

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ  
Al Baraka Islamic Bank B.S.C. (c)

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

31 December 2024 (AUDITED)

**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 1<sup>st</sup> 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 31<sup>st</sup> 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 USD 0.19 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

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

## **Board of Directors' Report**

### **For the year ended 31 December 2024**

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

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

### **Board of Directors' Report**

### **For the year ended 31 December 2024**

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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 USD 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 USD 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 USD 2,711mn in 2023 to USD 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 USD 1,193mn in 2023 to USD 1,184mn in 2024. Total consolidated deposits also dropped by 4.5%, falling from USD 2,356mn in 2023 to USD 2,250mn in 2024. The Group's total operating income grew by 4.4%, rising from USD 74mn in 2023 to USD 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 USD 150mn in 2023 to USD 163mn in 2024.

The Group recognized expected credit losses, provisions for impairment, and taxes amounting to USD 19mn, compared to USD 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 USD 24.6mn in 2023 to USD 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.

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

## **Board of Directors' Report**

### **For the year ended 31 December 2024**

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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).

#### **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.

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

## **Board of Directors' Report**

### **For the year ended 31 December 2024**

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**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.

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

### **Board of Directors' Report**

### **For the year ended 31 December 2024**

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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:

**Al Baraka Islamic Bank B.S.C. (Closed)**  
**Board of Directors' Report**  
**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 service award <sup>(2)</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			
<b>First: Independent Directors:</b>												
1. Sabah Khalil Almoayyed	12,000	26,108	-	-	38,108	-	-	-	-	-	-	-
2. Akram Yassin	12,000	20,409	-	-	32,409	-	-	-	-	-	-	-
3. Abdulrahman Abdulla Al Sayed	12,000	19,227	-	-	31,227	-	-	-	-	-	-	-
4. Adnan Abdulla Al Bassam	12,000	21,562	-	-	33,562	-	-	-	-	-	-	-
<b>Second: Non-Executive Directors</b>												
5. Dr. Khalid Abdulla Ateeq	12,000	15,834	-	-	27,834	-	-	-	-	-	-	-
6. Abdulla Tarrar Edham	12,000	26,086	-	-	38,086	-	-	-	-	-	-	-
7. Masood Ahmed Albastaki	12,000	14,703	-	-	26,703	-	-	-	-	-	-	-
<b>Third: Executive Directors</b>												
8. Houssein Ben Haj Amor <sup>(3)</sup>	4,603	3,393	-	-	7,996	-	-	-	-	-	-	-
9. Abdulmalek Shehadeh Mezher	12,000	20,358	-	-	32,358	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>100,603</b>	<b>167,680</b>	-	-	<b>268,283</b>	-	-	-	-	-	-	-

**Al Baraka Islamic Bank B.S.C. (Closed)  
Board of Directors' Report  
For the year ended 31 December 2024**

**Details of the Executive Management Remunerations:**

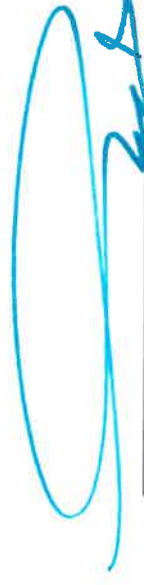
*All amounts in Bahraini Dinars (unless otherwise stated)*

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

(1) The Group did not pay any variable remunerations or end-of-service awards during the year.  
(2) 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.  
(3) Directorship term started in 13 August 2024.  
(4) No bonus payment as at 31 December 2024.



**Sabah Khalil Almoayed**  
Chairman  
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



## *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*

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#### *Our opinion*

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Al Baraka 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.

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#### *Basis for opinion*

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

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

#### **Independence**

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



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

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

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#### *Other information*

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

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

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

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

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

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

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

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

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

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



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

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

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#### *Auditor's responsibilities for the audit of the consolidated financial statements*

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

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

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



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

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

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

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:

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

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

Elias Abi Nakhoul  
Partner's registration number: 196  
PricewaterhouseCoopers M.E Limited  
Manama, Kingdom of Bahrain  
18 February 2025

**Al Baraka Islamic Bank B.S.C. (c)****CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

At 31 December 2024

		2024	2023
	Notes	BHD '000	BHD '000
<b>ASSETS</b>			
Cash and balances with banks and financial institutions	3	58,986	91,752
Receivables	4	177,556	169,493
Ijara muntahia bittamleek and ijara receivables	5	217,460	239,310
Musharakat	6	74,358	59,669
Investments	7	377,729	398,178
Investment in joint venture	8	6,511	6,291
Investments in real estate	9	2,911	2,911
Premises and equipment	10	29,920	30,530
Intangibles and goodwill	11	8,251	7,544
Other assets	12	16,535	16,178
<b>TOTAL ASSETS</b>		<b>970,217</b>	<b>1,021,856</b>
<b>LIABILITIES, QUASI EQUITY AND OWNERS' EQUITY</b>			
<b>Liabilities</b>			
Current accounts		109,954	97,571
Murabaha and other payables		45,939	152,174
Other liabilities	13	40,331	42,699
<b>Total liabilities</b>		<b>196,224</b>	<b>292,444</b>
<b>QUASI EQUITY</b>			
Participatory investment accounts	14	692,335	638,334
Subordinated mudaraba	15	2,361	4,515
<b>Total quasi equity</b>		<b>694,696</b>	<b>642,849</b>
<b>Owners' equity</b>			
Share capital	16	57,100	57,100
Perpetual equity-type instruments		36,192	36,192
Reserves		(9,068)	(9,110)
Accumulated losses		(14,638)	(4,870)
<b>Equity attributable to parent's shareholders</b>		<b>69,586</b>	<b>79,312</b>
Non-controlling interests		9,711	7,251
<b>Total owners' equity</b>		<b>79,297</b>	<b>86,563</b>
<b>TOTAL LIABILITIES, QUASI EQUITY AND OWNERS' EQUITY</b>		<b>970,217</b>	<b>1,021,856</b>
<b>OFF-BALANCE SHEET ITEMS:</b>			
<b>ASSETS UNDER MANAGEMENT</b>		<b>339,724</b>	<b>190,965</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	17	<b>74,088</b>	<b>96,803</b>



Sabah Khalil Al Moayyed  
Chairperson



Akram Yassin  
Vice Chairman



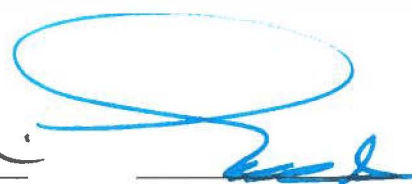
Dr. Adel Abdulla Salem  
Chief Executive Officer

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

**Al Baraka Islamic Bank B.S.C. (c)****CONSOLIDATED STATEMENT OF INCOME**

For the year ended 31 December 2024

		2024	2023
	Notes	BHD '000	BHD '000
Income from financing	18	44,654	40,520
Income from investments	19	40,114	37,411
Share of income from investment in joint venture	8	220	526
Income from banking services	20	2,611	3,063
Other income	21	3,046	2,785
Group's mudarib / agency fee from off-balance sheet equity of investment accountholders		51	63
<b>TOTAL INCOME</b>		<b>90,696</b>	<b>84,368</b>
Cost of murabaha and other payables		<b>(8,453)</b>	<b>(7,161)</b>
<b>TOTAL OPERATING INCOME</b>		<b>82,243</b>	<b>77,207</b>
<b>BEFORE ATTRIBUTION TO QUASI EQUITY</b>		<b>82,243</b>	<b>77,207</b>
Net income attributable to quasi-equity		<b>(53,076)</b>	<b>(49,279)</b>
<b>TOTAL OPERATING INCOME</b>		<b>29,167</b>	<b>27,928</b>
<b>OPERATING EXPENSES</b>			
Staff cost		(12,347)	(11,774)
Depreciation and amortization		(4,316)	(3,610)
Other operating expenses	22	(12,771)	(12,153)
<b>TOTAL OPERATING EXPENSES</b>		<b>(29,434)</b>	<b>(27,537)</b>
<b>NET OPERATING (LOSS) / INCOME</b>		<b>(267)</b>	<b>391</b>
Allowances for impairment - net	23	(1,813)	(6,302)
<b>NET LOSS BEFORE TAXATION</b>		<b>(2,080)</b>	<b>(5,911)</b>
Taxation	24	(5,520)	(3,363)
<b>LOSS FOR THE YEAR</b>		<b>(7,600)</b>	<b>(9,274)</b>
Attributable to:			
Equity of the parent's shareholders		(9,695)	(10,770)
Non-controlling interests		2,095	1,496
		<b>(7,600)</b>	<b>(9,274)</b>

Sabah Khalil Al Moayyed  
ChairpersonAkram Yassin  
Vice ChairmanDr. Adel Abdulla Salem  
Chief Executive Officer

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

**Al Baraka Islamic Bank B.S.C. (c)****CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 December 2024

	<b>Audited</b>	<i>Unaudited and unreviewed</i>
	<b>2024</b>	2023
	<b>BHD '000</b>	<b>BHD '000</b>
Loss for the year	<b>(7,600)</b>	(9,274)
<b>Other comprehensive income / (losses)</b>		
<b><i>Items that may subsequently be classified to consolidated statement of income</i></b>		
Surplus / (deficit) on foreign currency translations	<b>319</b>	(5,581)
Net changes in fair value of equity investments measured at fair value through other comprehensive income - net of tax	<b>118</b>	1,444
Remeasurement loss on defined benefit obligation	<b>(20)</b>	(95)
Deferred tax on revaluation of fixed assets	<b>(9)</b>	(18)
<b>Total other comprehensive income / (loss) for the year</b>	<b>408</b>	(4,250)
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>	<b>(7,192)</b>	(13,524)
Attributable to:		
Equity of the Parent's shareholders	<b>(9,652)</b>	(13,289)
Non-controlling interests	<b>2,460</b>	(235)
	<b>(7,192)</b>	(13,524)

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

**Al Baraka Islamic Bank B.S.C. (c)****CONSOLIDATED STATEMENT OF INCOME AND ATTRIBUTION TO QUASI-EQUITY**

For the year ended 31 December 2024

	<i>Audited</i>	<i>Unaudited and</i>
	<b>2024</b>	<i>unreviewed</i>
	<b>BHD '000</b>	<b>2023</b>
		<i>BHD '000</i>
<b>Total operating income</b>		
<b>before attribution to quasi equity</b>	<b>82,243</b>	<b>77,207</b>
Adjustments for:		
Less: Income from self-financed assets	<b>(23,333)</b>	<b>(19,721)</b>
Less: expenses attributable to quasi-equity	<b>(3,790)</b>	<b>(5,621)</b>
Less: allowances for impairment and credit losses - attributable to quasi-equity	<b>(854)</b>	<b>(2,279)</b>
<b>Total income available for quasi-equity</b>	<b>54,266</b>	<b>49,586</b>
<i>Profit equalization reserve - net movement</i>	<b>-</b>	<b>(116)</b>
<b>Total income attributable to     quasi-equity (adjusted for reserves)</b>	<b>54,266</b>	<b>49,470</b>
Less: Group's share as mudarib (net of hibba)	<b>(1,191)</b>	<b>(192)</b>
<b>Net income attributable to quasi-equity</b>	<b>53,075</b>	<b>49,278</b>

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

**Al Baraka Islamic Bank B.S.C. (c)**
**CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY**

For the year ended 31 December 2024

<i>Equity attributable to shareholders of the parent</i>												
<i>Reserves</i>												
	<i>Share capital</i>	<i>Perpetual equity- type instruments</i>	<i>Statutory</i>	<i>General</i>	<i>Employee defined benefit plan</i>	<i>Cumulative changes in fair value</i>	<i>Revaluation of premises and equipment</i>	<i>Foreign exchange</i>	<i>(Accumulated losses) / retained earnings</i>	<i>Equity attributable to parent's shareholders</i>	<i>Non-controlling interest</i>	<i>Total owners' equity</i>
	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>
<b>Balance at 1 January 2024</b>	57,100	36,192	9,845	3,275	(109)	2,595	119	(24,835)	(4,870)	79,312	7,251	86,563
(Loss) / income for the year	-	-	-	-	-	-	-	-	(9,695)	(9,695)	2,095	(7,600)
Other comprehensive (loss) / income for the year	-	-	-	-	(20)	(143)	-	205	-	42	365	407
Distribution of Zakat	-	-	-	-	-	-	-	-	(73)	(73)	-	(73)
<b>Balance at 31 December 2024</b>	<b>57,100</b>	<b>36,192</b>	<b>9,845</b>	<b>3,275</b>	<b>(129)</b>	<b>2,452</b>	<b>119</b>	<b>(24,630)</b>	<b>(14,638)</b>	<b>69,586</b>	<b>9,711</b>	<b>79,297</b>
Balance at 1 January 2023	57,100	36,192	9,845	3,275	(53)	1,495	130	(21,287)	6,093	92,790	7,486	100,276
(Loss) / income for the year	-	-	-	-	-	-	-	-	(10,770)	(10,770)	1,496	(9,274)
Other comprehensive (loss) / income for the year	-	-	-	-	(56)	1,100	(11)	(3,548)	-	(2,515)	(1,731)	(4,246)
Distribution of Zakat	-	-	-	-	-	-	-	-	(193)	(193)	-	(193)
<b>Balance at 31 December 2023</b>	<b>57,100</b>	<b>36,192</b>	<b>9,845</b>	<b>3,275</b>	<b>(109)</b>	<b>2,595</b>	<b>119</b>	<b>(24,835)</b>	<b>(4,870)</b>	<b>79,312</b>	<b>7,251</b>	<b>86,563</b>

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

**Al Baraka Islamic Bank B.S.C. (c)****CONSOLIDATED STATEMENT OF CASH FLOWS**

For the year ended 31 December 2024

	<b>2024</b>	<b>2023</b>
	<b>BHD '000</b>	<b>BHD '000</b>
<b>OPERATING ACTIVITIES</b>		
Net loss before taxation	(2,080)	(5,911)
<i>Adjustments for :</i>		
Depreciation and amortization	4,316	3,610
Allowances for impairment - net (Note 23)	1,813	6,302
Gain on sale of premises and equipment	(15)	(8)
Loss on sale of investments (Note 19)	475	373
Unrealized loss on revaluation of investment properties	-	420
Share of income from investment in joint venture	(220)	(526)
Operating profit before changes in operating assets and liabilities	<u>4,289</u>	<u>4,260</u>
Net changes in operating assets and liabilities:		
Balances with central banks in mandatory reserves	3,378	(5,727)
Receivables	(6,218)	29
Ijara muntahia bittamleek and ijara receivables	21,590	(28,804)
Musharakat	(13,699)	27,982
Other assets	(30)	3,571
Other liabilities	(2,854)	(1,026)
Murabaha and other payables	(106,235)	87,407
Current accounts	12,383	5,941
Participatory investment accounts	54,002	(82,855)
Tax paid	(5,201)	(3,818)
Net cash (used in) / generated from operating activities	<u>(38,595)</u>	<u>6,960</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of investments	(333,768)	(121,626)
Proceeds from sale / redemption of investments	353,954	147,288
Dividend received from joint venture	-	1,183
Net purchase of premises and equipment	(4,038)	(1,902)
Net cash generated from investing activities	<u>16,148</u>	<u>24,943</u>
<b>FINANCING ACTIVITIES</b>		
Net movement in subordinated mudaraba	(2,155)	(1,366)
Zakah paid	(73)	(193)
Net cash used in financing activities	<u>(2,228)</u>	<u>(1,559)</u>
Foreign currency translation adjustments	(380)	(3,293)
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(25,055)</b>	<b>27,051</b>
Cash and cash equivalents at beginning of the year	<u>72,491</u>	<u>45,441</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<u><u>47,436</u></u>	<u><u>72,492</u></u>

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

**Al Baraka Islamic Bank B.S.C. (c)****CONSOLIDATED STATEMENT OF CHANGES IN OFF-BALANCE SHEET ASSETS UNDER MANAGEMENT**

For the year ended 31 December 2024

	<b>Balance at 1 January 2024 BHD '000</b>	<b>Net deposits BHD '000</b>	<b>Gross income BHD '000</b>	<b>Mudarib/ agency fee BHD '000</b>	<b>Balance at 31 December 2024 BHD '000</b>
Wakala Bi Al-Istithmar on balance sheet					
jointly financed assets	136,497	112,036	9,652	(701)	257,484
Receivables	46,077	23,132	2,207	(26)	71,390
Investments	8,390	1,129	1,356	(25)	10,850
	<u>190,964</u>	<u>136,297</u>	<u>13,215</u>	<u>(752)</u>	<u>339,724</u>
	<b>Balance at 1 January 2023 BHD '000</b>	<b>Net withdrawals BHD '000</b>	<b>Gross income BHD '000</b>	<b>Mudarib's/ agency fee BHD '000</b>	<b>Balance at 31 December 2023 BHD '000</b>
Wakala Bi Al-Istithmar on balance sheet					
jointly financed assets	241,600	(112,544)	11,802	(4,361)	136,497
Receivables	61,305	(19,046)	3,882	(63)	46,078
Investments	10,266	(1,876)	-	-	8,390
	<u>313,171</u>	<u>(133,466)</u>	<u>15,684</u>	<u>(4,424)</u>	<u>190,965</u>

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

**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 Group is currently working in collaboration with its major shareholder to ensure compliance with such regulations issued by Central Bank of Bahrain.

**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 Bahraini Dinars ("BHD"), being the presentational currency of the Group. All values are rounded to nearest Bahraini Dinars 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.

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

### 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

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:

- a. It is directly exposed to, or has rights to, variable returns (negative or positive, respectively) from its involvement with such assets or business; and
- b. 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:

<i>Bank</i>	<i>Ownership for 2024 / 2023</i>	<i>Year of incorporation</i>	<i>Country of incorporation</i>	<i>No. of branches/ offices at 31 December 2024 / 2023</i>
<b><i>Held directly by the Bank</i></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 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)****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. The 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:

- a) Revised conceptual framework is now integral part of the AAOIFI FAS's;
- b) Definition of Quasi equity is introduced;
- c) Definitions have been modified and improved;
- d) Concept of comprehensive income has been introduced;
- e) Institutions other than Banking institutions are allowed to classify assets and liabilities as current and non-current;
- f) Disclosure of Zakah and Charity have been relocated to the notes;
- g) True and fair override has been introduced;
- h) Treatment for change in accounting policies, change in estimates and correction of errors has been introduced;
- i) Disclosures of related parties, subsequent events and going concern have been improved;
- j) Improvement in reporting for foreign currency, segment reporting; and
- k) Presentation and disclosure requirements have been divided into three parts. First part is applicable to all institutions, second part is applicable only to banks and similar IFI's and third part prescribes the authoritative status, effective date an amendments to other AOIFI FASs.

**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's 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 BHD 20.7 million (valuation based on internal fair valuation exercise using discounted cash flow method), which represented a fair value gain of BHD 6.5 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 BHD 6.5 million and the related reserves were also reversed.

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

**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 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)****2.6 Summary of accounting policies (continued)****2.6.2 Cash and cash equivalents**

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

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

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

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

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

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

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

**Stage 1: twelve months ECL**

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

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

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

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

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

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

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

**Credit-impaired financial assets**

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

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

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

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)****2.6 Summary of accounting policies (continued)****2.6.4 Impairment, Credit Losses and Onerous Commitments (continued)****Credit-impaired financial assets (continued)**

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

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

**Measurement of ECL**

Following are the key inputs into the measurement of ECL:

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

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

**Definition of default**

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

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**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)****Loss Given Default (continued)**

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

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

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

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

**Exposure At Default (EAD)**

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

**On-balance sheet EADs**

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

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

**Off-balance sheet EADs**

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

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

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

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

**Significant Increase in Credit Risk**

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

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

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

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***

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

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

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

**Backward transition**

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

*From Stage 2 to stage 1*

- The criteria to classify the exposure into Stage 2 (criteria covered in SICR section above) is no 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.

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

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

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

**2.6.5 Investments**

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

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)****2.6 Summary of accounting policies (continued)****2.6.5 Investments (continued)****(iv) Equity and non-monetary debt-type instruments at fair value through 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 accountholders until the investment is derecognised or determined to be impaired at which time the cumulative gain or loss previously recorded in owners' equity or equity of investment accountholders is recognised in consolidated statement of income. Investment carried at fair value through equity shall be tested for impairment at each reporting period.

**(v) Monetary 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 Group as "principal/(investor)" shall evaluate the nature of investment as either:

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

**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)****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.

**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 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)****2.6 Summary of accounting policies (continued)****2.6.11 Premises and equipment**

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

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

**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 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)****2.6 Summary of accounting policies (continued)****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.

*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.

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**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)****2.6 Summary of accounting policies (continued)****2.6.14 Return on quasi equity (continued)**

The basis applied by the Group in arriving at the investment accountholders share of income is [total investment income less investment pool expenses] divided by [average funds generating income (shareholders and investment accountholders) times average funds of 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 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 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)****2.6 Summary of accounting policies (continued)****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.

**(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 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)****2.6 Summary of accounting policies (continued)****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.

**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.

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**3 CASH AND BALANCES WITH BANKS AND FINANCIAL INSTITUTIONS**

	<b>2024</b>	<b>2023</b>
	<b>BHD '000</b>	<b>BHD '000</b>
Cash on hand	8,921	9,418
Balances with State Bank of Pakistan		
Current account	19	18
Mandatory reserves	18,610	21,884
	<b>18,629</b>	<b>21,902</b>
Balances with CBB		
Current account and overnight placements	109	22,418
Mandatory reserves	16,062	16,166
	<b>16,171</b>	<b>38,584</b>
Balances with other banks and financial institutions	15,265	21,848
	<b>58,986</b>	<b>91,752</b>

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

**4 RECEIVABLES**

	<b>2024</b>			<b>2023</b>		
	<i>Self financed</i>	<i>Jointly financed</i>	<i>Total</i>	<i>Self financed</i>	<i>Jointly financed</i>	<i>Total</i>
	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>
Commodities, wakala and						
musharaka placements with financial institutions	21,227	1,897	23,124	18,789	-	18,789
Salam financing	-	13,879	13,879	-	9,840	9,840
Istisna'a financing	-	50,832	50,832	-	38,822	38,822
Murabaha financing	424	125,117	125,541	424	134,956	135,380
Credit cards and others receivables	-	4,969	4,969	-	6,542	6,542
Gross receivables	21,651	196,694	218,345	19,213	190,160	209,373
Deferred profits	-	(15,337)	(15,337)	-	(16,176)	(16,176)
	<b>21,651</b>	<b>181,357</b>	<b>203,008</b>	<b>19,213</b>	<b>173,984</b>	<b>193,197</b>
Less: Allowances for expected credit losses (4.2)	(426)	(25,026)	(25,452)	(425)	(23,279)	(23,704)
Net receivables	<b>21,225</b>	<b>156,331</b>	<b>177,556</b>	<b>18,788</b>	<b>150,705</b>	<b>169,493</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 ("ECL").

	<b>2024</b>				<b>2023</b>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>
Good (1-4)	92,664	6,262	-	98,926	88,784	7,215	-	95,999
Satisfactory (5-7)	47,950	28,826	-	76,776	49,107	20,055	-	69,162
Default (8-10)	-	-	27,306	27,306	-	-	28,036	28,036
	<b>140,614</b>	<b>35,088</b>	<b>27,306</b>	<b>203,008</b>	<b>137,891</b>	<b>27,270</b>	<b>28,036</b>	<b>193,197</b>

**4.1 Movements in deferred profit from murabaha contracts:**

	<b>2024</b>	<b>2023</b>
	<b>BHD '000</b>	<b>BHD '000</b>
<b>Balance at 1 January</b>	<b>16,146</b>	14,280
Murabaha sales	191,768	218,550
Murabaha cost of sales	(185,369)	(209,218)
Profit amortized to consolidated statement of income	(6,666)	(7,204)
Deferred profit written off	-	(124)
Foreign exchange (FX) translation	6	(136)
<b>Balance at 31 December</b>	<b>15,885</b>	16,148

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**4 RECEIVABLES (continued)**
**4.2 Allowances for expected credit losses**

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

	2024			
	Stage 1: 12-month ECL BHD '000	Stage 2: Lifetime ECL not credit- impaired BHD '000	Stage 3: Lifetime ECL credit- impaired BHD '000	Total BHD '000
<b>Balance at 1 January</b>	718	3,394	19,592	23,704
<b>Changes during the year:</b>				
- transferred to Stage 1: 12 month ECL	34	(25)	(9)	-
- transferred to Stage 2: Lifetime ECL not credit-impaired	(101)	443	(342)	-
- transferred to Stage 3: Lifetime ECL credit-impaired	(5)	(280)	285	-
Net remeasurement of loss allowance	85	447	2,303	2,835
Recoveries / write-backs	-	-	(346)	(346)
Allowances for credit losses	13	585	1,891	2,489
Amounts written off during the year	-	-	(881)	(881)
FX translation	-	3	137	140
<b>Balance at 31 December</b>	<b>731</b>	<b>3,982</b>	<b>20,739</b>	<b>25,452</b>

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

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**5 IJARA MUNTAHIA BITTAMLEEK AND IJARA RECEIVABLES**

	2024			2023		
	<i>Self financed BHD '000</i>	<i>Jointly financed BHD '000</i>	<i>Total BHD '000</i>	<i>Self financed BHD '000</i>	<i>Jointly financed BHD '000</i>	<i>Total BHD '000</i>
Ijara muntahia bittamleek (5.1)	2,362	200,804	203,166	3,226	220,614	223,840
Ijara income receivables	945	17,775	18,720	1,163	18,529	19,692
	<b>3,307</b>	<b>218,579</b>	<b>221,886</b>	<b>4,389</b>	<b>239,143</b>	<b>243,532</b>
Less: Allowances for expected credit losses (5.2)	(41)	(4,385)	(4,426)	(32)	(4,190)	(4,222)
	<b>3,266</b>	<b>214,194</b>	<b>217,460</b>	<b>4,357</b>	<b>234,953</b>	<b>239,310</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			
	<i>Stage 1 BHD '000</i>	<i>Stage 2 BHD '000</i>	<i>Stage 3 BHD '000</i>	<i>Total BHD '000</i>	<i>Stage 1 BHD '000</i>	<i>Stage 2 BHD '000</i>	<i>Stage 3 BHD '000</i>	<i>Total BHD '000</i>
Good (1-4)	203,895	1,044	-	204,939	221,425	50	-	221,475
Satisfactory (5-7)	9,048	74	-	9,122	12,011	3,547	-	15,558
Default (8-10)	-	-	7,824	7,824	-	-	6,499	6,499
	<b>212,943</b>	<b>1,118</b>	<b>7,824</b>	<b>221,885</b>	<b>233,436</b>	<b>3,597</b>	<b>6,499</b>	<b>243,532</b>

**5.1 Ijara muntahia bittamleek**

	2024			2023		
	<i>Self financed BHD '000</i>	<i>Jointly financed BHD '000</i>	<i>Total BHD '000</i>	<i>Self financed BHD '000</i>	<i>Jointly financed BHD '000</i>	<i>Total BHD '000</i>
<b>Land and building</b>						
Cost	-	257,311	257,311	-	269,071	269,071
Accumulated depreciation	-	(56,506)	(56,506)	-	(48,460)	(48,460)
Net book value	-	<b>200,805</b>	<b>200,805</b>	-	<b>220,611</b>	<b>220,611</b>
<b>Equipment</b>						
Cost	5,608	-	5,608	5,608	4	5,612
Accumulated depreciation	(3,247)	-	(3,247)	(2,383)	-	(2,383)
Net book value	<b>2,361</b>	-	<b>2,361</b>	<b>3,225</b>	<b>4</b>	<b>3,229</b>
<b>TOTAL</b>						
Cost	5,608	257,311	262,919	5,608	269,075	274,683
Accumulated depreciation	(3,247)	(56,506)	(59,753)	(2,383)	(48,460)	(50,843)
Net book value	<b>2,361</b>	<b>200,805</b>	<b>203,166</b>	<b>3,225</b>	<b>220,615</b>	<b>223,840</b>

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**5 IJARA MUNTAHIA BITTAMLEEK AND IJARA RECEIVABLES (continued)**
**5.2 Allowances for expected credit losses**

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

	<b>2024</b>			
	<b>Stage 1: 12-month ECL BHD '000</b>	<b>Stage 2: Lifetime ECL not credit- impaired BHD '000</b>	<b>Stage 3: Lifetime ECL credit- impaired BHD '000</b>	<b>Total BHD '000</b>
<b>Balance at 1 January</b>	338	286	3,598	4,222
<b>Changes during the year:</b>				
- transferred to Stage 1: 12 month ECL	99	(28)	(71)	-
- transferred to Stage 2: Lifetime ECL not credit-impaired	(30)	30	-	-
- transferred to Stage 3: Lifetime ECL credit-impaired	-	(254)	254	-
Net remeasurement of loss allowance	(121)	54	343	276
Recoveries / write-backs	-	-	(14)	(14)
Allowances for credit losses	(52)	(198)	512	262
Amounts written off during the year	-	-	(61)	(61)
FX translation	-	-	3	3
<b>Balance at 31 December</b>	<b>286</b>	<b>88</b>	<b>4,052</b>	<b>4,426</b>
	<b>2023</b>			
	<b>Stage 1: 12-month ECL BHD '000</b>	<b>Stage 2: Lifetime ECL not credit- impaired BHD '000</b>	<b>Stage 3: Lifetime ECL credit- impaired BHD '000</b>	<b>Total BHD '000</b>
Balance at 1 January	240	43	2,665	2,948
<b>Changes during the year:</b>				
- transferred to Stage 1: 12 month ECL	6	(6)	-	-
- transferred to Stage 2: Lifetime ECL not credit-impaired	(5)	5	-	-
- transferred to Stage 3: Lifetime ECL credit-impaired	(9)	(3)	12	-
Net remeasurement of loss allowance	106	247	1,435	1,788
Recoveries / write-backs	-	-	(437)	(437)
Allowances for credit losses	98	243	1,010	1,351
FX translation	-	-	(77)	(77)
<b>Balance at 31 December</b>	<b>338</b>	<b>286</b>	<b>3,598</b>	<b>4,222</b>

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**6 MUSHARAKAT**

	2024			2023		
	Self financed BHD '000	Jointly financed BHD '000	Total BHD '000	Self financed BHD '000	Jointly financed BHD '000	Total BHD '000
Musharakat	9,617	69,588	79,205	8,638	56,930	65,568
Less: Allowances for expected credit losses (6.1)	-	(4,847)	(4,847)	-	(5,899)	(5,899)
	<b>9,617</b>	<b>64,741</b>	<b>74,358</b>	<b>8,638</b>	<b>51,031</b>	<b>59,669</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 BHD '000	Stage 2 BHD '000	Stage 3 BHD '000	Total BHD '000	Stage 1 BHD '000	Stage 2 BHD '000	Stage 3 BHD '000	Total BHD '000
Good (1-4)	56,510	1,417	-	57,927	40,990	2,376	-	43,366
Satisfactory (5-7)	11,149	5,986	-	17,135	914	17,709	-	18,623
Default (8-10)	-	-	4,143	4,143	-	-	3,579	3,579
	<b>67,659</b>	<b>7,403</b>	<b>4,143</b>	<b>79,205</b>	<b>41,904</b>	<b>20,085</b>	<b>3,579</b>	<b>65,568</b>

**6.1 Allowances for expected credit losses**

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

	2024			
	Stage 1: 12- month ECL BHD '000	Stage 2: Lifetime ECL not credit- impaired BHD '000	Stage 3: Lifetime ECL credit- impaired BHD '000	Total BHD '000
<b>Balance at 1 January</b>	831	1,323	3,745	5,899
<b>Changes during the year:</b>				
- transferred to Stage 1: 12 month ECL	3	(3)	-	-
- transferred to Stage 2: Lifetime ECL not credit-impaired	(20)	20	-	-
- transferred to Stage 3: Lifetime ECL credit impaired	(15)	(158)	173	-
Net remeasurement of loss allowance	(568)	(570)	148	(990)
Allowances for expected credit losses	(600)	(711)	321	(990)
Amounts written off during the year	-	-	(133)	(133)
FX translation	11	16	44	71
<b>Balance at 31 December</b>	<b>242</b>	<b>628</b>	<b>3,977</b>	<b>4,847</b>
	2023			
	Stage 1: 12-month ECL BHD '000	Stage 2: Lifetime ECL not credit- impaired BHD '000	Stage 3: Lifetime ECL credit- impaired BHD '000	Total BHD '000
Balance at 1 January	739	769	2,575	4,083
<b>Changes during the year:</b>				
- transferred to Stage 1: 12 month ECL	19	(19)	-	-
- transferred to Stage 2: Lifetime ECL not credit-impaired	(27)	27	-	-
Net remeasurement of loss allowance	225	718	1,677	2,620
Allowances for credit losses	217	726	1,677	2,620
FX translation	(125)	(172)	(507)	(804)
<b>Balance at 31 December</b>	<b>831</b>	<b>1,323</b>	<b>3,745</b>	<b>5,899</b>

**Al Baraka Islamic Bank B.S.C. (c)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**7 INVESTMENTS**

	2024			2023		
	<i>Self financed BHD '000</i>	<i>Jointly financed BHD '000</i>	<i>Total BHD '000</i>	<i>Self financed BHD '000</i>	<i>Jointly financed BHD '000</i>	<i>Total BHD '000</i>
<b>i) Equity-type instruments at fair value through OCI</b>						
<b>Quoted</b>						
Listed equity shares	10,965	-	10,965	11,535	92	11,627
<b>Unquoted</b>						
Unlisted equity shares	3,362	173	3,535	3,362	155	3,517
Managed funds	377	-	377	377	-	377
Real estate funds	-	7,323	7,323	-	7,525	7,525
	<u>14,704</u>	<u>7,496</u>	<u>22,200</u>	<u>15,274</u>	<u>7,772</u>	<u>23,046</u>
Less: Provision for impairment	(1,088)	(67)	(1,155)	(1,136)	(131)	(1,267)
<b>Total equity investments</b>	<u>13,616</u>	<u>7,429</u>	<u>21,045</u>	<u>14,138</u>	<u>7,641</u>	<u>21,779</u>
<b>ii) Debt-type instruments at fair value through statement of income (Note 7.1)</b>						
<b>Quoted</b>						
Sukuk	-	66	66	12,871	3,998	16,869
<b>Unquoted</b>						
Sukuk	-	138	138	-	-	-
	<u>-</u>	<u>204</u>	<u>204</u>	<u>12,871</u>	<u>3,998</u>	<u>16,869</u>
<b>iii) Debt-type instruments at fair value through equity (7.1)</b>						
<b>Quoted</b>						
Sukuk	89,666	85,339	175,005	71,720	74,805	146,525
<b>Unquoted</b>						
Sukuk	-	944	944	-	7,431	7,431
	<u>89,666</u>	<u>86,283</u>	<u>175,949</u>	<u>71,720</u>	<u>82,236</u>	<u>153,956</u>
<b>iv) Debt-type instruments at amortised cost (7.1)</b>						
<b>Quoted</b>						
Sukuk	73,950	82,218	156,168	107,443	74,189	181,632
<b>Unquoted</b>						
Sukuk	-	24,813	24,813	-	24,370	24,370
	<u>73,950</u>	<u>107,031</u>	<u>180,981</u>	<u>107,443</u>	<u>98,559</u>	<u>206,002</u>
Less: Allowance for expected credit losses (7.2)	(153)	(297)	(450)	(178)	(250)	(428)
<b>Total debt-type investments</b>	<u>163,463</u>	<u>193,221</u>	<u>356,684</u>	<u>191,856</u>	<u>184,543</u>	<u>376,399</u>
<b>Total investments</b>	<u>177,079</u>	<u>200,650</u>	<u>377,729</u>	<u>205,994</u>	<u>192,184</u>	<u>398,178</u>

Within unquoted investments which are held at fair value through OCI are investments amounting to BHD 10.3 million (2023: BHD 10.5 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.

The Group's investments in sukuk held at amortised cost amounting to BHD 181.0 million (2023: BHD 206.0 million) have a fair value amounting to BHD 176.0 million (2023: BHD 199.8 million).

Investments having face value amounting to BHD 24.1 million (2023: Nil) are pledged to raise funds under repurchase agreements (REPO) from a financial institutions.

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#### 7 INVESTMENTS (continued)

##### 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 BHD '000	Stage 2 BHD '000	Total BHD '000	Stage 1 BHD '000	Stage 2 BHD '000	Total BHD '000
Good (1-4)	175,071	-	175,071	170,824	-	170,824
Satisfactory (5-7)	180,929	1,134	182,063	204,869	1,134	206,003
	<u>356,000</u>	<u>1,134</u>	<u>357,134</u>	<u>375,693</u>	<u>1,134</u>	<u>376,827</u>

##### 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 BHD '000	Stage 2: Lifetime ECL not credit-impaired BHD '000	Total BHD '000	Stage 1: 12-month ECL BHD '000	Stage 2: Lifetime ECL not credit-impaired BHD '000	Total BHD '000
<b>Balance at 1 January</b>	309	119	428	119	-	119
<b>Changes during the year</b>						
Net remeasurement of loss allowance	(19)	43	24			
Allowances for expected credit losses	(19)	43	24			
FX translation	(2)	-	(2)			
<b>Balance at 31 December</b>	<u>288</u>	<u>162</u>	<u>450</u>	<u>309</u>	<u>119</u>	<u>428</u>
<b>Balance at 1 January</b>	119	-	119	119	-	119
<b>Changes during the year</b>						
- transferred to Stage 2: Lifetime 'ECL not credit-impaired	(11)	11	-			
Net remeasurement of loss allowance	202	108	310			
Allowances for expected credit losses	191	119	310			
FX translation	(1)	-	(1)			
<b>Balance at 31 December</b>	<u>309</u>	<u>119</u>	<u>428</u>	<u>309</u>	<u>119</u>	<u>428</u>

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

	2024 BHD '000	2023 BHD '000
<b>Balance at 1 January</b>	1,267	1,886
Charges for the year	-	36
Reversal for the year	(120)	(80)
Written-off	-	(476)
Exchange difference	8	(99)
<b>Balance at 31 December</b>	<u>1,155</u>	<u>1,267</u>

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**8 INVESTMENT IN JOINT VENTURE**

	2024 BHD '000	2023 BHD '000
<b>Balance at 1 January</b>	6,291	6,948
Net share of income for the year	220	526
Dividend received for the year	-	(1,183)
<b>Balance at 31 December</b>	<b>6,511</b>	<b>6,291</b>

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

	2024 BHD '000	2023 BHD '000
<b>Summarised statement of financial position</b>		
Non-current assets	-	701
Current assets	12,767	12,266
Current liabilities	(2)	(633)
<b>Net assets</b>	<b>12,765</b>	<b>12,334</b>

Group's ownership in equity	6,511	6,291
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<b>Net carrying amount</b>	<b>6,511</b>	<b>6,291</b>
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	2024 BHD '000	2023 BHD '000
<b>Summarised statement of income</b>		
Total income	747	1,037
Total expenses	(315)	(6)
<b>Total comprehensive income</b>	<b>432</b>	<b>1,031</b>
<b>Group's net share of profit</b>	<b>220</b>	<b>526</b>

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.

**9 INVESTMENTS IN REAL ESTATE**

	2024 BHD '000	2023 BHD '000
<b>Balance at 1 January</b>	2,911	3,331
Unrealized loss on remeasurement	-	(420)
<b>Balance at 31 December</b>	<b>2,911</b>	<b>2,911</b>

**10 PREMISES AND EQUIPMENT**

	<i>Land and Building</i> BHD '000	<i>Capital work in progress</i> BHD '000	<i>Office furniture and equipment</i> BHD '000	<i>Vehicles</i> BHD '000	<i>Total</i> BHD '000
Cost:					
<b>At 1 January 2024</b>	30,488	336	9,783	83	40,690
Additions	44	591	485	127	1,247
Disposals	(6)	-	(52)	(5)	(63)
Exchange difference	41	-	45	1	87
<b>At 31 December 2024</b>	<b>30,567</b>	<b>927</b>	<b>10,261</b>	<b>206</b>	<b>41,961</b>
Accumulated depreciation:					
<b>At 1 January 2024</b>	3,102	-	7,014	44	10,160
Depreciation for the year	927	-	1,030	25	1,982
Related to disposals	(2)	-	(55)	(5)	(62)
Exchange difference	(70)	-	31	-	(39)
<b>At 31 December 2024</b>	<b>3,957</b>	<b>-</b>	<b>8,020</b>	<b>64</b>	<b>12,041</b>
Net book values:					
<b>At 31 December 2024</b>	<b>26,610</b>	<b>927</b>	<b>2,241</b>	<b>142</b>	<b>29,920</b>
At 31 December 2023	27,386	336	2,769	39	30,530
Estimated useful life for calculation of depreciation	20-30 years	4-5 years	1-10 years	4-5 years	

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**11 INTANGIBLES AND GOODWILL**

	<b>2024</b>	<b>2023</b>
	<b>BHD '000</b>	<b>BHD '000</b>
Softwares and licenses	2,004	2,248
Right of use assets	3,208	2,292
Goodwill	3,039	3,004
	<u>8,251</u>	<u>7,544</u>

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

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

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

**12 OTHER ASSETS**

	<b>2024</b>	<b>2023</b>
	<b>BHD '000</b>	<b>BHD '000</b>
Collaterals pending sale	4,466	3,615
Accounts receivable	3,951	5,428
Deferred tax (12.1)	4,311	4,576
Others	2,944	2,034
Prepayments	1,149	1,127
	<u>16,821</u>	<u>16,780</u>
Less: Provision for impairment	(286)	(602)
	<u>16,535</u>	<u>16,178</u>

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.

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**13 OTHER LIABILITIES**

	<b>2024</b>	2023
	<b>BHD '000</b>	BHD '000
Bills payable	10,356	7,724
Margins received	11,986	13,992
Accounts payable	4,299	9,151
Provision for employees benefits	2,625	2,832
Operating ijarah liability	3,431	2,340
Accrued expenses	3,043	2,136
Advance payments from customers	1,268	990
Valuation of foreign exchange contracts	285	660
Charity fund (note 13.1)	179	205
Taxation and duties	193	1,779
Allowance for expected credit losses-unfunded facilities	202	70
Security deposit against ijara muntahia bittamleek	89	99
Others	2,375	721
	<b>40,331</b>	<b>42,699</b>

**13.1 Movement in charity fund**

	<b>2024</b>	2023
	<b>BHD '000</b>	BHD '000
<b>Balance at 1 January</b>	<b>205</b>	<b>149</b>
Net movement	(26)	56
<b>Balance at 31 December</b>	<b>179</b>	<b>205</b>

**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.

	<b>2024</b>	2023
	<b>BHD '000</b>	BHD '000
IAH - Non-banks	559,612	533,468
IAH - Banks	132,451	104,595
Profit equalisation reserve (note 14.1)	271	271
	<b>692,334</b>	<b>638,334</b>

**14.1 Movement in profit equalisation reserve**

	<b>2024</b>	2023
	<b>BHD '000</b>	BHD '000
<b>Balance at 1 January</b>	<b>271</b>	<b>155</b>
Amount apportioned from income allocable to equity of investment account holders	-	116
<b>Balance at 31 December</b>	<b>271</b>	<b>271</b>

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.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

#### 14 PARTICIPATORY INVESTMENT ACCOUNTS (continued)

##### 14.1 Movement in profit equalisation reserve (continued)

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

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

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

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

The Group has charged a total administrative expense of BHD 2.9 million (2023: BHD 2.8 million) to equity of investment account holders for the year ended 31 December 2024.

##### 14.2 Participatory investment accounts by maturity

	2024 BHD '000	2023 BHD '000
Saving accounts	242,976	206,924
One month investment account	77,701	74,228
Three months investment account	82,742	35,084
Six months investment account	99,350	63,630
Nine months investment account	207	12,124
1 Year investment account	121,719	176,477
2 Years investment account	13,805	9,525
3 Years investment account	27,834	29,383
4 Years investment account	1,472	1,202
5 Years investment account	24,529	29,757
	<u>692,335</u>	<u>638,334</u>

##### 14.3 Participatory investment accounts by type

	2024 BHD '000	2023 BHD '000
Accounts on demand	242,976	206,924
Accounts on a contractual basis *	449,359	431,410
	<u>692,335</u>	<u>638,334</u>

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

#### 15 SUBORDINATED MUDARABA

	2024 BHD '000	2023 BHD '000
Subordinated mudaraba	2,361	4,515
	<u>2,361</u>	<u>4,515</u>

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**16 SHARE CAPITAL**

	<b>2024</b>	2023
	<b>BHD '000</b>	BHD '000
(i) <i>Share capital</i>		
Authorised 6,000,000 ordinary shares (2023: 6,000,000) of US\$ 100 each	<b>226,200</b>	226,200
	<b>2024</b>	2023
	<b>BHD '000</b>	BHD '000
Issued and fully paid 1,514,578 ordinary shares (2023: 1,514,578) of US \$ 100 each	<b>57,100</b>	57,100

*Additional information on shareholding pattern:*

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

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

	<b>2024</b>			2023		
	<b>Number of shares</b>	<b>Number of shareholders</b>	<b>% of total outstanding shares</b>	Number of shares	Number of shareholders	% of total outstanding shares
Less than 1%	<b>58,823</b>	<b>12</b>	<b>3.88%</b>	58,823	12	3.88%
1% up to less than 5%	<b>50,000</b>	<b>1</b>	<b>3.30%</b>	50,000	1	3.30%
	<b>108,823</b>	<b>13</b>	<b>7.19%</b>	108,823	13	7.19%

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

**16 SHARE CAPITAL (continued)***(ii) Perpetual equity-type instruments*

	<b>2024</b>	2023
	<b>BHD '000</b>	BHD '000
	<b>36,192</b>	36,192

The Group held additional tier 1 capital (subordinated mudaraba) amounted to BHD 36.2 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 BHD 30.5 million against cash consideration and BHD 5.7 million against equity shares.

Summary of terms and conditions are as follows:

- Subordinated mudaraba amounted to BHD 30.5 million carries expected profit ranging from 6% to 9% per annum, on a semi-annual basis;
- Subordinated mudaraba amounted to BHD 5.7 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.

*(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.

**Al Baraka Islamic Bank B.S.C. (c)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2024

**17 CONTINGENCIES AND COMMITMENTS**

	2024	2023
	<i>BHD '000</i>	<i>BHD '000</i>
Foreign exchange contracts	14,792	23,211
Guarantees	28,818	31,112
Letters of credit	22,583	36,304
Acceptances	3,411	2,498
Taxation	4,420	3,663
Others	64	15
	<u>74,088</u>	<u>96,803</u>

**18 INCOME FROM FINANCING**

	2024	2023
	<i>BHD '000</i>	<i>BHD '000</i>
Income from receivables	18,363	14,148
Income from participatory investments	13,585	13,333
Income from ijarah muntahia bittamleek	12,706	13,039
	<u>44,654</u>	<u>40,520</u>
Income from jointly financed financing assets	38,053	37,512
Income from self financed financing assets	6,601	3,008
	<u>44,654</u>	<u>40,520</u>

**19 INCOME FROM INVESTMENTS**

	2024	2023
	<i>BHD '000</i>	<i>BHD '000</i>
Yield, coupon or return on investments	39,580	37,189
Loss on sale of investments	(475)	(373)
Dividend income	921	936
Loss on disposal and revaluation of investment properties	-	(420)
Rental Income	88	79
	<u>40,114</u>	<u>37,411</u>
Income from jointly financed investments	20,858	19,858
Income from self financed investments	19,256	17,553
	<u>40,114</u>	<u>37,411</u>

**20 INCOME FROM BANKING SERVICES**

	2024	2023
	<i>BHD '000</i>	<i>BHD '000</i>
Fees and commissions	2,185	2,649
Letters of credit and acceptances	287	239
Guarantees	139	175
	<u>2,611</u>	<u>3,063</u>

**21 OTHER INCOME**

	2024	2023
	<i>BHD '000</i>	<i>BHD '000</i>
Foreign exchange gain - net	1,706	1,517
Others	1,340	1,268
	<u>3,046</u>	<u>2,785</u>

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**22 OTHER OPERATING EXPENSES**

	2024	2023
	<i>BHD '000</i>	<i>BHD '000</i>
Administrative expenses	(3,680)	(2,478)
Premises costs	(2,004)	(2,562)
Business expenses	(6,619)	(6,647)
General expenses	(468)	(466)
	<u>(12,771)</u>	<u>(12,153)</u>

**23 ALLOWANCES FOR IMPAIRMENT - NET**

	2024	2023
	<i>BHD '000</i>	<i>BHD '000</i>
Receivables (4.2)	(2,490)	(1,958)
Ijara muntahia bittamleek and ijara receivables (5.2)	(262)	(1,351)
Musharakat (6.1)	990	(2,619)
Investments - debt type	(24)	(311)
Investments - equity type	120	44
Off balance sheet assets under management	(132)	(38)
Other assets	(15)	(69)
	<u>(1,813)</u>	<u>(6,302)</u>

**24 TAXATION**

Taxation relates to subsidiary in Pakistan and comprise:

	2024	2023
	<i>BHD '000</i>	<i>BHD '000</i>
<b>Consolidated statement of financial position:</b>		
Deferred tax	4,311	4,576
<b>Consolidated statement of income:</b>		
Current tax	(5,975)	(4,624)
Deferred tax	455	1,261
	<u>(5,520)</u>	<u>(3,363)</u>

**25 CASH AND CASH EQUIVALENTS**

	2024	2023
	<i>BHD '000</i>	<i>BHD '000</i>
For the purpose of cash flows, cash and cash equivalents represent:		
Cash on hand	8,921	9,418
Balances with central banks (unrestricted accounts and overnight placements)	9,928	22,437
Balances with other banks and financial institutions	15,265	21,849
Receivables, commodities and wakala placements (with an original maturity of 90 days or less)	13,322	18,788
	<u>47,436</u>	<u>72,492</u>

**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.

The significant balances with related parties were as follows:

	<i>Ultimate Parent and other shareholders</i>		<i>Other related parties</i>		<i>Total</i>	
	<i>2024</i>	<i>2023</i>	<i>2024</i>	<i>2023</i>	<i>2024</i>	<i>2023</i>
	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>
<b>Assets:</b>						
Cash and balances with banks and financial institutions	6	2	17	17	23	19
Receivables	-	-	492	497	492	497
Musharakat	-	-	676	574	676	574
Investments	9,889	10,086	9,452	9,555	19,341	19,641
Other assets	3,394	2,896	-	-	3,394	2,896
<b>Total assets</b>	<b>13,289</b>	<b>12,984</b>	<b>10,637</b>	<b>10,643</b>	<b>23,926</b>	<b>23,627</b>
<b>Liabilities:</b>						
Current accounts	945	1,234	12,893	804	13,838	2,038
Other liabilities	121	1,857	310	227	431	2,084
<b>Total liabilities</b>	<b>1,066</b>	<b>3,091</b>	<b>13,203</b>	<b>1,031</b>	<b>14,269</b>	<b>4,122</b>
<b>Participatory investment accounts</b>	<b>17,010</b>	<b>25,516</b>	<b>23,741</b>	<b>20,664</b>	<b>40,751</b>	<b>46,180</b>
<b>Off-Balance Sheet Items:</b>						
<b>Assets under management</b>	<b>38,463</b>	<b>8,292</b>	<b>43,678</b>	<b>46,175</b>	<b>82,141</b>	<b>54,467</b>
<b>Contingencies and commitments</b>	<b>754</b>	<b>754</b>	<b>140</b>	<b>9</b>	<b>894</b>	<b>763</b>

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

	<i>Ultimate Parent and other shareholders</i>		<i>Other related parties</i>		<i>Total</i>	
	<i>2024</i>	<i>2023</i>	<i>2024</i>	<i>2023</i>	<i>2024</i>	<i>2023</i>
	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>
<b>Income</b>						
Income from financings contracts	-	-	21	22	21	22
Income from investments	462	407	354	71	816	478
Group's Mudarib / Agency fee from off-balance sheet equity of investment accountholder	12	-	38	862	50	862
Other income	1,059	634	-	2	1,059	636
	<b>1,533</b>	<b>1,041</b>	<b>413</b>	<b>957</b>	<b>1,946</b>	<b>1,998</b>
<b>Expenses</b>						
Net income attributable to quasi-equity	1,124	243	1,094	691	2,218	934
Other expenses	-	-	1,019	880	1,019	880
	<b>1,124</b>	<b>243</b>	<b>2,113</b>	<b>1,571</b>	<b>3,237</b>	<b>1,814</b>

Compensation of key management personnel is as follows:

	<i>2024</i>	<i>2023</i>
	<i>BHD '000</i>	<i>BHD '000</i>
Salaries	1,944	1,888
Other benefits	807	792
	<b>2,751</b>	<b>2,680</b>

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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#### 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 BHD '000	3 to 6 months BHD '000	6 months to 1 year BHD '000	1 to 3 years BHD '000	3 to 5 years BHD '000	5 to 10 years BHD '000	10 to 20 years BHD '000	Over 20 years BHD '000	No fixed maturity BHD '000	Total BHD '000
<b>ASSETS</b>										
Cash and balances with banks and financial institutions	58,986	-	-	-	-	-	-	-	-	58,986
Receivables	72,121	32,986	15,884	28,046	18,012	7,184	1,838	1,485	-	177,556
Ijara muntahia bittamleek and ijara receivables	10,548	4,029	5,899	27,092	19,355	44,799	84,718	21,020	-	217,460
Musharakat	134	585	26,485	14,793	9,029	15,960	7,372	-	-	74,358
Investments	14,423	1,897	44,833	121,015	101,795	45,099	35,039	515	13,113	377,729
Investments in real estate	-	-	-	2,911	-	-	-	-	-	2,911
Investment in Joint Venture	-	-	-	-	-	-	-	-	6,511	6,511
Premises and equipment	-	-	-	-	-	-	-	-	29,920	29,920
Intangibles and goodwill	-	-	-	-	-	-	-	-	8,251	8,251
Other assets	11,855	123	246	-	4,311	-	-	-	-	16,535
<b>Total assets</b>	<b>168,067</b>	<b>39,620</b>	<b>93,347</b>	<b>193,857</b>	<b>152,502</b>	<b>113,042</b>	<b>128,967</b>	<b>23,020</b>	<b>57,795</b>	<b>970,217</b>
<b>LIABILITIES, QUASI EQUITY AND OWNERS' EQUITY</b>										
Current accounts	109,954	-	-	-	-	-	-	-	-	109,954
Murabaha and other payables	45,939	-	-	-	-	-	-	-	-	45,939
Other liabilities	35,330	669	1,550	1,326	629	827	-	-	-	40,331
Participatory investment accounts	533,099	61,293	55,441	23,639	16,993	1,870	-	-	-	692,335
Subordinated mudaraba	12	-	-	2,349	-	-	-	-	-	2,361
Total owners' equity	-	-	-	-	-	-	-	-	79,297	79,297
<b>Net gap</b>	<b>(556,267)</b>	<b>(22,342)</b>	<b>36,356</b>	<b>166,543</b>	<b>134,880</b>	<b>110,345</b>	<b>128,967</b>	<b>23,020</b>	<b>(21,502)</b>	<b>-</b>
<b>Cumulative net gap</b>	<b>(556,267)</b>	<b>(578,609)</b>	<b>(542,253)</b>	<b>(375,710)</b>	<b>(240,830)</b>	<b>(130,485)</b>	<b>(1,518)</b>	<b>21,502</b>	<b>-</b>	<b>-</b>
<b>Off-balance sheet items:</b>										
Assets under management	167,650	56,282	33,247	27,055	33,563	17,489	-	-	4,438	339,724

**Al Baraka Islamic Bank B.S.C. (c)****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 BHD '000	3 to 6 months BHD '000	6 months to 1 year BHD '000	1 to 3 years BHD '000	3 to 5 years BHD '000	5 to 10 years BHD '000	10 to 20 years BHD '000	Over 20 years BHD '000	No fixed maturity BHD '000	Total BHD '000
<b>ASSETS</b>										
Cash and balances with banks and financial institutions	53,704	-	-	-	-	-	-	-	38,048	91,752
Receivables	60,996	27,576	16,653	25,682	18,591	7,059	1,692	1,898	9,346	169,493
Ijara muntahia bittamleek and ijara receivables	3,704	5,177	5,545	28,831	23,671	45,376	92,728	31,261	3,017	239,310
Musharakat	138	874	1,413	30,306	11,690	7,634	7,614	-	-	59,669
Investments	13,909	-	7,961	156,314	134,489	71,346	136	377	13,646	398,178
Investments in real estate	-	-	-	2,911	-	-	-	-	-	2,911
Investment in Joint Venture	-	-	-	-	-	-	-	-	6,291	6,291
Premises and equipment	-	-	-	-	-	-	-	-	30,530	30,530
Intangibles and goodwill	-	-	-	-	-	-	-	-	7,544	7,544
Other assets	10,444	6	42	147	822	4,713	4	-	-	16,178
<b>Total assets</b>	<b>142,895</b>	<b>33,633</b>	<b>31,614</b>	<b>244,191</b>	<b>189,263</b>	<b>136,128</b>	<b>102,174</b>	<b>33,536</b>	<b>108,422</b>	<b>1,021,856</b>
<b>LIABILITIES, QUASI EQUITY AND OWNERS' EQUITY</b>										
Current accounts	97,571	-	-	-	-	-	-	-	-	97,571
Murabaha and other payables	5,733	114,055	29,716	52	173	2,445	-	-	-	152,174
Other liabilities	34,851	518	2,113	4,458	384	375	-	-	-	42,699
Participatory investment accounts	389,166	94,289	88,615	39,627	26,637	-	-	-	-	638,334
Subordinated mudaraba	188	-	-	2,054	-	2,273	-	-	-	4,515
Total owners' equity	-	-	-	-	-	-	-	-	86,563	86,563
<b>Net gap</b>	<b>(384,614)</b>	<b>(175,229)</b>	<b>(88,830)</b>	<b>198,000</b>	<b>162,069</b>	<b>131,035</b>	<b>102,174</b>	<b>33,536</b>	<b>21,859</b>	<b>-</b>
<b>Cumulative net gap</b>	<b>(384,614)</b>	<b>(559,843)</b>	<b>(648,673)</b>	<b>(450,673)</b>	<b>(288,604)</b>	<b>(157,569)</b>	<b>(55,395)</b>	<b>(21,859)</b>	<b>-</b>	<b>-</b>
<b>Off-balance sheet items:</b>										
<b>Assets under management</b>	<b>69,679</b>	<b>12,273</b>	<b>11,215</b>	<b>58,150</b>	<b>28,715</b>	<b>10,933</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>190,965</b>

**27 RISK MANAGEMENT (continued)**

**a) Liquidity risk (continued)**

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 Group'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.

**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 Bahraini Dinar:

	<u>2024</u>
	<i>Total</i>
	<i>equivalent</i>
	<i>BHD '000</i>
Pakistani Rupees	29,805
Euro	(2,413)
Kuwaiti Dinars	29
Pound Sterling	178
Egyptian Pound	679
Algerian Dinar	2,262
Chinese Yuan	154
	<u>2023</u>
	Total
	equivalent
	BHD '000
Pakistani Rupees	38,080
Euro	249
Kuwaiti Dinars	2
Pound Sterling	(1,934)
Egyptian Pound	1,003
Algerian Dinar	2,262
Chinese Yuan	120

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

#### 27 RISK MANAGEMENT (continued)

##### b) Market risk (continued)

*Foreign exchange risk (continued)*

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

*Foreign currency risk sensitivity analysis*

In order to measure its exposures to currency risk, the Group stress tests its exposures following the standard shocks approach, which calculates the effect on equity and income of the Group as a result of 20% appreciation and depreciation in foreign currencies in relation to the reporting currency of the Group.

Following is the sensitivity analysis that calculates the effect of a reasonable possible movement of the currency exchange rate against the US Dollar with all other variables held constant on the consolidated statement of income and the consolidated statement of owners' equity. The impact of a similar increase / (decrease) in exchange rates will be approximately opposite to the impact disclosed below:

<b>Currency 2024</b>	<b>Particular</b>	<b>Change</b>	<b>Exposures in BHD '000</b>	<b>Effect on equity/ Income Statement in BHD '000</b>
Pakistani Rupees	Net Long Position	20%	29,805	5,961
Euro	Net Short Position	20%	2,413	483
Kuwaiti Dinars	Net Long Position	20%	29	6
Pound Sterling	Net Long Position	20%	178	36
Egyptian Pound	Net Long Position	20%	679	136
Algerian Dinar	Net Long Position	20%	2,262	452
Chinese Yuan	Net Long Position	20%	154	31

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

*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:

<b>Market indices</b>	<b>Change in equity price 2024 %</b>	<b>Effect on equity / Income Statement 2024 BHD '000</b>	<b>Change in equity price 2023 %</b>	<b>Effect on equity / Income Statement 2023 BHD '000</b>
Pakistan Stock Exchange	10%	40	10%	54
Egypt Stock Exchange	10%	68	10%	100
Jordan Stock Exchange	10%	989	10%	1,008

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

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:

<b>31 December 2024</b>	<b>*GCC BHD '000</b>	<b>Rest of the world BHD '000</b>	<b>Total BHD '000</b>
Banking	231	13,964	14,195
Government	165,046	168,471	333,517
Investment companies	14,599	-	14,599
Manufacturing	-	644	644
Real estate	4,221	3,053	7,274
Others	5,517	1,983	7,500
	<b>189,614</b>	<b>188,115</b>	<b>377,729</b>
		<i>Rest of the</i>	
<b>31 December 2023</b>	<b>*GCC BHD '000</b>	<b>world BHD '000</b>	<b>Total BHD '000</b>
Banking	244	14,485	14,729
Government	192,292	162,230	354,522
Investment companies	13,432	-	13,432
Manufacturing	-	842	842
Real estate	4,239	3,255	7,494
Others	5,366	1,793	7,159
	<b>215,573</b>	<b>182,605</b>	<b>398,178</b>

\* 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.

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

### 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)*

##### *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.

##### *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.

	<i>Maximum Exposure to Credit Risk</i>	
	<b>2024</b>	2023
	<b>BHD '000</b>	BHD '000
Receivables	177,556	169,493
Musharakat	74,358	59,669
Ijara muntahia bittamleek and ijara receivables	217,460	239,310
Investments in sukuk	356,684	376,399
Balances with banks and financial institutions	50,065	82,334
Other assets	6,609	5,588
Contingencies and commitments	69,604	93,125
	<b>952,336</b>	1,025,918

##### **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.

	<b>31 December 2024</b>			<b>Total BHD '000</b>
	<i>Neither past due nor non performing BHD '000</i>	<i>Past due but performing BHD '000</i>	<i>Non performing Islamic financing contracts BHD '000</i>	
<b>Type of Islamic Financing Contract</b>				
Receivables	172,133	3,569	27,306	203,008
Musharakat	74,541	521	4,143	79,205
Ijara muntahia bittamleek and ijara receivables	210,402	3,660	7,824	221,886
	<b>457,076</b>	<b>7,750</b>	<b>39,273</b>	<b>504,099</b>

**Al Baraka Islamic Bank B.S.C. (c)**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**27 RISK MANAGEMENT (continued)**
**c) Credit risk (continued)**
**Credit quality by type of Islamic financing contracts (continued)**

	31 December 2023			Total BHD '000
	Neither past due nor non performing BHD '000	Past due but performing BHD '000	Non performing Islamic financing contracts BHD '000	
Type of Islamic Financing Contract				
Receivables	154,683	10,478	28,036	193,197
Musharakat	59,451	2,538	3,579	65,568
Ijara Muntahia Bittamleek and Ijara receivables	236,812	221	6,499	243,532
	<u>450,946</u>	<u>13,237</u>	<u>38,114</u>	<u>502,297</u>

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

	31 December 2024			Total BHD '000
	Less than 30 days BHD '000	31 to 60 days BHD '000	61 to 90 days BHD '000	
Type of Islamic Financing Contracts				
Receivables	1,543	1,678	348	3,569
Musharakat	371	90	60	521
Ijara Muntahia Bittamleek & Ijara income receivable	153	3,504	3	3,660
	<u>2,067</u>	<u>5,272</u>	<u>411</u>	<u>7,750</u>

	31 December 2023			Total BHD '000
	Less than 30 days BHD '000	31 to 60 days BHD '000	61 to 90 days BHD '000	
Type of Islamic Financing Contracts				
Receivables	9,365	535	578	10,478
Musharakat	1,309	650	579	2,538
Ijara Muntahia Bittamleek and Ijara receivable	56	137	28	221
	<u>10,730</u>	<u>1,322</u>	<u>1,185</u>	<u>13,237</u>

**Aging of Non-Performing Facilities**

	31 December 2024				Total BHD '000
	3-6 Months BHD '000	6-12 Months BHD '000	1-3 Years BHD '000	3 Years & above BHD '000	
Receivables	9,318	4,459	3,727	9,802	27,306
Musharakat	1,688	348	648	1,459	4,143
Ijara Muntahia Bittamleek & Ijara income receivable	57	184	3,326	4,257	7,824
	<u>11,063</u>	<u>4,991</u>	<u>7,701</u>	<u>15,518</u>	<u>39,273</u>

**27 RISK MANAGEMENT (continued)**
**c) Credit risk (continued)**
**Aging of Non-Performing Facilities (continued)**

	31 December 2023				
	3-6 Months	6-12 Months	1-3 Years	3 Years & Above	Total
	BHD '000	BHD '000	BHD '000	BHD '000	BHD '000
Receivables	4,846	4,310	5,348	13,532	28,036
Musharakat	463	509	705	1,902	3,579
Ijara Muntahia Bittamleek and Ijara receivable	821	62	518	5,098	6,499
	<u>6,130</u>	<u>4,881</u>	<u>6,571</u>	<u>20,532</u>	<u>38,114</u>

**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.

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).

**27 RISK MANAGEMENT (continued)**
**d) Operational risk**

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

**Infrastructure risks**

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

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

**Information technology risks**

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

**Personnel risk**

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

**28 CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF INVESTMENT ACCOUNTHOLDERS**

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

	<b>Assets</b>		<b>Liabilities</b>		<b>Quasi equity</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>BHD '000</b>	<b>BHD '000</b>	<b>BHD '000</b>	<b>BHD '000</b>	<b>BHD '000</b>	<b>BHD '000</b>
<b>Geographical region</b>						
Middle East	599,945	682,187	91,813	177,557	363,877	378,896
Europe	2,125	1,689	45	71	15,457	343
Asia	360,302	329,347	103,443	113,840	235,381	200,946
Others	7,845	8,633	923	976	79,981	62,664
	<b>970,217</b>	<b>1,021,856</b>	<b>196,224</b>	<b>292,444</b>	<b>694,696</b>	<b>642,849</b>
	<b>Assets</b>		<b>Liabilities</b>		<b>Quasi equity</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>BHD '000</b>	<b>BHD '000</b>	<b>BHD '000</b>	<b>BHD '000</b>	<b>BHD '000</b>	<b>BHD '000</b>
<b>Industry sector</b>						
Trading and manufacturing	86,912	63,870	21,821	26,428	28,920	24,536
Banks and financial institutions	119,458	155,212	49,990	139,377	199,611	161,831
Construction and real estate	44,881	53,093	19,133	25,784	16,303	27,399
Government	352,904	373,693	835	890	24,861	85,703
Consumer	267,934	273,892	51,238	47,421	320,723	233,102
Agriculture fishing and forestry	25,460	29,861	636	631	728	952
Others	72,668	72,235	52,571	51,913	103,550	109,326
	<b>970,217</b>	<b>1,021,856</b>	<b>196,224</b>	<b>292,444</b>	<b>694,696</b>	<b>642,849</b>

**29 FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

**Level 1:** quoted (unadjusted) prices in active markets for identical assets or liabilities;

**Level 2:** other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

**Level 3:** techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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

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

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

- (i) For investments that are traded in organised financial markets, fair value is determined by reference to the quoted market bid prices prevailing on the statement of financial position date.
- (ii) For unquoted investments, fair value is determined by reference to recent significant buy or sell transactions with third parties that are either completed or are in progress. Where no recent significant transactions have been 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.

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 BHD 10,965 thousand (2023: BHD 11,627 thousand). The Group also holds debt type securities classified as Level 1 and measured at fair value through OCI amounting to BHD 175,005 thousand (2023: BHD 146,525 thousand). The Group holds debt type securities classified as Level 1 and measured at fair value through income statements amounting to BHD 66 thousand (2023: BHD 16,869 thousand). The Group does not hold any equity-type securities classified as Level 1 and measured at fair value through statement of income.

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 BHD 2,911 thousand (2023: BHD 2,911 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 BHD 944 thousand (2023: BHD 7,431 thousand), whereas debt-type securities measured at fair value through income statement amounting to BHD 138 thousand (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 BHD 11,235 thousand (2023: BHD 7,650 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.

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**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 consolidated financial statements. Transactions between segments are conducted at estimated market rates.

The segmental assets and liabilities of the Group were as follows:

	<i>Middle East</i>		<i>Other Asian Countries</i>		<i>Total</i>	
	<i>2024</i>	<i>2023</i>	<i>2024</i>	<i>2023</i>	<i>2024</i>	<i>2023</i>
	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>
Assets	<b>599,736</b>	681,140	<b>370,481</b>	340,716	<b>970,217</b>	1,021,856
Liabilities and quasi equity	<b>554,388</b>	622,471	<b>336,532</b>	312,822	<b>890,920</b>	935,293

The segmental income and expenses of the Group were as follows:

	<i>Middle East</i>		<i>Other Asian Countries</i>		<i>Total</i>	
	<i>2024</i>	<i>2023</i>	<i>2024</i>	<i>2023</i>	<i>2024</i>	<i>2023</i>
	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>
Total operating income	<b>4,193</b>	7,126	<b>24,974</b>	20,802	<b>29,167</b>	27,928
Total operating expenses	<b>(16,019)</b>	(16,972)	<b>(13,415)</b>	(10,565)	<b>(29,434)</b>	(27,537)
Allowances for impairment - net	<b>(897)</b>	(3,086)	<b>(916)</b>	(3,216)	<b>(1,813)</b>	(6,302)
Taxation	-	-	<b>(5,520)</b>	(3,363)	<b>(5,520)</b>	(3,363)
(Loss) / income for the year	<b>(12,725)</b>	(12,933)	<b>5,125</b>	3,659	<b>(7,600)</b>	(9,274)

**31 SOCIAL RESPONSIBILITY**

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

For the year ended 31 December 2024

**32 Zakah**

	<b>2024</b>	2023
	<b>BHD '000</b>	BHD '000
Net equity attributable to shareholders	<b>33,396</b>	43,127
Employee end of service benefits	<b>2,625</b>	2,832
Zakah-able assets	<b>(33,201)</b>	(43,141)
Zakah-able amount	<b>2,820</b>	2,818
Zakah for the year	<b>73</b>	73

**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:

	<b>2024</b>	2023
	<b>BHD '000</b>	BHD '000
Audit fees	<b>91</b>	82
Non-audit fees	<b>78</b>	72
	<b>169</b>	154

**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.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

#### 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:

	<i>Unweighted Values (i.e. before applying relevant factors)</i>				<i>Total weighted value BHD '000</i>
	<i>No specified maturity BHD '000</i>	<i>Less than 6 months BHD '000</i>	<i>More than 6 months and less than one year BHD '000</i>	<i>Over one year BHD '000</i>	
<b>Available Stable Funding (ASF):</b>					
<b>Capital:</b>	<b>68,614</b>	-	-	<b>4,397</b>	<b>73,011</b>
Regulatory capital	68,614	-	-	-	68,614
Other capital instruments	-	-	-	4,397	4,397
<b>Retail deposits and deposits from small business customers:</b>		<b>350,043</b>	<b>31,370</b>	<b>26,068</b>	<b>369,590</b>
Stable deposits	-	4,104	10	-	3,953
Less stable deposits	-	345,939	31,360	26,068	365,636
<b>Wholesale funding:</b>		<b>430,293</b>	<b>10,744</b>	<b>1,476</b>	<b>129,347</b>
Operational deposits	-	-	-	407	407
Other wholesale funding	-	430,293	10,744	1,069	128,940
<b>Other liabilities:</b>				<b>40,128</b>	<b>40,128</b>
NSFR Shari'a-compliant hedging contract liabilities	-	-	-	-	-
All other liabilities not included in the above categories	-	-	-	40,128	40,128
<b>Total ASF</b>	<b>68,614</b>	<b>780,336</b>	<b>42,114</b>	<b>72,069</b>	<b>612,076</b>
<b>Required stable funding (RSF):</b>					
<b>Total NSFR high-quality liquid assets (HQLA)</b>	<b>347,857</b>	-	<b>20,000</b>	-	<b>24,647</b>
<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	-	25,730	-	31,383	35,242

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

### 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)				Total weighted value BHD '000
	No specified maturity BHD '000	Less than 6 months BHD '000	More than 6 months and less than one year BHD '000	Over one year BHD '000	
Performing financing to non-financial corporate clients, financing to retail and small business customers, and financing to sovereigns, central banks and PSEs, of which:	-	39,690	65,576	-	52,633
With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines	-	-	-	43,823	35,651
Performing residential mortgages, of which:					
With a risk weight of less than or equal to 35% under the CBB Capital adequacy ratio guidelines	-	-	-	113,415	73,720
Securities/sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	-	3,865	3,286
<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	61,687	-	-	-	61,687
<b>OBS items</b>	69,506	-	-	-	3,475
<b>Total RSF</b>	<b>479,050</b>	<b>65,420</b>	<b>85,576</b>	<b>192,486</b>	<b>290,341</b>
<b>NSFR (%)</b>					<b>210.81%</b>