

**Al Baraka Group B.S.C.**  
(formerly Al Baraka Banking Group B.S.C.)

**UNIFIED SHARI'A SUPERVISORY BOARD REPORT,  
DIRECTORS' REPORT ,  
INDEPENDENT AUDITORS' REPORT AND  
CONSOLIDATED FINANCIAL STATEMENTS**

**31 DECEMBER 2022**

21 Rajab 1444  
12 February 2023

In the name of Allah, The Beneficent, The Merciful, Ever Merciful

**Unified Shari'a Supervisory Board Report  
AlBaraka Group B.S.C.  
For the year ended 31 December 2022**

Praise be to Allah and peace be upon our Prophet Mohamed, His Apostles and Companions

**To: Al Baraka Group Shareholders**

May peace and Allah's Mercy and Blessings Be upon You

In accordance with Article (58) of the Articles of Association of Al Baraka Group, we are required to submit the following report:

**First: Meetings of the Unified Shari'a and its Executive Committee**

The Unified Shari'a and its Executive Committee conducted five meetings during 2022 in which we studied Shari'a audit reports prepared by the Group's Shari'a Audit for the year ended 31 December 2022 and gave few Shari'a related comments on those reports. These reports were rectified through coordination between Shari'a Audit and the relative local subsidiaries' Shari'a Boards. In addition, the Unified Shari'a Supervisory Board replied to requests for fatwa from the Group and subsidiaries and studies the contracts entered into by the Group during the year 2022.

**Second: Monitoring**

We have reviewed the principles applied by the Group and reviewed the 2022 Shari'a reports issued by the Group Units' Shari'a Supervisory Boards. We have also reviewed their financial statements when needed. In addition, we examined the Group's financial position as of 31 December 2022 and Statement of Income and their notes for the year then ended. We have queried from some of the Technical's on the points that need explanation and statement. We have also reviewed the process of calculating Zakah in accordance with the Shari'a Standard number (35) and the Financial Accounting Standard number (9) issued by the Accounting and Auditing Organization for Islamic financial Institutions and according to what was approved by Al Baraka Symposium1/31 and by the Unified Shari'a Supervisory Board.



### Third: Responsibilities of the Unified Shari'a

The Group and Units' management are responsible for the execution and implementation of the Unified Shari'a Supervisory Board resolutions and to bring to the attention of the Unified Shari'a Supervisory Board any transactions or issues that require Shari'a approval. The Unified Shari'a Supervisory Board is responsible for supervising the implementation of the resolution from a Shari'a point of view and issue opinion based on the Group and Units' Shari'a reports and financial statements.

The Unit's Shari'a Supervisory Boards, as is clear from their report, have supervised the Units' business activities including examining on test basis documentations and procedures applied by the Group and its Units.

The Units' Shari'a Supervisory Boards, as is clear from their reports, planned and performed reviews so as to obtain all the information and explanations they considered necessary in order to provide them with sufficient evidence to provide reasonable assurance that the Group and its Units have not violated Shari'a Rules and Principles.

#### In our opinion:

1. The Contracts, transactions and dealings entered into by the Group and its Units during the year ended 31 December 2022 are made in compliance with Shari'a Rules and Principles.
2. The allocation of profit and charging of losses relating to investment accounts conform to the basis that have been approved by the Units' Shari'a Supervisory Boards in accordance with Shari'a Rules and Principles.
3. All earnings realized from sources or by means prohibited by Islamic Shari'a Rules and Principles have been committed by the Management to dispose it off to Charitable Causes.
4. The attached Zakah calculation was prepared in accordance with the provisions and principles of Islamic Shari'a according to the Net Invested Fund Method in accordance to the Shari'a Standard number (35) and the Financial Accounting Standard number (9) issued by the Accounting and Auditing Organization for Islamic financial Institutions and according to what was approved by the Unified Shari'a Supervisory Board.

The General Assembly, in its regular meeting held on March 30, 2022, had authorized the executive management of Al Baraka Group to pay an amount of money amounting to three hundred forty six thousand nine hundred sixty seven (346,967) US dollars as Zakah on behalf of all shareholders for the year 2021, where it to be directly deducted from the shareholders' profits. This amount was paid to those worthy of Zakah in accordance with the Shariah regulations established, approved and certified by the Unified Shariah Board. The Unified Shariah Board monitored, through the reports of the Shariah observer, the amounts paid from the Zakah to ascertain how it was distributed, as it made sure it was directed towards the eligible recipients as stipulated in the honorable verse No. (60) of Surat Al-Ma'idah.



The Group's Zakah dues is USD 5 cents for each 100 share after excluding the Zakah from the Units which they pay their Zakah directly. The Group is not authorized to pay Zakah without obtaining an authorization from the shareholders in the general assembly, accordingly the shareholders must pay the Zakah themselves in case of not authorizing the Group to pay it on their behalf. Noting that Zakah dues, in the event of lack of the necessary liquidity, can be postponed as a whole or part, so that it becomes a debt until liquidity is available.

Praise be to Allah.

#### Chairman and Members

Shaikh Dr. Abdulla Al Mannea  
Chairman

Shaikh Dr. Abdullatif Al Mahmood  
Vice Chairman

Shaikh Dr. Saad Al Shithry  
Member

Shaikh Yousif Hassan Khilawy  
Member

Shaikh Dr. Layachi Feddad  
Member



## Zakah Calculation for the year ended 31 December 2022

US\$ '000

Equity Attributable to Shareholders	1,263,227
Less: Investment of the parent on the shareholding of Al Baraka Bank Egypt, Al Baraka Bank Sudan and Al Baraka Islamic Bank	(385,470)
Perpetual tier 1 capital	<u>(400,000)</u>
<b>Net Zakatable Equity Attributable to Shareholders</b>	<b>477,757</b>
<b><u>Less:</u></b>	
Musharaka underlined by unzakatable assets	(92,749)
Investment in Islamic Sukuk underlined by unzakatable assets	(27,822)
Ijarah Muntahia Bittamleek	(178,254)
long-term investment in real estate	(19,900)
Properties and equipment	(123,428)
Intangible assets	(40,312)
Investment in Associates	(4,625)
Prepayments	(6,227)
Deferred tax asset	(27,225)
<b><u>Add:</u></b>	
Shareholders share on Zakatable Assets by Associates	36,099
Borrowing to finance Unzakatable Assets	1,316
Sale of long-term investment in real estate during the year	880
Deferred tax liability	5,506
Employees' end of services benefit	<u>22,636</u>
<b>Zakatable amount</b>	<b>23,652</b>
Zakah Percentage	<u>2.5770%</u>
<b>Total Zakah due</b>	<b><u>610</u></b>
Number of Shares (thousands)	<u>1,227,879</u>
<b>Zakah per share (US\$ cents)</b>	<b><u>0.05</u></b>

## Directors' Report

### Economic Outlook

The advent of 2022 had brought with it hope and aspirations for a world slowly emerging from the two-year disruption of the Coronavirus pandemic (the "Pandemic") that had wrought considerable economic and personal challenges. However, the aftermath of the Pandemic, the ripple effects of the Ukraine conflict, the remnants of the supply chain woes and the rising commodity prices and inflation have all resulted in a slow-down of the global economic growth. Taking the cue from the Federal Reserve in the US to aggressively raise interest rates to rein in inflation, many Central Banks in the world followed suit. Moreover, trade equations amongst most countries have been redefined in the context of changing economic priorities, brought on by new geo-political equilibriums.

The Middle East and North Africa ("MENA") region, especially the oil-exporting countries, have largely been beneficiaries of the global rise in oil prices and increased demand, as buyers have sought alternatives to Russia's hydrocarbons exports. Therefore, economic growth in the Gulf Cooperation Council ("GCC") and the oil-exporting countries of the MENA region is expected to strengthen over the medium term in line with elevated oil prices. However, the pattern of growth in the oil-importing countries of the region varies, owing to differing economic structures, trade priorities and varying degrees of impact from the inflationary pressures and the crisis in Ukraine.

### Strategy

In the context of the challenging global and regional environments, Al Baraka Group ("ABG", "ABG Group" or the "Group") has adroitly weathered the economic headwinds to produce a very good outcome from its operations during the year, owing to its strong business model and flexibility in adapting to the changing conditions. The Group's primary focus has been on streamlining its overall strategic direction and that of its subsidiaries (the "Units") in anticipation of the world recovering from the economic effects of the Pandemic, in order to position itself for taking full advantage of new business developments. In addition, a conscious effort has been made to control our operational costs at our Head Office as well as at the Units despite the inflationary pressures. We have also continued to strengthen our governance structure through strong representation on the Units' boards of directors as a main shareholder; this has helped strengthen control, build efficiencies and improve oversight, which had a bigger impact on effectively melding the overall strategy of the Group.

During the year 2022, we completed the conversion of ABG's wholesale banking license to that of a Category 1 Investment Business Firm (Islamic Principles), we have made further progress in refocusing our business on markets and customer segments that provide us with greater potential for revenue enhancement and profitability. Accordingly, ABG has agreed to sell its 43.65% stake in Bank Al-Tamweel Wa Al-Inma S.A in Morocco ("BTI") to Bank of Africa, the Group's local strategic partner and the Bank's majority shareholder. The transaction, which is subject to regulatory approvals in Morocco, has received approval from the Central Bank of Bahrain ("CBB"). The Group has also completed the sale of its 83.07% stake in Itqan Capital, which is based in the Kingdom of Saudi Arabia, to a private buyer investor in Saudi Arabia, with the regulatory approvals for this transaction already received from both the Saudi Capital Market Authority and the General Authority for Competition as well as the CBB. Furthermore, we have completed the closure of our Representative Office in Indonesia, and we have delisted our shares from Nasdaq Dubai. These actions have helped streamline our operations further and enhance efficiencies.

Meanwhile, our digitalization initiatives have continued and will continue unabated with the revamp and acceleration of the digital transformation strategies of all our key Units, which we believe will help the Group capture significant financial value and build the capabilities needed to remain competitive. Our "Digitalization" vision is for our Units to become leaders in digital participation banking globally and to lead beyond traditional banking; our objective is to provide our customers with best-in-class mobile and omnichannel experience supported by a best-in-class modern IT architecture harmonized across the Group.

Looking ahead, our Group's strategic priorities will be on boosting our revenue generation - especially income from transaction fees and other non-financing activities, efficiently managing costs across our Units, including the operational cost, the cost of capital and the cost of risk, and deploying our assets with due cognizance of risk metrics with the aim of improving asset quality and managing our capital more efficiently. We believe the returns to our shareholders and stakeholders to be our primary aim, as are customer and staff satisfaction, all accruing from conducting our business in a sustainable and socially responsible manner.



### Financial performance

ABG achieved a total operating income of US\$ 1,139 million for 2022, compared to US\$ 993 million in 2021, an increase of 15%. The net income for the year was US\$ 239 million, up by 52% from last year. The net income attributable to the equity holders of the parent increased by 52% to US\$ 143 million, compared to US\$ 94 million in 2021. The Basic and Diluted Earnings per Share was US Cents 9.06 compared to US Cents 5.17 in 2021. The year witnessed a rise in profit margins in some subsidiaries and the major contributors to our net income were our subsidiaries in Turkey, Jordan and Egypt. Despite adverse foreign currency movements, the Group performed well, which is evidence of the efficient management of the resources and business.

The total assets were US\$ 25.0 billion as of the end of 2022, compared to US\$ 27.8 billion as of the end of 2021. The equity attributable to the parent's shareholders and Sukuk holders amounted to US\$ 1.3 billion (US\$ 1.4 billion in 2021). Total equity as of the end of the year was flat at US\$ 2.0 billion when compared to the end of the last year.

The Board of Directors remuneration and other entitlements in addition to the top management remuneration are attached (hereto as per the requirements of Article (188) of the Companies Commercial Law of Bahrain).

As of December 31, 2022, the ownership of the shares of ABG by the Board is immaterial and no trading of such shares took place during the year. Details of the shares held by the directors and executive management are provided in the notes to the consolidated financial statements.

We thank all our stakeholders and customers for their loyalty and trust to enable us to achieve yet another very good performance and to further the strategic objectives of the Group. We would also like to place on record our gratitude to the management and staff of ABG and its subsidiaries for their unstinting dedication and commitment to achieving the Group's objectives. Finally, we would like to thank the Unified Shari'a Supervisory Board for their advice and counsel, and the Central Bank of Bahrain, The Ministry of Industry & Commerce, the Bahrain Bourse and all our subsidiaries' regulatory authorities for their continued support and cooperation.

May Peace, Mercy and Blessings of Allah be upon you.

On behalf of the Board of Directors,

**Abdullah Saleh Kamel**  
Chairman





**First: Board of directors' remuneration details:**

Name	Fixed remunerations					Variable remunerations					End-of-service award	Aggregate amount (Does not include expense allowance)	Expenses Allowance *****
	Remunerations of the chairman and BOD*	Total allowance for attending Board and committee meetings	Salaries**	Others***	Total	Remunerations of the chairman and BOD	Bonus	Incentive plans	Others****	Total			
1. Mr. Abdullah Saleh Kamel	58,881.84	12,441	-	-	71,322.84	-	-	-	-	-	-	71,322.84	1,336
2. Mr. Mohamed Ebrahim AlShroogi	44,879.52	11,310	-	-	56,189.52	-	-	-	-	-	-	56,189.52	722
3. Mr. Mazin Khairy Manna	19,297.15	6,786	**	-	26,083.15	-	-	-	-	-	-	26,083.15	-
4. Mr. Abdul Elah Abdul Rahim Sabbahi	42,934.75	13,572	-	-	56,506.75	-	-	-	-	-	-	56,506.75	988
5. Mr. Saud Saleh Al Saleh	44,879.52	15,834	-	-	60,713.52	-	-	-	-	-	-	60,713.52	-
6. Mr. Fahad Abdullah Al Rajhi	40,601.03	14,703	-	-	55,304.03	-	-	-	-	-	-	55,304.03	-
7. Dr. Jihad El-Nakla	49,546.96	21,489	-	-	71,035.96	-	-	-	-	-	-	71,035.96	1,904
8. Mrs. Dalia Hazem Khorshid	41,767.89	12,441	-	-	54,208.89	-	-	-	-	-	-	54,208.89	-
9. Dr. Khaled Abdulla Ateeq	55,770.21	21,489	-	-	77,259.21	-	-	-	-	-	-	77,259.21	1,299
10. Mr. Naser Mohamed Al Nuwais	37,878.36	11,310	-	-	49,188.36	-	-	-	-	-	-	49,188.36	2,232
11. Dr. Mohamed Chiekh-Rouhou	37,100.45	11,310	-	-	48,410.45	-	-	-	-	-	-	48,410.45	-
12. Dr. Ziad Ahmed Bahaa-Eldin	37,878.36	12,441	-	-	50,319.36	-	-	-	-	-	-	50,319.36	-
13. Mr. Tawfig Shaker Mufti	40,212.08	12,441	-	-	52,653.08	-	-	-	-	-	-	52,653.08	438
14. Mr. Housseem Ben Haj Amor	13,871.88	4,524	**	-	18,395.88	-	-	-	-	-	-	18,395.88	-
<b>Total</b>	<b>565,500.00</b>	<b>182,091</b>	<b>-</b>	<b>-</b>	<b>747,591.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>747,591.00</b>	<b>8,919</b>

**Notes:**

All amounts stated in Bahraini Dinars.

**Remunerations of the chairman and BOD:**

\* Includes fixed remunerations and remunerations calculated by points system. The remuneration is the proposed amounts and are subject to approval by the Shareholders in the AGM.

**Salaries:**

\*\* Mr. Mazin Khairy Manna's salary is included in the Executive Management remuneration disclosure.

\*\* Mr. Housseem Ben Haj Amor's salary is included in the Executive Management remuneration disclosure.

**Other remunerations:**

\*\*\* It includes in-kind benefits – specific amount - remuneration for technical, administrative and advisory works (if any).

\*\*\*\* It includes the board member's share of the profits - Granted shares (if any).

**Expenses Allowance:**

\*\*\*\*\* It includes Per-diem, Ticket and Hotel charges.





## Second: Executive management remuneration details:

Executive management	Total paid salaries and allowances	Total paid remuneration (Bonus)***	Any other cash/ in kind remuneration for 2022	Aggregate Amount
Top 6 remunerations for executives, including CEO* and Senior Financial Officer**	1,323,753.852	Not Available	0	1,323,753.852

Note: All amounts stated in Bahraini Dinars.

\* The highest authority in the executive management of the company, the name may vary: (CEO, President, General Manager (GM), Managing Director...etc.

\*\* The company's highest financial officer (CFO, Finance Director, ...etc)

\*\*\* On Payment Basis.

## *Independent auditor's report to the shareholders of Al Baraka Group B.S.C.*

### *Report on the audit of the consolidated financial statements*

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#### *Our opinion*

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Al Baraka Group B.S.C. ("the Firm") and its subsidiaries (together the "Group") as at 31 December 2022, 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 2022;
- the consolidated statement of income for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in owners' equity 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.

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#### *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 Group B.S.C. (continued)*

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

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#### *Our audit approach*

##### **Overview**

<b>Key audit matter</b>	<ul style="list-style-type: none"><li>• Impairment and expected credit losses on financing facilities and other financial assets subject to credit risk</li></ul>
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As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the Board of Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

##### **Key audit matter**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

## Independent auditor's report to the shareholders of Al Baraka Group B.S.C. (continued)

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

#### Our audit approach (continued)

#### Key audit matter (continued)

Key audit matter	How the matter was addressed in our audit
<p><b>Impairment and expected credit losses on financing facilities and other financial assets subject to credit risk</b></p> <p>Impairment allowances represent the Board of Directors' best estimate of the credit losses arising. As described in the summary of significant accounting policies to the Group's consolidated financial statements, the impairment losses have been determined in accordance with FAS 30.</p> <p>We focused on this area because the Board of Directors makes complex and subjective judgements over amount and timing of recognition of impairment to capture the recent developments in the financing facilities, such as:</p> <ul style="list-style-type: none"> <li>• Update factors including GDP and oil prices;</li> <li>• Determining criteria for significant increase in credit risk;</li> <li>• Choosing appropriate models and assumptions for the measurement of Expected Credit Losses (ECL) including Probability of default (PD), Loss Given Default (LGD), and Exposure at Default (EAD);</li> <li>• Adjustments to models based on weighting assigned to base case, upside and downside scenarios;</li> <li>• Establishing groups of similar assets for the purpose of measuring the ECL; and</li> <li>• Determining disclosure requirement in accordance with FAS 30.</li> </ul> <p>The Group's financing facilities that are subject to credit risk, included gross financing assets amounting to USD 14,955 million and the related ECL amounting to USD 786 million as at 31 December 2022, which are material to the Group. Information on the credit risk including Group's credit risk management is provided in note 29 to the Group's consolidated financial statements.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>• We assessed and tested a sample of key controls around origination and approval of financing facilities and monitoring of credit exposure and impairment calculation;</li> <li>• We evaluated the appropriateness of the Group's impairment provisioning policy in accordance with the requirements of FAS 30;</li> <li>• We used our experts on a sample basis to independently assess the reasonableness of the ECL methodology developed and applied by the Board of Directors including model risk parameters (PD, LGD, and EAD), forward-looking information, associated weighting, and staging analysis;</li> <li>• We obtained an understanding and on a sample basis tested the completeness and accuracy of the data sets used for the ECL calculation;</li> <li>• We tested a sample of financing facilities to determine the appropriateness and application of staging criteria;</li> <li>• We obtained samples of the latest available credit reviews and checked that they include appropriate assessment and documentation of borrowers' ability to meet repayment obligations (principal, profit, and fees);</li> <li>• We independently assessed the appropriateness of provisioning assumptions on a sample of Stage 3 exposures. An independent view was formed on the levels of provisions recognised, based on the detailed loan and counterparty information available in the credit files; and</li> <li>• We evaluated the adequacy of the consolidated financial statements disclosures to determine if they were in accordance with the requirements of FAS 30.</li> </ul>

## *Independent auditor's report to the shareholders of Al Baraka Group B.S.C. (continued)*

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

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#### *Other information*

The Board of Directors is responsible for the other information. The other information comprises the Unified Sharia' Supervisory Board Report and the 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.

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#### *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 4 and applicable provisions of Volume 6) 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 Group B.S.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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



## *Independent auditor's report to the shareholders of Al Baraka Group B.S.C. (continued)*

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

#### *Auditors' responsibilities for the audit of the consolidated financial statements (continued)*

From the matters communicated with those charged with governance we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on other legal and regulatory and Sharia requirements**

As required by the Commercial Companies Law and the CBB Rulebook (Volume 4), we report the following:

- i. The Firm has maintained proper accounting records and the consolidated financial statements are in agreement therewith.
- ii. The financial information contained in the Unified Sharia' Supervisory Board Report and the Directors' Report is consistent with the consolidated financial statements;
- iii. 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, CBB and the Financial Institutions Law, CBB Rulebook (Volume 4 and applicable provisions of Volume 6) 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 2022 or its financial position as at that date; 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 Firm has complied with the Islamic Sharia' Principles and Rules as determined by the Sharia' Supervisory Board of the Group during the period under audit.

The engagement partner on the audit resulting in this independent auditor's report is Elias Abi Nakhoul.

Partner's registration number: 196  
PricewaterhouseCoopers M.E Limited  
Manama, Kingdom of Bahrain  
20 February 2023



Al Baraka Group B.S.C. (formerly Al Baraka Banking Group B.S.C.)

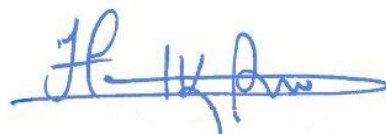
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

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



Abdullah Saleh Kamel  
Chairman



Housseem Ben Haj Amor  
Board member and Group Chief Executive Officer

**CONSOLIDATED STATEMENT OF INCOME**

For the year ended 31 December 2022

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

Abdullah Saleh Kamel  
Chairman

Housseem Ben Haj Amor  
Board member and Group Chief Executive Officer

**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the year ended 31 December 2022

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

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

# Al Baraka Group B.S.C. (formerly Al Baraka Banking Group B.S.C.)

## CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the year ended 31 December 2022

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

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

# Al Baraka Group B.S.C. (formerly Al Baraka Banking Group B.S.C.)

## CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the year ended 31 December 2022

Equity attributable to parent's shareholders and Sukuk holders

	Equity attributable to parents' shareholders and Zakah holders												
	Reserves					Cumulative changes in fair value of investments	Cumulative changes in fair value of property and	Foreign currency translations reserve	Retained earnings	Total	Perpetual tier 1 capital	Non-controlling interest	Total equity
	Share capital US\$ '000	Treasury shares US\$ '000	Share premium US\$ '000	Statutory reserve US\$ '000	Other reserves US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
1 January 2021	1,242,879	(17,462)	18,084	182,776	345	8,786	24,154	(800,489)	364,496	1,023,569	400,000	798,825	2,222,394
Restatement (note 32)	-	-	-	-	-	-	-	-	(14,200)	(14,200)	-	(38,215)	(52,415)
<b>Restated Balance as of 1 January 2021</b>	<b>1,242,879</b>	<b>(17,462)</b>	<b>18,084</b>	<b>182,776</b>	<b>345</b>	<b>8,786</b>	<b>24,154</b>	<b>(800,489)</b>	<b>350,296</b>	<b>1,009,369</b>	<b>400,000</b>	<b>760,610</b>	<b>2,169,979</b>
Movement in treasury shares	-	1,807	(1,465)	-	-	-	-	-	(705)	(363)	-	-	(363)
Net movement in cumulative change in fair values	-	-	-	-	-	1,688	21,108	-	-	22,796	-	7,698	30,494
Net movement in other reserves	-	-	-	-	2,143	-	-	-	-	2,143	-	1,640	3,783
Foreign currency translation	-	-	-	-	-	-	-	(150,317)	-	(150,317)	-	(154,339)	(304,656)
Net income for the year	-	-	-	-	-	-	-	-	94,105	94,105	-	63,009	157,114
Transfer to statutory reserve (note 13)	-	-	-	11,275	-	-	-	-	(11,275)	-	-	-	-
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(18,196)	(18,196)
Zakah paid on behalf of shareholders (note 13)	-	-	-	-	-	-	-	-	(1,015)	(1,015)	-	-	(1,015)
Profit distributed on perpetual tier 1 capital	-	-	-	-	-	-	-	-	(31,500)	(31,500)	-	-	(31,500)
Movement related to subsidiaries' tier 1 capital	-	-	-	-	-	-	-	-	5,706	5,706	-	(12,706)	(7,000)
Effect of change in ownership	-	-	-	-	-	-	-	10,078	(2,738)	7,340	-	-	7,340
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(5,392)	(5,392)
<b>Balance at 31 December 2021 (restated)</b>	<b>1,242,879</b>	<b>(15,655)</b>	<b>16,619</b>	<b>194,051</b>	<b>2,488</b>	<b>10,474</b>	<b>45,262</b>	<b>(940,728)</b>	<b>402,874</b>	<b>958,264</b>	<b>400,000</b>	<b>642,324</b>	<b>2,000,588</b>

Al Baraka Group B.S.C. (formerly Al Baraka Banking Group B.S.C.)

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

For the year ended 31 December 2022

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

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

At 31 December 2022

## 1 CORPORATE INFORMATION AND ACTIVITIES

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

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

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

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

## 2 ACCOUNTING POLICIES

### Basis of preparation

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

### Statement of compliance

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

### Regulatory compliance

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

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



## 2 ACCOUNTING POLICIES (continued)

### Basis of consolidation

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

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

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

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

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

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

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

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

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

## 2 ACCOUNTING POLICIES (continued)

### Basis of consolidation (continued)

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

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

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

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

### Significant accounting policies

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

#### 2.1 Adoption of new and amended standards and interpretations

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

#### FAS 37 - Financial reporting by Waqf institutions

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

#### FAS 38 - Wa'ad, Khiyar and Tahawwut

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

**2 ACCOUNTING POLICIES (continued)**

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

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

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

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

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

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

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

**FAS 39 - Financial Reporting for Zakah**

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

**FAS 40 - Financial Reporting for Islamic Finance Windows**

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

**2 ACCOUNTING POLICIES (continued)**

**2.3 Summary of significant accounting policies**

**a. Financial contracts**

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

**b. Impairment assessment**

**Impairment of financial assets**

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

**Stage 1: twelve months ECL**

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

**Stage 2: lifetime ECL – not credit impaired**

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

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

**Stage 3: Lifetime ECL – credit impaired**

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

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

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

**Credit-impaired financial assets**

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

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

***Measurement of ECL***

Following are the key inputs into the measurement of ECL:

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

**2 ACCOUNTING POLICIES (continued)**

**2.3 Summary of significant accounting policies (continued)**

**b. Impairment assessment (continued)**

***Measurement of ECL (continued)***

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

***Definition of default***

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

***Probability of default***

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

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

***Types of PDs used for ECL computation***

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

***Incorporation of forward - looking information***

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

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

**2 ACCOUNTING POLICIES (continued)**

**2.3 Summary of significant accounting policies (continued)**

**b. Impairment assessment (continued)**

**Loss Given Default**

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

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

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

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

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

**Exposure At Default**

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

**On-balance sheet EADs**

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

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

**Off-balance sheet EADs**

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

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

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

**2 ACCOUNTING POLICIES (continued)**

**2.3 Summary of significant accounting policies (continued)**

**b. Impairment assessment (continued)**

***Collective ECL computation and staging***

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

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

***Significant Increase in Credit Risk***

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

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

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

***Renegotiated financial assets***

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

***Backward transition***

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

***From Stage 2 to stage 1***

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

***From stage 3 to stage 2***

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



**2 ACCOUNTING POLICIES (continued)**

**2.3 Summary of significant accounting policies (continued)**

**b. Impairment assessment (continued)**

***Write-offs***

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

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

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

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

**c. Cash and cash equivalents**

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

**d. Receivables**

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

***Sales (Murabaha) receivables***

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

***Ijarah receivables***

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

***Salam receivables***

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

***Istisna'a receivables***

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

**e. Mudaraba and Musharaka financing**

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

**f. Investments**

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

**2 ACCOUNTING POLICIES (continued)**

**2.3 Summary of significant accounting policies (continued)**

**f. Investments (continued)**

*Investment in real estate*

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

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

*Investment in associates*

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

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

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

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

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

*Equity-type instruments at fair value through equity*

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

**2 ACCOUNTING POLICIES (continued)**

**2.3 Summary of significant accounting policies (continued)**

**f. Investments (continued)**

*Debt-type instruments at amortised cost*

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

**g. Ijarah Muntahia Bittamleek**

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

**h. Property and equipment**

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

The calculation of depreciation is on the following basis:

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

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

**i. Fair values**

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

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

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

**2 ACCOUNTING POLICIES (continued)**

**2.3 Summary of significant accounting policies (continued)**

**j. Goodwill**

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

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

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

**k. Intangible assets**

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

**l. Collateral pending sale**

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

**m. Employees' end of service benefits**

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

**n. Provision**

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

**o. Dividends**

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

**p. Equity of investment accountholders**

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

**q. Investment risk reserve**

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

**2 ACCOUNTING POLICIES (continued)**

**2.3 Summary of significant accounting policies (continued)**

**r. Profit equalisation reserve**

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

**s. Sukuk**

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

**t. Off-balance sheet equity of investment accountholders**

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

**u. Treasury shares**

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

**v. Revenue recognition**

*Sales (Murabaha) receivables*

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

*Salam and Istisna'a receivables*

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

*Mudaraba and Musharaka financing*

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

*Ijarah Muntahia Bittamleek*

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

*Fee and commission income*

Fee and commission income is recognised when earned.

*Other income*

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

*Group's share as a Mudarib*

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

**2 ACCOUNTING POLICIES (continued)**

**2.3 Summary of significant accounting policies (continued)**

**v. Revenue recognition (continued)**

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

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

**w. Return on equity of investment accountholders**

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

**x. Joint and self financed**

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

**y. Taxation**

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

**z. Shari'a supervisory board**

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

**aa. Zakah**

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

**ab. Earnings prohibited by Shari'a**

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

**ac. Impairment of financial assets**

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

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

**2 ACCOUNTING POLICIES (continued)**

**2.2 Summary of significant accounting policies (continued)**

**ac. Impairment of financial assets (continued)**

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

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

**ad. Assets classified as Held for sale**

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

**ae. Foreign currencies**

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

*Foreign currency translations*

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

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

**af. Judgments**

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

*Classification of investments*

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

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

*Going concern*

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

**ag. Use of estimates in preparation of the consolidated financial statements**

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



## 2 ACCOUNTING POLICIES (continued)

### 2.2 Summary of significant accounting policies (continued)

#### ah. Derecognition

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

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

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

## 3 CASH AND BALANCES WITH BANKS

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

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

## 4 RECEIVABLES

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2022

**4 RECEIVABLES (continued)**

**4.1 Sales (Murabaha) receivables**

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

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

**4.1(a) Murabaha deferred profit movement**

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

**4.2 Ijarah receivables**

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

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

## At 31 December 2022

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At 31 December 2022

**4 RECEIVABLES (continued)**

**4.4 Istisna'a receivables (continued)**

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

	<b>31 December 2022</b>			
	<b>Stage 1: 12-month ECL</b>	<b>Stage 2: Lifetime ECL not credit-impaired</b>	<b>Stage 3: Lifetime ECL credit-impaired</b>	<b>Total</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>US\$ '000</b>
Balance at 1 January	57,197	293,781	509,922	860,900
Changes due to receivables recognised in opening balance that have:				
- transferred to Stage 1	5,745	(3,986)	(1,759)	-
- transferred to Stage 2	(3,932)	19,947	(16,015)	-
- transferred to Stage 3	(88)	(63,175)	63,263	-
Net remeasurement of loss allowance	15,837	72,087	189,956	277,880
Recoveries / write-backs	-	-	(60,564)	(60,564)
Allocation from (to) investment risk reserve	(9,699)	439	21,054	11,794
Amounts written off	-	-	(263,736)	(263,736)
FX translation / others	(19,607)	(36,208)	(27,156)	(82,971)
	<b>45,453</b>	<b>282,885</b>	<b>414,965</b>	<b>743,303</b>
	<b>31 December 2021</b>			
	<b>Stage 1: 12-month ECL</b>	<b>Stage 2: Lifetime ECL not credit-impaired</b>	<b>Stage 3: Lifetime ECL credit-impaired</b>	<b>Total</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>US\$ '000 (restated)</b>
Balance at 1 January	72,533	150,469	497,025	720,027
Changes due to receivables recognised in opening balance that have:				
- transferred to Stage 1	5,727	(2,711)	(3,016)	-
- transferred to Stage 2	(3,846)	12,704	(8,858)	-
- transferred to Stage 3	(150)	(42,681)	42,831	-
Net remeasurement of loss allowance	6,768	117,556	199,045	323,369
Recoveries / write-backs	-	-	(78,333)	(78,333)
Allocation from (to) investment risk reserve	(8,093)	(2,184)	7,687	(2,590)
Amounts written off	-	-	(41,306)	(41,306)
FX translation / others	(15,742)	60,628	(105,153)	(60,267)
	<b>57,197</b>	<b>293,781</b>	<b>509,922</b>	<b>860,900</b>

**5 MUDARABA AND MUSHARAKA FINANCING**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2022

**5 MUDARABA AND MUSHARAKA FINANCING (continued)**

**5.1 Mudaraba financing**

	2022			2021		
	Self financed US\$ '000	Jointly financed US\$ '000	Total US\$ '000	Self financed US\$ '000	Jointly financed US\$ '000	Total US\$ '000 (restated)
Gross mudaraba financing	10,927	680,299	691,226	193,695	2,375,634	2,569,329
Allowance for credit losses (note 23)	(420)	(16,643)	(17,063)	(420)	(17,311)	(17,731)
Net mudaraba financing	10,507	663,656	674,163	193,275	2,358,323	2,551,598
					2022 US\$ '000	2021 US\$ '000 (restated)
Non-performing					35,275	30,227

**5.2 Musharaka financing**

	2022			2021		
	Self financed US\$ '000	Jointly financed US\$ '000	Total US\$ '000	Self financed US\$ '000	Jointly financed US\$ '000	Total US\$ '000 (restated)
Gross musharaka financing	242,597	593,435	836,032	332,700	625,407	958,107
Allowance for credit losses (note 23)	(808)	(12,063)	(12,871)	(4,049)	(12,549)	(16,598)
Net musharaka financing	241,789	581,372	823,161	328,651	612,858	941,509
					2022 US\$ '000	2021 US\$ '000 (restated)
Non-performing					18,320	27,637

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

	31 December 2022			
	Stage 1 US\$ '000	Stage 2 US\$ '000	Stage 3 US\$ '000	Total US\$ '000
Good (1-4)	749,979	32,584	-	782,563
Satisfactory (5-7)	536,874	154,226	-	691,100
Default (8-10)	-	-	53,595	53,595
Allowance for credit losses	(3,457)	(4,474)	(22,003)	(29,934)
	1,283,396	182,336	31,592	1,497,324
	31 December 2021			
	Stage 1 US\$ '000	Stage 2 US\$ '000	Stage 3 US\$ '000	Total US\$ '000 (restated)
Good (1-4)	1,142,014	79,440	-	1,221,454
Satisfactory (5-7)	2,113,415	134,703	-	2,248,118
Default (8-10)	-	-	57,864	57,864
Allowance for credit losses	(6,460)	(3,886)	(23,983)	(34,329)
	3,248,969	210,257	33,881	3,493,107

**5 MUDARABA AND MUSHARAKA FINANCING (continued)**

**5.2 Musharaka financing (continued)**

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

	<b>31 December 2022</b>			
	<b>Stage 1: 12-month ECL</b>	<b>Stage 2: Lifetime ECL not credit-impaired</b>	<b>Stage 3: Lifetime ECL credit-impaired</b>	<b>Total</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>US\$ '000</b>
Balance at 1 January	6,460	3,886	23,983	34,329
Changes due to financing recognised in opening balance that have:				
- transferred to Stage 1	(126)	128	(2)	-
- transferred to Stage 2	575	(573)	(2)	-
- transferred to Stage 3	-	(36)	36	-
Net remeasurement of loss allowance	(2,162)	2,495	1,263	1,596
Recoveries / write-backs	-	-	(1,134)	(1,134)
Allocation from (to) investment risk reserve	(1)	28	(38)	(11)
Amounts written off	-	-	-	-
FX translation / others	(1,289)	(1,454)	(2,103)	(4,846)
	<b>3,457</b>	<b>4,474</b>	<b>22,003</b>	<b>29,934</b>
	<b>31 December 2021</b>			
	<b>Stage 1: 12-month ECL</b>	<b>Stage 2: Lifetime ECL not credit-impaired</b>	<b>Stage 3: Lifetime ECL credit-impaired</b>	<b>Total</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>US\$ '000</b>
Balance at 1 January	12,270	9,383	14,753	36,406
Changes due to financing recognised in opening balance that have:				
- transferred to Stage 1	498	(496)	(2)	-
- transferred to Stage 2	(239)	263	(24)	-
- transferred to Stage 3	(3)	(211)	214	-
Net remeasurement of loss allowance	(1,207)	(4,731)	6,776	838
Recoveries / write-backs	-	-	(553)	(553)
Allocation (to) from investment risk reserve	(1,069)	(26)	94	(1,001)
Amounts written off	-	-	(11,579)	(11,579)
FX translation / others	(3,790)	(296)	14,304	10,218
	<b>6,460</b>	<b>3,886</b>	<b>23,983</b>	<b>34,329</b>

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At 31 December 2022

**6 INVESTMENTS**

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

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

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

**6 INVESTMENTS (continued)**

**6.2 Equity-type instruments at fair value through equity**

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

**6.3 Debt-type instruments at amortised cost**

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

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

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



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6 INVESTMENTS (continued)

6.3 Debt-type instruments at amortised cost (continued)

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2022

**6 INVESTMENTS (continued)**

**6.4 Investment in real estate**

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2022

**6 INVESTMENTS (continued)**

**6.5 Investment in associates**

Investment in associates comprise of the following:

	<b>2022</b>			<b>Market value US\$ '000</b>
	<b>Self financed US\$ '000</b>	<b>Jointly financed US\$ '000</b>	<b>Total US\$ '000</b>	
<b>Quoted associates</b>	-	13,169	13,169	11,500
<b>Unquoted associates</b>	44,969	-	44,969	
	<b>44,969</b>	<b>13,169</b>	<b>58,138</b>	
	<b>2021</b>			<b>Market value US\$ '000</b>
	<b>Self financed US\$ '000</b>	<b>Jointly financed US\$ '000</b>	<b>Total US\$ '000 (restated)</b>	
Quoted associates	22,820	12,767	35,587	11,834
Unquoted associates	30,447	-	30,447	
	<b>53,267</b>	<b>12,767</b>	<b>66,034</b>	

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2022

7 IJARAH MUNTAHIA BITTAMLEEK

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2022

7 IJARAH MUNTAHIA BITTAMLEEK (continued)

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2022

8 PROPERTY AND EQUIPMENT

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

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

9 OTHER ASSETS

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

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

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At 31 December 2022

**9 OTHER ASSETS (continued)**

**9 (a) Goodwill and intangible assets**

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

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

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

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

**10 LONG TERM FINANCING**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2022

11 OTHER LIABILITIES

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

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

12 EQUITY OF INVESTMENT ACCOUNTHOLDERS (IAH)

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

*\*Medium term Sukuk*

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

The following table summarises the breakdown of IAH as of:

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2022

**12 EQUITY OF INVESTMENT ACCOUNTHOLDERS (IAH) (continued)**

**12.1 Profit equalisation reserve**

The following shows the movement in profit equalisation reserve:

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

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

**12.2 Investment risk reserve**

The following shows the movement in investment risk reserve:

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2022

**12 EQUITY OF INVESTMENT ACCOUNTHOLDERS (IAH) (continued)**

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

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

**13 EQUITY**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2022

**13 EQUITY (continued)**

**Treasury shares**

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

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

**Additional information on shareholding pattern**

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

**At 31 December 2022**

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

**At 31 December 2021 (Restated)**

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

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

**At 31 December 2022**

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

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At 31 December 2022

**13 EQUITY (continued)**

**Additional information on shareholding pattern (continued)**

At 31 December 2021 (restated)

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

*a. Share premium/Equity transaction cost*

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

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

*b. Statutory reserve*

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

*c. Cumulative changes in fair values*

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

*d. Foreign currency translations*

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

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

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

\* Refer to note 29 (h) for further details

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

### 13 EQUITY (continued)

#### Additional information on shareholding pattern (continued)

##### e. Other reserves

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

##### f. Zakah paid on behalf of shareholders

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

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

##### g. Net movement in non-controlling interest

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

#### Non-controlling interest

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

### 14 PERPETUAL TIER 1 CAPITAL

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

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**15 NET INCOME FROM JOINTLY AND SELF FINANCED CONTRACTS AND INVESTMENTS**

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

**15.1 Receivables**

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

**15.2 Mudaraba and Musharaka financing**

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

**15.3 Investments**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2022

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

**15.4 Ijarah Muntahia Bittamleek**

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

**16 GROUP'S SHARE AS A MUDARIB**

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

**17 OTHER FEES AND COMMISSION INCOME**

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

**18 OTHER OPERATING INCOME**

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

**19 PROFIT PAID ON LONG TERM FINANCING**

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

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At 31 December 2022

**20 DEPRECIATION AND AMORTISATION**

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

**21 OTHER OPERATING EXPENSES**

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

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

**1. Assets classified as Held for Sale: BTI Morocco**

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

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

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

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

	<b>2022</b> <b>US\$ '000</b>
<b>Net loss</b>	<b>(3,266)</b>

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2022

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

**2. Loss of control of Al Baraka Lebanon**

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

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

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

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

	<b>2022</b> <b>US\$ '000</b>
<b>Net income</b>	<b>520</b>

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

**3. Sale of Itqan Capital**

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

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

	<b>2022</b> <b>US\$ '000</b>
<b>Total Assets</b>	<b>15,067</b>
<b>Total Liabilities</b>	<b>1,777</b>

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

	<b>2022</b> <b>US\$ '000</b>
<b>Net Income</b>	<b>434</b>

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23 NET ALLOWANCE FOR CREDIT LOSSES / IMPAIRMENT

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

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

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

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

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At 31 December 2022

23 NET ALLOWANCE FOR CREDIT LOSSES / IMPAIRMENT (continued)

The provisions relate to the following geographical areas:

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

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

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**24 BASIC AND DILUTED EARNINGS PER SHARE**

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

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

**25 CASH AND CASH EQUIVALENTS**

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

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**26 RELATED PARTY TRANSACTIONS**

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

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

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

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

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

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

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

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At 31 December 2022

**26 RELATED PARTY TRANSACTIONS (continued)**

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

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

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

**26 RELATED PARTY TRANSACTIONS (continued)**

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

<i>Name of directors</i>	<i>Position</i>	<i>Nationality</i>	<u>2022</u>	<u>Transaction</u>
			<i>Number of shares</i>	<i>Number of shares</i>
Abdulla Saleh Kamel	Chairman	Saudi	338,598	-
Abdul Elah Sabbahi	Board Member	Saudi	225,899	-
Fahad AlRajhi (indirect)	Board Member	Saudi	10,815	-
<i>Name of directors</i>	<i>Position</i>	<i>Nationality</i>	<u>2021</u>	<u>Transaction</u>
			<i>Number of shares</i>	<i>Number of shares</i>
Abdulla Saleh Kamel	Chairman	Saudi	338,598	-
AbdulElah Sabbahi	Board Member	Saudi	225,899	-
Fahad AlRajhi (indirect)	Board Member	Saudi	10,815	-

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**27 COMMITMENTS AND CONTINGENCIES**

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

**28 SEGMENTAL ANALYSIS**

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

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

Middle East  
North Africa  
Europe  
Others

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

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

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

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

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

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



At 31 December 2022

## 29 RISK MANAGEMENT

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

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

### a) Liquidity risk

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

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

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At 31 December 2022

**29 RISK MANAGEMENT (continued)**

**a) Liquidity risk (continued)**

The maturity profile at 31 December 2022 was as follows:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2022

**29 RISK MANAGEMENT (continued)**

**a) Liquidity risk (continued)**

The maturity profile at 31 December 2021 was as follows:

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

**29 RISK MANAGEMENT (continued)**

**b) Credit risk**

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

***Type of credit risk***

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

***Sales (Murabaha) receivables***

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

***Salam receivables***

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

***Istisna'a receivables***

Istisna'a is a sale agreement between the Group as the seller and the customer as the ultimate purchaser whereby the Group undertakes to have manufactured (or acquire) goods and sell it to the customer for an agreed upon price on completion at future date.

***Mudaraba financing***

The Group enters into Mudaraba contracts by investing in funds managed primarily by other banks and financial institutions for a definite period of time.

***Musharaka financing***

An agreement between the Group and a customer to contribute to a certain investment enterprise, whether existing or new, or the ownership of a certain property either permanently or according to a diminishing arrangement ending up with the acquisition by the customer of the full ownership. The profit is shared as per the agreement set between both parties while the loss is shared in proportion to their shares of capital or the enterprise.

***Maximum exposure to credit risk before collateral held or other credit enhancements***

	<i>Maximum exposure</i>	
	<b>2022</b>	<b>2021</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>
		<i>(restated)</i>
Balances with central banks	<b>3,331,927</b>	4,441,912
Balances with other banks	<b>530,747</b>	570,938
Receivables	<b>10,437,573</b>	10,975,647
Mudaraba and Musharaka financing	<b>1,497,324</b>	3,493,107
Investments	<b>5,234,714</b>	4,495,469
Other assets	<b>340,031</b>	297,189
<b>Total</b>	<b>21,372,316</b>	24,274,262
Commitments and contingencies	<b>3,291,881</b>	4,101,232
	<b>24,664,197</b>	28,375,494

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**29 RISK MANAGEMENT (continued)**

**b) Credit risk (continued)**

**Credit quality by type of islamic financing contracts**

The table below shows the credit quality by type of islamic financing contracts, based on the Group's credit rating system as of:

Type of Islamic Financing Contracts	31 December 2022			Total US\$ '000
	Neither past due nor non performing US\$ '000	Past due but performing US\$ '000	Non performing islamic financing contracts US\$ '000	
Receivables	10,033,850	610,666	536,360	11,180,876
Mudaraba and Musharaka financing	1,470,087	3,576	53,595	1,527,258
Other assets	363,215	828	8,467	372,510
	<b>11,867,152</b>	<b>615,070</b>	<b>598,422</b>	<b>13,080,644</b>

Type of Islamic Financing Contracts	31 December 2021			Total US\$ '000 (restated)
	Neither past due nor non performing US\$ '000	Past due but performing US\$ '000	Non performing islamic financing contracts US\$ '000	
Receivables	10,415,857	626,409	794,281	11,836,547
Mudaraba and Musharaka financing	3,467,870	1,702	57,864	3,527,436
Other assets	313,457	1,177	9,850	324,484
	<b>14,197,184</b>	<b>629,288</b>	<b>861,995</b>	<b>15,688,467</b>

**Ageing analysis of past due but performing Islamic financing contracts**

The following table summarises the ageing of past due but performing islamic financing contracts as of:

Type of Islamic Financing Contracts	31 December 2022			Total US\$ '000
	Less than 30 days US\$ '000	31 to 60 days US\$ '000	61 to 90 days US\$ '000	
Receivables	152,824	134,816	323,026	610,666
Mudaraba and Musharaka financing	3,024	154	398	3,576
Other assets	426	258	144	828
	<b>156,274</b>	<b>135,228</b>	<b>323,568</b>	<b>615,070</b>

Type of Islamic Financing Contracts	31 December 2021			Total US\$ '000 (restated)
	Less than 30 days US\$ '000	31 to 60 days US\$ '000	61 to 90 days US\$ '000	
Receivables	89,298	222,988	314,123	626,409
Mudaraba and Musharaka financing	1,307	211	184	1,702
Other assets	482	404	291	1,177
	<b>91,087</b>	<b>223,603</b>	<b>314,598</b>	<b>629,288</b>

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## 29 RISK MANAGEMENT (continued)

## b) Credit risk (continued)

The following table summarises the total past due, non performing and neither past due nor non performing Islamic financing contracts and aging of non performing Islamic financing contracts disclosed by counterparty type as of 31 December 2022:

		<i>Neither past due nor non performing</i>	<i>Past due but performing</i>	<i>Non performing Islamic financing contracts</i>	<i>Aging of non performing Islamic financing contracts</i>		
	<i>Total US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>90 days to 1 year US\$ '000</i>	<i>1 year to 3 years US\$ '000</i>	<i>Over 3 years US\$ '000</i>
Sovereign	1,348,060	1,316,335	23,185	8,540	4,270	-	4,270
Bank	1,340,536	1,267,221	21,320	51,995	31,240	20,424	331
Investment Firms	12,888	12,888	-	-	-	-	-
Corporates	6,603,089	5,697,015	523,522	382,552	151,609	147,160	83,783
Retail	3,776,071	3,573,693	47,043	155,335	71,815	29,209	54,311
	13,080,644	11,867,152	615,070	598,422	258,934	196,793	142,695

The following table summarises the total expected credit loss (ECL) on stage 3 disclosed by counterparty type as of 31 December 2022:

	<i>Opening Balance US\$ '000</i>	<i>Charged during the year US\$ '000</i>	<i>Write-back during the year US\$ '000</i>	<i>Write-offs during the year US\$ '000</i>	<i>Foreign Exchange translation/ Others-net US\$ '000</i>	<i>Balance at the end of the year US\$ '000</i>
Bank	4,256	38,972	-	(3,813)	4,809	44,224
Corporates	417,204	205,966	(55,914)	(259,703)	49,056	356,609
Retail	95,132	30,565	(5,785)	(220)	(821)	118,871
	516,592	275,503	(61,699)	(263,736)	53,044	519,704

**29 RISK MANAGEMENT (continued)**

**b) Credit risk (continued)**

**Credit risk mitigation**

All the Group's subsidiaries, with exposures secured by real estate or other collateral carry out regular and periodic collateral verification and valuation. This collateral verification and valuation is conducted by an independent qualified assessor or Collateral Analyst at the subsidiary. The frequency of such collateral verification is determined as a part of the credit or investment policy and approval process. The Group's subsidiaries allow cars, ships, aircraft, satellites, railcars, and fleets as collateral for a credit and investment product but do not accept perishable assets or any other assets with depreciable life of less than five years. Subsidiaries do not accept any assets as collateral if the assets are susceptible for obsolescence in case they are moved (e.g. furniture). Subsidiaries also ensure that these assets are insured in order to be accepted as collateral.

Third party cheques are accepted as collateral by the Group's subsidiaries. The Group's subsidiaries accept commercial papers as qualifying collateral if they are issued by banks or corporations of good credit standing. Since the maturity tenure of the commercial papers are generally short in nature, they are not accepted as collateral for long-term facilities (i.e. the financing tenure should not exceed the commercial papers maturity tenure). The subsidiaries do not accept vehicles or equipment, if new, as qualifying collateral for more than 80% of its market value. No vehicles or equipment, if used, are accepted as qualifying collateral for more than 50% of its insured value.

Collaterals listed hereunder may attract capital relief from capital adequacy requirements as per the Central Bank of Bahrain's stipulations:

- 1) Hamish Jiddiyyah (Good faith deposit): Subsidiaries take this type of collateral in the transactions for which non-binding promises to perform is given by the customer. If a customer does not honor his promise to perform, the subsidiary has recourse to the deposit.
- 2) Third party guarantee: The subsidiary should have recourse to the guarantor in case of customer's default. In order to qualify as eligible collateral, the guarantee should be unconditional and irrevocable. The guarantor must be solvent and, if applicable, of investment grade rating.
- 3) Urbon: This is the amount that should be taken from a purchaser or lessee when a contract is established and it is the first line of defense for the subsidiary if the purchaser or lessee breaches the contract.
- 4) Underlying assets of the lease contract: The underlying asset must be of monetary value and the subsidiary must have legal access to it, own it and sell it to cover the open exposure with the customers in question. The assets have also to be free of any of any kind of encumbrance.

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

- 5) Cash deposit free from any legal encumbrance with the subsidiary either in the form of equity of investment accountholders or off-balance sheet equity of investment accountholders.
- 6) Rated and unrated senior Sukuk issued by first class financial institutions or by GCC sovereigns.

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**29 RISK MANAGEMENT (continued)**

**b) Credit risk (continued)**

**Credit quality**

Credit Risk Management at the Group will be based upon the creation and maintenance of a Credit Rating System (CRS) for the non-retail business. All the Group's units are to incorporate into their respective credit policies the CRS as the framework for credit management taking into consideration the methodology requirements of their local central banks, in this respect. The methodology for obligor (issuer) rating will reflect the specifics of the Group's main business and the geographical diversity of its operations. Ratings of countries, governments and financial institutions are carried out in centralised fashion at the Bank in Bahrain whereas rating of corporates is done at the subsidiaries level, unless the exposure to the corporate involves cross-border risk, in which case, that rating will also be at the Bank as part of the credit limit approval.

The CRS at the Group has also been designed to be comparable to the rating system of major international rating agencies (Moody's, Standard & Poor's, Fitch) in respect of their foreign currency rating of countries, governments and financial institutions.

Accordingly, countries, governments and financial Institutions will be rated on the basis of their unsecured medium term foreign currency obligations. This means that for governments and financial institutions the cross-border risk will also be part of the rating and the country's rating will be, in most cases, the ceiling on the financial institution's rating.

The basic approach of the major credit rating agencies to rating is the same as what the Group credit policies require i.e. a comprehensive fundamental analysis of all relevant quantitative and non quantitative factors aimed at identifying actual and potential vulnerability. Credit rating will be applied to countries and single obligors. Single obligors, in turn are categorised as financial institutions, corporates, governments and retail. CRS therefore rates obligors (issuers) and not facilities. The obligor rating of countries and single obligors will identify the relative probability of default but will not take into account the impact of collateral security and other mitigants in the event of default. Facility ratings by contrast, combine both the probability of default and loss severity in case of defaults. However, initially the Group wide policy will be to set up obligor ratings only (which does not prevent individual subsidiaries internally to also rate facilities if they so wish).



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**29 RISK MANAGEMENT (continued)**

**c) Concentration risk**

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Group policies and procedures include specific guidelines to focus on country and counter party limits and maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

The distribution of assets, liabilities and equity of investment accountholders items by economic sectors was as follows:

	2022			2021		
	Assets US\$ '000	Liabilities US\$ '000	IAH US\$ '000	Assets US\$ '000 (restated)	Liabilities US\$ '000 (restated)	IAH US\$ '000 (restated)
Manufacturing	2,619,599	173,239	146,216	2,945,213	187,003	353,186
Mining and quarrying	79,764	4,103	35,410	101,177	3,151	26,840
Agriculture	250,264	24,152	4,438	132,246	36,658	12,958
Construction and real estate	2,091,058	18,467	22,094	2,562,346	22,380	13,693
Financial	3,681,726	1,539,683	1,750,814	4,755,320	1,552,019	1,888,435
Trade	1,720,022	276,529	84,953	1,973,875	181,439	229,889
Personal and consumer finance	3,410,399	5,091,356	9,098,784	3,428,089	6,091,288	10,217,345
Government	8,202,628	44,264	300,817	8,693,965	136,607	268,130
Other Sectors	2,926,374	1,710,442	2,689,302	3,201,144	2,023,909	2,547,857
	<b>24,981,834</b>	<b>8,882,235</b>	<b>14,132,828</b>	<b>27,793,375</b>	<b>10,234,454</b>	<b>15,558,333</b>

**d) Market risk**

Market risk arises from fluctuations in profit rates, equity prices and foreign exchange rates. Under Market Risk Policies currently implemented by management of the Group, have set certain limits on the level of risk that may be accepted. This is monitored by local management at the subsidiary level.

*Profit rate risk*

Profit rate risk is the risk that the Group will incur a financial loss as a result of mismatch in the profit rate on the Group's assets and on equity of investment accountholders. The profit distribution to equity of investment accountholders is based on profit sharing agreements. Therefore, the Group is not subject to any significant profit rate risk.

However, the profit-sharing agreements will result in displaced commercial risk when the Group's results do not allow the Group to distribute profits in line with the market rates.

*Equity price risk*

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The equity price risk exposure arises from the investment portfolio. The Group manages this risk through diversification of investments in terms of geographical distribution and industry concentration.

The Group has total equity portfolio of US\$ 243,995 thousand (2021: US\$ 106,486 thousand) comprising of equity-type instruments at fair value through equity amounting to US\$ 108,136 thousand (2021: US\$ 87,451 thousand) and equity-type instruments at fair value through statement of income amounting to US\$ 135,859 thousand (2021: US\$ 19,035 thousand). Variation of 10% increase or decrease in the portfolio value will not have a significant impact on the Group's consolidated net income or owners' equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2022

**29 RISK MANAGEMENT (continued)**

**d) Market risk (continued)**

*Foreign exchange risk*

Foreign exchange risk arise from the movement of the rate of exchange over a period of time. Positions are monitored on a regular basis to ensure positions are maintained within established approved limits.

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

	2022		
	<i>Operational</i>	<i>Strategic</i>	<i>Total</i>
	<i>equivalent</i>	<i>equivalent</i>	<i>equivalent</i>
	<i>Long</i>	<i>Long</i>	<i>Long</i>
	<i>(Short)</i>	<i>(Short)</i>	<i>(Short)</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
<b>Currency</b>			
Turkish Lira	280,830	66,863	347,693
Jordanian Dinar	325,884	505,911	831,795
Egyptian Pound	190,040	232,478	422,518
Sudanese Pound	36,775	21,025	57,800
Algerian Dinar	148,806	112,900	261,706
Lebanese Pound	42	-	42
Pound Sterling	(4,624)	-	(4,624)
Tunisian Dinar	84,830	63,692	148,522
Euro	34,022	-	34,022
South African Rand	51,048	33,542	84,590
Pakistani Rupees	104,757	94,475	199,232
Syrian Pound	5,612	-	5,612
Moroccan Dirham	(2)	-	(2)
Others	46,936	-	46,936
	2021		
	<i>Operational</i>	<i>Strategic</i>	<i>Total</i>
	<i>equivalent</i>	<i>equivalent</i>	<i>equivalent</i>
	<i>Long</i>	<i>Long</i>	<i>Long</i>
	<i>(Short)</i>	<i>(Short)</i>	<i>(Short)</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
			<i>(restated)</i>
<b>Currency</b>			
Turkish Lira	80,395	77,323	157,718
Jordanian Dinar	(38,032)	492,904	454,872
Egyptian Pound	(105,399)	287,765	182,366
Sudanese Pound	2,176	21,625	23,801
Algerian Dinar	13,155	104,291	117,446
Lebanese Pound	1,317	16,923	18,240
Pound Sterling	(6,845)	-	(6,845)
Tunisia Dinar	(4,196)	63,073	58,877
Euro	151,056	-	151,056
South African Rand	(437)	33,975	33,538
Pakistani Rupees	36,035	94,475	130,510
Syrian Pound	(39,928)	11,614	(28,314)
Moroccan Dirham	-	9,247	9,247
Others	14,608	-	14,608

The strategic currency risk represents the amount of equity of the subsidiaries.

*Foreign currency risk sensitivity analysis*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2022

29 RISK MANAGEMENT (continued)

d) Market risk (continued)

Foreign currency risk sensitivity analysis (continued)

Following is the sensitivity analysis that calculates the effect of a reasonable possible movement of the currency exchange rate against the US Dollar with all other variables held constant on the consolidated statement of income and the consolidated statement of owners' equity.

At 31 December 2022

Currency	Particular	Exposures in US\$ '000	Maximum expected decrease %	Change in net income and owners' equity US\$ '000	Maximum expected increase %	Change in net income and owners' equity US\$ '000
Algerian Dinar	Net income	22,003	-15%	(2,870)	5%	1,158
	Total owners' equity	203,914	-15%	(26,598)	5%	10,732
Egyptian Pound	Net income	84,243	-20%	(14,041)	5%	4,434
	Total owners' equity	310,466	-20%	(51,744)	5%	16,340
Turkish Lira	Net income	49,036	-20%	(8,173)	5%	2,581
	Total owners' equity	259,113	-20%	(43,185)	5%	13,638
Sudanese Pound	Net income	6,373	-100%	(3,187)	5%	335
	Total owners' equity	37,469	-100%	(18,735)	5%	1,972
S.African Rand	Net income	3,436	-15%	(448)	5%	181
	Total owners' equity	51,999	-15%	(6,783)	5%	2,737
Pakistani Rupees	Net income	8,925	-10%	(811)	5%	470
	Total owners' equity	56,505	-10%	(5,137)	5%	2,974
Tunisian Dinar	Net income	14,380	-10%	(1,307)	5%	757
	Total owners' equity	81,285	-10%	(7,390)	5%	4,278

At 31 December 2021 (restated)

Currency	Particular	Exposures in US\$ '000	Maximum expected decrease %	Change in net income and owners' equity US\$ '000	Maximum expected increase %	Change in net income and owners' equity US\$ '000
Algerian Dinar	Net income	21,747	-15%	(2,837)	5%	1,145
	Total owners' equity	192,392	-15%	(25,095)	5%	10,126
Egyptian Pound	Net income	59,704	-20%	(9,951)	5%	3,142
	Total owners' equity	396,734	-20%	(66,122)	5%	20,881
Turkish Lira	Net income	3,232	-20%	(539)	5%	170
	Total owners' equity	203,386	-20%	(33,898)	5%	10,705
Sudanese Pound	Net income	6,808	-100%	(3,404)	5%	358
	Total owners' equity	28,554	-100%	(14,277)	5%	1,503
S.African Rand	Net income	2,419	-15%	(316)	5%	127
	Total owners' equity	52,666	-15%	(6,869)	5%	2,772
Pakistani Rupees	Net loss	6,131	-10%	(557)	5%	323
	Total owners' equity	69,779	-10%	(6,344)	5%	3,673
Tunisian Dinar	Net income	12,657	-10%	(1,151)	5%	666
	Total owners' equity	80,451	-10%	(7,314)	5%	4,234
Moroccan Dirham	Net loss	(4,039)	-20%	673	5%	(213)
	Total owners' equity	18,872	-20%	(3,145)	5%	993

At 31 December 2022

**29 RISK MANAGEMENT (continued)**

**e) Operational risk**

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

***Operational Risk Management Framework***

The Group guidelines have the following sections: (1) Operational Risk Appetite, (2) Operational Risk Management – Structure and Rules, (3) Risk and Control Assessment, (4) Internal Audit, (5) Operational Risk and Basel II and (6) Operational Risk Capital Requirement.

The Group's Operational Risk Appetite is defined as the level of risk which the Group chooses to accept in its identified risk categories. Operational risk appetite is expressed in terms of both impact (direct loss) and the probability of occurrence.

The Operational Risk framework is subject to periodic internal audit.

The Group categorizes operational risk loss events into the following categories:

**Infrastructure risks**

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

In order to hedge the subsidiaries from the infrastructure risk as outlined above, every subsidiary must take all the necessary measures indicated in the Business Continuity Plan and/or Disaster Recovery Plan (BCP and DRP) to cater for these risks.

**Information technology risks**

The main risks that the Group is exposed to in this context is from inadequate software and hardware quality, unauthorized access by third parties or employees, etc.

**Staff risk**

The main risks that arises from staff risks are risks due to larceny, fraud, corruption, crime, etc. In order to prevent these risks from occurring, the Group has established Group Human Resources Policies and Code of Conduct which entails constructive ways in dealing with mistakes and frauds. The Group has also established approval control steps in business processes as well as creating separate internal control processes. Further, the Group has established measures of organizational structure in terms of segregation of duties as well as diverse training measures to reduce human errors and frauds, etc.

**Business risk**

This risk may take on the following forms:

- 1 Processes without clear definitions, for example, when insufficient time was spent on documenting or updating the already documented processes.
- 2 Outdated process descriptions in cases where "reality" already strongly differs from the guidelines laid down in the past.
- 3 The extreme case of a completely missing documentation. To hedge this risk, the Group adopts sound documentation policies of business processes as it is a basic requirement for a well functioning process organization. The process description are up to date and clear; furthermore, it is accessible to all employees.

At 31 December 2022

**29 RISK MANAGEMENT (continued)**

**f) Corporate governance**

**Board of Directors**

The Board of Directors is responsible for approving the Group's overall business strategy, monitoring its operations and taking critical business decisions. In line with international leading practices, the Board has instituted corporate governance measures to ensure that the interests of the shareholders are protected, including the appointment to the Board of four independent non-executive directors as defined in the Rule Book of the CBB.

The Group is administered by a Board of Directors consisting of not less than five and not more than fifteen members. However, subject to the provisions of the law, the shareholders at an Ordinary General Meeting may determine that the number of directors shall exceed fifteen in certain circumstances. Members of the Board of Directors hold office for a three-year renewable term, although the term of office may be extended at the request of the Board for a period not exceeding six months by resolution of the MOICT.

There are currently thirteen Directors on the Board, who have varied backgrounds and experience and who individually and collectively exercise independent and objective judgment. Other than the President and Chief Executive, all Directors are non-executive. The posts of Chairman and President and Chief Executive are held by different Directors and each has separate, clearly defined responsibilities.

The Board of Directors meets regularly (usually four times a year) and has a formal schedule of matters reserved to it, considering key aspects of the Group's affairs referred to it for decision. The Board reviews the Group's strategy and financial plans, all proposed material changes to the Group's policies, structure and organisation, reports provided to it on the operations of the Group (with emphasis on organisational development, risk management and information technology development) and the performance of executive management. The Board and its committees are supplied with full and timely information to enable them to discharge their responsibilities. All Directors have access to the advice and services of the secretary, who is responsible for ensuring that the Board procedures and applicable rules and regulations are observed.

The Board of Directors has overall responsibility for the Group's system of internal control and its effectiveness. There are established and ongoing procedures in place for identifying, evaluating and managing significant risks faced by the Group, which are regularly reviewed by the Board. The Group's system of internal control provides for a documented and auditable trail of accountability and applies across its operations, is designed to ensure effective and efficient operation and compliance with all applicable laws and regulations, and seeks to manage risk with a view to avoiding material errors, losses and fraud.

**g) Russia-Ukraine Conflict**

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

At 31 December 2022

**29 RISK MANAGEMENT (continued)**

**h) Classification of Turkey as a hyperinflationary economy**

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

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

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

**30 FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value is the value representing the estimate of the amount of cash or cash equivalent that would be received for an asset sold or the amount of cash or cash equivalent paid for a liability extinguished or transferred in an orderly transaction between a willing buyer and a willing seller at the measurement date.

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

The Group's investments in sukuk held at amortised cost have fair values amounting to US\$ 4,452 million (2021: US\$ 4,310 million).

Also included under investments are unquoted equity-type instruments at fair value through equity amounting to US\$ 55,766 thousand (2021: US\$ 34,950 thousand) which are carried at net asset value or cost due to lack of other reliable methods for arriving at a reliable fair value for these investments.

The fair values of other on-balance sheet financial instruments are not significantly different from the carrying values included in the consolidated financial statements.

At 31 December 2022

### 31 EARNINGS PROHIBITED BY SHARI'A

Earnings realised during the year from transactions that were not permitted by Shari'a amounted to US\$ 10 million (2021: US\$ 19 million). This amount has been taken to charity.

### 32 COMPARATIVE FIGURES

Certain of the prior year's figures have been reclassified to conform to the presentation adopted in the current year. Such reclassification did not affect previously reported consolidated income or consolidated owners' equity.

#### i) Prior year classification and restatement

##### a. Investments

In these Group's consolidated financial statements, investments amounting to USD 389 million at 31 December 2021 were reclassified from "Debt type investments carried at amortized cost" to "Debt type investments carried at fair value through equity" within note 7, in order to comply with FAS 33 "Investment in Sukuk, Shares and Similar Instruments" which became effective from 1 January 2021. This reclassification did not materially impact previously reported net income or owners' equity.

##### b. Deconsolidation of an investee

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

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

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

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

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

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

As a result, the management has restated the comparative figures to correct the consolidation error in the consolidated financial statements for the period ended 31 December 2022 as prior year restatements.

Al Baraka Group B.S.C. (formerly Al Baraka Banking Group B.S.C.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2022

32 COMPARATIVE FIGURES (continued)

i) Prior year classification and restatement (continued)

A summary of the impact of the restatement is as follows:

I. Statement of financial position

	Originally reported 31 December 2020	Adjustments	Restated 1 January 2021	Originally reported 31 December 2021	Adjustments	Restated 31 December 2021
Cash and balances with banks	5,361,444	(204,867)	5,156,577	5,923,878	(242,525)	5,681,353
Receivables	11,945,993	(8,041)	11,937,952	10,996,072	(20,425)	10,975,647
Mudaraba and Musharaka financing	2,854,658	(156,142)	2,698,516	3,623,315	(130,208)	3,493,107
Ijarah Muntahia Bittamleek	1,747,627	-	1,747,627	2,018,800	-	2,018,800
Investments	5,097,189	1,408	5,098,597	4,472,649	22,820	4,495,469
Property and equipment	478,572	(9,653)	468,919	539,960	(15,849)	524,111
Other assets	764,516	(5,050)	759,466	607,503	(2,615)	604,888
<b>Total assets</b>	<b>28,249,999</b>	<b>(382,345)</b>	<b>27,867,654</b>	<b>28,182,177</b>	<b>(388,802)</b>	<b>27,793,375</b>
Customer current and other accounts	7,508,344	(164,117)	7,344,227	7,728,895	(149,620)	7,579,275
Due to banks	1,628,032	(27,477)	1,600,555	1,303,793	(50,342)	1,253,451
Long term financing	319,364	-	319,364	286,833	-	286,833
Other liabilities	1,341,676	(70,695)	1,270,981	1,205,122	(90,227)	1,114,895
<b>Total liabilities</b>	<b>10,797,416</b>	<b>(262,289)</b>	<b>10,535,127</b>	<b>10,524,643</b>	<b>(290,189)</b>	<b>10,234,454</b>
Financial institutions	538,177	144	538,321	744,845	(52)	744,793
Non-financial institutions and individuals	14,692,012	(67,785)	14,624,227	14,854,562	(41,022)	14,813,540
<b>Total equity of investment accountholders</b>	<b>15,230,189</b>	<b>(67,641)</b>	<b>15,162,548</b>	<b>15,599,407</b>	<b>(41,074)</b>	<b>15,558,333</b>
Share capital	1,242,879	-	1,242,879	1,242,879	-	1,242,879
Treasury shares	(17,462)	-	(17,462)	(15,655)	-	(15,655)
Share premium	18,084	-	18,084	16,619	-	16,619
Reserves	183,121	-	183,121	196,539	-	196,539
Cumulative changes in fair value	32,940	-	32,940	57,404	(1,668)	55,736
Foreign currency translation reserve	(800,489)	-	(800,489)	(940,728)	-	(940,728)
Retained earnings	364,496	(14,200)	350,296	430,312	(27,438)	402,874
<b>Equity attributable to parent's shareholders</b>	<b>1,023,569</b>	<b>(14,200)</b>	<b>1,009,369</b>	<b>987,370</b>	<b>(29,106)</b>	<b>958,264</b>
Perpetual tier 1 capital	400,000	-	400,000	400,000	-	400,000
<b>Equity attributable to parent's shareholders and Sukuk holders</b>	<b>1,423,569</b>	<b>(14,200)</b>	<b>1,409,369</b>	<b>1,387,370</b>	<b>(29,106)</b>	<b>1,358,264</b>
Non-controlling interests	798,825	(38,215)	760,610	670,757	(28,433)	642,324
<b>Total equity</b>	<b>2,222,394</b>	<b>(52,415)</b>	<b>2,169,979</b>	<b>2,058,127</b>	<b>(57,539)</b>	<b>2,000,588</b>
<b>Total liabilities, equity or investment accountholders and equity</b>	<b>28,249,999</b>	<b>(382,345)</b>	<b>27,867,654</b>	<b>28,182,177</b>	<b>(388,802)</b>	<b>27,793,375</b>



32 COMPARATIVE FIGURES (continued)

i) Prior year classification and restatement (continued)

II. Statement of income

	Originally reported	Adjustments	Restated
	31 December 2021		31 December 2021
Net income from jointly financed contracts and investments	1,304,017	(2,391)	1,301,626
Return on equity of investment accountholders before Group's share as a	(1,070,743)	1,127	(1,069,616)
Group's share as a Mudarib	364,142	(286)	363,856
Return on equity of investment accountholders	(706,601)	841	(705,760)
Group's share of income from equity of investment accountholders (as a Mudarib and Rabalmaal)	597,416	(1,550)	595,866
Mudarib share for managing off-balance sheet equity of investment accountholders	12,122	-	12,122
Net income from self financed contracts and investments	162,948	(445)	162,503
Fees and commission income	180,599	(16,907)	163,692
Other operating income	121,408	(29,743)	91,665
	1,074,493	(48,645)	1,025,848
Profit on long term financing	(33,031)	-	(33,031)
<b>Total operating income</b>	<b>1,041,462</b>	<b>(48,645)</b>	<b>992,817</b>
Staff expenses	284,035	(3,613)	280,422
Depreciation and amortisation	58,765	(493)	58,272
Other operating expenses	186,586	(1,389)	185,197
<b>Total operating expense</b>	<b>529,386</b>	<b>(5,495)</b>	<b>523,891</b>
<b>Net income for the period before net allowance for expected credit losses/impairment and taxation</b>	<b>512,076</b>	<b>(43,150)</b>	<b>468,926</b>
Net allowance for expected credit losses/impairment	(253,713)	4,614	(249,099)
<b>Net income for the period before taxation</b>	<b>258,363</b>	<b>(38,536)</b>	<b>219,827</b>
Taxation	(68,682)	5,969	(62,713)
<b>Net income for the period</b>	<b>189,681</b>	<b>(32,567)</b>	<b>157,114</b>
Attributable to:			
Equity holders of the parent	112,750	(33,319)	79,431
Non-controlling interests	76,931	(38,215)	38,716
	<b>189,681</b>	<b>(71,534)</b>	<b>118,147</b>

# Al Baraka Group B.S.C. (formerly Al Baraka Banking Group B.S.C.)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2022

### 32 COMPARATIVE FIGURES (continued)

#### i) Prior year classification and restatement (continued)

##### III. Statement of changes in equity

	Originally reported 1 January 2021	Adjustments	Restated 1 January 2021	Originally reported 1 January 2022	Adjustments	Restated 1 January 2022
Equity attributable to parent's shareholders and Sukuk holders						
<i>Cumulative changes in fair value of</i>						
<i>property and equipment</i>	24,154	-	24,154	46,929	(1,668)	45,261
<i>Foreign currency translation reserve</i>	(800,489)	-	(800,489)	(940,728)	-	(940,728)
<i>Retained Earnings</i>	364,496	(14,200)	350,296	430,312	(27,438)	402,874
Total equity attributable to parent's shareholders and Sukuk holders	1,423,569	(14,200)	1,409,369	1,387,370	(29,106)	1,358,264
Non-controlling interests	798,825	(38,215)	760,610	670,757	(28,433)	642,324
Total equity	<u>2,222,394</u>	<u>(52,415)</u>	<u>2,169,979</u>	<u>2,058,127</u>	<u>(57,539)</u>	<u>2,000,588</u>

##### IV. Statement of cash flows

	Originally reported 31 December 2021	Adjustments	Restated 31 December 2021
Net income for the period before taxation	258,363	(38,536)	219,827
Change in cash from operating activities	(25,462)	(112,775)	(138,237)
Change in cash from investing activities	600,954	(36,000)	564,954
Change in cash from financing activities	(103,127)	149,974	46,847
Net change in cash and cash equivalents	151,580	17,328	168,908
Cash and cash equivalents at 1 January	2,778,177	(240,971)	2,537,206
Cash and cash equivalents at 31 December	2,929,757	(223,643)	2,706,114

# Al Baraka Group B.S.C. (formerly Al Baraka Banking Group B.S.C.)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2022

### i) Prior year classification and restatement (continued)

#### V. Basic and diluted earnings per share

	Originally reported 1 January 2022	Adjustments	Restated 1 January 2022
Net income attributable to the equity holders of the parent for the period - US\$ '000	112,750	(33,319)	79,431
Less: Profit distributed on perpetual tier 1 capital	(31,500)	-	(31,500)
Net income attributable to the shareholders	81,250	(33,319)	47,931
Weighted number of shares outstanding without the effect of treasury shares (in thousands)	1,242,879	-	1,242,879
Treasury shares effect (in thousands)	(32,350)	-	(32,350)
Weighted number of shares outstanding (in thousands)	1,210,529	-	1,210,529
Earnings per share - US cents	6.71	(2.75)	3.96

At 31 December 2022

### 33 CAPITAL ADEQUACY RATIO

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

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

The Regulatory capital must be calculated for all Bahrain based Investment firm based on the shareholders' Equity, the investment firm also must maintain adequate human, financial and other resources sufficient to run the business in ordinary manner.

The following table summarizes the calculation of capital adequacy ratio (CBB Volume 4 - Investment Business, Module Capital Adequacy) based on ABG Solo level:

	<b>2022</b>
	<b>US\$ '000</b>
1- Regulatory Capital (A)	84,824
2- Regulatory Requirement (B)	27,695
3- Risk Based Capital Requirement (C)	27,695
4- Minimum Capital Requirement (D)	2,653
<b>5- Ratio of (A) to (B)</b>	<b>306%</b>