Moving Ahead,
Realizing Our Vision

ANNUAL REPORT 2023

Your Partner Bank

AL BARAKA GROUP AND ITS BANKING SUBSIDIARIES PRIORITIZE ITS VALUES AND RAISE THEM ABOVE THE MERE ATTAINMENT OF CORPORATE SIZE, PRODUCT RANGE AND DELIVERY.

Contents

EMBRACING DIGITAL TRANSFORMATION AND LEVERAGING EMERGING TECHNOLOGIES TO SHAPE THE FUTURE OF BANKING,

THROUGH AN ETHICAL CUSTOMER-CENTRIC APPROACH, TAILORED FOR THE FAST CHANGING AND DYNAMIC WORLD.

Al Baraka Group B.S.C is a leading international Islamic financial group providing financial services through its banking subsidiaries in 14 countries offering retail, corporate, treasury and investment banking services, strictly in accordance with the principles of Islamic Shari'a.

Al Baraka Group B.S.C ("ABG" / the "Group") is licensed as an Investment Business Firm – Category 1 (Islamic Principles) by the Central Bank of Bahrain and is listed on Bahrain Bourse.

The Group has a wide geographical presence with operations in Jordan, Egypt, Tunisia, Bahrain, Sudan, Turkey, South Africa, Algeria, Pakistan, Lebanon, Syria and Germany, in addition to two branches in Iraq and a representative office in Libya and provides its services in more than 600 branches. ABG's network serves a population totaling around one billion customers.

Vision

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

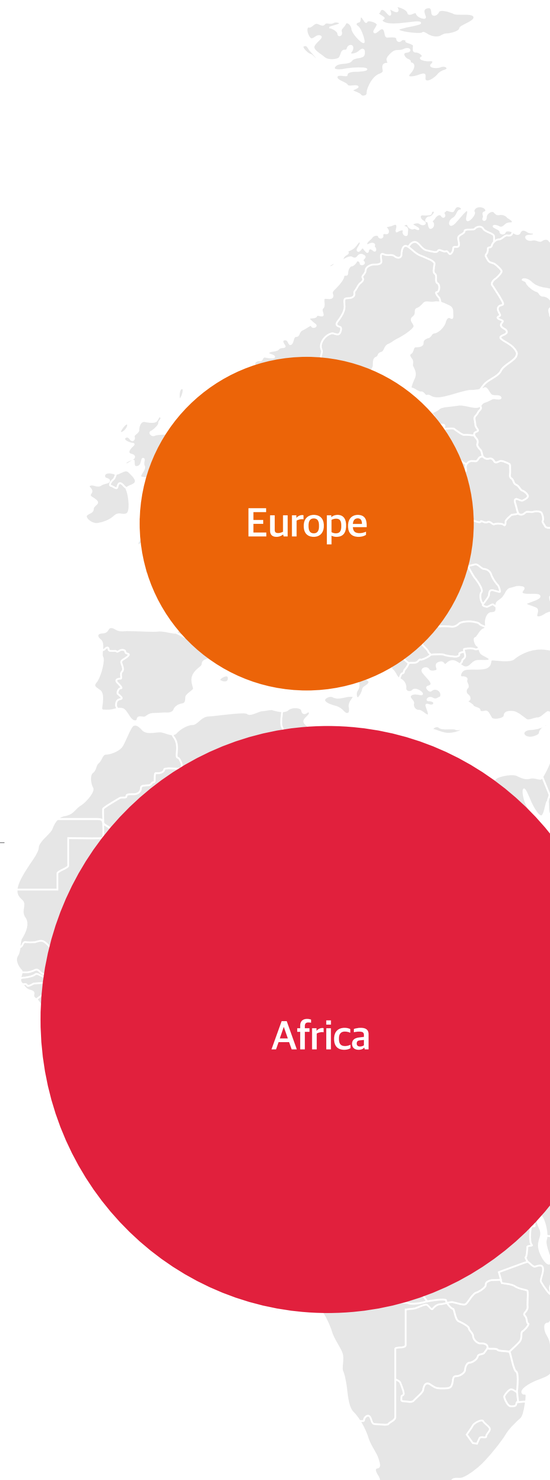
Mission

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

Our Global Reach

ABG through its banking subsidiaries focuses on building the kind of relationships with customers that are based on true partnership with them.

Jordan, Egypt, Tunisia, Bahrain, Sudan, Turkey, South Africa, Algeria, Pakistan, Lebanon, Syria and Germany, Iraq and Libya.



14

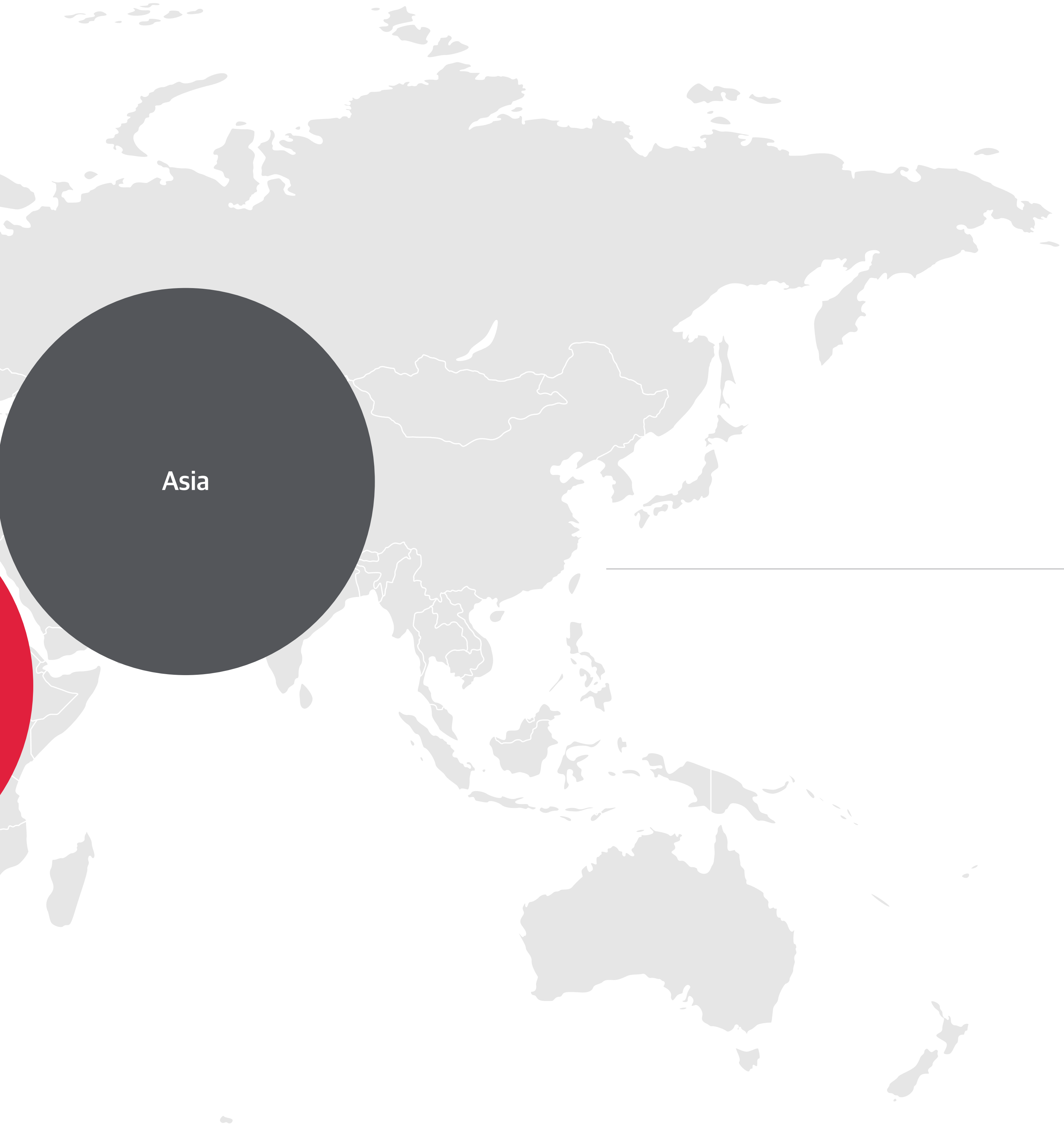
Al Baraka Group has a wide geographical presence in 14 countries.

650+

Al Baraka Group provides its services through more than 650 branches.

3

Al Baraka Group and its Units operates across three continents.


Asia

Financial Highlights

	2023	2022	2021 (Restated)	2020 (Restated)	2019 (Restated)
EARNINGS (US$ MILLIONS)					
Total Operating Income	**1,140**	1,139	993	1,087	937
Net Operating Income	**598**	617	524	534	379
Net Income	**283**	239	157	148	169
Net Income Attributable to Equity Holders of the Parent	**144**	143	94	67	106
Basic and Diluted Earnings per Share - US Cents*	**8.94**	9.06	5.17	2.90	6.01
FINANCIAL POSITION (US$ MILLIONS)					
Total Assets	**25,263**	24,982	27,793	27,879	25,722
Total Financing and Investments	**18,982**	19,403	20,983	21,483	19,172
Total Customer Accounts	**21,331**	21,555	24,391	24,107	22,082
Total Owners' Equity	**1,969**	1,967	2,001	2,170	2,254
Equity attributable to Parent's Shareholders & Sukuk Holders	**1,253**	1,263	1,358	1,424	1,467
CAPITAL (US$ MILLIONS)					
Authorised	**2,500**	2,500	2,500	2,500	2,500
Subscribed and Fully Paid-up	**1,227.2**	1,227.9	1,227.2	1,225.4	1,234.6
PROFITABILITY RATIOS					
Return on Average Owners' Equity	**14%**	12%	8%	7%	8%
Return on Average Parent's' Equity	**11%**	11%	7%	5%	7%
Return on Average Assets	**1.1%**	0.9%	0.6%	0.5%	0.7%
Operating Expenses to Operating Income	**48%**	46%	53%	51%	60%
FINANCIAL POSITION RATIOS					
Owners' Equity to Total Assets	**8%**	8%	7%	8%	9%
Total Financing and Investments as a Multiple of Equity (times)	**9.6**	9.9	10.5	9.9	8.5
Liquid Assets to Total Assets	**23%**	21%	27%	26%	25%
Net Book Value per Share (US$)*	**0.70**	0.70	0.80	0.84	0.86
OTHER INFORMATION					
Total Number of Employees	**10,740**	10,663	11,088	11,719	12,359
Total Number of Branches	**661**	650	673	684	688

* Adjusted for treasury and bonus shares.

5 years Financial Summary
(Restated for the years from 2019-2021)

TOTAL ASSETS
US$ - MILLIONS

25,263

2023	25,263
2022	24,982
2021	27,793
2020	27,879
2019	25,722

TOTAL OWNERS' EQUITY
US$ - MILLIONS

1,969

2023	1,969
2022	1,967
2021	2,001
2020	2,170
2019	2,254

TOTAL CUSTOMER ACCOUNTS
US$ - MILLIONS

21,331

2023	21,331
2022	21,555
2021	24,391
2020	24,107
2019	22,082

TOTAL FINANCING & INVESTMENTS
US$ - MILLIONS

18,982

2023	18,982
2022	19,403
2021	20,983
2020	21,483
2019	19,172

TOTAL OPERATING INCOME
US$ - MILLIONS

1,140

2023	1,140
2022	1,139
2021	993
2020	1,087
2019	937

NET INCOME
US$ - MILLIONS

283

2023	283
2022	239
2021	157
2020	148
2019	169

TOTAL NUMBER OF BRANCHES

661

2023	661
2022	650
2021	673
2020	684
2019	688

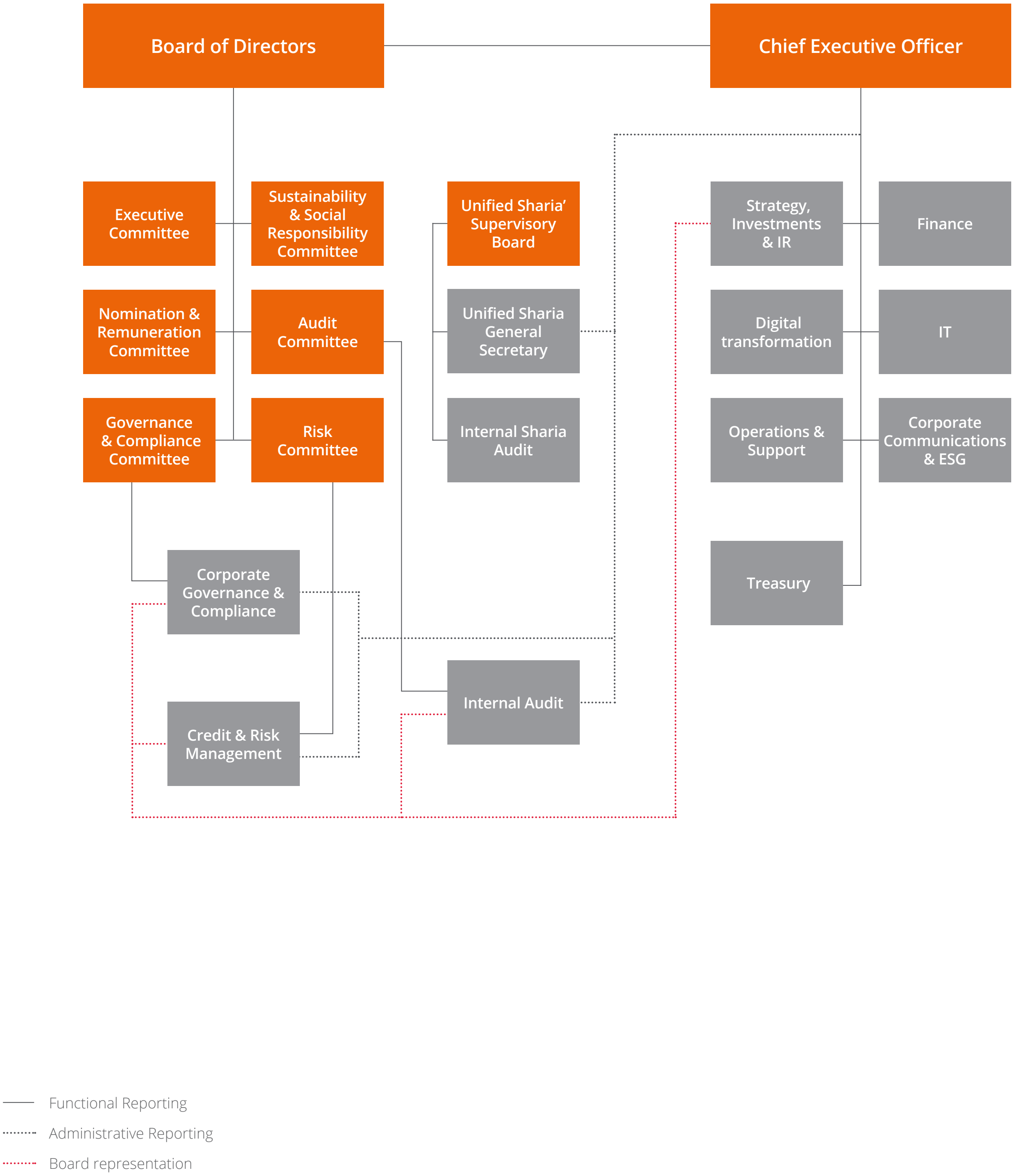
TOTAL NUMBER OF EMPLOYEES

10,740

2023	10,740
2022	10,663
2021	11,088
2020	11,719
2019	12,359

With a steadfast focus on expanding horizons, Al Baraka Group is poised to navigate new opportunities and challenges with confidence and adaptability.

Group Organisation Chart



Board of Directors & Unified Shari'a Supervisory Board

BOARD OF DIRECTORS

Shaikh Abdullah Saleh Kamel ▲
Chairman

Mr. Mohamed Ebrahim Alshroogi ■ ● ▲
Vice Chairman

Mr. Tawfig Shaker Mufti ●
Board Member

Mr. Houssem Ben Haj Amor ●
Board Member

Dr. Khaled Abdulla Ateeq ■ ▲ ▲
Board Member

Mrs. Dalia Hazem Khorshid ■ ● ●
Board Member

Dr. Ziad Ahmed Bahaa-Eldin ■ ● ●
Board Member

Mr. Saud Saleh Al Saleh ● ●
Board Member

Mr. Abdul Elah Abdul Rahim Sabbahi ● ●
Board Member

Mr. Fahd bin Ibrahim Al Mufarrij ■ ▲
Board Member

Mr. Masood Ahmed Al Bastaki ■ ● ●
Board Member

Mr. Musa Abdel-Aziz Shihadeh ●
Board Member

Mr. Naser Mohamed Al Nuwais ■ ● ▲
Board Member

Mr. Abdul Malek Mezher
Secretary to the Board

UNIFIED SHARI'A SUPERVISORY BOARD

Shaikh Abdulla Bin Silieman Al Mannea
Chairman

Shaikh Dr. Abdullatif Al Mahmood
Vice Chairman

Shaikh Dr. Al Ayachi Al Saddig Fiddad
Member

Shaikh Dr. Saad Bin Nasser Al Shithry
Member

Mr. Yousif Hassan Khalawi ●
Member

Dr. Eltigani El Tayeb Mohammed
Secretary of the Unified Shari'a Board and Shari'a Officer

COMMITTEE NAME	COMMITTEE CHAIRMAN	COMMITTEE MEMBER
Board Executive Committee	▲	●
Board Audit Committee	▲	●
Board Nomination & Remuneration Committee	▲	●
Board Risk Committee	▲	●
Board Social & Sustainable Finance Committee	▲	●
Board Compliance and Governance Committee	▲	●
Independent Director		■

Executive Management

Mr. Houssem Ben Haj Amor
Group Chief Executive

Mr. Azhar Aziz Dogar
Senior Vice President - Head of Credit and Risk Management

Mr. Mohammed Al-Alawi
Senior Vice President - Head of Internal Audit

Mr. Suhail Tohami
Senior Vice President - Head of Treasury

Dr. Mohamed Mustapha Khemira
Senior Vice President, Head of Strategic Planning, Investments and Investor Relations

Mr. Abdul Malek Mezher
Senior Vice President - Group Head of Compliance, Governance & Board Affairs and MLRO

Mr. Ali asgar Mandasorwala
First Vice President – Head of Finance

Mr. Mohsin Dashti
First Vice President- Head of Special Projects

Mr. Mohammed Abdullatif Al Mahmood
First Vice President, Head of Internal Sharia Audit

Mr. Mohamed Jamsheer
First Vice President - Head of IT

Mr. Fouad Janahi
First Vice President - Head of Operations & Support *

Dr. Eltigani El Tayeb Mohammed
Vice President Sharia Officer, Secretary of the Unified Sharia Board

Expanding horizons with strength and agility

Abdullah Saleh Kamel
Chairman

ECONOMIC OUTLOOK

During 2023, Al Baraka Group succeeded in strengthening its ability to achieve profits and maintaining a strong balance sheet despite the many and varied challenges it faced.

Al Baraka Group's commitment to its core directions has contributed to strengthening its position throughout the region and achieving distinguished results. Our strong and agile business model, has enabled us to adapt to changing economic conditions, and provide the best services and products to its customers. The Group's efforts to simplify its strategic directions and those of its subsidiaries ("Units") also contributed to preparing the Group and its Units to take full advantage of the opportunities available to them. In addition, the Group continued its efforts to rationalize operational costs and enhance digitilization processes across its network, while accelerating digital transformation strategies for all major Units, with the aim of strengthening its position as a leading group in digital Islamic banking services in the world, while providing its customers with the best level of services and products offered, and providing it through a best-in-class digital platform.

The effects of global unrest across the Middle East and Central Asia, continue to impact businesses and economies in the region. This has resulted in the emergence of geopolitical challenges that have had a significant impact on various aspects, including oil prices, basic materials, and inflation rates. Interest rates remain comparatively high, dictated by the Central Banks of the United States and Europe. Tight policies in emerging markets and middle-income economies, and the resulting fluctuation in local currencies, will remain among the most important challenges we will face in 2024.

During the year, Al Baraka Group divested its stake in Bank-Al-Tamweel Wa Al-Inma in Morocco. The Group also received an Exit Offer from the major shareholder, Dallah Al Baraka Holding Company. During the year, Albaraka Group 's Shareholders approved the delisting of Al Baraka Group's shares from Bahrain Bourse pursuant to the Exit Offer. The Shareholders also approved changing the commercial name of Al Baraka Group B.S.C. to Al Baraka Group B.S.C.(c).

Looking ahead, the Group's strategic priorities will focus on enhancing revenue generation, particularly centred on income from transactional fees and non-financing activities efficiently, controlling costs on every Unit within the Group, generating improved quality of assets as well as prudent use of capital. Al Baraka Group embraces fully the ethic of sustainable and socially responsible approach in all its activities. The Group will also continue its journey on the path drawn by the founding father, Sheikh Saleh Abdullah Kamel, may God have mercy on him, in adhering to the principles and provisions of Islamic Sharia in all its banking transactions and activities.

FINANCIAL PERFORMANCE

Al Baraka Group total operating income remained stable at US$1.14 billion for the year 2023. The net income for the year was US$ 283.3 million, up by 18% from last year. The net income attributable to the equity holders of the parent amounted to US$ 143.5 million, slightly higher than US$ 143.1 million in 2022. The Basic and Diluted Earnings per Share was US Cents 8.94 compared to US Cents 9.06 in 2022. The year witnessed a rise in profit margins in some subsidiaries and the major contributor to the net income was our subsidiary in Turkey in addition to our Banks in Jordan, Egypt and Algeria. Despite adverse foreign currency movements, the Group performed well, which is evidence of the efficient management of the resources and business.

TOTAL OPERATING INCOME

US$ 1.14 billion

NET INCOME

US$ 283 Million

The total assets were US$ 25.3 billion as of the end of 2023, compared to US$ 25.0 billion as of the end of 2022. The equity attributable to the parent's shareholders and Sukuk holders amounted to US$ 1.3 billion at the end of 2023 (US$ 1.3 billion in 2022). Total equity as of the end of the year was flat at US$ 2.0 billion when compared to the end of the last year.

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

As of December 31, 2023, the ownership of the shares of ABG by the Board is immaterial and no trading of such shares took place during the year. Details of the shares held by the directors and executive management are provided in the notes to the consolidated financial statements.

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

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

On behalf of the Board of Directors,

Abdullah Saleh Kamel
Chairman

Transforming banking to deliver agile performance

Houssem Ben Haj Amor
Group Chief Executive Officer

We are proud to announce our excellent financial results for 2023, which represented a year of structural reorganization and operations growth, despite economic and geopolitical volatility in the markets we operate in. High costs of funds and significant currencies devaluations represented a challenge to our growth; nevertheless, the Group showed resilience thanks to its conservative business approach and strict cost discipline. Our digitalization initiatives reinforced our growth trend, and although we anticipate continuing challenges in 2024, we remain confident that the Group will be able to maintain and strengthen its financial performance.

TOTAL ASSETS

US$ 25.3 Billion

NET INCOME ATTRIBUTABLE TO THE EQUITY HOLDERS

US$ 144 Million

The strong business model maintained across the MENA region, Pakistan and South Africa has been a solid defense and a reinforcement of the Group's activities in the various countries where we do business. Strong oversight and governance provide added comfort and security in order to expand respective portfolios in the Group's Units.

We continue to look for opportunities to channel more of our resources towards activities and businesses that present greater revenue potential. Cost control has been an excellent expedient during the year, as we sought to enhance operational efficiencies and deal effectively with inflation, currency movements and rising cost of funding. Allocation of our capital resources across our Units has been prudent, as we are constantly looking for assets with solid risk-weighted factors.

Operationally, the rationalization of the Head Office structure has resulted in more efficient control and management of our Units. We continue to be proactive in ensuring that our operational and management infrastructure is strong and ready to meet future challenges.

It is paramount that we strive to maintain enhancements in our IT and digitalization strategy. With the assistance of our planned technology, we have been able to enhance our internal processes and procedures, whilst reinforcing our business strategy and market positioning, thereby better serving the needs of our customers across all our markets.

During the year, the shareholders approved the delisting of Al Baraka Group's shares from Bahrain Bourse pursuant to the Exit Offer by Dallah Al Baraka Holding Company B.S.C.(c) to the shareholders of the Company subject to obtaining necessary regulatory approvals. The Shareholders also approved changing the commercial name of Al Baraka Group B.S.C. to Al Baraka Group B.S.C.(c).

We are proud that our Units in South Africa and Jordan Islamic Bank have received the "Best Islamic Bank" Award from Islamic Finance News (IFN).

We are pleased to report that the Group ended the year successfully. Our total operating income remained stable at US$ 1.14 billion in 2023. The net income was US$ 283.3 million compared to US$ 239.5 million in 2022 – an increase of 18%.

Despite high inflation rates of more than 50% in some countries such as Egypt and Turkey, the efficiency ratio increased by only 2% from 46% in 2022 to 48% in 2023. The net income attributable to the equity holders of the parent company amounted to US$ 143.5 million, slightly higher than 143.1 million in 2022. The Basic and Diluted Earnings per Share for the year 2023 was US Cents 8.94 compared to US Cents 9.06 in 2022. The total assets stood at US$ 25.26 billion, a marginal increase of 1% compared to US$ 24.98 billion in end 2022. The Return on Equity for the year was at 14% (2022: 12%) and the return on assets was 1.1% (2022: 0.9%). The year's results are therefore a reflection of the dynamism of our businesses, and of our flexibility in adjusting to the challenging economic environments.

For 2024 and beyond, we look forward to take on the challenges that inevitably will be experienced especially in the markets where we operate. We have a dedicated management team within each Unit with the diverse experience of successful operations, surmounting economic and geo-political adversities, with the ability to achieve consistently and successful performance. I am grateful to the Board of Directors and the Unified Sharia Board for their wise guidance and direction, and to the subsidiaries' management team and all employees of Al Baraka Group for their support and diligent execution of the Group's strategy.

Houssem Ben Haj Amor
Group Chief Executive Officer

Unrivalled expertise and technological excellence across 14 operating divisions across the globe.

The ABG Group currently comprises of 14 subsidiaries ("Units") spanning the Middle East, North Africa, South Africa, Turkey and Pakistan.

The following section is a review of the performance of each Unit in 2023. Except where local currency sums are explicitly mentioned, all figures are stated in the United States dollar ("US$") equivalents of the audited local currency-based balance sheets and income statements, prepared in accordance with the Islamic Accounting Standards issued by the Accounting and Auditing Organisation of Islamic Financial Institutions ("AAOIFI") (and International Financial Reporting Standards ("IFRS") where AAOIFI is silent), and without any Group-level adjustments.

Al Baraka Group remains deeply committed to serving the financial needs of communities across the globe, through an ethical customer-centric approach, tailored for the fast changing and dynamic world.

14

Al Baraka Group has a wide geographical presence in 14 countries.

650+

Al Baraka Group provides its services through more than 650 branches.

3

Al Baraka Group and its Units operates across three continents.

Turkey

Al Baraka Türk Participation Bank

Establishment Date

1985

Number Of Branches

225

Unit Head	Malek Khodr Temsah
Title	Board Member and General Manager
Address	Saray Mahallesi, Dr. Adnan Büyükdeniz Caddesi, No. 6, 34768 Ümraniye, Istanbul, Turkey
Tel	+90 216 666 01 01
Fax	+90 216 666 16 00
Website	albaraka.com.tr

The Turkish economy continued to grow at a rate of 3,8% in the first half of the year. Efforts are being made to revive economic activities in the region, alongside the work to heal the wounds caused by the earthquake disaster. The OECD has raised its growth forecast for Türkiye in 2023 from 3.6% to 4.3%. The CBRT raised its policy interest rate to 35% in order to ensure financial stability in monetary policy. In September 2023, annual inflation reached around 62%, marking the highest inflation level of the year. With wage increases, exchange rate movements, and tax regulations, inflation gained momentum in the third quarter of the year, reaching approximately 25% in the last three months. However, the market's expectation for year-end inflation in 2023 is around 70%, and the growth rate is around 4%. It is observed that the CBRT will continue to implement a tight monetary policy to ensure financial stability.

The banking sector is currently experiencing significant changes, largely driven by regulatory adjustments. These developments are shaping the sector's landscape, impacting various aspects of financial institutions' operations. Notably, selective credit policy and tightening monetary policy, which became pronounced in the second half of the year, are curbing asset growth in the sector. Banks are now looking to manage their foreign exchange exposure within the framework of a lira-focused strategy. This entails reducing the foreign currency weight in their balance sheets through the use of FX-protected deposit products. Additionally, with the initiation of the exit process from this product, the aim is to achieve a sustainable transition towards the lira.

The growth trend in the banking sector continued in the third quarter. In August, the total assets of the banking sector reached 20.3 trillion TL by an increase of 41.7% while the total assets of the participation banking sector reached 1.7 trillion TL, an increase of 47.1% compared to the end of the year. Net profits in the first 8 months of the year were 350.6 billion TL for the banking sector and 31.7 billion TL for the participation banking sector. The positive financial performance of the banking sector indicates the ongoing soundness and resiliency of the banking sector. Furthermore, the non-performing assets ratio, which had decreased to 1.5% by the end of 2022, fell to 1.2% as of August 2023.

In addition to these considerations, the banking sector is witnessing a significant shift towards digitalization. The competition in the industry has largely moved to the digital realm. With the onset of digital customer acquisition, banks are increasingly focusing their efforts on attracting and retaining customers through digital channels. Moreover, the emergence of new digital banks is intensifying the competition in this domain, creating a more dynamic landscape for customer services and innovation. In addition to that, most of the newly established digital banks are founded as participation (Islamic) banks which increases competitive environment among the participation banks.

After a strong 2022, Al Baraka Turk continues to grow and increase its profitability in 2023. Total assets of the bank increased 1% from the end of 2023 to US $ 7.88 bn. Al Baraka Turk's operating assets stood at 158.4 bn TRY. Net profit share was 3.6 bn TRY. In this period, the gross operational income increased to 11.8 bn TRY, which amounted to an increase of 83% YoY. While Al Baraka Turk has increased net profits, it has managed to keep expenses at a manageable level (both OpeX growth and Cost of Funding Growth, has so far, been below sector growth averages). Thus, the net income increased in 2023 to 3.6 bn TRY.

Thus, the total assets in TRY increased by 59% as of December 2023. Thanks to proactive strategies and supported by regulatory measures, Al Baraka Turk has managed to comply with lirazation-oriented regulations (related to deposits), at the same time strengthening balance sheet in the face of any possible future FX shocks (and/or interest rate shocks) in total funds.

Through 2023, Al Baraka Turk continued the steps that have been taken to strengthen capital structure and asset quality. Following the paid-in capital increase in 2022, Al Baraka Turk's capital structure became healthier with Private Placement (PP) Tier-2 Sukuk with USD 100 Million in 2023. Thus, Al Baraka Turk prevented NPA ratio and provisioning obligation from being negatively affected by possible exchange rate fluctuations that may occur in 2023. Nevertheless, as is the case with the sector, further sustained TL depreciation (and/or a continuity of very tight monetary policy), will still potentially impact broader credit portfolio asset quality in the upcoming period. Al Baraka Turk managed to reduce NPA rate, which was 1.5 % at the end of 2022, to 1.2% in the fourth quarter of 2023. In addition, Al Baraka Turk continues to keep special provisioning ratios at high levels in line with the Banks' strategy. Since non-performing loans has reached very low levels compared to previous years, the nominal provisioning requirement has also decreased significantly. As a result of the strategies, Al Baraka Turk managed to bring nonperforming loans and provisions outlook to a much more solid and sustainable structure.

Al Baraka Turk achieved a net profit of 3.6 billion TRY for full year 2023, as well as operational profit reaching 11.8 billion TRY with the special and general provisions, and improvements in financial ratios, especially the non performing assets and provision ratio. This shows that the Bank has been able to continue its financial turnaround in 2023 from where it left off at the end of 2022. The delayed effects of the slowdown in the global economy and monetary tightening in Turkey will likely be felt in the upcoming period across the Turkish banking landscape; however, Al Baraka Turk is on a much more solid and sustainable footing.

Al Baraka Turk aims to achieve sustainable profitability in 2024 by focusing on improvement and development areas in 5 main categories (Financial & Risk Management, Income Generation Capacity, Channel and Customer Experience, Process Optimization & Innovation, Competence and Organization) in the new term strategy and transformation plan, on the path set out with the vision of " To be the trusted, innovative and digital pioneer of participation finance by providing financial services through the best customer experience, and ensuring sustainable profitable growth". The main topics in the coming period will be reaching sustainable profitability, effective risk management, retail segment growth (via digital channels preference), efficiency focused institutional segment, profitable treasury management, end to end digitalization, enhancing data usage and analytics, optimized and profitable branch network, automated and sustainable systems, innovative and sustainable ecosystem, modern employee experience and communication design.

Jordan

Jordan Islamic Bank

Establishment Date

1978

Number Of Branches

111

Unit Head	Dr. Hussein Said Mohammad Ammar Saifan
Title	CEO - General Manager
Address	P.O. Box 926225 Amman 11190 Jordan
Tel	+96 26 567 7377
Fax	+96 26 566 6326
Website	jordanislamicbank.com

The economic environment in Jordan in 2023 understandably was impacted in large part by regulatory activity. The Central Bank of Jordan issued new corporate governance guidelines for banks on 14 February 2023. Interest rate was raised 100 basis points on all monetary instruments through four occasions throughout the year. A new Investment law and new Investment environment framework was introduced. In accordance with GRI standards, mandatory instructions were issued to produce sustainability reporting. The growth of GDP by year end 2023 reached 2.7% compared to 2.4% in 2022. In the midst of these various and rapid changes to which the banking work environment was exposed at the national, regional, and international levels, followed by the new challenges in 2022, JIB was able to overcome these challenges and keep pace with the changes. The importance of the prudential strategic vision and policy adopted by the management of the Bank enabled the turning of such challenges into opportunities of growth and development. With the products and services, JIB offers to its clients as well as the balanced growth in all sectors with a focus on rationalization of expenses and the ongoing effective risk management approach in all activities, JIB achieved stability in another year of operational profitability.

Jordan Islamic Bank had yet another successful year, despite the challenging business and economic conditions. The total operating income was US$ 249.8 million which decreased by 1% when compared to US$ 252.5 million in 2022.The net operating income, i.e., the total operating income after expenses, showed a decrease of 3% from US$ 136.1 million in 2022 to US$ 132.7 million. The asset quality continued to be sound and there was hardly any need for additional provisioning during the year and the net income for the year was US$ 87.9 million, resulting in an increase of 2% when compared with US$ 86.2 million in 2022. Total assets at year end were US$ 7.9 billion compared to US$ 7.7 billion at the end of 2022. Liquidity continued to be strong and cash and balances with banks and financial institutions comprising 13% (2022: 12%) of total assets. Customer accounts showed an increase of 3% from US$ 6.8 billion in 2022 to US$ 7.0 billion in 2023.

In 2023, several key initiatives were undertaken in the areas of Internal processes and procedures in Operations, IT and Digitalization, which will continue to improve the service quality to JIB's customer base. The Bank continues to lead the country's Islamic Banking sector, and offer new products, with increased focus on digitized delivery channels. The advance salary service has been well received, allowing the customer to withdraw his salary in advance before it is actually received in the Bank's accounts. Savings account prizes continue to be attractive to the Bank's customer base, while card services expansion has seen an increase in card acceptance and contracting with merchants through third-party process management.

Egypt

Al Baraka Bank Egypt

Establishment Date

1980

Number Of Branches

36

Unit Head	Mr. Hazem Hegazy
Title	Vice Chairman & CEO
Address	Plot 29, Road 90, City Center, First Sector, 5th Settlement, New Cairo, P.O. Box: 84, 5th Settlement, Cairo, Egypt
Tel	+202 281 03555
Fax	+202 281 03501, +202 281 03502
Website	albaraka.com.eg

In 2023, Egypt's economy faced significant challenges marked by a cost-of-living crisis driven by unprecedented inflation levels and FX liquidity crunch. These challenges resulted from global shocks, including the Ukrainian war, inflationary pressures, external vulnerability, and fiscal pressures. The economic growth slowed down, and Consumer Price Index (CPI) inflation reached a high level. Business investment remained subdued amidst tight financial conditions and uncertainty, while public investment saw a reduction. Egypt's vulnerability to abrupt changes in capital flows and currency fluctuations persisted due to the inability to reduce external imbalances, primarily driven by a lack of portfolio investments. Although the sale of public assets to foreign investors could potentially provide liquidity in foreign currencies, the timing of the privatization process did not align with the urgent need for foreign currency. Consequently, downward pressures on the pound were expected to continue, at least in the short term. Furthermore, in 2023, Egypt's credit rating faced downgrades from multiple credit rating agencies. Moody's downgraded the credit rating to Caa1, the lowest ever for the country, citing a severe economic and debt crisis, and extensive borrowing. Fitch Ratings and S&P Global Ratings also downgraded Egypt's credit score, citing mounting funding pressures and recurring delays in implementing monetary and structural reforms. These credit downgrades pose challenges for Egypt's economy, affecting its ability to receive loans under favorable terms and attract foreign investment. Despite these setbacks, the outlook for Egypt's economy remains stable, supported by the International Monetary Fund (IMF) and the expected materialization of asset sale proceeds at the Central Bank, aimed at restoring the economy's foreign currency liquidity buffer.

The total operating income for the year increased by 29% at Egyptian Pounds ("EGP") 4.93 billion versus EGP 3.82 billion in 2022, the US Dollar equivalents being US$ 161.8 million and US$ 201.2 million respectively. The net operating income for 2023 was EGP 3.41 billion (US$ 111.9 million) compared with EGP 2.77 billion (US$ 145.7 million) in 2022. The total net income for 2023 in EGP terms was 24% but in US Dollars the decrease was 23%. Total assets reflected a growth of 15% in terms of EGP – EGP 100.7 billion at the end of the year and EGP 87.4 billion at the end of 2022. In US Dollars, there was a decrease of 8%. Similarly, customer accounts showed an increase of 13% (Decreased by 10% in US Dollars term) and operating assets (financing and investments) grew by 17% in EGP terms. In US Dollar terms, it was a decrease of around 6%. The financial fundamentals of the Bank are strong, as is its loyal customer base and it has effectively navigated through many crises, which speak of its resilience.

In 2024, the Bank will continue to focus on expansion of its business and increased market shares in financing, deposits and net income. The continued offering of innovative products and services across the expanded branch network will be reinforced with digital and non-digital channels. The introduction of the Wealth segment augments well the Bank's retail business and modernized IT infrastructure will support these initiatives.

Algeria

Bank Al Baraka D'Algerie S.P.A.

Establishment Date

1991

Number Of Branches

33

Unit Head	Mr. Badr-Eddine Benffici
Title	General Manager
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The continued strain on worldwide Hydrocarbon product prices resulting from the spillover from the Ukraine/Russia conflict has benefited the Algerian economy with local hydrocarbon production and export revenues key to stability. In 2023, inflation remained elevated, reaching 9.7 percent in H1-2023, driven by fresh food prices, mostly produced domestically. Growth is expected to recover in 2024 and 2025, while the fiscal and external balances would stabilize after an initial drop. The GDP growth through the initial part of the year reached 3%, and is likely to be sustained. Pursuit of relationships with international multinational manufacturing companies will continue to provide stimulus in the economy over time.

Banque Al Baraka D'Algerie has been operating successfully in Algeria for over 30 years and has been a beacon for Islamic banking in the country. During the year the Bank re-balanced its asset mix to increase salam exposures by 16% owing to the better yields, but the additional revenues were in part mitigated by the increased cost of funding. At year end, its total assets in US$ terms increased from US$ 2.0 billion to US$ 2.3 billion when compared to end 2022. Customer accounts witnessed an increase of 16% from US$ 1.6 billion in end 2022 to US$ 1.9 billion in end 2023. Liquidity continued to be high, the cash and balances with banks and financial institutions comprising 50% of total assets (2022: 47%). The operating assets increased by 5% from US$ 0.95 billion to US$ 1.00 billion. The total operating income for the year was US$ 69.9 million, 13% up from US$ 61.8 million in 2022. The net operating income was US$ 32.5 million, compared with US$ 27.8 million in 2022. The net income was US$ 25.8 million, compared to US$ 30.3 million in 2022, a decrease of 15%.

For 2024, the new headquarters is targeted to be completed. During 2023, initiatives were taken to implement a sales performance management system, an innovation management system, a smart resource collection management system, and a customer-centric sales process. In addition, the Bank strengthened its credit management system and delivered a mobile Omni-channel customer experience. CSR was also integrated into the Bank's financing and investment products. The confluence of these system upgrades will ensure an enhanced customer interface across its E-platform and other service channels.

Bahrain

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

Establishment Date

1984

Number Of Branches

5

Unit Head	Dr. Adel Salem
Title	Chief Executive Officer
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Website	albaraka.bh

In 2023, Bahrain experienced a hyper-inflationary environment and resultant monetary tightening, which expected to continue at least for another couple of quarters. Rising geopolitical conflicts, due to the Palestine/Israel war, and the continued overhang of the Ukraine/Russia situation will increase uncertainties for domestic, regional and global economies which are already passing through a precarious period. Social and economic reforms introduced by Saudi Arabia will result in some reduction in Bahrain's tourism and related activities, as Saudi Arabia ramps up its own particular initiatives in that direction. However, the increase in prices of hydrocarbons and spending on mega-infrastructure projects will support in maintaining the positive trajectory in GDP growth in the coming financial period. During the past year, evidence of rapid fusion of technologies in the provision of financial services was seen, which resulted in the inclusion of new competitors in the industry.

The Bank's total assets grew 6% from US$ 1.8 billion in end 2022 to US$ 1.9 billion in end 2023, comprising mainly of growth in Murabaha and Ijara Muntahia Bittamleek assets but with a reduction in Mudaraba and Available-for-Sale assets. Customer accounts also showed growth, increasing from US$ 1.5 billion in end 2022 to US$ 1.6 billion at the end of 2023. Operating assets increased from US$ 1.6 billion in end 2022 to US$ 1.7 billion in end 2023. Total operating income for the year was US$ 15.1 million, down 67% from last year when it was US$ 45.5 million, due to higher cost of funding, increasing by 126%. Net operating loss was US$ 26.1 million compared to net operating income of US$ 9.3 million in 2022. The Bank ended the year with a total loss of US$ 34.3 million.

Pakistan

Al Baraka Bank (Pakistan) Limited

Establishment Date

2010

Number Of Branches

170

Unit Head	Mr. Muhammad Atif Hanif
Title	Board Member & CEO
Address	Al Baraka House, 162 Bangalore Town, Main Shahrah-e-Faisal, Karachi, Pakistan
Tel	+92 21 3430 7000
Fax	+92 21 3453 0981
Website	albaraka.com.pk

According to State Bank of Pakistan, the Islamic banking industry continued its double-digit growth during 2023 with 29.6% and 22.6% year-on-year growth in assets and deposits respectively. As of end Dec 2023, the industry's asset base reached PKR 7,229 Bn (USD 25.12 Bn), which is equivalent to 20.2% of the country's banking system's assets. Similarly, the IBI's deposits increased to PKR 5,161 Bn (USD 17.94 Bn) constituting 22% of the overall banking industry's deposits. The industry has expanded its network and as at year end FY23, the Islamic banking branch network increased to 4,396 branches in 129 districts across the country. SBP's policies and goals are a huge factor in this fast growth. The SBP's Islamic Banking Industry Strategic Plan 2021-25 target of increasing the market share in assets and deposits to 30% by 2025 will be conveniently achieved.

The total assets of the Bank witnessed a growth of 9% at the end of the year at Pakistan Rupee ("PKR") 252.2 billion, compared to 230.9 billion in end of 2022. The growth came from held-to-maturity assets that comprised mainly of government-backed securities which enabled the Bank to improve its revenues. The total assets were 12% down at US$ 0.90 billion, compared to US$ 1.02 billion in end of 2022. Despite the challenging conditions for much of the year, the Bank managed to increase its deposits, including those short-term in tenor, from banks and financial institutions by 6% from PKR 200.7 billion in end 2022 to PKR 212.3 billion in end of 2023. This is an endorsement of the goodwill that the Bank enjoys with its widening customer base. The total operating income for the year was PKR 15.2 billion (US$ 55.2 million), up by 50% in PKR and up by 12% in US Dollars. The net operating income was 99% higher at PKR 7.5 billion from PKR 3.8 billion in 2022. In US Dollars it was an increase of 48% from US$ 18.4 million in 2022 to US$ 27.2 million in 2023. The net income for the year was PKR 2.7 billion, 46% more than PKR 1.8 billion in 2022. In US Dollars the increase was 9% at US$ 9.7 million compared to US$ 8.9 million in 2022.

The main focus of the Bank for 2023 was mobilization of low cost deposits especially current deposits as it is the backbone of success of commercial banks in Pakistan. The key areas of focus in retail banking included current account deposit growth from all business segments (Retail, Corporate, CBSME, and Consumer); continuous product development and special initiatives; digitalization and improving customer experience; brand building and marketing; high quality customer services; and efficient systems and processes. The Bank foresees the following opportunities in the coming year: Rapidly growing industry and liberal branch expansion policies of State Bank of Pakistan (SBP); low penetration of banking services in rural areas; growing technological innovation in the provisioning of products and services; developing trend of moving from conventional account holders towards Islamic mode of banking; and growth potential of ABPL in Pakistan due to small branch network.

Tunisia

Al Baraka Bank Tunisia

Establishment Date

1983

Number Of Branches

42

Unit Head	Mr. Mohamed El Moncer
Title	General Manager
Address	88, Avenue Hedi Chaker 1002, Tunis, Tunisia
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According to the World Bank's Fall 2023 Economic Monitor of Tunisia, the country's economic recovery slowed in the first half of 2023 as it continued to grapple with persistent drought, external financing challenges, increasing domestic debt build-up of important public service enterprises and regulatory obstacles,

Despite some encouraging developments, including improvements in trade terms and a resurgence of tourism, Tunisia's GDP growth for 2023 was forecast to be around 1.2 percent, a modest recovery when compared to counterparts in the region and half the growth rate of 2022. A growth forecast of 3 percent in 2024 is subject to risks created by the evolution of the drought, the financing conditions and the pace of reforms. Tourism receipts increased by 47 percent as of the end of August 2023, which along with transport services contributed 0.8 percentage points to overall GDP growth and helped to alleviate the current account deficit. However, Tunisia's economy shows some resilience, despite ongoing challenges. Increased exports in textiles, machinery, and olive oil, coupled with growing tourism exports, have helped to ease the external deficit.

The total assets increased 2% from US$ 611 million in end 2022 to US$ 621 million, and customer accounts showed a rise of 2% from US$ 500 million in end 2022 to US$ 510 million. In terms of Tunisian Dinars ("TND"), the total assets and the customer accounts remained almost same as last year. Operating assets showed a decrease of 1% (financing and investments) from US$ 523 million in end 2022 to US$ 519 million in end 2023. The total operating income for the year was US$ 47.2 million compared to US$43.2, up 9%. The net operating income rose 13% from US$ 20.0 million to US$ 22.6 million. The net income for the year was US$ 16.7 million, an increase of 6% over US$ 15.8 million in 2022.

The Bank will focus on maximizing revenue, particularly fee income through launching new products and services and opening new branches; reducing and managing risks to both deposits and financing; more control of costs; continued progress on the digital transformation strategy; and growth of deposits and financing with more emphasis on retail/consumer banking.

South Africa

Al Baraka Bank Limited -South Africa

Establishment Date

1989

Number Of Branches

9

Unit Head	Mr. Shabir Chohan
Title	Board Member & CEO
Address	2 Kingsmead Boulevard, Kingsmead Office Park, Stalwart Simelane Street, P.O.Box 4395, Durban 4000, South Africa
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Fax	+27 31 364 9001
Website	albaraka.co.za

The South African economy, despite the ongoing infrastructure constraints, has performed better than expected during 2023. South African real GDP expanded by 0.6% in the second quarter of 2023. This follows the 0.4% recorded in the first quarter. Policymakers also raised growth forecasts slightly for the year to 0.7% (prior: 0.4%), in line with better-than expected 2Q23 GDP data. South Africa's inflation rate rose to a three-month high in September on the back of higher food and energy prices, maintaining the case for the Central Bank to keep borrowing costs higher for longer. The Reserve Bank has left the repo rate unchanged since July 2023 at 8.25%. and has raised interest rates by a total of 475 basis points since November 2021. SA-specific costs (load-shedding, infrastructural failures and rand weakness) and global risks from higher oil prices mean inflationary pressures will rise in the short term.

The Bank had another consistent year. The net income in South African Rands ("ZAR") grew by 134% largely due its good asset quality that enabled the write back of some provisions. The total assets however increased by 8% at ZAR 9.15 billion. When translated into US Dollars, the total assets remained steady at US$ 498 million. Customer accounts increased 6% from ZAR 7.5 billion to ZAR 7.9 billion and the operating assets increased by 7% from ZAR 7.6 billion in end 2022 to ZAR 8.1 billion. The total operating income for 2023 was ZAR 480.6 million compared to ZAR 335.7 million in 2022. In US Dollar terms the total operating income for 2023 was US$ 26.1 million, up 27% from US$ 20.6 million in 2022. The net operating income for 2023 was 179.1 million versus ZAR 74.0 million in 2022, an increase of 142%. When translated to US Dollars, the net operating income grew 115%. The net income for the year was ZAR 121.9 million, an increase of 134% from 2022 when it was ZAR 52.1 million. In US Dollars, the net income for the year was US$ 6.6 million, compared to US$ 3.2 million in 2022, an increase of 108%.

During 2023, the Bank embarked on a significant range of initiatives to enhance internal operational excellence. These include a new robotic process to instruct and process entries for valuations for properties; the creation of new branches on imal to enhance reporting capabilities; updates done on risk scoring for more accurate risk classification of customers; enhancement to customization of fees to allow an easier process to customize fees; creation of new customer types on imal to allow for sanction screening of attorney clients; integration of core banking system with lexis nexis for automatic screening of clients for cross border payments ; structure changes in central operations to realign skill sets with operational tasks; development of API to allow for straight through processing for inward swift messages; implementation of a new telephony system with Euphoria; introduction of Freshdesk as a system to help call logging and tracking in customer services; and centralization of EFT processing with regionally take on in 2023 and some into 2024. The bank has expanded its connectivity solutions to clients by rolling out the Corporate Banking Application. The Bank has automated several tasks using robotics including the instruction of valuations to the Bank's valuation panel; the straight through processing of low and high value inward SWIFT messages; and the invoicing of customer fees for advance transactions. The Bank is exploring an automated credit decisioning solution for its retail finance offerings as well as the credit card to be launched. A product launch has been initiated for a foreign currency account, coupled with a debit forex card, where a client will be able to purchase in 7 local currencies with a single card. This product offering will simplify the manner in which clients purchase currency for international travel and is regarded as innovative for the Bank and industry. The Bank is currently in Phase 1 of the IT Department restructure, with the Head Office Transactional Banking Division having been also realigned with the digitalization, central operations and regulatory areas of expertise. Plans continue for the transformation journey into 2024 in keeping with operational requirements and the overall business strategy.

Sudan

Al Baraka Bank Sudan

Establishment Date

1984

Number Of Branches

30

Unit Head	Mr. Elrasheed Abdelrahman Ali
Title	General Manager
Address	Al Baraka Tower, P.O.Box 3583, Qasr Street, Khartoum, Sudan
Tel	+249 187 112 000
Fax	+249 183 788 585
Website	albaraka.com.sd

The strategy for Al Baraka Bank Sudan for the year 2023 and the next few years focuses mainly on maintaining its pioneering position in the market by increasing market share, improving all main financial indicators, and strengthening the governance and growth frameworks. Despite the war between the army and the rapid support Forces RSF, which took place early in the year 2023, the Bank was able to quickly retrieve its banking services to its customers, thanks to its early preparations for such situation and circumstances. The preparation included the establishment of a physical disaster recovery centre outside the capital Khartoum, and availability of emergency policies. Notwithstanding these circumstances, the Bank was able to achieve reasonable growth in almost all the main financial indicators, maintain its liquidity and extending financing to its customers in areas such as the Agricultural sector and the Services sector.

In 2024, the Bank will seek to adapt more quickly to the increased digitalization and technological advancements, in order to meet evolving customer expectations and compete with the local banks, regionally and internationally. It will also continue to monitor closely the economic and political environment while mindful of maintaining its special niche position in the market place.

Libya

Al Baraka Group (Representative Office)

Establishment Date

2011

Name	Mr. Mohamed Elkhazmi
Title	Chief Representative
Address	Tripoli Tower, Tower 1, 14th Floor, Office No. 144, P.O. Box 93271, Tripoli, Libya
Tel	+218 (21) 3362310 / +218 (21) 3362311
Fax	+218 (21) 3362312
Website	albaraka.com
Email	admin@albarakabank.ly

While political strife continues in Libya, the country is heading towards a resolution, with a unified government hoped for in the near term. The political and economic effects of the pandemic have been significant, and it is expected that until political stability is achieved, there could remain enormous challenges to recovery and growth, with the rise in oil prices serving as a potential mitigant.

Our Representative Office helps ABG units to establish and maintain relationships with local banks and regulators. It has been facilitating contacts between ABG units and local banks for building business bridges, which will be even more useful once the country emerges from the current political instability.

REGULATION

ABG views a disciplined corporate governance and risk management culture as a fundamental prerequisite to effective management of the Group to achieve strong yet sustainable financial returns and build consistent shareholder value. The adoption and maintenance, through continual and vigilant review, of the highest standards of corporate governance and risk management have thus been key to building a strong, ethical, responsible organization. This has been essential for establishing a strong governance structure under which the functions, roles and responsibilities are clearly delineated between the Board of Directors, Board Committees and Executive Management, officers and staff of the organization.

THE BOARD OF DIRECTORS

The Board of Directors (the "Board") is responsible for the establishment and oversight of the Group's business strategy and priorities, for setting its high-level policies and for overall management; and is accountable to the shareholders for the financial and operational performance of the Group. It is responsible for raising and allocating of capital, monitoring of the Executive Management and its conduct of the Group's operations, making critical business decisions and building long-term shareholder value. The Board, through approving and monitoring the Group's risk appetite, and identifying and guarding against the longer term strategic threats to the business, ensures that the Group manages risk effectively.

The Board is also responsible, inter alia, for:

- setting and reassessing periodically the Group's corporate goals and objectives;
- establishing policies to further the achievement of the Group's corporate goals and objectives;
- establishing and regularly reviewing the management structure and responsibilities, and monitoring the effectiveness of the Executive Management, including its ability to plan and execute strategies;
- establishing, along with senior management and the chief risk officer, the Group's risk appetite, considering the Group's strategy, competitive and regulatory landscape, the Group's long-term interests, risk exposure and ability to manage risk effectively, and oversee the Group's adherence to the risk appetite statement, risk policy and risk limits;
- engaging actively in the affairs of the Group, keep up with material changes in the Group's business and the external environment and act in a timely manner to protect the long-term interests of the Group;
- holding the Executive Management accountable for results;
- putting in place adequate policies and processes for approving budgets, and reviewing performance against those budgets and against key performance indicators;
- ensuring that an adequate, effective, comprehensive and transparent corporate governance framework is in place;
- establishing and approving policies and procedures designed to ensure ethical behavior and compliance with laws and regulations, auditing and accounting standards and the Group's own corporate governance policy;
- ensuring that ABG and its subsidiaries' operations are supported by an appropriate control environment, i.e. that internal audit, compliance, risk management and finance and reporting functions, are well resourced and structured;
- ensuring that the Group's operations are supported by a reliable, sufficient and well-integrated information system;
- recognizing and communicating to the Executive Management the importance of the internal audit function at ABG and its subsidiaries, periodically reviewing internal control procedures, and taking measures to enhance the function of internal audit and to act in a timely and effective manner on its findings;
- approving the writing off of credit facilities and investments where appropriate, in accordance with the Group's policies and procedures;
- ensuring that an Anti-Money Laundering framework is in place to manage money laundering risk throughout the Group;
- approving, and overseeing the implementation of, the Group's governance framework, risk management framework and all policies, and review the relevant parts of these as well as review key controls in case a new business activity is considered, or in case of material changes to the Group's size, complexity, business strategy, markets or regulatory requirements, or the occurrence of a major failure of controls;
- ensuring that the Anti-bribery and Corruption program is implemented throughout the Group;
- approving strategic investments by ABG and its subsidiaries;
- monitoring potential conflicts of interest and preventing abusive related party transactions;
- approving material transactions outside the normal course of business or in excess of the limits of approval authority delegated to the Executive Management;
- ensuring the preparation of financial statements which accurately disclose the Group's financial position, on a regular and consistent basis, and for reviewing and approving for dissemination its periodic financial statements and annual reports;
- approving all significant changes in the Group's accounting and reporting policies;
- ensuring compliance at all times with all relevant requirements of Shari'a ("Sharia" or "Shari'a") and Islamic Accounting Standards, issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI);
- ensuring that the Group establishes and maintains an approved employee Code of Conduct and is in compliance with it;
- ensuring that the control environment maintains necessary client confidentiality, and that clients' rights and assets are properly safeguarded;
- ensuring that the Group's Social and Sustainable Finance objectives are attained;
- ensuring that the Senior Management maintains an effective and transparent relationship with the CBB;
- convening and preparing the agenda for shareholder meetings;
- ensuring equitable treatment of all shareholders including minority shareholders;
- considering the legitimate interests of shareholders and other relevant stakeholders in their decision-making process;
- ensuring that there is representation of women on the Group's Board of Directors in accordance with the directives of the Ministry of Industry & Commerce and disclosure in the Corporate Governance report for each fiscal year the percentage component of the Board membership duly classified according to gender (and the lack of or under-representation of any single gender), and non-compliance of the directives in any manner whatsoever;
- performing any other functions required from the Board of Directors under applicable laws and regulations;

THE BOARD OF DIRECTORS (continued)

- ensuring that no individual or group of directors dominates the Board's decision-making and no individual or group has unfettered powers of decision;
- at minimum, approving the selection and overseeing the performance of the chief executive officer (CEO), chief financial officer and heads of the risk management, compliance and internal audit functions; and
- Overseeing actively the remuneration system's design and operation for approved persons and monitor and review executive compensation and assess whether it is aligned with the Group's remuneration policy, risk culture and risk appetite.

In its regular review of the Group's strategy, the Board reviews the Group's business plans and the inherent level of risk in those plans. It also assesses the adequacy of capital to support the business risks of the Group; sets performance objectives; and oversees major capital expenditures, divestitures and acquisitions.

The Board of Directors has overall responsibility for the Group's system of internal control and its effectiveness, and for defining and enforcing standards of accountability that enable the Executive Management to achieve the Group's corporate objectives. The Board ensures that the systems, controls, processes and procedures framework are implemented by the senior management in line with the board policies, the Board structure and the organizational structure of the Group are appropriate for the Group's business and associated risks, and regularly assesses the systems and controls framework to that end. There are established and ongoing procedures in place for identifying, evaluating and managing significant risks faced by the Group. These are regularly reviewed by the Board. The Group's system of internal control provides for a documented and auditable trail of accountability and applies across its operations. This system is designed to ensure effective and efficient operation and compliance with all applicable laws and regulations, and seeks to manage risk with a view to avoiding material errors, losses and fraud.

In meeting its responsibility to ensure efficient governance in all matters related to ABG, the Board has established a written compliance policy governing the Group's compliance with all laws and regulations; in particular those enunciated by the Central Bank of Bahrain (CBB) and other local regulators. The Board is also responsible for upholding the highest ethical standards in the conduct of business activities and expects all employees, directors and associated persons of the Group to abide by the policies and laws including those stipulated by the Bahrain Penal Code. The Board has delegated responsibility for monitoring compliance to the Group Chief Executive Officer in coordination with the Board Compliance & Governance Committee. This responsibility is carried out through a dedicated Compliance Department, with a mandate to cover all aspects of compliance including: formulation of effective policies and processes for the management of the Group's compliance risk; assisting Executive Management and staff in managing risk; advising on laws and regulations and applicable compliance standards; disseminating compliance policies and providing guidelines to ABG staff members; ensuring an effective compliance methodology; providing periodical reports to the Board in connection with compliance controls; and establishing operational controls and a robust Know Your Customer (KYC), Anti-Money Laundering (AML) and Anti-bribery and Corruption program ("ABC Program") frameworks. ABG is continuously enhancing its compliance framework and that of each of its subsidiaries.

The CBB has issued revised requirements of Module HC of its Rulebook under Volume 4 which are met by ABG with respect to corporate governance principles. These requirements are in line with the principles relating to the Corporate Governance Code issued by the Ministry of Industry & Commerce of the Kingdom of Bahrain, international best practice corporate governance standards set by bodies such as the Basel Committee for Banking Supervision and related high-level controls and policies. ABG conducts annually detailed internal assessments to ensure compliance with these requirements and, in the event that any shortfall is identified, sets specific milestones for implementation of measures to address the shortfall. The CBB, ABG's shareholders, the Board of Directors and the Executive Management are all kept fully aware of such shortfalls, if any, and the measures taken.

ABG continuously ensures that the Group's minority shareholders are well represented on the Board of Directors through the independent directors (who constitute the majority of the Board of Directors), who have additional responsibility to protect of the rights of minority shareholders.

The Board of Directors meets regularly (at least four times a year) and has a formal schedule of matters reserved for it, considering key aspects of the Group's affairs referred to it for decision. The Board reviews the Group's strategy and financial plans, all proposed material changes to the Group's policies, structure and organization, reports provided to it on the operations of the Group (with emphasis on organizational, risk management and information technology development) and the performance of the Executive Management.

All Directors attend all Board meetings whenever possible and in any event not less than 75% of meetings in any year, and they maintain informal contact among themselves between meetings. The Chairman is responsible for leadership of the Board and for its efficient functioning. He ensures that all members receive an agenda, minutes of prior meetings and background information in writing before each Board meeting and between meetings when necessary. The Board and its Committees are supplied with full and timely information to enable them to discharge their responsibilities. In this respect, the Board, its Committees and all Directors individually have access to the Executive Management, external legal or other professional consultants and advisors at the Group's expense, and to the Board Secretary, who is responsible for ensuring that the Board procedures and applicable rules and regulations are observed. The Board encourages participation by members of the Executive Management at Board meetings, if appropriate, regarding matters, which the Board is considering and where the Group Chief Executive Officer believes management should have exposure to the Board.

Under ABG's Articles of Association, the Board of Directors shall consist of no fewer than five and no more than 13 members. Members of the Board of Directors hold office for a three-year renewable term, although the term of office may be extended at the request of the Board for a period not exceeding six months with the approval of the Minister of Industry & Commerce of the Kingdom of Bahrain.

There is no maximum age limit at which a Director must retire from the Board of Directors. Each Director's membership of the Board shall terminate upon the expiry of his/her term, or upon the resolution of the shareholders in General Meeting, or as a result of one of a number of specified events or circumstances, including:

- the original appointment being found to be contrary to the provisions of the Commercial Companies Law (CCL) or ABG's Articles of Association;
- If the member loses any of the qualifying conditions referred to in Article 240 of the CCL;
- If the member abuses his position in carrying on a business that is in competition with ABG or if he causes actual damage to it;

THE BOARD OF DIRECTORS (continued)

- If the member fails to attend three consecutive Board meetings without presenting a lawfully excused notification in writing to the Board, and the Board shall resolve on this matter as it may deem fit;
- If the member resigns or withdraws from his/her office, provided the foregoing shall be done in an opportune time, otherwise he shall be liable to pay damages to ABG;
- Death of the member; and
- If the member occupies any other office at ABG for which he/she would receive remuneration other than that which the Board of Directors may decide from time to time to remunerate its occupier because of the executive nature of his/her duties.

When an announcement is made requesting nominations for the position of membership of the Board of Directors to replace those members whose three-year term is due to expire, such nominations must be submitted to the Chairman of the Board, within the time frame provided in the announcement, then to the Board Nomination and Remuneration Committee for it to make its recommendations to the Board. As part of the nomination process, each nomination must comply with local rules and regulations, and must be submitted for approval to the CBB in order to ensure compliance with the CBB's "Fit and Proper" criteria. The names of all nominated individuals approved by the CBB are then submitted to the shareholders at the next AGM for consideration and election. Election of ABG Directors takes place in accordance with the rules and procedures set out in the CCL and ABG's Articles of Association.

In line with corporate governance best practice, there is a succession plan for the Executive Management. This is reviewed annually and submitted to the CBB.

Each new Director elected to the Board receives a written appointment letter, detailing the powers, duties, responsibilities and obligations of that Director, and other relevant terms and conditions of his appointment.

As of December 31st 2023, there were 13 Directors on the Board. They have varied backgrounds and experiences and are, individually and collectively, responsible for performing the responsibilities of the Board, and for exercising independent and objective judgement. No individual Director or group of Directors has unfettered powers of decision making or dominates the Board's decision making. The majority of the Directors are non-executive and fully independent of management, and are individually responsible for scrutinizing and challenging management decisions and performance. The posts of Chairman, Vice Chairman and Group Chief Executive Officer are held by different Directors, and the Group Chief Executive Officer has separate, clearly defined responsibilities. The size and composition of the Board and its Committees are regularly assessed, while the effectiveness, contribution and independence of individual Directors are assessed annually in light of interests disclosed and conduct. The independence or non-independence of Directors is, likewise, reviewed annually.

All Directors are remunerated solely by means of an annual retainer fee and sitting fees paid for each meeting attended. Their travel expenses are also reimbursed as appropriate.

The Board of Directors has adopted a formal Code of Business Conduct and Ethics applicable to Directors and Executive Management, officers, employees and agents, consultants and others representing or acting for the Group. Details of the Code are provided in the Additional Public Disclosures section of this report. In line with international best practice and the CBB Rulebook, the Board has instituted corporate governance measures to ensure that the interests of the shareholders are protected, including the appointment to the Board of more than one third of Directors as independent Directors, as defined in the CBB Rulebook.

In March 2023, the shareholders' Ordinary General Meeting has elected the following members of the Board for a three – years term (March 2023 - March 2026) and had the following Board Composition, including classification for gender in accordance with the directives of the Ministry of Commerce & Industry *(for more details regarding the Board Composition please refer to page No 10 of this report):*

		Male	Female
Non-Executive Directors			
1. Shaikh Abdullah Saleh Kamel	*Chairman*	✓	
2. Mr. Tawfig Shaker Mufti		✓	
3. Mr. Saud Saleh Al Saleh		✓	
4. Mr. Musa Abdel-Aziz Shihadeh		✓	
Independent Directors			
1. Mr. Mohamed Ebrahim Alshroogi	*Vice Chairman*	✓	
2. Dr. Khaled Abdulla Ateeq		✓	
3. Mrs. Dalia Hazem Khorshid			✓
4. Dr. Ziad Ahmed Bahaa-Eldin		✓	
5. Mr. Fahd bin Ibrahim Al Mufarrij		✓	
6. Mr. Masood Ahmed Al Bastaki		✓	
7. Mr. Naser Mohamed Al Nuwais		✓	
Executive Directors			
1. Mr. Houssem Ben Haj Amor	*Group Chief Executive Officer*	✓	
2. Mr. Abdul Elah Abdul Rahim Sabbahi		✓	
Total representation of genders on the Board of Directors	December 31st, 2023	92%	8%
	December 31st, 2022	92%	8%

BOARD COMMITTEES

The Board has put in place a number of Board committees, membership of which is drawn from the Board membership and to which it has delegated specific responsibilities. The principal Board committees are (as of December 31st 2023):

Board Executive Committee

The Board Executive Committee is chaired by Shaikh Abdullah Saleh Kamel (Non-Executive Director), and the other members are Mr. Mohamed Ebrahim Alshroogi (Vice Chairman, Independent Director), Mrs. Dalia Hazem Khorshid (Independent Director), Dr. Ziad Ahmed Bahaa-Eldin (Independent Director), Mr. Abdul Elah Abdul Rahim Sabbahi (Executive Director), and Mr. Houssem Ben Haj Amor - Group Chief Executive Officer (Executive Director). The Board Executive Committee comprises of a minimum of four Directors and meets at least four times a year. The Board has delegated to the Board Executive Committee, under a formal written charter adopted by it, the responsibility to make recommendations to the Board, for the Board's approval, concerning the Group's overall strategies and business plan, or any significant change to them, or any major change to its capital or organization structure, assets or investments.

Board Nomination and Remuneration Committee

The Board Nomination and Remuneration Committee is chaired by Mr. Mohamed Ebrahim Alshroogi (Independent Director), and its other members are Mrs. Dalia Hazem Khorshid (Independent Director) and Mr. Saud Saleh Al Saleh (Non-Executive Director). The Committee operates in accordance with a formal written charter adopted by it and meets at least twice a year and considers all material elements relating to remuneration policy, including, inter alia, the approval of the remuneration of the Directors, based on their attendance at Board and Committee meetings. It also recommends to the Board the level of remuneration of the Executive Management members and other ABG employees under an approved performance-linked incentive structure.

The Committee conducts an annual evaluation of the performance of the Board, Board Committees and the Group Chief Executive Officer. When an issue relating to the personal interest of a Director is discussed in the Committee, the interested Director withdraws from the meeting and abstains from voting. The Committee is responsible for identifying persons qualified to become members of the Board or the Group Chief Executive Officer, the Chief Financial Officer, the Board Secretary and other executive officers considered appropriate (except for the Head of the Internal Audit Department), and for making recommendations accordingly. It is also responsible for inducting, educating and orientating new Directors, and for conducting seminars and other training programs from time to time for members of the Board.

Board Audit Committee

The Board Audit Committee is chaired by Mr. Fahd bin Ibrahim Al Mufarrij (Independent Director). Other members are Mr. Naser Mohamed Al Nuwais (Independent Director), and Mr. Tawfig Shaker Mufti (Non-Executive Director). The Committee is governed by a formal written Charter, adopted by it and approved by the Board. The Committee meets formally at least four times a year. External auditors attend at least one meeting annually; Moreover, external auditors have unrestricted access to the Committee and its Chairman throughout the year.

The Board of Directors has delegated to the Board Audit Committee the responsibility for ensuring that an effective internal auditing and continuous internal controls monitoring environment, and a sound system of accounting and financial control are in place. The Committee achieves this through regular review of internal audit reporting, external auditors' management letters, central banks' inspection reports, and the Group's accounting and financial policies and practices, financial reporting and disclosure controls and procedures, and the adequacy and effectiveness of the internal control procedures at the Head Office and at ABG's subsidiaries. The Committee considers all matters relating to financial control and reporting, internal and external audits and their scope and results, risk management and compliance with regulatory and legal requirements and accounting standards. It also considers and approves the annual audit plans, ensures coordination between the internal and external auditors, monitors the independence, qualifications, effectiveness and performance of the external auditors, and makes recommendations to the Board regarding the appointment, retirement and remuneration of the external auditors and the appointment of the Head of the Group's Internal Audit Department.

The Committee reviews the Group's annual and interim financial statements to recommend their approval to the Board of Directors, the adequacy of provisions and any reports by external consultants on specific investigative or advisory engagements.

The Committee ensures that there are control systems in place which are appropriate to the business of the Group and the information needs of the Board. These include systems and functions for identifying and monitoring risk, the financial position of the Group and compliance with applicable laws and regulations and best banking practice. The Committee ensures that all such information is produced on a timely basis. The various internal controls and processes are subject to independent review by the Group's Internal Audit Department, which reports directly to the Committee, as stated above, and external auditors and regulators as appropriate. Management letters and other issues of importance raised by external auditors, and inspection reports issued by the CBB's inspectors, or inspectors of any other applicable authorities where ABG or its subsidiaries operate, are reviewed by the Committee once issued. Acting on behalf of the Board, the Committee ensures that appropriate corrective action is taken.

The Board has adopted a 'whistleblower' program, allowing employees to confidentially raise concerns about possible improprieties in financial or legal matters. Under the program, concerns may be communicated directly to any member of the Board Audit Committee or, alternatively, to an identified officer or employee who, in turn, reports the matter to the Committee.

BOARD COMMITTEES (continued)

Board Risk Committee

The Board Risk Committee is chaired by Dr. Khaled Abdulla Ateeq (Independent Director), with its other members being Mr. Masood Ahmed Al Bastaki (Independent Director) and Mr. Musa Abdel-Aziz Shihadeh (Non-Executive Director). The Board Risk Committee meets formally at least twice a year but may meet more frequently at the request of the Chairman of the Committee. It can call for the attendance of the Group Chief Executive Officer, Head of Credit and Risk Management and other senior executives of the Group at any of its meetings.

The Group's risk appetite is determined by the Board, based on the recommendations of the Board Risk Committee. The Board Risk Committee is responsible for setting acceptable levels of risks to which the Group may be exposed, for approving management's strategy for the managing of risk and for ensuring that all necessary steps are taken by management to identify, measure, monitor and control risk. The Committee's objective is to oversee the Group's risk management systems, practices and procedures, as well as to ensure effective risk identification, management and compliance with internal guidelines and external requirements. The Committee reviews issues identified by the Internal Audit and Compliance departments of ABG and/or any of its subsidiaries, such as weaknesses or breakdowns in controls.

Board Compliance & Governance Committee

The Board Compliance & Governance Committee is chaired by Dr. Khaled Abdulla Ateeq (Independent Director) and its other members are Mr. Masood Ahmed Al Bastaki (Independent Director) and Dr. Ziad Ahmed Bahaa-Eldin (Independent Director) in addition to Mr. Yousif Hassan Khalawi, who represents the Unified Shari'a Supervisory Board. The Committee meets at least 4 times a year but may meet more frequently at the request of the Chairman.

The Committee's role is to ensure a robust compliance, AML and corporate governance framework and a strong compliance culture across the Group including ensuring efficient procedures, processes and controls for Anti-money Laundering, Countering Financing of Terrorism, International Sanctions and Foreign Account Tax Compliance Act and Common Reporting Standards. It periodically reviews the governance controls and systems to uncover any weakness, if any, which can be addressed. As the Group is present in many countries, the Committee ensures that the respective local legal legislation and regulatory norms are well-abided with so that compliance standards are maintained at a high level and are compatible with those enunciated by international standards.

Board Social & Sustainable Finance Committee

The Board Social & Sustainable Finance Committee is chaired by Mr. Naser Mohamed Al Nuwais (Independent Director) and the other members are Mr. Abdul Elah Abdul Rahim Sabbahi (Executive Director) and Mr. Saud Saleh Al Saleh (Non-Executive Director).

The Committee leads the Al Baraka Social & Sustainable Finance Program. It oversees the formulation of policies and strategies by the Executive Management, intended to make ABG and its subsidiaries a model Islamic banking group, offering banking and financial services in a sustainable and socially responsible manner and in conformity with the objectives of Shari'a.

The Committee aims to adhere to the spirit of Islamic finance that identifies Social & Sustainable Finance as a principal feature of Islamic banking and finance. The Committee demonstrates its commitment to the spirit of Social & Sustainable Finance inherent in Islamic finance by setting various quarterly and annual targets for the Executive Management.

All minutes and reports of meetings of the Committee are disseminated to all members of the Board of Directors.

Directors' Attendance of Meetings of the Board of Directors and its Committees in 2023 (Current term 22 March 2023 - 31 December 2023)

Name the Board/ Committees	No. of meetings in 2023	Dates of the meetings	Member's name	No. of meetings attended
Board of Directors	5	22 March 2023 10 May 2023 09 August 2023 08 November 2023 20 December 2023	Shaikh Abdullah Saleh Kamel - *Chairman*	4
			Mr. Mohamed Ebrahim Alshroogi	5
			Mr. Tawfig Shaker Mufti	5
			Mr. Houssem Ben Haj Amor	5
			Dr. Khalid Abdulla Ateeq	5
			Mrs. Dalia Hazem Khorshid	5
			Dr. Ziad Ahmed Bahaa-Eldin	5
			Mr. Saud Saleh Al Saleh	5
			Mr. Abdul Elah Abdul Rahim Sabbahi	5
			Mr. Fahd bin Ibrahim Al Mufarrij	5
			Mr. Masood Ahmed Al Bastaki	5
			Mr. Musa Abdel-Aziz Shihadeh	5
			Mr. Naser Mohamed Al Nuwais	5
Board Executive Committee	2	20 September 2023 29 November 2023	Mr. Abdullah Saleh Kamel - *Chairman*	2
			Mr. Mohamed Ebrahim Alshroogi	2
			Mrs. Dalia Hazem Khorshid	2
			Dr. Ziad Ahmed Bahaa-Eldin	2
			Mr. Abdul Elah Abdul Rahim Sabbahi	2
			Mr. Houssem Ben Haj Amor	2
Board Nomination & Remuneration Committee	1	01 November 2023	Mr. Mohamed Ebrahim Alshroogi - *Chairman*	1
			Mrs. Dalia Hazem Khorshid	1
			Mr. Saud Saleh Al Saleh	1
Board Audit Committee	5	08 May 2023 07 August 2023 21 September 2023 06 November 2023 14 December 2023	Mr. Fahd bin Ibrahim Al Mufarrij - *Chairman*	5
			Mr. Naser Mohamed Al Nuwais	5
			Mr. Tawfig Shaker Mufti	5
Board Risk Committee	3	04 July 2023 24 September 2023 27 November 2023	Dr. Khalid Abdulla Ateeq - *Chairman*	3
			Mr. Masood Ahmed Al Bastaki	3
			Mr. Musa Abdel-Aziz Shihadeh	3
Board Compliance & Governance Committee	3	24 May 2023 30 August 2023 22 November 2023	Dr. Khalid Abdulla Ateeq - *Chairman*	3
			Mr. Masood Ahmed Al Bastaki	3
			Dr. Ziad Ahmed Bahaaeldin	3
			Mr. Yousif Hassan Khalawi	3
Board Social & Sustainable Finance Committee	1	18 October 2023	Mr. Naser Mohamed Al Nuwais - *Chairman*	1
			Mr. Abdul Elah Abdul Rahim Sabbahi	1
			Mr. Saud Saleh Al Saleh	1

Notes:

1. The above Board members were elected in the Annual General Assembly held on 22nd March 2023 for a 3 years term.

2. The schedule of attendance of members of the Board of Directors at its previous Term preceding the holding of the General Assembly is currently implemented in the list as shown on the next page.

Directors' Attendance of Meetings of the Board of Directors and its Committees in 2023 (Previous Term 1 January 2023 - 21 March 2023)

Name the Board/ Committees	No. of meetings in 2023	Dates of the meetings	Member's name	No. of meetings attended
Board of Directors	1	20 February 2023	Shaikh Abdullah Saleh Kamel - *Chairman*	1
			Mr. Mohamed Ebrahim Alshroogi	1
			Mr. Tawfig Shaker Mufti	1
			Dr. Jehad Abdul Hamid El-Nakla	1
			Mr. Houssem Ben Haj Amor	1
			Dr. Khalid Abdulla Ateeq	1
			Mrs. Dalia Hazem Khorshid	1
			Dr. Ziad Ahmed Bahaa-Eldin	1
			Mr. Saud Saleh Al Saleh	1
			Mr. Abdul Elah Abdul Rahim Sabbahi	1
			Mr. Fahad Abdullah Al Rajhi	1
			Prof. Mohamed Cheikh Rouhou	1
			Mr. Naser Mohamed Al Nuwais	1
Board Executive Committee	1	07 February 2023	Mr. Abdullah Saleh Kamel - *Chairman*	1
			Mr. Mohamed Ebrahim Alshroogi	1
			Mrs. Dalia Hazem Khorshid	1
			Dr. Ziad Ahmed Bahaa-Eldin	1
			Mr. Abdul Elah Abdul Rahim Sabbahi	1
			Mr. Houssem Ben Haj Amor	1
Board Nomination & Remuneration Committee	3	29 January 2023 01 February 2023 19 February 2023	Mr. Saud Saleh Al Saleh - *Chairman*	3
			Mr. Fahad Abdullah Al Rajhi	3
			Prof. Mohamed Cheikh Rouhou	3
Board Audit Committee	1	08 February 2023	Dr. Khalid Abdulla Ateeq - *Chairman*	1
			Mr. Tawfig Shaker Mufti	1
			Dr. Jehad Abdul Hamid El-Nakla	1
			Mr. Fahad Abdullah Al Rajhi	1
			Mr. Naser Mohamed Al Nuwais	1
Board Risk Committee	1	19 February 2023	Dr. Jehad Abdul Hamid El-Nakla - *Chairman*	1
			Dr. Khalid Abdulla Ateeq	1
			Mr. Saud Saleh Al Saleh	1
Board Compliance & Governance Committee	1	09 February 2023	Dr. Khalid Abdulla Ateeq - *Chairman*	1
			Dr. Jehad Abdul Hamid El-Nakla	1
			Dr. Ziad Ahmed Bahaaeldin	1
			Mr. Yousif Hassan Khalawi	0
Board Social & Sustainable Finance Committee	1	15 February 2023	Mr. Naser Mohamed Al Nuwais - *Chairman*	1
			Mr. Abdul Elah Abdul Rahim Sabbahi	1
			Prof. Mohamed Cheikh Rouhou	1

BOARD OF DIRECTORS' PROFILES

Shaikh Abdullah Saleh Kamel
Chairman

Shaikh Abdullah Saleh Kamel is the Chairman of Dallah Al Baraka Holding Company, and the Chairman of the Board of Trustees of Saleh Abdullah Kamel Humanitarian Foundation. He is also the Chairman of Dallah Al Baraka Investment Holding Company, Dallah Real Estate, Umm Alqura for Development & Constructions Company, Okaz Press and Publishing Corporation, The General Council for Islamic Banks and Financial Institutions, The Islamic Chamber of Commerce, Industry and Agriculture and Makkah Chamber of Commerce and Industry. Previously, Shaikh Abdullah Saleh Kamel was Chairman of Aseer company and held various executive positions at Dallah Al Baraka Holding Co, leading to the position of President and Chief Executive Officer.

Shaikh Abdullah Saleh Kamel has over 30 years' experience in key business positions. He is active in public and charitable activities through his membership in many organizations and associations such as the Jeddah Chamber of Commerce (he has been a Board Member for two terms), and the Friends of Saudi Arabia Association. Shaikh Abdullah Saleh Kamel is a Saudi national.

Mr. Mohammed AlShroogi
Vice Chairman

Mohammed attended The Kuwait University in 1971 and then attended the Harvard Business School Executive Management Program in 1988.

Mohammed Al Shroogi is the former Co-Chief Executive Officer of the Global Investment Group Investcorp. He joined in 2009 as President of Gulf Business. Mr. Al Shroogi spearheaded the firm's recovery from the global financial crisis with a significant strengthening of the Gulf distribution franchise, leading to record levels of fundraising. Mr. Al Shroogi was also instrumental in building Investcorp's Corporate Investment Franchise in the GCC and Turkey and helped Investcorp to become one of the most active private equity investors in the Kingdom of Saudi Arabia.

Mr. Al Shroogi joined Investcorp from Citigroup where he was Division Executive for the Middle East and North Africa region and CEO for the UAE. He had a 33 year career with Citigroup in Bahrain, London and the UAE, among his many achievements at Citigroup was establishing Citibank Bahrain as a major trading room between Asia and Europe.

Mohammed is Vice Chairman of Al Baraka Group, Board Member at Wisayah (Saudi Aramco's Pension Fund), Board Member of The Health Insurance Fund, Chairman of L'azurde Company for Jewelry, Chairman of GCC Board Directors Institute (BDI), Board Member at APM Terminals for management of ports, and Board Member Investcorp GCC.

Mr. Tawfig Shaker Mufti
Board Member

Mr. Tawfig Shaker Mufti has served as the Group Treasurer of a multinational Middle Eastern conglomerate and held CEO positions and Board memberships in several group / non-group companies. Previously, he served as a Financial Institutions Executive in the Corporate & Investment Banking and Private Banking groups. In the past, Mr. Mufti held several positions, including that of Group Compliance Officer, Corporate Clients Relationship Officer and Listed Equity/Relationship Officer. He has also worked in the big five accounting firms in the areas of Corporate Finance and Financial Planning.

Mr. Mufti has over 25 years' experience in business dynamics, overcoming significant professional challenges in several changing business environments. He holds a Bachelor of Science degree in International Business from the University of Bridgeport, Connecticut, USA.

Mr. Houssem Ben Haj Amor
Board Executive Member & Group Chief Executive Officer

Mr. Houssem Ben Haj Amor became a Board Member and Group Chief Executive Officer of Al Baraka Group (ABG) on October 24, 2022. He is also the Chairman of Al Baraka Turkey and a Board Member of Al Baraka South Africa, Jordan Islamic Bank, Al Baraka Egypt, Al Baraka Algeria and was a Board member of Al Baraka Tunisia until March 2023.

Mr. Amor has over 23 years of experience in the Finance industry across the Middle East, Europe and North Africa. Before his current role, he was ABG's Deputy CEO and Head of Business Development and Investments. He developed products and business initiatives across the Group, managed commercial banking and treasury functions, and was in charge of the Group's strategy department.

Prior to ABG, Mr. Amor served as Chief Financial Officer at Amlak Finance UAE, a Sharia Compliant Finance Company, listed on the Dubai Financial Market and regulated by the UAE Central Bank.

Earlier, Mr. Amor spent 10 years at SHUAA Capital, a leading GCC financial institution listed on Dubai Financial Market and regulated by the UAE Central Bank. With a solid finance background, he started as Head of Accounting and quickly progressed his career to become the Group Chief Financial and Operating Officer then Group General Manager.

Mr. Amor began his career with Arthur Andersen/Moore Stephens before joining Societe Generale banking group.

Mr. Amor is a result-focused senior executive and trilingual Certified Public Accountant. Through his career, he acquired valuable experience working with all regulators across MENA as well as operating at the Board level of several listed and regulated organizations.

BOARD OF DIRECTORS' PROFILES (continued)

Dr. Khaled Abdulla Ateeq
Board Member

Dr. Khaled Abdulla Ateeq is currently the Chief Executive Officer and a Board Member of Family Microfinance House in Bahrain. He earlier served as the Executive Director of Banking Supervision at the Central Bank of Bahrain (CBB) where he was responsible for the licensing, inspection and supervision of financial institutions, and ensuring that all banks and financial institutions, either operating in Bahrain or incorporated in Bahrain, complied with laws and regulations issued by the CBB. In addition, he is the Chairman of Al Baraka Bank Sudan and a Board Member at Al Baraka Islamic Bank (Bahrain). He has held senior posts with a number of financial institutions, including Deputy CEO at Venture Capital Bank.

He has over 40 years of experience in Banking, Finance, Auditing, and Accounting. Before joining the CBB, Dr. Ateeq was an Assistant Professor at the University of Bahrain. He holds a PhD in Philosophy in Accounting from Hull University, U.K.

Mrs. Dalia Hazem Khorshid
Board Member

Mrs. Dalia Khorshid is the Chief Executive Officer and Managing Director at Beltone Financial Holding (BTFH.CA) – a leading, full-fledged investment bank in the MENA Region. Khorshid boasts over 25 years of global experience in various leadership roles across the banking and financial sector, having advised on landmark transactions including private placements, investment strategies, and M&A deals in the region.

Mrs. Dalia Khorshid's career spanned the private and public sectors. She founded and chaired MASAR Financial Advisory and Eagle Capital for Financial Investment where she advised on fundraising, corporate finance, project finance, M&A advisory and management of more than 50 strategic investments and transactions worth c.USD 44 billion. Mrs. Khorshid is also the former Minister of Investment for the Government of Egypt where she led the charge on the country's investment law and successfully launched Egypt's 3-5-year IPO program.

Prior to her ministerial tenure, Mrs. Khorshid spent 11 years as Executive Vice President & Group Treasurer at Orascom Construction Limited and Head of Investment Banking and Corporate Finance at OCI NV (2008-2016) where she successfully spearheaded the groups' multi-billion-dollar fundraising initiatives. Mrs. Khorshid was the Vice President of Corporate Finance and Investment Banking at Citibank for the MENA region (1997-2005) where she brought numerous multi-million-dollar deals to completion. Khorshid started her corporate career at Commercial International Bank (CIB) (1994- 1996).

In addition, Mrs. Khorshid has held board appointments across local and regional private and public sector organizations. She is the former Chairwoman of the General Authority for Investment and Free Zone (2016-2017), Chairwoman of Egypt's Dispute Resolutions Committee (2016-2017), Chairwoman of the Sovereign Wealth Fund Committee (2016-2017), Founder and Executive Head of the Supreme Investment Counsel (2016-2017), Board Member at the Egyptian General Petroleum Corporation EGPC (2016-2017), Board Member at New Cairo Urban Communities Authority NUCA (2016-2017), Board Member at the Industrial Development Authority (2016-2017), Board Member at the Agricultural Development Authority ADA (2016-2017), and Board Member at the General Authority for Suez Canal Economic Zone (2016-2017).

In recognition of her impact across the market, Mrs. Khorshid was recognized in 2017 by Forbes Magazine as one of the most powerful Arab women. She holds a BA in Business Administration from The American University in Cairo (AUC).

Dr. Ziad Ahmed Bahaa-Eldin
Board Member

Dr. Ziad Ahmed Bahaa-Eldin is an Egyptian lawyer and expert on financial, investment and corporate law, governance, compliance, and economic legislation.

He is currently the Managing Partner of "Bahaa-Eldin Law Office in Cooperation with BonelliErede", and Senior of Counsel of "Thebes Consultancy".

He is also currently the Non-Executive Chairman of Bank of Alexandria (the Egyptian subsidiary of the IntesaSanpaolo Group), and a non-executive member on the boards of directors of AXA Egypt, Allam Holding, MTI Egypt, Maridive Group, Samcrete for Industrial Development, , and Al Salam Hospital, in addition to the boards of advisors of Al-Futteim Group Egypt, and Arkan Group. He previously held several public positions including Deputy Prime Minister for Economic Development and Minister of International Cooperation (2013-2014), Member of Parliament representing South Assiut (2012), Executive Chairman of the Financial Regulatory Authority "FRA" (2009-2011), and Executive Chairman of the General Authority for Investment and Free Zones "GAFI" (2004-2007).

He is also a former non-executive member of the boards of directors of the Central Bank of Egypt (2004-2011), the National Bank of Egypt (2005-2010), and a former Senior Legal Advisor to the Minister of Economy (1997-2000). Prior to that he practiced law in Egypt as well as in Washington DC.

Dr. Ziad has been - since 2011 - a weekly political and economic commentator first in Al-Shorouk newspaper then in Al-Masry Al-Yom, both Egyptian daily newspapers. He contributes occasionally to other Arab and international publications.

He taught law as an adjunct lecturer at the Faculty of Law at the Cairo University (1998-2004) and as a visiting lecturer at the Schengen campus of the Beijing School of Transnational Law (2019). He is a member of the Board of Trustees of the Cairo Regional Centre for International Commercial Arbitration.

Dr. Bahaa Eldin is engaged in various non-profit activities and organizations. He was the founder of the Egyptian Initiative for the Prevention of Corruption (2011), and is currently the Chairman of the Ahmed Bahaa-Eldin Cultural Foundation in Assiut which aims at empowering the youth in Upper Egypt through cultural and educational activities. He is also a member of the Board of Trustees of the American University in Cairo, the Modern English School, and the Economic Research Forum.

He received his Ph.D. in Financial Law from the London School of Economics and Political Sciences (1997), an LL.M. in International Business Law from King's College London (1989), a BA in Economics from the AUC Cairo (1987), and a Bachelor of Law from Cairo University (1986). He is a graduate of the Jesuites High School in Cairo (1982).

He lives in Cairo with his wife, Dr. Hania Sholkamy, and their two sons are currently studying abroad.

BOARD OF DIRECTORS' PROFILES (continued)

Mr. Saud Saleh Al Saleh
Board Member

Mr. Saud Al Saleh is a Board Member of Emaar the Economic City. Previously, he held several positions including: Head of the Board of Trustees of the Riyadh Economic Forum, Chairman of SAIB-BNP Paribas Assets Management Company, Vice Chairman of American Express (Kingdom of Saudi Arabia) Limited (ASAL). Mr. Al Saleh was also a Board Member in: Saudi Arabian General Investment Authority (SAGIA), General Organization for Social Insurance (GOSI), Higher Education Fund and Saline Water Conversion Corporation (SWCC), Saudi Orix Leasing Company (SOLC), Boeing Industrial Technology Group L.P. (BITG), AMLAK International for Real Estate Development and Mortgage Finance and The Mediterranean & Gulf Cooperative Insurance & Reinsurance Co. (MEDGULF).

Mr. Al Saleh has more than 33 years of experience in Banking at The Arab National Bank in Riyadh followed by managerial positions at Saudi Investment Bank in Riyadh and he gradually advanced to become General Manager of Saudi Investment Bank. Following this, he was appointed at a Minister rank to the position of General Secretary of the Supreme Economic Council of the Kingdom of Saudi Arabia. Mr. Al Saleh, a Saudi national, holds a Bachelor of Science degree in Business Administration from Portland State University, Oregon, USA and an M.A. in Economics from The University of Rhode Island, USA. He has also completed many advanced courses in the Finance and Legal fields.

Mr. Abdul Elah Abdul Rahim Sabbahi
Board Member

Mr. Abdul Elah Abdul Rahim Sabbahi is currently the Chief Executive Officer of Dar Saleh, Kingdom of Saudi Arabia. He is also Chairman of Al Baraka Bank Tunisia and Al Baraka Bank Algeria, Chairman of Société Al Buhaira de Development et d'Investissement, Tunisia. He is also on the Boards and Chairman of a number of other international companies.

He has over 40 years' experience in International Banking and Business, the last three decades of which were with the Dallah AlBaraka Group in the Kingdom of Saudi Arabia, where he was the Executive Vice President of Finance and Human Resources. Mr. Sabbahi, a Saudi national, holds a Bachelor of Science Degree in Accounting from King Abdulaziz University, Saudi Arabia.

Mr. Fahd bin Ibrahim Al Mufarrij
Board Member

Mr. Fahd bin Ibrahim Al Mufarrij is a member of the Board of Directors of The Saudi Printing and Packaging Company, and Vice Chairman of Yaqeen Financial Company, which is considered one of the first investment companies in the Kingdom of Saudi Arabia.

Mr. Fahd Al-Mufarrij has more than 30 years of experience in the banking supervision field. Previously, he was a Board Member of Samba Financial Group, the Social Development Bank and the Saudi Moroccan Investment Company. Mr. Fahd also worked as Director of Banking Supervision at the Central Bank of Saudi Arabia until 2012. He has held memberships in several Committees, including the Basel Committee on Banking Supervision, the Basel Coordination Group, and other supervisory committees, in addition to training with many international bodies such as the International Monetary Fund, the World Bank, the British Financial Services Authority, the Singapore Monetary Agency, the Toronto Center for Executive Leadership, and others. He holds a Bachelor in Administrative Sciences from King Abdulaziz University.

Mr. Masood Ahmed Al Bastaki
Board Member

Mr. Masood Ahmed Al Bastaki is an executive banker with more than 35 years of experience in Banking and International Business ranging from Conventional Banking, Islamic Banking and International Investment Banking. He undertook various banking activities across multiple regions including the Middle East, North Africa, USA and Latin America as well as Europe and Asia. He previously worked in several banks, the most important of which are Bank of Bahrain and Kuwait, ABC Islamic Bank, JPMorgan Chase Bank, BMI Bank and Venture Capital Bank, and held several positions, most notably Head of Financial Institutions at JPMorgan Chase Bank, Head of Islamic Banking Department at BMI Bank and Chief Placement Officer at Venture Capital Bank. He is currently a Board Member of Family Microfinance House in Bahrain.

Mr. Al Bastaki's experience extends through the aviation industry where he held the position of founding partner and CEO of Aerolease Aircraft and Equipment Leasing Company. He was also the founding partner and managing director of Two Seas Equity Consulting Company.

He holds a Bachelor's Degree in Business Administration and Postgraduate Diploma in Business and Finance from University of Bahrain.

Mr. Musa Abdel-Aziz Shihadeh
Board Member

Mr. Musa Abdel-Aziz Shihadeh is currently Chairman of the University of Petra Company, Chairman of the Board of Trustees of the University of Petra, the Islamic Insurance Company, the Arab Company for the Manufacturing of Metal Pipes, the Omariya Schools Company and Sanabel Al-Khair for Financial Investments. He also has several other memberships in non-profit social and service organizations and establishments and is considered one of the few people/pillars who supported the Islamic banking industry in the Arab world and globally.

Mr. Shihadeh has over 60 years of experience in banking, finance and investment. He previously held several positions, the most recent of which was Chairman of the Board of Directors of Jordan Islamic Bank, and prior to that he held the position of CEO/General Manager of Jordan Islamic Bank. He also worked in several banks, including the Jordan National Bank and the Arab Bank Limited.

Previously, he held several memberships inside and outside Jordan, including membership in the Board of Directors of the Association of Banks in Jordan and Chairman of the Board of Directors of the Association of Banks in Jordan. Mr. Musa was also a member of the Accounting and Auditing Standards Board for Islamic Financial Institutions (AAOFI) in Bahrain from 1990 until 2002 and Chairman of the Accounting Committee for Accounting and Auditing Standards in Bahrain from 1995 until 2002.

Mr. Shihadeh has written many books and researches, and participated in several symposiums and seminars on Islamic banks. He holds Master in Business Administration from University of San Francisco, USA and Bachelor of Commerce from Beirut Arab University.

Mr. Naser Mohamed Ali Al Nuwais
Board Member

Mr. Naser Mohamed Ali Al Nuwais holds a variety of positions in several different corporations - Director General of Abu Dhabi Fund for Development, Chairman of Rotana Hotel Management Corp. Ltd and Aswaq Management & Services, located in Abu Dhabi, UAE. He also held other positions including Chairman of Arab Insurance Group in Bahrain and Board Member in Dana Gas Board of Directors in Sharjah, UAE from 2009 until 2019.

He has more than 40 years of experience in Business, Insurance and Real Estate Development. His outstanding work as a businessperson earned him a Lifetime Achievement Award at the Arabian Hotel Investment Conference in 2011 as well as Pioneer in the Tourism Industry in the Arab World Award in 2003. Mr. Al Nuwais acquired his BA degree in Business & Public Administration from New York University in 1974.

UNIFIED SHARI'A SUPERVISORY BOARD

The Unified Shari'a Supervisory Board of Al Baraka Group ("Shari'a Board" or "USSB") is elected for a three year term by the shareholders based on recommendations from the Board of Directors. The USSB Board has a central authority for issuing fatwas and Sharia decisions and monitoring fatwas issued by local Sharia boards. The Shari'a Board has the following responsibilities:

- Overseeing the operations and activities of the Group to ensure compliance with Islamic Shari'a principles
- Monitoring and reviewing transactions to ensure full compliance with the Board's decisions
- Reviewing files, records, and group documents at any time. The Shari'a Board can also request any information deemed necessary and approves all relevant documents relating to new products and services including contracts, agreements, marketing and promotional material, or other legal documents used in the Group's operations.

The Shari'a Board operates in accordance with its internal regulations, which clarify its policies, procedures and responsibilities. In carrying out its duties, the Shari'a Board has the right to communicate with the Board of Directors, the Executive Management, and the management and staff of the subsidiary Units in addition to reviewing and advising on Shari'a compliance in all products and services.

SHARI'A COMPLIANCE

ABG places great importance on Shari'a compliance, whether in the transactions of the ABG head office or of its subsidiaries. The compliance policy is in accordance with the Shari'a rules and principles stipulated in the standards of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the decisions of the Centralized Shari'a Supervisory Board. All Units of ABG are committed to comply with Shari'a standards issued by the AAOIFI, and fatwas and decisions circulated by the Shari'a Board to the extent that they do not conflict with local laws.

SHARI'A BOARD'S MEETINGS

The Shari'a Board meets at least 6 times a year. An annual retainer fee is paid to the members of the Board, in addition to a sitting fee for the members of the Board for each meeting attended, with compensation for travel expenses as required. No remuneration associated with the performance of the Group shall be paid to members of the USSB.

THE UNIFIED SHARI'A SUPERVISORY BOARD'S PROFILES

Shaikh Abdulla Bin Sulaiman Al Mannea
Chairman

Shaikh Abdulla Bin Sulieman Al Mannea holds a Master of Arts degree in Jurisprudence and Economics from the College of Finance in the Kingdom of Saudi Arabia. He is a member of the Permanent Committee for Scholarly Research and Ifta in the Kingdom of Saudi Arabia, a committee that includes prominent scholars in the Kingdom. He is also a member of a number of prestigious Islamic jurisprudential councils, including the International Islamic Fiqh Academy in Jeddah and the Muslim World League Islamic Fiqh Academy in Makkah, Kingdom of Saudi Arabia. He previously held the position of Chief Justice of the Supreme Court of Makkah, and is a member of the Shari'a Council of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) in the Kingdom of Bahrain. He also holds memberships in several Shari'a councils at Islamic financial institutions in the Kingdom of Saudi Arabia and the GCC.

Shaikh Dr. Abdullatif Mahmood Al Mahmood
Vice Chairman

Shaikh Dr. Abdullatif Mahmood Al Mahmood has a PhD in Islamic Jurisprudence and Shari'a from Zaytoona University in Tunisia, an MA in Comparative Jurisprudence from Al-Azhar University, and a Diploma in Education from Ain Shams University, Cairo. Since 2001, he has served as President of the Department of Islamic Studies and Arabic Language at the University of Bahrain (UoB), and has been a teacher of Islamic studies at UoB since 1985. He also holds memberships in several Shari'a Supervisory bodies in Islamic financial institutions including Bahrain Islamic Bank, Takaful, and the Arab Islamic Banking Association in Bahrain and London.

Shaikh Dr. Saad bin Nasser Al Shithry
Member

Shaikh Dr. Saad bin Nasser Al Shithry holds a PhD. from the College of Shari'a at Imam Muhammad bin Saud Islamic University in Riyadh. He is currently a Member of the Council of Senior Scholars in the Kingdom of Saudi Arabia and advisor to the Royal Court. He held a number of different positions at the College of Shari'a at Imam Muhammad bin Saud Islamic University where he commenced as a teaching assistant and then rose to the positions of Lecturer, Assistant Professor and Associate Professor. He has written as much as 65 books on comparative jurisprudence and principles of jurisprudence, in addition to many scientific research papers.

Shaikh Dr. Al Ayachi Al Saddig Fiddad
Member

Shaikh Dr. Al Ayachi Al Saddig Fiddad holds a PhD in Islamic Economics with excellent grades from Umm Al-Qura University in Makkah Al-Mukarramah, a Master's degree in the same specialty from the same university, and a Bachelor's degree in Islamic law - majoring in jurisprudence and fundamentals from the College of Shari'a - Umm Al-Qura University - Makkah Al- Mukarramah. He has had a total of 27 years' experience in the Islamic Development Bank Group in Jeddah and held a number of positions in the Islamic Institute for Research and Training - the Islamic Development Bank, most recently as Acting Director of the Consulting Services Division. He was a Member of the Shari'a Council of the Accounting and Auditing Organization for Islamic Financial Institutions in Bahrain, Member of the Shari'a Council of the International Islamic Rating Agency, Member of the Shari'a Committee of the Themar Fund of United Gulf Company, and expert in the International Islamic Fiqh Academy in Jeddah. He is currently a member of the Shari'a Standards Committee of the Accounting and Auditing Organization for Islamic Financial Institutions.

THE UNIFIED SHARI'A SUPERVISORY BOARD'S PROFILES (continued)

Mr. Yousif Hassan Khalawi
Member

Mr. Yousif Hassan Khalawi is a specialized practitioner of Shari'a, its principles and international law. He graduated from the College of Shari'a at Imam Muhammad bin Saud Islamic University with excellent grades. He holds a Master's degree in the principles of jurisprudence involving specialized emphasis on comparative law, international investment, arbitration and conflict resolution. He also received legal training in more than one global legal firm in Frankfurt, Geneva and London and later established a specialized legal group in London with branches in a number of countries in the world. He has held a teaching position at the College of Shari'a at Imam Muhammad bin Saud Islamic University in Riyadh. He has established a number of Islamic portfolios and investment funds since 2000, as well as a large number of companies owned by investors in more than 70 countries around the world. He is on the boards of several companies around the world, including the Saudi Center for Commercial Arbitration, Riyadh. He is also a member of the Board of Trustees of the Accounting and Auditing Organization for Islamic Financial Institutions.

Dr. Eltigani El Tayeb Mohammed
Vice President Shari'a Officer, Secretary of Unified Sharia Board

Dr. El Tigani El Tayeb Mohammed has over 14 years' extensive experience in Islamic banking and finance, with specialization in Islamic Banking law. He joined Al Baraka Group in November 2007.

Dr. Eltigani El Tayeb Mohammed is a Certified Shari'a Advisor and Auditor (CSAA) from the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and received his Doctorate degree in the principles of Islamic jurisprudence from University of Khartoum - Sudan, in addition to a Masters of Business Administration degree in principles of Islamic jurisprudence from Omdurman Islamic University - Sudan. He has also served as a professor at Sultan Zainal Abidin Religious College (KUSZA) and International Islamic University (HUM) in Malaysia.

Attendance at the meetings of the Unified Shari'a Supervisory Board

The Shari'a Board held 5 meetings in 2023. Below are the details of membership and the number of meetings attended:

Name	Position	Number of meetings attended
Shaikh Abdulla Bin Sulieman Al Mannea	Chairman	5
Shaikh Dr. Abdullatif Mahmood Al Mahmood	Vice Chairman	5
Shaikh Dr. Saad bin Nasser Al Shithry	Member	4
Shaikh Dr. Al Ayachi Al Saddig Fiddad	Member	5
Mr. Yousif Hassan Khalawi	Member	4

EXECUTIVE MANAGEMENT

The Board of Directors has delegated to the Group's Executive Management team the primary responsibility for implementing the strategy of the Group, identifying and evaluating significant risks to the business of the Group and for the design and operation of appropriate internal controls. Its other responsibilities include: ensuring that resolutions of the Board of Directors are carried out; ensuring that the Group operates at all times in accordance with the principles of Shari'a and that the decisions and recommendations of the Unified Shari'a Supervisory Board are carried out; providing the Board of Directors with analysis, assessments and recommendations regarding the Group's activities and supplying the CBB with all information required under the CBB Law and relevant regulations. The Executive Management disseminates to the Group Units strategic and other central decisions taken at the parent level, and ensures the implementation of Group wide policies and common operational processes and procedures.

As at the end of 2023, the Executive Management Team consisted of the Group Chief Executive Officer, and the Heads of Credit & Risk Management, Internal Audit, Treasury & Financial Institutions, Corporate Communications & Branding, Strategic Planning & Investments and Investor Relations, Sharia Internal Audit, Group Compliance, Governance & Board Affairs and MLRO, Finance, Operations & Support and Sharia Officer and Chief Digital Officer. The Executive Management exercises control via a number of committees with specific responsibilities, among which are:

Executive Management Committee

The Executive Management Committee's role is to secure the performance and execution of the strategic objectives of the Group, implementing the operational and other decisions of the Board of Directors in addition to any other matters that are delegated to the Group management by the Board of Directors or by the Group Chief Executive Officer. The Committee is chaired by the Group Chief Executive Officer with the remaining membership comprising of the Heads of Credit & Risk Management, Treasury & Financial Institutions, Finance, Compliance, Governance & Board Affairs and MLRO, Strategic Planning & Investments and Investor Relations, Information Technology, Operations & Support, Corporate Communications & Branding, Sharia Officer and Chief Digital Officer; with Head of Internal Audit and Head of Shari'a Internal Audit as Observers.

Asset and Liability Committee

The committee's mandate is to monitor the structure of the Group's Head Office assets, liabilities and off-balance sheet exposures in order to maximize shareholder value, improve profitability, enhance capital and protect against adverse financial conditions. Liquidity risk, profit rate risk, market risk and capital adequacy is monitored through the committee and decisions to mitigate such risks are executed by the Treasury and Financial Institutions Department.

The committee also ensures that the Group Head Office maintains adequate liquidity and appropriate funding arrangements to meet business needs, expansion plans and regulatory requirements.

The committee is chaired by the Group Chief Executive Officer and its members are the Head of Credit & Risk Management, Head of Treasury and Financial Institutions, Head of Strategic Planning & Investments & Investor Relations and Head of Finance.

EXECUTIVE MANAGEMENT (continued)

Head Office Credit Committee

The Head Office Credit Committee "HOCC" is the authority that approves credits and considers issues of Group credit policy and Group credit exposures, problem credits and provisioning levels. The Committee is chaired by the Group Chief Executive Officer with the remaining membership being drawn from among the Executive Management which include the Head of Risk Management.

Risk, Compliance & Audit Committee

The Risk, Compliance & Audit Committee's mandate is to ensure appropriate oversight is provided and that proper actions are taken in the areas of risk, compliance and audit in line with the Central Bank of Bahrain (the "CBB") and local regulators (where applicable), Board of Directors/Board Committees requirements and best practices.

The Committee is chaired by the Group Chief Executive Officer ("GCEO") and composed of several members of ABG's executive management which includes the Heads of Credit & Risk Management, Internal Audit, and Shari'a Audit and Compliance.

Human Resources & Compensation Committee

The role of the Human Resources & Compensation Committee is to review the Human Resources policies, management and planning at the Group's Head Office. The Committee is chaired by the GCEO and the other members are the Head of Operations and Support and Head of Finance.

Head Office Insiders Committee

The Head Office Insiders Committee was set up in accordance with the guidelines issued by the CBB and the Bahrain Bourse (BHB), for the purpose of ensuring the maintenance of a fair, orderly and transparent securities market, and enhancing and developing the practices relating to the risk management systems and internal controls within listed companies and similar institutions. The Committee is responsible for monitoring and supervising issues related to insiders in order to regulate their dealings in the Group's securities, and to ensure that Group insiders are acquainted with and aware of the legal and administrative requirements regarding their holdings and dealings in the Group's securities. Furthermore, it is responsible for preventing the abuse of inside information by such insiders. The Committee is chaired by the GCEO and the other members are from among the executive management team.

Other Committees

The Executive Management also forms ad hoc committees, as and when required, to address specific initiatives in which the Group may be engaged from time to time.

EXECUTIVE MANAGEMENTS' PROFILES

Mr. Houssem Ben Haj Amor
Board Executive Member & Group Chief Executive Officer

Mr. Houssem Ben Haj Amor became a Board Member and Group Chief Executive Officer of Al Baraka Group (ABG) on October 24, 2022. He is also the Chairman of Al Baraka Turkey and a Board Member of Al Baraka South Africa, Jordan Islamic Bank, Al Baraka Egypt, Al Baraka Algeria and was a Board member of Al Baraka Tunisia until March 2023.

Mr. Amor has over 23 years of experience in the Finance industry across the Middle East, Europe and North Africa. Before his current role, he was ABG's Deputy CEO and Head of Business Development and Investments. He developed products and business initiatives across the Group, managed commercial banking and treasury functions, and was in charge of the Group's strategy department.

Prior to ABG, Mr. Amor served as Chief Financial Officer at Amlak Finance UAE, a Sharia Compliant Finance Company, listed on the Dubai Financial Market and regulated by the UAE Central Bank.

Earlier, Mr. Amor spent 10 years at SHUAA Capital, a leading GCC financial institution listed on Dubai Financial Market and regulated by the UAE Central Bank. With a solid finance background, he started as Head of Accounting and quickly progressed his career to become the Group Chief Financial and Operating Officer then Group General Manager.

Mr. Amor began his career with Arthur Andersen/Moore Stephens before joining Societe Generale banking group.

Mr. Amor is a result-focused senior executive and trilingual Certified Public Accountant. Through his career, he acquired valuable experience working with all regulators across MENA as well as operating at the Board level of several listed and regulated organizations.

Mr. Azhar Aziz Dogar
Senior Vice President – Group Head of Credit and Risk Management

Mr. Azhar Aziz Dogar has over 30 years of international banking experience that includes ME&A/GCC and Asia regions with short assignments in U.K., Netherlands and U.S.A. His banking experience encompasses credit and risk management covering all business segments inclusive of corporate/investment banking, commercial/middle market, private and retail banking.

Over the years, his work also involved corporate strategy and buy-side due diligence on financial sector acquisitions. He commenced his career with Citigroup in its investment banking division and later moved to ABN AMRO Bank taking on a variety of leadership roles including Deputy Regional Risk Manager for MENA and Head of Credit Portfolio Management. Within the credit and risk management area, he has held a number of senior positions including Chief Risk Officer for DIB Capital (wholly owned subsidiary/investment banking arm of Dubai Islamic Bank), Chief Risk Officer of SAMBA Capital in Saudi Arabia and Chief Risk Officer of National Bank of Abu Dhabi for its corporate and investment banking business. Prior to joining Al Baraka Group, his last role with National Bank of Abu Dhabi was as the Chief Credit Officer for Wholesale & International Banking. He has also been a board member of Dubai Islamic Bank in Pakistan. Within banking, he has worked across 3 lines of defense - i.e., risk taking, risk oversight and risk assurance. His experience entails both working for conventional and Islamic banks. Mr. Dogar is a graduate of University of Pennsylvania and Brown University, USA with a Bachelors and Masters in Economics. His Masters' thesis was in Islamic Finance.

EXECUTIVE MANAGEMENTS' PROFILES (continued)

Mr. Mohammed Al-Alawi

Senior Vice President - Head of Internal Audit

Mr. Mohammed Alawi Al-Alawi has over 26 years of external and internal audit experience, mainly in Islamic banks. He reports directly to the Audit Committee of the Board of Directors of ABG and also acts as Secretary of the Committee. He participates as an observer member in Audit Committee meetings of ABG's subsidiaries. Previously Mr. Al-Alawi worked as an Internal Audit manager in Ithmaar Bank prior to which he worked in leading audit firms such as PricewaterhouseCoopers and Ernst & Young. Mr. Al-Alawi is an FCCA - Fellow of the Association of Chartered Certified Accountants, U.K. and ICAEW - member of the Institute of Chartered Accountants in England & Wales.

Mr. Suhail Tohami

Senior Vice President - Head of Treasury, Investments & Financial Institutions

Mr. Suhail Tohami has more than 26 years of experience in both conventional and Islamic banking and other diversified businesses. His most recent position was SVP - Head of Treasury & Placement at Seera Investments, Bahrain for almost 12 years having established, developed and managed the Treasury department since inception and also managing Shareholder and Investor relations. Prior to Seera, his banking experience included more than 7 years at BBK, Bahrain with exposure to all Treasury functions including fixed income portfolio manager, FX and interest-rate trading, and heading the money market and liquidity management function. Mr. Tohami is a member of the CFA Institute and is a holder of the Chartered Financial Analyst (CFA) designation. He also holds a Certified Public Accountant (CPA) designation from University of Illinois and is a member of the American Institute of Certified Public Accountants. Mr. Tohami holds an Executive MBA Degree with distinction and first-class honors and a Bachelor's Degree in Accounting with distinction from the University of Bahrain.

Dr. Mohammed Mustapha Khemira

Senior Vice President – Head of Strategic Planning, Investments & IR

Dr. Mohamed Mustapha Khemira has over 27 years of experience mostly in Islamic finance and banking services, in addition to management consulting and education. He joined the Strategic Planning Department at ABG in 2017, and was appointed as Head of Strategic Planning in November 2019. In addition to his duty as Head of Strategic Planning, Investments & IR, he currently represents ABG as a member of the Boards of Directors and related Board Committees of Al Baraka Algeria, Al Baraka Tunisia and Al Baraka South Africa.

Prior to joining ABG, Dr. Khemira worked in different managerial positions with prominent global and GCC-based institutions. He served as the Head of Sharia Structuring and Coordination as well as Head of the Sharia Department at Emirates Islamic Bank for more than eight years. Before that, he co-founded Taaleem PJSC and Beacon Education LLC in Dubai, and served as Chief Operating Officer of Taaleem for a year. Earlier, he worked with McKinsey & Company for 3 years at the firm's Dubai office.

Dr. Khemira started his career in Islamic banking with Faysal Islamic Bank of Bahrain in the mid-nineties, where he served in various capacities, the last being Vice President Corporate & Investment Banking. He commenced his career in the USA as a Financial Software Developer in 1996.

Dr. Khemira holds a Ph.D. and a M.Sc. in Mechanical Engineering from the Massachusetts Institute of Technology (MIT) in Cambridge, MA, USA with a minor in Management. He completed his B.Sc. in Mechanical Engineering from University of Minnesota, Minneapolis, USA in 1986.

In 2019, he completed a Professional Certificate program from MIT in "Digital Transformation from AI and IoT to Cloud, Blockchain and Cybersecurity".

Mr. Abdul Malek Mezher

Senior Vice President - Group Head of Compliance, Governance & Board Affairs and MLRO

Mr. Abdul Malek Mezher joined ABG in November 2019 and has over 19 years of experience in Compliance, AML/CTF, Operational Risk, Corporate Governance and Board Secretariat in Banking and Asset Management sectors. Prior to joining ABG, he worked for Alistithmar Capital, the subsidiary of Saudi Investment Bank, as Head of Corporate Governance besides handling matters related to Board Affairs.

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

Mr. Ali Asgar Mandasorwala

First Vice President – Head of Finance

Mr. Ali Asgar Mandasorwala possesses a rich experience of over 29 years in the Finance and Accounting discipline, of which over two decades were in the financial services sector in the UAE and the Kingdom of Bahrain. He joined Al Baraka Group in the year 2008.

As a key member of the Executive Management at the Group's Headquarters, Mr. Mandasorwala is responsible for reporting to the ABG Board and Executive Management on budgetary control and performance. He is also responsible for regulatory matters, including reporting to the Central Bank of Bahrain. His other responsibilities include the financial statements of the Group as well as oversight of the financial performance of all subsidiaries. Mr. Mandasorwala has played a crucial role in several due diligence projects in the acquisition of group subsidiaries, apart from several capital raising plans at the Group and subsidiary level. His additional responsibilities included the implementation of appropriate controls and processes in the Finance department.

Prior to joining Al Baraka Group, Mr. Mandasorwala was a Management Accountant (Derivatives & Hedge Funds) at Abu Dhabi Investment Authority, UAE.

Mr. Mohsin Dashti

First Vice President – Head of Special Projects

Mr. Mohsin Dashti has over 21 years of experience in the Islamic & Investment Banking industry and audit field. He started his career with KPMG in 2002 in the Audit and Advisory Services, then joined Al Baraka Group in 2005 in the Finance Department. He has also served in Seera Investment Bank during the period from 2007 to 2010 in the Financial Control. He was appointed earlier as a board member and audit committee member in Itqan Capital in the Kingdom of Saudi Arabia.

At Al Baraka Group he has held several leading positions until he was appointed as the Head of Special Projects reporting to the Group Chief Executive Officer.

Mr. Dashti is a Fellow Chartered Certified Accountant (FCCA) from the United Kingdom, Certified Islamic Public Accountant (CIPA) and holds a Bachelor of Science degree in Accounting with honors from the University of Bahrain.

EXECUTIVE MANAGEMENTS' PROFILES (continued)

Mr. Mohammed Abdullatif Al Mahmood
First Vice President - Head of Internal Shari'a Audit

Mr. Mohammed Abdullatif Al Mahmood has more than fifteen years' experience in Internal Shari'a Audit. He has been with ABG since August 2007 and was responsible for establishing the Internal Shari'a Audit function and auditing its subsidiaries. Earlier he worked as Research and Teaching Assistant in Bahrain University and also as a lawyer in a local firm where he was admitted to practice before all Bahraini courts for over four years. He has been appointed as a working group member to participate in formulating a certain AAOIFI standard. Mr. Al Mahmood is a Certified Shari'a Advisor and Auditor (CSAA) and holds a Master's degree in Islamic Jurisprudence and its foundations from Jordan University in addition to a Bachelor of Arts degree in Shari'a and Law from Azhar University.

Mr. Mohammed Jamsheer
First Vice President – Head of IT

Mr. Mohammed Jamsheer is a seasoned executive with over 20 years of experience in Information Technology and Banking. He is currently the Head of Information Technology at Al Baraka Group, where he drives the implementation of the Group's technologies and develops IT infrastructure to enhance its services and customer experience. Mr. Jamsheer is also a Board Member of Al Baraka Bank Algeria.

Before joining Al Baraka Group, Mr. Jamsheer held several roles at Arcapita Bank, Labour Market Regulatory Authority (LMRA), and Electronic Data Systems (EDS), where he developed and implemented IT governance, oversaw project management, and improved IT operations.

Mr. Jamsheer holds an MBA from the New York Institute of Technology (NYIT) and a BSc in Computer Information Systems from Strayer University in Washington DC, USA, as well as leading industry certifications including CISA, CGEIT, and PMP.

Mr. Fouad Janahi *
First Vice President - Head of Operations & Support

Mr. Fouad Janahi has a diverse and rich banking experience spanning 35 years in the areas of internal audit, compliance, operations, financial control and financial institutions. Mr. Janahi joined Al Baraka Group in October 2004, in the Internal Audit department, where his responsibilities included the internal audit of the Group and its subsidiary Units. He was also entrusted with special tasks related to compliance as Deputy MLRO of the Group before he moved to the Treasury department to supervise all tasks related to the development of the Group's relationships with financial institutions.

Prior to joining the Group, Mr. Janahi worked in several Arab and international banks in the internal audit and financial control and operations functions. Notable amongst these are his engagement with Al-Amin Bank (a subsidiary of ABG) and Abu Dhabi Islamic Bank in the Internal Audit Department. Earlier on in his career, Mr. Janahi worked for Shamil Bank, Faysal Islamic Bank, Arab Banking Corporation and ABC Investment and Services Co. (E.C.), in the Internal Audit, Financial control and Operations disciplines.

Mr. Janahi holds a master of business administration degree in Banking and Finance from the University of Hull, UK.

* Mr. Fouad Janahi retired from Al Baraka Group on 31st December 2023.

Dr. Eltigani El Tayeb Mohammed
Vice President Shari'a Officer, Secretary of Unified Sharia Board

Dr. El Tigani El Tayeb Mohammed has over 14 years' extensive experience in Islamic banking and finance, with specialization in Islamic Banking law. He joined Al Baraka Group in November 2007.

Dr. Mohammed is a Certified Shari'a Advisor and Auditor (CSAA) from the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and received his Doctorate degree in the principles of Islamic jurisprudence from University of Khartoum - Sudan, in addition to a Masters of Business Administration degree in principles of Islamic jurisprudence from Omdurman Islamic University - Sudan. He has also served as a professor at Sultan Zainal Abidin Religious College (KUSZA) and International Islamic University (HUM) in Malaysia.

COMPLIANCE, POLICIES AND PROCEDURES

Group Compliance

The ABG Group is committed to complying with the ever- increasing international regulatory requirements. Group Compliance supports the Group Units, updating and reviewing compliance related policies on an ongoing basis and formulating framework. There is a continual drive to enhance the compliance culture through investment in advanced systems, controls, developing staff skill sets and awareness.

The Group has consistently displayed a bold commitment in refraining from engaging in any business ventures that could potentially compromise adherence to relevant laws, regulations, and regulatory standards..

The Group Compliance ("GC") department has formulated a Group compliance Management Programme for implementation throughout the ABG Group. They reflect the following core principles and practices which are firmly embedded in ABG and all its subsidiaries:

- comply with both the text and the spirit of all applicable laws, rules and regulatory standards;
- conduct business strictly in accordance with all regulatory and ethical standards;
- encourage a strong compliance culture, with every individual held personally responsible for compliance;

ABG and its subsidiaries continue to enhance the compliance related policies, procedures and framework. Staff skills are upgraded by providing current and targeted training in all areas of financial crime compliance requirements. Systems and automated tools are being introduced, as required, to improve compliance standards throughout the Group.

COMPLIANCE, POLICIES AND PROCEDURES (continued)

An Independent Function

Group Compliance at ABG is an independent function responsible for:

- proactively identifying and evaluating compliance risks;
- developing and implementing compliance policies, programs and plans;
- monitoring, managing, mitigating and reporting compliance risks;
- monitoring, investigating and reporting compliance breaches, incidents and risks; and
- advising management and staff on compliance and regulatory matters.

The GC reports to the Board Compliance & Governance Committee and provides independent oversight on behalf of the Board of Directors. It has access to the Board of Directors whenever deemed necessary. In addition, the GC has the right and the authority to contact the Central Bank of Bahrain (CBB), as and when considered necessary.

The GC is supported by dedicated compliance teams in all ABG subsidiaries. At the Group level, the GC is responsible for coordinating the identification and management of the ABG Group's financial crime compliance risks, in collaboration with local Heads of Compliance in each of the subsidiaries.

Throughout its network of offices, ABG has issued written guidelines for staff, which describe the appropriate implementation of laws, regulations, rules and standards through policies and procedures, including the overarching Group Compliance Policy. This policy requires officers and staff from all subsidiaries to comply with relevant laws, rules, regulations and standards of best market practices.

In ABG, compliance risks fall broadly into the following categories:

- Regulatory Compliance, Foreign Account Tax Compliance Act and Common Reporting Standard (FATCA/CRS);
- Anti-Money Laundering , Countering Financing of Terrorism and countering proliferation finance ; and
- International Sanctions;

Regulatory Compliance and Corporate Governance

At the Group level, policies are continuously developed for managing compliance risks in all the above categories. These policies are systematically cascaded down to the Units, which adapt and implement them in accordance with local regulatory requirements. ABG has a strict Code of Conduct in place that all employees must adhere to at all times. The Code sets out to deter wrongdoing and to promote ethical conduct and fair treatment of customers. It outlines the responsibilities of all members of the ABG, its officers and staff, who are expected to read, understand and uphold these standards and principles at all times.

ABG also has a Whistleblowing policy in place, which provides a formal channel for staff to report any unethical conduct, gross mismanagement or corporate wrongdoing. Staff members are encouraged to report their concerns through specified secure communication channels which protect their identities, without fear of reprisal or victimization.

ABG has in place a Group Compliance Policy for application of FATCA/CRS reporting throughout the Group. ABG Units have implemented their own procedures, processes and systems for FATCA reporting in each location, subject to local regulatory requirements and models. ABG has made substantial investments in enhancing systems and training employees in order to ensure that a proper framework is in place. ABG Group compliance policy is also in place for CRS reporting. Reporting on relevant persons is done in accordance with the respective deadlines.

Anti-Money Laundering, Countering Financing of Terrorism, and Countering Proliferation Financing (AML/CFT/CPF)

Risks relating to financial crime are proactively managed at the Group and unit levels. ABG is committed to complying with AML/CFT/CPF laws and regulations, as well as the recommendations of the Basel Committee and Financial Action Task Force (FATF) along with the international best practices. These laws, regulations and recommendations are reflected in the AML/CFT/CPF policies of ABG and each of its Units. The Group has strict Know Your Customer (KYC) policies, which include detailed requirements for identifying and verifying customers. These policies preclude the operating units from establishing new business relationships until all relevant parties to the relationship have been identified and verified, and the nature of the business they expect to conduct has been clearly established.

In line with the requirements of the CBB and the Group AML/CFT/CPF Policy, suitably qualified Money Laundering Reporting Officers (MLROs) are appointed in all Units. The MLROs are responsible for ensuring compliance with all relevant laws, regulations and policies in respect of AML/CFT/CPF. They also have the responsibility of reviewing and monitoring customers and transactions, and reporting to their respective host regulators any suspicions concerning them.

At the Group level, ABG has appointed a Group MLRO, who is responsible for formulating and implementing ABG's AML/CFT/CPF strategies and policies on an ongoing basis. The Group MLRO coordinates the activities of each subsidiary's MLRO, overseeing appropriate AML/CFT/CPF training for all relevant staff, and reporting to the Board Compliance and Governance Committee and the Board of Directors on all critical money laundering issues.

International Sanctions

Owing to the raft of sanctions imposed by local and international regulatory bodies, sanctions compliance is one of the primary challenges faced by banks today, particularly those operating across multiple geographies. Breaches of sanctions expose banks to significant regulatory, reputational and commercial risks, including potential financial losses. As evidenced by the large number of cases reported and the very sizeable fines imposed, sanctions risk has become one of the most serious risks faced by banks worldwide.

Being mindful of such risks, ABG has formulated a strategy and policy for managing sanctions risk at the Group level and implemented it across all Units. The Group is increasing staff awareness of sanctions compliance and investing in appropriate screening systems to manage and minimize sanctions risk. A Group Sanctions Policy is implemented throughout its network in order to ensure uniform standards of adherence to all relevant sanctions orders. This policy sets out various restrictions and prohibitions relating to customers and transactions subject to sanctions. These restrictions sometimes extend beyond the strict requirements of applicable laws in order to safeguard ABG's reputation and standing.

COMPLIANCE, POLICIES AND PROCEDURES (continued)

Group Disclosure Policy

The Group communication strategy aims to keep the market informed of material information in a timely, accurate and balanced manner. The Group's communications with the market ensures compliance with the CBB's rules as detailed in the CBB Disclosure Standards as specified under the CBB Capital Markets Regulations.

Material information is any information, financial or non- financial, relating to the business and affairs of ABG, or any of ABG's subsidiaries that results in, or would reasonably be expected to result in, a significant change in the market price of the ABG's shares or in the decision of a prudent investor to sell, buy or hold the ABG's shares or cause to change a prudent investor's decision to transact or refrain from transacting with the ABG or its subsidiaries. Material information consists of, but is not limited to, both material facts and material changes relating to the business and affairs of the Group and ABG's subsidiaries.

In order for the Group to comply fully with the CBB disclosure requirements as specified in the CBB Rulebook, the Group will disclose all the required information in its published quarterly reviewed financial statements, and its annual audited financial statements, and any applicable ad hoc information requirement of the CBB from time to time.

Further, as a listed company on the Bahrain Bourse (BHB), ABG is committed to adhering on a timely basis to all periodic information dissemination requirements of the BHB, as stipulated in its respective regulations and directives.

Additionally, the Group will publicly disclose and broadly disseminate material information immediately upon becoming aware of circumstances or events that underlie such material information, or when a decision to implement a material change is made by the Board of Directors or the Executive Management. As a listed company, ABG adheres to a strict policy, which delegates to certain specific individuals the authority to issue press releases or make announcements to the public, financial or non-financial, about the Group.

In the event that any of the authorized individuals is requested to make statements relating to the financial statements, financial indicators or general financial performance of the Group, that person will consult and/or confirm with the Head of Finance with regard to the accuracy, timeliness and reliability of the information prior to making any public announcements.

The Group distributes its Financial Statements and Prudential Returns to the CBB and BHB on a quarterly and an annual basis. Then the Group makes this information available on its website.

Press releases are posted on ABG's website and published in Arabic and English. Persons authorized by the Group to make public disclosures will not make any announcement on a one-to-one basis before disseminating the information on the Group's website or in local newspapers as appropriate.

ABG has in place an effective framework for dealing with complaints received from its shareholders and other stakeholders. Different channels have been established to enable communication with investors, including through the offices of the Registrar, an online enquiry centre on ABG website and dedicated telephone and facsimile lines. All complaints received are transmitted to the concerned department, the Executive Management and the Board. In accordance with the CBB's disclosure requirements, the Group maintains at least the previous three years' financial performance information on its website.

Regulations

ABG complies with all the regulatory requirements governing Investment Firms issued by the CBB, which include, inter alia, regulations governing ABG's capital adequacy, asset quality and risk management, liquidity and fund management and corporate governance.

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

The CBB requires each Bahrain-based Investment company under

Category 1 to maintain a minimum capital of BHD 1.0 million and minimum capital adequacy ratio not lower than 110%.

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

Related Party Transactions

Dealings with persons or entities connected with the Group (including directors and shareholders) are called "related party transactions". The Group treats all such transactions at arm's length and requires that they have the specific approval of the Board. If a director is an interested party, he is required to abstain from voting on the respective matter. The Related Party Transactions pertaining to 2023 are reflected in Note 25 to the Consolidated Financial Statements.

Code of Business Conduct and Ethics

ABG maintains a board-approved policy on the employment of immediate family members or other relatives of employees. The policy prohibits the employment and internal transfers where applicable, of first and second-degree relatives. However, the policy permits third- and fourth-degree relatives to be employed in positions other than where there is an actual, potential or perceived conflict of interest, or an opportunity for collusion. The Human Resources department is responsible for examining potential applications for employment to check whether there is likely to be an actual or potential conflict of interest as defined by the Group's policies, with particular reference to the code of conduct and conflict of interest policies.

The Group has a special policy regarding the appointment of accredited employees who are related to the members of the Shari'a Board. The policy states that the appointment of any individual who is related to an accredited employee or to a member of the Shari'a Board must take place after it is declared to the Board of Directors or to the Shari'a Board, depending on the circumstances. The Shari'a Board member must refrain from participating or voting on any decision related to the accountability, judgement of behavior, appointment, or specification of the dues of an accredited employee if he is related to one of them in the first or second degree.

COMPLIANCE, POLICIES AND PROCEDURES (continued)

Anti-bribery & Corruption ("ABC")-Programme

The Group values its reputation and has a commitment to upholding the highest ethical standards in the conduct of business activities. The Group views bribery as prohibited and expects all staff, Directors and associated persons to adopt high standards of conduct and ensure compliance with this policy and the Bahrain Penal Code. These standards are the minimum requirements based on legal and regulatory rules applicable to the Group.

All employees of the Group are expected to have complete familiarity with the contents of the ABC Programme, be fully aware of their roles and responsibilities and should always act in the spirit rather than just the letter of the Programme. Any non-compliance shall trigger personal liability such as fines and imprisonment, or disciplinary action.

Units are required to develop their own ABC programme, which must incorporate the requirements of the Group ABC programme as a minimum, adding additional requirements in accordance with local laws, regulations and practices. Wherever local regulations are higher than the requirements set in this Programme, the higher standards must be applied. If any applicable laws conflict with this Programme, the relevant unit must consult their local legal department and the Head of Group of Compliance to resolve the conflict and as applicable, report the same to the ABG Compliance & Governance Committee.

The Group's ABC Programme does not tolerate breaches of any of the following:

- applicable laws, rules & regulations;
- generally accepted practices and standards in relation to anti-corruption;
- fines or other enforcement actions in regard to anti-corruption.

The Group views combating bribery and corruption as an integral part of its risk management strategy, and not merely a stand- alone requirement imposed by the regulatory authorities.

Any material or systemic breaches shall be reported to the Board's Compliance & Governance Committee. The Group ABC Programme aims to set out the basic framework to detect, prevent and suppress acts of bribery and corruption at the Group. The Board of Directors has adopted this policy which demonstrates the Group's adherence to applicable ABC legal and regulatory requirements and the highest of professional standards.

REMUNERATION POLICY AND RELATED DISCLOSURES

The Group's total compensation approach, which includes the variable remuneration policy, sets out the Group's policy on remuneration for Directors and senior management and the key factors that are taken into account in setting the policy.

Through the remuneration framework summarized below, the Group aims to comply with the CBB's regulations concerning Sound Remuneration Practices and Article 188 of the Bahrain Commercial Companies law, 2001.

Remuneration Strategy

It is the Group's basic compensation philosophy to provide a competitive level of total compensation to attract and retain qualified and competent employees. The Group's variable remuneration policy is driven primarily by a performance-based culture that aligns employee interests with those of the Group's shareholders. These elements support the achievement of the Group's objectives, through balancing rewards for both short- term results and long-term sustainable performance. The Group's strategy is designed to share its success, and to align employees' incentives with its risk framework and risk outcomes.

The quality and long-term commitment of all of the Group's employees is fundamental to its success. The Group therefore aims to attract, retain and motivate the very best people, who are committed to maintaining a career with the Group, and who will perform their role in the long-term interests of its shareholders.

The Group's reward package is comprised of the following key elements:

1. Fixed pay;
2. Benefits;
3. Annual performance bonus; and
4. The Long-Term Performance Incentive Plan.

A robust and effective governance framework ensures that the Group operates within clear parameters of its compensation strategy and policy. All compensation matters, and overall compliance with regulatory requirements, are overseen by the Board Nomination & Remuneration Committee (BNRC) and approved by the Board of Directors thereafter.

The Group's remuneration policy, in particular, considers the role of each employee and sets guidance on whether an employee is a "Material Risk Taker" and/or an "Approved Person" in a business line, control or support function. An Approved Person is an employee whose appointment requires prior regulatory approval because of the significance of the role within the Group, while an employee is considered a Material Risk Taker if either he/she is the head of a significant business line, or any individuals within their control have a material impact on the Group's risk profile. In order to ensure alignment between what the Group pays its people and its business strategy, the Group assesses individual performance against annual and long-term financial and nonfinancial objectives, summarized in its performance management system. This assessment also takes into account adherence to the Group's values, risks and compliance measures and, above all, acting with integrity. Altogether, performance is therefore judged not only on what is achieved over the short and the long-term but also importantly on how it is achieved, as the BNRC believes the latter contributes to the long-term sustainability of the business.

REMUNERATION POLICY AND RELATED DISCLOSURES (continued)

Board Nomination and Remuneration Committee ("BNRC") Role and Focus

The BNRC has oversight of all reward policies for the Group's employees. The BNRC is the supervisory and governing body for compensation policy, practices and plans. It is responsible for setting the principles and governance framework for all compensation decisions. The BNRC ensures that all persons must be remunerated fairly and responsibly. The remuneration policy is reviewed on a periodic basis to reflect changes in market practices, the business plan and risk profile of the Group.

The responsibilities of the BNRC with regard to the Group's variable remuneration policy, as stated in its mandate, include, but are not limited to:

- Approving, monitoring and reviewing the remuneration system to ensure the system operates as intended;
- Approving the remuneration policy and amounts for each Approved Person and Material Risk Taker, as well as total variable remuneration to be distributed, taking account of total remuneration including salaries, fees, expenses, bonuses and other employee benefits;
- Ensuring remuneration is adjusted for all types of risks and that the remuneration system takes into consideration employees who earn the same short-run profit but take different amounts of risk on behalf of the Group;
- Ensuring that, for Material Risk Takers variable remuneration forms a substantial part of their total remuneration;
- Reviewing the stress testing and back testing results before approving the total variable remuneration to be distributed, including salaries, fees, expenses, bonuses and other employee benefits;
- Carefully evaluating practices by which remuneration is paid for potential future revenues whose timing and likelihood remain uncertain; the BNRC will question pay-outs for income that cannot be realized or whose likelihood of realization remains uncertain at the time of payment;
- Ensuring that, for approved persons in risk management, internal audit, operations, finance and compliance functions, the mix of fixed and variable remuneration is weighted in favor of fixed remuneration;
- Recommending Board members' remuneration based on their attendance and performance, and in compliance with Article 188 of the Bahrain Commercial Companies law;
- Ensuring disclosure of all the remunerations received by the Chairman and members of the Board of Directors, each separately, during the fiscal year, including any benefits, privileges, share of profits, attendance allowance, representation allowance, expenses, etc. The disclosure should include what the members received as employees, administrators, technical works, or administrative, advisory or any other works, using the forms prepared by the Ministry of Industry& Commerce; and
- Ensuring appropriate compliance mechanisms are in place to make sure that employees commit themselves not to use personal hedging strategies or remuneration and liability- related insurance to undermine the risk alignment effects embedded in their remuneration arrangements.

The aggregate remuneration paid to BNRC members during the year in the form of sitting fees amounted to US$ 36 thousand (2022: US$ 36 thousand); other details concerning BNRC membership are disclosed elsewhere in this report.

This corporate governance report discloses the total amount received by members of the executive management of ABG.

As required by the Ministry of Industry & Commerce, the Board of Directors' Report is required to disclose the total amounts received by the top six managers (including the GCEO and the Senior Financial Officer) who received the highest remunerations during the fiscal year, including any salaries, benefits, shares, and a share in the profits, as applicable.

Scope of Application of the Remuneration Policy

The remuneration policy has been adopted on a Group-wide basis.

Board Remuneration

The Board of Directors' remuneration is determined in line with the provisions of Article 188 of the Bahrain Commercial Companies law, 2001. Board remuneration is subject to approval of the shareholders in the Annual General Meeting. Remuneration of non-executive Directors does not include performance-related elements such as grants of shares, share options or other deferred stock-related incentive schemes, bonuses or pension benefits.

Variable Remuneration for Staff

Variable remuneration is performance related and consists primarily of the annual performance bonus award. As a part of the staff's variable remuneration, the annual bonus rewards delivery of operational and financial targets set each year, the individual performance of the employees in achieving those targets, and their contribution to delivering the Group's strategic objectives.

The Group has adopted a Board-approved framework to develop a transparent link between variable remuneration and performance. The framework is designed on the basis of both meeting satisfactory financial performance and the achievement of other non-financial factors that will, all other things being equal, deliver a target bonus pool for employees, prior to consideration of any allocation to business lines and employees individually.

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

Remuneration of Control Functions

The remuneration level of staff in the control and support functions is maintained at a level, which enables the Group to attract and thus employ qualified and experienced personnel in these functions. The Group ensures that the mix of fixed and variable remuneration for control and support function personnel is weighted in favor of fixed remuneration. The variable remuneration of control functions is based on function-specific objectives and is not determined by the financial performance of the business areas they monitor.

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

REMUNERATION POLICY AND RELATED DISCLOSURES (continued)

Variable Compensation for Business Units

The variable remuneration of the Business Units is primarily determined by key performance objectives set through the performance management system of the Group. Such objectives contain financial and non-financial targets, including risk control, compliance and ethical considerations, as well as market and regulatory requirements. The consideration of risk assessments in the performance evaluation of individuals ensures that any two employees who generate the same short-run profits but take different amounts of risk on behalf of the Group are treated differently by the remuneration system.

Risk Assessment Framework

The purpose of risk linkages is to align variable remuneration to the risk profile of the Group. In its endeavor to do so, the Group considers both quantitative measures and qualitative measures in the risk assessment process. The risk assessment process encompasses the need to ensure that the remuneration policy, by design reduces employees' incentives to take excessive and undue risks, is symmetrical with risk outcomes and delivers an appropriate mix of remuneration that is risk aligned.

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

Risk adjustments take into account all types of risk, including intangible and other risks such as reputation risk, liquidity risk and the cost of capital. The Group undertakes risk assessments to review financial and operational performance against business strategy and risk performance prior to distribution of the annual bonus. The Group ensures that total variable remuneration does not limit its ability to strengthen its capital base. The extent to which capital needs to be built up is a function of the Group's current capital position and its Internal Capital Adequacy Assessment Process ("ICAAP").

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

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

a) The cost and quantity of capital required to support the risks taken;

b) The cost and quantity of the liquidity risk assumed in the conduct of business; and

c) Consistency with the timing and likelihood of potential future revenues incorporated into current earnings.

The BNRC keeps itself abreast of the Group's performance against the risk management framework. The BNRC will use this information when considering remuneration to ensure that returns, risks and remuneration are aligned.

Risk Adjustments

The Group has an ex-post risk assessment framework, which is a qualitative assessment to back-test actual performance against prior risk assumptions. In any year where the Group suffers material losses in its financial performance, the risk adjustment framework will work as follows:

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

The BNRC, with the Board's approval, can rationalize and make the following discretionary decisions:

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

Malus and Clawback Framework

The Group's malus and clawback provisions allow the Board of Directors to determine that, if appropriate, unvested elements under the deferred bonus plan can be forfeited/adjusted or the delivered variable remuneration recovered in certain situations. The intention is to allow the Group to respond appropriately if the performance factors on which reward decisions were based turn out not to reflect the corresponding performance in the longer term. All deferred compensation awards contain provisions that enable the Group to reduce or cancel the awards of employees whose individual behavior has had a materially detrimental impact on the Group during the relevant performance year.

Any decision to take back an individual's award can only be made by the Board of Directors.

The Group's malus and clawback provisions allow the Board to determine that, if appropriate, vested/unvested elements under the deferred bonus plan can be adjusted/cancelled in certain situations. These events include the following:

- Reasonable evidence of willful misbehavior, material error, negligence or incompetence of the employee causing the Group/employee's business unit to suffer material loss in its financial performance, material misstatement of the Group's financial statements, material risk management failure or reputational loss or risk due to such employee's actions, negligence, misbehavior or incompetence during the relevant performance year.
- The employee deliberately misleads the market and/or shareholders in relation to the financial performance of the Group during the relevant performance year.
- Clawback can be used if the malus adjustment on the unvested portion is insufficient given the nature and magnitude of the issue.

COMPLIANCE, POLICIES AND PROCEDURES (continued)

Details of remuneration paid

a) 1. Board of Directors

	US$ '000	
	2023*	2022
Sitting Fees	**483**	447
Remuneration*	**1,500**	1,500
Other	**23**	22

The category 'Other' includes the reimbursement of air fares and payment of per diem allowances for attending Board of Directors and Board Committees' meetings.

* Subject to approval by AGM in March 2024.

Details of remuneration paid (continued)

a) 2. Board of directors' remuneration details:

Name	Fixed remunerations					Variable remunerations					End-of-service award	Aggregate amount	Expenses Allowance ******
	Remunerations of the chairman and BOD*	Total allowance for attending Board and committee meetings	Salaries**	Others****	Total	Remunerations of the chairman and BOD	Bonus	Incentive plans	Others *****	Total		(Does not include expense allowance)	
1. Shaikh Abdullah Saleh Kamel	46,085	7,917	-	-	54,002	-	-	-	-	-	-	54,002	-
2. Mr. Mohammed Al Shroogi	45,591	10,179	-	-	55,770	-	-	-	-	-	-	55,770	1,089
3. Mr. Abdul Elah Abdul Rahim Sabbahi	40,155	11,310	-	-	51,465	-	-	-	-	-	-	51,465	-
4. Mr. Houssem Ben Haj Amor	37,190	9,048	**	-	46,238	-	-	-	-	-	-	46,238	382
5. Mr. Saud Saleh Al Saleh	43,120	12,441	-	-	55,561	-	-	-	-	-	-	55,561	930
6. Dr. Khaled Abdulla Ateeq	52,509	15,834	-	-	68,343	-	-	-	-	-	-	68,343	1,076
7. Mrs. Dalia Hazem Khorshid	38,672	10,179	-	-	48,851	-	-	-	-	-	-	48,851	2,391
8. Mr. Naser Mohamed Ali Al Nuwais	45,097	14,703	-	-	59,800	-	-	-	-	-	-	59,800	2,009
9. Dr. Ziad Ahmed Bahaa-Eldin	43,120	13,572	-	-	56,692	-	-	-	-	-	-	56,692	-
10. Mr. Tawfig Shaker Mufti	40,155	12,441	-	-	52,596	-	-	-	-	-	-	52,596	-
11. Mr. Masood Ahmed Al Bastaki ●●	33,066	11,310	-	-	44,376	-	-	-	-	-	-	44,376	1,076
12. Mr. Musa Abdel-Aziz Shihadeh ●●	28,619	7,917	-	-	36,536	-	-	-	-	-	-	36,536	-
13. Mr. Fahd bin Ibrahim Al Mufarrij ●●	38,008	10,179	-	-	48,187	-	-	-	-	-	-	48,187	938
14. Mr. Fahad Abdullah Al Rajhi ●	11,536	5,655	-	-	17,191	-	-	-	-	-	-	17,191	573
15. Dr. Jehad Abdul Hamid El-Nakla ●	11,042	4,524	-	-	15,566	-	-	-	-	-	-	15,566	1,282
16. Prof. Mohamed Cheikh Rouhou ●	11,536	4,524	-	-	16,060	-	-	-	-	-	-	16,060	1,602
Total	**565,500**	**161,733**	**-**	**-**	**727,233**	**-**	**-**	**-**	**-**	**-**	**-**	**727,233**	**13,350**

Notes:

All amounts stated in Bahraini Dinars.

Remunerations of the chairman and BOD:

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

Salaries:

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

Other remunerations:

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

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

Expenses Allowance:

***** It includes Per-diem, Ticket and Hotel Fees.

● The names mentioned above were not re-elected in the current term of the Board, March 2023 - March 2026

●● The names mentioned above were elected for the current term of the Board, March 2023 - March 2026

Details of remuneration paid (continued)

b) Executive management remuneration details

Executive management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration for 2023	Aggregate Amount
Top 6 remunerations for executives, including CEO* and Senior Financial Officer**	972,086	552,250	221,788	1,746,124

Note: All amounts stated in Bahraini Dinars.

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

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

c) Unified Shari'a Supervisory Board

	US$ '000	
	2023	2022
Shari'a Committee Members fee and remuneration	**187,425**	253,092

RISK MANAGEMENT

The Group is committed to complying with internationally established principles and policies in relation to risk management. Risk management is an integral part of the Group's decision-making process. The Board of Directors, acting on recommendations made by the Board Risk Committee defines and sets the Group's overall risk strategy, risk appetite, risk diversification and asset allocation strategies. This includes the policies regarding credit, market, liquidity and operational risks amongst others. It also decides on any related party transactions, their reporting and approval. Risk, Compliance and Audit Follow-Up Committee (RCA), Asset & Liability Committee (ALCO), Head Office Credit Committee (HOCC) and other executive committees guide and assist with management of the Group's balance sheet risks. The Group manages exposure by adhering to limits approved by the Board of Directors or under delegated authorities approved/extended by the Board/ Board Committees to Management Committees. Risk policies and processes to mitigate the risks are regularly reviewed on an ongoing basis.

To ensure the effectiveness of ABG's Risk Management Framework, the Board and Senior Management need to be able to rely on adequate line functions including monitoring and assurance functions within ABG. Therefore, as part of its overall governance and risk management framework, the ABG Group endorses the "Three Lines of Defense (LOD)" model as a way of explaining the relationship between these functions and as a guide to how responsibilities are assigned:

1. **The first line of defense (Risk Taking):** Functions that own and manage risk. Under this line of defense, business management has ownership, responsibility and accountability for directly assessing, controlling and mitigating risks. These primarily include functions or departments engaged in the front office / client facing roles responsible for risk taking activities like financing (e.g. corporate banking).
2. **The second line of defense (Risk Oversight):** Functions that oversee or specialize in risk management and compliance. This line of defense consists of activities covered by several components of the internal governance framework (Compliance, Risk Management, Finance, Legal, Operations, Internal Controls, Human Resources, Information Technology and other such departments). Furthermore, it monitors and facilitates the implementation of effective risk management practices by operational management and assists the risk owners in reporting adequate risk related information within ABG. The Shari'a coordination and implementation function ensures all products, transactions and activities undertaken by ABG are in line with Islamic principles.
3. **The third line of defense (Risk Assurance):** Functions that provide independent assurance i.e. internal audit, which forms the third line of defense. An independent internal audit function, through a risk-based approach to its work, provides assurance to the bank's Board of Directors and Senior Management. This assurance covers how effectively the bank.

assesses and manages its risks and includes assurance on the effectiveness of the first and second lines of defense. It encompasses all elements of the bank's risk management framework (from risk identification, risk assessment and response, to communication of risk-related information) and all categories of organizational objectives: strategic, ethical, operational, reporting and compliance. In addition, an Independent Shari'a Internal Audit Department is an important pillar of the third line of defense.

In combination, this approach permits ABG to grow its business without taking undue risks that could impact its capital adequacy, shareholder returns and ultimately its brand and reputation.

Roles and Responsibilities of ABG's Risk Management include the following:

- To develop and implement Group risk management framework, policies and procedures aligned with regulatory directives.
- To ensure that the risk management function is sufficiently equipped with policies, processes, systems, methodologies and expertise for identification, measurement, control, reporting and monitoring of risk adequately and efficiently at the Head Office level. Primary responsibilities however rest with the individual subsidiaries and their boards given the current governance framework.
- To develop ABG's Risk Appetite Statement as well as Risk Management Guidelines for ABG Units/Subsidiaries.
- To regularly review, monitor and report consolidated risk limits (as defined in the Group Risk Appetite Policy) as well as ensure adherence to them.
- To provide oversight on ABG Units' risk management framework and take into consideration the statutory, legal and governance requirements that apply to the Units individually.
- To monitor exposures both at the head office and consolidated Group levels in terms of risk concentrations, imbalances and vulnerabilities and recommend remedial action where appropriate.
- To review and analyze the Group's credit portfolio in terms of asset quality including concentrations to detect risk and concentrations and alert and advise ABG Executive Management and/or Board Risk Committee accordingly.
- To advise the Units (in collaboration with ABG Finance department) on the use of credit risk parameters (e.g. Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default/Credit Conversion Factor (EAD/CCF)) for credit pricing, provisioning and portfolio monitoring as necessary.
- To promote a robust risk culture (including risk training and development) within the Group's existing operating model and governance framework.

ABG Units are governed by their respective Boards of Directors. The Units follow documented credit and risk policies and procedures which reflect Group-wide policies and thereby ensure that sound risk management is in place.

Operational risk policies and procedures in each Subsidiary ensure a consistent approach to operational risk. The Group has continued to maintain momentum towards achieving optimal risk management policies, practices and procedures, pursuing five key objectives:

- Continuous improvement in credit and risk management practices and intensified efforts on collections, recoveries and settlement of outstanding debts to ensure resilient asset quality in the face of increased challenges in some of the Group's markets.
- To ensure that all unit NPA provisioning policies are in line with local regulatory requirements.
- To ensure that Units strive for a high degree of cooperation between their business arms and risk management departments. Hiring and training of credit and risk management staff is an ongoing priority at each unit.
- To ensure that each subsidiary has an approved Credit and Risk Management Manual covering all relevant risks which is consistent with the Group policies and procedures.
- To ensure that all subsidiaries submit timely monthly and quarterly risk management reports to the Head Office, which fully meet regulatory requirements. The contents of these reports are continuously enhanced in order to provide the Head Office with comprehensive data.

RISK MANAGEMENT (continued)

A standard risk management framework has been established across the Group, reflected in operational manuals that closely adhere to the Group policy regarding all the major categories of risk that the Group faces when carrying out its business. These are: Credit, Liquidity, Market (including Equity Price, Profit Rate and Foreign Exchange risk), Operational (including Fraud Risk and Information & Cyber Security Risk), Reputational and Shari'a Compliance and Strategic Risks. Each of these major risks are discussed below.

Credit Risk

Credit risk is the risk that one party to a financial contract fails to discharge an obligation and causes the other party to incur a financial loss. It applies to the Group in its management of the financing exposures arising out of receivables and leases (for example, Murabaha and Ijarah) and working capital and other financing transactions (Salam, Istisna'a, Musharaka or Mudaraba). Each Group subsidiary has in place a framework for credit risk management that includes identification, measurement, monitoring, reporting and control of credit risks. Each subsidiary controls credit risk through the process of initial approval and granting of credit, subsequent monitoring of counterparty creditworthiness and the active portfolio management of credit exposures. Authority to approve credits is delegated by the subsidiary's Board committees entrusted with the task of credit assessment and evaluation, under specific credit policies and operational procedures in place in that subsidiary. Mitigation of credit risk is primarily achieved through (a) customer's financial and credit due diligence including willingness and ability/capacity to repay, (b) appropriate structuring of credit facilities and its pricing and (c) obtaining various forms of collateral as necessary.

During the year 2017, ABG and its subsidiaries made the necessary preparations and have acquired credit rating and other systems while credit policies and procedures were updated, following the introduction of FAS 30 Accounting Standard by AAOIFI in 2018.

Liquidity Risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal or stressed circumstances.

ABG and its subsidiaries each has in place a liquidity management framework, taking into account its liquidity exposures in respect of its current and savings accounts, deposits from banks and other financial institutions, and its restricted and unrestricted investment accounts. This ensures that it maintains liquid assets at prudential levels so that cash can quickly be made available to honor all its obligations. Liquidity management also recognizes the impact of potential cash outflows arising from irrevocable commitments to fund new assets, as well as the potential risk impact of withdrawals by large single depositors, ensuring that ABG does not rely excessively on one customer or small group of customers. In addition to its own internal liquidity management policies, each subsidiary is further required to maintain cash deposits with its respective central bank equal to a percentage of its deposits as directed by that central bank. Each Subsidiary is also responsible to regularly monitor its Liquidity coverage ratios (LCR) and Net Stable Funding ratios on an ongoing basis.

Equity Price Risk

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the levels of equity indices and the value of individual stocks.

Each Group subsidiary has in place appropriate strategies, risk management and reporting processes with respect to the risk characteristics of equity investments, including Mudaraba, Musharaka and other investments. Based on the Group policies, each subsidiary ensures that its valuation methodologies are appropriate and consistent and assesses the potential impact of its methods on profit calculations and allocations mutually agreed between that subsidiary and its partners. Further, each subsidiary has defined and established appropriate exit strategies and risk management and reporting processes in respect of its equity investment activities.

Profit Rate Risk

Profit rate risk is the risk that the Group will incur a financial loss as a result of a mismatch in the profit rate on the Group's assets and unrestricted investment accounts. The Group is not liable to pay any predetermined returns to investment account holders, although it does apply appropriate income smoothing techniques to ensure that profits are fairly distributed to the investment account holders.

Foreign Exchange Risk

Foreign exchange rate risk arises from the movement of currency exchange rates over a period of time, leading to an adverse impact on the Group's earnings or shareholders' equity. The Group is exposed to foreign exchange rate risk in that the value of a financial instrument, or its net investment in its foreign subsidiaries, may fluctuate due to changes in foreign exchange rates. The Group's significant net foreign currency exposures as at 31st December 2023 are detailed in Note 28 to the Financial Statements.

Operational Risk

Operational risk is the risk of financial loss or damage resulting from inadequate or failed internal processes, people and systems or from external events.

Management of risk associated with carrying out the Group's operations is through internal procedures and monitoring and control mechanisms, while management of legal risk is through effective consultation with internal and external legal counsel. Other kinds of operational risk are managed by ensuring that trained and competent people - and appropriate infrastructure, processes, controls and systems - are in place to ensure the identification, assessment and management of all substantial risks.

The Group is also exposed to risks relating to its fiduciary responsibilities towards fund providers. Fiduciary risk arises from the failure to perform in accordance with explicit and implicit standards applicable to an Islamic bank's fiduciary responsibilities, leading to losses in investments or failure to safeguard the interests of the investment account holders. Group subsidiaries have in place appropriate mechanisms to safeguard the interests of all fund providers. Where investment account holders' funds are commingled with an ABG subsidiary's own funds, the respective subsidiary ensures that the basis for asset, revenue, expense and profit allocations are established, applied and reported in a manner consistent with the Group's fiduciary responsibilities.

As mentioned above, Group policy dictates that the operational functions of booking, recording and monitoring transactions are carried out by staff independent of the staff initiating the transactions. Group subsidiaries have primary responsibility for identifying and managing their own operational risks. Each subsidiary is guided by policies, procedures and controls that are relevant for each function. Internal control policies and procedures dictate the segregation of duties, delegation of authorities, exceptions reporting, exposures management and reporting, and reconciliations, and are based on the submission of timely and reliable management reporting.

Separate and independent Internal Control units carry out ongoing monitoring of day-to-day procedures and ensure adherence to key control functions.

RISK MANAGEMENT (continued)

Information & Cyber Security Risk

The Group continues to enhance its management of information and Cyber Security Risk. It has assessed the risks, identified controls and is implementing solutions. The Group already has comprehensive IT security policy and procedures, which are in line with leading industry practices. The Digitalization, IT, and Information Security Committee at the Head Office meets regularly and has implemented a new Information Risk Management Framework and Group Policy.

Compliance Risk

Compliance risk is defined as the risk of legal or regulatory sanctions, material or financial loss or loss to reputation that a bank may suffer as a result of its failure to comply with laws, regulations, rules, reporting requirements, codes of conduct and standards. The landscape of compliance is evolving constantly. As a result, ABG and its subsidiaries are continuously enhancing their compliance risk management framework. Please refer to the section on Compliance, Policies and Procedures.

Reputational Risk

Reputational risk is defined as the risk of indirect losses arising from a decline in the organization's reputation amongst one or multiple stakeholders. This can expose organization to litigation, financial loss or damage to its reputation. Reputation is a collection of perceptions and beliefs, both past and present, which reside in the consciousness of the bank stakeholders – its customers, business partners, employees, investors, analysts, communities, regulators, government, non-governmental organizations and the public at large. These perceptions and beliefs are often built over a period of many years; every contact, every media mention, every rumor, every leak, every piece of gossip will play its part in forming an overall impression of the bank standing.

ABG has developed and implemented its Reputational Risk Scorecard, which has been rolled out to the Units/Subsidiaries.

Shari'a Compliance Risk

Shari'a compliance risk arises from the failure to comply with the rules and principles of Shari'a and, in this respect, is akin to reputation risk. It also includes the risk of legal or regulatory sanctions that the Group or its subsidiaries may suffer as a result of failure to comply with laws and regulations. As mentioned above, the Group has in place a Compliance Policy that provides for the assessment of compliance risks, the implementation of appropriate controls, monitoring of effectiveness, and correction and eradication of exceptions. Group subsidiaries have in place systems and controls, including their respective Shari'a Supervisory Boards, to ensure compliance with all Shari'a rules and principles. In accordance with CBB regulations and AAOIFI Standards, the Group has, been certified by the Unified Shari'a Supervisory Board to be in compliance with Shari'a Standards and Principles.

Note that Sharia Compliance Risk is part of the Reputational Risk.

Strategic Risk

Strategic Risk refers to the risk to the organization's earnings and profitability arising from strategic decisions, changes in the business conditions and improper implementation of decisions.

Strategic Risk arises dues to external causes, arising out of adopting wrong strategies and choices that could cause loss to ABG in the form of reduction in shareholder value, loss of earnings, etc.

ABG has developed and implemented a Strategic Risk Scorecard (rolled out to the Subsidiaries) in order to assess its Strategic Risk.

CAPITAL MANAGEMENT/CAPITAL ADEQUACY

The CBB requires each Bahrain-based Investment company under Category 1 to maintain a minimum capital of BHD 1.0 million and a minimum capital adequacy ratio not lower than 110%. The Regulatory capital must be calculated for all Bahrain-based Investment firms based on the shareholders' Equity. The investment firm also must maintain adequate human, financial and other resources sufficient to run the business in an ordinary manner.

DIGITALIZATION, IT, AND INFORMATION SECURITY COMMITTEE

The Digitalization, IT, and Information Security Committee governs and supports Digitalization, IT, and information security strategies, policies, projects and initiatives across ABG HO and subsidiaries, and ensures that they are consistent with the Group's strategic aims as well as each subsidiary's local strategy. The Group periodically monitors these strategies across all ABG subsidiaries to ensure that they enable the Group business strategy and strategic objectives.

All ABG subsidiaries have Digital Transformation strategies and already started executing these strategies. These subsidiaries are now launching new solutions and features as part of their digital transformation journey including advanced mobile banking applications, wallets, customer digital onboarding feature, back-office automation, Chatbots, different open banking initiatives, and digital branches etc.

Meanwhile, several subsidiaries have successfully replaced their legacy core banking systems with new modern core banking systems. The subsidiaries are now introducing new solutions in areas such as automation, compliance, risk management, and cyber security as well as exploring new technologies related to Artificial Intelligence and Robotic Process Automation.

Each subsidiary has a Business Continuity Plan and Disaster Recovery centers that are up to date and regular audited and testing.

COMPLIANCE WITH CORPORATE GOVERNANCE REQUIREMENTS OF CBB UNDER HC MODULE

Al Baraka Group (ABG) received the latest HC module issuance from the Central Bank of Bahrain on 04 June 2023, and has conducted a full gap analysis by comparing the requirements with current policies and procedures and resulted that ABG is in line with the CBB guidelines (HC Module).

And with reference to the disclosure of the non-compliance events (Comply or Explain Principle), as per the independent compliance assessment undertaken to cover the year 2023, the Al Baraka (ABG) is in full compliance with the Corporate Governance requirements outlined under Central Bank of Bahrain's HC Module, in its Rulebook, with the exception of the following:

The chairman of the Board should be an independent director, so that there will be an appropriate balance of power and greater capacity of the Board for independent decision making.	The board of Directors, by consensus, has elected Shaikh Abdullah Saleh Kamel as the Chairman of the Board in their meeting held on Mar 22nd 2023. This appointment has been notified to CBB and published at the market as per disclosure requirements.
To facilitate free and open communication among independent directors, each Board meeting should be preceded or followed with a session at which only independent directors are present, except as may otherwise be determined by the independent directors themselves.	There were no organized sessions booked prior or post the board meetings, since all independent directors have direct communication channels with each other's on regular basis or when there is a need.

SOCIAL & SUSTAINABLE FINANCE

Al Baraka Group fully embraces its ESG responsibilities across the jurisdictions in which it operates. The Group and its various Units have contributed to their respective communities more than 270 million dollars, the beneficiaries constituting more than 195 thousand people across Jordan, Egypt, Tunisia, Bahrain, Turkey, South Africa, Algeria and Pakistan.

Building on the success of the first Al Baraka Day in 2022, the second annual charity "Al Baraka Day" was held in all the countries where Al Baraka Group B.S.C. ("ABG" or "Group") operates. It is a day that brings together families and friends of the Group's employees and Banks to carry out charitable activities centered around serving their local communities. This step aligns with the Group's core values to adopt an approach that shares mutual benefits with partners in success, which are customers, employees, shareholders, and communities in general.

The Group and its Banks have organized their charitable activities under the United Nations Sustainable Development Goals (UNSDG), which is "No Poverty" (SDG 1).

During Al Baraka Day, over 100 employees contributed to community projects that positively impacted over 5,000 people across different countries. The projects included: donating clothes, footwear, blankets, computers in schools, devices to speed up the process of examining children in public hospitals, installing devices and lights that save energy, providing meals, building a children's playground, and others.

Throughout 2023, the Group and Units carefully targeted specific areas of contribution. The majority of the contributions revolved around:

Education

Scholastic sponsorship, school equipment, and personal mentorship are priceless investments in the future wellbeing of the recipients.

Healthcare

As the recent Covid 19 outbreaks clearly demonstrated, support for medical equipment, free screening, and timely healthcare financing are vital areas, especially in less affluent communities.

Social uplifting

Direct impact is immediate through loans, job training, internship, volunteering with youth (soft skills), relieving debt, and agricultural financing.

Donations

Separately from the Zakat, ABG and its Units donated towards a number of activities that support the community enterprises, such as Iftars during the Holy month of Ramadan, events, art and sports sponsorship, and distributing food to low-income families.

Natural disasters and conflict zones relief

Libya, Turkey, Palestine.

ESG

Looking after our planet by planting trees, building solar panels for low-income families, providing electricity consumption from renewable sources, increasing female inclusion in our operations, training employees on Green Banking, training executives on Advance Risk Governance and Directors on ESG in some of our Units to extend these initiatives to all other Units to ensure a holistic approach to sustainability across Al Baraka Group's Units..

Other Information

For the year ended 31 December 2023

External Auditors

For the year 2023, annual audit and quarterly review services amounted to US$ 200,000, other attestation services amounted to US$ 50,000.

Unified Shari'a Supervisory Board Report

For the year ended 31 December 2023

Unified Shari'a Supervisory Board Report

For the year ended 31 December 2023

5 .Shaaban .1445

15 February 2024

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

Unified Shari'a Supervisory Board Report

AlBaraka Group B.S.C.

For the year ended 31 December 2023

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

To: Al Baraka Group Shareholders

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

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

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

The Unified Shari'a and its Executive Committee conducted five meetings during 2023 in which we studied Shari'a audit reports prepared by the Group's Shari'a Audit for the year ended 31 December 2023 and gave few Shari'a related comments on those reports. These reports were rectified through coordination between Shari'a Audit and the relative local subsidiaries' Shari'a Boards. In addition, the Unified Shari'a Supervisory Board replied to requests for fatwa from the Group and subsidiaries and studies the contracts entered into by the Group during the year 2023.

Second: Monitoring

We have reviewed the principles applied by the Group and reviewed the 2023 Shari'a reports issued by the Group Units' Shari'a Supervisory Boards. We have also reviewed their financial statements when needed. In addition, we examined the Group's financial position as of 31 December 2023 and Statement of Income and their notes for the year then ended. We have queried from some of the Technical's on the points that need explanation and statement. We have also reviewed the process of calculating Zakah in accordance with the Shari'a Standard number (35) and the Financial Accounting Standard number (9) issued by the Accounting and Auditing Organization for Islamic financial Institutions and according to what was approved by Al Baraka Symposium1/31 and by the Unified Shari'a Supervisory Board.

Third: Responsibilities of the Unified Shari'a

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

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

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

In our opinion:

1. The Contracts, transactions and dealings entered into by the Group and its Units during the year ended 31 December 2023 are made in compliance with Shari'a Rules and Principles.
2. The allocation of profit and charging of losses relating to investment accounts conform to the basis that have been approved by the Units' Shari'a Supervisory Boards in accordance with Shari'a Rules and Principles.
3. All earnings realized from sources or by means prohibited by Islamic Shari'a Rules and Principles have been committed by the Management to dispose it off to Charitable Causes.
4. The attached Zakah calculation was prepared in accordance with the provisions and principles of Islamic Shari'a according to the Net Invested Fund Method in accordance to the Shari'a Standard number (35) and the Financial Accounting Standard number (9) issued by the Accounting and Auditing Organization for Islamic financial Institutions and according to what was approved by the Unified Shari'a Supervisory Board.

The General Assembly, in its regular meeting held on March 22, 2023, had authorized the executive management of Al Baraka Group to pay an amount of money amounting to US Dollar six hundred and nine thousand five hundred and eighty-nine (US Dollar 609,589) as Zakat on behalf of all shareholders for the year 2022, where it will be directly deducted from shareholders' profits. This amount was paid to those worthy of Zakah in accordance with Shariah regulations established, approved and certified by the Unified Shariah Board.

The Total Zakah dues for the fiscal year ending on 31st December 2023, after excluding the Zakah of the Units whose Zakah is paid directly, amounting to US Dollar five hundred seventy-six thousand two hundred and ninety five, US Dollar 576,295 at (0.05) US cents per share, and The Group is not authorized to pay Zakah without obtaining an authorization from the shareholders, accordingly the shareholders must pay the Zakah themselves in case of not authorizing the Group to pay it on their behalf. Noting that Zakah dues, in the event of lack of the necessary liquidity, can be postponed as a whole or part, so that it becomes a debt until liquidity is available.

Praise be to Allah.

Chairman and Members

Shaikh Abdulla Al Mannea
Chairman

Shaikh Dr. Abdullatif Al Mahmood
Vice Chairman

Shaikh Dr. Saad Al Shithry
Member

Shaikh Yousif Hassan Khilawy
Member

Shaikh Dr.Layachi Feddad
Member

Unified Shari'a Supervisory Board Report (continued)

For the year ended 31 December 2023

Zakah Calculation for the year ended 31 December 2023

	US$ '000
Equity Attributable to Shareholders	1,252,948
Less: Investment of the parent on the shareholding of Al Baraka Bank Egypt, Al Baraka Bank Sudan and Al Baraka Islamic Bank	(310,915)
Perpetual tier 1 capital	(400,000)
Net Zakatable Equity Attributable to Shareholders	**542,033**
Less:	
Musharaka underlined by unzakatable assets	(65,557)
Investment in Islamic Sukuk underlined by unzakatable assets	(64,436)
Ijarah Muntahia Bittamleek	(156,391)
long-term investment in real estate	(16,329)
Properties and equipment	(128,465)
Intangible assets	(39,488)
Investment in Associates	(45,200)
Prepayments	(18,393)
Deferred tax asset	(44,464)
Add:	
Shareholders share on Zakatable Assets by Associates	23,534
Sale of long-term investment in real estate during the year	1,521
Deferred tax liability	5,467
Employees' end of services benefit	28,531
Zakatable amount	**22,363**
Zakah Percentage	2.5770%
Total Zakah due	**576**
Number of Shares (thousands)	1,211,500
Zakah per share (US$ cents)	**0.05**

Consolidated Financial Statements

For the year ended 31 December 2023

Contents

Independent Auditors' Report

to the Shareholders of Al Baraka Group B.S.C.

Report on the audit of the consolidated financial statements

Our opinion

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

What we have audited

The Group's consolidated financial statements comprise:

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

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.

Our audit approach

Overview

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the Board of Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

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

Key audit matters

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

Key audit matter	• Allowance for expected credit losses against financing facilities

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

Our audit approach (continued)

Key audit matters (continued)

Key audit matter	How the matter was addressed in our audit
Allowance for expected credit losses against financing facilities Allowance for expected credit losses represents the Board of Directors' best estimate of the credit losses arising. As described in the significant accounting policies to the Group's consolidated financial statements, the allowance for expected credit losses has been determined in accordance with FAS 30. We focused on this area because the Board of Directors makes complex and subjective judgements over amount and timing of recognition of allowance for expected credit losses to capture the recent developments in the financing facilities, such as: • Update factors including GDP and oil prices; • Determining criteria for significant increase in credit risk; • Choosing appropriate models and assumptions for the measurement of Expected Credit Losses (ECL) including Probability of default (PD), Loss Given Default (LGD), and Exposure at Default (EAD); • Adjustments to models based on weighting assigned to base case, upside and downside scenarios; • Establishing groups of similar assets for the purpose of measuring the ECL; and • Determining disclosure requirement in accordance with FAS 30. The Group's financing facilities i.e. receivables, mudaraba and musharaka financing, and ijarah muntahia bittamleek totalling to USD 14,338 million and the related ECL amounting to USD 808 million as at 31 December 2023 are material to the Group. Information on the credit risk including Group's credit risk management is provided in note 28 to the Group's consolidated financial statements.	Our audit procedures included the following: • We assessed and tested a sample of key controls around origination and approval of financing facilities and monitoring of credit exposure and allowance for expected credit losses calculation; • We evaluated the appropriateness of the Group's accounting policy for allowance for expected credit losses in accordance with the requirements of FAS 30; • We used our experts on a sample basis to independently assess the reasonableness of the ECL methodology developed and applied by the Board of Directors including model risk parameters (PD, LGD, and EAD), forward-looking information, associated weighting, and staging analysis; • We obtained an understanding and on a sample basis tested the completeness and accuracy of the data sets used for the ECL calculation; • We tested a sample of financing facilities to determine the appropriateness and application of staging criteria; • We obtained samples of the latest available credit reviews and checked that they include appropriate assessment and documentation of borrowers' ability to meet repayment obligations (principal, profit, and fees); • We independently assessed the appropriateness of provisioning assumptions on a sample of Stage 3 exposures. An independent view was formed on the levels of provisions recognised, based on the detailed loan and counterparty information available in the credit files; and • We evaluated the adequacy of the consolidated financial statements disclosures to determine if they were in accordance with the requirements of FAS 30.

Other information

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

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

Responsibilities of those charged with governance for the consolidated financial statements

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

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the FAS and the Bahrain Commercial Companies Law number (21) of 2001, as amended (the "Commercial Companies Law"), the Central Bank of Bahrain ("CBB") Rulebook (Volume 4 and applicable provisions of Volume 6) and for such internal control as the Board of Directors determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

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

Independent Auditors' Report (continued)

to the Shareholders of Al Baraka Group B.S.C.

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

Report on other legal and regulatory and Sharia requirements

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

i. iThe Firm has maintained proper accounting records and the consolidated financial statements are in agreement therewith.

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

iii. Nothing has come to our attention which causes us to believe that the Bank has, during the year, breached any of the applicable provisions of the Commercial Companies Law, the CBB Rulebook (Volume 4 and applicable provisions of Volume 6), the Central Bank of Bahrain and Financial Institutions Law, and CBB directives or the items of its Memorandum and Articles of Association that would have a material adverse effect on its activities for the year ended 31 December 2023 or its financial position as at that date; and

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

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

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

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

Consolidated Statement of Financial Position

At 31 December 2023

	Notes	2023 US$ '000	2022 US$ '000
ASSETS			
Cash and balances with banks	3	5,167,589	4,396,612
Receivables	4	10,070,120	10,437,573
Mudaraba and Musharaka financing	5	983,299	1,497,324
Investments	6	5,451,565	5,234,714
Ijarah Muntahia Bittamleek	7	2,477,262	2,233,356
Property and equipment	8	464,711	461,472
Other assets	9	648,788	720,783
TOTAL ASSETS		25,263,334	24,981,834
LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY			
LIABILITIES			
Customers current and other accounts		6,403,831	6,451,061
Due to banks		1,129,155	971,459
Long term financing	10	777,006	308,037
Other liabilities	11	1,187,211	1,151,678
TOTAL LIABILITIES		9,497,203	8,882,235
EQUITY OF INVESTMENT ACCOUNTHOLDERS			
Financial institutions		417,206	670,694
Non-financial institutions and individuals		13,380,345	13,462,134
TOTAL EQUITY OF INVESTMENT ACCOUNTHOLDERS	12	13,797,551	14,132,828
EQUITY			
Share capital	13	1,242,879	1,242,879
Treasury shares	13	(15,658)	(15,000)
Share premium		16,873	16,059
Reserves		222,714	208,363
Cumulative changes in fair values		62,161	55,006
Foreign currency translations	13	(1,246,905)	(1,127,651)
Retained earnings		558,527	483,571
Proposed appropriations	13	12,357	-
Equity attributable to parent's shareholders		852,948	863,227
Sukuk (Tier 1 Capital)	14	400,000	400,000
Equity attributable to parent's shareholders and Sukuk (Tier 1 Capital) holders		1,252,948	1,263,227
Non-controlling interest		715,632	703,544
TOTAL OWNERS' EQUITY		1,968,580	1,966,771
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY		25,263,334	24,981,834

Abdullah Saleh Kamel
Chairman

Houssem Ben Haj Amor
Board member and Group Chief Executive Officer

The attached notes 1 to 31 form part of these consolidated financial statements.

Consolidated statement of income

For the year ended 31 December 2023

	Notes	2023 US$ '000	2022 US$ '000
INCOME			
Net income from jointly financed contracts and investments	15	**1,507,233**	1,408,471
Return on equity of investment accountholders before Group's share as a Mudarib		**(1,428,979)**	(1,310,448)
Group's share as a Mudarib	16	**296,740**	337,894
Return on equity of investment accountholders		**(1,132,239)**	(972,554)
Group's share of income from Equity of Investment Accountholders (as a Mudarib and Rabalmal)		**374,994**	435,917
Mudarib share for managing off-balance sheet Equity of Investment Accountholders		**13,708**	17,755
Net income from self financed contracts and investments	15	**466,762**	402,980
Other fees and commission income	17	**228,916**	170,318
Other operating income	18	**107,108**	144,573
		1,191,488	1,171,543
Profit paid on long term financing	19	**(51,040)**	(32,811)
TOTAL OPERATING INCOME		**1,140,448**	1,138,732
OPERATING EXPENSES			
Staff expenses		**308,705**	285,301
Depreciation and amortisation	20	**41,394**	50,587
Other operating expenses	21	**192,782**	186,167
TOTAL OPERATING EXPENSES		**542,881**	522,055
NET OPERATING INCOME FOR THE YEAR BEFORE NET ALLOWANCE FOR CREDIT LOSSES / IMPAIRMENT AND TAXATION		**597,567**	616,677
Net allowance for credit losses /impairment	22	**(193,294)**	(239,635)
NET INCOME BEFORE TAXATION		**404,273**	377,042
Taxation		**(121,010)**	(137,588)
NET INCOME FOR THE YEAR		**283,263**	239,454
Attributable to:			
Equity holders of the parent		**143,509**	143,116
Non-controlling interest		**139,754**	96,338
		283,263	239,454
Basic and diluted earnings per share - US cents	23	**8.94**	9.06

Abdullah Saleh Kamel
Chairman

Houssem Ben Haj Amor
Board member and Group Chief Executive Officer

The attached notes 1 to 31 form part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2023

	Notes	2023 US$ '000	2022 US$ '000
OPERATING ACTIVITIES			
Net income before taxation		**404,273**	377,042
Adjustments for:			
Depreciation and amortisation	20	**41,394**	50,587
Depreciation on Ijarah Muntahia Bittamleek	15.4	**146,525**	188,970
Unrealised gain on equity and debt-type instruments at fair value through statement of income	15.3	**(209,123)**	(131,650)
Gain on sale of property and equipment	18	**(11,622)**	(10,446)
Gain on sale of investment in real estate	15.3	**(5,935)**	(4,597)
Gain on sale of equity type instruments at fair value through equity	15.3	**(668)**	(108)
Gain on sale of equity and debt-type instruments at fair value through statement of income	15.3	**(208)**	(391)
Income from associates and joint venture	15.3	**(15,071)**	(17,371)
Net allowance for credit losses /impairment	22	**193,294**	239,635
Operating profit before changes in operating assets and liabilities		**542,859**	691,671
Net changes in operating assets and liabilities:			
Reserves with central banks		**(382,028)**	790,758
Receivables		**191,813**	320,758
Mudaraba and Musharaka financing		**504,921**	1,995,322
Ijarah Muntahia Bittamleek		**(390,991)**	(403,797)
Other assets		**51,944**	(85,475)
Customers current and other accounts		**(47,231)**	(1,128,217)
Due to banks		**157,696**	(281,992)
Other liabilities		**77,187**	(7,576)
Equity of investment accountholders		**(332,740)**	(1,423,828)
Taxation paid		**(145,756)**	(106,512)
Net cash generated from operating activities		**227,674**	361,112
INVESTING ACTIVITIES			
Net sale/(purchase) of investments		**(4,394)**	(616,197)
Net (purchase)/sale of property and equipment		**(23,565)**	34,107
Dividends received from associates and joint venture		**3,799**	4,152
Net movement of investment in associates and joint venture		**4,698**	(28,754)
Net cash used in investing activities		**(19,462)**	(606,692)
FINANCING ACTIVITIES			
Long term financing		**468,969**	21,204
Net movement in treasury shares		**156**	95
Profit distributed on perpetual tier 1 capital		**(35,100)**	(33,300)
Movement related to subsidiaries' tier 1 capital		**(4,714)**	(5,244)
Net changes in non-controlling interest		**(38,610)**	66,758
Net cash generated from financing activities		**390,701**	49,513
Foreign currency translation adjustments		**(209,732)**	(297,784)
NET CHANGES IN CASH AND CASH EQUIVALENTS		**389,181**	(493,851)
Cash and cash equivalents at 1 January		**2,212,263**	2,706,114
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	24	**2,601,444**	2,212,263

The attached notes 1 to 31 form part of these consolidated financial statements.

Consolidated statement of changes in owners' equity

For the year ended 31 December 2023

	Equity attributable to parent's shareholders and Sukuk holders													
				Reserves										
	Share capital	Treasury shares	Share premium	Statutory reserve	Other reserves	Cumulative changes in fair value of investments	Cumulative changes in fair value of property and equipment	Foreign currency translations reserve	Retained earnings	Proposed appropriat-ions	Total	Perpetual tier 1 capital	Non-controlling interest	Total equity
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
Balance at 1 January 2023	1,242,879	(15,000)	16,059	208,363	-	9,745	45,261	(1,127,651)	483,571	-	863,227	400,000	703,544	1,966,771
Movement in treasury shares	-	(658)	814	-	-	-	-	-	-	-	156	-	-	156
Net movement in cumulative change in fair value for investments	-	-	-	-	-	7,155	-	-	-	-	7,155	-	2,799	9,954
Foreign currency translation	-	-	-	-	-	-	-	(119,254)	-	-	(119,254)	-	(90,478)	(209,732)
Net income for the year	-	-	-	-	-	-	-	-	143,509	-	143,509	-	139,754	283,263
Transfer to statutory reserve (note 13)	-	-	-	14,351	-	-	-	-	(14,351)	-	-	-	-	-
Proposed dividends	-	-	-	-	-	-	-	-	(12,357)	12,357	-	-	-	-
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(32,664)	(32,664)
Zakah paid on behalf of shareholders (note 13)	-	-	-	-	-	-	-	-	(610)	-	(610)	-	-	(610)
Profit distributed on perpetual tier 1 capital	-	-	-	-	-	-	-	-	(35,100)	-	(35,100)	-	-	(35,100)
Movement related to subsidiaries' tier 1 capital	-	-	-	-	-	-	-	-	(4,714)	-	(4,714)	-	(12,336)	(17,050)
Effect of change in ownership	-	-	-	-	-	-	-	-	(1,421)	-	(1,421)	-	1,421	-
Net movement in non- controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	3,592	3,592
Balance at 31 December 2023	**1,242,879**	**(15,658)**	**16,873**	**222,714**	**-**	**16,900**	**45,261**	**(1,246,905)**	**558,527**	**12,357**	**852,948**	**400,000**	**715,632**	**1,968,580**

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

The attached notes 1 to 31 form part of these consolidated financial statements.

Consolidated statement of changes in off-balance sheet equity of investment accountholders

For the year ended 31 December 2023

	Cash	Sales receivables	Mudaraba financing	Investment in real estate	Ijarah Muntahia Bittamleek	Investments	Total
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
Balance at 1 January 2023	**51,767**	**519,725**	**189,326**	**48,246**	**242,560**	**482,063**	**1,533,687**
Deposits	**221,744**	**318,822**	**228,647**	**2,474**	**148,061**	**155,528**	**1,075,276**
Withdrawals	**(181,731)**	**(255,565)**	**(21,543)**	**(270)**	**(52,427)**	**(492,364)**	**(1,003,900)**
Income net of expenses	**-**	**44,248**	**6,501**	**825**	**17,549**	**21,416**	**90,539**
Mudarib's share	**-**	**(13,239)**	**-**	**-**	**(461)**	**(8)**	**(13,708)**
Foreign exchange translations	**-**	**4,935**	**-**	**-**	**-**	**(23)**	**4,912**
Balance at 31 December 2023	**91,780**	**618,926**	**402,931**	**51,275**	**355,282**	**166,612**	**1,686,806**
Balance at 1 January 2022	67,715	456,222	85,846	53,319	219,412	245,189	1,127,703
Deposits	367,957	255,273	157,142	148	74,567	299,250	1,154,337
Withdrawals	(383,905)	(177,117)	(53,174)	(7,297)	(51,088)	(88,765)	(761,346)
Income net of expenses	-	10,789	3,890	2,076	-	26,613	43,368
Mudarib's share	-	(13,038)	(4,378)	-	(331)	(8)	(17,755)
Foreign exchange translations	-	(12,404)	-	-	-	(216)	(12,620)
Balance at 31 December 2022	51,767	519,725	189,326	48,246	242,560	482,063	1,533,687

The attached notes 1 to 31 form part of these consolidated financial statements.

1. CORPORATE INFORMATION AND ACTIVITIES

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

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

On 20 July 2023, an announcement was made on Bahrain Bourse website regarding a potential conditional exit offer which was provided by the Group's major shareholder, Dallah Al Baraka Holding Company B.S.C. (c) ("Dallah"), to other ABG's shareholders that are not connected to Dallah. Dallah's direct and indirect shareholdings in ABG currently stand at 74%.

On 3 October 2023, ABG's Board of Directors (the "Board") announced that it received the firm intention to make the exit offer as well as the offer document from Dallah. The offer is subject to receipt of approvals or confirmations from ABG's shareholders and various regulatory authorities for the conversion of ABG into a closed Bahraini shareholding company and its subsequent delisting from the Bahrain Bourse.

On 24 October 2023, a circular was issued by the Board to the shareholders and published on Bahrain Bourse in relation to the above.

On 14 November 2023, an extraordinary general assembly meeting was held whereby the main agenda items were approved:

1. The delisting of Al Baraka Group's shares from Bahrain Bourse;
2. The conversion of the legal form of Al Baraka Group B.S.C. from Public (B.S.C.) to a Closed Shareholding Company (B.S.C.(c)) along with the commercial name change from Al Baraka Group B.S.C. to Al Baraka Group B.S.C.(c). and
3. The amendment and restatement in full of the Memorandum and Articles of Association of the Firm (in the form of the draft circulated to the shareholders) subject to obtaining the necessary approvals and finalisation of the shareholding structure.

On 30 November 2023, ABG announced the termination of its market making activities effective 31 December 2023, noting that such activities will remain suspended thereto.

As of 8 January 2024, an announcement was made with respect to the updated timetable of principal events and completion of the final offer period. The delisting and conversion dates are yet to be announced. As of the date of issuing these consolidated financial statements, the conversion process is underway in compliance with the requirements of the Ministry of Industry and Commerce, following which a formal application to delist the Group from the Bahrain Bourse will be made to the CBB and Bahrain Bourse.

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

2. ACCOUNTING POLICIES

Basis of preparation

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

Statement of compliance

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

Regulatory compliance

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

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

There were no financial penalties imposed by the CBB during the year.

2. ACCOUNTING POLICIES (continued)

Basis of consolidation

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

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

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

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

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

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

	Ownership for 2023	Ownership for 2022	Year of incorporation	Country of incorporation	No. of branches/ offices at 31 December 2023
Held directly by the Firm					
Banque Al Baraka D'Algerie (BAA)	55.67%	55.67%	1991	Algeria	33
Al Baraka Islamic Bank - Bahrain (AIB)	92.82%	92.82%	1984	Bahrain	175
Al Baraka Bank Tunis (ABT)	78.40%	78.40%	1983	Tunisia	42
Al Baraka Bank Egypt (ABE)	73.47%	73.47%	1980	Egypt	36
Jordan Islamic Bank (JIB)	65.82%	65.82%	1978	Jordan	111
Al Baraka Turk Participation Bank (ATPB)	45.09%	45.09%	1985	Turkey	225
Al Baraka Bank Limited (ABL)	64.51%	64.51%	1989	South Africa	9
Al Baraka Bank Sudan (ABS)	75.73%	75.73%	1984	Sudan	30

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

	Subsidiary held through	Effective Ownership for 2023	Effective Ownership for 2022	Year of incorporation	Country of incorporation
Held indirectly by the Firm					
Al Baraka Bank (Pakistan) Limited	AIB	54.89%	54.89%	2010	Pakistan
Al-Omariya School Company	JIB	65.69%	65.69%	1987	Jordan
Al-Samaha Real Estate Company	JIB	65.82%	65.82%	1998	Jordan
Future Applied Computer Technology Company	JIB	65.82%	65.82%	1998	Jordan
Sanable Alkhair for Financial Investment	JIB	65.82%	65.82%	2006	Jordan
Al Baraka Properties (Pty) Ltd.	ABL	64.51%	64.51%	1991	South Africa
Insha GMBH	ATPB	45.09%	45.09%	2018	Germany

Significant accounting policies

The significant accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial year, except for the adoption of new standards and interpretations effective as of 1 January 2023:

2.1 Adoption of new and amended standards and interpretations

These consolidated financial statements have been prepared using accounting policies, which are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2022 except for the new standards, interpretations and amendments issued and effective as of 1 January 2023 which are as follows:

2. ACCOUNTING POLICIES (continued)

2.1 Adoption of new and amended standards and interpretations (continued)

FAS 39 - Financial Reporting for Zakah

The responsibility of payment of zakah is on individual shareholders and investment accountholders. However, the shareholders provide 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.

The Group determines said Zakah by using "net asset method" as prescribed in AAOIFI standards and under the guidance and interpretations of Sharia Board. Zakah per share is presented in the Shari'a Supervisory Board Report.

FAS 41 - Interim Financial Reporting

The objective of this standard is to set out the principles for interim financial reporting for all institutions having adopted AAOIFI FASs and it should be read with other AAOIFI FASs and generally accepted accounting principles, applicable in relevant jurisdictions. The standard applies to institutions that elect to publish or are required to publish interim financial reports according to applicable laws, regulations, or practices.

The adoption of this standard did not have any significant impact on the Group's financial statements.

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

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

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

The revision of FAS 1 is in line with the modifications made to the AAOIFI conceptual framework for financial reporting. Some of the significant revisions to the standard are as follows:

a) Revised conceptual framework is now integral part of the AAOIFI FAS's;

b) Definition of Quassi equity is introduced;

c) Definitions have been modified and improved;

d) Concept of comprehensive income has been introduced;

e) Institutions other than Banking institutions are allowed to classify assets and liabilities as current and non-current;

f) Disclosure of Zakah and Charity have been relocated to the notes;

g) True and fair override has been introduced;

h) Treatment for change in accounting policies, change in estimates and correction of errors has been introduced;

i) Disclosures of related parties, subsequent events and going concern have been improved;

j) Improvement in reporting for foreign currency, segment reporting;

k) Presentation and disclosure requirements have been divided into three parts. First part is applicable to all institutions, second part is applicable only to banks and similar IFI's and third part prescribes the authoritative status, effective date an amendments to other AAOIFI FAS's; and

l) The illustrative financial statements are not part of this standard and will be issued separately.

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

FAS 40 - Financial Reporting for Islamic Finance Windows

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

2. ACCOUNTING POLICIES (continued)

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

FAS 42 - Presentation and disclosures in the Financial Statements of Takaful Institutions

AAOIFI has issued FAS 42 in 2022. This standard supersedes the earlier FAS 12 – General Presentation and Disclosures in the Financial Statements of Islamic Insurance Companies. The objective of this standard is to set out the overall requirements for the presentation of financial statements, the minimum requirement for the contents of and disclosures in the financial statements and recommended structure of financial statements that facilitates fair presentation in line with Shari'a principles and rules for Takaful institutions. This standard shall be effective for the financial periods beginning on or after 1 January 2025 with early adoption permitted if adopted alongside FAS 43 – Accounting for Takaful: Recognition and Measurement. The standard does not have any material impact on the Group.

FAS 43 - Accounting for Takaful: Recognition and Measurement

AAOIFI has issued FAS 43 in 2022. The objective of this standard is to set out the principles for the recognition and measurement of Takaful arrangements and ancillary transactions with the objective of faithfully representing the information related to these arrangements to the relevant stakeholders. The standard should be read in conjunction with FAS 42 – Presentation and disclosures in the Financial Statements of Takaful Institutions. This standard shall be effective for the financial periods beginning on or after 1 January 2025 with early adoption permitted if adopted alongside FAS 42 – Presentation and disclosures in the Financial Statements of Takaful Institutions. The standard does not have any material impact on the Group.

2.3 Summary of significant accounting policies

a. Financial contracts

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

b. Impairment assessment

Impairment of financial assets

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

Stage 1: twelve months ECL

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

Stage 2: lifetime ECL – not credit impaired

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

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

Stage 3: Lifetime ECL – credit impaired

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

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

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

2. ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

b. Impairment assessment (continued)

Credit-impaired financial assets

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

- significant financial difficulty of the borrower or issuer;

- a breach of contract such as a default or past due event;

- probability that the borrower will enter bankruptcy or other financial reorganization; or

- the restructuring of a facility by the Group on terms that the Group would not consider otherwise.

Measurement of ECL

Following are the key inputs into the measurement of ECL:

- Probability of Default (PD);

- Loss Given Default (LGD); and

- Exposure At Default (EAD).

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

Definition of default

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

Probability of default

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

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

Types of PDs used for ECL computation

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

Incorporation of forward - looking information

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

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

2. ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

b. Impairment assessment (continued)

Loss Given Default

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

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

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

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

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

Exposure At Default

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

On-balance sheet EADs

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

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

Off-balance sheet EADs

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

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

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

Collective ECL computation and staging

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

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

Significant Increase in Credit Risk

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

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

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

2. ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

b. Impairment assessment (continued)

Renegotiated financial assets

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

Backward transition

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

From Stage 2 to stage 1

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

From stage 3 to stage 2

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

Write-offs

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

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

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

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

c. Cash and cash equivalents

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

d. Receivables

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

Sales (Murabaha) receivables

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

Ijarah receivables

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

Salam receivables

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

2. ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

d. Receivables (continued)

Istisna'a receivables

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

e. Mudaraba and Musharaka financing

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

f. Investments

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

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 and equipment fair value reserve in the consolidated statement of changes in equity.

Losses arising from changes in the fair values of investment in real estate are firstly adjusted against the property and equipment 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 and equipment fair value reserve, is transferred to the consolidated statement of income.

Investment in associates and joint venture

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

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

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

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

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

Equity-type instruments at fair value through equity

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

Debt-type instruments at amortised cost

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

2. ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

g. Ijarah Muntahia Bittamleek

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

h. Property and equipment

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

The calculation of depreciation is on the following basis:

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

Any subsequent change in fair value of land (only gains) are recognised as property and equipment 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 and equipment 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 and equipment fair value reserve, is transferred to the consolidated statement of income.

i. 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.

j. Goodwill

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

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

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

2. ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

k. Intangible assets

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

l. Collateral pending sale

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

m. Employees' end of service benefits

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

n. Provision

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

o. Dividends

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

p. Equity of investment accountholders

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

q. Investment risk reserve

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

r. 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 participating stakeholders.

s. Sukuk

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

t. Off-balance sheet equity of investment accountholders

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

u. Treasury shares

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

v. Revenue recognition

Sales (Murabaha) receivables

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

Salam and Istisna'a receivables

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

2. ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

v. Revenue recognition (continued)

Mudaraba and Musharaka financing

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

Ijarah Muntahia Bittamleek

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

Fee and commission income

Fee and commission income is recognised when earned.

Other income

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

Group's share as a Mudarib

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

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

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

w. Return on equity of investment accountholders

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

x. Joint and self financed

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

y. Taxation

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

z. Shari'a supervisory board

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

aa. Zakah

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

ab. Earnings prohibited by Shari'a

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

ac. Impairment of financial assets

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

2. ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

ac. Impairment of financial assets (continued)

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

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

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

ad. Assets classified as Held for sale

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

ae. Foreign currencies

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

Foreign currency translations

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

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

af. Judgments

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

Classification of investments

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

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

Going concern

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

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

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

2. ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

ah. Derecognition

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

(i) the right to receive cash flows from the asset has expired;

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

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

3. CASH AND BALANCES WITH BANKS

	2023 US$ '000	2022 US$ '000
Balances with central banks*	3,915,198	3,331,927
Balances with other banks	724,636	530,747
Cash and cash in transit	528,135	534,119
Allowance for credit losses (note 22)	(380)	(181)
	5,167,589	4,396,612

* Balances with central banks include mandatory reserves amounting to US$ 2,566,525 thousand (2022: US$ 2,184,530 thousand). These amounts are not available for use in the Group's day-to-day operations.

4. RECEIVABLES

	2023 US$ '000	2022 US$ '000
Sales (Murabaha) receivables (note 4.1)	10,211,340	10,610,013
Ijarah receivables (note 4.2)	160,765	136,924
Salam receivables (note 4.3)	315,780	283,574
Istisna'a receivables (note 4.4)	139,682	150,365
Allowance for credit losses	(757,447)	(743,303)
	10,070,120	10,437,573

4 .1 Sales (Murabaha) receivables

	2023			2022		
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000
Commodity murabaha	10,135	319,734	329,869	23,679	314,383	338,062
Other murabaha	1,081,623	9,913,066	10,994,689	954,173	10,246,009	11,200,182
Gross sales (murabaha) receivables	1,091,758	10,232,800	11,324,558	977,852	10,560,392	11,538,244
Deferred profits (note 4.1(a))	(93,798)	(1,019,420)	(1,113,218)	(86,767)	(841,464)	(928,231)
	997,960	9,213,380	10,211,340	891,085	9,718,928	10,610,013
Allowance for credit losses (note 22)	(310,526)	(360,050)	(670,576)	(263,339)	(398,762)	(662,101)
Net sales (murabaha) receivables	687,434	8,853,330	9,540,764	627,746	9,320,166	9,947,912

	2023 US$ '000	2022 US$ '000
Non-performing	360,872	381,464

4. RECEIVABLES (continued)

4.1(a) Murabaha deferred profit movement

	2023 US$ '000	2022 US$ '000
Deferred profit at the beginning of the year	928,231	1,106,458
Murabaha sales during the year	2,769,309	2,793,595
Murabaha cost of sales	(1,979,339)	(2,279,654)
	1,718,201	1,620,399
Deferred profit collected during the year	(404,227)	(488,655)
Deferred profit settled during the year	(15,162)	(15,947)
Deferred profit waived during the period	(529)	(5,033)
FX translation	(185,065)	(182,533)
Deferred profit at the end of the year	1,113,218	928,231

4.2 Ijarah receivables

	2023			2022		
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000
Gross ijarah receivables	3,085	157,680	160,765	3,657	133,267	136,924
Allowance for credit losses (note 22)	(83)	(56,774)	(56,857)	(179)	(46,424)	(46,603)
Net ijarah receivables	3,002	100,906	103,908	3,478	86,843	90,321

	2023 US$ '000	2022 US$ '000
Non-performing	123,977	110,053

4.3 Salam receivables

	2023			2022		
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000
Gross salam receivables	-	315,780	315,780	-	283,574	283,574
Allowance for credit losses (note 22)	-	(14,316)	(14,316)	-	(17,361)	(17,361)
Net salam receivables	-	301,464	301,464	-	266,213	266,213

	2023 US$ '000	2022 US$ '000
Non-performing	22,998	24,543

4.4 Istisna'a receivables

	2023			2022		
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000
Gross istisna'a receivables	-	139,682	139,682	-	150,365	150,365
Allowance for credit losses (note 22)	-	(15,698)	(15,698)	-	(17,238)	(17,238)
Net istisna'a receivables	-	123,984	123,984	-	133,127	133,127

	2023 US$ '000	2022 US$ '000
Non-performing	17,917	20,300

4. RECEIVABLES (continued)

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

	31 December 2023			
	Stage 1 US$ '000	Stage 2 US$ '000	Stage 3 US$ '000	Total US$ '000
Good (1-4)	2,857,474	162,212	-	3,019,686
Satisfactory (5-7)	5,909,199	1,372,918	-	7,282,117
Default (8-10)	-	-	525,764	525,764
Allowance for credit losses	(104,344)	(264,359)	(388,744)	(757,447)
	8,662,329	1,270,771	137,020	10,070,120

	31 December 2022			
	Stage 1 US$ '000	Stage 2 US$ '000	Stage 3 US$ '000	Total US$ '000
Good (1-4)	2,732,623	167,451	-	2,900,074
Satisfactory (5-7)	6,180,829	1,563,613	-	7,744,442
Default (8-10)	-	-	536,360	536,360
Allowance for credit losses	(45,453)	(282,885)	(414,965)	(743,303)
	8,867,999	1,448,179	121,395	10,437,573

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

	31 December 2023			
	Stage 1: 12-month ECL US$ '000	Stage 2: Lifetime ECL not credit-impaired US$ '000	Stage 3: Lifetime ECL credit-impaired US$ '000	Total US$ '000
Balance at 1 January	45,453	282,885	414,965	743,303
Changes due to receivables recognised in opening balance that have:				
- transferred to Stage 1	97,020	(90,366)	(6,654)	-
- transferred to Stage 2	(170,095)	197,180	(27,085)	-
- transferred to Stage 3	(31,591)	(44,066)	75,657	-
Net remeasurement of loss allowance	84,029	3,243	112,902	200,174
Recoveries / write-backs	-	-	(24,533)	(24,533)
Allocation from (to) investment risk reserve	103,408	(64,050)	(42,836)	(3,478)
Amounts written off	-	-	(65,337)	(65,337)
FX translation / others	(23,880)	(20,467)	(48,335)	(92,682)
	104,344	264,359	388,744	757,447

4. RECEIVABLES (continued)

	31 December 2022			
	Stage 1: 12-month ECL US$ '000	Stage 2: Lifetime ECL not credit-impaired US$ '000	Stage 3: Lifetime ECL credit-impaired US$ '000	Total US$ '000
Balance at 1 January	57,197	293,781	509,922	860,900
Changes due to receivables recognised in opening balance that have:				
- transferred to Stage 1	5,745	(3,986)	(1,759)	-
- transferred to Stage 2	(3,932)	19,947	(16,015)	-
- transferred to Stage 3	(88)	(63,175)	63,263	-
Net remeasurement of loss allowance	15,837	72,087	189,956	277,880
Recoveries / write-backs	-	-	(60,564)	(60,564)
Allocation from (to) investment risk reserve	(9,699)	439	21,054	11,794
Amounts written off	-	-	(263,736)	(263,736)
FX translation / others	(19,607)	(36,208)	(27,156)	(82,971)
	45,453	282,885	414,965	743,303

5. MUDARABA AND MUSHARAKA FINANCING

	2023 US$ '000	2022 US$ '000
Mudaraba financing (note 5.1)	**332,365**	691,226
Musharaka financing (note 5.2)	**687,349**	836,032
Allowance for credit losses	**(36,415)**	(29,934)
	983,299	1,497,324

5.1 Mudaraba financing

	2023			2022		
	Self financed US$ '000	**Jointly financed US$ '000**	**Total US$ '000**	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000
Gross mudaraba financing	**33,687**	**298,678**	**332,365**	10,927	680,299	691,226
Allowance for credit losses (note 22)	**(420)**	**(18,472)**	**(18,892)**	(420)	(16,643)	(17,063)
Net mudaraba financing	**33,267**	**280,206**	**313,473**	10,507	663,656	674,163

	2023 US$ '000	2022 US$ '000
Non-performing	**35,010**	35,275

5.2 Musharaka financing

	2023			2022		
	Self financed US$ '000	**Jointly financed US$ '000**	**Total US$ '000**	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000
Gross musharaka financing	**157,184**	**530,165**	**687,349**	242,597	593,435	836,032
Allowance for credit losses (note 22)	**(516)**	**(17,007)**	**(17,523)**	(808)	(12,063)	(12,871)
Net musharaka financing	**156,668**	**513,158**	**669,826**	241,789	581,372	823,161

	2023 US$ '000	2022 US$ '000
Non-performing	**16,980**	18,320

5. MUDARABA AND MUSHARAKA FINANCING (continued)

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

	31 December 2023			
	Stage 1 US$ '000	Stage 2 US$ '000	Stage 3 US$ '000	Total US$ '000
Good (1-4)	604,311	26,658	-	630,969
Satisfactory (5-7)	226,800	109,955	-	336,755
Default (8-10)	-	-	51,990	51,990
Allowance for credit losses	(3,601)	(8,269)	(24,545)	(36,415)
	827,510	128,344	27,445	983,299

	31 December 2022			
	Stage 1 US$ '000	Stage 2 US$ '000	Stage 3 US$ '000	Total US$ '000
Good (1-4)	749,979	32,584	-	782,563
Satisfactory (5-7)	536,874	154,226	-	691,100
Default (8-10)	-	-	53,595	53,595
Allowance for credit losses	(3,457)	(4,474)	(22,003)	(29,934)
	1,283,396	182,336	31,592	1,497,324

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

	2023			
	Stage 1: 12-month ECL US$ '000	Stage 2: Lifetime ECL not credit-impaired US$ '000	Stage 3: Lifetime ECL credit-impaired US$ '000	Total US$ '000
Balance at 1 January	3,457	4,474	22,003	29,934
Changes due to financing recognised in opening balance that have:				
- transferred to Stage 1	59	(57)	(2)	-
- transferred to Stage 2	(93)	109	(16)	-
- transferred to Stage 3	(227)	(4)	231	-
Net remeasurement of loss allowance	1,063	4,699	3,342	9,104
Recoveries / write-backs	-	-	-	-
Allocation from (to) investment risk reserve	(8)	(2)	(52)	(62)
Amounts written off	-	-	-	-
FX translation / others	(650)	(950)	(961)	(2,561)
	3,601	8,269	24,545	36,415

5. MUDARABA AND MUSHARAKA FINANCING (continued)

	2022			
	Stage 1: 12-month ECL US$ '000	Stage 2: Lifetime ECL not credit-impaired US$ '000	Stage 3: Lifetime ECL credit-impaired US$ '000	Total US$ '000
Balance at 1 January	6,460	3,886	23,983	34,329
Changes due to financing recognised in opening balance that have:				
- transferred to Stage 1	(126)	128	(2)	-
- transferred to Stage 2	575	(573)	(2)	-
- transferred to Stage 3	-	(36)	36	-
Net remeasurement of loss allowance	(2,162)	2,495	1,263	1,596
Recoveries / write-backs	-	-	(1,134)	(1,134)
Allocation from (to) investment risk reserve	(1)	28	(38)	(11)
Amounts written off	-	-	-	-
FX translation / others	(1,289)	(1,454)	(2,103)	(4,846)
	3,457	4,474	22,003	29,934

6. INVESTMENTS

	2023 US$ '000	2022 US$ '000
Equity and debt-type instruments at fair value through statement of income (note 6.1)	249,938	135,926
Equity-type instruments at fair value through equity (note 6.2)	572,225	593,612
Debt-type instruments at amortised cost (note 6.3)	4,405,200	4,274,330
	5,227,363	5,003,868
Investment in real estate (note 6.4)	167,376	172,708
Investment in associates and joint venture (note 6.5)	56,826	58,138
	5,451,565	5,234,714

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

	2023			2022		
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000
Quoted investments						
Debt instruments	-	-	-	67	-	67
Equity securities	244,464	3,549	248,013	131,772	3,292	135,064
	244,464	3,549	248,013	131,839	3,292	135,131
Unquoted investments						
Equity securities	1,925	-	1,925	795	-	795
	1,925	-	1,925	795	-	795
Total	246,389	3,549	249,938	132,634	3,292	135,926

6. INVESTMENTS (continued)

6.2 Equity-type instruments at fair value through equity

	2023			2022		
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000
Quoted investments						
Equity securities	19,862	24,667	44,529	12,255	30,849	43,104
Managed funds	1,494	19,961	21,455	3,131	20,392	23,523
Sukuk	224,378	209,026	433,404	256,326	221,573	477,899
	245,734	253,654	499,388	271,712	272,814	544,526
Unquoted investments						
Equity securities	13,328	34,097	47,425	14,610	21,322	35,932
Managed funds	-	11,197	11,197	711	11,546	12,257
Sukuk	-	19,711	19,711	-	7,577	7,577
	13,328	65,005	78,333	15,321	40,445	55,766
Provisions for impairment	(5,231)	(265)	(5,496)	(6,875)	195	(6,680)
	253,831	318,394	572,225	280,158	313,454	593,612

6.3 Debt-type instruments at amortised cost

	2023			2022		
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000
Quoted investments						
Sukuk and similar items	2,059,116	1,122,837	3,181,953	2,070,759	1,333,716	3,404,475
	2,059,116	1,122,837	3,181,953	2,070,759	1,333,716	3,404,475
Unquoted investments						
Sukuk and similar items	80,403	1,156,669	1,237,072	93,286	785,281	878,567
Allowance for credit losses	(1,075)	(12,750)	(13,825)	(715)	(7,997)	(8,712)
	2,138,444	2,266,756	4,405,200	2,163,330	2,111,000	4,274,330

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

	31 December 2023			
	Stage 1 US$ '000	Stage 2 US$ '000	Stage 3 US$ '000	Total US$ '000
Good (1-4)	3,844,126	-	-	3,844,126
Satisfactory (5-7)	557,265	15,069	-	572,334
Default (8-10)	-	-	2,565	2,565
Allowance for credit losses	(10,868)	(392)	(2,565)	(13,825)
	4,390,523	14,677	-	4,405,200

	31 December 2022			
	Stage 1 US$ '000	Stage 2 US$ '000	Stage 3 US$ '000	Total US$ '000
Good (1-4)	3,677,323	-	-	3,677,323
Satisfactory (5-7)	595,055	8,099	-	603,154
Default (8-10)	-	-	2,565	2,565
Allowance for credit losses	(5,872)	(275)	(2,565)	(8,712)
	4,266,506	7,824	-	4,274,330

6. INVESTMENTS (continued)

6.3 Debt-type instruments at amortised cost (continued)

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

	31 December 2023			
	Stage 1: 12-month ECL US$ '000	Stage 2: Lifetime ECL not credit-impaired US$ '000	Stage 3: Lifetime ECL credit-impaired US$ '000	Total US$ '000
Balance at 1 January	5,872	275	2,565	8,712
Changes due to instruments recognised in opening balance that have:				
- transferred to Stage 1	-	-	-	-
- transferred to Stage 2	(30)	30	-	-
- transferred to Stage 3	-	-	-	-
Net remeasurement of loss allowance	6,187	346	-	6,533
Allocation from (to) investment risk reserve	(109)	(260)	-	(369)
FX translation / others	(1,052)	1	-	(1,051)
	10,868	392	2,565	13,825

	31 December 2022			
	Stage 1: 12-month ECL US$ '000	Stage 2: Lifetime ECL not credit-impaired US$ '000	Stage 3: Lifetime ECL credit-impaired US$ '000	Total US$ '000
Balance at 1 January	4,966	37	2,565	7,568
Net remeasurement of loss allowance	3,113	(19)	-	3,094
Allocation from / (to) investment risk reserve	(39)	260	-	221
FX translation / others	(2,168)	(3)	-	(2,171)
	5,872	275	2,565	8,712

6.4 Investment in real estate

	2023			2022		
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000
At cost	14,010	152,390	166,400	14,084	152,180	166,264
At fair value	9,183	158,193	167,376	10,465	162,243	172,708

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

	2023			2022		
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000
Land	1,457	91,174	92,631	1,624	95,813	97,437
Buildings	7,726	67,019	74,745	8,841	66,430	75,271
	9,183	158,193	167,376	10,465	162,243	172,708

6. INVESTMENTS (continued)

6.4 Investment in real estate (continued)

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

	2023 US$ '000	2022 US$ '000
Beginning balance of the year	172,708	186,767
Acquisitions	1,036	3,106
Net gain from fair value adjustments	6,210	190
Disposals	(12,506)	(15,269)
Foreign exchange translation / others - net	(72)	(2,086)
	(5,332)	(14,059)
Ending balance of the year	167,376	172,708

6.5 Investment in associates and joint venture

Investment in associates and joint venture comprise of the following:

	2023			
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Market value US$ '000
Quoted associates and joint venture	-	13,171	13,171	11,236
Unquoted associates and joint venture	43,655	-	43,655	
	43,655	13,171	56,826	

	2022			
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Market value US$ '000
Quoted associates and joint venture	-	13,169	13,169	11,500
Unquoted associates and joint venture	44,969	-	44,969	
	44,969	13,169	58,138	

The investment in associates and joint venture are net of impairment of US$ 23,000 thousand (2022: US$ 23,000 thousand).

Summarised financial information of associates and joint venture that have been equity accounted for in these consolidated financial statements, not adjusted for percentage of ownership held by the Group:

	2023 US$ '000	2022 US$ '000
Total assets	933,660	1,121,181
Total liabilities	743,646	950,311
Total revenues	94,819	185,972
Total net profit	19,595	41,244

Investment in associates and joint venture comprise of:

Name of associate	Ownership %	Country of incorporation	Nature of business
The Islamic Insurance Company	33.5%	Jordan	Insurance activities
Jordan International Trading Centre	28.4%	Jordan	Trading activities
katılım finans kefalet a.ş.	15.0%	Turkey	Financial services
Takaful for Pension and Life Insurance	50.0%	Turkey	Insurance activities
Danat AlBahrain*	51.0%	Bahrain	Real estate development
Al Baraka Bank Lebanon	99.0%	Lebanon	Banking
Al Baraka Bank Syria	29.0%	Syria	Banking

*This is classified as investment in joint venture.

7. IJARAH MUNTAHIA BITTAMLEEK

	2023			2022		
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000
Land and building						
Cost	-	2,730,486	2,730,486	-	2,451,334	2,451,334
Accumulated depreciation	-	(532,717)	(532,717)	-	(439,221)	(439,221)
Allowance for credit losses	-	(8,248)	(8,248)	-	(8,186)	(8,186)
Net book value	-	2,189,521	2,189,521	-	2,003,927	2,003,927
Equipment						
Cost	36,629	320,951	357,580	50,890	257,906	308,796
Accumulated depreciation	(10,096)	(62,647)	(72,743)	(9,639)	(71,470)	(81,109)
Allowance for credit losses	(54)	(5,482)	(5,536)	(492)	(4,488)	(4,980)
Net book value	26,479	252,822	279,301	40,759	181,948	222,707
Others						
Cost	-	11,000	11,000	-	9,110	9,110
Accumulated depreciation	-	(2,391)	(2,391)	-	(2,300)	(2,300)
Allowance for credit losses	-	(169)	(169)	-	(88)	(88)
Net book value	-	8,440	8,440	-	6,722	6,722
TOTAL						
Cost	36,629	3,062,437	3,099,066	50,890	2,718,350	2,769,240
Accumulated depreciation	(10,096)	(597,755)	(607,851)	(9,639)	(512,991)	(522,630)
Less: allowance for credit losses (note 22)	(54)	(13,899)	(13,953)	(492)	(12,762)	(13,254)
Net book value	26,479	2,450,783	2,477,262	40,759	2,192,597	2,233,356

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

	31 December 2023			
	Stage 1 US$ '000	Stage 2 US$ '000	Stage 3 US$ '000	Total US$ '000
Good (1-4)	710,942	6,560	-	717,502
Satisfactory (5-7)	1,541,412	232,301	-	1,773,713
Default (8-10)	-	-	-	-
Allowance for credit losses	(2,187)	(11,766)	-	(13,953)
	2,250,167	227,095	-	2,477,262

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

7. IJARAH MUNTAHIA BITTAMLEEK (continued)

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

	31 December 2023			
	Stage 1: 12-month ECL US$ '000	Stage 2: Lifetime ECL not credit-impaired US$ '000	Stage 3: Lifetime ECL credit-impaired US$ '000	Total US$ '000
Balance at 1 January	1,926	11,326	2	13,254
Changes due to ijarah muntahia bittamleek recognised in opening balance that have:				
- transferred to Stage 1	2	-	(2)	-
- transferred to Stage 2	-	-	-	-
- transferred to Stage 3	-	-	-	-
Net remeasurement of loss allowance	304	258	-	562
FX translation / others	(45)	182	-	137
	2,187	11,766	-	13,953

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

8. PROPERTY AND EQUIPMENT

	Buildings US$ '000	Lands US$ '000	Office furniture and equipment US$ '000	Vehicles US$ '000	Others US$ '000	Right of use asset US$ '000	Total US$ '000
Cost:							
At 1 January 2022	249,244	157,838	227,320	6,843	82,399	82,089	805,733
Additions	71,343	29,119	11,552	514	19,272	14,382	146,182
Disposals	(56,514)	(16,229)	(1,916)	(469)	(7,409)	(2,435)	(84,972)
Foreign exchange translations	(39,372)	(7,321)	(25,399)	(968)	(52,588)	(17,544)	(143,192)
At 31 December 2022	224,701	163,407	211,557	5,920	41,674	76,492	723,751
Additions	**39,150**	**13,462**	**18,269**	**23,769**	**10,485**	**23,772**	**128,907**
Disposals	**(23)**	**(47)**	**(3,492)**	**(212)**	**(23,627)**	**(2,100)**	**(29,501)**
Foreign exchange translations	**(25,909)**	**(6,421)**	**(10,516)**	**(4,399)**	**(22,856)**	**(20,384)**	**(90,485)**
At 31 December 2023	**237,919**	**170,401**	**215,818**	**25,078**	**5,676**	**77,780**	**732,672**
Accumulated Depreciation:							
At 1 January 2022	60,050	-	178,433	4,734	13,771	24,634	281,622
Charged during the year (note 20)	9,965	-	15,720	580	3,464	9,251	38,980
Relating to disposals	(8,778)	-	(1,275)	(152)	(3,969)	(1,155)	(15,329)
Foreign exchange translations	(9,616)	-	(15,803)	(659)	(10,484)	(6,432)	(42,994)
At 31 December 2022	51,621	-	177,075	4,503	2,782	26,298	262,279
Charged during the year (note 20)	**7,866**	**-**	**11,596**	**1,705**	**1,431**	**9,349**	**31,947**
Relating to disposals	**(15)**	**-**	**(3,245)**	**(107)**	**(1,189)**	**(2,082)**	**(6,638)**
Foreign exchange translations	**(4,378)**	**-**	**(5,925)**	**(375)**	**(2,107)**	**(6,842)**	**(19,627)**
At 31 December 2023	**55,094**	**-**	**179,501**	**5,726**	**917**	**26,723**	**267,961**
Net book values:							
At 31 December 2023	**182,825**	**170,401**	**36,317**	**19,352**	**4,759**	**51,057**	**464,711**
At 31 December 2022	173,080	163,407	34,482	1,417	38,892	50,194	461,472

9. OTHER ASSETS

	2023 US$ '000	2022 US$ '000
Bills receivables	**175,726**	262,124
Goodwill and intangible assets (note 9 (a))	**72,455**	73,461
Collateral pending sale*	**183,470**	149,857
Good faith qard	**39,962**	59,153
Deferred taxation	**120,996**	88,219
Prepayments	**32,784**	29,237
Assets held for sale**	**-**	39,978
Others	**54,716**	51,233
	680,109	753,262
Impairment / allowance for credit losses	**(31,321)**	(32,479)
	648,788	720,783

* The nature of the collateral pending sale are mainly residential and commercial real estates.

** During December 2022, ABG agreed in principle with Bank of Africa, through the signing of a sale and purchase agreement for sale of ABG's stake in BTI Morocco. The transaction was approved by ABG's Board of Directors in December 2022. The transaction was then still subject to various legal and regulatory formalities that were expected to be completed in the year 2023. As a result, the investment in BTI was classified as assets and liabilities held for sale.

On 27 July 2023, the Group announced the completion of exiting from Bank Al-Tamweel wal Al-Inma S.A (BTI) in Morocco,currently named Bank Al Karam after receiving the required approvals from the Central Bank of Bahrain (CBB) and Bank Al-Maghrib. There has been no gain or loss upon the completion of exiting BTI.

9. OTHER ASSETS (continued)

9 (a) Goodwill and intangible assets

	2023			2022		
	Goodwill US$ '000	Intangible assets US$ '000	Total US$ '000	Goodwill US$ '000	Intangible assets US$ '000	Total US$ '000
At 1 January	40,438	33,023	73,461	43,377	32,636	76,013
Additions	2,541	19,053	21,594	4,014	19,369	23,383
Amortisation charge for the year (note 20)	-	(9,447)	(9,447)	-	(11,607)	(11,607)
Impairment loss for the year	(1,500)	-	(1,500)	-	-	-
Foreign exchange translations	(5,284)	(6,369)	(11,653)	(6,953)	(7,375)	(14,328)
At 31 December	36,195	36,260	72,455	40,438	33,023	73,461

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

	2023 US$ '000	2022 US$ '000
Al Baraka Turk Participation Bank	1,318	3,484
Al Barak Bank Egypt	511	638
Jordan Islamic Bank	26,646	26,646
Al Baraka Bank (Pakistan) Limited	7,720	9,670
	36,195	40,438

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

10. LONG TERM FINANCING

	2023 US$ '000	2022 US$ '000
Murabaha financing	436,728	23,491
Subordinated financing obtained by a subsidiary	340,278	284,546
	777,006	308,037

11. OTHER LIABILITIES

	2023 US$ '000	2022 US$ '000
Payables	322,861	310,059
Cash margins	260,060	235,099
Managers' cheques	102,906	69,807
Current taxation *	120,301	119,287
Deferred taxation *	20,434	13,416
Accrued expenses	106,682	92,729
Charity fund	14,333	20,389
Net Ijarah liability	54,471	52,562
Liabilities held for sale**	-	39,978
Others	126,400	135,481
Allowance for credit losses (note 22)	58,763	62,871
	1,187,211	1,151,678

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

**This relates to the sale of ABG's stake in BTI Morocco (refer note 9).

12. EQUITY OF INVESTMENT ACCOUNTHOLDERS (IAH)

	2023 US$ '000	2022 US$ '000
Equity of investment accountholders*	13,534,471	13,966,177
Profit equalisation reserve (note 12.1)	183,760	66,501
Investment risk reserve (note 12.2)	80,474	98,768
Cumulative changes in fair value attributable to equity of investment accountholders - net (note 12.3)	(1,154)	1,382
	13,797,551	14,132,828

**Medium term Sukuk*

This includes unsecured, sub-ordinated and privately placed unrestricted mudaraba sukuk amounting to US$ 11,976 thousand (2022: US$ 15,600 thousand) issued by Al Baraka Bank (Pakistan) Limited (ABPL) during 2014 and 2021 and will mature in 2024 and 2031 respectively. The issuance of sukuk is intended to comply with regulatory requirements related to capital adequacy ratio of ABPL. The principal repayment, started after six months of the drawdown date and is being made semi-annually on a straight line basis.

The following table summarises the breakdown of IAH as of:

	2023 US$ '000	2022 US$ '000
IAH - Financial institutions	417,206	670,694
IAH - Non-financial institutions and individuals	13,380,345	13,462,134
	13,797,551	14,132,828

12.1 Profit equalisation reserve

The following shows the movement in profit equalisation reserve:

	2023 US$ '000	2022 US$ '000
Balance at 1 January	66,501	3,152
Amount apportioned from income allocable to equity of investment accountholders	171,922	73,409
Amount used during the year	(1,245)	1,674
Foreign exchange translations	(53,418)	(11,734)
Balance at 31 December	183,760	66,501

12.2 Investment risk reserve

The following shows the movement in investment risk reserve:

	2023 US$ '000	2022 US$ '000
Balance at 1 January	98,768	62,005
Amount appropriated from/(to) provision (note 22)	3,908	(12,056)
Amount apportioned from/(to) income allocable to equity of investment accountholders	(16,167)	51,259
Foreign exchange translations	(6,035)	(2,440)
Balance at 31 December	80,474	98,768

As noted under note 28 i), the economic environment in Turkey was considered hyperinflationary. Unlike IFRS accounting standards which issued IAS 29 'Financial Reporting in Hyperinflationary Environment' to consider the impact on hyperinflation, the AAOIFI standards do not have similar requirements and are still under consideration of the AAOIFI Board. IAS 29 requires financial statements that are prepared in the currency of a hyper-inflationary economy to be stated in terms of the purchasing power at the end of the reporting period. This is because money loses purchasing power at such a rate that comparison of amounts from transactions and other events that have occurred at different times, even within the same accounting period, are likely to be misleading without this impact.

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

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

	2023 US$ '000	2022 US$ '000
Balance at 1 January	1,382	2,183
Change in fair values during the year	347	613
Realised gain transferred to consolidated statement of income	(2,301)	(1,466)
Deferred taxation effect	(586)	58
Transfer to shareholder's equity	4	(6)
Balance at 31 December	(1,154)	1,382
Attributable to investment in real estate	3,187	2,897
Attributable to equity-type instruments at fair value through equity	(4,341)	(1,515)
	(1,154)	1,382

13. EQUITY

	2023 US$ '000	2022 US$ '000
Share capital		
Authorised: 2,500,000,000 (2022: 2,500,000,000) ordinary shares of US$ 1 each	2,500,000	2,500,000
Issued and fully paid up:		
At beginning of the year 1,242,879,755 (2022: 1,242,879,755) shares of US$1 each	1,242,879	1,242,879
At end of the year 1,242,879,755 (2022: 1,242,879,755) shares of US$1 each	1,242,879	1,242,879

Treasury shares

	Number of shares ('000)	2023 US$ '000	2022 US$ '000
At 1 January	30,040	15,000	15,655
Purchase of treasury shares	1,496	814	973
Sale of treasury shares	(156)	(156)	(1,628)
At 31 December	31,380	15,658	15,000

The market value of the treasury shares is US$ 8,473 thousand (2022: US$ 9,763 thousand) and it represents 2.5% (2022: 2.4%) of the outstanding shares.

Additional information on shareholding pattern

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

At 31 December 2023

Names	Nationality/ Incorporation	Number of shares	% holding
Dallah AlBaraka Holding Company E.C.	Bahrain	680,431,667	54.75%
Altawfeek Company For Investment Funds	Cayman Island	240,173,054	19.32%
Abdulla AbdulAziz AlRajihi	Saudi	87,313,197	7.03%

At 31 December 2022

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

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

13. EQUITY (continued)

Additional information on shareholding pattern (continued)

iii) Distribution schedule of shares, setting out the number and percentage of holders in the following categories:

At 31 December 2023 Categories:	**Number of shares**	**Number of shareholders**	**% of total outstanding shares**
Less than 1%	**107,790,867**	**1,073**	**8.67%**
1% up to less than 5%	**127,170,970**	**5**	**10.23%**
5% up to less than 10%	**87,313,197**	**1**	**7.03%**
10% up to less than 20%	**240,173,054**	**1**	**19.32%**
20% up to less than 50%	**-**	**-**	**0.00%**
More than 50%	**680,431,667**	**1**	**54.75%**
	1,242,879,755	**1,081**	**100.00%**

At 31 December 2022 Categories:	Number of shares	Number of shareholders	% of total outstanding shares
Less than 1%	89,593,279	1,076	7.21%
1% up to less than 5%	145,368,558	6	11.70%
5% up to less than 10%	87,313,197	1	7.02%
10% up to less than 20%	240,173,054	1	19.32%
20% up to less than 50%	680,431,667	2	54.75%
	1,242,879,755	1,086	100.00%

a. Share premium/Equity transaction cost

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

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

b. Statutory reserve

In accordance with the BCCL and the Firm's articles of association, 10% of the parent's share of the net income for the year is transferred to the statutory reserve until such time as the reserve reaches 50% of the Firm's paid-up share capital. The reserve is not distributable except in such circumstances as stipulated in the Bahrain Commercial Companies Law. During the year US$ 14,351 thousand (2022: US$ 14,312 thousand) was transferred to statutory reserve.

c. Cumulative changes in fair values

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

d. Foreign currency translations

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

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

	Currency	**2023 US$ '000**	2022 US$ '000
Banque Al Baraka D'Algerie (BAA)	**Algerian Dinar**	**69,803**	72,806
Al Baraka Bank (Pakistan) Limited	**Pakistani Rupees**	**57,636**	49,345
Al Baraka Bank Egypt (ABE)	**Egyptian Pound**	**284,794**	237,882
Al Baraka Turk Participation Bank (ATPB)	**Turkish Lira**	**570,601**	514,209
Al Baraka Bank Limited (ABL)	**South African Rand**	**27,441**	25,057
Al Baraka Bank Sudan (ABS)	**Sudanese Pound**	**134,944**	134,216
Al Baraka Bank Tunis (ABT)	**Tunisian Dinar**	**36,789**	37,915
Al Baraka Bank Syria (ABBS)	**Syrian Pound**	**64,897**	57,001
Others		**-**	(780)
		1,246,905	1,127,651

13. EQUITY (continued)

Additional information on shareholding pattern (continued)

e. Other reserves

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

f. Zakah paid on behalf of shareholders

The General Assembly in its annual meeting conducted on 22 March 2023 empowered the Executive Management of Al Baraka Group to pay an amount of US$ 610 thousand as Zakah on behalf of the shareholders deducted from the retained earnings for the financial year of 2022. The Group has paid and distributed to those who are entitled to receive Zakah as per Shari'a boundaries and as approved by the Unified Shari'a Board.

	2023 US$ '000	2022 US$ '000
Zakah to be paid on behalf of shareholders for the year	610	347
Uses of Zakah:		
Zakah for the poor and needy	316	47
Scholarships	150	300
Total uses	466	347
Remaining Zakah to be paid	144	-

g. Net movement in non-controlling interest

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

Non-controlling interest

Non-controlling interest constitutes equity in a subsidiary not attributable, directly or indirectly, to a parent. This includes the portion of the Tier 1 Mudaraba Sukuk amounted to US$ 165 million (31 December 2022: US$ 165 million) issued by the Group's subsidiary in February 2018 which is not subscribed by the parent.

h. Proposed appropriations

The Board of Directors propose the appropriation of dividends of 1% of share capital amounting to US$ 12,357 thousand (2022: US$ Nil thousand) which is subject to regulatory and shareholders' approval in the ensuing Annual General Meeting.

14. SUKUK (TIER 1 CAPITAL)

On 31 May 2017, the Bank completed an issuance of US$ 400 million Additional Tier 1 Mudaraba Sukuk in compliance with CBB regulations; listed on Irish Stock Exchange. Profit shall be payable subject to and in accordance with terms and conditions on the outstanding nominal amount of the Sukuk at an expected profit of 8.775% per annum, payable on semi-annual basis. These Sukuks are recognised under equity in the consolidated statement of financial position and the corresponding profit payable on those Sukuk are accounted as appropriation of profits. Expenses relating to the issuance have been included in the retained earnings. As per the terms and conditions, the Sukuk holders will not have a right to claim the profit and such event of non-payment of profit will not be considered as event of default. The Sukuk can be redeemed only at the option of ABG.

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

	2023 US$ '000	2022 US$ '000
Receivables (note 15.1)	1,076,593	965,958
Mudaraba and Musharaka financing (note 15.2)	114,838	177,907
Investments (note 15.3)	689,135	573,492
Ijarah Muntahia Bittamleek (note 15.4)	169,788	130,547
	2,050,354	1,847,904
Net income from jointly financed contracts and investments	1,507,233	1,408,471
Gross income from self financed contracts and investments	543,121	439,433
	2,050,354	1,847,904
Gross income from self financed contracts and investments	543,121	439,433
Loss paid on short term financing	(76,359)	(36,453)
Net income from self financed contracts and investments	466,762	402,980

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

15.1 Receivables

	2023 US$ '000	2022 US$ '000
Sales (Murabaha) receivables	**1,058,609**	944,944
Salam receivables	**15,654**	15,881
Istisna'a receivables	**2,330**	5,133
	1,076,593	965,958

15.2 Mudaraba and Musharaka financing

	2023 US$ '000	2022 US$ '000
Mudaraba financing	**47,963**	111,779
Musharaka financing	**66,875**	66,128
	114,838	177,907

15.3 Investments

	2023 US$ '000	2022 US$ '000
Equity-type instruments at fair value through equity	**13,591**	19,541
Debt-type instruments at amortised cost	**444,193**	396,773
Unrealised gain on equity and debt-type instruments at fair value through statement of income	**209,123**	131,650
Gain on sale of equity-type instruments at fair value through equity	**668**	108
Gain on sale of equity and debt-type instruments at fair value through statement of income	**208**	391
Income from investment in real estate	**346**	2,083
Income from associates and joint venture	**15,071**	17,371
Gain on sale of investment in real estate	**5,935**	4,597
Gain on sale of investment in subsidiaries	**-**	978
	689,135	573,492

15.4 Ijarah Muntahia Bittamleek

	2023 US$ '000	2022 US$ '000
Income from Ijarah Muntahia Bittamleek	**316,313**	319,517
Depreciation on Ijarah Muntahia Bittamleek	**(146,525)**	(188,970)
	169,788	130,547

16. GROUP'S SHARE AS A MUDARIB

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

17. OTHER FEES AND COMMISSION INCOME

	2023 US$ '000	2022 US$ '000
Banking fees and commissions	**198,079**	129,067
Letters of credit	**10,052**	15,259
Guarantees	**19,563**	21,774
Acceptances	**1,222**	4,218
	228,916	170,318

18. OTHER OPERATING INCOME

	2023 US$ '000	2022 US$ '000
Foreign exchange gain	95,486	134,127
Gain on sale of property and equipment	11,622	10,446
	107,108	144,573

19. PROFIT PAID ON LONG TERM FINANCING

	2023 US$ '000	2022 US$ '000
Murabaha financing	7,259	180
Subordinated financing obtained by a subsidiary	33,973	26,662
Sukuk	9,808	5,969
	51,040	32,811

20. DEPRECIATION AND AMORTISATION

	2023 US$ '000	2022 US$ '000
Property and equipment depreciation (note 8)	31,947	38,980
Intangible assets amortisation (note 9 (a))	9,447	11,607
	41,394	50,587

21. OTHER OPERATING EXPENSES

	2023 US$ '000	2022 US$ '000
General and administration expenses	129,400	123,937
Professional and business expenses	25,732	28,247
Premises related expenses	37,650	33,983
	192,782	186,167

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

	2023 US$ '000	2022 US$ '000
Audit fees	1,192	1,060
Non - Audit fees	419	347
	1,611	1,407

22. NET ALLOWANCE FOR CREDIT LOSSES / IMPAIRMENT

2023	Cash and balances with banks US$ '000 (note 3)	Sales (Murabaha) receivables US$ '000 (note 4.1)	Ijarah receivables US$ '000 (note 4.2)	Salam receivables US$ '000 (note 4.3)	Istisna'a receivables US$ '000 (note 4.4)	Mudaraba financing US$ '000 (note 5.1)	Musharaka financing US$ '000 (note 5.2)	Investments US$ '000 (note 6.2 & 6.3)	Ijarah Muntahia Bittamleek US$ '000 (note 7)	Other assets US$ '000 (note 9)	Other liabilities US$ '000 (note 11)	Total US$ '000
Allowance at 1 January	181	662,101	46,603	17,361	17,238	17,063	12,871	15,392	13,254	32,479	62,871	897,414
Charged during the year	232	180,443	17,605	748	1,378	1,924	7,180	7,186	562	(563)	548	217,243
Written back / recovered during the year	-	(13,595)	(8,872)	(1,906)	(160)	-	-	(602)	-	(158)	(2,256)	(27,549)
	232	166,848	8,733	(1,158)	1,218	1,924	7,180	6,584	562	(721)	(1,708)	189,694
	413	828,949	55,336	16,203	18,456	18,987	20,051	21,976	13,816	31,758	61,163	1,087,108
Written off during the year	-	(65,337)	-	-	-	-	-	(1,262)	-	(309)	-	(66,908)
Amount appropriated from/(to) investment risk reserve (note 12.2)	-	(3,971)	585	-	(92)	-	(62)	(368)	-	-	-	(3,908)
Foreign exchange translations/others - net	(33)	(89,065)	936	(1,887)	(2,666)	(95)	(2,466)	(1,025)	137	(128)	(2,400)	(98,692)
Allowance at 31 December	380	670,576	56,857	14,316	15,698	18,892	17,523	19,321	13,953	31,321	58,763	917,600

During the year, an impairment loss of US$ 2.1 Million and US$ 1.5 Million (2022: US$ 20.5 Million and US$ Nil) was charged against investments and goodwill.

An amount of US$ 5,496 thousand (2022: US$ 6,680 thousand) is related to provision of equity type instruments at fair value through equity.

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

22. NET ALLOWANCE FOR CREDIT LOSSES / IMPAIRMENT (continued)

The provisions relate to the following geographical areas:

2023	Cash and balances with banks US$ '000 (note 3)	Sales (Murabaha) receivables US$ '000 (note 4.1)	Ijarah receivables US$ '000 (note 4.2)	Salam receivables US$ '000 (note 4.3)	Istisna'a receivables US$ '000 (note 4.4)	Mudaraba financing US$ '000 (note 5.1)	Musharaka financing US$ '000 (note 5.2)	Investments US$ '000 (note 6.2 & 6.3)	Ijarah Muntahia Bittamleek US$ '000 (note 7)	Other assets US$ '000 (note 9)	Other liabilities US$ '000 (note 11)	Total US$ '000
Middle East	256	328,691	17,015	-	2,716	18,892	361	15,970	106	25,709	50,860	460,576
North Africa	124	53,441	39,034	5,758	751	-	16	2,255	13,602	4,282	1,779	121,042
Europe	-	244,017	-	-	-	-	513	1	243	607	1,982	247,363
Others	-	44,427	808	8,558	12,231	-	16,633	1,095	2	723	4,142	88,619
Total	380	670,576	56,857	14,316	15,698	18,892	17,523	19,321	13,953	31,321	58,763	917,600
2022												
Middle East	163	355,786	12,422	-	2,808	17,063	423	11,990	106	27,977	53,750	482,488
North Africa	18	52,274	33,131	6,993	756	-	136	1,837	12,620	3,644	2,850	114,259
Europe	-	238,045	-	-	-	-	806	215	524	185	2,159	241,934
Others	-	15,996	1,050	10,368	13,674	-	11,506	1,350	4	673	4,112	58,733
Total	181	662,101	46,603	17,361	17,238	17,063	12,871	15,392	13,254	32,479	62,871	897,414

The fair value of collateral the Group holds relating to non-performing facilities as at 31 December 2023 amounts to US$ 277 million (2022: US$ 322 million). The collateral consists of cash margin, securities and properties. The utilisation of the collaterals will be on customer by customer basis and will be limited to the customer›s total exposure.

23. BASIC AND DILUTED EARNINGS PER SHARE

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

	2023 US$ '000	2022 US$ '000
Net income attributable to the equity shareholders of the parent for the year - US$ '000	143,509	143,116
Profit distributed on perpetual tier 1 capital - US$ '000	(35,100)	(33,300)
	108,409	109,816
Number of shares outstanding at the beginning of the year (in thousands)	1,242,879	1,242,879
Treasury shares effect (in thousands)	(30,151)	(30,645)
Weighted average number of shares outstanding at the end of the year (in thousands)	1,212,728	1,212,234
Earnings per share - US cents	8.94	9.06

24. CASH AND CASH EQUIVALENTS

	2023 US$ '000	2022 US$ '000
Balances with central banks excluding mandatory reserve	1,348,673	1,147,397
Balances with other banks	724,636	530,747
Cash and cash in transit	528,135	534,119
	2,601,444	2,212,263

25. RELATED PARTY TRANSACTIONS

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

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

	Associated companies US$ '000	Major shareholders US$ '000	Directors and key management personnel US$ '000	Other related parties US$ '000	Total 2023 US$ '000	Total 2022 US$ '000
Net income from jointly financed contracts and investments	1,645	-	-	-	1,645	1,595
Return on equity of investment accountholders	743	379	414	-	1,536	745
Other fees and commission income	16	-	1	-	17	270

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

	2023 US$ '000	2022 US$ '000
Short term benefits	4,071	3,175
Long term benefits	680	366

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

Director's remuneration accrued for the year ended 31 December 2023 amounted to US$ 1.5 million (2022: US$ 1.5 million).

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

	Associated companies US$ '000	Major shareholders US$ '000	Directors and key management personnel US$ '000	Other related parties US$ '000	Total 2023 US$ '000	Total 2022 US$ '000
Assets:						
Receivables	-	-	1	-	1	2,858
Mudaraba and Musharaka financing	-	-	-	-	-	1,370
Investments	58,965	-	-	-	58,965	64,904
Other assets	9,924	-	425	-	10,349	9,666
Liabilities:						
Customer current and other accounts	42,133	1,014	468	5	43,620	76,615
Other liabilities	21	-	-	-	21	383
Equity of investment accountholders	29,973	15,862	7,170	-	53,005	35,119
Off-balance sheet equity of investment accountholders	109,548	12,372	1,763	-	123,683	134,050

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

25. RELATED PARTY TRANSACTIONS (continued)

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

			2023	Transaction
Name of directors	**Position**	**Nationality**	**Number of shares**	**Number of shares**
Abdulla Saleh Kamel	**Chairman**	**Saudi**	**338,598**	**-**
Abdul Elah Sabbahi	**Board Member**	**Saudi**	**225,899**	**-**
Musa Abdel-Aziz Shihadeh	**Board Member**	**Jordanian**	**968,590**	**-**

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

26. COMMITMENTS AND CONTINGENCIES

	2023 US$ '000	2022 US$ '000
Commitments	**570,135**	630,421
Guarantees	**1,380,579**	1,496,283
Acceptances	**40,015**	56,076
Commitments	**1,070,021**	857,095
Sharia'a compliant promise contracts	**1,142,002**	252,006
	4,202,752	3,291,881

27. SEGMENTAL ANALYSIS

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

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

Middle East
North Africa
Europe
Others

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

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

27. SEGMENTAL ANALYSIS (continued)

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

	2023			2022		
	Assets US$ '000	Liabilities US$ '000	IAH US$ '000	Assets US$ '000	Liabilities US$ '000	IAH US$ '000
Segment						
Middle East	13,114,451	3,113,933	8,696,520	12,999,079	3,002,644	8,719,950
North Africa	2,883,733	1,531,106	1,050,041	2,627,922	1,348,227	994,496
Europe	7,718,467	4,334,505	3,127,574	7,647,797	4,051,269	3,337,415
Others	1,546,683	517,659	923,416	1,707,036	480,095	1,080,967
	25,263,334	9,497,203	13,797,551	24,981,834	8,882,235	14,132,828

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

	2023			2022		
	Total operating income US$ '000	Net operating income US$ '000	Net income / (loss) US$ '000	Total operating income US$ '000	Net operating income US$ '000	Net income / (loss) US$ '000
Segment						
Middle East	444,592	207,286	105,702	532,618	289,005	138,567
North Africa	116,853	54,060	36,192	105,553	41,718	33,117
Europe	497,692	299,435	156,140	405,528	252,700	49,036
Others	81,311	36,786	(14,771)	95,033	33,254	18,734
	1,140,448	597,567	283,263	1,138,732	616,677	239,454

28. RISK MANAGEMENT

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

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

a) Liquidity risk

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

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

28. RISK MANAGEMENT (continued)

a) Liquidity risk (continued)

The maturity profile at 31 December 2023 was as follows:

	Up to 1 month US$ '000	1 to 3 months US$ '000	3 to 6 months US$ '000	6 months to 1 year US$ '000	1 to 3 years US$ '000	3 to 5 years US$ '000	5 to 10 years US$ '000	10 to 20 years US$ '000	20 years and above US$ '000	Undated US$ '000	Total US$ '000
Assets											
Cash and balances with banks	2,908,755	-	-	-	-	291,820	-	23,119	-	1,943,895	5,167,589
Receivables	1,217,429	1,584,645	1,467,282	1,580,785	2,356,393	1,402,249	338,037	106,619	13,896	2,785	10,070,120
Mudaraba and Musharaka financing	191,097	5,955	28,975	20,966	282,554	225,220	146,277	77,765	4,490	-	983,299
Investments	1,225,962	504,647	301,958	242,167	1,391,295	938,813	342,560	21,879	8,144	474,140	5,451,565
Ijarah Muntahia Bittamleek	36,629	43,948	78,474	162,152	533,491	420,429	571,830	547,794	82,515	-	2,477,262
Property and equipment	-	-	-	-	-	-	-	-	-	464,711	464,711
Other assets	283,521	11,707	(42,273)	63,967	27,205	32,866	12,723	1,591	-	257,481	648,788
Total assets	5,863,393	2,150,902	1,834,416	2,070,037	4,590,938	3,311,397	1,411,427	778,767	109,045	3,143,012	25,263,334
Liabilities											
Customer current and other accounts	6,403,831	-	-	-	-	-	-	-	-	-	6,403,831
Due to banks	637,480	45,714	300,984	79,132	11,284	460	6,485	47,616	-	-	1,129,155
Long term financing	-	-	20,008	271,890	99,298	116,613	269,197	-	-	-	777,006
Other liabilities	346,053	120,419	67,069	78,719	27,353	61,418	995	432,336	-	52,849	1,187,211
Total liabilities	7,387,364	166,133	388,061	429,741	137,935	178,491	276,677	479,952	-	52,849	9,497,203
Equity of investment accountholders	1,925,808	3,165,979	1,281,389	1,498,838	2,666,853	794,995	1,800,390	663,299	-	-	13,797,551
Total liabilities and equity of investment accountholders	9,313,172	3,332,112	1,669,450	1,928,579	2,804,788	973,486	2,077,067	1,143,251	-	52,849	23,294,754
Net liquidity gap	(3,449,779)	(1,181,210)	164,966	141,458	1,786,150	2,337,911	(665,640)	(364,484)	109,045	3,090,163	1,968,580
Cumulative net liquidity gap	(3,449,779)	(4,630,989)	(4,466,023)	(4,324,565)	(2,538,415)	(200,504)	(866,144)	(1,230,628)	(1,121,583)	1,968,580	
Off-balance sheet equity of investment accountholders	204,893	198,481	39,674	1,186,330	27,383	28,361	1,684	-	-	-	1,686,806

The maturity profile at 31 December 2022 was as follows:

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

28. RISK MANAGEMENT (continued)

b) Credit risk

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

Type of credit risk

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

Sales (Murabaha) receivables

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

Salam receivables

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

Istisna'a receivables

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

Mudaraba financing

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

Musharaka financing

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

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

	2023 US$ '000	2022 US$ '000
Balances with central banks	3,915,198	3,331,927
Balances with other banks	724,636	530,747
Receivables	10,070,120	10,437,573
Mudaraba and Musharaka financing	983,299	1,497,324
Investments	5,451,565	5,234,714
Ijarah Muntahia Bittamleek	2,477,262	2,233,356
Other assets	239,083	340,031
Total	23,861,163	23,605,672
Commitments and contingencies	4,202,752	3,291,881
	28,063,915	26,897,553

28. RISK MANAGEMENT (continued)

b) Credit risk (continued)

Credit quality by type of Islamic financing contracts

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

	31 December 2023			
	Neither past due nor non performing US$ '000	Past due but performing US$ '000	Non performing Islamic financing contracts US$ '000	Total US$ '000
Type of Islamic Financing Contract				
Receivables	9,885,799	416,004	525,764	10,827,567
Mudaraba and Musharaka financing	960,792	6,932	51,990	1,019,714
Ijarah Muntahia Bittamleek	2,475,560	15,655	-	2,491,215
Other assets	250,785	1,453	18,166	270,404
	13,572,936	440,044	595,920	14,608,900

	31 December 2022			
	Neither past due nor non performing US$ '000	Past due but performing US$ '000	Non performing Islamic financing contracts US$ '000	Total US$ '000
Type of Islamic Financing Contract				
Receivables	10,033,850	610,666	536,360	11,180,876
Mudaraba and Musharaka financing	1,470,087	3,576	53,595	1,527,258
Ijarah Muntahia Bittamleek	2,235,799	10,800	11	2,246,610
Other assets	363,215	828	8,467	372,510
	14,102,951	625,870	598,433	15,327,254

Ageing analysis of past due but performing Islamic financing contracts

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

	31 December 2023			
	Less than 30 days US$ '000	31 to 60 days US$ '000	61 to 90 days US$ '000	Total US$ '000
Type of Islamic Financing Contracts				
Receivable	114,430	95,322	206,252	416,004
Mudaraba and Musharaka financing	3,602	1,779	1,551	6,932
Ijarah Muntahia Bittamleek	10,922	3,881	852	15,655
Other assets	803	462	188	1,453
	129,757	101,444	208,843	440,044

	31 December 2022			
	Less than 30 days US$ '000	31 to 60 days US$ '000	61 to 90 days US$ '000	Total US$ '000
Type of Islamic Financing Contracts				
Receivable	152,824	134,816	323,026	610,666
Mudaraba and Musharaka financing	3,024	154	398	3,576
Ijarah Muntahia Bittamleek	6,209	995	3,596	10,800
Other assets	426	258	144	828
	162,483	163,223	327,164	625,870

28. RISK MANAGEMENT (continued)

b) Credit risk (continued)

The following table summarises the total past due, non performing and neither past due nor non performing Islamic financing contracts and aging of non performing Islamic financing contracts disclosed by counterparty type as of 31 December 2023:

					Aging of non performing Islamic financing contracts		
	Total US$ '000	Neither past due nor non performing US$ '000	Past due but performing US$ '000	Non performing Islamic financing contracts US$ '000	90 days to 1 year US$ '000	1 year to 3 years US$ '000	Over 3 years US$ '000
Sovereign	1,372,074	1,352,775	280	19,019	3,992	11,035	3,992
Bank	1,441,849	1,406,226	-	35,623	29,875	5,415	333
Investment Firms	604	604	-	-	-	-	-
Corporates	7,132,234	6,347,116	402,933	382,185	189,860	56,624	135,701
Retail	4,662,139	4,466,215	36,831	159,093	81,616	24,881	52,596
	14,608,900	13,572,936	440,044	595,920	305,343	97,955	192,622

The following table summarises the total expected credit loss (ECL) on stage 3 disclosed by counterparty type as of 31 December 2023:

	Opening Balance US$ '000	Charged during the year US$ '000	Write-back during the year US$ '000	Write-offs during the year US$ '000	Foreign Exchange translation/ Others-net US$ '000	Balance at the end of the year US$ '000
Bank	44,224	308	(5)	(9,286)	4,537	39,778
Corporates	356,609	106,051	(20,456)	(6,282)	(131,203)	304,719
Retail	118,871	9,885	(4,072)	(49,769)	(6,123)	68,792
	519,704	116,244	(24,533)	(65,337)	(132,789)	413,289

Credit risk mitigation

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

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

28. RISK MANAGEMENT (continued)

b) Credit risk (continued)

Credit risk mitigation (continued)

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

1. Hamish Jiddiyyah (Good faith deposit): Subsidiaries take this type of collateral in the transactions for which non-binding promises to perform is given by the customer. If a customer does not honor his promise to perform, the subsidiary has recourse to the deposit.

2. Third party guarantee: The subsidiary should have recourse to the guarantor in case of customer's default. In order to qualify as eligible collateral, the guarantee should be unconditional and irrevocable. The guarantor must be solvent and, if applicable, of investment grade rating.

3. Urbon: This is the amount that should be taken from a purchaser or lessee when a contract is established and it is the first line of defense for the subsidiary if the purchaser or lessee breaches the contract.

4. Underlying assets of the lease contract: The underlying asset must be of monetary value and the subsidiary must have legal access to it, own it and sell it to cover the open exposure with the customers in question. The assets have also to be free of any of any kind of encumbrance.

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

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

6. Rated and unrated senior Sukuk issued by first class financial institutions or by GCC sovereigns.

Credit quality

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

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

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

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

c) Concentration risk

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

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

28. RISK MANAGEMENT (continued)

c) Concentration risk (continued)

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

	2023			2022		
	Assets US$ '000	Liabilities US$ '000	IAH US$ '000	Assets US$ '000	Liabilities US$ '000	IAH US$ '000
Manufacturing	2,551,865	189,261	174,280	2,619,599	173,239	146,216
Mining and quarrying	69,387	6,371	74,417	79,764	4,103	35,410
Agriculture	264,616	18,653	5,407	250,264	24,152	4,438
Construction and real estate	2,247,399	83,723	77,926	2,091,058	18,467	22,094
Financial	3,688,265	1,433,537	1,613,412	3,681,726	1,539,683	1,750,814
Trade	1,710,708	178,248	43,900	1,720,022	276,529	84,953
Personal and consumer finance	3,630,979	5,264,323	9,300,875	3,410,399	5,091,356	9,098,784
Government	8,206,575	38,866	255,889	8,202,628	44,264	300,817
Other Sectors	2,893,540	2,284,221	2,251,445	2,926,374	1,710,442	2,689,302
	25,263,334	9,497,203	13,797,551	24,981,834	8,882,235	14,132,828

d) Market risk

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

Profit rate risk

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

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

Equity price risk

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

The Group has total equity portfolio of US$ 341,892 thousand (2022: US$ 243,995 thousand) comprising of equity-type instruments at fair value through equity amounting to US$ 91,954 thousand (2022: US$ 108,136 thousand) and equity-type instruments at fair value through statement of income amounting to US$ 249,938 thousand (2022: US$ 135,859 thousand). Variation of 10% increase or decrease in the portfolio value will not have a significant impact on the Group's consolidated net income or owners' equity.

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.

28. RISK MANAGEMENT (continued)

d) Market risk (continued)

Foreign exchange risk (continued)

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

	2023		
Currency	**Operational equivalent Long (Short) US$ '000**	**Strategic equivalent Long (Short) US$ '000**	**Total equivalent Long (Short) US$ '000**
Turkish Lira	**813,222**	**69,857**	**883,079**
Jordanian Dinar	**317,633**	**517,732**	**835,365**
Egyptian Pound	**149,423**	**232,031**	**381,454**
Sudanese Pound	**49,200**	**(3,199)**	**46,001**
Algerian Dinar	**155,368**	**118,801**	**274,169**
Lebanese Pound	**43**	**-**	**43**
Pound Sterling	**(4,928)**	**-**	**(4,928)**
Tunisian Dinar	**114,627**	**71,818**	**186,445**
Euro	**(29,382)**	**-**	**(29,382)**
South African Rand	**58,757**	**34,194**	**92,951**
Pakistani Rupees	**99,287**	**94,475**	**193,762**
Syrian Pound	**2,717**	**-**	**2,717**
Others	**59,013**	**-**	**59,013**

	2022		
Currency	Operational equivalent Long (Short) US$ '000	Strategic equivalent Long (Short) US$ '000	Total equivalent Long (Short) US$ '000
Turkish Lira	280,830	66,863	347,693
Jordanian Dinar	325,884	505,911	831,795
Egyptian Pound	190,040	232,478	422,518
Sudanese Pound	36,775	21,025	57,800
Algerian Dinar	148,806	112,900	261,706
Lebanese Pound	42	-	42
Pound Sterling	(4,624)	-	(4,624)
Tunisian Dinar	84,830	63,692	148,522
Euro	34,022	-	34,022
South African Rand	51,048	33,542	84,590
Pakistani Rupees	104,757	94,475	199,232
Syrian Pound	5,612	-	5,612
Moroccan Dirham	(2)	-	(2)
Others	46,936	-	46,936

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

28. RISK MANAGEMENT (continued)

d) Market risk (continued)

Foreign currency risk sensitivity analysis

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

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

At 31 December 2023

Currency	Particular	Exposures in US$ '000	Maximum expected decrease %	Change in net income and owners' equity US$ '000	Maximum expected increase %	Change in net income and owners' equity US$ '000
Algerian Dinar	Net income	20,020	-15%	(2,611)	5%	1,054
	Total owners' equity	214,676	-15%	(28,001)	5%	11,299
Egyptian Pound	Net income	57,545	-20%	(9,591)	5%	3,029
	Total owners' equity	316,185	-20%	(52,697)	5%	16,641
Turkish Lira	Net income	156,140	-20%	(26,023)	5%	8,218
	Total owners' equity	256,388	-20%	(42,731)	5%	13,494
S.African Rand	Net income	6,514	-15%	(850)	5%	343
	Total owners' equity	59,786	-15%	(7,798)	5%	3,147
Pakistani Rupees	Net income	9,707	-10%	(882)	5%	511
	Total owners' equity	53,336	-10%	(4,849)	5%	2,807
Tunisian Dinar	Net income	16,172	-10%	(1,470)	5%	851
	Total owners' equity	87,910	-10%	(7,992)	5%	4,627

At 31 December 2022

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

28. RISK MANAGEMENT (continued)

e) Operational risk

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

Operational Risk Management Framework

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

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

The Operational Risk framework is subject to periodic internal audit.

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

Infrastructure risks

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

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

Information technology risks

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

Staff risk

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

Business risk

This risk may take on the following forms:

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

f) Corporate governance

Board of Directors

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

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

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

28. RISK MANAGEMENT (continued)

f) Corporate governance (continued)

Board of Directors (continued)

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

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

g) Russia-Ukraine Conflict

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

h) Palestine and Israel conflict

There is an ongoing conflict between Palestine and Israel that may impact the regional economy. The Group has assessed the situation and does not foresee any adverse effects on its operations or on the consolidated financial statements. Management will remain vigilant in monitoring and evaluating any potential direct or indirect impact on its business.

i) Classification of Turkey as a hyperinflationary economy

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

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

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

The AAB held meetings on 22 May 2023 and 23 May 2023 during which they issued an exposure draft of financial accounting standard "Financial Reporting for Institutions Operating in Hyperinflationary Economies" and discussed a host of other agenda items. Series of public hearings for the exposure drafts are currently in progress.

29. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

The Group's investments in sukuk held at amortised cost have fair values amounting to US$ 4,902 million (2022: US$ 4,452 million).

Also included under investments are unquoted equity-type instruments at fair value through equity amounting to US$ 78,333 thousand (2022:US$ 55,766 thousand) which are carried at net asset value or cost due to lack of other reliable methods for arriving at a reliable fair value for these investments.

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

29. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

A hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions.

These two types of inputs have created the following fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical investments.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the investments, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 – Inputs for the investments that are not based on observable market data (unobservable inputs).

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy at 31 December:

2023	Level 1 US$ '000	Level 2 US$ '000	Level 3 US$ '000	Total US$ '000
Equity and debt-type instruments at fair value through statement of income	248,013	-	1,925	249,938
Equity-type instruments at fair value through equity	499,388	-	72,837	572,225
Investment in real estate	-	167,376	-	167,376
	747,401	167,376	74,762	989,539

2022	Level 1 US$ '000	Level 2 US$ '000	Level 3 US$ '000	Total US$ '000
Equity and debt-type instruments at fair value through statement of income	135,131	-	795	135,926
Equity-type instruments at fair value through equity	544,526	-	49,086	593,612
Investment in real estate	-	172,708	-	172,708
	679,657	172,708	49,881	902,246

30. EARNINGS PROHIBITED BY SHARI'A

Earnings realised during the year from transactions that were not permitted by Shari'a amounted to US$ 9 million (2022: US$ 10 million). This amount has been taken to charity.

31. CAPITAL ADEQUACY RATIO

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

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

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

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

	2023 US$ '000	2022 US$ '000
1- Regulatory Capital (A)	198,682	84,824
2- Regulatory Requirement (B)	25,485	27,695
3- Risk Based Capital Requirement (C)	25,485	27,695
4- Minimum Capital Requirement (D)	2,653	2,653
5- Ratio of (A) to (B)	780%	306%

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