

40 YEARS  
...  
1984  
-  
2024

**FOUR DECADES**  
of Thriving Partnerships  
ANNUAL REPORT 2024

## • • • TABLE OF CONTENT

### STRATEGIC REPORT

07	Corporate Profile
09	Vision & Mission
10	Board of Directors
12	Unified Sharia Supervisory Board
14	Financial Highlights
16	Directors' Report
22	Executive Management
24	Executive Management Report

### GOVERNANCE

28	Corporate Governance
54	Organisation Chart
56	Board of Directors Profiles
62	Executive Management Profiles
70	Sharia Supervisory Board's Report
71	Social Responsibility

### CONSOLIDATED FINANCIAL STATEMENTS

76	Consolidated Statement of Financial Position
77	Consolidated Statement of Income
78	Consolidated Statement Of Comprehensive Income
79	Consolidated Statement Of Income And Attribution To Quasi-Equity
80	Consolidated Statement of Changes in Owners' Equity
81	Consolidated Statement of Cash Flows
82	Consolidated Statement Of Changes In Off-Balance Sheet Assets Under Management
83	Notes to the Consolidated Financial Statements
130	Base III, Pillar III Disclosures
154	CBB - Composition of Capital Disclosure Requirements PD-1 Regulatory Capital Reconciliation
157	CBB - Composition of Capital Disclosure Requirements Statement of Financial Position
159	CBB - Composition of Capital Disclosure Requirements Disclosure template for main features of regulatory capital instruments

#### Head Office

Dr. Adel Abdulla Salem, CEO  
Al Baraka Tower, Bahrain Bay  
P.O. Box 1882 Manama, Kingdom of Bahrain

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Riffa Branch	Tel: +973 17 768 600	Fax: +973 17 490 003
Ramli Mall, A'ali	Tel: +973 17 646 677	Fax: +973 17 646 676

www.albaraka.bh

#### Subsidiaries

Al Baraka Bank Pakistan Limited Mohamed Atif Hanif Chief Executive Officer Plot No. 162, Bangalore Town Block 7 & 8 Shahrah-e-Faisal Karachi, Pakistan	Danat Al Baraka Mr. Mohammed Abdulrahim Chairman Flat 10, Building 2504, Road 2832, Block 428 Kingdom of Bahrain.
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Tel: +9221 34 315 851 +9221 34 307 000 Fax: +9221 34 323 761 +9221 34 546 465 albaraka@albaraka.com.pk albaraka.com.pk	Tel: +973 17 535300 Fax: +973 17 533993
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**His Highness  
Shaikh Isa bin Salman  
Al Khalifa**

The Late Amir of  
The Kingdom of Bahrain



**His Majesty  
King Hamad bin Isa  
Al Khalifa**

The King of  
The Kingdom of Bahrain



**His Royal Highness  
Prince Salman bin Hamad  
Al Khalifa**

Crown Prince and Prime Minister of  
The Kingdom of Bahrain



With a legacy spanning over four decades, Al Baraka Islamic Bank has played a pivotal role in shaping the Islamic finance industry, offering innovative Sharia-compliant financial solutions and fostering strong relationships as 'Partners in Achievement.'

## Corporate Profile

### Bank Profile

Al Baraka Islamic Bank ("AIB" or "the Group") is one of leading financial institutions in the Islamic banking sector. Throughout its history of more than four decades (since its establishment in 1984), the Group has played a prominent role in building the infrastructure of the Islamic finance industry. The Group also played a significant role in promoting the Islamic finance industry and publicizing its merits. The Group enjoys a good reputation and high standing with the community in the Kingdom of Bahrain in particular, and in the GCC, Arab and Islamic worlds in general.

AIB offers innovative financial products, including investments, international trading, management of short-term liquidity and consumer financing, all of which are all based on Islamic financing modes. Such financing includes Murabaha, Wakala, Istisna, Musharaka, Mudarabah, Salam, and Ijara Muntahia Bittamleek.

The Group had achieved excellent results in its banking operations, thanks to its vast wealth of knowledge in the area of Islamic Fiqh (Jurisprudence), the diverse experience of its executive management team, and the strong and deep financial position of its Ultimate Parent (Al Baraka Group). Since its inception, AIB is managing funds on behalf of many large financial institutions and high net worth clients (who sought rewarding long-term and financial returns) by deploying Sharia compliant instruments.

In 2010, AIB completed the merger of its branches in Pakistan (whose operations started back in 1992) with Emirates Global Islamic Bank Limited, to establish Al Baraka Bank Pakistan Limited ("ABPL"). Thereafter, in 2016, ABPL acquired and merged with Burj Bank Limited leading to the addition of 74 new branches.

As for its strategic plans, the Group continued to sustain the growth momentum in its business operations, placing particular emphasis on commissions and fee-based income. Additionally, the Group expanded its investment portfolio and continued to enhance its infrastructure, particularly through the modernization of its information technology (IT) and related services. It also improved customer services, provided training and coaching to its

employees, and maintained its strong relationship with customers as "Partners in Achievement."

AIB is a retail Islamic bank that is licensed by the Central Bank of Bahrain and registered with the Ministry of Industry and Commerce of Bahrain under Commercial Registration No. 14400.

AIB is one of the banking units of ABG. Al Baraka Group ("ABG" / the "Ultimate Parent") is licensed as an Investment Business Firm – Category 1 (Islamic Principles) by the Central Bank of Bahrain. It is a leading international Islamic financial group providing financial services through its banking subsidiaries in several countries offering retail, corporate, treasury and investment banking services, strictly in accordance with the principles of Islamic Sharia. The Bank (AIB) has an authorized capital of US \$ 600 million and issued and paid-up capital of US \$ 151.5 million.

The Ultimate Parent boasts a broad geographical presence, operating in Jordan, Egypt, Tunisia, Bahrain, Sudan, Turkey, South Africa, Algeria, Pakistan, Lebanon, and Syria, in addition to maintaining two branches in Iraq and a representative office in Libya. It provides services through a network of over 600 branches and serves a customer base of approximately one billion individuals. The authorized capital of ABG stands at US \$ 2.5 billion.



Driven by innovation, ethics, and partnership, we are building an agile financial system for the digital age - one that empowers our customers, employees, and communities to grow and succeed together.

## • • • Vision, Mission, & Values



### OUR VISION

To be a global leader in innovative participation finance, offering an agile ethical financial system built for the digital age.



### OUR MISSION

To fulfill the financial needs of communities across the globe by conducting business through an ethical customer-centric approach tailored for the digital age, based on our core beliefs and aimed at sharing the mutual rewards with our partners in business success: our customers, our employees, our shareholders, and our communities at large.



### OUR VALUES

#### 1. PARTNERSHIP

Our shared beliefs create strong bonds that form the basis of long-term relationships with customers and staff.

#### 2. AGILITY

We are fleet-footed to adapt to the Digital Age to meet the fast-changing customer behavior and needs in a dynamic and challenging environment.

#### 3. INNOVATION

We recognize that an 'INNOVATION FIRST' culture is necessary to be able to serve our customers on a 'here and now' basis in a fast-changing world.

#### 4. TRUST

Our customers can experience peace of mind and rest assured that their financial interests are being managed by us to the highest ethical standards of participation finance.

#### 5. DEVELOPMENT

By banking with our banking subsidiaries, our customers make a positive contribution to a better society - their growth and ours will sustain the greater good of society.

## Board of Directors



Sabah Khalil Al Moayyed  
CHAIRPERSON



Akram Yassin  
VICE CHAIRMAN



Housseem Ben Haj Amor  
BOARD MEMBER

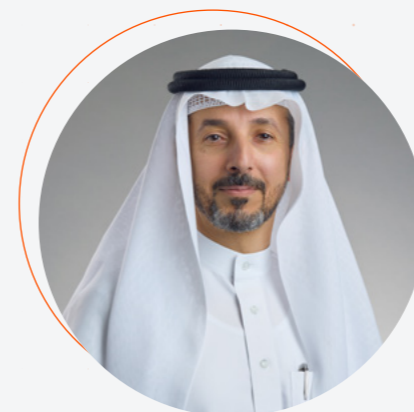


Dr. Khalid Abdulla Ateeq  
BOARD MEMBER



Abdulrahman Abdulla Al Sayed  
BOARD MEMBER

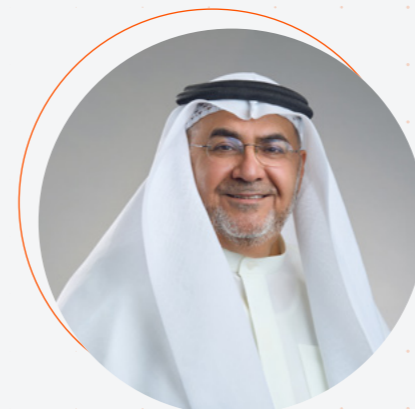
## Board of Directors



Adnan Abdulla Al Bassam  
BOARD MEMBER



Abdulla Tarrar Edham  
BOARD MEMBER



Masood Ahmed Al Bastaki  
BOARD MEMBER



Abdul Malek Mezher  
BOARD MEMBER

## • • • Sharia Supervisory Board



Shaikh Esam Ishaq  
CHAIRMAN OF SHARIA BOARD



Shaikh Nedham Yaqoobi  
SHARIA BOARD MEMBER



Judge Shaikh Waleed Al Mahmood  
SHARIA BOARD MEMBER

“

Al Baraka Islamic Bank holds a strong reputation and esteemed standing within the community, both in the Kingdom of Bahrain and across the GCC, Arab, and Islamic worlds.

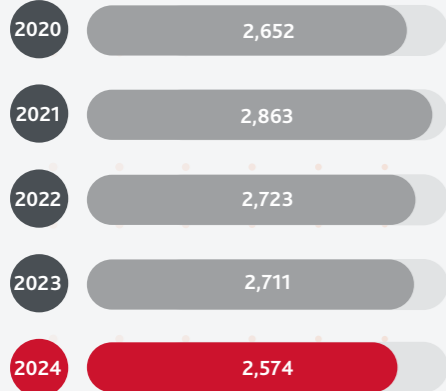
## Financial Highlights



Total Assets (Consolidated)

**USD 2,574**

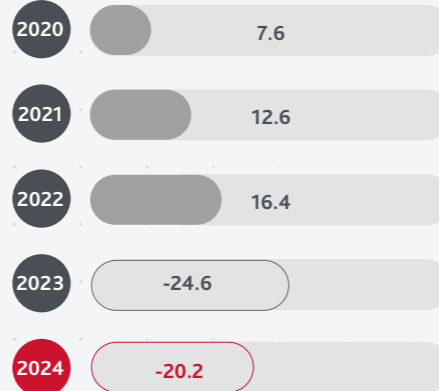
(In USD million) CARGO @-1%



Net Income/(Loss) (Consolidated)

**USD -20.2**

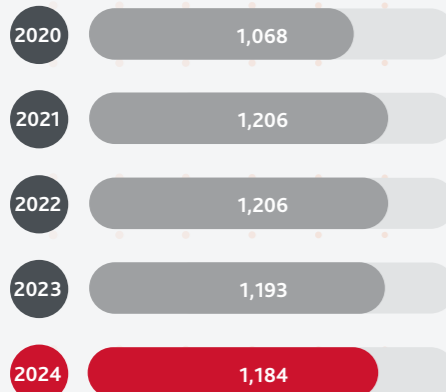
(In USD million)



Financing (Consolidated)

**USD 1,184**

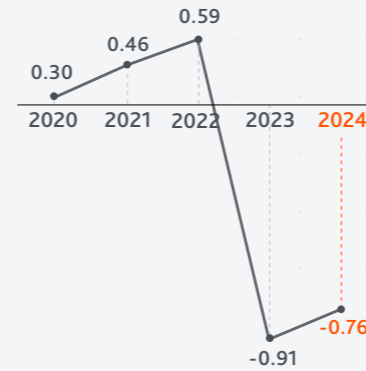
(In USD million) CARGO @3%



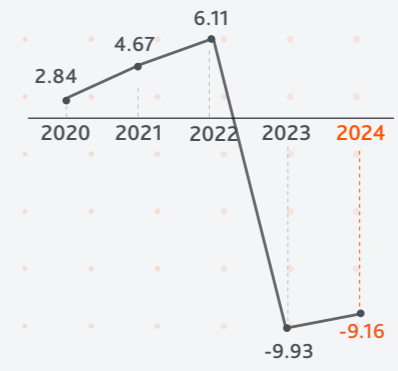
## Financial Highlights



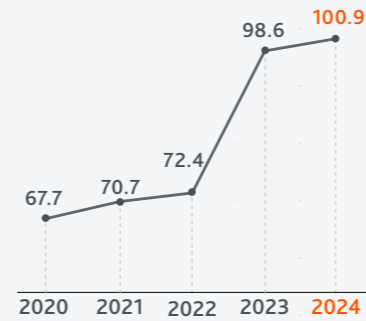
ROA % (Consolidated)



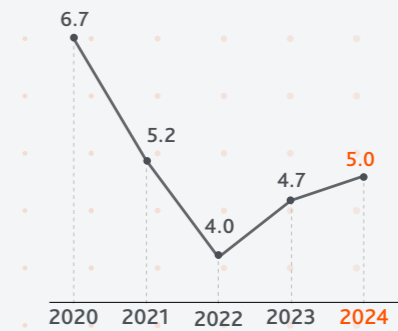
ROE % (Consolidated)



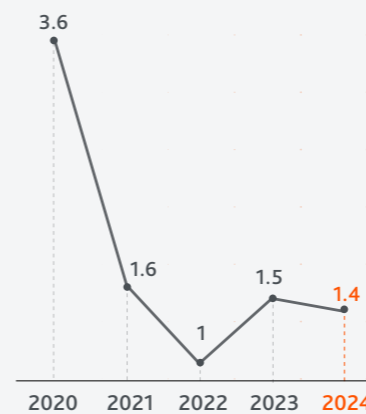
Efficiency % (Consolidated)



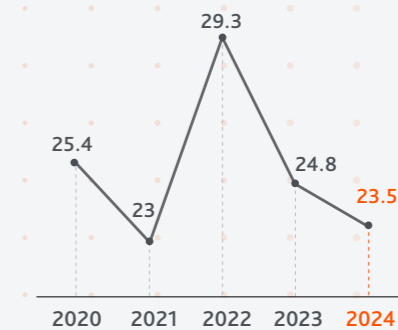
Gross NPA % (Consolidated)



Net NPA % (Consolidated)



Capital Adequacy % (Consolidated)





**Sabah Khalil  
Al Moayed**  
**CHAIRPERSON**

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

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

Ladies and gentlemen, distinguished shareholders,

On behalf of the Board of Directors, it is my pleasure to present the annual report of Al Baraka Islamic Bank and its subsidiaries (the "Group") for the financial year ended 31 December 2024.

Despite the improvement in certain economic indicators during 2024, global economies witnessed significant fluctuations due to multiple influential factors, most notably the continued pressure of inflation. In response, the U.S. Federal Reserve maintained its policy of raising interest rates in an effort to control high inflation levels. However, this approach had direct impact on borrowing costs, which in turn negatively impacted the housing and consumer sectors. Nevertheless, the U.S. economy continued to attract investments, particularly in the technology sector, which experienced significant growth driven by innovations in artificial intelligence. During the year, the U.S. Federal Reserve decided to cut interest rates three times by a total of 75 basis points. This decision was part of its efforts to balance between combating inflation and supporting economic growth. The Eurozone was affected by high inflation and rising energy costs, particularly following the energy crisis that unfolded in recent years. Despite

efforts by European central banks to raise interest rates to compact inflation, their effectiveness in stimulating economic growth remained limited, as several economies struggled with sluggish expansion. However, countries like Germany and France managed to achieve modest growth, driven by investments in digital transformation and green industries, including renewable energy and clean technology. Meanwhile, Spain and Italy leveraged their tourism sectors as key drivers of economic recovery, as these sectors experienced a strong rebound following years of decline. In Asia and Latin America, government-led stimulus initiatives and rapid technological advancements and innovation played a pivotal role in accelerating the growth in some of the emerging economies. While concerns regarding a potential economic recession in some advanced markets persisted, overall optimism remained, supported by continued improvements in key sectors such as healthcare and environmental sustainability. During the year, the European Central Bank lowered interest rates, which helped stimulate financial markets, particularly in areas such as savings and mortgage lending, reflecting broader efforts to support economic growth and combat inflation across the region.

Throughout 2024, the economies of the Gulf Cooperation Council (GCC) countries experienced significant growth, driven by stable oil prices and rising global demand, which fostered oil revenues. At the same time, GCC countries continued their efforts to diversify their economies by investing in non-oil sectors such as tourism, technology, and renewable energy. In response to global financial market fluctuations and climate-related challenges, these countries

## Directors Report

demonstrated remarkable adaptability in their financial and monetary policies, maintaining low unemployment rates and improving social welfare standards.

Bahrain's economy witnessed a strong performance in 2024, supported by robust growth in the non-oil sector, which accounted for 85.9% of the country's GDP. Despite projections of inflation rising to 1.2% during the year, the overall economic growth rate is expected to reach 3%. A key driver of this growth has been Bahrain's infrastructure investments, which aim to stimulate economic expansion and enhance the quality of life for both citizens and residents, most notably the expansion of the transportation network, alongside major housing projects that include the construction of new residential communities across various regions to accommodate the increasing demand for housing. Additionally, the government is advancing sustainable water and energy projects to meet the growing needs of the population. These investments are expected to significantly improve the efficiency of Bahrain's infrastructure, positioning the country as a more attractive destination for foreign investment, reinforcing Bahrain's role as a regional hub for services and innovation.

The economy of the Islamic Republic of Pakistan showed a slight improvement in 2024, recording a growth rate of 0.92% in the first quarter of the year, primarily driven by the agriculture and services sectors. During the year, Pakistan secured a US \$ 7bn financial bailout from the International Monetary Fund (IMF), which helped build confidence in financial markets. Following the agreement, the Pakistan Stock Exchange witnessed a record surge, reflecting growing optimism among investors. Despite this progress, the economy continues to face significant challenges, including high poverty rates and low GDP per capita. In response, the Pakistani government launched a five-year national economic plan aimed at achieving a 6% annual growth rate and increasing exports to US \$ 60bn per year. The plan focuses on strengthening industrial and commercial sectors, expanding global markets for Pakistani products, and encouraging private sector investments.

With all these challenges, the Group reported a 5.1% decline in total consolidated assets, decreasing from US \$ 2,711mn in 2023 to US \$ 2,574mn in 2024, aligning with the Group's ongoing restructuring strategy and efficiency enhancement. Additionally, consolidated financing assets recorded a slight decline of 0.8%, from US \$ 1,193mn in 2023 to US \$ 1,184mn in 2024. Total consolidated deposits also dropped by 4.5%, falling from US \$ 2,356mn in 2023 to US \$ 2,250mn in 2024. The Group's total operating income grew by 4.4%, rising from US \$ 74mn in 2023 to US \$ 77mn in 2024, as this modest

growth was primarily offset by a significant 9% increase in returns paid to investment account holders and other fund providers, which rose from US \$ 150mn in 2023 to US \$ 163mn in 2024.

The Group recognized expected credit losses, provisions for impairment, and taxes amounting to US \$ 19mn, compared to US \$ 26mn recorded in the previous year. And in order to navigate this unprecedented situation, the Group continues to closely monitor its operating expenses, which increased by only 7% year-over-year. As a result, the Group reported an 18% reduction in net loss, declining from US \$ 24.6mn in 2023 to US \$ 20.2mn in 2024.

Moreover, the Islamic International Rating Agency (IIRA) maintained the Group's international credit rating at the investment grade level of BB (long-term)/A3 (short-term) with a stable outlook and a national rating of BBB+ (long-term)/A3 (short-term), also with a stable outlook. Meanwhile, VIS Credit Rating Company Ltd. in Pakistan reaffirmed the national long-term/short-term credit rating at A+/A-1. These ratings reflect the Group's strong ability to meet its financial obligations and its robust compliance and governance framework.

Throughout 2024, the Group remained committed to its sustainability and social responsibility philosophy, which serves as a fundamental pillar of its strategy, which prioritizes sustainable business practices that contribute to enhancing individuals' income and living standards. In alignment with Bahrain's Commercial Companies Law, which mandates companies to provide comprehensive financial and non-financial performance reports, including environmental and social dimensions, the Group actively supported various health, education, and sports initiatives. The Group, alongside its parent company (Al Baraka Group and its subsidiaries worldwide), celebrated the third annual Al Baraka Day, a dedicated event participating employee engagement in community service activities. On this occasion, the Group invited 40 orphans from two local charities to its headquarters in Bahrain for a day filled with educational and recreational activities. Additionally, the Group organized its annual Eid Al-Adha visit to the children's ward at Salmaniya Medical Complex, sharing festive joy and distributing gifts to hospitalized children. The Group helped in the training for university and school students in collaboration with INJAZ Bahrain, as well as it continued its partnerships in key industry events and conferences related to Islamic finance and banking, including those organized by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

## Directors Report

### Dear Esteemed Shareholders,

Economic forecasts for 2025 indicate a moderate global growth. In major economies such as the United States and the European Union, persistent inflationary pressures are expected to keep central banks maintaining high interest rates in an effort to compact inflation, which may in turn slow economic expansion in these regions. Emerging economies, including India, Brazil, and several African nations are anticipated to witness stronger growth opportunities driven by labour market shifts and increased investment in infrastructure. Technological advancements, particularly in artificial intelligence and robotics, are projected to play a crucial role in fostering economic progress, enabling businesses to enhance efficiency and reduce costs. The expansion of digital technologies is also expected to boost productivity in key sectors such as healthcare, education, and financial services. Regarding energy industry, the global transition toward renewable energy sources will remain a top policy priority, as well as technologies such as solar and wind energy are advancing rapidly, contributing to a reduction in reliance on fossil fuels. However, challenges related to securing sustainable energy supplies may persist in certain regions. Meanwhile, the real estate sector is expected to face significant challenges in many major markets due to rising financing costs. In contrast, e-commerce markets are expected to continue their rapid expansion, particularly in developing economies, where digital innovation is transforming online shopping and expanding global trade opportunities. Financial markets, on the other hand, may remain vulnerable to volatility stemming from geopolitical tensions and trade disputes, which could disrupt global commerce. Additionally, small financial crises linked to sovereign debt risks or major corporate defaults may emerge from time to time.

### Dear Esteemed Shareholders,

Throughout 2025, as part of its strategic plan, the Group will focus on expanding its businesses to increase market share and drive digital transformation initiatives and the emphasis will also be on strengthening its presence through a well-balanced branch network while expanding the products and services to generate sustainable revenues. The Group will prioritize on individuals financing, syndicated financing, private banking, wealth management, and SME financing, leveraging its extensive network to enhance service offerings for its customer base. On an organizational level, the Group remains committed to upholding strong governance practices while ensuring full compliance with the regulatory directives issued by the Central Bank of Bahrain and the State Bank of Pakistan, as well as it continues to enhance its frameworks and practices,

provide continuous training programs to enhance the skills of its workforce and maintain operational excellence. In line with its dedication to customer protection, the Group is also reinforcing its cybersecurity infrastructure to safeguard client rights, assets, and data, according to global best practices in the sector, aiming to fortify defences and effectively mitigate cybersecurity risks.

Moreover, the Board of Directors continues to play a pivotal role in overseeing and guiding the executive management team, closely monitoring the Group's performance to ensure that strategic objectives are met in accordance with regulatory requirements and industry best practices, pushing the Group towards success while preserving its reputation as a trusted and respected Islamic financial institution. In this regard, the Board has actively provided valuable insights and recommendations to executive management, facilitating informed decision-making to drive the Group's growth and sustainability while ensuring timely measures are in place to navigate challenges and seize opportunities in an evolving financial landscape.

Additionally, the Board remains committed to fostering collaboration with regulatory authorities, including the Central Bank of Bahrain, the Ministry of Industry and Commerce, the Bahrain Association of Banks, the State Bank of Pakistan, and other relevant entities, to ensure compliance with regulatory guidelines while promoting a culture of transparency and integrity within the institution.

Furthermore, the Group remains focused on enhancing operational efficiency through proactive measures such as cost optimization and businesses improvement. As an agile institution, the Group prioritizes flexibility and cost-effectiveness to navigate uncertainties and challenges while maintaining its competitive edge in the markets it operates in. The Group's standing commitment to driving sustainable growth and innovation underscores its mission to deliver exceptional value to stakeholders and uphold its position as a leading Islamic banking institution. Additionally, the Group remains dedicated to addressing risk management standards to ensure a secure and stable financial environment. By strengthening capitalization and key performance indicators, the Group aims to enhance its financial resilience and ability to compact external market fluctuations. Through its focus on operational efficiency, the Group is optimizing its businesses and cost structures to achieve its targeted profitability levels. This strategic approach to risk management and capitalization positions the Group as a competitive player in the banking sector, ensuring long-term success and growth opportunities at both the institutional and banking levels.

## Directors Report

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

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

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

As part of the Group's commitment towards its shareholders, and in compliance with the provisions of the Commercial Companies Law promulgated by Decree No. (21) of 2001 and its amendments and pursuant to the provisions of Article No. (188) thereto, and in compliance with the Executive Regulations of the Commercial Companies Law issued by the order of the Minister of Industry and Commerce No. (6) of 2002 and its amendments and pursuant to the provisions of Article No. (125) thereto, we are pleased to attach herewith tables that shows the remuneration of the Board of Directors and the Executive Management for the year ended 31 December 2024:

### Details of the Board of Directors Remunerations: All amounts in Bahraini Dinars (unless otherwise stated)

Name	Fixed Remunerations					Variable Remunerations <sup>(1)</sup>					End of ser-vice award <sup>(1)</sup>	Aggregate amount (excluding expenses allowance)	Expenses allowance
	Remunerations of the chairman and Board <sup>(2)</sup>	Total allowance for attending Board and committee meetings	Salaries	Others	Total	Remunerations of the chairman and Board	Bonus	Incentive plans	Others	Total			
<b>First: independent Directors:</b>													
1. Sabah Khalil Almoayyed	12,000	26,108	-	-	<b>38,108</b>	-	-	-	-	-	-	<b>38,108</b>	-
2. Akram Yassin	12,000	20,409	-	-	<b>32,409</b>	-	-	-	-	-	-	<b>32,409</b>	-
3. Abdulrahman Abdulla Al Sayed	12,000	19,227	-	-	<b>31,227</b>	-	-	-	-	-	-	<b>31,227</b>	-
4. Adnan Abdulla Al Bassam	12,000	21,562	-	-	<b>33,562</b>	-	-	-	-	-	-	<b>33,562</b>	-
<b>Second: Non-Executive Directors:</b>													
5. Dr. Khalid Abdulla Ateeq	12,000	15,834	-	-	<b>27,834</b>	-	-	-	-	-	-	<b>27,834</b>	-
6. Abdulla Tarrar Edham	12,000	26,086	-	-	<b>38,086</b>	-	-	-	-	-	-	<b>38,086</b>	-
7. Masood Ahmed Albastaki	12,000	14,703	-	-	<b>26,703</b>	-	-	-	-	-	-	<b>26,703</b>	-
<b>Third: Executive Directors:</b>													
8. Housseem Ben Haj Amor <sup>(3)</sup>	4,603	3,393	-	-	<b>7,996</b>	-	-	-	-	-	-	<b>7,996</b>	-
9. Abdulmalek Shehadeh Mezher	12,000	20,358	-	-	<b>32,358</b>	-	-	-	-	-	-	<b>32,358</b>	-
<b>TOTAL</b>	<b>100,603</b>	<b>167,680</b>	-	-	<b>268,283</b>	-	-	-	-	-	-	<b>268,283</b>	-

# • • • Directors Report

## Details of the Executive Management Remunerations:

All amounts in Bahraini Dinars (unless otherwise stated)

Executive Management	Total paid salaries and allowances	Total paid remuneration (Bonus) <sup>(4)</sup>	Any other cash/ In-kind remuneration for 2023	Aggregate Amount
<b>Remuneration of top 6 executives</b> (including the Chief Executive Officer and the Chief Financial Officer)	<b>680,837</b>	-	<b>178,301</b>	<b>859,138</b>

<sup>(1)</sup> The Group did not pay any variable remunerations or end-of-service awards during the year.

<sup>(2)</sup> Recommended remunerations for the year ended 31 December 2024 to be paid after securing all necessary approvals and after been approved by the Annual General Meeting.

<sup>(3)</sup> Directorship term started in 13 August 2024.

<sup>(4)</sup> No bonus payment as at 31 December 2024.

**Sabah Khalil Al Moayyed**  
**Chairperson**

Al Baraka Islamic Bank B.S.C. (c)  
Manama, Kingdom of Bahrain  
18 February 2025

**Dr. Adel Abdulla Salem**  
**Chief Executive Officer**

Al Baraka Islamic Bank B.S.C. (c)  
Manama, Kingdom of Bahrain  
18 February 2025

“

Throughout 2025, the Group will focus on expanding its businesses, driving digital transformation; and strengthening its presence to generate sustainable revenues while upholding strong governance and compliance.

## Executive Management



**Dr. Adel Abdullah Salem**  
CHIEF EXECUTIVE OFFICER



**Mazin Ahmed Dhaif**  
CHIEF RETAIL OFFICER



**Mohamed Ali Qudrat**  
CHIEF TREASURER



**Husain Yusuf Ateyah**  
CHIEF CORPORATE & INSTITUTIONAL  
BANKING OFFICER



**Mohamed Abdulla Abdulrahim**  
CHIEF FINANCIAL & STRATEGY  
OFFICER



**Duaij Khalifa Abulfateh**  
HEAD OF INTERNAL SHARIA AUDIT



**Mohammed Jasim Ebrahim**  
HEAD OF SHARIA COORDINATION  
& IMPLEMENTATION



**Muneer Abu-Hussaien Abdulla**  
ACTING CHIEF RISK OFFICER



**Hasan Abdul Aziz Alqasimi**  
CHIEF INTERNAL AUDITOR

## Executive Management



**Hasan Abdulwahab Al Khan**  
HEAD OF OPERATIONS



**Ahmed Isa Al Khayyat**  
CHIEF TECHNOLOGY OFFICER



**Dr. Adil Atieya Hassan**  
CHIEF LEGAL OFFICER &  
CORPORATE SECRETARY



**Abdulla Abdulaziz Suwaileh**  
HEAD OF HUMAN RESOURCES &  
ADMINISTRATION



**Omar Abdulhakeem Albastaki**  
ACTING CHIEF COMPLIANCE  
OFFICER & ACTING MLRO



**Dr. Adel Abdullah  
Salem**  
**CHIEF EXECUTIVE  
OFFICER**

In 2024, the global economy witnessed subtle and complex transformations that reflected the ongoing interplay between monetary policies, geopolitical pressures, and technological developments sweeping through the markets. Central banks worldwide endeavoured to control high inflation by adjusting interest rates and adopting austerity measures, resulting in radical changes to consumption and investment behaviours in both developed and emerging nations.

Moreover, digital innovations and advanced technologies not only reconfigured the global production and trade sectors but also enhanced economies' resilience to external fluctuations while opening up new horizons for sustainable growth. Consequently, governments reassessed their development strategies and activated infrastructure support programmes—deemed a fundamental pillar for investing in productive capacities and achieving financial stability despite persistent concerns over renewed trade and political tensions in some markets.

During the past year, the GCC countries experienced a wave of varied economic activity, thanks to a careful balance between exploiting oil wealth and diversifying income sources. Governments reacted to global fluctuations in oil and commodity prices by adopting flexible fiscal and monetary policies, thereby boosting confidence among both local and foreign investors and driving growth in non-oil sectors such as technology, logistics services, and manufacturing. These sectors have now become the nucleus of the region's future economic framework. Furthermore, major infrastructure projects and comprehensive development initiatives aimed

at improving the business environment and creating new job opportunities have raised economic and social development levels among member states, positioning them among the economies capable of overcoming global challenges and breaking traditional barriers to growth.

The economy of the Kingdom of Bahrain demonstrated remarkable performance and balanced growth in 2024, thanks to strategic development policies representing a qualitative shift towards diversifying income sources away from total reliance on the oil sector. The government focused on establishing an advanced investment environment by adopting innovative support programmes that enhanced financial and social stability while improving the business climate to attract investors. Major projects in transportation, housing, renewable energy, and digital transformation were implemented, resulting in an improved quality of life and enhanced services for both citizens and residents. These efforts also reinforced Bahrain's position as a regional hub for financial and technological services, equipping the economy with the resilience needed to face escalating global and regional challenges and achieve comprehensive, sustainable economic development in a dynamic competitive environment.

The economy of the Islamic Republic of Pakistan experienced only limited improvement in 2024, with a growth rate of 0.92% in the first quarter, supported by expansions in the agriculture and services sectors. Over the year, Pakistan secured a financial support package worth US \$ 7 billion from the International Monetary Fund, which boosted confidence in the financial community and led to a record high on

## Executive Management Report

the Pakistan Stock Exchange following the agreement—reflecting rising optimism among investors. However, the economy continues to face serious challenges, notably increasing poverty rates and a decline in per capita GDP. In response, the government launched a five-year national economic plan aimed at achieving 6% growth and raising exports to US \$ 60 billion annually. The strategy focuses on supporting and developing the industrial and commercial sectors, expanding the global markets for Pakistani products, and stimulating private investment.

In 2024, Al Baraka Islamic Bank continued its evolution as an institution with a forward-looking vision, successfully integrating Islamic financial principles with modern banking practices to meet its clients' needs while making a positive contribution to society. This achievement reflects its steadfast commitment to transformation, sustainability, strategic focus, and human resource development, reaffirming its pioneering position in the Islamic banking sector. The bank's transformation journey was marked by several notable milestones that improved service quality and operational efficiency—for example, it became the first bank in the Kingdom of Bahrain to achieve compliance with Open Banking API standards for corporate interfaces in partnership with Tarabut, the leading platform in embedded finance and open banking services in the MENA region. This milestone enabled seamless integration with fintech companies and external service providers, enhancing the customer experience and establishing the bank as a pioneer of financial innovation in the Kingdom.

Furthermore, in 2024 Al Baraka Islamic Bank experienced a marked surge in innovative Islamic banking solutions that embodied a forward-thinking vision to meet customer needs, accelerate digitalisation, and expand international services. The bank took significant steps to develop financial security and fraud prevention solutions by launching the advanced "SafeNet" service, which uses artificial intelligence to monitor and prevent breaches across digital channels. This initiative increased customer trust in digital transactions and ensured compliance with local regulatory requirements. In addition, strategic partnerships were signed with leading loyalty and delivery platforms, enabling the bank to offer cashback deals and special incentives to credit card holders. It also developed distinguished international banking services, including the opening of bank accounts in Turkey, and entered into a strategic agreement with Bahrain Airport Company to provide exclusive privileges that enhance the travel experience for holders of the specially designed MasterCard World Elite cards.

***"Al Baraka Islamic Bank continued its evolution as an institution with a forward-looking vision, successfully integrating Islamic financial principles with modern banking practices to meet its clients' needs while making a positive contribution to society."***

Within the framework of Al Barakat Account Awards Scheme, the 2024 edition has been launched, offering outstanding opportunities to win total cash prizes exceeding US \$ 2 million. The scheme featured five Grand Prizes of US \$ 250,000 each, along with monthly salaries for a full year. Additional surprises and summer bonuses further enhanced the attractiveness of these prizes, which have been widely appreciated by customers for their motivating financial value and for promoting a culture of saving and investment.

On a strategic level, the bank focused on supporting SMEs, recognising the vital role these companies play in the Bahraini economy. Its efforts to provide flexible and easily accessible financing options for this segment were widely applauded, reflecting its commitment to empowering businesses and supporting economic growth.

Sustainability and corporate social responsibility remained core to Al Baraka Islamic Bank's operations in 2024. Its initiatives included continuous efforts to achieve long-term economic growth through efficient resource management and an improved quality of life for the community, reaffirming the bank's commitment to ethical investments based on Islamic values that deliver true benefits to society.

The bank also gave due importance to developing its human resources by organising annual events to honour outstanding employees. These events highlighted the exceptional efforts made by staff members, fostered teamwork and collaboration, and recognised each individual's contribution to achieving outstanding performance and ongoing innovation. They provided a platform for effective communication and the exchange of experiences and ideas that support professional development, creating a work environment conducive to sustainable growth and comprehensive progress.

## • • • Executive Management Report

The achievements of Al Baraka Islamic Bank in 2024 reflect its unwavering commitment to transformation, sustainability, strategic focus, and human resource development. By embracing innovation, supporting SMEs, upholding ethical values and investing in its workforce, the bank reaffirms its position as a leading institution in the Islamic banking sector in the Kingdom of Bahrain.

In conclusion, on behalf of all members of the executive management and the entire team at Al Baraka Islamic Bank, I extend my deepest gratitude and appreciation to His Majesty King Hamad bin Isa Al Khalifa, King of the Kingdom of Bahrain, and to His Royal Highness Prince Salman bin Hamad Al Khalifa, the Crown Prince and Prime Minister, for their continuous support and unfettered backing of all sectors in the Kingdom, particularly the banking sector, which significantly contributes to the nation's development and prosperity. I would also like to express my profound gratitude to the Central Bank of Bahrain for its constructive cooperation, and I extend my thanks to the various ministries and government agencies for their ongoing support, which is fundamental to driving progress.

Finally, I must commend the dedicated efforts of the Al Baraka Islamic Bank team, whose creative contributions have solidified the bank's position and broadened its horizons of success and development by following an innovative approach that ensures the delivery of modern banking products and services that meet the evolving aspirations of our customers. I also extend my sincere thanks to our shareholders and customers for their enduring trust and loyalty.

“

By embracing innovation, supporting SMEs, upholding ethical values and investing in its workforce, Al Baraka reaffirms its position as a leading institution in the Islamic banking sector in the Kingdom of Bahrain:

# Corporate Governance

28	Corporate Governance
54	Organisation Chart
56	Board of Directors Profiles
62	Executive Management Profiles
70	Sharia Supervisory Board's Report
71	Social Responsibility

## Corporate Governance

### 1. Philosophy, Strategy and objectives

Al Baraka Islamic Bank ("AIB" or "the Group") strongly believes that a good corporate governance is an essential part of transparency and maintaining stability and enhancing the solid foundations of the Group. It is a fundamental part of how the Group discharge its duties and responsibilities towards protecting and enhancing shareholder's value as well as ensuring the achievement of a sustainable financial performance. The Group's governance framework extends beyond legislative and regulatory compliance, and aims at creating a strong governance culture across all segments to protect the interests of all stakeholders. The Group aspires to the highest ethical standards by delivering its promises to clients, reporting financial results accurately and transparently and maintaining full compliance with all laws, rules and regulations governing the Group's business.

The Group's governance and compliance strategies, objectives, and structures are designed to ensure that it complies with all relevant legislations and simultaneously extending beyond accountability and assurance issues to value creation and resource utilization. Internally the function has expanded into five complementary directions:

- Enterprise-wide corporate governance;
- Business governance;
- Corporate accountability and ethics;
- Sustainability management and reporting; and
- Compliance.

The Group's Compliance Department works closely with Legal, Corporate Secretary, Risk Management, and Internal Audit departments in promoting a strong culture of governance and compliance within the Group and has taken all necessary steps to improve its corporate governance to ensure conformity with best practices.

The Board of Directors have approved and adopted its Corporate Governance Policy ("the Policy") covering Group-

wide corporate governance framework, matters related to the Board, and the principles and rules of Central Bank of Bahrain ("CBB") on Corporate Governance for Islamic Retail Licensed Institutions ("HC Module"). Moreover, the Group conducts a detailed self-assessment on annual basis to ensure its compliance with HC Module requirements, and sets specific milestones for implementation of any shortfalls whenever they exist, including continuous reviews and upgrades for strong corporate governance practices, and any amendments to any requirements and milestones are reported to the CBB, shareholders, and the Board of Directors. Corporate governance is a fixed item on the agenda of the Annual General Meeting since 2011.

These disclosures should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2024. To avoid any duplication, information required under the CBB Rulebook PD Module but already disclosed in other sections of the annual report have not been reported in these disclosures.

### 2. Governance Framework

#### 2.1. Ownership Structure

Al Baraka Islamic Bank is a Bahraini licensed Islamic Retail Bank and operates as a subsidiary of Al Baraka Group ("ABG" or "Ultimate Parent"). ABG is the dominating shareholder. The existing shareholding structure is transparent and consists entirely of ordinary shares, which is the only class of shares issued. The Group confirms that the non-controlling interests are sufficiently represented in the Board of Directors, either directly or through independent Directors.

As at 31 December 2024, the composition and distribution of shares are set out in the following table:

# Corporate Governance

## 2. Governance Framework (continued)

	Name	Relation	Nationality	No. of shares	Share %
1	ABC	Ultimate Parent	Bahraini	1,405,755	92.816
2	Hussain Mohsin Alharthe	Shareholder	Saudi	50,000	3.301
3	Bahrain Islamic Bank	Shareholder	Bahraini	10,000	0.660
4	Ibdar Bank	Shareholder	Bahraini	10,000	0.660
5	Suleiman Abdulaziz Al Rajhi	Shareholder	Saudi	5,000	0.330
6	Saleh Abdulaziz Al Rajhi	Shareholder	Saudi	5,000	0.330
7	Abdulla Abdulaziz Al Rajhi	Shareholder	Saudi	5,000	0.330
8	Mohamed Abdulaziz Al Rajhi	Shareholder	Saudi	5,000	0.330
9	Heirs of Dr. Hassan Abdulla Kamel	Shareholder	Saudi	5,000	0.330
10	Dubai Islamic Bank	Shareholder	UAE	5,000	0.330
11	Saeed Ahmed Lotah & Sons Group	Shareholder	UAE	5,000	0.330
12	Jordan Islamic Bank	Shareholder	Jordan	2,500	0.165
13	Abdullatif Abdulrahim Janahi	Shareholder	Bahraini	1,250	0.083
14	Sheikh Saleh Abdulla Kamel	Shareholder	Saudi	73	0.005
	<b>Total</b>			<b>1,514,578</b>	<b>100.0000</b>

### 2.2. Ownership by nationality

Country	No. of shares	Share %
Bahrain	1,427,005	94.218
Jordan	2,500	0.165
Saudi Arabia	75,073	4.957
UAE	10,000	0.660
<b>Total</b>	<b>1,514,578</b>	<b>100.000</b>

### 2.3. Ownership by size of shareholding

Category	No. of shares	Share %
Less than 1%	58,823	3.884
1% up to less than 5%	50,000	3.301
5% and above	1,405,755	92.816
<b>Total</b>	<b>1,514,578</b>	<b>100.000</b>

## 3. The Board of Directors

The adoption and implementation of a sound corporate governance practice is the direct responsibility of the Board of Directors ("the Board" or "the Director" or "Directors") who shall continue its endeavor to enhance shareholders' value, protect their interests, and defend their rights.

The Board is accountable to the shareholders and Executive Management is accountable to the Board. Directors apply due care in exercising their duties to the Group and are subject to fiduciary duties, they ensure that Executive Management acts in the best interest of the Group and its shareholders

by working to enhance the Group's performance. The Board authorizes Executive Management to execute approved strategies. The Board oversees the conduct of the Group's business activities to ensure that Executive Management is properly managing these activities with highest standards of professionalism.

### 3.1. Principal functions and responsibilities of the Board

Set the tone at the top and play a leading role in establishing the Group's corporate cultures and values and oversee management's role in fostering and maintaining a sound corporate and risk culture.

# Corporate Governance

- Review and approves Executive Management proposals on strategic plans including business plans and activities, and monitor the implementation of such strategies
- Approves the annual budget and conducts a regular business performance review and ensures that business activities and action plans are within the guidelines of the Group's overall strategy.
- Sets up Group's corporate values and lines of responsibility/ accountability, and ensures that such lines are properly communicated across the Group.
- Ensures the existence of a proper and effective process for selecting and appointing Executive Management team based on qualifications and professional competence, and approves a succession planning policy.
- Ensures the implementation of an effective internal controls and processes to measure and manage all business risks.
- Establish, along with senior management and Chief Risk Officer, the Group's risk appetite, considering the Group's strategy, competitive and regulatory landscape, the Group's long-term interests, risk exposure and ability to manage risk effectively, and oversee the Group's adherence to the risk appetite statement, risk policy and risk limits.
- Establishing comprehensive policies and processes to ensure compliance with Sharia principles in all activities.
- Sets up an effective audit functions staffed with qualified personnel to perform audit activities that covers financial, management and Sharia audits.
- Establishes procedures to avoid self-serving practices and conflicts of interests.
- Assures equitable treatment of shareholders including non-controlling interests.
- Convene and prepare the agenda for shareholders meetings.
- Ensures protection of the interests of depositors (particularly Equity of Investment Accountholders).
- Establishes and ensures the effectiveness of Board Committees.

- Ensures that operations of the Group are conducted within the framework of relevant regulations, laws, and policies.
- Ensures that the Group has a beneficial influence on the economic well-being of its community.
- Approves material transactions outside the normal course of business or in excess of the Executive Management delegated limits.

The Board has approved certain policies, which authorizes the Executive Management to approve certain transactions. The Board has delegated specific authority to the CEO and to Management Committees to manage the activities of the Group within its pre-defined limits. All credit and investment applications exceeding these pre-defined limits in the form of amount or tenor requires approval of the Board. Board meetings are held on a scheduled basis ensuring relevant policies, strategy, and business performance issues are discussed and accordingly tracked and monitored. The Board and its Committees are supplied with full and timely information to enable them to discharge their responsibilities. Special Board meetings are also convened whenever needed.

The Board of Directors, during the year 2024, has the following major achievements:

- Review and Balancing the Sukuk Portfolio.
- Reviewed, amended and issued many internal policies.
- Continue to approve restructures of major NPL cases and close monitored their performances.
- Closely monitored and followed the liquidity position of the Group.
- Restructured the HR and the Organizational Chart of the Group.
- Reviewed the Group's Digital App and approved a new service provider.
- Worked toward achieving the requirements of CBB with regard to Environment and Sustainable Development.

### 3.2. The Term of the Board of Directors

The current term of the Board of Directors started in March 2023. The term of the Board is for three years. In this year 2024, a new Board member was appointed (Mr. Housseem Ben Haj Amor) replacing a resigned member Mr. Hamad Abdulla Al Oqab. Mr. Housseem's term will end with the end of the term of the Board in March 2026.

## Corporate Governance

### 3. The Board of Directors (continued)

#### 3.3. Termination of Board membership

The termination of membership from the Board of Directors is stated in Article (32) of the Articles of Association of the Group as follows:

3.3.1. If the member was appointed in violation to the provisions of the law.

3.3.2. If the member loses any of the conditions provided for in the Articles (e.g. lack of legal capacity, convicted in bankruptcy, crimes of honor or breach of trust).

3.3.3. If a member uses his membership to conduct a competitive business or causes real damages to the Group.

3.3.4. If a member is absent (from the Board meeting) for four consecutive meetings without legitimate reason.

3.3.5. If a member resigns or discharged from office.

3.3.6. If a member occupies another salaried position other than an executive position, which the Board decided to pay salary to him.

If the office of a Director becomes vacant, the Board may appoint a temporary Director to fill the vacancy. Such an

appointment shall be presented to the ordinary AGM in its first meeting for ratifying the appointment.

#### 3.4. Composition of the Board of Directors

The Directors have broad experience across a number of industries and business sectors, and provide valuable input and an external perspective to matters of business strategy. By the end of December 2024, the Board had nine members, comprising four independent non-executive directors (including the Chairperson), three non-executive directors, and two executive directors. The Board meets on quarterly basis or as required to review and evaluate corporate strategy, major operational and financial plans, risk policies, financial performance, and monitors the implementation and performance to ensure it is in line with all applicable laws and regulations and within best practices.

The role of the Chairperson of the Board is fundamentally distinct from that of the CEO. The separation of powers between the Chairperson and the CEO ensures a balance of power and authority, which provides a safeguard against the exercise of unrestrained powers in decision-making. The Chairperson is responsible for ensuring the Board's effectiveness, as well as representing the Board to the shareholders. The CEO acts in accordance with the authorities delegated by the Board. Board composition, independence of Directors, and membership in the Board Committees are set out below:

Director's name	Nationality	Board Membership Designation & Position	Board Committees					
			Audit	Nomination, Remuneration, and Governance	Executive	Risk Management	Social Sustainable Finance	Digital & Transformation
Sabah Khalil Almoayyed	Bahraini	Chairperson, Independent	-	Member	-	Chairperson	-	Chairperson
Mark Yaseen	Canadian	Vice Chairman, Independent	Chairperson	-	-	Member	-	-
Dr. Khalid Abdulla Ateeq	Bahraini	Member, Non - Executive	-	-	Chairperson	-	Member	-
Abdulrahman Abdulla Al Sayed	Bahraini	Member, Independent	-	Chairperson	-	Member	-	-
Adnan Abdulla Al-Bassam	Bahraini	Member, Independent	Member	-	-	Member	-	-
Masood Ahmed Al Bastaki	Bahraini	Member, Non - Executive	-	-	Member	-	Chairperson	-
Abdulla Tarrar Edham	Bahraini	Member, Non - Executive	-	Member	Member	-	-	Member
Abdulmalek Shehadeh Mezher	Jordanian	Member, Executive	Member	-	-	-	Member	Member
Housseem Ben Haj Amor*	Tunisian	Member, Executive	-	-	Member	-	-	-

\* Joined the Board of Directors in 13 August 2024.

## Corporate Governance

### 3. The Board of Directors (continued)

#### 3.5. Induction and engagement letters

In line with CBB Rulebook, the Group conducted a formal induction program for its new members. Re-elected members also attended such induction. The induction program includes detailed presentation on the business of the Group, its activities, and Organizational Structure. It also covers the duties and responsibilities of the Board in accordance with the Memorandum and Articles of Association, the Charter of the Board, and the CBB Rulebook.

In addition, all members of the Board signs individual letters of engagement with the Group specifying their rights, duties,

and entitlements. All members are provided with copies of the corporate governance code, the policy on entitlements, and confidentiality and non-disclosure undertaking along with all Charters of the Board Committees.

#### 3.6. Board meetings and attendances

In line with the nature and demand of the Group's business, the Board meets at least every quarter unless further meetings are required. During 2023, the Board held Seven meetings (the minimum required number of meetings that must be held during the year is four meetings), and the number of meetings attended by each member were as follows:

Director's name	Meeting Dates						
	08 Feb	25 Feb	27 Mar	12 May	11 Aug	13 Nov	11 Dec
Sabah Khalil Almoayyed (Chairperson)	✓	✓	✓	✓	✓	✓	✓
Akram Yassin (Vice Chairman)	✓	✓	✓	✓	✓	✓	✓
Dr. Khaled Abdulla Ateeq (Member)	✓	✓	✓	✓	✓	✓	✓
Abdulrahman Abdulla Al Sayed (Member)	✓	✓	✓	✓	✓	✓	✓
Adnan Abdulla Al-Bassam (Member)	✓	✓	✓	✓	✓	✓	✓
Masood Ahmed Al Bastaki (Member)	✓	✓	✓	✓	✓	✓	✓
Abdulla Tarrar Edham (Member)	✓	✓	✓	✓	✓	✓	✓
Abdulmalek Shehadeh Mezher (Mem-ber)	✓	✓	✓	✓	✓	✓	✓
Housseem Ben Haj Amor* (Member)	.	.	.	.	.	✓	✓

\* Joined the Board of Directors in 13 August 2024.

#### 3.7. Performance evaluation

In line with its Corporate Governance Policy, the Group adopts a procedure undertaken by the Board to evaluate its own performance and that of its committees and individual Directors. At the end of each financial year, the Board distributes evaluation forms to all members to evaluate:

- The Board of Directors itself;
- The Committees of the Board of Directors;
- The Chief Executive Officer;
- The Secretary of the Board.
- The Sharia Supervisory Board.

The results of the evaluations forms are then discussed in the Nomination, Remuneration, and Governance Committee ("NRGC"), and in the Board of Directors meeting, and during the AGM.

#### 3.8. Board Committees

According to its Charter, the Board (principally through its Committees) is responsible to oversee the establishment of risk management systems by approving accounting policies; financial statements and reports; credit and risk

management policies; and systems of internal controls, taking into account the Group's risk appetite, the overall business strategy, management expertise, and the external environment. The Board has defined general parameters to manage its Group-wide risk profile to comply with the approved Group's risk appetite and tolerances, which considers both downside risk and opportunities.

In accordance with the Articles of Association, the Board of Directors may establish Board Committees to assist the Board on taking its resolutions. Each Committee operates under a Board approved charter that is reviewed during each term of the Board unless there is a need for earlier review.

Each Committee has established a reporting structure that describes relevant responsibilities in respect to oversight and monitoring of Board approved management policies. These Committees evaluate developments in respect to the Group's structure and operations, as well as economic, industry, and market developments that may affect the Group's risk management.

# Corporate Governance

## 3. The Board of Directors (continued)

The Board Committees meet regularly and consists of independent, executive, and non-executive directors. During 2024, the Board had the following Committees:

### 3.8.1. Audit Committee

The Audit Committee (appointed by the Board of Directors) consists of three members. The Chief Internal Auditor directly reports to the Chairman of the Committee. Audit Committee is regularly informed about significant projects aimed at further improving processes and receives regular updates on major litigations as well as significant regulatory and compliance matters. The primary function of the Audit Committee is to assist the Board in fulfilling its oversight role by:

- Monitoring and assessing the integrity of the consolidated financial statements as well as disclosures of the financial condition, results of operations and cash flows;

- Monitoring processes designed to ensure the existence of an appropriate internal control system, including compliance with legal and regulatory requirements; and
- Monitoring the activities and performance of the internal audit function.

The Audit Committee reviews and (as appropriate) approves and recommends for the approval of the Board of Directors:

- The interim and annual consolidated financial results;
- Status updates on implementation on various regulatory reports;
- Internal and external audit reports and status of their implementation (as appropriate);
- New accounting and regulatory pronouncements and their implications.

An independent non-executive Director chairs the Audit Committee. The composition of the Committee, the number of meetings held, and attendance of members are as follows:

Director's name	Meeting Dates					
	01 Feb	14 Feb	07 May	05 Aug	04 Nov	14 Nov
Akram Yassin (Chairman)	✓	✓	✓	✓	✓	✓
Adnan Abdulla Al-Bassam (Member)	✓	✓	✓	✓	✓	✓
Abdulmalek Mezher (Member)	✓	✓	✓	✓	✓	✓

### 3.8.2. Nomination, Remuneration & Governance Committee

This Committee is responsible for assisting the Board in reviewing and overseeing the following responsibilities:

- Board of Directors and individual Directors' performance;
- Effectiveness of (and compliance with) the Group's corporate governance policies and practices;
- Succession planning for the Board and Executive Management;
- Staff remuneration policy and fees for Non-Executive Directors and Sharia Supervisory Board;
- Approve, monitor, and review the remuneration system to ensure the system operates as intended;
- Approve the remuneration policy and amounts for each Approved Person and Material Risk-taker, as well as total variable remuneration to be distributed, taking account of total remuneration including salaries, fees, expenses, bonuses and other employee benefits;
- Ensure remuneration is adjusted for all types of risks and that the remuneration system takes into consideration employees that earn same short-term profit but take different amount of risk on behalf of the Group;

- Ensure that for Material Risk-takers, variable remuneration forms a substantial part of their total remuneration;
- Review the stress testing and back-testing results before approving total variable remuneration to be distributed including salaries, fees, expenses, bonuses and other employee benefits;
- Carefully evaluate practices by which remuneration is paid for potential future revenues whose timing and likelihood remain uncertain. The Committee will question payouts for income that cannot be realized or whose likelihood of realization remains uncertain at the time of payment;
- Ensure that (for approved persons in Financial Control, Risk Management, Internal Audit, Sharia Review, Internal Sharia Audit, Compliance, and Operations functions) the mix of fixed and variable remuneration is weighted in favor of fixed remuneration;
- Recommend Board members remuneration based on their attendance and performance and in compliance with the provisions of the Commercial Companies Law promulgated by Decree No. (21) of 2001 and its amendments and pursuant to the provisions of Article No. (188) thereto;

# Corporate Governance

## 3. The Board of Directors (continued)

- Ensure appropriate compliance mechanisms are in place to ensure that employees commit themselves not to use personal hedging strategies or remuneration and liability-related insurance to undermine the risk alignment effects embedded in their remuneration arrangements.

- Advise the Board of Directors and monitor the implementation of a robust governance framework by

working together with Executive Management and the Sharia Supervisory Board.

The Board is ultimately responsible for the approval of the remuneration package. The Committee is guided by the need to (attract and retain) and at the same time link the rewards to clearly articulate corporate and individual performance parameters. The composition of the Committee, the number of meetings held, and attendance of members are as follows:

Director's name	Meeting Dates				
	15 Jan	31 Mar	11 Jun	06 Aug	09 Oct
Abdulrahman Abdulla Al Sayed (Chairman)	✓	✓	✓	✓	✓
Sabah Khalil Almoayyed (Member)	✓	✓	✓	✓	✓
Abdulla Tarrar Edham (Member)	✓	✓	✓	✓	✓
Shaikh Esam Mohamed Ishaq*	•	•	✓	•	•

\*Shaikh Esam Mohamed Ishaq (Chairman of Sharia Supervisory Board) is a member of the Committee with a voting right in respect of Sharia governance issues. He attended the 3rd meeting to provide guidance and advice on Sharia-related matters. He also coordinates and links complementary roles and functions of corporate governance and Sharia Supervisory Board.

### 3.8.3. Board Executive Committee

The primary purpose of this Committee is to consider specific matters delegated by the Board and make recommendations thereto or take decisions based on authorities specifically delegated by the Board. The Board Executive Committee also

has the power and authority to approve certain credit and investment proposals. The composition of the Committee, the number of meetings held, and attendance of members are as follows:

Director's name	Meeting Dates						
	14 Jan	23 Jan	03 Apr	29 Jun	10 Jul	31 Jul	04 Dec
Khalid Abdulla Ateeq (Chairman)	✓	✓	✓	✓	✓	✓	✓
Masood Ahmed Al Bastaki (Member)	•	✓	✓	✓	✓	✓	✓
Abdulla Tarrar Edham (Member)	✓	✓	✓	✓	✓	✓	✓
Houssem Ben Haj Amor* (Member)	•	•	•	•	•	•	✓

\* Joined the Board of Directors in 13 August 2024.

### 3.8.4. Board Risk Management Committee

The Board Risk Management Committee ("BRMC") is mandated to ensure that integrated risk management functions within the Group are effectively discharged. The Committee has the following overall responsibilities:

- Ensure that sound risk management policies, frameworks and practices are in place for addressing and managing the material risks, and report the results of the Committee's activities to the Board of Directors.
- Ensures day-to-day operations are executed within the boundaries set by the business and risk strategy, and risk appetite. Breaches of the risk appetite will result in immediate action at the appropriate management

- level.
- Ensure that Executive Management understand and accepts its responsibility for identifying, assessing and managing risk.
- Periodically review and monitor risk mitigation processes and periodically review and report to the Board of Directors:

- the magnitude of all material business risks;
- the processes, procedures and controls in place to manage material risks; and
- the overall effectiveness of the risk management process.

## Corporate Governance

### 3. The Board of Directors (continued)

The composition of the Committee, the number of meetings held, and attendance of members are as follows:

Director's name	Meeting Dates				
	17 Jan	01 Apr	05 May	04 Aug	06 Oct
Sabah Khalil Almoayyed (Chairperson)	✓	✓	✓	✓	✓
Mark Yassin (Member)	✓	✓	✓	✓	✓
Adnan Abdulla Al-Bassam (Member)	✓	✓	✓	✓	✓
Abdulrahman Abdulla Al Sayed (Member)	✓	✓	✓	✓	✓

#### 3.8.5. Digital and Transformation Committee

The Board Digital and Transformation Committee is a new Committee mandated to ensure the end-to-end digital delivery of the Group's products and services; receiving regular reporting on the Group's digital ecosystem and providing oversight to the Group's IT function including

IT strategy, enterprise architecture, the alignment of IT function with the Group's business, system stability, information security and related operations.

The Composition of the Committee and the number of meetings held is as follows:

Director's name	Meeting Dates			
	18 Jan	18 Mar	11 Jun	07 Oct
Sabah Khalil Almoayyed (Chairperson)	✓	✓	✓	✓
Abdulla Tarrar Edham (Member)	✓	✓	✓	✓
Abdulmalek Shehadeh Mezher (Member)	✓	✓	✓	✓

In December 11 2024, the Board of Directors assigned the duties and responsibilities of the Digitalization Committee to the Board Executive Committee and dissolved the Digitalization Committee in an effort to reduce the costs.

responsibilities that balance between the financial growth of the Group and at the same time preserve the social and environmental interests. The Committee will also oversee the implementation and application of the guidelines and measures issued by the Central Bank of Bahrain in the SDG Module.

The Composition of the Committee and the number of meetings held is as follows:

Director's name	Meeting Dates
	03 Nov
Masood Ahmed Al Bastaki (Chairman)	✓
Dr. Khaled Abdulla Ateeq (Member)	✓
Abdulmalek Shehadeh Mezher (Member)	✓

#### 3.9. Conflict of interest

Directors avoid any action, position, or interest that conflicts with an interest of the Group, or gives the appearance of a conflict. The Group annually solicits information from Directors in order to monitor potential conflict of interest, and Directors are expected to be mindful of their fiduciary obligations towards the Group. In the event of a situation involving a potential conflict of interest, Directors are encouraged to seek advice from the Group's Compliance Officer. There are clear guidelines to deal with the issue of conflict of interest. A director is required not only to disclose his/her conflict of interest in all matters referred to the Board of Directors, but also to abstain from voting in

such matters. Any abstention from voting will be declared in the annual general meeting of the shareholders. As required by the CBB the Group is in the final stage of issuing a new Conflict of Interest Policy to be separated from the Corporate Governance Code.

#### 4. Management Committees

In addition to the Board Committees, the Group has in place the following management committees with the CEO and/or his delegate functioning as the Chairman of these committees. Members of committees comprise of heads of relevant departments and functions.

## Corporate Governance

### 4. Management Committees (continued)

#### 4.1. Executive Management Committee ("EMC")

EMC role is to oversee the implementation of the strategic objectives of the Group in relation to its business direction, operations, risk, expansion plans and overall policies and procedures.

#### 4.2. Management Credit Committee ("MCC")

The management of credit risk starts with appointing experienced key personnel. The MCC approves major credit decisions, guidelines and procedures to manage, control and monitor credit risk. All financing applications of significant amounts are approved at the Head Office or by the MCC, while experienced senior credit officers at branches are given authority to approve financing with lower-risk exposure.

#### 4.3. Asset Liability Management Committee ("ALMC")

ALMC is the primary committee responsible for liquidity and funding risk management. The ALMC make decisions and proposes guidance to force the structure of the Group's assets and liabilities, funding requirements, and liquidity management in line with its overall strategic objectives.

#### 4.4. Provisioning & Special Assets Committee ("PSAC")

The primary purpose of the PSAC is to timely monitor and manage non-performing credit exposures, which show signs of weaknesses or default and place into question the full and timely recovery of all amounts due to the Group, in addition to monitoring the repossessed assets and investments and recommending action plans and classifications. In addition, PSAC is responsible for ensuring proper implementation of FAS 30 approved policy and to take decisions related to provisioning on the Group's non-performing assets.

#### 4.5. Digital and IT Information Committee ("ITSC")

The ITSC role is to govern the Group's short and long-term information technology strategies, investments, projects and initiatives to ensure they are enabling the Group's business objectives and aligned with the its strategies.

#### 4.6. Human Resources and Compensation Committee ("HRC")

The objective of HRC is to setup and maintain a sound human resources framework and to oversee the Group's recruitment and compensation processes to ensure its alignment with its overall strategy and objectives.

#### 4.7. Zakat and Charity Committee ("ZCC")

The primary purpose of ZCC is to manage the Group's zakat and charity payments and contributions.

#### 4.8. Executive Risk Management Committee ("ERMC")

The primary purpose of ERMC is to support the Executive Management in performing the role of risk oversight, framework development, policy and methodology formulation, and independent monitoring and reporting of key risk issues.

#### 4.9. Anti-fraud and Cyber Security Committee ("CSC")

The primary purpose of CSC is to oversee the development and implementation of necessary policies, procedures, guidelines, standards and controls to protect the Group from possible fraud and Cyber Security risks, to be in line with the overall Group acceptable risk appetite and management frameworks. CSC is further responsible to review the effectiveness of Information and Cyber Security controls, data governance, privacy protection and related compliance requirements.

#### 4.10. Business Continuity Planning Committee ("BCPC")

The BCPC is responsible for the development and implementation of strategic framework to ensure the effective continuance of the Group operations in the event of a major crises or potential catastrophic event. It is further responsible for regular testing of the effectiveness of the business continuity planning activities across the Group premises, and the development, implementation and maintenance of the emergency management, response plans and related training.

#### 4.11. Executive compliance and follow up committee

The primary purpose of this Committee is to prompt the closure and resolution of pending internal and external findings reported by multiple stakeholders. In addition, the Committee is responsible to ensure compliance with all relevant guidelines including internal policies, CBB guidelines, audit related observations, and AML programs.

There is a clear division of responsibility between the Board of Directors and the Executive Management. The CEO is supported by his Executive Management team who are responsible for the implementation of Board resolutions, overall responsibilities of day-to-day operations, and operational efficiency. The Directors are kept abreast of the Group's performance through various monthly reports presented during the Board and its Committee's meetings.

### 5. Remuneration

In line with CBB's issued regulations related to Sound Remuneration Practices, the Group's compensation strategy (which includes variable remuneration policy) sets out its policy on remuneration for Directors and Executive Management along with the key factors that are taken into account in setting the policy.

## Corporate Governance

### 5. Remuneration (continued)

#### 5.1. Remuneration strategy

The quality and long-term commitment of employees is fundamental to the Group's success. There is a robust and effective governance framework in place to ensure that the Group operates within clear parameters of its compensation strategy and policy for remunerating the Board of Directors, the Sharia Supervisory Board, and the Executive Management in accordance with the remuneration policies and procedures approved by the Board. All compensation matters and overall compliance with regulatory requirements are overseen by NRCG.

The Group's basic compensation philosophy is to provide a competitive level of compensation to attract and retain qualified and competent employees who are committed to maintain a career with the Group, and who will perform their role in the long-term interest of the Group and its shareholders. The Group's reward package comprises of fixed pay, benefits, performance bonus and a long-term performance incentive plan. The Group's variable remuneration policy is performance-based driven primarily by a culture that aligns employee interests with those of the Group's shareholders. These elements support the achievement of the Group objectives through balancing rewards for short-term results with long-term sustainable performance. The Group's strategy is designed to share success and align employees' incentives with risk framework and outcomes.

In order to ensure the alignment between compensating people and business strategy, the Group assesses individual performance against annual and long-term financial and non-financial objectives summarized as part of its performance management system. This assessment also considers adherence to the Group's values, risks and compliance measures, and above all, ethics and integrity. Performance is evaluated based on short-term and long-term achievements as we as on how it is achieved, the NRCG believes the latter contributes to the long-term sustainability of the business. In particular, the Group uses capital and solvency ratios, key profitability measures, quality of earning parameters and strategic growth indicators as performance metrics for key business line managers and individuals.

The Group's remuneration policy considers the role of each employee and set's guidance on whether an employee is a Material Risk-taker or an Approved Person in a business line, control function, or support function. An Approved Person is an employee whose appointment requires prior regulatory approval because of the significance of his/her role within the Group. An employee is considered a Material Risk-taker

if he/she is the Head of a significant business line or an individual who has (within his/her control) a material impact on the Group's risk profile.

The Group provides fixed annual fees to the Sharia Supervisory Board and does not provide any performance linked incentives.

The NRCG oversees all reward policies of the Group employees. The NRCG is the supervisory and governing body for the compensation policy, practices and plans. NRCG is responsible for determining, reviewing and proposing the variable remuneration policy that is approved by the Board, it is also responsible for setting the principles and governance framework for all compensation decisions. The remuneration policy is periodically reviewed to reflect changes in market practices, business plans, and the risk profile of the Group. The NRCG ensures that all employees are remunerated fairly and responsibly.

In addition to its responsibilities mentioned elsewhere in this report, NRCG is entrusted with specific and detailed responsibilities with regards to the Group's variable remuneration policy and oversight of its implementation. These includes (but not limited to) ensuring that the system operates as intended especially for Material Risk-takers, ensuring that variable remuneration forms a substantial part of their total remuneration and is adjusted for all types of risks by reviewing the stress testing and back-testing results. The NRCG is also responsible for ensuring that Approved Persons in Financial Control, Risk Management, Internal Audit, Sharia Review, Internal Sharia Audit, Compliance, and Operations functions have the mix of fixed and variable remuneration with more weight in favor of fixed remuneration. In addition, NRCG recommends Board remuneration based on their attendance and performance in compliance with the provisions of the Commercial Companies Law promulgated by Decree No. (21) of 2001 and its amendments and pursuant to the provisions of Article No. (188) thereto.

The NRCG carefully evaluates practices by which remuneration is paid for potential future revenues whose timing and likelihood remains uncertain. The NRCG demonstrates that its decisions are consistent with an assessment of the Group's financial condition and future prospects.

The aggregate remuneration paid to NRCG members during the year (in the form of sitting fees) amounted to US \$ 45 thousand [2023: US \$ 72 thousand] for meetings held during the current and prior year.

## Corporate Governance

### 5. Remuneration (continued)

#### 5.2. Board remuneration

Remuneration for the Group's Board of Directors is determined in line with the provisions of the Commercial Companies Law promulgated by Decree No. (21) of 2001 and its amendments and pursuant to the provisions of Article No. (188) thereto. Board remuneration is subject to the approval of the shareholders during the AGM. Remuneration of Non-Executive Directors does not include performance-related elements (e.g. share grants, share options, deferred share-related incentive schemes, bonuses, or pension benefits, etc.).

Non-Executive Directors level of remuneration reflects the experience and level of responsibilities they take in the Group. The CEO's remuneration is structured to link the remuneration and other rewards and benefits to contributions and achievements, in line with the Group's and the Ultimate Parent's corporate objectives, culture, and strategy.

Except for contracts mentioned in related sections of the Group's financial statements, no director has received (or become entitled to receive) any benefit from contracting with the Group or its related entities, or from entities in which a Director is a member, or from any entity in which a Director has a substantial financial interest.

#### 5.2.1. Board of Directors, Sharia Supervisory Board, and CEO remuneration:

	Head count	2024	Head count	2023
<b>Directors</b>				
Remuneration <sup>(1)</sup>		345		345
Sitting fees		445		570
Allowances and others <sup>(2)</sup>		-		5
<b>Total</b>		<b>790</b>		<b>920</b>
<b>Sharia Supervisory Board members</b>				
<b>Staff inclusive of Chief Executive Officer</b>				
Fixed remuneration:				
Approved Persons and Material Risk-takers (Business lines)	10	2,520	27	4,168
Approved Persons (Others)	12	1,835	13	2,050
Other staff (Bahrain Operations)		11,665		11,557
Staff (Overseas subsidiary)		15,339		12,492
<b>Total fixed remunerations</b>		<b>31,359</b>		<b>30,267</b>
Variable remuneration:				
Approved Persons and Material Risk-takers (Business lines)	10	-	27	-
Approved Persons (Others)	12	-	13	-
Other staff (Bahrain Operations)		1,392		963
Staff (Overseas subsidiary)				
<b>Total variable remunerations</b>		<b>1,392</b>		<b>963</b>
<b>Total staff remunerations</b>		<b>32,751</b>		<b>31,230</b>
<b>Sharia Committee Members</b>		<b>129</b>		<b>119</b>

<sup>(1)</sup> The amounts represent remuneration paid to the Board of Directors during the year based on the prior year performance.

<sup>(2)</sup> Others includes reimbursement of air tickets and per-diem for attending Board and its Committees meetings.

## Corporate Governance

### 5. Remuneration (continued)

Total fixed remuneration for covered persons affected by the policy, having salaries and benefits exceeding BD 100 thousand amount to US \$ 1,817 thousand (2023: US \$ 2,052 thousand) applicable to five employees (2023: six employees). Total variable remuneration during 2024 paid to these employees was US \$ Nil thousand (2023: US \$ Nil thousand), such remuneration comprises upfront cash amounted to US \$ Nil thousand (2023: US \$ Nil thousand) and deferred shares amounted to US \$ Nil thousand (2023: US \$ Nil thousand). Total amount paid as severance or retirement benefits to covered persons retired during 2024 was US \$ 1,959 thousand (2023: 2,539 thousand).

#### 5.2.2. Staff variable remuneration

The Group's variable remuneration is performance-related and consists primarily of the annual performance bonus. As a part of the Group's staff variable remuneration, annual bonus compensates for the delivery of annual operational and financial targets, employee's individual performance in achieving such targets and their contribution to delivering the Group's strategic objectives.

The Group has adopted a Board approved framework that assures a transparent link between variable remuneration and performance. The framework is designed on meeting both satisfactory financial performance and achieving other non-financial factors that will (assuming all other factors being equal) deliver a target bonus pool for employees prior to consideration of any allocation to business lines and employees individually. Within this framework, NRCG aims to balance the distribution of the Group's profit between shareholders and employees.

Key performance metrics at the Group-level consists of a combination of short-term and long-term measures including profitability, solvency, liquidity and growth indicators. The performance management process ensures that all goals are appropriately cascaded down to respective business units and employees.

In determining the amount of variable remuneration, the Group starts from setting specific targets and other qualitative performance measures that result in a target bonus pool. The bonus pool is then adjusted to account for risks using risk-adjusted measures (including forward-looking considerations).

The Group uses a formalized and transparent process to adjust the bonus pool for quality of earnings. It is the Group's objective to pay out bonuses out of realized and sustainable

profits. If the quality of earnings is not strong, the profit-base could be adjusted based on the discretion of the NRCG. For the Group to have any funding for distribution of a bonus pool, threshold financial targets have to be achieved. The performance measures ensure that total variable remuneration is considerably contracted where subdued or negative financial performance of the Group occurs. Furthermore, the target bonus pool as determined above is subject to risk adjustments in line with the risk assessment and linked with the framework.

#### 5.2.3. Remuneration of control functions

The staff remuneration level in control and support functions allows the Group to employ qualified and experienced personnel in these functions. The Group ensures that the mix of fixed and variable remuneration for control and support function personnel should be weighted in favor of fixed remuneration. The variable remuneration of control functions is based on function-specific objectives and not determined by business financial performance they monitor.

The Group's performance management system plays a major role in deciding the performance of the support and control units based on the objectives set for them. Such objectives are more focused on non-financial targets that includes risk, control, compliance and ethical considerations as well as the market and regulatory environment apart from value adding tasks, which are specific to each unit.

#### 5.3. Alignment with risk

The policy aims to align variable remuneration to the risk profile of the Group. In its endeavor to do so, the Group considers both quantitative measures and qualitative measures in the risk assessment process. Both quantitative measures and human judgment plays a role in determining any risk adjustments. The risk assessment process encompasses the need to ensure that the designed remuneration policy reduces employee incentives to take excessive and undue risks, is symmetrical with risk outcomes, and delivers an appropriate mix of remuneration that is risk aligned.

The NRCG considers whether the variable remuneration policy is in line with the Group's risk profile and ensures that through the Group's ex-ante and ex-post risk assessment framework and processes, remuneration practices (where potential future revenues whose timing and likelihood remain uncertain) are carefully evaluated.

Risk adjustments take into account all types of risks, including intangible and other risks such as reputation risk, liquidity risk, and cost of capital. The Group undertakes risk assessments to review financial and operational

## Corporate Governance

### 5. Remuneration (continued)

performance against business strategy and risk performance prior to distribution of the annual bonus. The Group ensures that total variable remuneration does not limit its ability to strengthen its capital base. The extent to which capital needs to be built up is a function of the Group's current capital position and ICAAP.

The bonus pool takes into account the performance of the Group, which is considered within the context of its risk management framework. This ensures that the variable pool is shaped by risk considerations and Group-wide notable events.

The size of variable remuneration pool and its allocation within the Group takes into account the full range of current and potential risks, including:

- Cost and quantity of capital required to support the risks taken;
- Cost and quantity of the liquidity risks assumed in the conduct of business; and
- Consistency with the timing and likelihood of potential future revenues incorporated into current earnings.

The NRCG keeps itself abreast with the Group's performance against risk management framework. NRCG will use this information when considering remuneration to ensure alignment of returns, risks, and remuneration. The Group has an ex-post risk assessment framework, which is a qualitative assessment to back-test actual performance against prior risk assumptions.

In years where the Group suffers material losses in its financial performance, the risk adjustment framework will work as follows:

- There will be considerable contraction of the Group's total variable remuneration;
- At an individual level, poor performance by the Group means individual KPI's are not met, and hence, employee performance ratings will be lower;
- Reduction in the value of deferred shares or awards;
- Possible changes in vesting periods and additional deferral applied to unvested rewards; and
- Lastly, if the qualitative and quantitative impact of a loss incident is considered significant, a malus or claw back of previous variable awards may be considered.

Based on Board's approval, NRCG can rationalize and make the following discretionary decisions:

- Increase/decrease the ex-post adjustment;
- Consider additional deferrals or increase the quantum of non-cash awards; and
- Recovery through malus and claw back arrangements.

The Group's malus and claw back provisions in the policy allows the NRCG to determine that (if appropriate) unvested elements under the deferred bonus plan can be forfeited/adjusted or the delivered variable remuneration be recovered in certain situations. The intention is to allow the Group to appropriately respond to performance factors (on which reward decisions were based) if they turned out not to reflect the corresponding performance in the long-term. All deferred compensation awards contain provisions that enables the Group to reduce or cancel awards of employees whose individual behavior had a materially detrimental impact on the Group during the concerned performance year.

Any decision to take back an employee's award can only be made by the NRCG. The Group's malus and claw back provisions allows the NRCG to determine that (if appropriate) vested/unvested elements under the deferred bonus plan can be adjusted/cancelled in certain situations. These events includes:

- Reasonable evidence of willful misbehavior, material error, negligence or incompetence of the employee causing the Group to suffer a material loss in its financial performance, material misstatement of the Group's financial statements, material risk management failure or reputational loss, or risk due to such employee's actions, negligence, misbehavior or incompetence during the concerned performance year; and
- The employee deliberately misleads the market and/or shareholders in relation to the financial performance of the Group during the concerned performance year.

Claw back can be used if the malus adjustment on the unvested portion is insufficient given the nature and magnitude of the issue.

#### 5.4. Incentive plans

The employees of the Group are eligible for a variety of incentive plans to achieve a direct linkage amongst the remuneration and current/future performance. In this respect, the separate short-term incentive plans ("STIP") and long-term incentive plans ("LTIP"), are duly devised in the light of prevailing laws and regulations.

# Corporate Governance

## 5. Remuneration (continued)

The main components of said remuneration are:

Upfront cash	The portion of the variable compensation that is awarded and paid out in cash on conclusion of the performance evaluation process for each year.
Deferred share awards	The portion of variable compensation that is awarded and paid in cash on a pro-rata basis over a period of three years.
Upfront share awards	The portion of variable compensation that is awarded and issued in the form of phantom shares on conclusion of the performance evaluation process for each year.
Deferred shares	The portion of variable compensation that is awarded and paid in the form of phantom shares on a pro-rata basis over a period of three years.

All deferred awards are subject to malus provisions. All awarded phantom shares are released to the employee after a six-month retention period from the date of vesting.

The employees in business lines and other functions can avail remuneration, under the short-term incentive plan ("STIP"), as follows:

Element of variable remuneration	Constitutions	Vesting period	Retention	Malus	Clawback
Upfront cash	40%	Immediate	-	-	Yes
Deferred share awards	60%	3 Years	6 Months	Yes	Yes

The NRCG (based on its assessment of role, profile, and risk taken by an employee) could increase the coverage of employees that will be subject to deferral arrangements. There are no signing or guaranteed bonuses awarded during the current and prior year.

and quantum of awards will also be determined on an annual basis, based on the performance requirements. All LTIP awards will be delivered as non-cash instruments and are delivered on assessment of results achieved at the end of the performance period. LTIP vest immediately at the end of the performance period (a minimum of three years) and are subject to a six-month retention period post vesting.

In addition to non-cash short-term incentives and in order to motivate and align employees with its long-term business plans, the Group may decide to selectively award LTIP to employees contingent on the delivery of future performance targets. The NRCG will confirm the employees eligible for the LTIP scheme on annual basis. The performance horizon

The Group has decided to remunerate all covered staff having annual salary exceeding BD 100 thousand and those who occupies grade 3 level, by using the STIP option effectively from year 2021. In this respect, the following table further elaborates on the remuneration scheme:

Element of variable remuneration	Constitutions	Deferral period	Retention	Malus	Clawback
Upfront cash	40%	Immediate	-	-	Yes
Deferred share awards	60%	3 Years	6 Months	Yes	Yes

### 5.5. External consultants

The Group had appointed consultants at the time of formulation of policy and framework along with approved regulations. Thereafter, they are being appointed on time to time to provide technical advice when required.

resources, and strategy. Such system ensures to manage the Group's key risk areas within an acceptable risk profile rather than eliminating the risk of failure to achieve the policies and business objectives. The Group's system of Internal Control includes:

- An organization structure with clearly defined authority limits and reporting mechanisms to Executive Management and the Board.
- A risk management function with responsibility to ensure that risks are identified, assessed, and managed throughout the Group.

### 6. Internal Control

The Board is responsible for the adequacy and effectiveness of the Group's system of internal control, which is supported by segregation of duties, enhanced systems of internal control process across all aspects of business, as well as strong support functions covering legal, regulatory, governance, finance, information technology, human

# Corporate Governance

## 6. Internal Control (continued)

- A set of policies and guidelines relating to credit risk management, asset and liability management, compliance, operational risk management, and business continuity planning.
- An annual budgeting and monthly financial reporting system for all business units, which enables monitoring progress against plans, trends to be evaluated, and variances to be justified.
- An internal audit function to evaluate the adequacy and effectiveness of governance, risk and control systems, and to review management's compliance with policies and procedures.

The key processes that have been established in reviewing the adequacy and integrity of the system of internal control with respect to financial reporting include the following:

- Board established committees that assist in ensuring the effectiveness of the Group's daily operations, and ensures they are in accordance with the corporate objectives, strategic plans and annual budgets as well as approved policies and business directions.
- The Internal Audit Department checks for compliance with policies and procedures and the effectiveness of the internal control systems on an ongoing basis using samples and rotational procedures and highlights significant findings in respect of any non-compliance. Audit is carried out on all departments and branches, the frequency of which is determined by the level of risk assessed, to provide an independent and objective report. The annual audit plan is reviewed and approved by the Board Audit Committee. Findings of audits are submitted to the Committee for review during their periodic meetings.
- The Board Audit Committee reviews internal control issues identified by the Internal Audit Department, regulatory authorities, Executive Management, and external auditors and evaluate the adequacy and effectiveness of the risk management and internal control systems. The Committee also reviews the Internal Audit function with particular emphasis on the scope and quality of deliverables and observations. The minutes of the Committee meetings are presented to the Board of Directors on periodic basis.

The governance arrangements, systems and controls employed by the Group also ensure Sharia compliance and

how these meets applicable standards, and if there is less than full compliance, an explanation of the reasons for non-compliance.

The Group is committed to avoid recognizing any income generated from non-Sharia compliant sources. Accordingly, all non-Sharia compliant income is transferred to a charity fund where the Group uses these funds for social welfare activities. The statement of sources and uses of charity fund (disclosed within the Annual Report) provides further information.

## 7. Risk Management

### 7.1. Risk Management Framework

The Group is committed to comply with Basel and IFSB guidelines and to CBB requirements. Risk management framework aims at proactive management of risks throughout the life cycle of a financial transaction including its operating circumstances from origination to final disposal from the books of the Group.

The Group's risk management framework is regularly reviewed and continuously enhanced to facilitate a comprehensive assessment of the various types of risk that the Group is (and may be) exposed to; risks such as credit, market, operational, liquidity, profit rate, concentration, reputation, compliance, etc.

Keeping in mind the uncertain market conditions and continuous increase in profit rate, the Group has been closely monitoring its liquidity and funding profile. The Group also carried out extensive stress testing to assess its ability to withstand continued and even worsening economic conditions. The results of the stress tests and scenario analysis reinforced the strength of the Group's capital and liquidity ratios.

In line with the regulatory guidelines and best practices, the Group has taken initiatives to enhance its risk management framework, which consists of aligning policies and procedures, reviewing various processes and controls, creating awareness sessions, and enhancing reporting culture across the Group. The Group's already established Internal Capital Adequacy Assessment Process ("ICAAP") continued to aid the management of both daily and larger, strategic risks.

The aim of the Group's ICAAP is to manage all risks that could impact the capital and liquidity positions in a structured way, using internally developed approaches to measure, monitor and manage these risks at all times. The Group maintains a prudent and disciplined approach to risk taking by upholding a comprehensive set of risk

## Corporate Governance

### 7. Risk Management (continued)

management policies, processes and limits, employing professionally qualified people with the appropriate skills, investing in technology and training, and actively promoting a culture of sound risk management at all levels.

Risk Management governance originates at the Board level, and cascades through to the CEO and businesses, via policies and delegated authorities, which ensures Board-level oversight and a clear segregation of duties between those who originate and those who approve risk exposures.

The Board has an overall responsibility for validating and approving the policies, defining the risk tolerance, and establishing the risk strategy for an effective risk management framework. The responsibility of risk governance lies with the Board and Management Committees, who in turn, define and monitor the relevant risks to the organization (both financial and non-financial risks, including credit, market, liquidity, operational, compliance, strategic, reputational, and legal). The Group has constituted various management committees with specific roles and responsibilities to review and endorse relevant risk parameters on an ongoing basis.

The Group follows a policy of Enterprise-wide Risk Management ("ERM"), which aligns strategy, policies, charters, people, processes, technology and knowledge in order to evaluate and manage the opportunities, threats and uncertainties that the Group may face in its ongoing efforts to create shareholder value. The ERM places emphasis on accountability, responsibility, independence, reporting, communications, and transparency. The risk management framework of the Group is structured upon:

- Core risk principles - overriding principles governing all activities and risk monitoring procedures and;
- Specific risk policies - appropriate policies, framework documents, procedures and processes implemented to manage specific risks to which the Group is exposed.

The Group's ERM process is based on three lines of defense:

- Business and Support Management - Each of the Group's business and support units, including Material Risk-takers, own and manage the risks, including compliance risks, inherent-in/or arising-from the business process, and are responsible for having controls in place to mitigate key risks and promoting a culture of compliance and control.

- Independent Control Functions – The Group's independent control functions, including Compliance, Legal, Information Security, and Risk, set standards according to which the Group and its business units are expected to manage and oversee risks, including compliance with applicable laws, regulatory requirements, policies and standards of ethical conduct. The Risk Management Department ("RMD") is responsible for formulating and monitoring the Group's policies related to all aspects of risk, developing the framework for risk measurement and coordinating with the relevant departments for all necessary steps for adhering to Basel requirements under CBB rules, and guidelines of the Ultimate Parent. RMD is also responsible for introducing and implementing risk measurement software/tools, monitoring the Group's compliance with risk measurement standards, providing the management with reports on various risks, and providing subject matter expertise on their respective risk areas. The Head of CRO reports directly to the BRMC and provides regular updates on the Group's risk profile and recommendations. In addition, among other things, the independent control functions provide advice and training to the Group's businesses and establish tools, methodologies, processes, and oversight of controls used by the businesses to foster a culture of compliance and control, and to satisfy risk management standards.

- Internal Audit - The Group's Internal Audit function independently reviews activities of the first two lines of defense discussed above based on a risk-based audit plan and methodology approved by the Board of Directors.

The risk appetite statement reflects the level and type of risk that the Group is willing to assume, in order to achieve its strategic and business objectives, keeping in mind the obligations to its stakeholders. The Group has a well-defined risk appetite framework, which consists of the risk appetite statement (with both qualitative and quantitative measures) along with:

- Well-defined performance metrics in the form of KPI's;
- Risk limits, exposure criteria, restrictions and controls, financing and investment standards as laid out in the internal risk policies and procedures manual;
- Capital and liquidity benchmarks monitored in the ALMC meetings;

## Corporate Governance

### 7. Risk Management (continued)

- Key business and risk management objectives, goals, and strategy, defined in business, investment, and risk management strategies; and
- Management and oversight structures in the Group through Executive Management and Board Committees. The risk appetite defines the desired performance levels, which in turn are embedded into management of the various risks within the Group as well as the capital of the Group and is integrated into the strategic, capital, and risk management planning process across the business verticals.

Further, the Board periodically reviews the risk management policies, limits, and risk strategies to cope with the changing economic environment and Group's risk appetite.

The Group believes that accurate, reliable, and timely information is vital to support decisions regarding risk management at all levels. On an ongoing basis, the Group will also continue to strengthen its risk management processes and invest in relevant risk management infrastructure in order to be more robust and responsive to the increasingly complex business environment. The requirements span a diverse range of risk functionality including review of credit and market risk analysis systems, strategic planning, asset and liability management, performance measurement, operational risk and regulatory reporting, as well as trading and trade-processing systems and staff supporting systems. Further, it employs Information and cyber security measures to protect the confidentiality, integrity, and availability of Group's information when required by the business.

Data reconciliation is established to provide the integrity of the information used and appropriate security controls around all systems. The Group has a Board approved comprehensive business continuity framework in place and the plan is tested periodically to ensure that the impact of any potential disaster on its operations is minimal.

The Group is committed to meeting the highest levels of ethical standards in all areas of its operations. The Compliance Department ensures the Group's operations are in line with all applicable laws and regulations, sending periodic regulatory information to the supervisory bodies, advises and keeps Executive Management informed on the implication of compliance laws and regulations on the Group's operations.

### 7.2. Credit Risk Management

The Group's risk management philosophy is based on a well-defined policy, trained and experienced employees, and effective systems. The Credit Risk Management Policy dictates the credit risk strategy. This policy spells out the target markets, risk acceptance/avoidance levels, risk tolerance limits, preferred levels of diversification and concentration, credit risk measurement, monitoring and controlling mechanisms. The Group has tailored credit approval processes to suit the customer, product, sector and exposure types. The credit policy articulates the Credit Risk Management Framework, including:

- Key credit risk management principles;
- Delegation of authority;
- Credit risk management program;
- Counterparty credit risk management for financing, trading and investment activities;
- Aggregate limits, beyond which credit applications requires higher level of approvals; and
- Single name/aggregation exposures, beyond which exposures must be reported to the Board.

The credit policy is reviewed regularly to ensure up to date guidelines for new credit approvals, renewals or changes in the existing terms and conditions of the previously approved credit policies. The Group has a dedicated team of experienced credit review professionals who identify risk at an early stage and take proactive measures to minimize the impact. The Group uses a state-of-the-art rating system to support the internal credit models to estimate Probability of Default, Loss Given Default, and Exposure at Default parameters.

RMD tracks arrears to ensure operational efficiency and compliance with the granting and follow-up policy by identifying changes in trends and variances from tolerance levels. Arrears percentages are reported regularly and are evaluated on various verticals such as product, branch, industry levels, etc., Branch performance and targets include arrear targets, appropriately balanced with sales and profit targets.

Proactive Credit Risk Management practice in the form of studies of rating distribution, portfolio analysis of all financing assets, periodic review of industry, country, currency, counter-party, single-obligor and concentration of exposures are only some of the prudent measures; the Group is engaged in mitigating risk exposures.

## Corporate Governance

### 7. Risk Management (continued)

#### 7.3. Market, Liquidity, and Profit Rate Risk Management

The Group manages market, liquidity, and profit rate risks through its ALMC process. The ALMC is primarily entrusted with the task of market and liquidity risk management. The committee decides on product pricing, mix of assets and liabilities, stipulates liquidity and profit rate risk limits and monitors them, articulates Group's profit rate view and determines the Group's business strategy.

The Group has a well-established framework for market and liquidity risk management with the asset liability management, Funds Transfer Pricing ("FTP"), profit rate risk and the Treasury Policies forming the fulcrum for procedures, processes and structure. It has a major objective of protecting the Group's net profit in the short run and equity value in the long run for enhancing shareholders wealth.

According to Basel recommendations on liquidity management, the Group measures liquidity according to two criteria: (1) normal business, reflecting day-to-day expectations regarding the funding of the Group; and (2) crisis scenario, reflecting simulated extreme business circumstances in which the Group's survival may be threatened. The Group also carries out behavior analysis of customer funds to measure the retention rate of funds with different time buckets, using statistical techniques. The important aspect of market risk management includes profit rate risk management and the pricing of assets and liabilities.

ALMC has determined the most appropriate liquidity horizon for the Group as three months for the normal business scenario and six months for the crisis business scenario. This means that holding sufficient liquid funds for three months is acceptable for normal business purposes but six months would be more prudent in the event of a liquidity crisis.

The Group's liquidity policy is to hold sufficient liquid assets to cover its committed statement of financial position requirements, plus its budgeted expenses for the liquidity horizon, plus its forecast investment commitments over the liquidity horizon. The Group continues to strengthen its liquidity management activities in order to ensure that it maintains a stable funding base and strong liquidity during the prevailing period of global market crisis.

In addition, the Group ensures the availability of adequate liquidity at all times through systematic funds planning, maintenance of liquid investments and focus on more stable funding sources. The Group implements regular stress testing and review of its liquidity strategy and report results regularly to the Board.

#### 7.4. Operational Risk Management

The objectives of operational risk management are to identify, measure, mitigate, and monitor operational risk, and promote risk awareness and a healthy risk culture within the Group. Risk quantification and awareness helps management set priorities in their actions and allocate people and resources.

The Group manages operational risk through internal controls and standard operating procedures that are updated regularly to reflect the current business environment. The Group systematically reviews its business areas to minimize the risk of financial losses due to sanctions, claims, or reputational damages resulting from non-compliance with legislation, rules, and standards.

Operational risk management within the Group aims to have a healthy balance between the exposure to these risks and tools to manage them. The Group has established a consistent framework for monitoring, assessing, and communicating operational risks and the overall operating effectiveness of the internal control environment. The operational risk management framework has been developed with the objective to ensure that operational risks within the Group are identified, monitored, managed, and reported in a structured, systematic, and consistent manner.

The management of operational risk has two key objectives:

- To minimize the impact of operational losses suffered in the normal course of business (expected losses) and to avoid or reduce the likelihood of suffering an extreme (or unexpected) loss; and
- To improve the effective management of the Group and strengthen its brand and external reputation through efficient delivery of services.

A key component of the operational risk framework is a set of a core operational risk standards, which provides guidance on the baseline control to ensure a controlled and sound operating environment. The process for operational risk management includes the following steps:

- Identify and assess key operational risks;
- Design controls to mitigate identified risks;
- Establish key risk and control indicators;
- Implement a process for early problem recognition and timely escalation;
- Produce a comprehensive operational risk report; and
- Ensure that sufficient resources are available to actively improve the operational risk environment and mitigate emerging risks.

## Corporate Governance

### 7. Risk Management (continued)

The Group has a comprehensive system of internal controls, systems and procedures to monitor and mitigate risk, it also institutionalized the approval process of new product, services, and outsourcing to identify the risk inherent in such activities.

Information Technology ("IT") risk is managed in accordance to an IT policy (which covers risk governance, communication, monitoring, assessment, mitigation and acceptance). Centralized functional control is exercised over all computer system developments and operations. The Group employs information and cyber security controls in accordance to regulatory requirements and best practices to manage the risk and ensure protection of the Group products and services from all cyber threats, in line with the business directions and digital transformation strategy.

Moreover, the Group has a security operations center, digital protection and threat informed intelligence tools to proactively protect the business with the increase demand on data protection, privacy and continuity of services. The Group closely monitors cyber threats and data privacy, and as mitigating actions:

- Continues to strengthen and significantly invest to enhance its ability to prevent, detect, and respond to the ever-increasing and sophisticated threat of cyber-attacks. Specifically, the Group enhanced its capabilities to protect against increasingly sophisticated malware, denial of service attacks and data leakage prevention, and enhanced security event detection and incident response processes.
- Cyber risk is a Board priority topic and is regularly reported at Board-level to ensure appropriate visibility, governance, and executive support for ongoing cybersecurity program.
- Participate in intelligence sharing with both law enforcement and industry schemes to help improve understanding of/and ability to respond to the evolving threats faced by the Group and peers within industry.

The Compliance Officer, who is approved by CBB, manages compliance in the Group. The main responsibility of the Compliance function is to ensure that the Group is complied with all applicable rules and regulations. The Internal Audit function through the Risk-based Internal Audit, compliments the Group's ability to control and mitigate risk.

The Group has nominated a dedicated officer to look after the business continuity framework on an ongoing basis and

carryout periodic tests to ensure its preparedness to manage the operations with minimum/no disruptions in the event of any unforeseen situation.

The Group continually refines and strengthens existing policies, procedures, and internal control measures; conduct internal reviews, compliance monitoring, and comprehensive audits to prevent or minimize unexpected losses, and when necessary to cope with the growth in Group's size and complexity.

Fraud Risk Management – In light of combating the cyber fraud and non-tradition frauds, the Group has established a dedicated Fraud Risk management function led by an approved person, reporting to the Chief Risk Officer who in turn reports to the BRMC. As part of monitoring tools, the group is enhancing the fraud monitoring tools and systems to empower the concerned staff for managing the risk in a prudent manner.

#### 7.5. Capital Management

Capital management is an ongoing process of ensuring adequate capital is available to meet regulatory capital requirements and ensure optimum capital usage. The Group has implemented a dedicated capital management system, which calculates the capital adequacy ratios in line with CBB and Basel guidelines. Using this system, exposures are measured so that account level data is correctly used for calculating risk weights, credit conversions and allocation of credit risk mitigants.

#### 7.6. Compliance

Compliance risk is the potential that the procedures implemented by the entity to ensure compliance with relevant statutory, regulatory, and supervisory requirements are not adhered to, inefficient, or ineffective. The Group manages compliance risk through the following key activities:

- Creating awareness through the training of employees and other affected stakeholders on the impact and responsibilities related to legislative requirements;
- Monitoring and reporting on the level of compliance with legislative requirements; and
- Providing assurance that the risks related to regulatory requirements are identified, understood, and effectively managed.

The Group is committed to (and requires all its employees to display) the highest standards of integrity, professionalism, and ethical behavior, and to comply with all relevant laws, rules, and standards when conducting the business.

## Corporate Governance

### 7. Risk Management (continued)

The Group's Compliance function is an independent function that identifies, evaluates, advises on, monitors and reports on compliance risk. The Risk Management Department (together with Internal Audit and Compliance Departments) provides independent assurance that all types of risk are being measured and managed in accordance with the policies and guidelines set by the Board of Directors.

### 8. Code of Business Conduct and Ethics for members of the Board of Directors

The Group maintains a Board approved policy on the employment of relatives, which establishes minimum standards regarding the employment of immediate family members or other relatives throughout every phase of the employment relationship (such as recruiting, hiring and internal transfers). Hiring first- and second-degree relatives at the Group is prohibited. Appointments of these relatives for board members or Sharia Supervisory Board members require approval from the NRGCC. Third- and fourth-degree relatives may be employed in different departments, provided they receive BNRGC approval. However, should not work in positions where there is an actual, potential, or perceived conflict of interest or opportunity for collusion, this includes (but not limited to) where one individual may be able to assign, process, review, approve, audit financial transactions, or otherwise affect the work of the others through direct oversight on each other. This need to be examined by the Human Resources Department and Risk Management Department to ensure no actual or potential conflict of interest exists according to the approved policies, particularly the Code of Conduct and Conflict of Interest policies. The CEO is required to disclose annually to the board, via the committee, the names of employees in regulated positions who are relatives of approved employees up to the second degree. The group is fully committed to complying with the Central Bank of Bahrain's requirements at all times.

The Group's Code of Business Conduct and Ethics applies to members of the Board, as well as Executive Management, officers, employees, agents, consultants and others, when they are representing for the Group. The Board of Directors and Executive Management acts ethically at all times and acknowledge their adherence to the approved policies. Any waiver of the Code of Business Conduct and Ethics for a Director or Executive Officer may be granted only by the Board or the appropriate Board Committee, and must be promptly disclosed to the shareholders.

The Code is intended to focus the Board and each Director on areas of ethical risks, provide guidance to Directors to help them recognize and deal with ethical issues, provide mechanisms to report unethical conduct, and help foster a culture of honesty and accountability. Each Director must comply with this Code. Directors should communicate any suspected violations of this Code promptly to the Chairman of the Audit Committee. Violations will be investigated by the Board or by a person delegated by the Board and appropriate action will be taken in the event of any violations of the Code.

The Code is intended to serve as a source of guiding principles for Directors, who are encouraged to bring questions about particular circumstances that may implicate one or more of the provisions of this Code to the attention of the Chairman of the Audit Committee, who may consult with inside or outside legal counsel as appropriate.

#### 8.1. Expectations from the Board

• Adherence to the highest standards of honest and ethical conduct, including proper and ethical procedures in dealing with actual or apparent conflicts of interest between personal and professional relationships

- Full, fair, accurate, sensible, timely and meaningful disclosures in the periodic reports required to be filed with the regulatory authorities;
- Compliance with applicable laws, rules, and regulations;
- To redress misuse or misapplication of the Group's assets and resources;
- The highest level of confidentiality and fair dealing within and outside the Group.

#### 8.2. Conflict of interest

A conflict of interest occurs when personal interest of any Board member interferes (or appears to interfere in any way) with the interests of the Group. Every Board member has a responsibility to the Group, its shareholders and to each other. Although this duty does not prevent them from engaging in personal transactions and investments, however, it demands they avoid situations where a conflict of interest might occur or appear to occur. They are expected to perform their duties in a way that do not conflict with the Group's interest, some of the more common conflicts from which directors must refrain, however, are set out below:

- **Business interests** – any Board member considers investing in securities issued by the Group's customer, supplier or competitor, must ensure that these investments do not compromise their responsibilities

## Corporate Governance

### 8. Code of Business Conduct and Ethics for members of the Board of Directors (continued)

to the Group. Many factors including size and nature of the investment; ability to influence the Group decisions; access to confidential information of the Group or of the other entity, and the nature of the relationship between the Group and the customer, supplier or competitor should be considered in determining whether a conflict exists. Additionally, Board members should disclose to the Group any interest that they have which may conflict with Group's business.

• **Related parties** - as a rule, Board members should avoid conducting Group's business with a relative or any counterparty in which the relative or other person is associated in any significant role. If such a related-party transaction is unavoidable, Board members must fully disclose the nature of the related party transaction to the appropriate authority as per the corporate governance guidelines approved by the Board. Any dealings with a related party must be conducted in such a way that no preferential treatment is given to that party.

• **Use of Group's assets and resources** - each Board member has a duty to the Group to advance its legitimate interests while dealing with Group's assets and resources. Board members are prohibited from:

- Using the Group property, information, or position for personal gain;
- Acting on behalf of the Group in any transaction in which they or any of their relative(s) have a significant direct or indirect interest;

• **Gifts** - soliciting, demanding, accepting or agreeing to accept anything where any such gift is more than modest in value, or where acceptance of the gifts could create the appearance of a conflict of interest;

In the case of any other transaction or situation giving rise to conflicts of interest, the appropriate authority should after due deliberations decide on its impact.

#### 8.3. Confidentiality

Board members should maintain the confidentiality of information entrusted to them and any other confidential information about the Group that comes to them, from whatever source, in their capacity as a Board members, except when disclosure is authorized or legally mandated.

### 8.4. Communications Policy

The Group uses all available avenues to communicate with its stakeholders, in line with the principle of transparency and disclosure that is integral to good corporate governance. This includes wide use of corporate publications, website, direct mailers, electronic mail and local and regional media (through press releases), for the purposes of advertising and providing information on the Group's progress.

The Group's commitment to provide timely, accurate, and balanced disclosure of all material information to a broad audience is guided by the relevant regulatory guidelines and disclosure policies of the Ultimate Parent.

Furthermore, the Group maintains a website ([www.albaraka.bh](http://www.albaraka.bh)), which includes information of interest to various stakeholders including regulatory authorities. Information available on the website includes annual reports, quarterly reviewed financial statements, and carries updates of any significant events and regulatory requirements. The Group's quarterly results are published in Arabic and English newspapers, are posted on the Group's website.

The Board acknowledges the importance of continuous communication with shareholders, including AGM's. Shareholders are therefore encouraged to participate in such meetings. The Board oversees communications with shareholders and other stakeholders. This includes reviewing and/or approving key disclosure documents (e.g. financial statements, etc.).

The Group communicates with shareholders through the annual report and by providing information at the AGM. Individual shareholders can raise matters related to their shareholdings and the business of the Group. The Group provides detailed information about its corporate governance structure and other related information. Shareholders are given the opportunity to ask questions at the AGM.

According to the Group's policy, the Chairman and the CEO are the primary spokespersons responsible for communicating company's information to the community and the media. For the purpose of these guidelines, the community refers to existing and potential investors of the Group, analysts and market professionals. Where appropriate, the Group may authorize other officers to communicate with the community or the media as part of its investor relations or public communications program.

Executive Management and Relationship Managers deals (on case-by-case basis) with investors and customers queries. Additional information for the community is provided through:

## Corporate Governance

### 8. Code of Business Conduct and Ethics for members of the Board of Directors (continued)

- One-to-one meetings and conference calls with Executive Management;
- Road shows, investor conferences and conference calls; and
- Financial and subject-specific presentations.

### 9. Customer Centric Initiatives

As always, efficient customer service and customer satisfaction are the primary objectives of the Group in its day-to-day operations. The Group has put in place a Board approved Customer Centricity policy and is highly responsive to the needs and satisfaction of its customers, and is committed to the belief that all technology, processes, products, and skills of its people must be leveraged to deliver superior banking experience to its customers.

The Group is focused towards providing excellent customer service through all delivery channels and has been working to enhance the scope of digital banking services as alternative delivery channels to the diverse needs of different customers. The varied interests and expectations of customers are taken care of by improving various processes and procedures.

All stakeholders (including investors) may use the Group's website for logging a query or a complaint. The query is automatically channeled to the appropriate responsible department to handle the issues when completed using the online form, or can be sent using the available complaints email.

The Group maintains a comprehensive whistleblowing policy (approved by the Board) for handling of customer complaints. All employees are aware of and abide by this policy. The Group has a designated whistleblowing and customer complaints team for handling all internal and external complaints and its contact details are displayed on the website and at all branches. Persons not directly related to the complaints normally investigates them. The Group endeavors to address all complaints within acceptable timeframe. Wherever this is not possible, the customer is directly contacted and a specific rectification timeframe is advised. A periodical report on status of complaints is also submitted to CBB and the Board of Directors.

### 10. Legal and Regulatory Risk and Anti-Money Laundering

Strict compliance with all relevant regulations is one of the Group's core values. Legal risks are mitigated through legal counsel review of transactions and documentation,

as appropriate. Where possible, the Group uses standard formats for transaction documentation. To prevent potential association with any money laundering activities, the Group has designed and implemented a comprehensive set of policies and procedures. Adherence to the Group's policies and procedures is reinforced through periodic and regular staff training, along with internal reviews and external auditor's review.

The Anti-Money Laundering ("AML") and Combating Financing Terrorism ("CFT") policy is the foundation on which the Group's implementation of KYC norms, AML standards, CFT measures; and obligation of the Group according to regulation and directives issued by CBB. The roles of the MLRO and his Deputy is to oversee the proper implementation of the requirements of the Anti-Money Laundering Law, as amended, on covered and suspicious transactions as well as freezing of accounts, and to ensure complying with the requirements and obligations set out in relevant legislations, rules, and industry guidance for the financial services sector. The Group continuously review the policies and the adopted measures to ensure the ongoing application of (and adherence to) best practices. Regular training sessions are conducted on KYC, AML, and CFT guidelines for all the staff.

### 11. Sharia Compliance and Supervision

Based on Board of Directors recommendations, the Sharia Supervisory Board ("SSB") is elected for a three-year term by the shareholders during the AGM. The SSB has the following responsibilities:

- Overseeing the operations and activities of the Group to ensure compliance with Islamic Sharia principles;
- Monitoring and supervising transactions to ensure full compliance with the SSB decisions; and
- Reviewing files, records, and documents at any time. SSB can request any information deemed necessary and approves all relevant documents relating to new products and services including contracts, agreements, marketing and promotional material, or other legal documents used in the Group operations.
- The SSB comprises of three scholars specialized in Fiqh Al-Mu'amalat. These members have extensive experience in the Islamic banking and finance and meet the fit and proper criteria specified by the CBB. The structure of the SSB is as follows:

## Corporate Governance

### 11. Sharia Compliance and Supervision (continued)

Name	Nationality	Qualifications
Shaikh Essam Mohamed Ishaq (Chairman)	Bahraini	- Graduate from McGill University, Montreal, Canada. - Member of Board of AAOIFI.
Shaikh Dr. Nedham Mohamed Saleh Yaqoobi (Member)	Bahraini	- Graduate from McGill University, Montreal, Canada. - Ph.D. in Sharia.
Shaikh Judge Waleed Abdulmonem Al-Mahmood (Member)	Bahraini	- B.Sc. in Sharia and Law. - High Diploma in Comparative Fiqh. - Master's Degree.

- SSB meets at least quarterly and each member attends at least ¾ of the meetings during a calendar year. Further, in addition to the regular meetings, the SSB

Chairman may convene SSB meetings as and when it is necessary:

Name	Meeting Dates			
	12 Feb	20 May	09 Sep	13 Nov
Shaikh Esam Mohamed Ishaq (Chairman)	✓	✓	✓	✓
Shaikh Dr. Nedham Mohamed Saleh Yaqoobi (Member)	✓	✓	✓	✓
Shaikh Judge Waleed Abdulmonem Al-Mahmood (Member)	✓	✓	✓	✓

SSB operates in accordance with its internal regulations, which clarify its policies, procedures and responsibilities. In carrying out its duties, the SSB has the full right to communicate with the Board of Directors, the Executive Management, and the management and staff of the Subsidiary. In addition to supervising, advise on Sharia compliance in all products and services. It is worth noting that the Internal Sharia Audit function is an independent department reporting functionally to the SSB, and administratively to the CEO. In addition, the Sharia Coordination and Implementation function is an independent department that reports functionally to the SSB and administratively to the CEO. Sharia Officer and the Head of Internal Sharia Audit are working in conformity with a charter that defines their technical duties in accordance with the instructions of CBB.

The Group also appoints – on annual basis – an independent external Sharia auditor ("IESCA") approved by the CBB, to assess the existence of Sharia controls and their effectiveness in implementation by the Group's Executive Management of the policies, procedures and decisions of the SSB to achieve Sharia compliance.

The Group places great importance on Sharia compliance, whether in the transactions of the Group or of its subsidiary. The compliance policy of the Group is in compliance with Sharia rules and principles stipulated in the AAOIFI standards and the decisions of the Ultimate Parent Centralized Sharia Supervisory Board. The Group and its subsidiary are

committed to comply with AAOIFI Sharia standards and fatwas and decisions circulated by the Sharia Board to the extent that they do not conflict with local laws.

### 12. Disclosure in Accordance with Sharia Standards

Al Baraka Islamic has a comprehensive, systematic policy outlined in all internal regulations that emphasizes the principle of customer screening, ensuring compliance with Islamic law and protecting the financial institution from risks. This policy encompasses several aspects:

1. Sharia Compliance Assessment: Ensuring that customers align with Islamic principles, such as avoiding activities related to usury or gambling.
2. Financial Due Diligence: Examining the financial status of customers, including income and financial sources, to ensure their ability to meet obligations.
3. Risk Analysis: Evaluating the risks associated with each customer, including political and economic risks.
4. Collaboration with Regulatory Authorities: Complying with local and international laws, including anti-money laundering and counter-terrorism financing regulations.
5. Education and Awareness: Providing customers with information about Sharia-compliant products and services, while promoting financial literacy.

## • • • Corporate Governance

### 12. Disclosure in Accordance with Sharia Standards (continued)

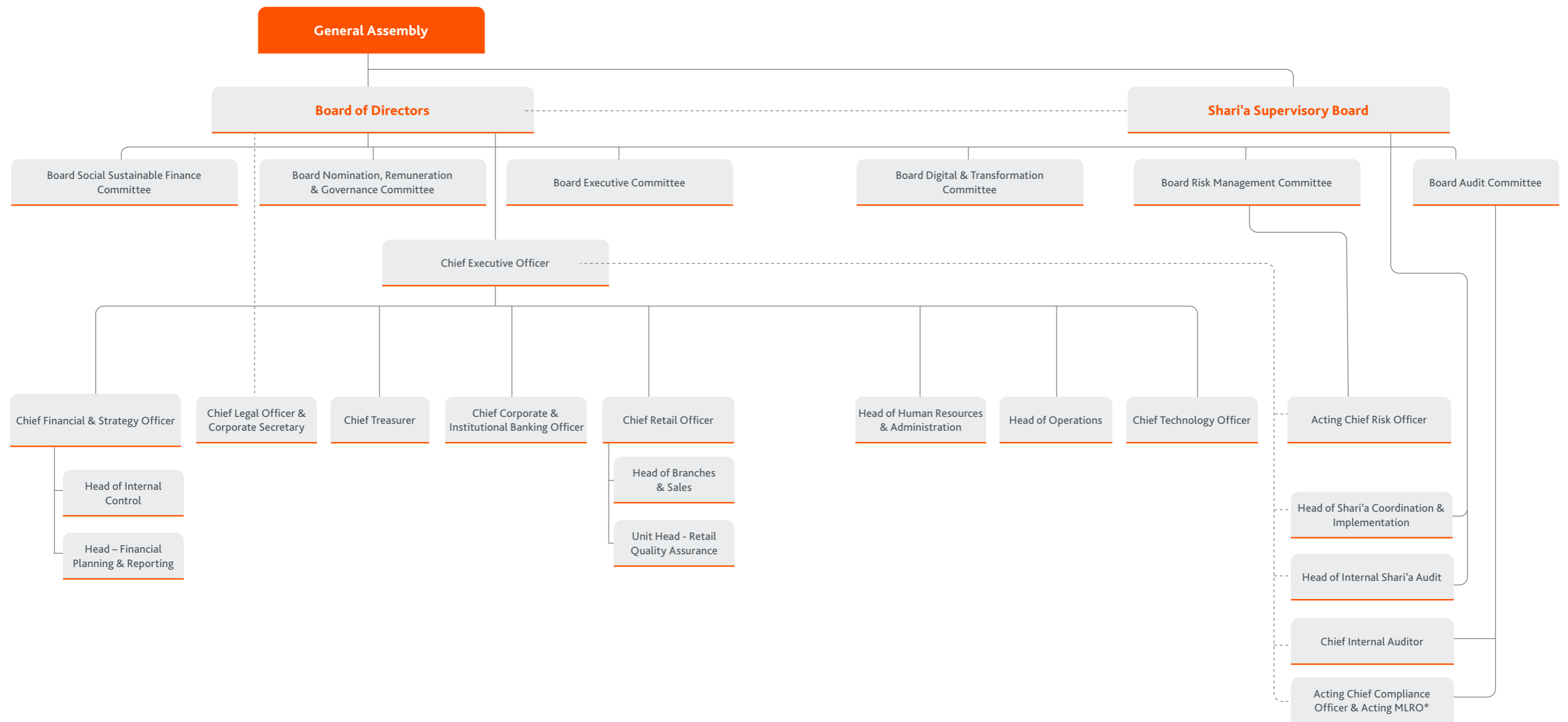
These policies help build customer trust and enhance the bank's financial sustainability. The bank reaffirms its commitment to a customer screening policy that meets regulatory standards, ensuring compliance with Islamic law and protecting the interests of both customers and the bank.

- Bank Al Baraka Islamic has established comprehensive regulations governing its customer interaction policies, focusing on customer centrality in terms of contract transparency and clarity. The bank ensures that promotional materials for banking products align with practical and ethical realities, while fairly safeguarding the rights of all parties in accordance with the laws governing Bahrain. Additionally, credit regulations have been implemented to manage the customer's repayment capacity in line with their credit status, and the bank has developed a comprehensive guide for addressing default situations, preserving the rights of all parties involved. These guidelines have been reviewed by the relevant Sharia departments.
- Bank Al Baraka Islamic takes pride in adopting a comprehensive social welfare policy aimed at all employees and their rights as mandated by the Ministry of Labor. The bank also provides medical care services for its employees and their families, reflecting its commitment to the well-being of its staff.



The Group places great importance on Sharia compliance, whether in the transactions of the Group or of its subsidiary.

# Organisational Chart



\*Interim arrangement

..... Dotted Line: Administrative Reporting  
 ————— Straight Line: Functional Reporting

## Board of Directors Profile



**Sabah Khalil Al Moayyed**  
CHAIRPERSON

Mrs. Sabah Khalil Almoayyed obtained B.S.C in Economics and Business Administration from the American University of Beirut. She has an MBA from the University of De Paul Chicago, USA.

Mrs. Sabah has an in-depth experience in the banking industry in Bahrain and the Gulf. She worked with many banks including Citi Bank, Gulf United

Bank, NBB, and Ahli United Bank in Executive roles in the areas of commercial, treasury, and investment banking.

She was the CEO of Bahrain Eskan Bank for 10 years (mortgage and property development bank). She also served as a board member and advisor of many companies and banks in the Kingdom of Bahrain and Saudi Arabia including Ahli United Bank, Eskan Bank, Bahrain Development Bank. She is currently a Board Member at Investcorp Financial Services and L'azurde company for Jewelry.

Also she is a partner for Droob Consulting W.L.L., Flat6Labs Bahrain W.L.L., Intellect Resources Management W.L.L, Bahrain and Sabeel Real Estate Company W.L.L.

She was known for her role in the enhancement of women's roles in management and senior executive in the GCC and was instrumental in initiating and supporting the innovation ecosystem for the country through the launch of the first start-up accelerator in the Kingdom of Bahrain.



**Akram Yassin**  
VICE CHAIRMAN

Mr. Yassin received his bachelor's degree from University of Surrey, Department of Structural Engineering, and his master's degree from Southern Methodist University, Department of Business Administration.

Mr. Yassin who possesses a banking experience of over 30 years at an international level, has served at senior executive positions at significant

financial institutions including; National Bank of Abu Dhabi, Arab Bank plc, Arab Banking Corporation, Gulf International Bank, Riyadh Bank and Bank of Montreal.

Mr. Yassin currently serves as an independent and non-executive Board Member at Falcon Group and a Board Member at Al Baraka Bank Turkey.

## Board of Directors Profile



**Housseem Ben Haj Amor**  
BOARD MEMBER

Mr. Housseem Ben Haj Amor became a Board Member and Group Chief Executive Officer of Al Baraka Group (ABG) on October, 2022. He is also the Chairman of Al Baraka Bank Turkey and a Board Member of Al Baraka Bank's subsidiaries in Jordan, Egypt, Algeria and Bahrain.

With more than 25 years of experience in the finance industry across the Middle East, Europe and North Africa, Mr. Amor has held key leadership

roles in banking and financial institutions. Before his current role, he served as ABG's Deputy CEO and Head of Business Development and Investments. In these roles, he developed products and business initiatives across the Group, oversaw commercial banking and treasury functions, and managed the Group's strategy department.



**Dr. Khalid Abdulla Ateeq**  
BOARD MEMBER

Dr. Khalid has over 38 years of experience in banking, finance, auditing and accounting. He used to be Board member and CEO of the Family Bank; he worked as the Deputy CEO of Venture Capital Bank for 7 years. Before that, he was Executive Director of Banking Supervision at the Central Bank of Bahrain before (BMA) for 13 years, where he was responsible for the licensing, inspection and supervision of financial institutions, ensuring

that all banks and financial institutions, either operating or incorporated in Bahrain, complied with promulgated laws and regulations. Before joining the CBB, he was Assistant Professor at Bahrain University.

In addition, through his diversified experience, Dr. Khalid served in senior posts with a number of reputable banks and firms. He holds a Ph.D. in Philosophy of Accounting from UK. Dr. Khalid is a Board Member of Al Baraka Banking Group (ABG).

## Board of Directors Profile



**Abdulrahman Abdulla Al Sayed**  
BOARD MEMBER

Mr. Abdulrahman Abdulla Abdulrahim Al Sayed is a board member and the CEO of ITQAN Financial Services (W.L.L), Bahrain. He owns a shareholding of 50% of the company. He is also the Chairman of Tanmeya Capital, Saudi Arabia. And he owns a shareholding of 17.5% of the company. (regulated by CMA). Previously, he worked for the Central Bank of Bahrain for 10 years (1998 – 2008) in different senior positions, the lately was Director of Islamic Financial Institutions Supervision Directorate.

Mr. Abdulrahman served as a board member in several institutions including, Bank ABC Islamic and Bahrain Saudi Bank. He served also as Audit Committee Expert – Audit Committee, Al Salam Bank, Bahrain. He is also represented the Central Bank of Bahrain in several IFSB working groups, Malaysia. He has more than 23 years of experience in the banking and regulatory fields.

Mr. Abdulrahman, a Bahraini national, holds Master Degree in Business Administration, University of Dundee, UK. He also passed all the CPA subjects, State of California, USA.



**Abdul Malek Mezher**  
BOARD MEMBER

BA in Accounting from University of Jordan, Professional Certificates in Compliance and AML/CTF fields, ICGC-International Corporate Governance Certificate and GRCP - Governance, Risk and Compliance Professional

Mr. Abdulmalek Mezher joined ABG in November 2019 and has over 16 years of experience in Compliance, AML/CTF, Operational Risk, Corporate

Governance and Board Secretariat matters in Banking and Asset Management sectors. Prior to joining ABG, he worked for Alistithmar Capital, the subsidiary of the Saudi Investment Bank, as Head of Corporate Governance besides handling matters related to Board Affairs.

Mr. Abdulmalek holds a BA in Accounting from the University of Jordan. He has several Professional Certificates in the Compliance and AML/CTF fields. He also holds the ICGC-International Corporate Governance Certificate, and is a GRCP – Governance, Risk and Compliance Professional. He recently obtained the CSAA – Certified Shari'a Advisor & Auditor designation.

Mr. Abdul Maled currently serves as Board Member at Al baraka Bank Sudan and Al Baraka Bank Pakistan.

## Board of Directors Profile



**Masood Ahmed Al Bastaki**  
BOARD MEMBER

Mr. Masood Al Bastaki has a B.Sc. in Business Administration and High Diploma in Finance and Marketing from the University of Bahrain. He had an experience of more than 35 years ranging between banking and consultancy services in addition to executive management.

Mr. Masood has an experience covering all aspects of banking services whether wholesale, retail investment treasury and financial institutions.

He worked for many banks including JP Morgan, BMI Bank, BBK and ABC. He was one of the founder team of Venture Bank Bahrain. Mr. Masood works as partner and CEO of Aerolease Aircraft and Equipment Leasing Company and a partner in Bahrain Consultancy Company and he is a Board member of Family Microfinance House.



**Abdulla Tarrar Edham**  
BOARD MEMBER

Mr. Abdulla Edham is a certified member of the Chartered Institution of Personnel and Development, and has a certificate from the Indian Institute of Management and Technology.

He worked as Head of HR Function for Middle East of African for Citi Bank based in Dubai, and supervising branches in 25 countries during the years (2009-2022)

Before that he worked for Citi Bank Bahrain for more the 25 years. He also worked for Citi Bank in South Africa, Russia and UAE.

Mr. Abdulla is a seasoned HR professional with experience primarily in the Middle East & Africa region. He was a member of the Advisory Board of the institute of Banking and Financial Studies in UAE. Currently Mr. Abdulla is providing consultancy on a freelancing basis.

He also assistant at ITI VENTURES Company that helping leaders to make the right decisions.

## Board of Directors Profile



**Adnan Abdulla Al Bassam**  
**BOARD MEMBER**

Mr. Adnan Al Bassam is the Vice Chairman of Al Bassam Investment Company W.L.L, Bahrain since 2005. Previously, he was Senior Manager – Internal Audit, Bahrain Islamic Bank (2000-2005). He served also as Senior Accountant at Ernst & Young (1997-2000).

Mr. Al Bassam is a Board Member of several institutions including, Ibdar Capital and The Malls Real Estate Development B.S.C (c), Bahrain. He is also a member of the board of trustees of Gulf University, Bahrain.

He has more than 28 years of experience in the banking and auditing fields. Mr. Al Bassam, a Bahraini national, holds Bachelor's Degree in Business Administration with concentration in Accounting, Southern Oregon State College, USA and Certified Public Accountant (CPA), Oregon State Board of Accountancy, USA.



Strong corporate governance is the foundation of sustainable success, ensuring accountability, transparency, and trust in every decision we make.

## Executive Management Profiles



**Dr. Adel Abdullah Salem**  
CHIEF EXECUTIVE OFFICER

### Experience

- Over 35 years of experience of which 16 years in Retail Banking
- Joined the Bank in 1st November 2023.
- Served as the General Manager of Retail Banking at the Bank of Bahrain and Kuwait (BBK)
- Previously held the position of Deputy General Manager - Business Support at Benefit

### Qualification

- Ph.D. in Management from Monarch Business School in Switzerland
- Master's degree in business research from Monarch Business School in Switzerland



**Mazin Ahmed Dhaif**  
CHIEF RETAIL OFFICER

### Experience

- Over 20 years of expertise in retail and personal financial products and services.
- Joined the Bank in January 2024.
- Held leadership roles in both International and Leading Local Banks.
- Previously worked Citi bank Bahrain
- Previously worked in NBB.
- Previously worked in BBK.

### Qualification

- Master's degree in Business Management from University of Hull in the United Kingdom.
- Bachelor degree from University of Bahrain.



**Mohamed Ali Qudrat**  
CHIEF TREASURER

### Experience

- Over 21 years of experience in Islamic banking.
- Joined the Bank in March 2016.
- Previously Worked in Bahrain Islamic Bank
- Previously Worked in Ithmaar Bank.

### Qualification

- Advanced Diploma in treasury and capital markets from Bahrain Institute of Banking and Finance.
- Advanced Diploma in banking and finance from Bahrain Institute of Banking and Finance

## Executive Management Profiles



**Husain Yusuf Ateyah**  
CHIEF CORPORATE & INSTITUTIONAL BANKING OFFICER

### Experience

- Extensive experience spanning nearly 20 years in the banking sector.
- Joined the Bank in November 2024.
- Held several leadership positions in prestigious international financial institutions.
- Previously worked at Citibank Bahrain.
- Previously worked at Standard Chartered Bank
- Previously worked at HSBC Bank.

### Qualification

- Master's degree in Business Administration from University of Strathclyde in the United Kingdom.
- Bachelor's degree in Management and Marketing from Ahlia University in Bahrain.
- Diploma in Business and Finance.

## Executive Management Profiles



**Mohamed Abdulla Abdulrahim**  
CHIEF FINANCIAL & STRATEGY OFFICER

### Experience

- Over 24 years of experience in Islamic banking and finance.
- Joined the Bank in December 2016.
- Served as a Director in Al Baraka Bank Pakistan Limited. Member of the Board Audit Committee; Board Risk Committee; and Board Nomination & Remuneration Committee (June 2023-June 2024).
- Chairman of Danaat Al Baraka Company, Chairman of Audit Committee.
- Worked in Khaleeji Commercial Bank, Kuwait Finance House, and Ministry of Finance and National Economy.

### Qualification

- B.Sc. in Accounting from University of Bahrain.
- Certified Public Accountant (CPA), licensed from Colorado State Board of Accountancy, a regular member of the American Institute of Certified Public Accountants (AICPA).
- Certified Islamic Professional Accountant (CIPA) from the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).
- Attended Leadership Grooming Program organized by Ivey Business School (University of Western Ontario, Canada), a program sponsored by the Waqf Fund of Central Bank of Bahrain.



**Duaij Khalifa Abulfateh**  
HEAD OF INTERNAL SHARIA AUDIT

### Experience

- Over 16 years of experience in Islamic banking and finance.
- Joined the Bank in October 2008.

### Qualification

- MBA from New York Institute of Technology.
- B.Sc. in Managerial Accounting from New York Institute of Technology
- Certified Sharia Advisor and Auditor (CSAA) licensed from the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).
- Advanced Diploma in Islamic Finance from Bahrain Institute of Banking and Finance.
- Advanced Diploma in Islamic commercial jurisprudence from Bahrain Institute of Banking and Finance

## Executive Management Profiles



**Mohammed Jassim Ebrahim**  
HEAD OF SHARIA COORDINATION & IMPLEMENTATION

### Experience

- 15 years of experience in Islamic banking sector.
- Joined the Bank in February 2009.

### Qualification

- Bachelor Degree in Islamic Law from College of Sharia of the Islamic University of Al Madinah Al Munawarah.
- Certified Sharia Advisor and Auditor (CSAA) licensed from the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI)



**Muneer Abu-Hussaien Abdulla**  
ACTING CHIEF RISK OFFICER

### Experience

- Over 20 years of experience in the Banking field.
- Joined the Bank in November 2008.
- Previously worked in Bank ABC.

### Qualification

- MBA from Ahlia University-Bahrain.
- B.Sc. in Business Banking & Finance from University of Bahrain.

## Executive Management Profiles



**Hasan Abdul Aziz Alqasimi**  
CHIEF INTERNAL AUDITOR

### Experience

- Over 13 years of experience in Auditing and Assurance Services.
- Joined the Bank in July 2017.
- Worked in EY and Seef Properties B.S.C©

### Qualification

- B.Sc. in Accounting & Finance from Ahlia University.
- Certified Public Accountant (CPA) – New Hampshire Board of Accountancy.
- Certified Internal Auditor (CIA)



**Hasan Abdulwahab Al Khan**  
HEAD OF OPERATIONS

### Experience

- Over 25 years of experience in retail and banking operations.
- Joined the Bank in July 2018.
- Previously worked in Bahrain Islamic Bank.

### Qualification

- MBA from Ahlia University.
- B.Sc. in Accounting from University of Bahrain.
- Certified Islamic Professional Accountant (CIPA) licensed from the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).
- Certified in International Trade Finance (CITF) from London Institute of Banking and Finance.
- Attended Leadership Grooming Program organized by Ivey Business School (University of Western Ontario, Canada), a program sponsored by the Waqf Fund of Central Bank of Bahrain

## Executive Management Profiles



**Ahmed Isa Al Khayyat**  
CHIEF TECHNOLOGY OFFICER

### Experience

- Over 17 years of experience in information technology and digital transformation.
- Joined the Bank in February 2018.
- Previously worked in Seera Investment Bank, and e-Government Authority.

### Qualification

- B.Sc. in Business Information Systems from University of Bahrain.
- Certified Project Management Professional (PMP) from the Project Management Institute.
- Designated as an Oracle Database Administrator Certified Professional (OCP)



**Dr. Adil Atieya Hassan**  
SECRETARY OF THE BOARD OF DIRECTORS

### Experience

- Over 25 years of working experience in the Islamic Banking industry.
- Joined the Bank in November 2022.
- Previously served as Head of Legal in Al Baraka Group.
- Director of the legal department at Al Baraka Bank Sudan.
- Worked as a lecturer and assistant professor at the University of Khartoum and several other universities in Sudan for over 15 years.

### Qualification

- Earned a Ph.D. from the University of Khartoum, Sudan in 2004, with his thesis titled "Automobile Accident Compensation System in Sudan."
- Authored a book titled "The Law of Insurance in Sudan," published by the Open University of Sudan.

## Executive Management Profiles



**Abdulla Abdulaziz Suwaileh**  
HEAD OF HUMAN RESOURCES &  
ADMINISTRATION

### Experience

- Over 15 years of experience in Human Resources and Administration.
- Joined the Bank in June 2015.
- Previously worked in Eskan Bank.

### Qualification

- MBA from University of Bahrain.
- B.Sc. in Business with Human Resources Management from University of the West of Scotland.
- Chartered Institute of Personnel and Development (CIPD) level 3.
- Chartered Management Institute (CMI) level 5.
- Certified Trainer from International Academy for Training and Consulting (IATC).



**Omar Abdulhakeem Albastaki**  
ACTING CHIEF COMPLIANCE OFFICER &  
ACTING MLRO

### Experience

- Over 18 years of experience in Regulatory Compliance, Risk Management, and Anti-Money Laundering (AML).
- Joined the Bank in August 2022.
- Previously worked in Khaleeji Bank.
- Previously worked in Bahraini Saudi Bank.

### Qualification

- Master's degree in Business Informatics from the University of Technology Bahrain.
- Certified Anti-Money Laundering Specialist (CAMS) from the Association of Certified Anti-Money Laundering Specialists.
- Associate Professional Risk Manager (APRM).
- International Diploma in Governance, Risk, and Compliance from the International Compliance Association.



Leadership is not just about making decisions; it's about fostering a culture of integrity, innovation, and responsibility to drive long-term value.

## • • • Sharia Supervisory Board's Report



**Date: 11<sup>th</sup> Shaaban 1446 A.H.**  
**Corresponding to: 10<sup>th</sup> February 2025**

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

**Report of the Fatwa and Sharia Supervisory Board From 01.01.2024 to 31.12.2024**

### To the Shareholders of alBaraka Islamic Bank

Praise be to Allah, the Almighty, and Peace and Blessings be upon our Prophet Muhammad, his Family, and Companions.

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

We have independently and under no duress reviewed the applicable principles, contracts, financial reports, relating to the Bank's activities and products offered by Al Baraka Islamic Bank during the period from January 1st until the end of December 2024. We have done the necessary reviewing to express an opinion as to whether the Bank has complied with the provisions and principles of Islamic Sharia as well as the Fatwa, resolutions and guidelines that we have issued within this period, in addition to reviewing the report issued by IESCA "PwC".

We also have monitored the procedures of the Bank on the basis of testing each type of transactions, either directly or through the Sharia Officer or the Sharia Auditor. This was achieved through convening 4 meetings of SSB and reviewing: ("200" documents), (audits on "1646" executed transactions), (Sharia training program for staff, trainees), ("395" new advertisement and promotional material).

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

### In our opinion:

1. The contracts, transactions and services entered into and provided by the Bank during the financial year ended 31st December 2024 which we reviewed (except those we decided as a non-halal income) were made in compliance with the provisions and principles of Islamic Sharia.
2. The management has committed itself to segregate all the unintended gains obtained from sources or means prohibited by the provisions and principles of Islamic Sharia and disburse of it towards charitable causes under the supervision of the Sharia Supervisory Board.
3. The allocation of profits and charging of losses related to investment accounts conform to the basis that has been approved by us in accordance with Sharia provisions and principles.
4. The management is not authorized to pay the Zakat on behalf of the shareholders, and as such the responsibility for payment of the Zakat lies with the shareholders in accordance with the Zakat calculation approved by the Sharia Supervisory Board, which is equivalent to US \$ 0.119 per share. In case the shareholders authorize the management to pay the zakat, the management will distribute it through the Zakat and Charitable Donations Committee at the bank.

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

Shaikh Esam Ishaq  
Chairman of Sharia Supervisory Board

Shaikh Dr. Nedham Yaqoobi  
Member of sharia Supervisory Board

Shaikh Judge Waleed Al Mahmood  
Member of sharia Supervisory Board

Mohamed Jasim Ebrahim  
Sharia Officer & Secretary of Sharia Supervisory Board

## • • • Social Responsibility

Al Baraka Islamic Bank has maintained its commitment to humanitarian efforts with unwavering dedication by providing donations and financial support to enhance community welfare. The bank's initiatives include essential support for educational expenses and medical care, placing significant importance on providing quality education and health resources to those in need. The bank has also contributed to various charitable, scientific, and religious organizations, striving to offer care and support to clubs and social centers, reflecting its commitment to strengthening social ties.

In 2024, the bank actively participated in the Baraka Sustainability and Social Responsibility Programs, which demonstrate its deep commitment to making a positive impact on the community. This program includes economic opportunities, social investments, and micro-financing initiatives, each designed to enhance community welfare and support sustainable development.

The bank recognizes that economic success is incomplete without effective social responsibility. Therefore, it works to achieve a balance between profitability goals and contributions to improving individuals' daily lives. By implementing innovative and effective projects, the bank aims to create an environment that enhances job opportunities and supports small and medium-sized enterprises.

Moreover, the bank seeks to build strategic partnerships with non-governmental organizations and civil society, contributing to the achievement of sustainable development goals. The group continues to expand its impact by sponsoring community awareness campaigns and workshops aimed at educating individuals about the importance of social responsibility and how to actively participate in improving their communities.



**POOR & NEEDY**  
**BD 58,455.60**



**MEDICAL**  
**BD 14,120**



**INDEBTEDNESS**  
**BD 17,200.17**



**NEW MUSLIM**  
**BD 4,000**



**EDUCATION**  
**BD 8,720**

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

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

#### Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Al Baraka Islamic Bank B.S.C. (c) (the "Bank") and its subsidiary (together the "Group") as at 31 December 2024, its consolidated financial performance and its consolidated cash flows 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 2024;
- the consolidated statement of income for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of income and attribution to quasi-equity for the year then ended;
- the consolidated statement of changes in owners' equity for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in off-balance sheet assets under management for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

#### Basis for opinion

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

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

#### Independence

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

#### Other information

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

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

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

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

## Consolidated Financial Statements

73. Independent auditor's report to the shareholders of Al Baraka Islamic Bank B.S.C. (c)
76. Consolidated Statement of Financial Position
77. Consolidated Statement of Income
78. Consolidated Statement Of Comprehensive Income
79. Consolidated Statement Of Income And Attribution To Quasi-Equity
80. Consolidated Statement of Changes in Owners' Equity
81. Consolidated Statement of Cash Flows
82. Consolidated Statement Of Changes In Off-Balance Sheet Assets Under Management
83. Notes to the Consolidated Financial Statements
130. Base III, Pillar III Disclosures

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

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

#### Other information (continued)

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

#### Responsibilities of those charged with governance for the consolidated financial statements

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

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

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

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

#### 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

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

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

#### Auditor's responsibilities for the audit of the consolidated financial statements (continued)

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.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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.

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

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

- The Bank has maintained proper accounting records and the consolidated financial statements are in agreement therewith;
- The financial information contained in the Report of the Fatwa and Sharia Supervisory Board and the Board of Directors' Report is consistent with the consolidated financial statements;
- Except for the matter described below in connection with the non-compliance with the requirements of the CBB's Rulebook (Volume 2 - Licensing Requirements module - LR-2.5.2A), nothing has come to our attention which causes us to believe that the Bank has, during the year, breached any of the applicable provisions of the Commercial Companies Law, the CBB Rulebook (Volume 2), the Central Bank of Bahrain and Financial Institutions Law, and CBB directives or the items of its Memorandum and Articles of Association that would have a material adverse effect on its activities for the year ended 31 December 2024 or its financial position as at that date;
  - The total consolidated owners' equity of the Bank as at 31 December 2024 stood at less than BD 100 million which is a non-compliance with the requirements of the CBB's Rulebook (Volume 2 - Licensing Requirements module - LR-2.5.2A); and
- Satisfactory explanations and information have been provided to us by the Board of Directors in response to all our requests.

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

#### Elias Abi Nakhoul

Partner's registration number: 196  
PricewaterhouseCoopers M.E Limited  
Manama, Kingdom of Bahrain  
18 February 202

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

	Notes	2024 US \$ '000	2023 US \$ '000
<b>ASSETS</b>			
Cash and balances with banks and financial institutions	3	156,463	243,376
Receivables	4	470,970	449,583
Ijara muntahia bittamleek and ijara receivables	5	576,815	634,775
Musharakat	6	197,236	158,273
Investments	7	1,001,938	1,056,176
Investment in joint venture	8	17,270	16,686
Investments in real estate	9	7,722	7,722
Premises and equipment	10	79,367	80,981
Intangibles and goodwill	11	21,885	20,012
Other assets	12	43,843	42,915
<b>TOTAL ASSETS</b>		<b>2,573,509</b>	<b>2,710,499</b>
<b>LIABILITIES, QUASI EQUITY AND OWNERS' EQUITY</b>			
<b>Liabilities</b>			
Current accounts		291,656	258,810
Murabaha and other payables		121,855	403,645
Other liabilities	13	106,978	113,265
<b>Total liabilities</b>		<b>520,489</b>	<b>775,720</b>
<b>Quasi equity</b>			
Participatory investment accounts	14	1,836,433	1,693,193
Subordinated mudaraba	15	6,262	11,976
<b>Total quasi equity</b>		<b>1,842,695</b>	<b>1,705,169</b>
<b>Owners' equity</b>			
Share capital	16	151,458	151,458
Perpetual equity-type instruments		96,000	96,000
Reserves		(24,040)	(24,138)
Accumulated losses		(38,834)	(12,926)
<b>Equity attributable to parent's shareholders</b>		<b>184,584</b>	<b>210,394</b>
Non-controlling interest		25,741	19,216
<b>Total owners' equity</b>		<b>210,325</b>	<b>229,610</b>
<b>TOTAL LIABILITIES, QUASI EQUITY AND OWNERS' EQUITY</b>		<b>2,573,509</b>	<b>2,710,499</b>
<b>OFF-BALANCE SHEET ITEMS:</b>			
<b>ASSETS UNDER MANAGEMENT</b>		<b>901,124</b>	<b>506,536</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	17	<b>196,520</b>	<b>256,770</b>

Sabah Khalil Al Moayyed  
Chairperson

Akram Yassin  
Vice Chairman

Dr. Adel Abdulla Salem  
Chief Executive Officer

The attached explanatory notes 1 to 36 form part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2024

	Notes	2024 US \$ '000	2023 US \$ '000
Income from financing	18	118,446	107,481
Income from investments	19	106,403	99,233
Share of income from investment in joint venture	8	584	1,395
Income from banking services	20	6,927	8,124
Other income	21	8,080	7,387
Group's mudarib / agency fee from off-balance sheet equity of investment accountholders		135	168
<b>TOTAL INCOME</b>		<b>240,575</b>	<b>223,788</b>
Cost of murabaha and other payables		(22,421)	(18,994)
<b>TOTAL OPERATING INCOME BEFORE ATTRIBUTION TO QUASI EQUITY</b>		<b>218,154</b>	<b>204,794</b>
Net income attributable to quasi-equity		(140,784)	(130,713)
<b>TOTAL OPERATING INCOME</b>		<b>77,370</b>	<b>74,081</b>
<b>OPERATING EXPENSES</b>			
Staff cost		(32,751)	(31,230)
Depreciation and amortization		(11,447)	(9,576)
Other operating expenses	22	(33,880)	(32,240)
<b>TOTAL OPERATING EXPENSES</b>		<b>(78,078)</b>	<b>(73,046)</b>
<b>NET OPERATING (LOSS) / INCOME</b>		<b>(708)</b>	<b>1,035</b>
Allowances for impairment - net	23	(4,809)	(16,717)
<b>NET LOSS BEFORE TAXATION</b>		<b>(5,517)</b>	<b>(15,682)</b>
Taxation	24	(14,642)	(8,919)
<b>LOSS FOR THE YEAR</b>		<b>(20,159)</b>	<b>(24,601)</b>
Attributable to:			
Equity of the parent's shareholders		(25,715)	(28,568)
Non-controlling interests		5,556	3,967
		<b>(20,159)</b>	<b>(24,601)</b>

Sabah Khalil Al Moayyed  
Chairperson

Akram Yassin  
Vice Chairman

Dr. Adel Abdulla Salem  
Chief Executive Officer

The attached explanatory notes 1 to 36 form part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Audited 2024 US \$ '000	Unaudited and unreviewed 2023 US \$ '000
Loss for the year	(20,159)	(24,601)
<b>Other comprehensive income / (losses)</b>		
<i>Items that may subsequently be classified to consolidated statement of income</i>		
Surplus / (deficit) on foreign currency translations	845	(14,805)
Net changes in fair value of equity investments measured at fair value through other comprehensive income - net of tax	314	3,829
Remeasurement loss on defined benefit obligation	(52)	(252)
Deferred tax on revaluation of fixed assets	(25)	(49)
<b>Total other comprehensive income / (loss) for the year</b>	<b>1,082</b>	<b>(11,277)</b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>	<b>(19,077)</b>	<b>(35,878)</b>
Attributable to:		
Equity of the Parent's shareholders	(25,602)	(35,239)
Non-controlling interests	6,525	(639)
	<b>(19,077)</b>	<b>(35,878)</b>

## CONSOLIDATED STATEMENT OF INCOME AND ATTRIBUTION TO QUASI-EQUITY

For the year ended 31 December 2024

	Audited 2024 US \$ '000	Unaudited and unreviewed 2023 US \$ '000
<b>Total operating income before attribution to quasi equity</b>	<b>218,154</b>	204,794
Adjustments for:		
Less: Income from self-financed assets	(61,892)	(52,310)
Less: expenses attributable to quasi-equity	(10,054)	(14,909)
Less: allowances for impairment and credit losses - attributable to quasi-equity	(2,264)	(6,044)
<b>Total income available for quasi-equity</b>	<b>143,944</b>	131,531
<i>Profit equalization reserve - net movement</i>	-	(309)
<b>Total income attributable to quasi-equity (adjusted for reserves)</b>	<b>143,944</b>	131,222
Less: Group's share as mudarib (net of hibba)	(3,160)	(509)
<b>Net income attributable to quasi-equity</b>	<b>140,784</b>	130,713

## CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the year ended 31 December 2024

	Equity attributable to shareholders of the parent											
	Reserves										Total owners' equity US \$ '000	
	Share capital US \$ '000	Perpetual equity-type instruments US \$ '000	Statutory US \$ '000	General US \$ '000	Employee defined benefit plan US \$ '000	Cumulative changes in fair value US \$ '000	Revaluation of premises and equipment US \$ '000	Foreign exchange US \$ '000	(Accumulated losses) / Retained earnings US \$ '000	Equity attributable to parent's shareholders US \$ '000		Non-controlling interest US \$ '000
<b>Balance at 1 January 2024</b>	<b>151,458</b>	<b>96,000</b>	<b>26,119</b>	<b>8,687</b>	<b>(289)</b>	<b>6,882</b>	<b>314</b>	<b>(65,851)</b>	<b>(12,926)</b>	<b>210,394</b>	<b>19,216</b>	<b>229,610</b>
(Loss) / income for the year	-	-	-	-	-	-	-	-	(25,715)	(25,715)	5,556	(20,159)
Other comprehensive (loss) / income for the year	-	-	-	-	(52)	(379)	-	544	-	113	969	1,082
Distribution of Zakat	-	-	-	-	-	-	-	-	(193)	(193)	-	(193)
Deferred tax adjustment on revaluation of premises and equipment	-	-	-	-	-	-	(15)	-	-	(15)	-	(15)
<b>Balance at 31 December 2024</b>	<b>151,458</b>	<b>96,000</b>	<b>26,119</b>	<b>8,687</b>	<b>(341)</b>	<b>6,503</b>	<b>299</b>	<b>(65,307)</b>	<b>(38,834)</b>	<b>184,584</b>	<b>25,741</b>	<b>210,325</b>
Balance at 1 January 2023	151,458	96,000	26,119	8,687	(140)	3,964	343	(56,440)	16,153	246,144	19,855	265,999
(Loss) / income for the year	-	-	-	-	-	-	-	-	(28,568)	(28,568)	3,967	(24,601)
Other comprehensive (loss) / income for the year	-	-	-	-	(149)	2,918	(29)	(9,411)	-	(6,671)	(4,606)	(11,277)
Distribution of Zakat	-	-	-	-	-	-	-	-	(511)	(511)	-	(511)
Balance at 31 December 2023	151,458	96,000	26,119	8,687	(289)	6,882	314	(65,851)	(12,926)	210,394	19,216	229,610

The attached explanatory notes 1 to 36 form part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	2024 US \$ '000	2023 US \$ '000
<b>OPERATING ACTIVITIES</b>		
Net loss before taxation	(5,517)	(15,682)
Adjustments for:		
Depreciation and amortization	11,447	9,576
Allowances for impairment - net (Note 23)	4,809	16,717
Gain on sale of premises and equipment	(40)	(20)
Loss on sale of investments (Note 19)	1,261	990
Unrealized loss on revaluation of investment properties	-	1,114
Share of income from investment in joint venture	(584)	(1,395)
Operating profit before changes in operating assets and liabilities	11,376	11,300
Net changes in operating assets and liabilities:		
Balances with central banks in mandatory reserves	8,961	(15,190)
Receivables	(16,494)	76
Ijara muntahia bittamleek and ijara receivables	57,267	(76,404)
Musharakat	(36,336)	74,222
Other assets	(79)	9,469
Other liabilities	(7,571)	(2,721)
Murabaha and other payables	(281,790)	231,849
Current accounts	32,846	15,758
Participatory investment accounts	143,241	(219,774)
Tax paid	(13,797)	(10,126)
Net cash (used in) / generated from operating activities	(102,376)	18,459
<b>INVESTING ACTIVITIES</b>		
Purchase of investments	(885,326)	(322,616)
Proceeds from sale / redemption of investments	938,871	390,685
Dividend received from joint venture	-	3,139
Net purchase of premises and equipment	(10,710)	(5,043)
Net cash generated from investing activities	42,835	66,165
<b>FINANCING ACTIVITIES</b>		
Net movement in subordinated mudaraba	(5,715)	(3,624)
Zakah paid	(193)	(511)
Net cash used in financing activities	(5,908)	(4,135)
Foreign currency translation adjustments	(1,008)	(8,735)
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(66,457)</b>	<b>71,754</b>
Cash and cash equivalents at beginning of the year	192,284	120,531
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>125,827</b>	<b>192,285</b>

The attached explanatory notes 1 to 36 form part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN OFF-BALANCE SHEET ASSETS UNDER MANAGEMENT

For the year ended 31 December 2024

	Balance at 1 January 2024 US \$ '000	Net deposits US \$ '000	Gross income US \$ '000	Mudarib's / agency Fee US \$ '000	Balance at 31 December 2024 US \$ '000
Wakala Bi Al-Istithmar on balance sheet					
jointly financed assets	<b>362,061</b>	<b>297,177</b>	<b>25,602</b>	<b>(1,859)</b>	<b>682,981</b>
Receivables	<b>122,220</b>	<b>61,358</b>	<b>5,853</b>	<b>(68)</b>	<b>189,363</b>
Investments	<b>22,255</b>	<b>2,994</b>	<b>3,597</b>	<b>(66)</b>	<b>28,780</b>
	<b>506,536</b>	<b>361,529</b>	<b>35,052</b>	<b>(1,993)</b>	<b>901,124</b>

	Balance at 1 January 2023 US \$ '000	Net withdrawals US \$ '000	Gross income US \$ '000	Mudarib's / agency Fee US \$ '000	Balance at 31 December 2023 US \$ '000
Wakala Bi Al-Istithmar on balance sheet					
jointly financed assets	640,848	(298,524)	31,305	(11,568)	362,061
Receivables	162,613	(50,521)	10,296	(168)	122,220
Investments	27,231	(4,976)	-	-	22,255
	830,692	(354,021)	41,601	(11,736)	506,536

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

### 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 (2023: five commercial branches) in the Kingdom of Bahrain. The Bank is 92.81% (2023: 92.81%) owned by Al Baraka Group B.S.C.(c) (the "Parent Company").

The principal activities of the Bank and its subsidiary (the "Group") are taking demand, saving and investment accounts, providing Murabaha, 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.

These consolidated financial statements were approved by the Board of Directors on 18 February 2025

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

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

Rule LR-2.5.2A requires all Bahraini Islamic retail bank licensees to maintain a minimum total equity of BD 100 million. The Group is in breach of this rule as at 31 December 2024 as the equity stood at BD 79.3 million as of that date. In this regard, the Bank is currently working in collaboration with its major shareholder to develop, submit and implement a comprehensive capitalization plan to cover said breach within timelines prescribed by CBB.

#### 2.2 Accounting convention

The consolidated financial statements are prepared on a historical cost basis, except for investment in real estate, equity-type instruments through other comprehensive income, equity-type instruments through income statement, debt type instruments through other comprehensive, debt type instruments through income statement and land owned by the Group (classified as premises and equipment) that have been measured at fair value.

The consolidated financial statements are presented in United States Dollars ("US \$"), being the presentational currency of the Group. All values are rounded to nearest US Dollar thousand unless otherwise indicated. However, the functional currency of the Bank is Bahraini Dinars and that of the subsidiary is Pakistani Rupees. Items included in the consolidated financial statements of each entity are measured using their respective functional currency.

#### 2.3 Basis of consolidation

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

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

Subsidiary is fully consolidated from the date control is transferred to the Group and continue to be consolidated until the date that control ceases. Control is achieved where the Bank controls an asset or business, when it has substantially all risks and rewards incidental to ownership of such asset or business, duly meeting both of the following conditions:

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

#### 2.3 Basis of consolidation (continued)

- It is directly exposed to, or has rights to, variable returns (negative or positive, respectively) from its involvement with such assets or business; and
- It has the ability to affect those returns through its power over the assets or business.

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

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

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

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

Bank	Ownership for 2024 / 2023	Year of incorporation	Country of incorporation	No. of branches/ offices at 31 December 2024 / 2023
<b>Held directly by the Bank</b> Al Baraka Bank (Pakistan) Limited*	59.13%/ 59.13%	2004	Pakistan	185/ 170

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

### 2.4 New standards, interpretations and amendments adopted by the Group

#### 2.4.1 FAS 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 Group has adopted this standard effectively from 1 January 2024. The adoption of this standard does not have any significant impact on recognition and measurement.

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:

- Revised conceptual framework is now integral part of the AAOIFI FAS's;
- Definition of Quasi equity is introduced;
- Definitions have been modified and improved;
- Concept of comprehensive income has been introduced;
- Institutions other than Banking institutions are allowed to classify assets and liabilities as current and non-current;
- Disclosure of Zakah and Charity have been relocated to the notes;
- True and fair override has been introduced;
- Treatment for change in accounting policies, change in estimates and correction of errors has been introduced;
- Disclosures of related parties, subsequent events and going concern have been improved;
- Improvement in reporting for foreign currency, segment reporting; and
- 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 and amendments to other AAOIFI FASs.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

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

#### 2.4.2 FAS 40 - Financial Reporting for Islamic Finance Windows

AAOIFI has issued FAS 40 in 2021. The objective of this revised standard is to establish financial reporting requirements for Islamic finance windows and applicable to all conventional financial institutions providing Islamic financial services through an Islamic finance window. This standard improves upon and supersedes FAS 18 "Islamic Financial Services Offered by Conventional Financial Institutions". This standard shall be effective for the financial periods beginning on or after 1 January 2024 with early adoption permitted. As per the Group evaluation, the implementation of this standard will not have any impact on its financial statements.

#### 2.4.3 FAS 47 - Transfer of Assets Between Investment Pools

The Group early adopted AAOIFI FAS 47 (issued in 2023). This standard prescribes the financial reporting principles and disclosure requirements applicable to all transfers between investment pools related to (and where material, between significant categories of) owners' equity, quasi-equity and off-balance sheet assets under management of an institution. It requires adoption and consistent application of accounting policies for such transfers in line with Shari'ah principles and rules and describes general disclosure requirements in this respect.

During the period ended 30 September 2024, the Group transferred its investment in its subsidiary ('Al Baraka Pakistan Limited') from Owners' equity to Quasi equity at a fair value of US \$ 54.8 million (valuation based on internal fair valuation exercise using discounted cash flow method), which represented a fair value gain of US \$ 17.2 million recorded as an intangible asset with a corresponding impact in owners' equity in the form of fair value reserves (The gain does not give rise to a gain or loss in the consolidated statement of income and is directly routed through respective Equity).

However, subsequent to the period ended 30 September 2024, the management reassessed the transaction and decided to reverse the same. Accordingly, the intangible assets amounting to US \$ 17.2 million and the related reserves were also reversed.

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

#### 2.5.1 FAS 45 - Quasi-Equity (Including Investment Accounts)

AAOIFI has issued FAS 45 in 2023. This standard prescribes the principles of financial reporting related to the participatory investment instruments (including investment accounts) in which an Islamic financial institution controls the underlying assets (mostly, as a working partner), on behalf of the stakeholders other than the owners' equity. Such instruments (including, in particular, the unrestricted investment accounts) normally qualify for on-balance-sheet accounting and are reported as quasi-equity. This standard also provides the overall criteria for on-balance-sheet accounting for participatory investment instruments and quasi-equity, as well as, pooling, recognition, derecognition, measurement, presentation and disclosure for quasi-equity. It further addresses financial reporting related to other quasi-equity instruments and certain specific issues. This standard shall be effective for the financial reporting periods beginning on or after 1 January 2026.

The concept of quasi-equity has been introduced in FAS 1 "General Presentation and Disclosures in the Financial Statements (Revised 2021)". The Group shall address the requirements of FAS 45 "Quasi-Equity (Including Investment Accounts)" on the effective date of the standard.

#### 2.5.2 FAS 46 - Off-Balance sheet Assets Under Management

AAOIFI has issued FAS 46 in 2023. This standard prescribes the criteria for characterisation of off-balance sheet assets under management, and the related principles of financial reporting in line with the "AAOIFI Conceptual Framework for Financial Reporting". The standard encompasses the aspects of recognition, derecognition, measurement, selection and adoption of accounting policies, related to off-balance-sheet assets under management, as well as certain specific aspects of financial reporting such as impairment and onerous commitments by the institution. The standard also includes the presentation and disclosure requirements particularly aligning the same with the requirements of the revised FAS 1 "General Presentation and Disclosures in the Financial Statements" in respect of the statement of changes in off-balance sheet assets under management. This standard, along with, FAS 45 "Quasi-Equity (Including Investment Accounts)", supersedes the earlier FAS 27 "Investment Accounts". This standard shall be effective for the financial periods beginning on or after 1 January 2026 and shall be adopted at the same time of adoption of FAS 45 - Quasi-Equity (Including Investment Accounts).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

#### 2.6 Summary of accounting policies

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

##### 2.6.1 Financial contracts

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

##### 2.6.2 Cash and cash equivalents

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

##### 2.6.3 Financial instruments - initial recognition and subsequent measurement

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

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

##### 2.6.4 Impairment, Credit Losses and Onerous Commitments

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

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

##### Stage 1: twelve months ECL

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

##### Stage 2: Lifetime ECL - not credit impaired

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

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

#### 2.6 Summary of accounting policies (continued)

##### 2.6.4 Impairment, Credit Losses and Onerous Commitments (continued)

##### Stage 3: Lifetime ECL – credit impaired (continued)

For Stage 3 financial contracts, the losses for credit-impairment are determined based on the difference between the net carrying amount and the recoverable amount of the financial contract. In this respect, the Bank recognises the lifetime expected credit losses for these financing with the PD set at 100%.

##### Credit-impaired financial assets

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

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

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

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

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

##### Measurement of ECL

Following are the key inputs into the measurement of ECL:

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

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

##### Definition of default

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

#### 2.6 Summary of accounting policies (continued)

##### 2.6.4 Impairment, Credit Losses and Onerous Commitments (continued)

###### Probability of default (continued)

generates estimates of PD of exposures and how these are expected to change as a result of the passage of time. This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors, across various geographies in which the Group operates.

###### Types of PDs used for ECL computation

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

- Lifetime PDs – This is the estimated probability of a default occurring over the remaining life of the financial instrument. This is used to calculate lifetime ECLs for 'stage 2'.

###### Incorporation of forward - looking information

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

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

###### Loss Given Default

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

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

Internal default history: When data is available LGD can be estimated using the historical default information and corresponding recovery data.

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

Collateral-based LGD: for secured financing the Group uses collateral-based LGD, where the Group has effective collateral management framework that is able to assess and provide up to date collateral valuation and establish legal charge and enforceability. However, the Group applies 10% floor regardless of collateral coverage of the exposure.

###### Exposure At Default (EAD)

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

#### 2.6 Summary of accounting policies (continued)

##### 2.6.4 Impairment, Credit Losses and Onerous Commitments (continued)

###### Exposure At Default (EAD) (continued)

###### On-balance sheet EADs

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

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

###### Off-balance sheet EADs

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

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

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

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

###### Significant Increase in Credit Risk

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

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

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

###### Renegotiated financial assets

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

#### 2.6 Summary of accounting policies (continued)

##### 2.6.4 Impairment, Credit Losses and Onerous Commitments (continued)

###### Renegotiated financial assets (continued)

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

###### Backward transition

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

From Stage 2 to stage 1

- The criteria to classify the exposure into Stage 2 (criteria covered in SICR section above) is no 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; and
- A minimum cool-off/cure period of 12 months for non-performing and restructured facilities.

###### Credit Conversion Factor

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

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

###### Write-offs

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

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

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

- financial assets measured at amortised cost, as a deduction from the gross carrying amount of the assets;
- financing commitments and financial guarantee contracts: generally as a provision included in other liabilities; and
- where a financial contract includes both a drawn and undrawn component, and the Group has identified the ECL on the financing commitments / off-balance sheet component separately from those on the drawn component, allowance for credit losses on undrawn component is presented as a provision in other liabilities; where the Group has not identified the ECL on the financing commitments / off-balance sheet component separately from those on the drawn component, allowance for credit losses on undrawn component is presented against the drawn commitment.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

#### 2.6 Summary of accounting policies (continued)

##### 2.6.5 Investments

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

###### (i) Investment in real estate

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

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

###### (ii) Investment in joint venture

Investment in joint venture is accounted for using the equity method of accounting. Under the equity method, the investment in the joint venture is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the joint venture.

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

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

###### (iii) Equity and non-monetary debt-type instruments at fair value through consolidated 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.

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

These investments will be initially recognized at their value plus transaction costs. Subsequent to acquisition, investments designated at fair value through OCI are remeasured at fair value with unrealised gains or losses recognised proportionately in owners' equity and equity of investment account holders 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 account holders is recognised in consolidated statement of income. Investment carried at fair value through equity shall be tested for impairment at each reporting period.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

#### 2.6 Summary of accounting policies (continued)

##### 2.6.5 Investments (continued)

###### (v) *Monetary and non-monetary debt type instruments at amortized cost*

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

##### 2.6.6 Financing contracts

###### (i) *Murabaha*

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

###### (ii) *Ijarah Muntahia Bittamleek*

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

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

###### (iii) *Musharaka*

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

###### (iv) *Salam receivables*

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

###### (v) *Istisna receivables*

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

###### (vi) *Wakala receivables*

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

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

###### i. *Pass through investment*

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

#### 2.6 Summary of accounting policies (continued)

##### 2.6.6 Financing contracts (continued)

###### (vi) *Wakala receivables (continued)*

###### ii. *Wakala Venture*

These are investments, under a Wakala agency contract, in transferable instruments or the investment made in a single asset (or pool of assets) where such asset(s) are subject to frequent changes throughout the term of the contract i.e. there are routine changes or replacements over the term of arrangement (unless it constitutes a business) at the discretion of the agent; or the role of the agent is not limited whereby the agent performs day-to-day asset management function and, where applicable, is also responsible for replacement of assets or recoveries against them. On initial recognition, these assets will be recognized at cost in Wakala Venture. Subsequently, the carrying amount is adjusted to incorporate gains/ losses net of agent's remuneration and impairments, if any.

##### 2.6.7 Participatory investment accounts

###### a) *Mudaraba payable*

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

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

###### b) *Wakala payable under multi level arrangements*

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

##### 2.6.8 Investment risk reserve

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

##### 2.6.9 Profit equalisation reserve

Profit equalisation reserves are amounts appropriated out of the Mudaraba income, before allocating the mudarib share, in order to maintain a certain level of return on investments for equity of investment accountholders.

##### 2.6.10 Off-balance sheet equity of investment accountholders

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

##### 2.6.11 Premises and equipment

Premises and equipment are stated at cost less accumulated depreciation and accumulated impairment in value except for land which is carried at fair value subsequent to initial recognition. The cost of additions and major improvements are capitalised; maintenance and repairs are charged to the consolidated statement of income as incurred. Gains or losses on disposal are reflected in other operating income. Depreciation is calculated using the straight-line method at rates intended to write-off the cost of the assets over their estimated useful lives. Any subsequent change in fair value of land (only gains) are recognised as property fair value reserve in the consolidated statement of changes in owners' equity.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

#### 2.6 Summary of accounting policies (continued)

##### 2.6.11 Premises and equipment (continued)

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.

##### 2.6.12 Fair values

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

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

- (i) For investments that are traded in organised financial markets, fair value is determined by reference to the quoted market bid prices prevailing on the reporting date.
- (ii) For unquoted investments, fair value is determined by reference to recent significant buy or sell transactions with third parties that are either completed or are in progress. Where no recent significant transactions have been completed or are in progress, fair value is determined by reference to the current market value of similar investments. For others, the fair value is based on the net present value of estimated future cash flows, or other relevant valuation methods.
- (iii) For investments that have fixed or determinable cash flows, fair value is based on the net present value of estimated future cash flows determined by the Group using current profit rates for investments with similar terms and risk characteristics.
- (iv) Investments which cannot be remeasured to fair value using any of the above techniques are carried at cost, less provision for impairment.

##### 2.6.13 Revenue recognition

###### *Murabaha receivable*

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

###### *Mudaraba financing*

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

###### *Wakala financing*

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

###### *Ijara Muntahia Bittamleek*

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

#### 2.6 Summary of accounting policies (continued)

##### 2.6.13 Revenue recognition (continued)

###### *Musharaka*

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

###### *Salam and Istisna'a receivables*

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

###### *Group's share of income from quasi equity (as a Mudarib)*

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

###### *Fees and commission income*

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

###### *Dividends*

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

###### *Mudarib's share of off-balance sheet quasi equity*

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

###### *Income from debt type instrument*

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

###### *Rental income*

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

##### 2.6.14 Return on quasi equity

Investors' share of income is calculated based on the income generated from joint investment accounts after deducting the expenses related to investment pool "mudarib expenses". Mudarib expenses include all expenses incurred by the Group, including specific provisions, but excluding staff costs and depreciation. The Group's "mudarib profit" is deducted from the investors' share of income before distributing such income. In some cases, quasi equity withdrawn before maturity are entitled to income only after deducting a penalty charge.

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

##### 2.6.15 Investment pool expenses

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

##### 2.6.16 Taxation

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

###### *Current*

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

###### *Deferred*

The Group accounts for deferred taxation on material temporary differences using the liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

#### 2.6 Summary of accounting policies (continued)

##### 2.6.16 Taxation (continued)

*Deferred (continued)*

differences. Deferred tax assets are recognised only if there is a reasonable expectation of realisation in the foreseeable future. Deferred tax is reduced to the extent that it is no longer probable that related tax benefits will be realised.

##### 2.6.17 Contingencies and Commitments

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

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

##### 2.6.18 Derecognition

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

- (i) the right to receive cash flows from the asset has expired;
- (ii) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of ownership or (b) when it has neither transferred or retained substantially all the risks and rewards and when it no longer has control over the financial asset, but has transferred control of the asset; or
- (iii) the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

##### 2.6.19 Earnings prohibited by Shari'a

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

##### 2.6.20 Foreign currencies

###### (i) Transactions and balances

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

#### 2.6 Summary of accounting policies (continued)

##### 2.6.20 Foreign currencies (continued)

###### (ii) Foreign operations

As at the reporting date, the assets and liabilities in foreign currencies are translated into the presentation currency of the Group (United States Dollar) at the rate of exchange ruling at the reporting date and their income and expenses are translated at the average exchange rates for the year. The exchange differences arising on the translation are taken directly to through OCI. On disposal of a foreign operation, the deferred cumulative amount recognised in owners' equity relating to that particular foreign operation is recognised in the consolidated statement of income.

##### 2.6.21 Employees' end of service benefits

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

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

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

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

##### 2.6.22 Zakah

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

##### 2.6.23 Joint and self financed

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

##### 2.6.24 Offsetting

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

##### 2.6.25 Shari'a supervisory board

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

##### 2.6.26 Trade date accounting

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

#### 2.7 Judgements and estimates

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

##### 2.7.1 Judgements

###### Going concern

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

###### Classification of investments

Management decides on acquisition of an investment whether it should be classified as equity-type instrument at fair value through statement of income, equity-type instrument at fair value through equity, debt-type instrument at fair value through statement of income, debt-type instrument at fair value through equity or debt-type instrument at amortised cost. However, the investment in a monetary debt-type instrument, as it reflects a debt at the back-end, shall be initially classified and measured at cost, till the time the transaction at the back-end is executed, and at amortised cost thereafter.

###### Fair value of unquoted equity investments

The Group determines fair value of equity investments that are not quoted in active markets by using valuation techniques such as discounted cash flows, income approaches and market approaches. Fair value estimates are made at a specific point in time, based on market conditions and information about the investee companies. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore, cannot be determined with precision. There is no certainty about future events (such as continued operating profits and financial strengths). It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the investments. In case where discounted cash flow models have been used to estimate fair values, the future cash flows have been estimated by the management based on information from and discussions with representatives of investee companies and based on the latest available audited and un-audited financial statements. The basis of valuation has been reviewed by the management in terms of the appropriateness of the methodology, soundness of assumptions and correctness of calculations and have been approved by the Board of Directors for inclusion in the consolidated financial statements.

#### 2.7.2 Estimates

##### Impairment and uncollectibility of financial assets

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

##### Impairment of Goodwill

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

### 3. CASH AND BALANCES WITH BANKS AND FINANCIAL INSTITUTIONS

		2024 US \$ '000	2023 US \$ '000
Cash on hand		23,665	24,982
Balances with State Bank of Pakistan			
Current account		52	48
Mandatory reserves	3.1	49,362	58,047
		49,414	58,095
Balances with CBB			
Current account and overnight placements		288	59,464
Mandatory reserves	3.1	42,605	42,881
		42,893	102,345
Balances with other banks and financial institutions		40,491	57,954
		156,463	243,376

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

### 4. RECEIVABLES

	2024			2023		
	Self financed US \$ '000	Jointly financed US \$ '000	Total US \$ '000	Self financed US \$ '000	Jointly financed US \$ '000	Total US \$ '000
Commodities, wakala and musharaka placements with financial institutions	56,304	5,032	61,336	49,837	-	49,837
Salam financing	-	36,813	36,813	-	26,101	26,101
Istisna'a financing	-	134,834	134,834	-	102,975	102,975
Murabaha financing	1,125	331,876	333,001	1,125	357,973	359,098
Credit cards and others receivables	-	13,180	13,180	-	17,354	17,354
Gross receivables	57,429	521,735	579,164	50,962	504,403	555,365
Deferred profits	-	(40,683)	(40,683)	-	(42,908)	(42,908)
	57,429	481,052	538,481	50,962	461,496	512,457
Less: Allowances for expected credit losses (4.1)	(1,129)	(66,382)	(67,511)	(1,128)	(61,746)	(62,874)
Net receivables	56,300	414,670	470,970	49,834	399,750	449,583

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

### 4. RECEIVABLES (continued)

The following table 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").

	2024				2023			
	Stage 1 US \$ '000	Stage 2 US \$ '000	Stage 3 US \$ '000	Total US \$ '000	Stage 1 US \$ '000	Stage 2 US \$ '000	Stage 3 US \$ '000	Total US \$ '000
Good (1-4)	245,790	16,610	-	262,400	235,500	19,137	-	254,637
Satisfactory (5-7)	127,189	76,462	-	203,651	130,257	53,197	-	183,454
Default (8-10)	-	-	72,430	72,430	-	-	74,366	74,366
	<b>372,979</b>	<b>93,072</b>	<b>72,430</b>	<b>538,481</b>	<b>365,757</b>	<b>72,334</b>	<b>74,366</b>	<b>512,457</b>

#### 4.1 Movements in deferred profit from murabaha contracts

	2024 US \$ '000	2023 US \$ '000
<b>Balance at 1 January</b>	<b>42,828</b>	37,875
Murabaha sales	508,668	579,707
Murabaha cost of sales	(491,695)	(554,954)
Profit amortized to consolidated statement of income	(17,683)	(19,109)
Deferred profit written off	-	(329)
Foreign exchange (FX) translation	16	(362)
<b>Balance at 31 December</b>	<b>42,134</b>	42,828

#### 4.2 Allowances for expected credit losses

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

	2024			
	Stage 1: 12-month ECL US \$ '000	Stage 2: Lifetime ECL not credit-impaired US \$ '000	Stage 3: Lifetime ECL credit- impaired US \$ '000	Total US \$ '000
<b>Balance at 1 January</b>	<b>1,906</b>	<b>9,000</b>	<b>51,968</b>	<b>62,874</b>
<b>Changes during the year:</b>				
- transferred to Stage 1: 12 month ECL	91	(66)	(25)	-
- transferred to Stage 2: Lifetime ECL not credit-impaired	(267)	1,176	(909)	-
- transferred to Stage 3: Lifetime ECL credit-impaired	(13)	(742)	755	-
Net remeasurement of loss allowance	225	1,187	6,109	7,521
Recoveries / write-backs	-	-	(917)	(917)
Allowances for credit losses	36	1,555	5,013	6,604
Amounts written off during the year	-	-	(2,338)	(2,338)
FX translation	-	5	366	371
<b>Balance at 31 December</b>	<b>1,942</b>	<b>10,560</b>	<b>55,009</b>	<b>67,511</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

### 4. RECEIVABLES (continued)

#### 4.2 Allowances for expected credit losses (continued)

	2023			
	Stage 1 12-month ECL US \$ '000	Stage 2 Lifetime ECL not credit- impaired US \$ '000	Stage 3 Lifetime ECL credit- impaired US \$ '000	Total US \$ '000
Balance at 1 January	1,628	9,089	54,274	64,991
<b>Changes during the year:</b>				
- transferred to Stage 1: 12 month ECL	56	(50)	(6)	-
- transferred to Stage 2: Lifetime ECL not credit-impaired	(117)	201	(84)	-
- transferred to Stage 3: Lifetime ECL credit-impaired	-	(1,369)	1,369	-
Net remeasurement of loss allowance	343	1,223	3,878	5,444
Recoveries / write-backs	-	-	(251)	(251)
Allowances for credit losses	282	5	4,906	5,193
Amounts written off during the year	-	-	(44)	(44)
FX translation	(4)	(94)	(7,168)	(7,266)
<b>Balance at 31 December</b>	<b>1,906</b>	<b>9,000</b>	<b>51,968</b>	<b>62,874</b>

### 5. IJARA MUNTAHIA BITTAMLEEK AND IJARA RECEIVABLES

	2024			2023		
	Self financed US \$ '000	Jointly financed US \$ '000	Total US \$ '000	Self financed US \$ '000	Jointly financed US \$ '000	Total US \$ '000
Ijara muntahia bittamleek (5.1)	6,264	532,636	538,900	8,556	585,183	593,739
Ijara receivables	2,507	47,148	49,655	3,085	49,149	52,234
	<b>8,771</b>	<b>579,784</b>	<b>588,555</b>	11,641	634,332	645,973
Less: Allowances for expected credit losses (5.2)	(108)	(11,632)	(11,740)	(83)	(11,115)	(11,198)
	<b>8,663</b>	<b>568,152</b>	<b>576,815</b>	11,558	623,217	634,775

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.

	2024				2023			
	Stage 1: US \$ '000	Stage 2: US \$ '000	Stage 3: US \$ '000	Total US \$ '000	Stage 1: US \$ '000	Stage 2: US \$ '000	Stage 3: US \$ '000	Total US \$ '000
Good (1-4)	540,835	2,770	-	543,605	587,335	131	-	587,466
Satisfactory (5-7)	24,001	197	-	24,198	31,860	9,408	-	41,268
Default (8-10)	-	-	20,752	20,752	-	-	17,239	17,239
	<b>564,836</b>	<b>2,967</b>	<b>20,752</b>	<b>588,555</b>	619,195	9,539	17,239	645,973

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

### 5. IJARA MUNTAHIA BITTAMLEEK AND IJARA RECEIVABLES (continued)

#### 5.1 Ijara muntahia bittamleek

	2024			2023		
	Self financed US \$ '000	Jointly financed US \$ '000	Total US \$ '000	Self financed US \$ '000	Jointly financed US \$ '000	Total US \$ '000
<b>Land and building</b>						
Cost	-	682,519	682,519	-	713,715	713,715
Accumulated depreciation	-	(149,883)	(149,883)	-	(128,542)	(128,542)
Net book value	-	532,636	532,636	-	585,173	585,173
<b>Equipment</b>						
Cost	14,876	-	14,876	14,876	10	14,886
Accumulated depreciation	(8,612)	-	(8,612)	(6,320)	-	(6,320)
Net book value	6,264	-	6,264	8,556	10	8,566
<b>TOTAL</b>						
Cost	14,876	682,519	697,395	14,876	713,725	728,601
Accumulated depreciation	(8,612)	(149,883)	(158,495)	(6,320)	(128,542)	(134,862)
<b>Net book value</b>	<b>6,264</b>	<b>532,636</b>	<b>538,900</b>	<b>8,556</b>	<b>585,183</b>	<b>593,739</b>

#### 5.2 Allowances for expected credit losses

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

	2024			
	Stage 1: 12-month ECL US \$ '000	Stage 2: Lifetime ECL not credit-impaired US \$ '000	Stage 3: Lifetime ECL credit- impaired US \$ '000	Total US \$ '000
<b>Balance at 1 January</b>	<b>903</b>	<b>753</b>	<b>9,542</b>	<b>11,198</b>
<b>Changes during the year:</b>				
- transferred to Stage 1: 12 month ECL	262	(73)	(189)	-
- transferred to Stage 2: Lifetime ECL not credit-impaired	(80)	80	-	-
- transferred to Stage 3: Lifetime ECL credit-impaired	-	(674)	674	-
Net remeasurement of loss allowance	(322)	143	910	731
Recoveries / write-backs	-	-	(37)	(37)
Allowances for credit losses	(140)	(524)	1,358	694
Amounts written off during the year	-	-	(162)	(162)
FX translation	-	-	10	10
<b>Balance at 31 December</b>	<b>763</b>	<b>229</b>	<b>10,748</b>	<b>11,740</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

### 5. IJARA MUNTAHIA BITTAMLEEK AND IJARA RECEIVABLES (continued)

#### 5.2 Allowances for expected credit losses (continued)

	2023			
	Stage 1: 12-month ECL US \$ '000	Stage 2: Lifetime ECL not credit-impaired US \$ '000	Stage 3: Lifetime ECL credit- impaired US \$ '000	Total US \$ '000
Balance at 1 January	641	109	7,069	7,819
<b>Changes during the year:</b>				
- transferred to Stage 1: 12 month ECL	17	(17)	-	-
- transferred to Stage 2: Lifetime ECL not credit-impaired	(12)	12	-	-
- transferred to Stage 3: Lifetime ECL credit-impaired	(23)	(7)	30	-
Net remeasurement of loss allowance	280	656	3,807	4,743
Recoveries / write-backs	-	-	(1,159)	(1,159)
Allowances for credit losses	262	644	2,678	3,584
FX translation	-	-	(205)	(205)
<b>Balance at 31 December</b>	<b>903</b>	<b>753</b>	<b>9,542</b>	<b>11,198</b>

### 6. MUSHARAKAT

	2024			2023		
	Self financed US \$ '000	Jointly financed US \$ '000	Total US \$ '000	Self financed US \$ '000	Jointly financed US \$ '000	Total US \$ '000
Musharakat	25,509	184,583	210,092	22,913	151,009	173,922
Less: Allowances for expected credit losses (6.1)	-	(12,856)	(12,856)	-	(15,649)	(15,649)
	<b>25,509</b>	<b>171,727</b>	<b>197,236</b>	<b>22,913</b>	<b>135,360</b>	<b>158,273</b>

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.

	2024				2023			
	Stage 1 US \$ '000	Stage 2 US \$ '000	Stage 3 US \$ '000	Total US \$ '000	Stage 1 US \$ '000	Stage 2 US \$ '000	Stage 3 US \$ '000	Total US \$ '000
Good (1-4)	149,892	3,759	-	153,651	108,727	6,303	-	115,030
Satisfactory (5-7)	29,574	15,878	-	45,452	2,425	46,973	-	49,398
Default (8-10)	-	-	10,989	10,989	-	-	9,494	9,494
	<b>179,466</b>	<b>19,637</b>	<b>10,989</b>	<b>210,092</b>	<b>111,152</b>	<b>53,276</b>	<b>9,494</b>	<b>173,922</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

### 6. MUSHARAKAT (continued)

#### 6.1. Allowances for expected credit losses

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

	2024			
	Stage 1: 12-month ECL US \$ '000	Stage 2: Lifetime ECL not credit-impaired US \$ '000	Stage 3: Lifetime ECL credit- impaired US \$ '000	Total US \$ '000
<b>Balance at 1 January</b>	2,206	3,510	9,933	15,649
<b>Changes during the year:</b>				
- transferred to Stage 1: 12 month ECL	8	(8)	-	-
- transferred to Stage 2: Lifetime ECL not credit-impaired	(52)	52	-	-
- transferred to Stage 3: Lifetime ECL credit-impaired	(40)	(420)	460	-
Net remeasurement of loss allowance	(1,507)	(1,512)	393	(2,626)
Allowances for expected credit losses	(1,591)	(1,888)	853	(2,626)
Amounts written off during the year	-	-	(352)	(352)
FX translation	26	42	117	185
<b>Balance at 31 December</b>	<b>641</b>	<b>1,664</b>	<b>10,551</b>	<b>12,856</b>
	2023			
	Stage 1: 12-month ECL US \$ '000	Stage 2: Lifetime ECL not credit-impaired US \$ '000	Stage 3: Lifetime ECL credit- impaired US \$ '000	Total US \$ '000
Balance at 1 January	1,959	2,041	6,830	10,830
<b>Changes during the year:</b>				
- transferred to Stage 1: 12 month ECL	51	(51)	-	-
- transferred to Stage 2: Lifetime ECL not credit-impaired	(71)	71	-	-
Net remeasurement of loss allowance	597	1,904	4,447	6,948
Allowances for credit losses	577	1,924	4,447	6,948
FX translation	(330)	(455)	(1,344)	(2,129)
<b>Balance at 31 December</b>	<b>2,206</b>	<b>3,510</b>	<b>9,933</b>	<b>15,649</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

### 7. INVESTMENTS

	2024			2023		
	Self financed US \$ '000	Jointly financed US \$ '000	Total US \$ '000	Self financed US \$ '000	Jointly financed US \$ '000	Total US \$ '000
<b>i) Equity-type instruments at fair value through OCI</b>						
<b>Quoted</b>						
Listed equity shares	29,085	-	29,085	30,597	243	30,840
<b>Unquoted</b>						
Unlisted equity shares	8,918	459	9,377	8,918	412	9,330
Managed funds	1,000	-	1,000	1,000	-	1,000
Real estate funds	-	19,425	19,425	-	19,961	19,961
	<b>39,003</b>	<b>19,884</b>	<b>58,887</b>	<b>40,515</b>	<b>20,616</b>	<b>61,131</b>
Less: Provision for impairment	(2,886)	(177)	(3,063)	(3,013)	(348)	(3,361)
<b>Total equity investments</b>	<b>36,117</b>	<b>19,707</b>	<b>55,824</b>	<b>37,502</b>	<b>20,268</b>	<b>57,770</b>
<b>ii) Debt-type instruments at fair value through statement of income (Note 7.1)</b>						
<b>Quoted</b>						
Sukuk	-	176	176	34,140	10,605	44,745
<b>Unquoted</b>						
Sukuk	-	365	365	-	-	-
	-	<b>541</b>	<b>541</b>	<b>34,140</b>	<b>10,605</b>	<b>44,745</b>
<b>iii) Debt-type instruments at fair value through equity (7.1)</b>						
<b>Quoted</b>						
Sukuk	237,842	226,363	464,205	190,239	198,421	388,660
<b>Unquoted</b>						
Sukuk	-	2,503	2,503	-	19,711	19,711
	<b>237,842</b>	<b>228,866</b>	<b>466,708</b>	<b>190,239</b>	<b>218,132</b>	<b>408,371</b>
<b>iv) Debt-type instruments at amortised cost (7.1)</b>						
<b>Quoted</b>						
Sukuk	196,155	218,086	414,241	284,994	196,789	481,783
<b>Unquoted</b>						
Sukuk	-	65,816	65,816	-	64,642	64,642
	<b>196,155</b>	<b>283,902</b>	<b>480,057</b>	<b>284,994</b>	<b>261,431</b>	<b>546,425</b>
Less: Allowance for expected credit losses (7.2)	(405)	(787)	(1,192)	(473)	(662)	(1,135)
<b>Total debt-type investments</b>	<b>433,592</b>	<b>512,522</b>	<b>946,114</b>	<b>508,900</b>	<b>489,506</b>	<b>998,406</b>
<b>Total Investments</b>	<b>469,709</b>	<b>532,229</b>	<b>1,001,938</b>	<b>546,402</b>	<b>509,774</b>	<b>1,056,176</b>

Within unquoted investments which are held at fair value through OCI are investments amounting to US \$ 27.4 million (2023: US \$ 27.9 million) which are held at cost less allowance for impairment. These are mainly investments in unlisted companies whose shares are not traded on active markets. The investments are primarily in closely-held companies and structured products. 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

### 7. INVESTMENTS (continued)

The Group's investments in sukuk held at amortised cost amounting to US \$ 480.1 million (2023: \$546.4 million) have a fair value amounting to US \$466.7 million (2023: US \$ 530.0 million).

Investments having face value amounting to US \$ 64 million (2023: Nil) are pledged to raise funds under repurchase agreements (REPO) from a financial institutions.

#### 7.1 Debt-type instruments

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.

	2024			2023		
	Stage 1 US \$ '000	Stage 2 US \$ '000	Total US \$ '000	Stage 1 US \$ '000	Stage 2 US \$ '000	Total US \$ '000
Good (1-4)	464,381	-	464,381	453,115	-	453,115
Satisfactory (5-7)	479,917	3,008	482,925	543,418	3,008	546,426
	<b>944,298</b>	<b>3,008</b>	<b>947,306</b>	<b>996,533</b>	<b>3,008</b>	<b>999,541</b>

#### 7.2 Allowances for expected credit losses

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

	2024				2023		
	Stage 1: 12-month ECL US \$ '000	Stage 2: Lifetime ECL not credit-impaired US \$ '000	Total US \$ '000		Stage 1: 12-month ECL US \$ '000	Stage 2: Lifetime ECL not credit- impaired US \$ '000	Total US \$ '000
<b>Balance at 1 January</b>	818	317	1,135	314	-	314	
<b>Changes during the year:</b>							
Net remeasurement of loss allowance	(51)	115	64				
Allowances for expected credit losses	(51)	115	64				
FX translation	(7)	-	(7)				
<b>Balance at 31 December</b>	<b>760</b>	<b>432</b>	<b>1,192</b>	<b>818</b>	<b>317</b>	<b>1,135</b>	

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

### 7. INVESTMENTS (continued)

#### 7.3 Provision for impairment on equity type investments

	2024 US \$ '000	2023 US \$ '000
<b>Balance at 1 January</b>	<b>3,361</b>	5,001
Charges for the year	-	95
Reversal for the year	(317)	(211)
Written-off	-	(1,262)
Exchange difference	19	(262)
<b>Balance at 31 December</b>	<b>3,063</b>	3,361

### 8. INVESTMENT IN JOINT VENTURE

	2024 US \$ '000	2023 US \$ '000
<b>Balance at 1 January</b>	<b>16,686</b>	18,430
Net share of income for the year	584	1,395
Dividend received for the year	-	(3,139)
<b>Balance at 31 December</b>	<b>17,270</b>	16,686

Name	Nature of Business	Ownership	
		2024	2023
Danaat Al-Baraka	Real estate development	51%	51%

#### Summarised statement of financial position

	2024 US \$ '000	2023 US \$ '000
Non-current assets	-	1,860
Current assets	33,865	32,535
Current liabilities	(6)	(1,680)
<b>Net assets</b>	<b>33,859</b>	32,715
Group's ownership in equity	17,270	16,686
<b>Net carrying amount</b>	<b>17,270</b>	16,686

#### Summarised statement of income

	2024 US \$ '000	2023 US \$ '000
Total income	1,982	2,751
Total expenses	(837)	(16)
<b>Total comprehensive income</b>	<b>1,145</b>	2,735
<b>Group's net share of profit</b>	<b>584</b>	1,395

On 10 July 2024, the shareholders of "Danaat-Al-Baraka SPC", in an extraordinary general meeting, resolved to liquidate the company after the completion of all legal formalities.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

### 9. INVESTMENTS IN REAL ESTATE

	2024 US \$ '000	2023 US \$ '000
<b>Balance at 1 January</b>	<b>7,722</b>	8,836
Unrealized loss on remeasurement	-	(1,114)
<b>Balance at 31 December</b>	<b>7,722</b>	7,722

### 10. PREMISES AND EQUIPMENT

	Land and Building US \$ '000	Capital work in progress US \$ '000	Office furniture and equipment US \$ '000	Vehicles US \$ '000	Total US \$ '000
Cost:					
<b>At 1 January 2024</b>	<b>80,871</b>	<b>892</b>	<b>25,949</b>	<b>220</b>	<b>107,932</b>
Additions	117	1,568	1,287	338	3,310
Disposals	(16)	-	(139)	(12)	(167)
Exchange difference	108	-	120	3	231
<b>At 31 December 2024</b>	<b>81,080</b>	<b>2,460</b>	<b>27,217</b>	<b>549</b>	<b>111,306</b>
Accumulated depreciation:					
<b>At 1 January 2024</b>	<b>8,228</b>	-	<b>18,605</b>	<b>118</b>	<b>26,951</b>
Depreciation for the year	2,458	-	2,732	65	5,255
Related to disposals	(4)	-	(146)	(12)	(162)
Exchange difference	(187)	-	81	1	(105)
<b>At 31 December 2024</b>	<b>10,495</b>	-	<b>21,272</b>	<b>172</b>	<b>31,939</b>
Net book values:					
<b>At 31 December 2024</b>	<b>70,585</b>	<b>2,460</b>	<b>5,945</b>	<b>377</b>	<b>79,367</b>
At 31 December 2023	72,643	892	7,344	102	80,981
Estimated useful life for calculation of depreciation	20-30 years	4-5 years	1-10 years	4-5 years	

### 11. INTANGIBLES AND GOODWILL

	2024 US \$ '000	2023 US \$ '000
Softwares and licenses	5,315	5,962
Right of use assets	8,508	6,083
Goodwill	8,062	7,967
	<b>21,885</b>	20,012

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

The recoverable amount of the CGU was determined based on value in use calculation using cash flow projections from financial budgets approved by the Group's senior management covering a five year period. Management determined budgeted spreads based on the CGU's past performance and its expectation of market development.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

### 11. INTANGIBLES AND GOODWILL (continued)

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

### 12. OTHER ASSETS

	2024 US \$ '000	2023 US \$ '000
Collaterals pending sale	11,847	9,590
Accounts receivable	10,479	14,397
Deferred tax (12.1)	11,436	12,138
Others	7,791	5,396
Prepayments	3,049	2,990
	<b>44,602</b>	44,511
Less: Provision for impairment	(759)	(1,596)
	<b>43,843</b>	42,915

12.1 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.

### 13. OTHER LIABILITIES

	2024 US \$ '000	2023 US \$ '000
Bills payable	27,469	20,488
Margins received	31,794	37,115
Accounts payable	11,402	24,273
Provision for employees benefits	6,962	7,513
Operating ijarah liability	9,102	6,208
Accrued expenses	8,072	5,667
Advance payments from customers	3,363	2,626
Valuation of foreign exchange contracts	756	1,751
Charity fund (note 13.1)	474	545
Taxation and duties	511	4,719
Allowance for expected credit losses-unfunded facilities	536	185
Security deposit against ijara muntahia bittamleek	237	262
Others	6,300	1,913
	<b>106,978</b>	113,265

### 13.1 Movement in charity fund

	2024 US \$ '000	2023 US \$ '000
<b>Balance at 1 January</b>	<b>545</b>	396
Net movement	(71)	149
<b>Balance at 31 December</b>	<b>474</b>	545

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

### 14. PARTICIPATORY INVESTMENT ACCOUNTS

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

	2024 US \$ '000	2023 US \$ '000
IAH - Non-banks	1,484,383	1,415,034
IAH - Banks	351,330	277,439
Profit equalisation reserve (note 14.1)	720	720
	<b>1,836,433</b>	<b>1,693,193</b>

#### 14.1 Movement in profit equalisation reserve

	2024 US \$ '000	2023 US \$ '000
<b>Balance at 1 January</b>	<b>720</b>	411
Amount apportioned from income allocable to equity of investment account holders	-	309
<b>Balance at 31 December</b>	<b>720</b>	720

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

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

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

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

The Group's share, as Mudarib, in the profits of equity of investment account holders is upto a maximum of 70% (2023: upto 70%) as per the terms of IAH agreements.

The Group has charged a total administrative expense of US \$ 7.6 million (2023: US \$ 7.4 million) to equity of investment account holders for the year ended 31 December 2024.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

### 14. PARTICIPATORY INVESTMENT ACCOUNTS (continued)

#### 14.2 Participatory investment accounts by maturity

	2024 US \$ '000	2023 US \$ '000
Saving accounts	644,498	548,870
One month investment account	206,103	196,890
Three months investment account	219,475	93,061
Six months investment account	263,528	168,780
Nine months investment account	549	32,159
1 Year investment account	322,863	468,109
2 Years investment account	36,618	25,266
3 Years investment account	73,831	77,940
4 Years investment account	3,904	3,188
5 Years investment account	65,064	78,930
	<b>1,836,433</b>	<b>1,693,193</b>

#### 14.3 Participatory investment accounts by type

	2024 US \$ '000	2023 US \$ '000
Accounts on demand	644,498	548,870
Accounts on a contractual basis *	1,191,935	1,144,323
	<b>1,836,433</b>	<b>1,693,193</b>

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

### 15. SUBORDINATED MUDARABA

	2024 US \$ '000	2023 US \$ '000
Subordinated mudaraba	6,262	11,976
	<b>6,262</b>	<b>11,976</b>

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

### 16. SHARE CAPITAL

	2024 US \$ '000	2023 US \$ '000
(i) Share capital		
Authorised 6,000,000 ordinary shares (2023: 6,000,000) of US\$ 100 each	600,000	600,000
	<b>2024 US \$ '000</b>	<b>2023 US \$ '000</b>
Issued and fully paid 1,514,578 ordinary shares (2023: 1,514,578) of US \$ 100 each	151,458	151,458

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

### 16. SHARE CAPITAL (continued)

Additional information on shareholding pattern:

Names and nationalities of the major shareholder having an interest of 5% or more are as follows:

Name	2024		
	Domicile	No. of shares	% holding
Al Baraka Group B.S.C.(c)	Bahrain	1,405,755	92.81%
		2023	
Name	Domicile	No. of shares	% holding
Al Baraka Group B.S.C. (c)	Bahrain	1,405,755	92.81%

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

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

	2024			2023		
	Number of shares	Number of shareholders	% of total outstanding shares	Number of shares	Number of shareholders	% of total outstanding shares
Less than 1%	58,823	12	3.88%	58,823	12	3.88%
1% up to less than 5%	50,000	1	3.30%	50,000	1	3.30%
	<b>108,823</b>	<b>13</b>	<b>7.19%</b>	108,823	13	7.19%

#### (ii) Perpetual equity-type instruments

	2024 US \$ '000	2023 US \$ '000
Perpetual equity-type instruments	96,000	96,000

The Group held additional tier 1 capital (subordinated mudaraba) amounted to US \$ 96 million, received from ultimate parent. Such capital was raised from time to time to ensure compliance with minimum capital requirement (MCR) and capital adequacy requirement (CAR) as prescribed by Central Bank of Bahrain. The Bank raised additional tier 1 capital amounted to US \$ 81 million against cash consideration and US \$ 15 million against equity shares.

Summary of terms and conditions are as follows:

- Subordinated mudaraba amounted to US \$ 81 million carries expected profit ranging from 6% to 9% per annum, on a semi-annual basis;
- Subordinated mudaraba amounted to US \$ 15 million carries expected profit rate, which is 30% of the dividend or profit to be received on underlying equity investments shall be distributed to the Ultimate Parent, subject to and in accordance with terms and conditions, on an annual basis;
- the investor will not have a right to claim the profit and such event of nonpayment of profit will not be considered as event of default; and
- such instruments are recognised under equity in the consolidated statement of financial position and the corresponding profits paid to investor are accounted as appropriation of profits.

#### (iii) Statutory reserve

In accordance with the Bahrain Commercial Companies Law and the Bank's articles of association, 10% of the net income for the year is transferred to the statutory reserve until such time as the reserve reaches 50% of the Bank's paid-up share capital. The reserve is not distributable except in such circumstances as stipulated in the Bahrain Commercial Companies Law and following the approval of the CBB.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

### 16. SHARE CAPITAL (continued)

#### (iv) General reserve

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

#### (v) Cumulative changes in fair value

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

#### (vi) Revaluation reserve on premises and equipment

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

#### (vii) Foreign exchange reserve

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

#### (viii) Employee defined benefit plan reserve

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

### 17. CONTINGENCIES AND COMMITMENTS

	2024 US \$ '000	2023 US \$ '000
Foreign exchange contracts	39,236	61,567
Guarantees	76,440	82,524
Letters of credit	59,901	96,298
Acceptances	9,049	6,626
Taxation	11,723	9,716
Others	171	39
	<b>196,520</b>	256,770

### 18. INCOME FROM FINANCING

	2024 US \$ '000	2023 US \$ '000
Income from receivables	48,709	37,529
Income from participatory investments	36,035	35,365
Income from ijarah muntahia bittamleek	33,702	34,587
	<b>118,446</b>	107,481
Income from jointly financed financing assets	100,937	99,502
Income from self financed financing assets	17,509	7,979
	<b>118,446</b>	107,481

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

### 19. INCOME FROM INVESTMENTS

	2024 US \$ '000	2023 US \$ '000
Yield, coupon or return on investments	104,987	98,645
Loss on sale of investments	(1,261)	(990)
Dividend income	2,443	2,482
Loss on disposal and revaluation of investment properties	-	(1,114)
Rental Income	234	210
	<b>106,403</b>	<b>99,233</b>
Income from jointly financed investments	55,325	52,674
Income from self financed investments	51,078	46,559
	<b>106,403</b>	<b>99,233</b>

### 20. INCOME FROM BANKING SERVICES

	2024 US \$ '000	2023 US \$ '000
Fees and commissions	5,797	7,026
Letters of credit and acceptances	760	634
Guarantees	370	464
	<b>6,927</b>	<b>8,124</b>

### 21. OTHER INCOME

	2024 US \$ '000	2023 US \$ '000
Foreign exchange gain - net	4,526	4,024
Others	3,554	3,363
	<b>8,080</b>	<b>7,387</b>

### 22. OTHER OPERATING EXPENSES

	2024 US \$ '000	2023 US \$ '000
Administrative expenses	(9,760)	(6,573)
Premises costs	(5,316)	(6,795)
Business expenses	(17,556)	(17,632)
General expenses	(1,248)	(1,240)
	<b>(33,880)</b>	<b>(32,240)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

### 23. ALLOWANCES FOR IMPAIRMENT - NET

	2024 US \$ '000	2023 US \$ '000
Receivables (4.2)	(6,604)	(5,193)
Ijara muntahia bittamleek and ijara receivables (5.2)	(694)	(3,584)
Musharakat (6.1)	2,626	(6,948)
Investments - debt type	(64)	(824)
Investments - equity type	317	116
Off balance sheet assets under management	(350)	(100)
Other assets	(40)	(184)
	<b>(4,809)</b>	<b>(16,717)</b>

### 24. TAXATION

	2024 US \$ '000	2023 US \$ '000
Taxation relates to subsidiary in Pakistan and comprise:		
<b>Consolidated statement of financial position:</b>		
Deferred tax	11,436	12,138
<b>Consolidated statement of income:</b>		
Current tax	(15,849)	(12,264)
Deferred tax	1,207	3,345
	<b>(14,642)</b>	<b>(8,919)</b>

### 25. CASH AND CASH EQUIVALENTS

	2024 US \$ '000	2023 US \$ '000
For the purpose of cash flows, cash and cash equivalents represent:		
Cash on hand	23,665	24,982
Balances with central banks (unrestricted accounts and overnight placements)	26,335	59,514
Balances with other banks and financial institutions	40,491	57,954
Receivables, commodities and wakala placements (with an original maturity of 90 days or less)	35,336	49,835
	<b>125,827</b>	<b>192,285</b>

### 26. RELATED PARTY BALANCES AND TRANSACTIONS

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

### 26. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

The significant balances with related parties were as follows:

	Ultimate Parent and other shareholders		Other Related Parties		Total	
	2024 US \$ '000	2023 US \$ '000	2024 US \$ '000	2023 US \$ '000	2024 US \$ '000	2023 US \$ '000
<b>Assets:</b>						
Cash and balances with banks and financial institutions	16	4	46	46	62	50
Receivables	-	-	1,304	1,318	1,304	1,318
Musharakat	-	-	1,793	1,522	1,793	1,522
Investments	26,230	26,754	25,071	25,345	51,301	52,099
Other assets	9,003	7,681	-	-	9,003	7,681
<b>Total assets</b>	<b>35,249</b>	<b>34,439</b>	<b>28,214</b>	<b>28,231</b>	<b>63,463</b>	<b>62,670</b>
<b>Liabilities:</b>						
Current account	2,506	3,272	34,199	2,132	36,705	5,404
Other liabilities	322	4,927	823	602	1,145	5,529
<b>Total liabilities</b>	<b>2,828</b>	<b>8,199</b>	<b>35,022</b>	<b>2,734</b>	<b>37,850</b>	<b>10,933</b>
<b>Participatory investment accounts</b>	<b>45,120</b>	<b>67,683</b>	<b>62,974</b>	<b>54,811</b>	<b>108,094</b>	<b>122,494</b>
<b>Off-balance sheet items: assets under management contingencies and commitments</b>	<b>102,024</b>	<b>21,994</b>	<b>115,858</b>	<b>122,481</b>	<b>217,882</b>	<b>144,475</b>
	<b>2,000</b>	<b>2,000</b>	<b>371</b>	<b>25</b>	<b>2,371</b>	<b>2,025</b>

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

	Ultimate Parent and other shareholders		Other Related Parties		Total	
	2024 US \$ '000	2023 US \$ '000	2024 US \$ '000	2023 US \$ '000	2024 US \$ '000	2023 US \$ '000
<b>Income</b>						
Income from financings contracts	-	-	55	58	55	58
Income from investments	1,225	1,080	940	188	2,165	1,268
Group's Mudarib / Agency fee from off-balance sheet equity of investment accountholders	33	-	101	2,287	134	2,287
Other income	2,808	1,683	-	4	2,808	1,687
	<b>4,066</b>	<b>2,763</b>	<b>1,096</b>	<b>2,537</b>	<b>5,162</b>	<b>5,300</b>
<b>Expenses</b>						
Net income attributable to quasi-equity	2,981	645	2,902	1,834	5,883	2,479
Other expenses	-	-	2,703	2,334	2,703	2,334
	<b>2,981</b>	<b>645</b>	<b>5,605</b>	<b>4,168</b>	<b>8,586</b>	<b>4,813</b>

Compensation of key management personnel is as follows:

	2024 US \$ '000	2023 US \$ '000
Salaries	5,156	5,007
Other benefits	2,140	2,101
	<b>7,296</b>	<b>7,108</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

### 27. RISK MANAGEMENT

Risk management is an integral part of the Group's decision-making process. The risk management committee and executive committees, guide and assist with overall management of the Group's consolidated statement of financial position risks. The Group manages exposures by setting limits approved by the Board of Directors.

#### a. Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a regular basis.

The table below summarises the maturity profile of the Group's assets and liabilities as of 31 December 2024 based on contractual periods to cash conversion from the consolidated statement of financial position date. However, expected periods to cash conversion where there are no contractual terms.

	Up to 3 months US \$ '000	3 to 6 months US \$ '000	6 months to 1 year US \$ '000	1 to 3 years US \$ '000	3 to 5 years US \$ '000	5 to 10 years US \$ '000	10 to 20 years US \$ '000	Over 20 years US \$ '000	No fixed maturity US \$ '000	Total US \$ '000
<b>ASSETS</b>										
Cash and balances with banks and financial institutions	156,463	-	-	-	-	-	-	-	-	156,463
Receivables	191,300	87,495	42,133	74,392	47,778	19,057	4,876	3,939	-	470,970
Ijara muntahia bittamleek and ijara receivables	27,974	10,687	15,648	71,862	51,340	118,831	224,717	55,756	-	576,815
Musharakat	356	1,553	70,251	39,239	23,950	42,333	19,554	-	-	197,236
Investments	38,257	5,032	118,921	320,999	270,013	119,627	92,941	1,365	34,783	1,001,938
Investments in real estate	-	-	-	7,722	-	-	-	-	-	7,722
Investment in Joint Venture	-	-	-	-	-	-	-	-	17,270	17,270
Premises and equipment	-	-	-	-	-	-	-	-	79,367	79,367
Intangibles and goodwill	-	-	-	-	-	-	-	-	21,885	21,885
Other assets	31,428	326	653	-	11,436	-	-	-	-	43,843
<b>Total assets</b>	<b>445,778</b>	<b>105,093</b>	<b>247,606</b>	<b>514,214</b>	<b>404,517</b>	<b>299,848</b>	<b>342,088</b>	<b>61,060</b>	<b>153,305</b>	<b>2,573,509</b>
<b>LIABILITIES, QUASI EQUITY AND OWNERS' EQUITY</b>										
Current accounts	291,656	-	-	-	-	-	-	-	-	291,656
Murabaha and other payables	121,855	-	-	-	-	-	-	-	-	121,855
Other liabilities	93,712	1,774	4,112	3,517	1,669	2,194	-	-	-	106,978
Participatory investment accounts	1,414,056	162,581	147,058	62,702	45,075	4,961	-	-	-	1,836,433
Subordinated mudaraba	33	-	-	6,229	-	-	-	-	-	6,262
<b>Total owners' equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>210,325</b>	<b>210,325</b>
<b>Net gap</b>	<b>(1,475,534)</b>	<b>(59,262)</b>	<b>96,436</b>	<b>441,766</b>	<b>357,773</b>	<b>292,693</b>	<b>342,088</b>	<b>61,060</b>	<b>(57,020)</b>	<b>-</b>
<b>Cumulative net gap</b>	<b>(1,475,534)</b>	<b>(1,534,796)</b>	<b>(1,438,360)</b>	<b>(996,594)</b>	<b>(638,821)</b>	<b>(346,128)</b>	<b>(4,040)</b>	<b>57,020</b>	<b>-</b>	<b>-</b>
<b>Off-balance sheet items:</b>										
<b>Assets under management</b>	<b>444,695</b>	<b>149,288</b>	<b>88,188</b>	<b>71,765</b>	<b>89,027</b>	<b>46,390</b>	<b>-</b>	<b>-</b>	<b>11,771</b>	<b>901,124</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

### 27. RISK MANAGEMENT (continued)

#### a. Liquidity risk (continued)

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

	Up to 3 months US \$ '000	3 to 6 months US \$ '000	6 months to 1 year US \$ '000	1 to 3 years US \$ '000	3 to 5 years US \$ '000	5 to 10 years US \$ '000	10 to 20 years US \$ '000	Over 20 years US \$ '000	No fixed maturity US \$ '000	Total US \$ '000
<b>ASSETS</b>										
Cash and balances with banks and financial institutions	142,450	-	-	-	-	-	-	-	100,926	243,376
Receivables	161,794	73,146	44,173	68,121	49,314	18,725	4,489	5,035	24,786	449,583
Ijara muntahia bittamleek and ijara receivables	9,825	13,731	14,708	76,476	62,789	120,362	245,963	82,920	8,001	634,775
Musharakat	367	2,319	3,747	80,387	31,007	20,250	20,196	-	-	158,273
Investments	36,894	-	21,118	414,626	356,735	189,248	362	1,000	36,193	1,056,176
Investments in real estate	-	-	-	7,722	-	-	-	-	-	7,722
Investment in joint venture	-	-	-	-	-	-	-	-	16,686	16,686
Premises and equipment	-	-	-	-	-	-	-	-	80,981	80,981
Intangibles and goodwill	-	-	-	-	-	-	-	-	20,012	20,012
Other assets	27,704	17	111	391	2,180	12,501	11	-	-	42,915
<b>Total assets</b>	<b>379,034</b>	<b>89,213</b>	<b>83,857</b>	<b>647,723</b>	<b>502,025</b>	<b>361,086</b>	<b>271,021</b>	<b>88,955</b>	<b>287,585</b>	<b>2,710,499</b>
<b>LIABILITIES, QUASI EQUITY AND OWNERS' EQUITY</b>										
Current accounts	258,810	-	-	-	-	-	-	-	-	258,810
Murabaha and other payables	15,206	302,532	78,822	139	460	6,486	-	-	-	403,645
Other liabilities	92,447	1,375	5,605	11,825	1,018	995	-	-	-	113,265
Participatory investment accounts	1,032,269	250,104	235,053	105,111	70,656	-	-	-	-	1,693,193
Subordinated mudaraba	499	-	-	5,448	-	6,029	-	-	-	11,976
Total owners' equity	-	-	-	-	-	-	-	-	229,610	229,610
Net gap	(1,020,197)	(464,798)	(235,623)	525,200	429,891	347,576	271,021	88,955	57,975	-
Cumulative net gap	(1,020,197)	(1,484,995)	(1,720,618)	(1,195,418)	(765,527)	(417,951)	(146,930)	(57,975)	-	-
<b>Off-balance sheet items:</b>										
<b>Assets under management</b>	<b>184,824</b>	<b>32,554</b>	<b>29,747</b>	<b>154,244</b>	<b>76,167</b>	<b>29,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>506,536</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

### 27. RISK MANAGEMENT (continued)

#### b. Market risk

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

##### Profit rate risk

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

The Group is exposed to displaced commercial risk in the event of having equity of IAH profit rates that are lower than market rates. The policies and procedures to manage displaced commercial risk are formulated and implemented at the segment level (Pakistan and Bahrain).

##### Foreign exchange risk

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

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

	2024 Total equivalent US \$ '000
Pakistani Rupees	79,058
Euro	(6,400)
Kuwaiti Dinars	76
Pound Sterling	472
Egyptian Pound	1,802
Algerian Dinar	6,000
Chinese Yuan	409
	2023 Total equivalent US \$ '000
Pakistani Rupees	101,007
Euro	661
Kuwaiti Dinars	6
Pound Sterling	(5,131)
Egyptian Pound	2,660
Algerian Dinar	6,000
Chinese Yuan	318

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

##### Foreign currency risk sensitivity analysis

In order to measure its exposures to currency risk, the Group stress tests its exposures following the standard shocks approach, which calculates the effect on equity and income of the Group as a result of 20% appreciation and depreciation in foreign currencies in relation to the reporting currency of the Group.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

### 27. RISK MANAGEMENT (continued)

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

Currency 2024	Particular	Change	Exposures in US \$ '000	Effect on equity/ Income Statement in US \$ '000
Pakistani Rupees	Net Long Position	20%	79,058	15,812
Euro	Net Short Position	20%	6,400	1,280
Kuwaiti Dinars	Net Long Position	20%	76	15
Pound Sterling	Net Long Position	20%	472	94
Egyptian Pound	Net Long Position	20%	1,802	360
Algerian Dinar	Net Long Position	20%	6,000	1,200
Chinese Yuan	Net Long Position	20%	409	82

Currency 2023	Particular	Change	Exposures in US \$ '000	Effect on equity/ Income Statement in US \$ '000
Pakistani Rupees	Net long Position	20%	101,007	20,201
Euro	Net long Position	20%	661	132
Kuwaiti Dinars	Net long Position	20%	6	1
Pound Sterling	Net short Position	20%	5,131	1,026
Egyptian Pound	Net long Position	20%	2,660	532
Algerian Dinar	Net long Position	20%	6,000	1,200
Chinese Yuan	Net long Position	20%	318	64

#### Equity price risk

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

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

Market indices	2024		2023	
	Change in equity price %	Effect on equity / Income Statement US \$ '000	Change in equity price %	Effect on equity / Income Statement US \$ '000
Pakistan Stock Exchange	10%	105	10%	143
Egypt Stock Exchange	10%	180	10%	266
Jordan Stock Exchange	10%	2,623	10%	2,675

#### Concentration of investment portfolio

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

### 27. RISK MANAGEMENT (continued)

#### b. Market risk (continued)

Concentration of investment portfolio (continued)

2024	*GCC US \$ '000	Rest of the world US \$ '000	Total US \$ '000
Banking	613	37,041	37,654
Government	437,789	446,873	884,662
Investment companies	38,723	-	38,723
Manufacturing	-	1,708	1,708
Real estate	11,197	8,097	19,294
Others	14,636	5,261	19,897
	502,958	498,980	1,001,938

2023	*GCC US \$ '000	Rest of the world US \$ '000	Total US \$ '000
Banking	646	38,421	39,067
Government	510,058	430,319	940,377
Investment companies	35,628	-	35,628
Manufacturing	-	2,233	2,233
Real estate	11,245	8,633	19,878
Others	14,236	4,757	18,993
	571,813	484,363	1,056,176

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

#### c. Credit risk

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

#### Type of credit risk

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

#### Sales receivable

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

#### Istisna'a receivable

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

#### Musharakat

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

### 27. RISK MANAGEMENT (continued)

#### c. Credit risk (continued)

##### Type of credit risk (continued)

##### *Ijara Muntahia Bittamleek*

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

##### *Salam*

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

##### *Maximum exposure to credit risk*

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

	Maximum Exposure to Credit Risk	
	2024 US \$ '000	2023 US \$ '000
Receivables	470,970	449,583
Musharakat	197,236	158,273
Ijara muntahia bittamleek and ijara receivables	576,815	634,775
Investments in sukuk	946,114	998,406
Balances with banks and financial institutions	132,798	218,394
Other assets	17,511	14,823
Contingencies and commitments	184,626	247,015
	<b>2,526,070</b>	<b>2,721,269</b>

##### *Credit quality by type of Islamic financing contracts*

The table below shows the credit quality by type of Islamic financing contracts, based on the Group's quality of assets. The balances presented are gross of expected credit losses.

	2024			
	Neither past due nor non performing US \$ '000	Past due but performing US \$ '000	Non performing Islamic financing contracts US \$ '000	Total US \$ '000
Type of Islamic Financing Contract				
Receivables	456,584	9,467	72,430	538,481
Musharakat	197,720	1,383	10,989	210,092
Ijara muntahia bittamleek and ijara receivables	558,096	9,707	20,752	588,555
	<b>1,212,400</b>	<b>20,557</b>	<b>104,171</b>	<b>1,337,128</b>
	2023			
Type of Islamic Financing Contract				
Receivables	410,297	27,794	74,366	512,457
Musharakat	157,695	6,733	9,494	173,922
Ijara muntahia bittamleek and ijara receivables	628,149	585	17,239	645,973
	<b>1,196,141</b>	<b>35,112</b>	<b>101,099</b>	<b>1,332,352</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

### 27. RISK MANAGEMENT (continued)

#### c. Credit risk (continued)

##### *Credit quality by type of Islamic financing contracts (continued)*

##### *Aging analysis of past due but performing Islamic financing contracts*

	2024			
	Less than 30 Days US \$ '000	31 to 60 days US \$ '000	61 to 90 days US \$ '000	Total US \$ '000
Type of Islamic Financing Contract				
Receivables	4,093	4,451	923	9,467
Musharakat	986	238	159	1,383
Ijara muntahia bittamleek and ijara income receivable	406	9,294	7	9,707
	<b>5,485</b>	<b>13,983</b>	<b>1,089</b>	<b>20,557</b>

	2023			
	Less than 30 Days US \$ '000	31 to 60 days US \$ '000	61 to 90 days US \$ '000	Total US \$ '000
Type of Islamic Financing Contract				
Receivables	24,841	1,419	1,534	27,794
Musharakat	3,473	1,725	1,535	6,733
Ijara muntahia bittamleek and ijara receivables	148	364	73	585
	<b>28,462</b>	<b>3,508</b>	<b>3,142</b>	<b>35,112</b>

##### *Aging of Non-Performing Facilities*

	2024				
	3-6 Months US \$ '000	6-12 Months US \$ '000	1-3 Years US \$ '000	3 Years and above US \$ '000	Total US \$ '000
Receivable	24,718	11,827	9,886	25,999	72,430
Musharakat	4,478	922	1,719	3,870	10,989
Ijara muntahia bittamleek and ijara income receivable	150	488	8,822	11,292	20,752
	<b>29,346</b>	<b>13,237</b>	<b>20,427</b>	<b>41,161</b>	<b>104,171</b>

	2023				
	3-6 Months US \$ '000	6-12 Months US \$ '000	1-3 Years US \$ '000	3 Years and above US \$ '000	Total US \$ '000
Receivable	12,854	11,433	14,186	35,893	74,366
Musharakat	1,228	1,349	1,871	5,046	9,494
Ijara muntahia bittamleek and ijara receivable	2,179	164	1,374	13,522	17,239
	<b>16,261</b>	<b>12,946</b>	<b>17,431</b>	<b>54,461</b>	<b>101,099</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

### 27. RISK MANAGEMENT (continued)

#### c. Credit risk (continued)

##### Credit risk mitigation

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

Collaterals listed hereunder attract capital relief from capital adequacy requirements:

- 1) Hamish Jiddiyah (HJ) (Good faith deposit): The Group takes this type of collateral in the transactions for which non-binding promises to perform is given by the customer. If a customer does not honour his promise to perform, the Group has recourse to the HJ. HJ is taken by the Group at the inception of the transaction but before signing the contracts. HJ constitutes partial guarantee to the Group for the performance of the contract by the customer. The Group will still have recourse to the customers for the unsecured position in case of default.
- 2) Third party guarantee: The Group should have recourse to the guarantor in case of customer's default. In order to qualify as eligible collateral, the guarantee should be unconditional and irrevocable. The guarantor must be solvent and, if applicable, should provide the Group with signed audited financial statements.
- 3) Underlying assets of the lease contract: The underlying asset must be of monetary value and the Group must have legal access to it, own it and sell it to cover the open exposure with the customers in question. The assets have also to be free of any kind of encumbrance. In the same lease contract a customer can pledge other assets that customers own other than the underlying assets in the contract. In order for the Group to consider these assets as pledged assets, it must meet all the conditions for the underlying assets under the lease contract. It must be legally enforceable, accessible, saleable and free of any kind of encumbrance. The value of the pledged asset must be used only to offset the amount against the customers.  
  
Any excess amount resulting from the closure of the pledge by the Group should be returned to the customer (pledger). The Group is conducting at least annual evaluation of the pledged assets and keeping adequate documentation of this evaluation.
- 4) Cash deposit free from any legal encumbrance either in the form of equity of investment accountholders or off-balance sheet equity of investment accountholders.
- 5) Rated and unrated senior Sukuk issued by financial institutions or sovereigns.

##### Credit quality

Countries, governments and financial institutions will be rated on the basis of their unsecured medium term foreign currency obligations. This means that for governments and financial institutions the cross-border risk will also be part of the rating and the country's rating will be, in most cases, the ceiling on the financial institution's rating. Corporates will be rated on their senior unsecured medium term local currency obligations, unless the credit granted is across border or in foreign currency. In the latter case, the obligor's country's rating will be the ceiling on corporates' rating. Where all credit to a government is in local currency, the rating for that government is the best i.e. 1 on the rating scale, however, if the exposure to the government includes foreign currency, the rating for that government will be the same as the country's rating.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

### RISK MANAGEMENT (continued)

#### c. Credit risk (continued)

##### Credit quality (continued)

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

#### d. Operational risk

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

##### Infrastructure risks

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

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

##### Information technology risks

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

##### Personnel risk

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

### 28. CONCENTRATION OF ASSETS, LIABILITIES AND QUASI EQUITY

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

	Assets		Liabilities		Quasi equity	
	2024 US \$ '000	2023 US \$ '000	2024 US \$ '000	2023 US \$ '000	2024 US \$ '000	2023 US \$ '000
<b>Geographical region</b>						
Middle East	1,591,367	1,809,515	243,535	470,973	965,190	1,005,028
Europe	5,637	4,479	119	188	41,001	911
Asia	955,709	873,599	274,385	301,963	624,352	533,012
Others	20,796	22,906	2,450	2,596	212,152	166,218
	<b>2,573,509</b>	<b>2,710,499</b>	<b>520,489</b>	<b>775,720</b>	<b>1,842,695</b>	<b>1,705,169</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

### 28. CONCENTRATION OF ASSETS, LIABILITIES AND QUASI EQUITY (continued)

Industry sector	Assets		Liabilities		Quasi equity	
	2024 US \$ '000	2023 US \$ '000	2024 US \$ '000	2023 US \$ '000	2024 US \$ '000	2023 US \$ '000
Trading and manufacturing	230,537	169,417	57,880	70,102	76,711	65,082
Banks and financial institutions	316,866	411,702	132,600	369,700	529,471	429,261
Construction and real estate	119,047	140,830	50,750	68,393	43,243	72,677
Government	936,086	991,228	2,214	2,362	65,945	227,329
Consumer	710,700	726,504	135,911	125,786	850,724	618,309
Agriculture, fishing and forestry	67,532	79,208	1,688	1,673	1,930	2,526
Others	192,741	191,610	139,446	137,704	274,671	289,985
	<b>2,573,509</b>	2,710,499	<b>520,489</b>	775,720	<b>1,842,695</b>	1,705,169

### 29. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

- For investments that are traded in organised financial markets, fair value is determined by reference to the quoted market bid prices prevailing on the statement of financial position date.
- For unquoted investments, fair value is determined by reference to recent significant buy or sell transactions with third parties that are either completed or are in progress. Where no recent significant transactions have been completed or are in progress, fair value is determined by reference to the current market value of similar investments. For others, the fair value is based on the net present value of estimated future cash flows, or other relevant valuation methods.
- For investments that have fixed or determinable cash flows, fair value is based on the net present value of estimated future cash flows determined by the Group using current profit rates for investments with similar terms and risk characteristics.
- Investments which cannot be remeasured to fair value using any of the above techniques are carried at cost, less provision for impairment.

A hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical investments. The Group holds equity type securities classified as Level 1 and measured at fair value through OCI amounting to US \$ 29,085 thousands (2023: US \$ 30,840 thousand). The Group also holds debt type securities classified as Level 1 and measured at fair value through OCI amounting to US \$ 464,205 thousands (2023: US \$ 388,660 thousands). The Group holds debt type securities classified as Level 1 and measured at fair value through income statements amounting to US \$ 176 thousands (2023: US \$ 44,745 thousands). The Group does not hold any equity-type securities classified as Level 1 and measured at fair value through statement of income.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

### 29. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the investments, either directly (that is, as prices) or indirectly (that is, derived from prices). The Group holds investment in real estate which is classified as Level 2 and measured at FVOCI amounting to US \$ 7,722 thousands (2023: US \$ 7,722 thousand).

Level 3 – Inputs for the investments that are not based on observable market data (unobservable inputs). The Group also holds debt-type securities classified as Level 3 and measured at fair value through OCI amounting to US \$ 2,503 thousands (2023: US \$ 19,711 thousand), whereas debt-type securities measured at fair value through income statement amounting to US \$ 365 thousands (2023: Nil). Simultaneously, the Group does not hold any equity-type securities classified as Level 3 and measured at fair value through statement of equity. The Group holds equity-type securities classified as Level 3 and measured at fair value through equity amounting to US \$ 29,802 thousands (2023: US \$ 20,291 thousand) which are carried at cost less impairment.

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

### 30. SEGMENTAL INFORMATION

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

For financial reporting purposes, the Group is divided into two geographical segments, Middle East and Other Asian Countries. Other Asian Countries represent operations in Islamic Republic of 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 assets and liabilities of the Group were as follows:

	Middle East		Other Asian Countries		Total	
	2024 US \$ '000	2023 US \$ '000	2024 US \$ '000	2023 US \$ '000	2024 US \$ '000	2023 US \$ '000
Assets	1,590,801	1,806,742	982,708	903,757	2,573,509	2,710,499
Liabilities and quasi equity	1,470,525	1,651,123	892,659	829,766	2,363,184	2,480,889

The segmental income and expenses of the Group were as follows:

Total operating income	11,121	18,903	66,249	55,178	77,370	74,081
Total operating expenses	(42,495)	(45,023)	(35,583)	(28,023)	(78,078)	(73,046)
Allowances for impairment - net	(2,380)	(8,187)	(2,429)	(8,530)	(4,809)	(16,717)
Taxation	-	-	(14,642)	(8,919)	(14,642)	(8,919)
(loss) / income for the year	(33,754)	(34,307)	13,595	9,706	(20,159)	(24,601)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

### 31. SOCIAL RESPONSIBILITY

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

### 32. Zakah

	2024 US \$ '000	2023 US \$ '000
Net equity attributable to shareholders	88,584	114,394
Employee end of service benefits	6,962	7,513
Zakah-able assets	(88,065)	(114,433)
Zakah-able amount	7,481	7,474
Zakah for the year	193	193

### 33. Fee disclosure

The audit and non-audit fees for the year ended 31 December 2024 to PwC and its network firms are as follows:

	2024 US \$ '000	2023 US \$ '000
Audit fees	241	217
Non-audit fees	207	191
	448	408

### 34. SUBSEQUENT EVENTS

There have been no events subsequent to the consolidated statement of financial position date that would significantly affect the amounts reported in the consolidated financial statements as at and for the year ended 31 December 2024.

### 35. COMPARATIVE INFORMATION

In the Group's consolidated financial statements for the year ended 31 December 2024, certain comparative amounts have been reclassified to conform with the presentation in the current period due to the adoption of FAS 1 (Revised 2021) - General Presentation and Disclosures in the Financial Statements (please refer to "New standards, interpretations and amendments adopted by the Group" section of note 2.4.1 to these consolidated financial statements for description of changes in the presentation). Such reclassification did not affect previously reported net income or total equity.

### 36. NSFR REQUIREMENTS AND CALCULATION METHODOLOGY

The Net Stable Funding Ratio ('NSFR') is calculated in accordance with the Liquidity Risk Management Module guidelines, issued by the CBB and is effective from December 2019. The minimum NSFR ratio as per CBB is 100%. The Group's consolidated NSFR ratio as of 31 December 2024 is 210.81%.

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

	Unweighted Values (i.e. before applying relevant factors)				
	No specified maturity US \$ '000	Less than 6 Months US \$ '000	More than 6 Months and less than a Year US \$ '000	Over one Year US \$ '000	Total weighted value US \$ '000
<b>Available Stable Funding (ASF):</b>					
<b>Capital:</b>	181,999	-	-	11,664	193,663
Regulatory Capital	181,999	-	-	-	181,999
Other Capital Instruments	-	-	-	11,664	11,664

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

### 36. NSFR REQUIREMENTS AND CALCULATION METHODOLOGY (continued)

	Unweighted Values (i.e. before applying relevant factors)				
	No specified maturity US \$ '000	Less than 6 Months US \$ '000	More than 6 Months and less than a Year US \$ '000	Over one Year US \$ '000	Total weighted value US \$ '000
<b>Retail deposits and deposits from small business customers:</b>		928,495	83,209	69,145	980,344
Stable deposits	-	10,886	27	-	10,486
Less stable deposits	-	917,609	83,183	69,145	969,858
<b>Wholesale funding:</b>		1,141,360	28,500	3,915	343,095
Operational deposits	-	-	-	1,078	1,078
Other wholesale funding	-	1,141,360	28,500	2,836	342,017
<b>Other liabilities:</b>		-	-	106,440	106,440
NSFR Shari'a-compliant hedging contract liabilities	-	-	-	-	-
All other liabilities not included in the above categories	-	-	-	106,440	106,440
<b>Total ASF</b>	<b>181,999</b>	<b>2,069,856</b>	<b>111,709</b>	<b>191,164</b>	<b>1,623,543</b>
<b>Required Stable Funding (RSF):</b>					
<b>Total NSFR high-quality liquid assets (HQLA)</b>	922,699	-	53,050	-	65,377
<b>Deposits held at other financial institutions for operational purposes</b>	-	-	-	-	-
<b>Performing financing and sukuk/securities:</b>					
Performing financing to financial institutions secured by Level 1 HQLA	-	-	-	-	-
Performing financing to financial institutions secured by non-level 1 HQLA and unsecured performing financing to financial institutions	-	68,250	-	83,244	93,481
Performing financing to non-financial corporate clients, financing to retail and small business customers, financing to sovereigns, central banks and PSEs, of which:	-	105,280	173,943	-	139,611
With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines	-	-	-	116,240	94,565
Performing residential mortgages, of which:	-	-	-	300,836	195,543
With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	-	-
Securities/sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	-	10,253	8,715
<b>Other assets:</b>					
Physical traded commodities, including gold	-	-	-	-	-
Assets posted as initial margin for Shari'a-compliant hedging contracts and contributions to default funds of CCPs	-	-	-	-	-
NSFR Shari'a-compliant hedging assets	-	-	-	-	-
NSFR Shari'a-compliant hedging contract liabilities before deduction of variation margin posted	-	-	-	-	-
All other assets not included in the above categories	163,626	-	-	-	163,626
<b>OBS items</b>	184,365	-	-	-	9,218
<b>Total RSF</b>	<b>1,270,690</b>	<b>173,530</b>	<b>226,993</b>	<b>510,573</b>	<b>770,137</b>
<b>NSFR (%)</b>					<b>210.81%</b>

## Basel III, Pillar III Disclosures

For the year ended 31 December 2024

### 1. INTRODUCTION

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

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

For details on the Group's subsidiary as of 31 December 2024, refer note 2 of the consolidated financial statements of the Group.

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

### 2. CAPITAL ADEQUACY

To assess its capital adequacy requirements in accordance with the CBB requirements, the Group adopts the standardised approach for its credit risk, basic indicator approach for its operational risk and standardised measurement approach for its market risk. The CBB capital adequacy requirement is minimum accepted level for capital adequacy. The credit committee of the Group identify and approve assets suitable for funding by quasi equity. For the purpose of computing the Capital Adequacy Ratio ("CAR") and preparation of the PIRI form, the Group's consolidates its financial subsidiary (Al Baraka Bank (Pakistan) Limited).

#### Table – 1. Capital structure

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

	31 December 2024			31 December 2023		
	CET 1 US \$ '000	AT1 US \$ '000	Tier 2 US \$ '000	CET 1 US \$ '000	AT1 US \$ '000	Tier 2 US \$ '000
<b>Common Equity Tier 1 (CET1)</b>						
Issued and fully paid ordinary shares	151,458			151,458		
General reserves	8,687			8,687		
Statutory reserves	26,119			26,119		
(Accumulated losses) / Retained earnings	(13,119)			17,949		
Current year loss	(25,715)			(28,568)		
Unrealized gains and losses on available for sale financial instruments	6,500			6,882		
Gains and losses resulting from converting foreign currency subsidiaries to the parent currency	(65,308)			(65,851)		
Other reserves	(341)			(289)		
<b>Total CET1 capital before minority interest</b>	<b>88,281</b>			116,387		
Minority interest in banking subsidiary in capital	11,159			9,828		
<b>Total CET1 capital prior to regulatory adjustments</b>	<b>99,440</b>			126,215		
Less:						
Goodwill	8,062			7,967		
Intangible other than mortgage servicing rights	5,315			5,962		
Deferred tax assets subject to adjustment	67			3,673		
<b>Total CET 1 capital after the regulatory adjustments above (CET 1a)</b>	<b>85,996</b>			108,613		

## Basel III, Pillar III Disclosures

For the year ended 31 December 2024

### 2. CAPITAL ADEQUACY (continued)

#### Table – 1. Capital structure (continued)

	31 December 2024			31 December 2023		
	CET 1 US \$ '000	AT1 US \$ '000	Tier 2 US \$ '000	CET 1 US \$ '000	AT1 US \$ '000	Tier 2 US \$ '000
<b>Other Capital (AT1 &amp; T 2)</b>						
Instruments issued to parent company		96,000	-	96,000	-	-
Instruments issued by banking subsidiary to third parties		-	4,139	-	-	3,524
Assets revaluation reserve - property, plant, and equipment		-	299	-	-	314
Eligible expected credit losses (ECL) Stages 1 & 2		-	7,226	-	-	7,383
<b>Total Available AT1 &amp; T2 Capital</b>		<b>96,000</b>	<b>11,664</b>	96,000		11,221
<b>Total CET 1 Capital</b>	<b>85,996</b>			108,613		
<b>Total T1 Capital</b>		<b>181,996</b>			204,613	
<b>Total Capital</b>			<b>193,660</b>			215,834

#### Table – 2. Capital requirement by type of islamic financing contracts

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

	31 December 2024	31 December 2023
	Capital requirements US \$ '000	Capital requirements US \$ '000
<b>Type of islamic financing contracts</b>		
Receivables	17,092	14,560
Ijara muntahia bittamleek and ijara receivables	16,309	17,944
Musharakat	9,448	7,839
	<b>42,849</b>	40,343

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

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

	31 December 2024		31 December 2023	
	Self Financed US \$ '000	Financed by IAH US \$ '000	Self Financed US \$ '000	Financed by IAH US \$ '000
<b>Market risk - standardised approach</b>				
Price risk	24	-	480	-
Equities Position Risk	57	-	58	-
Foreign exchange risk	7,067	-	8,836	-
<b>Total of market risk - standardised approach Multiplier</b>	<b>7,148</b>	<b>-</b>	9,374	-
	<b>89,350</b>	<b>-</b>	117,175	-
Eligible Portion for the purpose of the calculation	<b>100%</b>	<b>30%</b>	100%	30%
<b>Risk Weighted Exposures ("RWE") for CAR Calculation</b>	<b>89,350</b>	<b>-</b>	117,175	-
<b>Total market RWE</b>		<b>89,350</b>		117,175
		<b>12.50%</b>		12.50%
<b>Minimum capital requirement</b>		<b>11,169</b>		14,647

## Basel III, Pillar III Disclosures

For the year ended 31 December 2024

### 2. CAPITAL ADEQUACY (continued)

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

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

	31 December 2024 US \$ '000	31 December 2023 US \$ '000
<b>Indicators of operational risk</b>		
Average gross income	81,871	87,088
<b>Multiplier</b>	12.5	12.5
	1,023,388	1,088,600
Eligible Portion for the purpose of the calculation	15%	15%
<b>Total operational RWE</b>	153,508	163,290
	12.50%	12.50%
<b>Minimum capital requirement</b>	19,189	20,411

**Table – 5. Capital adequacy ratios**

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

	31 December 2024			31 December 2023		
	Total capital ratio	Tier 1 capital ratio	CET 1 capital ratio	Total capital ratio	Tier 1 capital ratio	CET 1 capital ratio
Group's Capital adequacy ratio	23.60%	22.18%	10.48%	24.78%	23.49%	12.47%
Minimum regulatory requirements*	12.50%	10.50%	9.00%	12.50%	10.50%	9.00%
Al Baraka Bank Pakistan Limited**	25.28%	22.41%	19.12%	19.51%	16.44%	12.70%

\* Minimum required by CBB regulations under Basel III

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

### Legal restrictions on capital and income mobility

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

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

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

	31 December 2024			31 December 2023		
	Total capital ratio	Tier 1 capital ratio	CET 1 capital ratio	Total capital ratio	Tier 1 capital ratio	CET 1 capital ratio
Capital adequacy ratio	20.23%	17.53%	10.50%	19.41%	16.45%	12.70%
Minimum regulatory requirements	11.50%	7.50%	6.00%	11.50%	7.50%	6.00%

## Basel III, Pillar III Disclosures

For the year ended 31 December 2024

### 3. RISK MANAGEMENT

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

#### a. Credit risk

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

**Table – 7. Credit risk exposure**

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

	31 December 2024				31 December 2023			
	Self financed		Financed by IAH		Self financed		Financed by IAH	
	Total gross credit exposure US \$ '000	*Average gross exposure over the period US \$ '000	Total gross credit exposure US \$ '000	*Average gross credit exposure over the period US \$ '000	Total gross credit exposure US \$ '000	*Average gross exposure over the period US \$ '000	Total gross credit exposure US \$ '000	*Average gross credit exposure over the period US \$ '000
<b>Funded exposure</b>								
Cash and balances with banks and financial institutions	35,894	194,081	120,567	115,732	218,803	240,715	24,573	1,718
Receivables	56,300	14,042	414,671	397,084	49,834	12,731	399,749	435,478
Ijara muntahia bittamleek and ijara receivables	8,662	10,192	568,152	586,953	11,558	12,974	623,217	620,601
Musharakat	25,509	24,949	171,728	140,885	22,913	23,661	135,360	144,676
Investments	486,806	549,503	532,402	524,972	563,088	575,234	509,774	483,124
Investments in real estate	7,722	7,722	-	-	7,722	8,557	-	-
Premises and equipment	79,368	92,813	-	-	92,135	91,917	-	-
Other assets	36,815	39,919	28,916	15,987	43,286	44,090	520	7,153
<b>Unfunded exposure</b>								
Contingencies and commitments	145,390	139,237	-	-	150,717	161,262	-	-
	882,466	1,072,458	1,836,436	1,781,613	1,160,056	1,171,141	1,693,193	1,692,750

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

## Basel III, Pillar III Disclosures

For the year ended 31 December 2024

### 3. RISK MANAGEMENT (continued)

#### a. Credit risk (continued)

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

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

	31 December 2024				31 December 2023			
	Self financed *geographic area		Financed by IAH *geographic area		Self financed *geographic area		Financed by IAH *geographic area	
	Middle East US \$ '000	Other Asian countries US \$ '000	Middle East US \$ '000	Other Asian countries US \$ '000	Middle East US \$ '000	Other Asian countries US \$ '000	Middle East US \$ '000	Other Asian countries US \$ '000
Cash and balances with banks	-	56,086	77,299	23,078	123,684	95,119	7,333	17,240
Receivables	56,300	-	229,565	185,106	49,835	-	266,386	133,362
Ijara muntahia bittamleek and ijara receivables	8,662	-	567,991	161	11,558	-	622,927	290
Musharakat	-	25,509	-	171,727	-	22,913	-	135,360
Investments	228,559	238,055	322,821	229,773	338,322	224,766	280,654	229,120
Investment in real estate	7,722	-	-	-	7,722	-	-	-
Premises and equipment	58,577	20,791	-	-	76,002	16,133	-	-
Other assets	15,590	21,225	25,778	3,137	22,322	20,963	-	521
	<b>375,410</b>	<b>361,666</b>	<b>1,223,454</b>	<b>612,982</b>	<b>629,445</b>	<b>379,894</b>	<b>1,177,300</b>	<b>515,893</b>

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

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

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

	31 December 2024				31 December 2023			
	Self financed		Financed by IAH		Self financed		Financed by IAH	
	Funded US \$ '000	Unfunded US \$ '000	Funded US \$ '000	Unfunded US \$ '000	Funded US \$ '000	Unfunded US \$ '000	Funded US \$ '000	Unfunded US \$ '000
Cash items	11,169	-	12,497	-	27,192	-	-	-
Claims on Sovereigns	442,334	-	561,325	-	665,188	-	438,811	-
Claims on Public Sector Entities	45,997	-	16,039	-	71,614	-	64,342	-
Claims on banks	54,014	6,482	34,335	-	67,590	2,899	34,861	-
Claims on corporate	46,440	138,876	531,691	-	23,003	147,740	449,559	-
Mortgages	-	-	529,870	-	-	-	572,868	-
Past dues receivables	-	33	36,190	-	-	78	33,359	-
Regulatory Retail Portfolio	-	-	61,939	-	-	-	72,298	-
Equity investment	35,117	-	365	-	36,503	-	390	-
Investment in Funds	1,000	-	-	-	1,000	-	-	-
Holding of Real Estate	86,558	-	24,274	-	88,598	-	19,878	-
Other assets	14,445	-	27,910	-	28,651	-	6,827	-
	<b>737,074</b>	<b>145,391</b>	<b>1,836,435</b>	<b>-</b>	<b>1,009,339</b>	<b>150,717</b>	<b>1,693,193</b>	<b>-</b>

For the purpose of rating, the Group is using External Credit Assessment Institutions (ECAIs) as approved by CBB for assigning risk weight to assets.

## Basel III, Pillar III Disclosures

For the year ended 31 December 2024

### 3. RISK MANAGEMENT (continued)

#### a. Credit risk (continued)

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

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

	31 December 2024		31 December 2023	
	Self Financed Funded US \$ '000	Financed by IAH Funded US \$ '000	Self Financed Funded US \$ '000	Financed by IAH Funded US \$ '000
Cash and balances with bank	62	-	50	-
Receivables	-	1,304	-	1,318
Musharakat	-	1,793	-	1,522
Investments	51,301	-	52,099	-
Other Assets	9,003	-	7,681	-
Contingencies and commitments	2,371	-	2,025	-
	<b>62,737</b>	<b>3,097</b>	<b>61,855</b>	<b>2,840</b>

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

	31 December 2024 Self financed US \$ '000	31 December 2023 Self financed US \$ '000
<b>Assets</b>		
Investment in a subsidiary*	94,201	94,201
	<b>94,201</b>	<b>94,201</b>

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

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

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

The following are the balances representing the concentration of risk to individual counterparties as of 31 December 2024:

	Funded US \$ '000
<b>Counterparties *</b>	
Counterparty # 1	428,301
Counterparty # 2	357,165
Counterparty # 3	87,707
Counterparty # 4	68,887
Counterparty # 5	31,637
Counterparty # 6	28,246

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

## Basel III, Pillar III Disclosures

For the year ended 31 December 2024

### 3. RISK MANAGEMENT (continued)

#### a. Credit risk (continued)

**Table – 11. Credit risk – concentration of risk (continued)**

The following are the balances representing the concentration of risk to individual counterparties as of 31 December 2023:

	Funded US \$ '000
<b>Counterparties *</b>	
Counterparty # 1	476,222
Counterparty # 2	325,161
Counterparty # 3	114,573
Counterparty # 4	84,171
Counterparty # 5	40,307
Counterparty # 6	34,551

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

#### Past due and non-performing facilities

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

#### Highly leveraged counter parties

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

	US \$ '000
<b>2024</b>	
Counterparty # 1	8,045
Counterparty # 2	7,353
Counterparty # 3	1,823
Counterparty # 4	725
Counterparty # 5	290
<b>2023</b>	US \$ '000
Counterparty # 1	8,047
Counterparty # 2	1,878
Counterparty # 3	734
Counterparty # 4	352
Counterparty # 5	162
Counterparty # 6	159
Counterparty # 7	120
Counterparty # 8	69
Counterparty # 9	38
Counterparty # 10	26
Counterparty # 11	24
Counterparty # 12	2

## Basel III, Pillar III Disclosures

For the year ended 31 December 2024

### 3. RISK MANAGEMENT (continued)

#### a. Credit risk (continued)

**Table – 12. Credit risk – credit quality of Islamic financing contracts by counterparty type**

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

	31 December 2024					31 December 2023				
	Past due but performing US \$ '000	Non-performing Islamic financing contracts US \$ '000	Aging of non performing facilities			Past due but performing US \$ '000	Non-performing Islamic financing contracts US \$ '000	Aging of non performing facilities		
			90 days to 1 year US \$ '000	1 year to 3 years US \$ '000	Over 3 years US \$ '000			90 days to 1 year US \$ '000	1 year to 3 years US \$ '000	Over 3 years US \$ '000
Corporates	10,232	86,514	38,174	15,193	33,147	33,476	86,923	25,676	14,786	46,461
Investment Firms	-	555	-	-	555	-	555	-	-	555
Individuals	10,326	17,102	4,409	5,233	7,460	1,636	13,621	3,531	2,645	7,445
	20,558	104,171	42,583	20,426	41,162	35,112	101,099	29,207	17,431	54,461

**Table – 13. Credit Risk – provision against financing facilities by counterparty type**

The following table summarises the total provisions against financing facilities disclosed by counterparty type as of 31 December 2024:

	Specific allowances						
	Balance as at '01 January 2024 US \$ '000	Charges during the year US \$ '000	Net Transit in / (out) Stage3 during the year US \$ '000	Write-Back during the year US \$ '000	Write-offs during the year US \$ '000	Exchange difference on opening balance US \$ '000	Balance at 31 December 2024 US \$ '000
Corporates	55,399	6,434	(57)	(915)	(2,851)	309	58,319
Individuals	7,301	516	824	(37)	-	68	8,672
Others	8,743	463	-	-	-	111	9,317
	71,443	7,413	767	(952)	(2,851)	488	76,308

The following table summarises the total provisions against non performing financing facilities disclosed by counterparty type as of 31 December 2023:

	Specific allowances						
	Balance as at '01 January 2023 US \$ '000	Charges during the year US \$ '000	Net Transit in / (out) Stage3 during the year US \$ '000	Write-Back during the year US \$ '000	Write-offs during the year US \$ '000	Exchange difference on opening balance US \$ '000	Balance at 31 December 2023 US \$ '000
Corporates	53,345	8,013	1,285	(1,404)	-	(5,840)	55,399
Individuals	4,133	3,802	25	(4)	-	(655)	7,301
Others	10,698	318	-	-	(44)	(2,229)	8,743
	68,176	12,133	1,310	(1,408)	(44)	(8,724)	71,443

**Table – 14. Credit risk – non performing facilities and provisions**

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

	31 December 2024		31 December 2023	
	Non-performing Islamic financing contracts US \$ '000	ECL for Stage 3 US \$ '000	Non-performing Islamic financing contracts US \$ '000	ECL for Stage 3 US \$ '000
Middle East	55,792	30,812	55,929	30,357
Other Asian countries	48,379	45,499	45,170	41,086
	104,171	76,311	101,099	71,443

## Basel III, Pillar III Disclosures

For the year ended 31 December 2024

### 3. RISK MANAGEMENT (continued)

#### a. Credit risk (continued)

**Table – 15. Credit risk – restructured Islamic financing contracts**

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

	31 December 2024 Total US \$ '000	31 December 2023 Total US \$ '000
Restructured Islamic financing contracts	6,776	26,642

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

The Bank provides support to its customer facing financial difficulties in the form of waiver of profits, extension of repayment dates and even in certain cases discount upon settlement of the financing facilities.

**Table – 16. Counterparty credit risk exposure**

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

	31 December 2024		31 December 2023	
	Gross positive FV of contracts US \$ '000	* Collateral held US \$ '000	Gross positive FV of contracts US \$ '000	* Collateral held US \$ '000
Cash and balances with banks and financial institutions	156,463	-	243,376	-
Receivables	470,970	304,982	449,583	263,696
Ijara Muntahia Bittamleek and Ijara receivables	576,815	550,179	634,775	613,155
Musharaka	197,236	197,236	158,273	158,274
Investments	1,019,208	-	1,072,862	-
Investment in real estate	7,722	-	7,722	-
Premises and equipment	79,367	-	80,981	-
Other assets	65,728	-	62,927	-
	<b>2,573,509</b>	<b>1,052,397</b>	<b>2,710,499</b>	<b>1,035,125</b>

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

**Table – 17. Counterparty credit risk exposure**

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

	31 December 2024		31 December 2023	
	Gross positive FV of contracts US \$ '000	Collateral held US \$ '000	Gross positive FV of contracts US \$ '000	Collateral held US \$ '000
Receivables	470,970	17,082	449,583	12,146
Ijara muntahia bittamleek and ijara receivable	576,815	22,224	634,775	34,082

## Basel III, Pillar III Disclosures

For the year ended 31 December 2024

### 3. RISK MANAGEMENT (continued)

#### b. Market risk

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

**Table – 18. Market risk capital requirements**

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

	31 December 2024			31 December 2023		
	Equity Position Risk US \$ '000	Price Risk US \$ '000	Foreign exchange risk US \$ '000	Equity Position Risk US \$ '000	Price Risk US \$ '000	Foreign exchange risk US \$ '000
RWE	713	297	88,337	719	6,003	110,453
Capital requirements (12.5%)	89	37	11,042	90	750	13,807
Maximum value of RWE	823	2,537	123,446	748	6,003	110,453
Minimum value of RWE	678	297	72,136	627	963	82,581

**Table – 19. Equity position risk in Banking Book**

The following table summarises the total and average gross exposure of equity based structures by type as of 31 December 2024:

	Total gross exposure US \$ '000	Average gross exposure over the period US \$ '000	Publicly held US \$ '000	Privately held US \$ '000	Capital requirement US \$ '000
Managed funds	1,000	1,000	-	1,000	25
Equity investments	35,483	35,558	29,085	6,397	10,924
Real estate related	36,611	36,790	-	36,611	3,981
	<b>72,094</b>	<b>73,348</b>	<b>29,085</b>	<b>7,397</b>	<b>14,930</b>

The following table summarises the total and average gross exposure of equity based structures by type as of 31 December 2023:

	Total gross exposure US \$ '000	Average gross exposure over the period US \$ '000	Publicly held US \$ '000	Privately held US \$ '000	Capital requirement US \$ '000
Managed funds	1,000	1,000	-	1,000	25
Equity investments	36,893	36,064	30,840	6,053	11,198
Real estate related	36,563	37,981	-	36,563	4,025
	<b>74,456</b>	<b>75,045</b>	<b>30,840</b>	<b>43,616</b>	<b>15,248</b>

The Bank carries a diversified portfolio of equity investments containing the securities held for trading or short-term capital gains and stakes in a few entities to secure strategic objectives like entrance in certain market or business segment. More specifically, the securities amounted to US \$ Nil (2023: US \$ 0.5 million), in such portfolio, were held to generate capital gains.

## Basel III, Pillar III Disclosures

For the year ended 31 December 2024

### 3. RISK MANAGEMENT (continued)

#### b. Market risk (continued)

**Table – 20. Equity gains or losses in Banking Book**

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

	31 December 2024 US \$ '000	31 December 2023 US \$ '000
Cumulative realised gains / (losses) arising from sale or liquidation	1,261	(990)
Total unrealised gains recognised in the balance sheet but not through P&L	6,500	6,879
Unrealised gross gains included in Tier One Capital	6,500	6,879
Assets revaluation reserve - property, plant, and equipment	299	314

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

#### Profit rate risk

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

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

**Table – 21. Profit rate mismatch**

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

	31 December 2024				
	Up to 3 months US \$ '000	3 to 6 months US \$ '000	6 months to 1 year US \$ '000	1 to 3 years US \$ '000	Over 3 years US \$ '000
Receivables	191,300	87,495	42,133	74,392	75,650
Ijara muntahia bittamleek and ijara receivables	27,975	10,687	15,648	71,862	450,643
Musharakat	357	1,553	70,251	39,239	85,837
Investments-sukuk	18,217	-	85,455	220,790	154,575
<b>Profit rate sensitive assets</b>	<b>237,849</b>	<b>99,735</b>	<b>213,487</b>	<b>406,283</b>	<b>766,705</b>
Murabaha and other payables	291,656	-	-	-	-
Quasi equity	1,414,058	162,581	147,058	62,702	50,036
Subordinated mudaraba	33	-	-	6,229	-
<b>Profit rate sensitive liabilities</b>	<b>1,705,747</b>	<b>162,581</b>	<b>147,058</b>	<b>68,931</b>	<b>50,036</b>
<b>Profit rate gap</b>	<b>(1,467,898)</b>	<b>(62,846)</b>	<b>66,429</b>	<b>337,352</b>	<b>716,669</b>
<b>Profit rate sensitivity (200bps)</b>	<b>(29,358)</b>	<b>(1,257)</b>	<b>1,329</b>	<b>6,747</b>	<b>14,333</b>

## Basel III, Pillar III Disclosures

For the year ended 31 December 2024

### 3. RISK MANAGEMENT (continued)

#### b. Market risk (continued)

**Table – 21. Profit rate mismatch (continued)**

	31 December 2023				
	Up to 3 months US \$ '000	3 to 6 months US \$ '000	6 months to 1 year US \$ '000	1 to 3 years US \$ '000	Over 3 years US \$ '000
Receivables	162,470	73,146	44,173	68,121	101,673
Ijara muntahia bittamleek and ijara receivables	17,826	13,731	14,708	76,476	512,034
Musharakat	16,316	-	21,118	414,626	546,346
Investments-Sukuk					
Profit rate sensitive assets	196,979	89,196	83,746	639,610	1,231,507
Quasi equity	1,032,269	250,104	235,053	105,111	70,657
Subordinated debt	499	-	-	5,448	6,030
Profit rate sensitive liabilities	1,032,768	250,104	235,053	110,559	76,687
Profit rate gap	(835,789)	(160,908)	(151,307)	529,051	1,154,820
Profit rate sensitivity (200bps)	(16,716)	(3,218)	(3,026)	10,581	23,096

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

#### Foreign exchange risk

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

**Table – 22. Foreign currency translation risk**

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

	31 December 2024 Total equivalent US \$ '000
Pakistani Rupees	79,578
Euro	(6,400)
Kuwaiti Dinars	76
Pound Sterling	472
Egyptian Pound	1,802
Algerian Dinar	6,000
Others	409

## Basel III, Pillar III Disclosures

For the year ended 31 December 2024

### 3. RISK MANAGEMENT (continued)

#### b. Market risk (continued)

Table – 22. Foreign currency translation risk (continued)

	31 December 2023
	Total equivalent US \$ '000
Pakistani rupees	101,007
Euro	661
Kuwaiti dinars	6
Pound sterling	(5,131)
Egyptian Pound	2,660
Algerian Dinar	6,000
Others	318

#### Foreign currency risk sensitivity analysis

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

Table – 23. Foreign currency risk sensitivity analysis

Following is the sensitivity analysis that calculates the effect of a reasonable possible movement of the currency exchange rate against the US Dollar with all other variables held constant on the consolidated statement of income and the consolidated statement of owner's equity. The impact of a similar increase / (decrease) in exchange rates will be approximately opposite to the impact disclosed below:

Currency At 31 December 2024	Particular	Change	Exposures in US \$ '000	Effect on profit and loss/Equity US \$ '000
Pakistani rupees	Net Long Position	20%	79,578	15,916
Euro	Net Short Position	20%	6,400	1,280
Kuwaiti dinars	Net Long Position	20%	76	15
Pound sterling	Net Long Position	20%	472	94
Egyptian Pound	Net Long Position	20%	1,802	360
Algerian Dinar	Net Long Position	20%	6,000	1,200
Others	Net Long Position	20%	409	82

Currency At 31 December 2023	Particular	Change	Exposures in US \$ '000	Effect on profit and loss/Equity US \$ '000
Pakistani Rupees	Net long Position	20%	101,007	20,201
Euro	Net long Position	20%	661	132
Kuwaiti Dinars	Net long Position	20%	6	1
Pound Sterling	Net short Position	20%	5,131	1,026
Egyptian Pound	Net long Position	20%	2,660	532
Algerian Dinar	Net long Position	20%	6,000	1,200
Others	Net long Position	20%	318	64

## Basel III, Pillar III Disclosures

For the year ended 31 December 2024

### 3. RISK MANAGEMENT (continued)

#### c. Quasi Equity

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

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

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

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

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

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

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

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

#### Investment risk reserve

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

#### Profit equalisation reserve

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

## Basel III, Pillar III Disclosures

For the year ended 31 December 2024

### 3. RISK MANAGEMENT (continued)

#### c. Quasi Equity (continued)

##### Displaced commercial risk

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

##### Complaint procedure / awareness programs

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

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

	31 December 2024 US \$ '000	31 December 2023 US \$ '000
<b>Penalty charges</b>		
<b>Central Bank of Bahrain</b>		
Delays in settlement of ATM balances	-	40
Anomalies in standing orders, EFTS and other electronic channels	26	78,528
Waiver of penalties on standing orders, EFTS and other electronic channels	-	(78,541)
	26	27
<b>State Bank of Pakistan</b>		
Various non-compliances with domestic laws and regulations	44	62

##### Non-Shari'a complaint income

The Group has received US \$ 324 thousand (2023: US \$ 121 thousand) from customers as penalty for default are other non sharia compliant sources, which was disposed through charity contribution.

#### Table – 24. Quasi Equity

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

	31 December 2024 US \$ '000	31 December 2023 US \$ '000
IAH - Non-banks	1,330,352	1,414,909
IAH - Banks	505,362	277,564
Profit equalisation reserve	720	720
	1,836,434	1,693,193

#### Table – 25. Ratio of reserves to total IAH

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

	31 December 2024	31 December 2023
PER to IAH (%)	0.04%	0.04%
IRR to IAH (%)	Nil	Nil

## Basel III, Pillar III Disclosures

For the year ended 31 December 2024

### 3. RISK MANAGEMENT (continued)

#### c. Quasi Equity (continued)

##### Table – 26. Quasi equity by islamic financing product type

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

	31 December 2024	31 December 2023
Receivables	22.58%	23.61%
Musharakat	9.35%	7.99%
Ijara Muntahia Bittamleek and Ijara receivable	30.94%	36.81%
Investments	28.99%	30.11%
Liquidity and others	8.14%	1.48%

##### Table – 27. Quasi Equity by Counterparty Type

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

Counterparty type	31 December 2024	31 December 2023
Banks	19.13%	16.44%
Investment Firms	8.76%	6.91%
Corporates	14.30%	18.82%
Residential	52.83%	50.74%
Others	4.97%	7.10%

##### Table – 28. Investment Accountholders share of profit

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

	31 December 2024	31 December 2023	31 December 2022	31 December 2021	31 December 2020	31 December 2019
Administrative expenses charged to equity of investment accountholders	7,595	7,355	7,493	8,052	14,061	8,863
Share of profits earned by IAH, before transfers to/from reserves	143,944	143,114	122,330	82,941	87,437	84,531
Percentage share of profit earned by IAH before transfer to/from reserves	16.16%	8.50%	6.45%	4.64%	5.37%	6.06%
Share of profit paid out to IAH after Mudarib fee and transfer to/from reserves	140,784	130,713	102,033	58,567	63,761	75,287
Percentage share of profit paid out to IAH after Mudarib fee and transfer to/from reserves	15.80%	7.70%	5.38%	3.28%	3.91%	5.40%
Share of profit paid out to Bank as mudarib	3,160	12,401	20,297	24,374	23,676	9,244
Mudarib Fee to total Investment Profits	4.39%	8.70%	16.59%	29.39%	27.08%	10.94%

The Bank included the service charges/ fees from credit card operations on a proportionate basis in accordance with instructions and approvals Sharia department for distribution to equity of investment account holders.

## Basel III, Pillar III Disclosures

For the year ended 31 December 2024

### 3. RISK MANAGEMENT (continued)

#### c) Quasi Equity (continued)

**Table – 29. Movement in profit equalisation reserve**

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

	31 December 2024	31 December 2023	31 December 2022	31 December 2021	31 December 2020	31 December 2019
Balance at 1 January	720	411	411	344	229	115
Amount apportioned from income	-	309	-	67	115	114
Balance at 31 December	720	720	411	411	344	229
Percentage of the profit earned on quasi equity appropriated to profit equalisation reserve	0.00%	0.20%	-	0.08%	0.13%	0.14%

**Table – 30. Movement in investment risk reserve**

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

	31 December 2024 US \$ '000	31 December 2023 US \$ '000	31 December 2022 US \$ '000	31 December 2021 US \$ '000	31 December 2020 US \$ '000	31 December 2019 US \$ '000
Balance at 1 January	-	-	-	-	-	-
Amount apportioned from income	-	-	-	277	-	-
Amount apportioned to provision	-	-	-	(277)	-	-
Balance at 31 December	-	-	-	-	-	-
Percentage of the profit earned on quasi equity appropriated to profit equalisation reserve	Nil	Nil	Nil	0.33%	Nil	Nil

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

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

The Group's share, as Mudarib, in the profits of IAH is up to a maximum of 70% (31 December 2023: up to 70%) as per the terms of IAH agreements.

**Table – 31. Quasi equity rate of return**

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

	Average 31 December 2024 Rate of return %		
	Bahrain		Pakistan
	BD	US \$	
Saving Accounts	0.07%	0.07%	5.49%
One Month Term Deposits	2.64%	2.64%	3.57%
Three Months Term Deposits	3.29%	3.29%	4.02%
Six Months Term Deposits	3.61%	3.61%	4.61%
Nine Months Term Deposits	3.37%	3.37%	-
1 Year Term Deposits	3.22%	3.22%	7.10%
2 Years Term Deposits	3.22%	3.22%	7.85%
3 Year Term Deposits	3.15%	3.15%	9.02%
4 Years Term Deposits	3.09%	3.09%	8.48%
5 Years Term Deposits	3.02%	3.02%	8.79%

## Basel III, Pillar III Disclosures

For the year ended 31 December 2024

### 3. RISK MANAGEMENT (continued)

#### c) Quasi Equity (continued)

**Table – 31. Quasi equity rate of return (continued)**

	Average 31 December 2023 Rate of return %		
	Bahrain		Pakistan
	BD	US \$	
Saving Accounts	0.07%	0.07%	6.86%
One Month Term Deposits	3.04%	2.99%	5.45%
Three Months Term Deposits	4.04%	3.97%	5.67%
Six Months Term Deposits	4.27%	4.21%	6.54%
Nine Months Term Deposits	4.56%	4.50%	-
1 Year Term Deposits	4.80%	4.74%	9.53%
2 Years Term Deposits	4.78%	4.71%	11.63%
3 Year Term Deposits	4.75%	4.69%	12.76%
4 Years Term Deposits	4.73%	4.66%	12.25%
5 Years Term Deposits	4.70%	4.64%	13.17%

**Table – 32. Quasi equity by type of assets**

The following table summarises the types of assets in which the funds are invested and the actual allocation among various types of assets and the changes in the asset allocation for the year ended 31 December 2024:

	Opening Actual Allocation US \$ '000	Movement US \$ '000	Closing Actual Allocation US \$ '000
Cash and balances with banks	24,573	95,997	120,569
Receivables	399,749	14,922	414,671
Ijara muntahia bittamleek and Ijara receivables	623,217	(55,065)	568,152
Musharakat	135,361	36,366	171,727
Investments	509,774	22,628	532,402
Other assets	521	28,393	28,915
	1,693,195	143,241	1,836,436

The following table summarises the types of assets in which the funds are invested and the actual allocation among various types of assets for the year ended 31 December 2023:

	Opening Actual Allocation US \$ '000	Movement US \$ '000	Closing Actual Allocation US \$ '000
Cash and balances with banks	172,739	(148,166)	24,573
Receivables	448,384	(48,635)	399,749
Ijara muntahia bittamleek and Ijara receivables	547,635	75,582	623,217
Musharakat	207,426	(72,066)	135,360
Investments	485,391	24,383	509,774
Other assets	51,394	(50,874)	520
	1,912,969	(219,776)	1,693,193

## Basel III, Pillar III Disclosures

For the year ended 31 December 2024

### 3. RISK MANAGEMENT (continued)

#### c. Quasi Equity (continued)

Table – 32. Quasi equity by type of assets (continued)

The following table summarises the types of assets in which the funds are invested and the actual allocation among various types of assets and the changes in the asset allocation for the six months period ended 31 December 2024:

	Opening Actual Allocation US \$ '000	Movement US \$ '000	Closing Actual Allocation US \$ '000
Cash and balances with banks	24,573	28,714	53,287
Receivables	399,749	28,687	428,436
Ijara muntahia bittamleek and Ijara receivables	623,217	(20,989)	602,228
Musharakat	135,361	40,380	175,741
Investments	509,774	14,499	524,273
Other assets	521	24,818	25,339
	<b>1,693,195</b>	<b>116,109</b>	<b>1,809,304</b>

The following table summarises the types of assets in which the funds are invested and the actual allocation among various types of assets and the changes in the asset allocation for the six months period ended 31 December 2023:

	Opening Actual Allocation US \$ '000	Movement US \$ '000	Closing Actual Allocation US \$ '000
Cash and balances with banks	-	24,573	24,573
Receivables	545,611	(145,862)	399,749
Ijara muntahia bittamleek and Ijara receivables	635,480	(12,263)	623,217
Musharakat	149,719	(14,359)	135,360
Investments	387,500	122,274	509,774
Other assets	753	(233)	520
	<b>1,719,063</b>	<b>(25,870)</b>	<b>1,693,193</b>

Table – 33. Quasi equity profit earned and paid

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

	Profit earned		Profit paid to IAH	
	US \$ '000	%age	US \$ '000	%age
2024	143,944	16.16%	140,784	15.80%
2023	143,114	8.50%	130,713	7.70%
2022	122,330	6.45%	102,033	5.38%
2021	82,941	4.64%	58,567	3.28%
2020	87,437	5.37%	63,761	3.91%
2019	84,531	6.06%	75,287	5.40%
2018	69,629	4.83%	53,151	3.68%

## Basel III, Pillar III Disclosures

For the year ended 31 December 2024

### 3. RISK MANAGEMENT (continued)

#### c. Quasi Equity (continued)

Table - 34. Treatment of assets financed by quasi equity

The following table summarises the treatment of assets financed by IAH in the calculation of risk weighted assets (RWA) for capital adequacy purposes as of 31 December 2024:

Type of Claims	RWA US \$ '000	RWA for capital adequacy purposes US \$ '000	Capital charges US \$ '000
Claims on Sovereign	561,325	168,397	21,050
Claims on PSEs	16,038	4,812	601
Claims on Banks	34,335	10,300	1,288
Claims on Corporates	531,691	159,507	19,938
Mortgage	529,870	158,961	19,870
Regulatory Retail Portfolio	61,939	18,582	2,323
Past due facilities	36,190	10,857	1,357
Investment in securities	365	110	14
Holding of Real Estates	24,274	7,282	910
Other Assets	27,910	8,373	1,047
	<b>1,823,937</b>	<b>547,181</b>	<b>68,398</b>

The following table summarises the treatment of assets financed by IAH in the calculation of risk weighted assets (RWA) for capital adequacy purposes as of 31 December 2023:

Type of Claims	RWA US \$ '000	RWA for capital adequacy purposes US \$ '000	Capital charges US \$ '000
Claims on Sovereign	438,811	131,643	16,455
Claims on PSEs	64,342	19,303	2,413
Claims on Banks	34,861	10,458	1,307
Claims on Corporates	449,559	134,868	16,858
Mortgage	572,868	171,860	21,483
Regulatory Retail Portfolio	72,298	21,689	2,711
Past due facilities	33,359	10,008	1,251
Investment in securities	390	117	15
Holding of Real Estates	19,878	5,963	745
Other Assets	6,827	2,048	256
	<b>1,693,193</b>	<b>507,957</b>	<b>63,494</b>

#### d. Off-balance sheet assets under management

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

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

## Basel III, Pillar III Disclosures

For the year ended 31 December 2024

### 3. RISK MANAGEMENT (continued)

#### d. Off-balance sheet assets under management (continued)

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

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

**Table – 35. Off-balance sheet assets under management by Islamic product type**

The following table summarises the breakdown of Off-balance sheet assets under management by type of Islamic financing contracts as of:

Islamic products	31 December 2024	31 December 2023
<b>On balance sheet jointly financed assets*</b>		
<b>Others</b>		
Receivables	86.81%	84.60%
Investments	13.19%	15.40%

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

**Table – 36. Off-balance sheet assets under management by counterparty type**

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

Counterparty type	31 December 2024	31 December 2023
<b>On balance sheet jointly financed assets*</b>		
<b>Others</b>		
Banks	56.00%	38.00%
Corporate	31.78%	53.70%
Sovereigns	12.21%	8.30%

\* Funds received under "Wakala" contracts are commingled or invested under multi level arrangements in " On balance sheet quasi equity. In this regards, the distribution of such assets is duly given in section "C".

**Table – 37. Off-balance sheet assets under management by type of assets**

The following table summarises the types of assets in which the funds are invested and the actual allocation among various types of assets and the changes in the asset allocation for the period ended 31 December 2024:

	Opening actual allocation US \$ '000	Movement US \$ '000	Closing actual allocation US \$ '000
Wakala Bi Al-Istithmar on balance sheet jointly financed assets	362,061	320,921	682,982
Receivables	130,351	67,141	197,492
Investments	14,125	6,525	20,649
	506,537	394,587	901,123

## Basel III, Pillar III Disclosures

For the year ended 31 December 2024

### 3. RISK MANAGEMENT (continued)

#### d. Off-balance sheet assets under management (continued)

**Table – 37. Off-balance sheet assets under management by type of assets (continued)**

The following table summarises the types of assets in which the funds are invested and the actual allocation among various types of assets and the changes in the asset allocation for the year ended 31 December 2023:

	Opening actual allocation US \$ '000	Movement US \$ '000	Closing actual allocation US \$ '000
Wakala Bi Al-Istithmar on balance sheet jointly financed assets	640,848	(278,787)	362,061
Receivables	170,744	(40,393)	130,351
Investments	19,101	(4,976)	14,125
	830,693	(324,156)	506,537

**Table – 38. Off-balance sheet assets under management historical returns**

The following table summarises the historical returns:

	December 2024 US\$ '000	December 2023 US\$ '000	December 2022 US\$ '000	December 2021 US\$ '000	December 2020 US\$ '000	December 2019 US\$ '000	December 2018 US\$ '000
Gross Income	35,053	41,601	34,555	25,593	17,153	23,830	1,175
Mudarib share / agency fee	(1,993)	(11,736)	11,310	(9,945)	(3,821)	(11,563)	91

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

#### e. Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on regular basis. The liquidity management policy at a minimum includes the following:

- Provide clear guidance on the composition and role of the asset/liability committee or such other committee or department responsible for managing liquidity.
- Establish approval processes to ensure adherence to liquidity risk management processes.
- Require periodic calculations to determine the extent to which the segments are funding long-term assets with short-term liabilities.
- Establish liquidity ratio benchmarks, e.g. parameters for the funding of long-term assets with short-term liabilities to guide liquidity management and the method for computing liquidity indicators.
- Establish limits on the degree of concentrations that are deemed acceptable. This should:
  - Ensure diversification of funding by origin and term structure by, for example, guarding against concentration by individuals or groups of depositors, types of deposit instruments, market sources of deposit, geographical sources, term to maturity, and deposit currencies. Where concentrations occur, the segments manage their assets and liquidity profile to mitigate the risk; and

## Basel III, Pillar III Disclosures

For the year ended 31 December 2024

### 3. RISK MANAGEMENT (continued)

#### e. Liquidity risk (continued)

ii) Set procedures for the orderly restoration of the liquidity position in the event of loss of funding where such concentrations are unavoidable. In addition, the segments conduct an impact analysis on its dependency on any such concentrations.

f. Provide for periodic review of the deposit structure. The review should include the volume and trend of various types of deposits offered, maturity distributions of time deposits, profit rate paid on each type of deposit, prevailing market profit rate, limits on large time deposits, public funds, and non-resident deposits.

g. Provide for the review of alternate funding sources including stand-by facilities and lines of credit.

h. Establish a framework for the composition of assets.

i. Assess the acceptable mismatch in combination with currency commitments. The segments undertake separate analysis of their strategy for each currency individually. They set and regularly review limits on the size of cash flow mismatches over particular time horizons for foreign currencies in aggregate, and for each significant currency.

#### Table – 39. Liquidity ratios

The following table summarises the liquidity ratios as of:

	31 December 2024	31 December 2023
Liquid assets to total assets	10.97%	10.82%
Short term assets to short term liabilities	35.70%	24.29%

#### Table – 40. Quantitative indicators of financial performance and position

	December 2024*	December 2023	December 2022	December 2021	December 2020	December 2019	December 2018
Return on average equity	-9.2%	-9.9%	6.1%	4.7%	2.8%	2.0%	-8.2%
Return on average assets	-0.8%	-0.9%	0.6%	0.5%	0.3%	0.2%	-0.8%
Cost to Income Ratio	100.9%	98.6%	72.4%	70.8%	67.7%	75.6%	82.8%

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

### 4. OTHERS

The Bank pays Zakat on behalf of shareholders on their funds while the responsibility for such obligation lies on investment accountholders. While, in Pakistan, Zakah is deducted at source from the Equity of Investment accountholders as required by local laws.

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

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

## Basel III, Pillar III Disclosures

For the year ended 31 December 2024

### 4. OTHERS (continued)

#### External Auditors

The Board Audit Committee has continued to review the work carried out by the external auditors during the year, in particular timeliness of reporting, quality of work and related fees. Overall the Audit Committee believes that the work of the external auditors has been of a sufficiently high standard and that the fees are reasonable and therefore recommended to the Board and accordingly to the annual general meeting (AGM) to re-appoint the external auditors as auditor for the 2023 financial year. The AGM has approved the reappointment of the external auditor for the year 2023 on 27 March 2024 and the related regulatory approval were taken.

For the year 2024, annual audit and quarterly review services amounted to US \$ 176,658 and other non-audit services amounted to US \$ 54,775.

## CBB - Composition of Capital Disclosure Requirements PD-1 Regulatory Capital Reconciliation

As at 31 December 2024

Common Disclosure Template	PIRI	Reference
<b>Common Equity Tier 1 capital: instruments and reserves</b>		
1 Directly issued qualifying common share capital plus related stock surplus	151,458	E
2 Accumulated loss	(38,834)	G
3 Accumulated other comprehensive loss (and other reserves)	(24,339)	H-L
4 Not applicable	-	
5 Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	11,159	M
<b>6 Common Equity Tier 1 capital before regulatory adjustments</b>	<b>99,444</b>	
<b>Common Equity Tier 1 capital: regulatory adjustments</b>		
7 Prudential valuation adjustments	-	
8 Goodwill (net of related tax liability)	8,062	B
9 Other intangibles other than mortgage-servicing rights (net of related tax liability)	5,315	A
10 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	C1
11 Cash-flow hedge reserve	-	
12 Shortfall of provisions to expected losses	-	
13 Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)	-	
14 Not applicable	-	
15 Defined-benefit pension fund net assets	-	
16 Investments in own shares	-	
17 Reciprocal cross-holdings in common equity	-	
18 Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
19 Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-	
20 Mortgage servicing rights (amount above 10% threshold)	-	
21 Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	67	C2
22 Amount exceeding the 15% threshold	-	
23 of which: significant investments in the common stock of financials	-	
24 of which: mortgage servicing rights	-	
25 of which: deferred tax assets arising from temporary differences	-	
26 CBB specific regulatory adjustments	-	
27 Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	
<b>28 Total regulatory adjustments to Common equity Tier 1</b>	<b>13,444</b>	
<b>29 Common Equity Tier 1 capital (CET1)</b>	<b>86,000</b>	
<b>Additional Tier 1 capital: instruments</b>		
30 Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	96,000	F
31 of which: classified as equity under applicable accounting standards	96,000	
32 of which: classified as liabilities under applicable accounting standards	-	
33 Directly issued capital instruments subject to phase out from Additional Tier 1	-	
34 Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-	N
35 of which: instruments issued by subsidiaries subject to phase out	-	
<b>36 Additional Tier 1 capital before regulatory adjustments</b>	<b>96,000</b>	

## CBB - Composition of Capital Disclosure Requirements PD-1 Regulatory Capital Reconciliation

As at 31 December 2024

Common Disclosure Template	PIRI	Reference
<b>Additional Tier 1 capital: regulatory adjustments</b>		
37 Investments in own Additional Tier 1 instruments	-	
38 Reciprocal cross-holdings in Additional Tier 1 instruments	-	
39 Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	
40 Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
41 CBB specific regulatory adjustments	-	
42 Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
<b>43 Total regulatory adjustments to Additional Tier 1 capital</b>	<b>-</b>	
<b>44 Additional Tier 1 capital (AT1)</b>	<b>96,000</b>	
45 Hair Cut due to shortage in CET-1 Capital	-	
<b>46 Net Available Capital after regulatory adjustments and haircut</b>	<b>96,000</b>	
<b>47 Tier 1 capital (T1 = CET1 + AT1)</b>	<b>182,000</b>	
<b>Tier 2 capital: instruments and provisions</b>		
48 Directly issued qualifying Tier 2 instruments plus related stock surplus	-	
49 Directly issued capital instruments subject to phase out from Tier 2	-	
50 Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	4,139	D
51 of which: instruments issued by subsidiaries subject to phase out	-	
52 Assets revaluation reserve - property, plant, and equipment	299	O
53 Provisions	7,226	Q
<b>54 Tier 2 capital before regulatory adjustments</b>	<b>11,664</b>	
<b>Tier 2 capital: regulatory adjustments</b>		
55 Investments in own Tier 2 instruments	-	
56 Reciprocal cross-holdings in Tier 2 instruments	-	
57 Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-	
58 Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
59 National specific regulatory adjustments	-	
<b>60 Total regulatory adjustments to Tier 2 capital</b>	<b>-</b>	
<b>61 Tier 2 capital (T2)</b>	<b>11,664</b>	
<b>62 Total capital (TC = T1 + T2)</b>	<b>193,664</b>	
<b>63 Total risk weighted assets</b>	<b>820,183</b>	
<b>Capital ratios and buffers</b>		
64 Common Equity Tier 1 (as a percentage of risk weighted assets)	10.49%	
65 Tier 1 (as a percentage of risk weighted assets)	22.19%	
66 Total capital (as a percentage of risk weighted assets)	23.61%	
67 Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus D-SIB buffer requirement, expressed as a percentage of risk weighted assets)	12.5%	
68 of which: capital conservation buffer requirement	2.5%	

## CBB - Composition of Capital Disclosure Requirements PD-1 Regulatory Capital Reconciliation

As at 31 December 2024

Common Disclosure Template	PIRI	Reference
<b>Capital ratios and buffers</b>		
69 of which: bank specific countercyclical buffer requirement	N/A	
70 of which: D-SIB buffer requirement	N/A	
71 Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	4.0%	
<b>National minimal including CCB (where different from Basel III)</b>		
72 CBB Common Equity Tier 1 minimum ratio	9%	
73 CBB Tier 1 minimum ratio	10.5%	
74 CBB total capital minimum ratio	12.5%	
<b>Amounts below the thresholds for deduction (before risk weighting)</b>		
75 Non-significant investments in the capital of other financials	-	
76 Significant investments in the common stock of financials	-	
77 Mortgage servicing rights (net of related tax liability)	-	
78 Deferred tax assets arising from temporary differences (net of related tax liability)	8,607	
<b>Applicable caps on the inclusion of provisions in Tier 2</b>		
79 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	17,525	P
80 Cap on inclusion of provisions in Tier 2 under standardised approach	7,226	Q
81 N/A		
82 N/A		
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2019 and 1 Jan 2023)</b>		
83 Current cap on CET1 instruments subject to phase out arrangements	-	
84 Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	
85 Current cap on AT1 instruments subject to phase out arrangements	-	
86 Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	
87 Current cap on T2 instruments subject to phase out arrangements	-	
88 Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	

## CBB - Composition of Capital Disclosure Requirements Statement of Financial Position

As at 31 December 2024

Appendix PD-2 Step-1	As per published financial statements	As per Consolidated PIRI Return
	31 December 2024 US \$ '000	31 December 2024 US \$ '000
<b>Assets</b>		
Cash and balances with banks and financial institutions	156,463	156,463
Receivables	470,970	483,472
Ijara muntahia bit tamleek and ijara receivables	576,815	577,807
Musharakat	197,236	199,541
Investments	1,001,938	1,003,126
Investments in real estate	7,722	7,722
Investment in joint venture	17,270	17,270
Premises and equipment	79,367	79,367
Intangibles and goodwill	21,885	21,885
Other assets	43,843	43,843
<b>Total Assets</b>	<b>2,573,509</b>	<b>2,590,496</b>
<b>Liabilities</b>		
Current accounts	291,656	291,656
Murabaha and other payables	121,855	121,855
Other liabilities	106,978	106,440
<b>Total liabilities</b>	<b>520,489</b>	<b>519,951</b>
<b>Quasi Equity</b>		
Participatory investment accounts	1,836,433	1,836,433
Subordinated mudaraba	6,262	6,262
<b>Total quasi equity</b>	<b>1,842,695</b>	<b>1,842,695</b>
<b>Shareholders' Equity</b>		
<b>CET 1</b>		
Share capital	151,458	151,458
Perpetual equity-type instruments	96,000	96,000
Reserves	(24,040)	(24,040)
Accumulated losses	(38,834)	(38,834)
Expected credit losses	-	17,525
<b>Total Shareholders' Equity</b>	<b>184,584</b>	<b>202,109</b>
Non controlling interest	25,741	25,741
<b>Total Liabilities, URIA and shareholders' equity</b>	<b>2,573,509</b>	<b>2,590,496</b>

## CBB - Composition of Capital Disclosure Requirements Statement of Financial Position

As at 31 December 2024

Appendix PD-2	PIRI	Reference	
Step-2	As per published financial statements	As per Consolidated PIRI Return	
	31 December 2024 US \$ '000	31 December 2024 US \$ '000	
<b>Assets</b>			
Cash and balances with banks and financial institutions	156,463	156,463	
Receivables	470,970	483,472	
Ijara muntahia bittamleek and ijara receivable	576,815	577,807	
Musharakat	197,236	199,541	
Investments carried at fair value through profit & loss	541	541	
Investments carried at amortized cost	480,057	480,057	
Investments carried at fair value through equity	521,340	522,528	
Investments in real estate	7,722	7,722	
Investment in joint venture and associates	17,270	17,270	
Premises and equipment	79,367	79,367	
Intangibles and goodwill	21,885	21,885	
of which intangibles	5,315	5,315	A
of which goodwill	8,062	8,062	B
Other assets	43,843	43,843	
of which deferred tax subject to direct deduction	-	-	C1
of which deferred tax subject to threshold deduction		67	C2
<b>Total Assets</b>	<b>2,573,509</b>	<b>2,590,496</b>	
<b>Liabilities</b>			
Current accounts	291,656	291,656	
Murabaha and other payables	121,855	121,855	
Other liabilities	106,978	106,440	
<b>Total liabilities</b>	<b>520,489</b>	<b>519,951</b>	
<b>Quasi Equity</b>			
Participatory investment accounts	1,836,433	1,836,433	
Subordinated mudaraba	6,262	6,262	
of which allowed as T2		4,139	D
<b>Total quasi equity</b>	<b>1,842,695</b>	<b>1,842,695</b>	
<b>Shareholders' Equity</b>			
<b>CET 1</b>			
Share capital	151,458	151,458	E
Perpetual AT1 Capital	96,000	96,000	F
Accumulated losses	(38,834)	(38,834)	G
Statutory reserve	26,119	26,119	H
General reserves	8,687	8,687	I
Foreign exchange reserve	(65,307)	(65,307)	J
Revaluation reserve on investments	6,503	6,503	K
Other reserves	(341)	(341)	L
Non controlling interest	25,741	25,741	
NCI CET1	11,159	11,159	M
NCI AT1		-	N
<b>Tier 2</b>			
Revaluation reserve on premises and equipment	299	299	O
Expected credit losses for stage1 and stage2	-	17,525	P
of which allowed as T2		7,226	Q
<b>Total Shareholders' Equity</b>	<b>210,325</b>	<b>227,850</b>	
<b>Total Liabilities, URIA and shareholders' equity</b>	<b>2,573,509</b>	<b>2,590,496</b>	

## CBB - Composition of Capital Disclosure Requirements Disclosure template for main features of regulatory capital instruments

As at 31 December 2024

Appendix PD-3	Al Baraka Islamic Bank	Al Baraka Islamic Bank	Al Baraka Islamic Bank	Al Baraka Bank (Pakistan) Limited
<b>Issuer</b>	NA	NA	NA	NA
Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	NA	NA	NA	NA
Governing law(s) of the instrument	Kingdom of Bahrain	Kingdom of Bahrain	Kingdom of Bahrain	All applicable laws and regulations of the Islamic Republic of Pakistan
<b>Regulatory treatment</b>				
Transitional CBB rules	CET 1	AT1	AT1	Tier 2
Post-transitional CBB rules	CET 1	AT1	AT1	Tier 2
Eligible at solo/group/group&solo	Both solo and Group	Both solo and Group	Both solo and Group	GROUP
Instrument type (types to be specified by each jurisdiction)	Ordinary shares	Subordinated Mudaraba debt	Subordinated Mudaraba debt	Unrestricted Mudaraba Sukuk
Amount recognised in regulatory capital (Currency in US \$ K, as of most recent reporting date)	151,458	81,000	15,000	6,262
Par value of instrument	100	Not Applicable	Not Applicable	NA
Accounting classification	Equity	Equity	Equity	Liability - amortized cost
Original date of issuance	Various	2018	2019	2014
Perpetual or dated	Perpetual	Perpetual	Perpetual	Dated
Original maturity date	Not Applicable	Perpetual	Perpetual	2021
Issuer call subject to prior supervisory approval	Not Applicable	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Subsequent call dates, if applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
<b>Coupons / dividends</b>				
Fixed or floating dividend/coupon	As decided by shareholder	Fixed	Fixed	Floating
Coupon rate and any related index	Not Applicable	Various	Various	KIBOR
Existence of a dividend stopper	Not Applicable	Yes	Yes	No
Fully discretionary, partially discretionary or mandatory	Fully discretionary	Fully discretionary	Fully discretionary	Mandatory
Existence of step up or other incentive to redeem	Not Applicable	No	No	Not Applicable
Noncumulative or cumulative	Not Applicable	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	Not Applicable	Non-convertible	Non-convertible	Non-convertible
If convertible, conversion trigger (s)	Not Applicable	Not Applicable	Not Applicable	Not Applicable
If convertible, fully or partially	Not Applicable	Not Applicable	Not Applicable	Not Applicable
If convertible, conversion rate	Not Applicable	Not Applicable	Not Applicable	Not Applicable
If convertible, mandatory or optional conversion	Not Applicable	Not Applicable	Not Applicable	Not Applicable
If convertible, specify instrument type convertible into	Not Applicable	Not Applicable	Not Applicable	Not Applicable
If convertible, specify issuer of instrument it converts into	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Write-down feature	Not Applicable	Yes	Yes	No
If write-down, write-down trigger(s)	Not Applicable	If regulatory requires to meet the minimum capital requirements as per laws applicable in country of incorporation.	If regulatory requires to meet the minimum capital requirements as per laws applicable in country of incorporation.	Not Applicable
If write-down, full or partial	Not Applicable	Full	Full	Not Applicable
If write-down, permanent or temporary	Not Applicable	Permanent	Permanent	Not Applicable
If temporary write-down, description of write-up mechanism	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinate to all liabilities	Senior to common equity and subordinate to all liabilities	Senior to common equity and subordinate to all liabilities	Subordinate to all liabilities
Non-compliant transitioned features	Not Applicable	No	No	No
If yes, specify non-compliant features	Not Applicable	Not Applicable	Not Applicable	Not Applicable

