153,956**	99,149	87,708	186,857
ii) Debt-type instruments at amortised cost (Note 7.1)						
Quoted						
Sukuk	**107,443**	**74,189**	**181,632**	126,298	62,978	189,276
Unquoted						
Sukuk	**-**	**24,370**	**24,370**	1,024	24,492	25,516
	107,443	**98,559**	**206,002**	127,322	87,470	214,792
Allowances for expected credit losses	**(178)**	**(250)**	**(428)**	(85)	(34)	(119)
	178,985	**180,545**	**359,530**	226,386	175,144	401,530
iii) Equity-type instruments at fair value through equity - note (Note 7.2)						
Quoted						
Listed equity shares	**11,535**	**92**	**11,627**	11,072	91	11,163
Unquoted						
Unlisted equity shares	**3,362**	**155**	**3,517**	3,362	193	3,555
Managed funds	**377**	**-**	**377**	377	-	377
Real estate funds	**-**	**7,525**	**7,525**	617	7,688	8,305
	15,274	**7,772**	**23,046**	15,428	7,972	23,400
Provision for impairment	**(1,136)**	**(131)**	**(1,267)**	(1,761)	(125)	(1,886)
	14,138	**7,641**	**21,779**	13,667	7,847	21,514
Total investments	**205,994**	**192,184**	**398,178**	240,053	182,991	423,044

7 INVESTMENTS (continued)

Within unquoted investments which are held at fair value through equity are investments amounting to BD 10.5 million (2022: BD 10.78 million) which are held at cost less provision for impairment. These are mainly investments in unlisted companies whose shares are not traded on active markets. The investments are primarily in closely-held companies located in the Gulf Co-operation Council ("GCC"). The investments are held at cost less provision for impairment due to the unpredictable nature of their future cash flows and the lack of other suitable methods for determining a reliable fair value.

The Group's investments in sukuk held at amortised cost amounting to BD 206 million (2022: BD 214.77 million) have a fair value amounting to BD 199.8 million (2022: BD 207 million).

Investments stated at a carrying amount of US $ Nil (2022: BD 181.6 million) are placed in custody of a financial institution to secure a financing line.

7.1 Debt-type instruments at amortised cost

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and stage classification. The amounts presented are gross of expected credit losses allowances.

	2023		
	Stage 1: 12-month ECL BD '000	**Stage 2: Lifetime ECL not credit-impaired BD '000**	**Total BD '000**
Good (1-4)	**170,824**	**-**	**170,824**
Satisfactory (5-7)	**204,869**	**1,134**	**206,003**
	375,693	**1,134**	**376,827**

	2022		
	Stage 1: 12-month ECL BD '000	Stage 2: Lifetime ECL not credit-impaired BD '000	Total BD '000
Good (1-4)	191,807	-	191,807
Satisfactory (5-7)	209,842	-	209,842
	401,649	-	401,649

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

	2023		
	Stage 1: 12-month ECL BD '000	**Stage 2: Lifetime ECL not credit-impaired BD '000**	**Total BD '000**
Balance at 1 January	**119**	**-**	**119**
Changes during the year			
- transferred to Stage 2: Lifetime ECL not credit-impaired	**(11)**	**11**	**-**
Net remeasurement of loss allowance	**202**	**108**	**310**
	191	**119**	**310**
FX translation	**(1)**	**-**	**(1)**
Balance at 31 December	**309**	**119**	**428**

7 INVESTMENTS (continued)

7.1 Debt-type instruments at amortised cost (continued)

	2022		
	Stage 1: 12-month ECL BD '000	Stage 2: Lifetime ECL not credit-impaired BD '000	Total BD '000
Balance at 1 January	168	-	168
Changes during the year			
Net remeasurement of loss allowance	(48)	-	(48)
FX translation	(1)	-	(1)
Balance at 31 December	119	-	119

7.2 Provision for impairment on equity type investments

	2023 ***BD '000***	*2022* *BD '000*
Balance at 1 January	**1,886**	2,118
Charges for the year	**36**	-
Reversal for the year	**(80)**	(70)
Written-off	**(476)**	-
Exchange difference	**(99)**	(162)
Balance at 31 December	**1,267**	1,886

8 INVESTMENT IN JOINT VENTURE

	2023 ***BD '000***	*2022* *BD '000*
Balance at 1 January	**6,948**	7,050
Net share of income for the year	**526**	1,225
Dividend received for the year	**(1,183)**	(1,327)
Balance at 31 December	**6,291**	6,948

Name	***Nature of Business***	***Ownership***	
		2023	*2022*
Danaat Al-Baraka	Real estate development	**51%**	51%

Summarised statement of financial position

	2023 ***BD '000***	*2022* *BD '000*
Non-current assets	**701**	2,087
Current assets	**12,266**	12,029
Current liabilities	**(633)**	(493)
Net assets	**12,334**	13,623
Group's ownership in equity	**6,291**	6,948
Net carrying amount	**6,291**	6,948

	2023 ***BD '000***	*2022* *BD '000*
Summarised statement of profit and loss		
Total income	**1,037**	2,655
Total expenses	**(6)**	(253)
Total comprehensive income	**1,031**	2,402
Group’s net share of profit	**526**	1,225

9 INVESTMENTS IN REAL ESTATE

	2023 BD '000	2022 BD '000
Balance at 1 January	**3,331**	3,592
Disposals during the year	**-**	(224)
Unrealized loss on remeasurement	**(420)**	(37)
Balance at 31 December	**2,911**	3,331

10 PREMISES AND EQUIPMENT

	Land,Building & Right of Use Assets BD '000	Computer Software & license BD '000	Office furniture and equipment BD '000	Vehicles BD '000	Total BD '000
Cost:					
At 1 January 2023	**37,405**	**5,380**	**9,535**	**73**	**52,393**
Additions	**974**	**769**	**1,052**	**48**	**2,843**
Disposals	**(169)**	**(50)**	**(37)**	**(23)**	**(279)**
Exchange difference	**(3,226)**	**(596)**	**(767)**	**(14)**	**(4,603)**
At 31 December 2023	**34,984**	**5,503**	**9,783**	**84**	**50,354**
Accumulated depreciation:					
At 1 January 2023	**5,681**	**3,087**	**6,497**	**60**	**15,325**
Depreciation for the year	**1,797**	**674**	**1,129**	**11**	**3,611**
Related to disposals	**(166)**	**(50)**	**(36)**	**(14)**	**(266)**
Exchange difference	**(2,006)**	**(455)**	**(578)**	**(12)**	**(3,051)**
At 31 December 2023	**5,306**	**3,256**	**7,012**	**45**	**15,619**
Net book values:					
At 31 December 2023	**29,678**	**2,247**	**2,771**	**39**	**34,735**
At 31 December 2022	31,724	2,291	3,038	12	37,065
Estimated useful life for calculation of depreciation	20-30 years	4-5 years	1-10 years	4-5 years	

11 GOODWILL

	2023 BD '000	2022 BD '000
Balances at 1 January	**3,739**	4,796
Foreign exchange translation	**(735)**	(1,057)
Balances at 31 December	**3,004**	3,739

Goodwill acquired through business combination has been entirely allocated to a single cash generating unit (CGU), Al Baraka Bank (Pakistan) Limited by the Group's management.

The recoverable amount of the CGU was 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 CGU's past performance and its expectation of market development.

The key assumptions used in estimating recoverable amounts of cash generating units were sensitised to test the resilience of value in use calculations. Accordingly, management believes that reasonable changes in key assumptions used to determine the recoverable amount of the Group's cash generating units will not result in an impairment.

12 OTHER ASSETS

	2023 BD '000	2022 BD '000
Collaterals pending sale	**3,615**	4,138
Deferred tax (12.1)	**4,576**	5,029
Advance against capital expenditure	**1,272**	1,638
Accounts receivable	**5,428**	7,547
Income receivable	**-**	1
Prepayments	**1,127**	1,235
Others	**1,098**	787
Total	**17,116**	20,375
Provision for impairment	**(602)**	(667)
	16,514	19,708

12.1 The above net deferred tax asset has been recognised in accordance with the Group's accounting policy. The management based on financial projections prepared during the year, estimates that sufficient taxable profits would be available in future against which the deferred tax asset could be realised.

13 OTHER LIABILITIES

	2023 BD '000	2022 BD '000
Accounts payable	**9,151**	10,116
Margins received	**13,992**	8,711
Security deposit against ijara muntahia bittamleek	**99**	136
Bills payable	**7,724**	11,951
Provision for employees benefits	**2,832**	3,356
Charity fund	**205**	149
Allowance for expected credit losses-unfunded facilities	**70**	35
Operating Ijarah liability	**2,340**	3,078
Taxation and duties	**1,779**	-
Advance payments from customers	**990**	-
Valuation of foreign exchange contracts	**660**	-
Others	**2,858**	5,139
	42,700	42,671

14 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 Group invests its own funds separately or jointly with amount received from Equity of Investment Account Holders. 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 the Investment Accountholders 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.

	2023 BD '000	2022 BD '000
IAH - Non-banks	**533,468**	516,769
IAH - Banks	**104,595**	204,266
Profit equalisation reserve (note 14.1)	**271**	155
	638,334	721,190

14.1 Movement in profit equalisation reserve

	2023 BD '000	2022 BD '000
Balance at 1 January	**155**	155
Amount apportioned from income allocable to equity of investment accountholders	**116**	-
Balance at 31 December	**271**	155

14 EQUITY OF INVESTMENT ACCOUNTHOLDERS (IAH) (continued)

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.

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

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

As investment accountholder's 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 equity of investment accountholders is upto a maximum of 70% (2022: upto 70%) as per the terms of IAH agreements.

The Group has charged a total administrative expense of BD 2.78 million (2022: BD 2.82 million) to equity of investment account holders for the year ended 31 December 2023.

14.2 Equity of Investment Accountholders by maturity

	2023	*2022*
	BD '000	*BD '000*
Saving accounts	**206,924**	258,935
One month investment account	**74,228**	64,093
Three months investment account	**35,084**	161,307
Six months investment account	**63,630**	23,120
Nine months investment account	**12,124**	2,088
1 Year investment account	**176,477**	171,657
2 Years investment account	**9,525**	3,841
3 Years investment account	**29,383**	18,548
4 Years investment account	**1,202**	1,065
5 Years investment account	**29,757**	16,536
	638,334	721,190

14.3 Equity of investment accountholders by type

	2023	*2022*
	BD '000	*BD '000*
Accounts on demand	**206,924**	258,934
Accounts on a contractual basis *	**431,410**	462,256
	638,334	721,190

* These can be withdrawn subject to deduction of profit upon management discretion.

15 SUBORDINATED MUDARABA

	2023	*2022*
	BD '000	*BD '000*
Subordinated mudaraba	**4,515**	5,881
	4,515	5,881

Particular	**Principal**	**Profit**	**Profit rate**	**Maturity**
Al Baraka Pakistan Limited Tier 2 Sukuk Second issue	Bullet	Semi-Annually	6 M Kibor + 0.75%	2024
Al Baraka Pakistan Limited Tier 2 Sukuk Third issue	Bullet	Semi-Annually	6 M Kibor + 1.50%	2031

16 OWNERS' EQUITY

	2023	*2022*
	BD '000	*BD '000*
(i) Share capital		
Authorised 6,000,000 ordinary shares (2022: 6,000,000) of BD 37.7 each	**226,200**	226,200

	2023	*2022*
	BD '000	*BD '000*
Issued and fully paid 1,514,578 ordinary shares (2022: 1,514,578) of BD 37.7 each	**57,100**	57,100

16 OWNERS' EQUITY (continued)

Tier 1 Capital amounting to US $ 15m was redeemed on 3 August 2022. The extraordinary general assembly (EGA) of the Ultimate Parent has approved increasing the share capital of Bank by 150,000 shares for the par value of US $ 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 US $ 136,457,800 to US $ 151,457,800 with the full amount of US $ 15,000,000 allocated to the Ultimate Parent. The Ultimate Parent injected the cash relating to the share capital increase on 4 August 2022. The formalities relating to the Ministry of Industry and Commerce around updating of the Commercial Registration are pending finalization.

Additional information on shareholding pattern:
Names and nationalities of the major shareholder having an interest of 5% or more are as follows:

		2023	
Name	***Domicile***	***No. of shares***	***% holding***
Al Baraka Banking Group B.S.C.	**Bahrain**	**1,405,755**	92.81%

		2022	
Name	*Domicile*	*No. of shares*	*% holding*
Al Baraka Banking Group B.S.C.	Bahrain	1,405,755	92.81%

The Bank has only one class of shares and the holders of these shares have equal voting rights.

Following is the distribution schedule of shares, setting out the number and percentage of other shareholders along with categories:

			2023			2022
	Number of shares	**Number of shareholders**	**% of total outstanding shares**	Number of shares	Number of shareholders	% of total outstanding shares
Less than 1%	**58,823**	**12**	**3.88%**	58,823	12	3.88%
1% up to less than 5%	**50,000**	**1**	**3.30%**	50,000	1	3.30%
	108,823	**13**	**7.19%**	108,823	13	7.19%

(ii) Additional Tier 1 (AT1) Capital

	2023	*2022*
	BD '000	*BD '000*
Subordinated Mudaraba	**36,192**	36,192

The Bank held additional tier 1 capital (subordinated mudaraba) amounted to BD 36 million, received from ultimate parent. Such capital was raised from time to time to ensure compliance with minimum capital requirement (MCR) and capital adequacy requirement (CAR) as prescribed by Central Bank of Bahrain. The Bank raised additional tier 1 capital amounted to BD 30.5 million against cash consideration and BD 5.6 million against equity shares.

Summary of terms and conditions are as follows:

- Subordinated mudaraba amounted to BD 30.5 million carries expected profit ranging from 6% to 9% per annum, on a semi-annual basis;
- Subordinated mudaraba amounted to BD 5.6 million carries expected profit rate, which is 30% of the dividend or profit to be received on underlying equity investments shall be distributed to the Ultimate Parent, subject to and in accordance with terms and conditions, on an annual basis;
- the investor will not have a right to claim the profit and such event of nonpayment of profit will not be considered as event of default; and
- such instruments are recognised under equity in the consolidated statement of financial position and the corresponding profits paid to investor are accounted as appropriation of profits.

(iii) Statutory reserve
In accordance with the Bahrain Commercial Companies Law and the Bank's articles of association, 10% 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 and following the approval of the CBB.

16 OWNERS' EQUITY (continued)

(iv) General reserve

In accordance with the Bank's articles of association, the Bank may transfer any amount, as approved by the General Assembly, out of net income for the year to the general reserve after appropriating statutory reserve. The general reserve is distributable, subject to the approval of the CBB.

(v) Cumulative changes in fair value

This represents the net unrealised fair value changes relating to the equity of the parent on equity-type instruments at fair value through equity and investment in real estate.

(vi) Revaluation reserve on premises and equipment

This represents the net surplus on revaluation relating to the equity of the parent on premises and equipment carried at fair value.

(vii) Foreign exchange reserve

This represents the translation reserve arising as a result of consolidation of the foreign subsidiary.

(viii) Employee defined benefit plan reserve

This represents the reserve created in lieu of actuarial gains or losses on defined benefit liabilities and planned assets.

17 CONTINGENCIES AND COMMITMENTS

	2023	*2022*
	BD '000	*BD '000*
Letters of credit	**23,211**	23,666
Guarantees	**31,112**	40,447
Foreign exchange contracts	**36,304**	58,894
Acceptances	**2,498**	3,932
Taxation	**3,663**	1,528
Others	**15**	8
	96,803	128,475

18 INCOME FROM FINANCINGS

	2023	*2022*
	BD '000	*BD '000*
Sales and other receivables	**14,148**	14,127
Ijarah Muntahia Bittamleek	**13,039**	14,492
Musharaka	**13,333**	10,266
	40,520	38,885

	2023	*2022*
	BD '000	*BD '000*
Income from jointly financed financings	**37,512**	35,907
Income from self financed financings	**3,008**	2,978
	40,520	38,885

19 INCOME FROM INVESTMENTS

	2023	*2022*
	BD '000	*BD '000*
Yield, coupon or return on investments	**37,189**	29,966
(Loss) / gain on sale of investments	**(373)**	386
Dividends	**936**	1,062
Loss on disposal and revaluation of investment properties	**(420)**	(37)
Rental Income	**79**	108
	37,411	31,485

	2023	*2022*
	BD '000	*BD '000*
Income from jointly financed investments	**19,858**	16,324
Income from self financed investments	**17,553**	15,161
	37,411	31,485

20 REVENUE FROM BANKING SERVICES

	2023 BD '000	2022 BD '000
Fees and commissions	**2,649**	2,477
Letters of credit and acceptances	**239**	669
Guarantees	**175**	393
	3,063	3,539

21 OTHER INCOME

	2023 BD '000	2022 BD '000
Foreign exchange gain - net	**1,517**	1,422
Others	**1,268**	436
	2,785	1,858

22 OTHER OPERATING EXPENSES

	2023 BD '000	2022 BD '000
Administrative expenses	**2,478**	2,189
Premises costs	**2,562**	2,165
Business expenses	**6,647**	6,530
General expenses	**467**	532
	12,154	11,416

23 EXPECTED CREDIT LOSSES & ALLOWANCES FOR IMPAIRMENT - NET

	2023 BD '000	2022 BD '000
Receivables (note 4)	**1,957**	1,203
Ijara Muntahia Bittamleek and Ijara Receivables (note 5)	**1,350**	128
Musharakas (note 6)	**2,620**	1,084
Investments at amortized cost (note 7)	**310**	(48)
Investments at fair value through equity (note 7.2)	**(44)**	(70)
Contingencies and commitments	**38**	(190)
Others	**69**	95
	6,300	2,202

24 TAXATION

Taxation relates to subsidiary in Pakistan and comprise:

	2023 BD '000	2022 BD '000
Consolidated statement of financial position:		
Advance tax - net	**-**	-
Deferred tax	**4,576**	5,029
Consolidated statement of income:		
Current tax	**(4,624)**	(1,183)
Deferred tax	**1,261**	(646)
	(3,363)	(1,829)

25 CASH AND CASH EQUIVALENTS

For the purpose of cash flows, cash and cash equivalents represent:

	2023 BD '000	2022 BD '000
Cash on hand	**9,418**	8,342
Balances with central banks (unrestricted accounts)	**22,438**	5,034
Balances with other banks and financial institutions	**21,848**	15,541
Receivables, commodities and wakala placements (with an original maturity of 90 days or less)	**18,788**	16,524
	72,492	45,441

26 RELATED PARTY BALANCES AND 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 Bank, Shari'a supervisory board and external auditors.

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

	Parent and Other Shareholders		Other Related Parties		Total	
Assets:	**2023**	2022	**2023**	2022	**2023**	2022
	BD '000	BD '000	**BD '000**	BD '000	**BD '000**	BD '000
Cash and balances with banks and financial institutions	**2**	1	**17**	17	**19**	18
Receivables	**-**	-	**497**	315	**497**	315
Musharaka	**-**	-	**574**	516	**574**	516
Investments	**10,086**	9,592	**9,555**	10,104	**19,641**	19,696
Other assets	**2,896**	2,360	**-**	-	**2,896**	2,360
	12,984	11,953	**10,643**	10,952	**23,627**	22,905
Liabilities:						
Current account	**1,234**	2,432	**804**	729	**2,038**	3,161
Other liabilities	**1,857**	1,857	**227**	353	**2,084**	2,210
	3,091	4,289	**1,031**	1,082	**4,122**	5,371
Equity of investment accountholders	**25,516**	12,479	**20,664**	10,073	**46,180**	22,552
Off-balance sheet equity of investment accountholders	**8,292**	10,266	**46,175**	61,306	**54,467**	71,572
Contingencies and commitments	**754**	754	**9**	395	**763**	1,149

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

	Parent and Other Shareholders		Other Related Parties		Total	
	2023	2022	**2023**	2022	**2023**	2022
	BD '000	BD '000	**BD '000**	BD '000	**BD '000**	BD '000
Income						
Income from jointly financed sales	**-**	-	**30**	27	**30**	27
Income from jointly financed, other financings and investment	**-**	-	**15**	19	**15**	19
Group's income from self financed, other financings	**407**	617	**587**	144	**994**	- 761
Other income	**851**	123	**2**	12	**853**	135
Group's Mudarib/agency fee from off-balance sheet equity of investment accountholders	**11**	-	**21**	-	**32**	-
	1,269	740	**655**	202	**1,924**	942
Expenses						
Return on equity of investment accountholders before Group's share as a Mudarib	**510**	65	**859**	331	**1,369**	396
Other expenses	**-**	120	**1,142**	1,233	**1,142**	1,353
	510	185	**2,001**	1,564	**2,511**	1,749

Compensation of key management personnel is as follows:

	2023	*2022*
	BD '000	*BD '000*
Salaries	**1,888**	1,834
Other benefits	**792**	757
	2,680	2,591

27 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.

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 a regular basis.

The table below summarises the maturity profile of the Group's assets and liabilities as of 31 December 2023 based on contractual periods to cash conversion from the consolidated statement of financial position date. However, expected periods to cash conversion where there are no contractual terms.

	Up to 3 months BD '000	3 to 6 months BD '000	6 months to 1 year BD '000	1 to 3 years BD '000	3 to 5 years BD '000	5 to 10 years BD '000	10 to 20 years BD '000	Over 20 years BD '000	No fixed maturity BD '000	Total BD '000
ASSETS										
Cash and balances with banks and financial institutions	53,704	-	-	-	-	-	-	-	38,048	91,752
Receivables	60,996	27,576	16,653	25,682	18,591	7,059	1,692	1,898	9,346	169,493
Ijara muntahia bittamleek and ijara receivables	3,704	5,177	5,545	28,831	23,671	45,376	92,728	31,261	3,017	239,310
Musharaka	138	874	1,413	30,306	11,690	7,634	7,614	-	-	59,669
Investments	13,909	-	7,961	156,314	134,489	71,346	136	377	13,646	398,178
Investments in real estate	-	-	-	2,911	-	-	-	-	-	2,911
Investment in Joint Venture	-	-	-	-	-	-	-	-	6,291	6,291
Premises and equipment	-	-	-	-	-	-	-	-	34,735	34,735
Goodwill	-	-	-	-	-	-	-	-	3,004	3,004
Other assets	10,444	6	42	147	822	4,712	4	-	337	16,514
Total assets	142,895	33,633	31,614	244,191	189,263	136,127	102,174	33,536	108,424	1,021,857
LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS SUBORDINATED MUDARABA AND OWNERS' EQUITY										
Current accounts	97,571	-	-	-	-	-	-	-	-	97,571
Murabaha and other payables	5,733	114,055	29,716	52	173	2,445	-	-	-	152,174
Other liabilities	34,852	518	2,113	4,458	384	375	-	-	-	42,700
Total liabilities	138,156	114,573	31,829	4,510	557	2,820	-	-	-	292,445
Equity of investment accountholders	389,166	94,289	88,615	39,627	26,637	-	-	-	-	638,334
Subordinated mudaraba	188	-	-	2,054	-	2,273	-	-	-	4,515
Total owners' equity	-	-	-	-	-	-	-	-	86,563	86,563
Total liabilities, equity of investment accountholders, subordinated mudaraba and owner's equity	527,510	208,862	120,444	46,191	27,194	5,093	-	-	86,563	1,021,857
Net gap	(384,615)	(175,229)	(88,830)	198,000	162,069	131,034	102,174	33,536	21,861	-
Cumulative net gap	(384,615)	(559,844)	(648,674)	(450,674)	(288,605)	(157,571)	(55,397)	(21,861)	-	-
Off-balance sheet equity of investment accountholders	69,679	12,273	11,215	58,150	28,715	10,933	-	-	-	190,965

27 RISK MANAGEMENT (continued)

a) Liquidity risk (continued)

The table below summarises the maturity profile of the Group's assets and liabilities as of 31 December 2022 based on contractual periods to cash conversion from the consolidated statement of financial position date. However, expected periods to cash conversion where there are no contractual terms.

	Up to 3 months BD '000	3 to 6 months BD '000	6 months to 1 year BD '000	1 to 3 years BD '000	3 to 5 years BD '000	5 to 10 years BD '000	10 to 20 years BD '000	Over 20 years BD '000	No fixed maturity BD '000	Total BD '000
ASSETS										
Cash and balances with banks and financial institutions	28,917	-	-	-	-	-	-	-	32,322	61,239
Receivables	57,638	43,014	14,203	22,289	14,524	8,549	1,486	2,204	5,309	169,216
Mudaraba financing ijara receivables	2,904	2,391	5,045	22,949	21,057	42,009	82,225	30,117	3,159	211,856
Musharaka	5,725	1,353	3,710	21,992	35,428	10,760	10,707	-	595	90,270
Investments	18,663	1,024	121	155,830	163,610	70,232	-	377	13,187	423,044
Investments in real estate	-	-	-	3,331	-	-	-	-	-	3,331
Investment in Joint Venture	-	-	-	-	-	-	-	-	6,948	6,948
Premises and equipment	-		-	-		-	-	-	37,065	37,065
Goodwill	-	-	-	-	-	-	-	-	3,739	3,739
Other assets	9,442	257	3,610	-	5,832	-	-	-	567	19,708
Total assets	123,289	48,039	26,689	226,391	240,451	131,550	94,418	32,698	102,891	1,026,416
LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS SUBORDINATED MUDARABA AND OWNERS' EQUITY										
Current accounts	91,631	-	-	-	-	-	-	-	-	91,631
Murabaha and other payables	13,880	22,724	24,414	201	71	3,477	-	-	-	64,767
Other liabilities	36,260	322	567	3,852	934	736	-	-	-	42,671
Total liabilities	141,771	23,046	24,981	4,053	1,005	4,213	-	-	-	199,069
Equity of investment accountholders	524,101	79,154	80,206	24,367	13,362	-	-	-	-	721,190
Subordinated mudaraba	495	-	-	2,498	-	2,888	-	-	-	5,881
Total owners' equity	-	-	-	-	-	-	-	-	100,276	100,276
Total liabilities, equity of investment accountholders, subordinated mudaraba and owner's equity	666,367	102,200	105,187	30,918	14,367	7,101	-	-	100,276	1,026,416
Net gap	(543,078)	(54,161)	(78,498)	195,473	226,084	124,449	94,418	32,698	2,615	-
Cumulative net gap	(543,078)	(597,239)	(675,737)	(480,264)	(254,180)	(129,731)	(35,313)	(2,615)	-	-
Off-balance sheet equity of investment accountholders	88,446	83,395	32,918	40,204	22,975	45,233	-	-	-	313,171

27 RISK MANAGEMENT (continued)

a) Liquidity risk (continued)

The Risk Management Department ('RMD') of the Bank monitors the liquidity position on a daily basis through ALCO report and measures the Liquidity Coverage Ratio based on the contractual maturity inflow and outflow of funds on a monthly basis. The Bank has put in place a Risk Appetite Statement and Liquidity Risk Management Policy and Strategy, which highlights various internal liquidity thresholds and early warning indicators (EWIs). The RMD reviews the liquidity position and early warning indicators on a continuous basis and alerts the management, when needed for necessary action. The ALCO (an 'Asset and Liability Management Committee') meets on a monthly basis, at a minimum and reviews the Bank's liquidity profile through maturity mismatch statement and available stock of liquid assets as well as funding concentrations; also reviews the Bank's profit and funding rate and accordingly, approves any change in the rates and conisders any regulatory requirements or directives. The RMD also carries out stress testing exercises and contingency funding plans on a periodic basis and reports the results to the Management and Board Risk Committee.

b) Market risk

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

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 IAH. The profit distribution to IAH is based on profit sharing agreements. Therefore, the Group is not subject to any significant profit rate 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 policies and procedures to manage displaced commercial risk are formulated and implemented at the segment level (Pakistan and Bahrain).

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 BD:

	2023
	Total equivalent BD '000
Pakistani Rupees	**38,080**
Euro	**249**
Kuwaiti Dinars	**2**
Pound Sterling	**(1,934)**
Egyptian Pound	**1,003**
Algerian Dinar	**2,262**
Chinese Yuan	**120**

	2022
	Total equivalent BD '000
Pakistani Rupees	39,840
Euro	(5,997)
Kuwaiti Dinars	21
Pound Sterling	(1,774)
Egyptian Pound	894
Algerian Dinar	2,262
Chinese Yuan	208

27 RISK MANAGEMENT (continued)

b) Market risk (continued)

Foreign exchange risk (continued)

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 equity 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.

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

Currency 2023	**Particular**	**Change**	**Exposures in BD '000**	**Effect on equity/ Income Statement in BD '000**
Pakistani Rupees	Net long Position	**20%**	**38,080**	**7,616**
Euro	Net long Position	**20%**	**249**	**50**
Kuwaiti Dinars	Net long Position	**20%**	**2**	**-**
Pound Sterling	Net short Position	**20%**	**(1,934)**	**(387)**
Egyptian Pound	Net long Position	**20%**	**1,003**	**201**
Algerian Dinar	Net long Position	**20%**	**2,262**	**452**
Chinese Yuan	Net long Position	**20%**	**120**	**24**

Currency 2022	Particular	Change	Exposures in BD '000	Effect on equity/ Income Statement in BD '000
Pakistani Rupees	Net long Position	20%	39,840	7,968
Euro	Net short Position	20%	5,997	1,199
Kuwaiti Dinars	Net long Position	20%	21	4
Pound Sterling	Net short Position	20%	1,774	355
Egyptian Pound	Net long Position	20%	894	179
Algerian Dinar	Net long Position	20%	2,262	452
Chinese Yuan	Net long Position	20%	208	42

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.

In order to measure the risk of equity on its financial position, the Group adopts a sensitivity analysis on its equity portfolio for 10% increase and decrease of the portfolio's value:

Market indices	**Change in equity price**	**Effect on equity / Income Statement**	Change in equity price	Effect on equity / Income Statement
	2023	**2023**	2022	2022
	%	**BD '000**	%	BD '000
Pakistan Stock Exchange	**10%**	**54**	10%	68
Egypt Stock Exchange	**10%**	**100**	10%	89
Jordan Stock Exchange	**10%**	**1,008**	10%	959

27 RISK MANAGEMENT (continued)

b) Market risk (continued)

Concentration of investment portfolio

Concentration of an investment portfolio arises when a number of investments are made in entities engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would be affected by changes in economic, political or other conditions. The Group manages this risk through diversification of investments in terms of geographical distribution and industry concentration. The industry and geographical concentration of the Group's investment portfolio is as follows:

31 December 2023	***GCC BD '000**	**Rest of the world BD '000**	**Total BD '000**
Banking	**243**	**14,485**	**14,728**
Government	**192,292**	**162,230**	**354,522**
Investment companies	**13,432**	**-**	**13,432**
Manufacturing	**-**	**842**	**842**
Real estate	**4,239**	**3,255**	**7,494**
Others	**5,367**	**1,793**	**7,160**
	215,573	**182,605**	**398,178**

31 December 2022	*GCC BD '000	Rest of the world BD '000	Total BD '000
Banking	385	13,882	14,267
Government	198,124	178,712	376,836
Investment companies	15,520	-	15,520
Manufacturing	-	1,981	1,981
Real estate	4,301	3,448	7,749
Others	3,433	3,258	6,691
	221,763	201,281	423,044

* GCC countries comprise members of the Gulf Co-operation Council being Kingdom of Bahrain, State of Kuwait, Sultanate of Oman, State of Qatar, Kingdom of Saudi Arabia and the United Arab Emirates.

c) 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.

Type of credit risk

Financing contracts mainly comprise Sales receivable, Istisna'a receivable, Musharaka, Ijara Muntahia Bittamleek and Salam.

Sales receivable

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 installments 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 the facilities given to the client.

27 RISK MANAGEMENT (continued)

c) Credit risk (continued)

Type of credit risk (continued)

Istisna'a receivable
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.

Musharaka
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.

Ijara Muntahia Bittamleek
This is a lease whereby the legal title of the leased asset passes to the lessee at the end of the Ijara (lease) term, provided that all Ijara installments are settled.

Salam
Salam is purchase of a commodity for deferred delivery in exchange for immediate payment according to specified conditions or sale of a commodity for deferred delivery in exchange for immediate payment.

Maximum exposure to credit risk
The table below shows the maximum exposure to credit risk by type of Islamic financing contracts before the effect of mitigation through the use of collateral or other credit enhancements.

	Maximum Exposure to Credit Risk	
	2023	2022
	BD '000	BD '000
Receivables	**169,493**	169,216
Musharaka	**59,669**	90,270
Ijara muntahia bittamleek and ijara receivables	**239,310**	211,856
Investments in sukuk	**376,399**	401,530
Balances with banks and financial institutions	**82,334**	52,897
Other assets	**5,924**	7,668
Contingencies and commitments	**93,125**	68,045
	1,026,254	1,001,482

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 quality of assets. The balances presented are gross of expected credit losses.

	31 December 2023			
	Neither past due nor non performing	**Past due but performing**	**Non performing Islamic financing contracts**	**Total**
	BD '000	**BD '000**	**BD '000**	**BD '000**
Type of Islamic Financing Contract				
Receivables	**154,682**	**10,478**	**28,036**	**193,196**
Musharaka	**59,451**	**2,538**	**3,579**	**65,568**
Ijara muntahia bittamleek and ijara receivables	**236,812**	**221**	**6,499**	**243,532**
	450,945	**13,237**	**38,114**	**502,296**

27 RISK MANAGEMENT (continued)

c) Credit risk (continued)

Credit quality by type of Islamic financing contracts (continued)

	31 December 2022			
	Neither past due nor non performing	Past due but performing	Non performing Islamic financing contracts	Total
	BD '000	BD '000	BD '000	BD '000
Type of Islamic Financing Contract				
Receivables	164,097	5,215	24,405	193,717
Musharakas	89,620	1,211	3,522	94,353
Ijara Muntahia Bittamleek and Ijara receivables	208,803	234	5,767	214,804
	462,520	6,660	33,694	502,874

Aging analysis of past due but performing Islamic financing contracts

	31 December 2023			
	Less than 30 days	**31 to 60 days**	**61 to 90 days**	**Total**
	BD '000	**BD '000**	**BD '000**	**BD '000**
Type of Islamic Financing Contracts				
Receivable	**9,365**	**535**	**578**	**10,478**
Musharaka	**1,309**	**650**	**579**	**2,538**
Ijara Muntahia Bittamleek & Ijara income receivable	**56**	**137**	**28**	**221**
	10,730	**1,322**	**1,185**	**13,237**

	31 December 2022			
	Less than 30 days	31 to 60 days	61 to 90 days	Total
	BD '000	BD '000	BD '000	BD '000
Type of Islamic Financing Contracts				
Receivable	4,018	1,127	70	5,215
Musharaka	1,026	47	138	1,211
Ijara Muntahia Bittamleek and Ijara receivable	227	5	2	234
	5,271	1,179	210	6,660

Aging of Non-Performing Facilities

	31 December 2023				
	3-6 Months	**6-12 Months**	**1-3 Years**	**3 Years & above**	**Total**
	BD '000	**BD '000**	**BD '000**	**BD '000**	**BD '000**
Receivable	**4,846**	**4,310**	**5,348**	**13,532**	**28,036**
Musharaka	**463**	**509**	**705**	**1,902**	**3,579**
Ijara Muntahia Bittamleek and Ijara receivable	**821**	**62**	**518**	**5,098**	**6,499**
	6,130	**4,881**	**6,571**	**20,532**	**38,114**

27 RISK MANAGEMENT (continued)

c) Credit risk (continued)

Aging of Non-Performing Facilities (continued)

	31 December 2022				
	3-6 Months	6-12 Months	1-3 Years	3 Years & Above	Total
	BD '000	BD '000	BD '000	BD '000	BD '000
Receivable	867	1,797	10,069	11,672	24,405
Musharaka	684	300	858	1,680	3,522
Ijara Muntahia Bittamleek and Ijara receivable	113	646	1,678	3,330	5,767
	1,664	2,743	12,605	16,682	33,694

Credit risk mitigation

For exposures secured by real estate or other collateral, the Group carries out regular and periodic collateral verification and evaluation. This collateral verification is conducted by an independent qualified assessor or Collateral Analyst at the Group. The frequency of such collateral verification is determined as a part of the credit or investment policy and approval process. The Group allows cars, premises and equipment, plant and machinery etc, as collateral for a credit and investment product but does not accept perishable assets. The Group does not accept any assets as collateral if the assets are susceptible for obsolescence. The Group also ensure that these assets are insured in order to beaccepted as collateral.

Collaterals listed hereunder attract capital relief from capital adequacy requirements:

1) Hamish Jiddiyyah (HJ) (Good faith deposit): The Group takes this type of collateral in the transactions for which non-binding promises to perform is given by the customer. If a customer does not honour his promise to perform, the Group has recourse to the HJ. HJ is taken by the Group at the inception of the transaction but before signing the contracts. HJ constitutes partial guarantee to the Group for the performance of the contract by the customer. The Group will still have recourse to the customers for the unsecured position in case of default.

2) Third party guarantee: The Group 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, should provide the Group with signed audited financial statements.

3) Underlying assets of the lease contract: The underlying asset must be of monetary value and the Group 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 kind of encumbrance. In the same lease contract a customer can pledge other assets that customers own other than the underlying assets in the contract. In order for the Group to consider these assets as pledged assets, it must meet all the conditions for the underlying assets under the lease contract. It must be legally enforceable, accessible, saleable and free of any kind of encumbrance. The value of the pledged asset must be used only to offset the amount against the customers.

   Any excess amount resulting from the closure of the pledge by the Group should be returned to the customer (pledger). The Group is conducting at least annual evaluation of the pledged assets and keeping adequate documentation of this evaluation.

4) Cash deposit free from any legal encumbrance either in the form of equity of investment accountholders or off-balance sheet equity of investment accountholders.

5) Rated and unrated senior Sukuk issued by financial institutions or sovereigns.

27 RISK MANAGEMENT (continued)

(c) Credit risk (continued)

Credit Risk Mitigation (continued)

Credit quality
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. Corporates will be rated on their senior unsecured medium term local currency obligations, unless the credit granted is across border or in foreign currency. In the latter case, the obligor's country's rating will be the ceiling on corporates' rating. Where all credit to a government is in local currency, the rating for that government is the best i.e. 1 on the rating scale, however, if the exposure to the government includes foreign currency, the rating for that government will be the same as the country's rating.

A rating is a forward looking indication of creditworthiness. It is based on an evaluation of past performance, present conditions and outlook for the future. For the purpose of rating, the Group is using only those External Credit Assessment Institutions (ECAIs) which are allowed/ approved by the CBB and are mainly used in Banking exposures.

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 and governments. 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, structure etc 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 subsidiary internally to also rate facilities).

d) Operational risk
The Group categorises operational risk loss events according to the Basel II classification consisting of seven major risk families, but also takes a causal approach to these risks and pays particular attention to the causal categories below:

Infrastructure risks
Availability of information technology is of paramount importance to the Group's infrastructure. The operations of the Group might be disrupted and severe operational risks could occur.

In order to protect the Group from the infrastructure risk as outlined above, the Group is taking necessary measures as indicated in the Business Continuity Plan and/or Disaster Recovery Plan 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.

Personnel risk
These relate to any risks caused by staff (internal fraud, corruption, crime, etc.). In order to prevent these risks from occurring, the Group has established a corporate culture which entails constructive ways of dealing with mistakes. The Group has also established approved delegation of authorities in all critical business and operations processes, and established separate control functions and dedicated control processes. Further, the Group has already established measures of organizational structure in terms of segregation of duties as well as diverse training measures to improve employee competence and adherence to the required standards of work ethics.

28 CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF INVESTMENT ACCOUNTHOLDERS

The distribution by geographic region and industry sector was as follows:

	Assets		Liabilities and Subordinated mudaraba		Equity of investment accountholders	
	2023	2022	**2023**	2022	**2023**	2022
	BD '000	BD '000	**BD '000**	BD '000	**BD '000**	BD '000
Geographical region						
Middle East	**682,187**	621,906	**177,557**	81,541	**378,896**	407,831
Europe	**1,689**	4,081	**71**	734	**343**	-
Asia	**329,347**	387,385	**118,355**	111,033	**196,431**	249,040
Others	**8,634**	13,044	**977**	11,642	**62,664**	64,319
	1,021,857	1,026,416	**296,960**	204,950	**638,334**	721,190

	Assets		Liabilities and Subordinated mudaraba		Equity of investment accountholders	
	2023	2022	**2023**	2022	**2023**	2022
	BD '000	BD '000	**BD '000**	BD '000	**BD '000**	BD '000
Industry sector						
Trading and manufacturing	**63,870**	81,539	**26,428**	15,518	**24,536**	32,264
Banks and financial institutions	**155,212**	120,713	**143,892**	77,464	**157,316**	254,796
Construction and real estate	**53,093**	39,758	**25,784**	3,133	**27,399**	7,641
Government	**373,693**	396,236	**890**	537	**85,703**	116,011
Consumer	**273,892**	269,022	**47,421**	40,172	**233,102**	186,606
Agriculture fishing and foresrty	**29,861**	31,412	**631**	3,668	**952**	945
Others	**72,236**	87,736	**51,914**	64,458	**109,326**	122,927
	1,021,857	1,026,416	**296,960**	204,950	**638,334**	721,190

29 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of investments are disclosed in note 7 to these financial statements. However, a certain equity-type instruments at fair value through equity which are carried at cost, due to the unpredictable nature of their future cash flows and the lack of other suitable methods for arriving at a reliable fair value for these investments.

Fair value is the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date under current market conditions (i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability).

Fair value is determined for each financial asset individually in accordance with the valuation policies set out below:

(i) For investments that are traded in organised financial markets, fair value is determined by reference to the quoted market bid prices prevailing on the statement of financial position date.

(ii) For unquoted investments, fair value is determined by reference to recent significant buy or sell transactions with third parties that are either completed or are in progress. Where no recent significant transactions have been

(iii) For investments that have fixed or determinable cash flows, fair value is based on the net present value of estimated future cash flows determined by the Group using current profit rates for investments with similar terms

(iv) Investments which cannot be remeasured to fair value using any of the above techniques are carried at cost, less provision for impairment.

A hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable.
Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group’s market assumptions.
These two types of inputs have created the following fair value hierarchy:
Level 1 – Quoted prices (unadjusted) in active markets for identical investments.
Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the investments, either directly (that is, as prices) or indirectly (that is, derived from prices).
Level 3 – Inputs for the investments that are not based on observable market data (unobservable inputs).
This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

30 SEGMENTAL INFORMATION

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

For financial reporting purposes, the Group is divided into two geographical segments, Middle East and Other Asian Countries. Other Asian Countries predominantly includes operations in Pakistan.

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

The segmental results of the Group were as follows:

	Middle East		Other Asian Countries	
	2023	2022	**2023**	2022
	BD '000	BD '000	**BD '000**	BD '000
Assets	**681,142**	638,750	**340,716**	387,666
Liabilities, equity of investment accountholders, and Subordinated mudaraba	**622,473**	567,689	**312,822**	358,451
Total income	**7,126**	18,367	**20,802**	18,641
Total operating expenses	**(16,974)**	(15,058)	**(10,565)**	(11,721)
Net operating income	**(9,847)**	3,309	**10,237**	6,920
Expected credit losses / Provision for impairment - net and write back of written off	**(3,086)**	(477)	**(3,216)**	(1,725)
Taxation	**-**	-	**(3,362)**	(1,829)
Income for the year	**(12,934)**	2,832	**3,659**	3,366

31 SOCIAL RESPONSIBILITY

The Group discharges its social responsibilities through donations to charitable causes and organizations.

32 Zakah

	2023	*2022*
	BD '000	*BD '000*
Net equity attributable to shareholders	**43,127**	56,604
Employee end of service benefits	**2,832**	3,356
Zakah-able assets	**(43,141)**	(52,482)
Zakah-able amount	**2,818**	7,478
Zakah for the year	**73**	193

33 Fee disclosure

The audit and non-audit fees for the year ended 31 December to PwC and its network firms are as follows:

	2023	*2022*
	BD '000	*BD '000*
Audit fees	**82**	85
Non-audit fees	**72**	70
	154	155

34 NSFR REQUIREMENTS AND CALCULATION METHODOLOGY

The Net Stable Funding Ratio ('NSFR') is calculated in accordance with the Liquidity Risk Management Module guidelines, issued by the CBB and is effective from December 2019. The minimum NSFR ratio as per CBB is 100%. The Group's consolidated NSFR ratio as of 31 December 2023 is 213.17%.

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

	Unweighted Values (i.e. before applying relevant factors)				
Item	No specified maturity BD '000	Less than 6 months BD '000	More than 6 months and less than one year BD '000	Over one year BD '000	Total weighted value BD '000
Available Stable Funding (ASF):					
Capital:	**82,115**	**-**	**-**	**4,203**	**86,317**
Regulatory Capital	82,115	-	-	-	82,115
Other Capital Instruments	-	-	-	4,203	4,203
Retail deposits and deposits from small business customers:	**-**	**308,821**	**34,667**	**39,531**	**348,937**
Stable deposits	-	4,468	39	-	4,323
Less stable deposits	-	304,353	34,628	39,531	344,614
Wholesale funding:	**-**	**422,844**	**65,067**	**3,045**	**179,085**
Operational deposits	-	-	-	422	422
Other wholesale funding	-	422,844	65,067	2,623	178,663
Other liabilities:	**-**	**-**	**-**	**37,706**	**37,706**
NSFR Shari'a-compliant hedging contract liabilities	-	-	-	-	-
All other liabilities not included in the above categories	-	-	-	37,706	37,706
Total ASF	**82,115**	**731,665**	**99,734**	**84,485**	**652,045**
Required Stable Funding (RSF):					
Total NSFR high-quality liquid assets (HQLA)	335,709	-	-	-	17,115
Deposits held at other financial institutions for operational purposes	-	-	-	-	-
Performing financing and sukuk/securities:	-	-	-	-	-
Performing financing to financial institutions secured by Level 1 HQLA	-	-	-	-	-
Performing financing to financial institutions secured by non-level 1 HQLA and unsecured performing financing to financial institutions	-	33,732	-	46,383	51,443

34 NSFR REQUIREMENTS AND CALCULATION METHODOLOGY (continued)

Item	No specified maturity BD '000	Less than 6 months BD '000	More than 6 months and less than one year BD '000	Over one year BD '000	Total weighted value BD '000
	Unweighted Values (i.e. before applying relevant factors)				
Performing financing to non-financial corporate clients, financing to retail and small business customers, and financing to sovereigns, central banks and PSEs, of which:	-	108,852	25,404	-	67,128
With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines	-	-	-	-	-
Performing residential mortgages, of which:					
With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	121,765	79,148
Securities/sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	-	10,828	9,204
Other assets:					
Physical traded commodities, including gold	-	-	-	-	-
Assets posted as initial margin for Shari'a-compliant hedging contracts and contributions to default funds of CCPs	-	-	-	-	-
NSFR Shari'a-compliant hedging assets	-	-	-	-	-
NSFR Shari'a-compliant hedging contract liabilities before deduction of variation margin posted	-	-	-	-	-
All other assets not included in the above categories	78,505	-	-	-	78,505
OBS items	66,887	-	-	-	3,344
Total RSF	**481,101**	**142,584**	**25,404**	**178,976**	**305,887**
NSFR (%)					**213.17%**