

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 JUNE 2022 (UNAUDITED AND REVIEWED)



Review report on the interim condensed consolidated financial statements to the Board of Directors of Al Baraka Islamic Bank B.S.C. (c)

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of Al Baraka Islamic Bank B.S.C. (c) (the "Bank") and its subsidiary (together the "Group") as at 30 June 2022 and the related interim consolidated statement of income for the three-month and six-month periods ended 30 June 2022 and the related interim consolidated statements of changes in owners' equity, cash flows and changes in off-balance sheet equity of investment account holders for the six-month period then ended and the explanatory notes. The directors are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the basis of preparation stated in note 2 to these interim condensed consolidated financial statements. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with the basis of preparation stated in note 2 to these interim condensed consolidated financial statements.

A blue, handwritten-style signature of 'PricewaterhouseCoopers' in a cursive script.

PricewaterhouseCoopers M.E Limited
Partner's registration number: 196
Manama, Kingdom of Bahrain
11 August 2022

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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022 (Reviewed)

	Notes	Reviewed 30 June 2022 BHD '000	Audited 31 December 2021 BHD '000
ASSETS			
Cash and balances with banks and financial institutions		87,201	117,854
Receivables	3	162,810	182,934
Ijara Muntahia Bittamleek and ijara receivables	4	190,820	173,976
Musharaka	5	105,238	124,040
Investments	6	467,176	419,837
Other assets	7	20,198	24,192
Investments in real estate		3,368	3,592
Investment in joint venture		7,763	7,050
Premises and equipment		19,370	21,248
Goodwill		4,133	4,796
TOTAL ASSETS		1,068,077	1,079,519
LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS, SUBORDINATED DEBTS AND EQUITY			
Liabilities			
Current accounts		113,498	133,241
Murabaha and other payables		102,841	91,710
Other liabilities	8	37,709	41,337
Total liabilities		254,048	266,288
Equity of investment accountholders (IAH)		706,353	703,262
Subordinated debts		6,264	7,329
Equity			
Share capital		51,445	51,445
Additional tier-1 capital		41,847	41,847
Reserves		(4,969)	(1,791)
Retained earnings		4,957	1,929
Equity attributable to parent's shareholders		93,280	93,430
Non-controlling interest		8,132	9,210
Total equity		101,412	102,640
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS, SUBORDINATED DEBTS AND EQUITY		1,068,077	1,079,519
OFF-BALANCE SHEET ITEMS:			
EQUITY OF INVESTMENT ACCOUNTHOLDERS		268,519	253,801
CONTINGENCIES AND COMMITMENTS	9	142,306	188,858



Saleh Salman Al Kawari
Chairman



Hamad Abdulla Aloqab
Chief Executive Officer and Borad Member

The attached explanatory notes 1 to 19 form part of these interim condensed consolidated financial statements.


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

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the six months period ended 30 June 2022 (Reviewed)

	Notes	Three months ended		Six months ended	
		30 June		30 June	
		2022	2021	2022	2021
		BHD '000	BHD '000	BHD '000	BHD '000
INCOME FROM JOINTLY FINANCED ASSETS					
Financings	10	8,762	7,571	16,780	15,062
Investments	11	2,980	1,383	5,640	2,803
Income from jointly financed assets		11,742	8,954	22,420	17,865
Return on equity of investment accountholders before Group's share as a Mudarib		(9,983)	(7,830)	(18,799)	(15,501)
Group's share as a Mudarib		1,039	2,384	2,993	4,867
Return on equity of investment accountholders Group's share as a Mudarib and Rabalmal		(8,944)	(5,446)	(15,806)	(10,634)
INCOME FROM SELF FINANCED ASSETS					
Financings	10	543	603	1,347	1,165
Share of income / (loss) from investment in joint venture		484	(14)	713	(34)
Investments	11	4,714	3,929	8,000	8,177
Income from self financed assets		5,741	4,518	10,060	9,308
INCOME FROM BANKING SERVICES AND OTHERS					
Revenue from banking services	12	963	907	2,124	2,213
Other income	13	498	621	960	1,171
Group's Mudarib / Agency fee from off-balance sheet equity of investment account holders & wakala pool		15	18	15	18
TOTAL OPERATING INCOME BEFORE OTHER FINANCING COST		10,015	9,572	19,773	19,941
Other financing costs		(275)	(503)	(634)	(1,041)
TOTAL OPERATING INCOME		9,740	9,069	19,139	18,900
OPERATING EXPENSES					
Staff expenses		(2,997)	(2,795)	(6,175)	(6,145)
Depreciation		(776)	(1,347)	(1,692)	(1,885)
Other operating expenses		(2,866)	(1,983)	(5,623)	(4,849)
TOTAL OPERATING EXPENSES		(6,639)	(6,125)	(13,490)	(12,879)
NET OPERATING INCOME		3,101	2,944	5,649	6,021
Allowance for impairment - net	14	(1,481)	(1,978)	(1,145)	(2,971)
NET INCOME BEFORE TAXATION		1,620	966	4,504	3,050
Taxation		113	(661)	(592)	(1,203)
INCOME FOR THE PERIOD		1,733	305	3,912	1,847
Attributable to:					
Equity shareholders of the Parent		1,440	484	3,207	1,701
Non-controlling interest		293	(179)	705	146
		1,733	305	3,912	1,847


Saleh Salman Al Kawari
Chairman


Hamad Abdulla Aloqab
Chief Executive Officer and Board
Member

The attached explanatory notes 1 to 19 form part of these interim condensed consolidated financial statements.

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

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the six month period ended 30 June 2022 (Reviewed)

	Equity attributable to shareholders of the Parent											
	Reserves										Total owners' equity BHD '000	
	Share capital BHD '000	Additional Tier1 capital BHD '000	Statutory BHD '000	General BHD '000	Employee defined benefit plan BHD '000	Cumulative changes in fair value BHD '000	Revaluation of premises and equipment BHD '000	Foreign exchange BHD '000	Retained earnings BHD '000	Equity attributable to parent's shareholders BHD '000		Non-controlling interest BHD '000
Balance at 1 January 2022	51,445	41,847	9,363	3,275	(38)	1,637	178	(16,206)	1,929	93,430	9,210	102,640
Cumulative changes in fair value of investments	-	-	-	-	-	(64)	-	-	-	(64)	(7)	(71)
Foreign currency translation reserve	-	-	-	-	-	-	-	(3,084)	-	(3,084)	(1,755)	(4,839)
Movement in actuarial gain and losses	-	-	-	-	5	-	-	-	-	5	3	8
Income for the period	-	-	-	-	-	-	-	-	3,207	3,207	705	3,912
Revaluation of land	-	-	-	-	-	-	(35)	-	-	(35)	(24)	(59)
Distribution of Zakat	-	-	-	-	-	-	-	-	(179)	(179)	-	(179)
Balance at 30 June 2022	51,445	41,847	9,363	3,275	(33)	1,573	143	(19,290)	4,957	93,280	8,132	101,412
Balance at 1 January 2021	51,445	41,847	8,984	3,275	(35)	588	-	(13,702)	(1,320)	91,082	9,739	100,821
Cumulative changes in fair value of investments	-	-	-	-	-	898	-	-	-	898	(15)	883
Foreign currency translation reserve	-	-	-	-	-	-	-	298	-	298	161	459
Movement in actuarial gain and losses	-	-	-	-	-	-	-	-	-	-	-	-
Income for the period	-	-	-	-	-	-	-	-	1,700	1,700	146	1,846
Distribution of Zakat	-	-	-	-	-	-	-	-	(178)	(178)	-	(178)
Balance at 30 June 2021	51,445	41,847	8,984	3,275	(35)	1,486	-	(13,404)	202	93,800	10,031	103,831

The attached explanatory notes 1 to 19 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six month period ended 30 June 2022 (Reviewed)

	Note	Six months ended	
		30 June	
		2022	2021
		BHD '000	BHD '000
OPERATING ACTIVITIES			
Net income before taxation		4,504	3,050
Adjustments for :			
Depreciation		1,692	1,885
Provision for impairment - net		1,145	2,971
Gain on sale of premises and equipment		-	(270)
Gain on sale of investments	11	(382)	(1,391)
Share of (income) / loss from investment in joint venture		(713)	34
Unrealized loss on revaluation of investment properties	11	-	75
Operating profit before changes in operating assets and liabilities		6,246	6,354
Net changes in operating assets and liabilities:			
Balances with central banks in mandatory reserves		3,340	(3,932)
Receivables		(2,793)	(12,748)
Ijara Muntahia Bittamleek and ijara receivables		(16,777)	(23,759)
Musharaka		17,981	(25,640)
Other assets		3,544	(8,522)
Other liabilities		(3,628)	(935)
Murabaha and other payables		11,131	19,829
Current accounts		(19,743)	(4,180)
Equity of investment accountholders		3,091	47,292
Tax paid		(143)	(929)
Net cash generated from / (used in) operating activities		2,249	(7,170)
INVESTING ACTIVITIES			
Purchase of investments		(70,334)	(85,673)
Sale / redemption of investments		23,659	68,749
Net sale / (purchase) of premises and equipment		127	(397)
Net cash used in investing activities		(46,548)	(17,321)
FINANCING ACTIVITIES			
Subordinated debts		(1,065)	(621)
Net cash used in financing activities		(1,065)	(621)
Foreign currency translation adjustments		(4,182)	381
NET DECREASE IN CASH AND CASH EQUIVALENTS		(49,546)	(24,731)
Cash and cash equivalents at 1 January		111,586	144,310
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		62,040	119,579
For the purpose of the interim consolidated statement of cash flows, cash and cash equivalents comprise the following:			
Cash on hand		11,135	15,547
Balances with central banks in unrestricted account		5,251	9,681
Balances with other banks and financial institutions (FI) (with original maturity of 3 months or less)		41,653	41,618
Receivables - Commodities and Wakala placement with FIs (with original maturity of 3 months or less)		4,001	52,733
		62,040	119,579

The attached explanatory notes 1 to 19 form part of these interim condensed consolidated financial statements.

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

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

For the six month period ended 30 June 2022 (Reviewed)

	<i>Balance at 1 January 2022 BHD '000</i>	<i>Net deposits/ withdrawals BHD '000</i>	<i>Gross income BHD '000</i>	<i>Mudarib's/ agency fee BHD '000</i>	<i>Balance at 30 June 2022 BHD '000</i>
Wakala Bi Al-Istithmar					
On balance sheet jointly financed assets	194,036	21,943	3,729	(2,334)	217,374
	<u>194,036</u>	<u>21,943</u>	<u>3,729</u>	<u>(2,334)</u>	<u>217,374</u>
Others					
Receivables	44,161	(271)	1,289	(15)	45,164
Investments	15,604	(7,801)	-	-	7,803
	59,765	(8,072)	1,289	(15)	52,967
	<u>253,801</u>	<u>13,871</u>	<u>5,018</u>	<u>(2,349)</u>	<u>270,341</u>
Wakala Bi Al-Istithmar					
On balance sheet jointly financed assets	137,282	(6,350)	2,600	(853)	132,679
	<u>137,282</u>	<u>(6,350)</u>	<u>2,600</u>	<u>(853)</u>	<u>132,679</u>
Others					
Receivables	51,407	(4,400)	1,534	(18)	48,523
Investments	8,560	574	-	-	9,134
	59,967	(3,826)	1,534	(18)	57,657
	<u>197,249</u>	<u>(10,176)</u>	<u>4,134</u>	<u>(871)</u>	<u>190,336</u>

The attached explanatory notes 1 to 19 form part of these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2022 (Reviewed)

1 INCORPORATION AND PRINCIPAL ACTIVITIES

Al Baraka Islamic Bank B.S.C. (c) (the "Bank") is a closed shareholding company incorporated in the Kingdom of Bahrain on 21 February 1984. The Bank operates under a Retail Banking license number RB/025 issued by the Central Bank of Bahrain (CBB). The Bank has five commercial branches in the Kingdom of Bahrain. The Bank is 92% (2020: 92%) owned by Al Baraka Group B.S.C. (the "Ultimate Parent").

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

The extraordinary general assembly (EGA) of the Ultimate Parent has approved increasing the share capital of Bank by 150,000 shares for the par value of 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 the Ultimate Parent.

These interim condensed consolidated financial statements were approved by the Board of Directors on 11 August 2022.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of Preparation

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".

The interim condensed consolidated financial statements of the Group have been prepared in accordance with the guidance provided by International Accounting Standard 34 – 'Interim Financial Reporting' using FAS issued by AAOIFI.

The accounting policies used in the preparation of annual audited consolidated financial information of the Group for the year ended 31 December 2020 and 2021 were in accordance with FAS as modified by CBB. Since the CBB modifications were specific to the financial year 2020 and no longer apply to both current and comparative periods presented, the Group's interim financial information for the six months ended 30 June 2022 had been prepared in accordance with FAS issued by AAOIFI (without any modifications).

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2021.

The interim condensed consolidated financial statements do not contain all information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the annual consolidated financial statements as at 31 December 2021. In addition, results for the six months period ended 30 June 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

2.2 Significant accounting policies

The accounting policies used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the preparation of annual audited consolidated financial statements of the Group for the year ended 31 December 2021 except for the changes due to adoption of new and amended standards as set out in note 2.5.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2022 (Reviewed)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**2.3 Accounting convention**

The interim condensed consolidated financial statements are prepared on a historical cost basis, except for investment in real estate, equity-type instruments through equity, equity-type instruments through profit or loss and land owned by the Bank (classified as premises and equipment) that have been measured at fair value.

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

2.4 Basis of consolidation

These interim condensed consolidated financial statements include the financial statements of the Bank and its following subsidiary, which is consolidated in these interim condensed consolidated financial statements:

	<i>Ownership for 2022 / 2021 incorporation</i>	<i>Year of incorporation</i>	<i>Country of incorporation</i>	<i>No. of branches/ offices at 30 June 2022/21</i>
<i>Held directly by the Bank</i>				
Al Baraka Bank (Pakistan) Limited	59.13%	2004	Pakistan	170/180

Investment in Itqan Capital

The Bank has ownership interest of 83.07% in Itqan Capital ("Itqan"). The Bank via a management agreement dated 1 July 2012 assigned the control to govern the financial and operating policies of Itqan to the Ultimate Parent. The Bank has authorised the Ultimate Parent to represent it in the shareholders' meetings and to exercise control on Itqan to do any or all acts and deeds and exercise all powers of the Bank pursuant to the Charter Document referred in the management agreement and / or under any applicable laws.

The financial statements of Itqan are not consolidated as Itqan is controlled by the Ultimate Parent pursuant to the terms of the management agreement. Based on the approval of CBB, the Parent consolidates the financial statements of Itqan in its consolidated financial statements which are prepared in accordance with FAS issued by AAOIFI.

The Group is in the process of transferring the Bank's investment stake in Itqan to the Parent and has approved a memorandum of understanding in this regard pursuant to the agreement signed with a third party by both the Bank and the Ultimate Parent for sale of the investment.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2022 (Reviewed)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.5 New standards, interpretations and amendments adopted by the Group

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

2.5.1 FAS 37 - Financial Reporting by Waqf Institutions

AAOIFI has issued FAS 37 in 2020. The objective of this 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 implementation of this comprehensive standard is expected, in turn, to contribute towards improving effectiveness and efficiency of operations of Waqfs, maximizing benefits to the beneficiaries and encouraging proper accountability and management.

2.5.2 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.

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

These interim condensed 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 adoption of new standards and interpretations effective as of 1 January 2022.

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

AAOIFI has issued revised FAS 1 in 2021. The revised FAS 1 supersedes the earlier FAS 1 General Presentation and Disclosures in the Financial Statements of Islamic Banks and Financial Institutions and introduces the concepts of quasi-equity, off-balance-sheet assets under management and other comprehensive income to enhance the information provided to the users of the financial statements. This standard shall be effective for the financial periods beginning on or after 1 January 2023 with early adoption permitted. The Group is currently evaluating the impact of the above standards.

2.6.2 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 above standards.

2.6.3 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 standards.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2022 (Reviewed)

3 RECEIVABLES

	<i>Reviewed</i> 30 June 2022			<i>Audited</i> 31 December 2021		
	<i>Self financed BHD '000</i>	<i>Jointly financed BHD '000</i>	<i>Total BHD '000</i>	<i>Self financed BHD '000</i>	<i>Jointly financed BHD '000</i>	<i>Total BHD '000</i>
Commodities and Wakala placement with Financial Institutions	-	4,000	4,000	-	26,243	26,243
Salam financing	-	18,420	18,420	-	20,879	20,879
Istisna'a financing	-	49,781	49,781	-	56,504	56,504
Murabaha financing	424	122,549	122,973	424	113,025	113,449
Bills receivables and other financing	-	5,516	5,516	-	5,380	5,380
Gross receivables	424	200,266	200,690	424	222,031	222,455
Deferred profits	-	(13,684)	(13,684)	-	(10,929)	(10,929)
	424	186,582	187,006	424	211,102	211,526
Less: Allowance for expected credit losses (3.1)	(149)	(24,047)	(24,196)	(5)	(28,587)	(28,592)
Net receivables	275	162,535	162,810	419	182,515	182,934

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

	<i>Reviewed</i> 30 June 2022				<i>Audited</i> 31 December 2021			
	<i>Stage 1 BHD '000</i>	<i>Stage 2 BHD '000</i>	<i>Stage 3 BHD '000</i>	<i>Total BHD '000</i>	<i>Stage 1 BHD '000</i>	<i>Stage 2 BHD '000</i>	<i>Stage 3 BHD '000</i>	<i>Total BHD '000</i>
Good (1-4)	98,139	2,887	-	101,026	95,905	7,498	-	103,403
Satisfactory (5-7)	41,023	18,345	-	59,368	41,603	35,189	-	76,792
Default (8-10)	-	-	26,612	26,612	-	-	31,331	31,331
	139,162	21,232	26,612	187,006	137,508	42,687	31,331	211,526

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2022 (Reviewed)

3 RECEIVABLES (continued)**3.1 Allowances for expected credit losses**

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

	<i>Reviewed</i> 30 June 2022			
	<i>Stage 1: 12-month ECL BHD '000</i>	<i>Stage 2: Lifetime ECL not credit- impaired BHD '000</i>	<i>Stage 3: Lifetime ECL credit- impaired BHD '000</i>	<i>Total BHD '000</i>
Balance at 1 January	782	3,071	24,739	28,592
Changes during the period:				
- transferred to Stage 1: 12 month ECL	2	(2)	-	-
- transferred to Stage 2: Lifetime ECL not credit-impaired	(3)	53	(50)	-
- transferred to Stage 3: Lifetime ECL credit-impaired	-	(5)	5	-
Net remeasurement of loss allowance	70	(133)	961	898
Recoveries / write-backs	-	-	(216)	(216)
	69	(87)	700	682
Amounts written off during the period	-	-	(2,706)	(2,706)
FX translation	(8)	(27)	(2,337)	(2,372)
Closing balance	843	2,957	20,396	24,196

	<i>Audited</i> 31 December 2021			
	<i>Stage 1: 12-month ECL BHD '000</i>	<i>Stage 2: Lifetime ECL not credit- impaired BHD '000</i>	<i>Stage 3: Lifetime ECL credit- impaired BHD '000</i>	<i>Total BHD '000</i>
Balance at 1 January	586	5,529	17,686	23,801
Changes during the year:				
- transferred to Stage 1: 12 month ECL	10	(7)	(3)	-
- transferred to Stage 2: Lifetime ECL not credit-impaired	(75)	531	(456)	-
- transferred to Stage 3: Lifetime ECL credit-impaired	-	(1,559)	1,560	1
Net remeasurement of loss allowance	278	(110)	7,659	7,827
Recoveries / write-backs	-	-	(1,534)	(1,534)
	213	(1,145)	7,226	6,294
Allocation from investment risk reserve	-	-	104	104
Amounts written off during the year	-	(1,292)	(1,177)	(2,469)
Write back of written off	-	-	2,183	2,183
FX translation	(17)	(21)	(1,283)	(1,321)
Closing balance	782	3,071	24,739	28,592

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2022 (Reviewed)

3 RECEIVABLES (continued)**4 IJARA MUNTAHIA BITTAMLEEK AND IJARA RECEIVABLES**

	<i>Reviewed</i> 30 June 2022			<i>Audited</i> 31 December 2021		
	<i>Self financed BHD '000</i>	<i>Jointly financed BHD '000</i>	<i>Total BHD '000</i>	<i>Self financed BHD '000</i>	<i>Jointly financed BHD '000</i>	<i>Total BHD '000</i>
Ijara Muntahia Bittamleek	4,522	174,582	179,104	10,004	151,163	161,167
Ijara income receivables	1,168	13,535	14,703	3,450	12,701	16,151
	5,690	188,117	193,807	13,454	163,864	177,318
Less: Allowance for expected credit losses (4.1)	(81)	(2,906)	(2,987)	(120)	(3,222)	(3,342)
	5,609	185,211	190,820	13,334	160,642	173,976

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

	<i>Reviewed</i> 30 June 2022				<i>Audited</i> 31 December 2021			
	<i>Stage 1 BHD '000</i>	<i>Stage 2 BHD '000</i>	<i>Stage 3 BHD '000</i>	<i>Total BHD '000</i>	<i>Stage 1 BHD '000</i>	<i>Stage 2 BHD '000</i>	<i>Stage 3 BHD '000</i>	<i>Total BHD '000</i>
Good (1-4)	184,771	1	-	184,772	166,475	4	-	166,479
Satisfactory (5-7)	1,154	1,867	-	3,021	1,514	2,276	-	3,790
Default (8-10)	-	-	6,014	6,014	-	-	7,049	7,049
	185,925	1,868	6,014	193,807	167,989	2,280	7,049	177,318

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2022 (Reviewed)

5 MUSHARAKA

	Reviewed 30 June 2022			Audited 31 December 2021		
	Self financed BHD '000	Jointly financed BHD '000	Total BHD '000	Self financed BHD '000	Jointly financed BHD '000	Total BHD '000
Musharaka	15,022	94,352	109,374	19,932	107,955	127,887
Less: Allowance for expected credit losses (5.1)	-	(4,136)	(4,136)	-	(3,847)	(3,847)
	15,022	90,216	105,238	19,932	104,108	124,040

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

	Reviewed 30 June 2022				Audited 31 December 2021			
	Stage 1 BHD '000	Stage 2 BHD '000	Stage 3 BHD '000	Total BHD '000	Stage 1 BHD '000	Stage 2 BHD '000	Stage 3 BHD '000	Total BHD '000
Good (1-4)	91,099	5,383	-	96,482	97,270	9,904	-	107,174
Satisfactory (5-7)	4,822	4,087	-	8,909	2,273	14,020	-	16,293
Default (8-10)	-	-	3,983	3,983	-	-	4,420	4,420
	95,921	9,470	3,983	109,374	99,543	23,924	4,420	127,887

5.1 Allowances for expected credit losses

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

	Reviewed 30 June 2022			
	Stage 1: 12-month ECL BHD '000	Stage 2: Lifetime ECL not credit- impaired BHD '000	Stage 3: Lifetime ECL credit- impaired BHD '000	Total BHD '000
Balance at 1 January	648	857	2,342	3,847
Changes during the period:				
- transferred to Stage 2: Lifetime	104	(104)	-	-
- transferred to Stage 2: Lifetime ECL not credit-impaired	(27)	27	-	-
- transferred to Stage 2: Lifetime ECL credit-impaired	-	-	-	-
Net remeasurement of loss allowance	255	(255)	557	557
Recoveries / write-backs	-	-	264	264
Allowances for expected credit losses	332	(332)	821	821
FX translation	(89)	(119)	(324)	(532)
Closing balance	891	406	2,839	4,136

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2022 (Reviewed)

5 MUSHARAKA (continued)**5.1 Allowances for expected credit losses (continued)**

	<i>Audited</i>			<i>Total</i> <i>BHD '000</i>
	<i>31 December 2021</i>			
	<i>Stage 1: 12-month ECL</i> <i>BHD '000</i>	<i>Stage 2: Lifetime ECL not credit-impaired</i> <i>BHD '000</i>	<i>Stage 3: Lifetime ECL credit-impaired</i> <i>BHD '000</i>	
Balance at 1 January	620	1,035	2,143	3,798
Changes during the year:				
- transferred to Stage 2: Lifetime ECL not credit-impaired	(33)	33	-	-
Net remeasurement of loss allowance	119	(113)	608	614
Recoveries / write-backs	-	-	(207)	(207)
Allowances for expected credit losses	86	(80)	401	407
FX translation	(58)	(98)	(202)	(358)
Closing balance	648	857	2,342	3,847

6 INVESTMENTS

	<i>Reviewed</i>			<i>Audited</i>		
	<i>30 June 2022</i>			<i>31 December 2021</i>		
	<i>Self financed</i> <i>BHD '000</i>	<i>Jointly financed</i> <i>BHD '000</i>	<i>Total</i> <i>BHD '000</i>	<i>Self financed</i> <i>BHD '000</i>	<i>Jointly financed</i> <i>BHD '000</i>	<i>Total</i> <i>BHD '000</i>
i) Equity-type instruments at fair value through equity						
Quoted						
Listed equity shares	11,010	107	11,117	11,414	115	11,529
Unquoted						
Unlisted equity shares	23,849	203	24,052	23,849	167	24,016
Managed funds	377	-	377	377	-	377
Real estate funds	617	5,079	5,696	617	4,202	4,819
	35,853	5,389	41,242	36,257	4,484	40,741
Less: Provision for impairment	(1,883)	(48)	(1,931)	(1,959)	(159)	(2,118)
Total equity investments	33,970	5,341	39,311	34,298	4,325	38,623

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2022 (Reviewed)

6 INVESTMENTS (continued)

	Reviewed 30 June 2022			Audited 31 December 2021		
	Self financed BHD '000	Jointly financed BHD '000	Total BHD '000	Self financed BHD '000	Jointly financed BHD '000	Total BHD '000
ii) Debt-type instruments at fair value through statement of income						
Quoted						
Sukuk	-	5,873	5,873	-	12,687	12,687
iii) Debt-type instruments at fair value through equity (6.1)						
Quoted						
Sukuk	122,496	64,183	186,679	85,097	61,279	146,376
Unquoted						
Sukuk	-	-	-	-	1,323	1,323
	<u>122,496</u>	<u>64,183</u>	<u>186,679</u>	<u>85,097</u>	<u>62,602</u>	<u>147,699</u>
iv) Debt-type instruments at amortised cost (6.1)						
Quoted						
Sukuk	123,371	63,085	186,456	124,282	63,227	187,509
Unquoted						
Sukuk	2,018	46,962	48,980	5,745	27,742	33,487
	<u>125,389</u>	<u>110,047</u>	<u>235,436</u>	<u>130,027</u>	<u>90,969</u>	<u>220,996</u>
Less: Allowance for expected credit losses (6.2)	(89)	(34)	(123)	(124)	(44)	(168)
Total debt-type investments	247,796	180,069	427,865	215,000	166,214	381,214
Total investments	281,766	185,410	467,176	249,298	170,539	419,837

Within unquoted investments at fair value through equity are investments amounting to BHD 29.6 million (2021: BHD 27.7 million) which are held at cost less provision for impairment. These are mainly investments in unlisted companies whose shares are not traded in active markets. The investments are primarily in closely-held companies located in the Gulf Co-operation Council ("GCC"). The investments are held at cost less provision for impairment due to the unpredictable nature of their future cash flows and the lack of other suitable methods for determining a reliable fair value.

Investments stated at a carrying amount of BHD 175.5 million (2021: BHD 186.9 million) are placed in custody of a financial institution to secure a financing line.

6.1 Debt-type instruments at amortised cost and fair value through equity

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

	Reviewed 30 June 2022				Audited 31 December 2021			
	Stage 1 BHD '000	Stage 2 BHD '000	Stage 3 BHD '000	Total BHD '000	Stage 1 BHD '000	Stage 2 BHD '000	Stage 3 BHD '000	Total BHD '000
Good (1-4)	192,668	-	-	192,668	157,462	-	-	157,462
Satisfactory (5-7)	229,447	-	-	229,447	211,233	-	-	211,233
Default (8-10)	-	-	-	-	-	-	-	-
	<u>422,115</u>	<u>-</u>	<u>-</u>	<u>422,115</u>	<u>368,695</u>	<u>-</u>	<u>-</u>	<u>368,695</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2022 (Reviewed)

6 INVESTMENTS (continued)

6.2 Allowances for expected credit losses

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

	<i>Reviewed</i> 30 June 2022			
	<i>Stage 1: 12-month ECL</i>	<i>Stage 2: Lifetime ECL not credit-impaired</i>	<i>Stage 3: Lifetime ECL credit-impaired</i>	<i>Total</i>
	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>
Balance at 1 January	168	-	-	168
Changes during the period:				
Net remeasurement of loss allowance	(44)	-	-	(44)
	(44)	-	-	(44)
FX translation	(1)	-	-	(1)
Closing balance	123	-	-	123
	<i>Audited</i> 31 December 2021			
	<i>Stage 1: 12-month ECL</i>	<i>Stage 2: Lifetime ECL not credit-impaired</i>	<i>Stage 3: Lifetime ECL credit-impaired</i>	<i>Total</i>
	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>
Balance at 1 January	172	84	-	256
Changes during the year:				
- transferred to Stage 1: 12 month ECL ECL not credit-impaired	28	(28)	-	-
- transferred to Stage 2: Lifetime ECL not credit-impaired	-	-	-	-
Net remeasurement of loss allowance	(31)	(56)	-	(87)
	(3)	(84)	-	(87)
FX translation	(1)	-	-	(1)
Closing balance	168	-	-	168

7 OTHER ASSETS

	<i>Reviewed</i> 30 June 2022 <i>BHD '000</i>	<i>Audited</i> 31 December 2021 <i>BHD '000</i>
Collaterals pending sale	4,468	5,021
Deferred tax (7.1)	5,742	7,080
Advance against capital expenditure	1,463	1,479
Accounts receivable	5,196	8,256
Advance tax	-	217
Income receivable	46	23
Prepayments	2,439	1,140
Others	1,656	1,832
	21,010	25,048
Less: Provision for impairment	(812)	(856)
	20,198	24,192

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2022 (Reviewed)

7 OTHER ASSETS (continued)

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

8 OTHER LIABILITIES

	<i>Reviewed</i> 30 June 2022 BHD '000	<i>Audited</i> 31 December 2021 BHD '000
Margins received	6,943	8,149
Accounts payable	8,553	11,517
Bills payable	11,923	10,236
Security deposit against Ijara Muntahia Bittamleek	227	343
Provision for employees benefits	2,859	3,737
Allowance for expected credit losses-unfunded facilities	80	271
Charity fund	269	235
Operating Ijarah liability	3,860	4,262
Others	2,995	2,587
	37,709	41,337

9 CONTINGENCIES AND COMMITMENTS

	<i>Reviewed</i> 30 June 2022 BHD '000	<i>Audited</i> 31 December 2021 BHD '000
Letters of credit	31,375	40,718
Guarantees	43,883	41,026
Foreign exchange contracts	61,013	98,943
Acceptances	4,337	6,201
Taxation	1,689	1,960
Others	9	10
	142,306	188,858

10 INCOME FROM FINANCINGS

	<i>Six months ended</i> 30 June	
	<i>Reviewed</i> 2022 BHD '000	<i>Audited</i> 2021 BHD '000
Income from receivables	6,285	5,601
Income from musharaka	6,960	6,952
Income from ijarah muntahia bittamleek	4,882	3,674
	18,127	16,227
	<i>Six months ended</i> 30 June	
	<i>Reviewed</i> 2022 BHD '000	<i>Audited</i> 2021 BHD '000
Income from jointly financed financing assets	16,780	15,062
Income from self financed assets	1,347	1,165
	18,127	16,227

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2022 (Reviewed)

11 INCOME FROM INVESTMENTS

	<i>Six months ended</i> <i>30 June</i>	
	Reviewed 2022 BHD '000	Audited 2021 BHD '000
Yield, coupon or return on investments	12,809	8,490
Gain on sale of investments	382	1,391
Dividend income	387	1,143
Unrealized loss on revaluation of investment properties	-	(75)
Rental income	62	31
	13,640	10,980
Income from jointly financed investments	5,640	2,803
Income from self financed investments	8,000	8,177
	13,640	10,980

12 REVENUE FROM BANKING SERVICES

	<i>Six months ended</i> <i>30 June</i>	
	Reviewed 2022 BHD '000	Audited 2021 BHD '000
Fees and commissions	1,401	1,450
Letters of credit and acceptances	426	627
Guarantees	297	136
	2,124	2,213

13 OTHER INCOME

	<i>Six months ended</i> <i>30 June</i>	
	Reviewed 2022 BHD '000	Audited 2021 BHD '000
Foreign exchange gain - net	675	1,007
Others	285	164
	960	1,171

14 ALLOWANCE FOR IMPAIRMENT - NET

	<i>Six months ended</i> <i>30 June</i>	
	Reviewed 2022 BHD '000	Audited 2021 BHD '000
(Charge) / reversal against:		
Receivables	(682)	(2,686)
Ijara Muntahia Bittamleek and ijara receivables	67	383
Musharaka	(821)	(722)
Investments - debt type	44	(35)
Investments - equity type	84	79
Off balance sheet items	163	10
	(1,145)	(2,971)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2022 (Reviewed)

15 SEGMENTAL INFORMATION

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

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

The results reported for the geographic segments are based on the Group's internal financial reporting systems. The accounting policies of the segments are the same as those applied in the preparation of the Group's interim condensed consolidated financial statements. Transactions between segments are conducted at estimated market rates.

The segmental results of the Group were as follows:

	<i>Middle East</i>		<i>Other Asian Countries</i>		<i>Total</i>	
	30 June 2022	<i>December 2021</i>	30 June 2022	<i>December 2021</i>	30 June 2022	<i>31 December 2021</i>
	BHD '000	<i>BHD '000</i>	BHD '000	<i>BHD '000</i>	BHD '000	<i>BHD '000</i>
Assets	619,561	614,908	448,516	464,611	1,068,077	1,079,519
Liabilities, equity of investment accountholders Subordinated	549,346	546,765	417,319	430,114	966,665	976,879
	<i>Middle East</i>		<i>Other Asian Countries</i>		<i>Total</i>	
	<i>Six months ended 30 June</i>		<i>Six months ended 30 June</i>		<i>Six months ended 30 June</i>	
	2022	<i>2021</i>	2022	<i>2021</i>	2022	<i>2021</i>
	BHD '000	<i>BHD '000</i>	BHD '000	<i>BHD '000</i>	BHD '000	<i>BHD '000</i>
Total operating income	9,963	8,643	9,176	10,257	19,139	18,900
Total expenses	(7,255)	(6,286)	(6,235)	(6,593)	(13,490)	(12,879)
Allowance for impairment - net	(520)	(869)	(625)	(2,102)	(1,145)	(2,971)
Taxation	-	-	(592)	(1,203)	(592)	(1,203)
Net income for the period	2,188	1,488	1,724	359	3,912	1,847

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2022 (Reviewed)

16 RELATED PARTY BALANCES AND TRANSACTIONS

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

The significant balances with related parties were as follows:

	Shareholders		Other Related Parties		Total	
	30 June	31 December	30 June	31 December	30 June	31 December
	2022	2021	2022	2021	2022	2021
	BHD '000	BHD '000	BHD '000	BHD '000	BHD '000	BHD '000
Assets:						
Cash and balances with banks and financial institutions	2	2	66	340	68	342
Receivables	-	-	405	2,052	405	2,052
Musharaka	-	-	539	540	539	540
Investments	9,048	8,603	33,447	33,234	42,495	41,837
Other assets	3,378	3,355	-	202	3,378	3,557
	12,428	11,960	34,457	36,368	46,885	48,328
Liabilities:						
Current accounts	2,198	2,221	579	1,126	2,777	3,347
Other liabilities	1	2	123	665	124	667
	2,199	2,223	702	1,791	2,901	4,014
Equity of investment accountholders	11,661	13,695	9,703	7,152	21,364	20,847
OFF-BALANCE SHEET ITEMS:						
Equity of investment accountholders	7,803	15,604	45,165	44,161	52,968	59,765
Contingencies and commitments	803	819	1,379	3,894	2,182	4,713

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

	Shareholders		Other Related Parties		Total	
	30 June	30 June	30 June	30 June	30 June	30 June
	2022	2021	2022	2021	2022	2021
	BHD '000	BHD '000	BHD '000	BHD '000	BHD '000	BHD '000
Income						
Income from jointly financed sales	-	-	14	75	14	75
Income from jointly financed, other financings and investments	-	-	11	18	11	18
Other income	60	60	9	1	69	61
Group's Mudarib/agency fee from off-balance sheet equity of investment account holders	-	-	-	-	-	-
	60	60	34	94	94	154
Expenses						
Return on equity of investment accountholders before Group's share as a Mudarib	26	-	124	98	150	98
Other expenses	66	66	628	443	694	509
	92	66	752	541	844	607

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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18 NSFR REQUIREMENTS AND CALCULATION METHODOLOGY (continued)

Item	Unweighted Values (i.e. before applying relevant factors)				Total weighted value
	No specified maturity	Less than 6 months	More than 6 months and less than one year	Over one year	
Performing financing to non-financial corporate clients, financing to retail and small business customers, and financing to sovereigns, central banks and PSEs, of which:	-	85,072	23,568	270,100	54,320
With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines	-	-	-	-	-
Performing residential mortgages, of which:					
With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	95,270	61,926
Securities/sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	-	22,620	7,528
Other assets:					
Physical traded commodities, including gold	-	-	-	-	-
Assets posted as initial margin for Shari'a-compliant hedging contracts and contributions to default funds of CCPs	-	-	-	-	-
NSFR Shari'a-compliant hedging assets	55,198	-	-	-	55,198
NSFR Shari'a-compliant hedging contract liabilities before deduction of variation margin posted	-	-	-	-	-
All other assets not included in the above categories	55,307	-	-	-	55,307
OBS items	216,163	-	-	-	10,808
Total RSF	631,543	125,924	38,660	400,751	293,468
NSFR (%)					202.58%

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS

As at 30 June 2022 (Reviewed)

19 COMPARATIVE FIGURES

In these Group's interim condensed consolidated financial statements, investments amounting to BHD 147 million at 31 December 2021 were reclassified from "Debt type investments carried at amortized cost" to "Debt type investment carried at fair value through equity" in order to comply with FAS 33 "Investments in Sukuk, Shares and Similar Instruments" which became effective from 1 January 2021. This reclassification did not materially impact previously reported net income or owner's equity.