

**Al Baraka Group B.S.C.**

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

**31 March 2023 (UNAUDITED AND REVIEWED)**



## *Review report on the interim condensed consolidated financial statements to the Board of Directors of Al Baraka Group B.S.C.*

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### *Introduction*

We have reviewed the accompanying interim consolidated statement of financial position of Al Baraka Banking Group B.S.C. (the "Firm") and its subsidiaries (together the "Group") as at 31 March 2023 and the related interim consolidated statements of income, cash flows, changes in equity and changes in off-balance sheet equity of investment account holders for the three month period then ended and other explanatory notes. The directors are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with FAS 41, "Interim Financial Reporting". Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

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### *Scope of review*

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

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### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with FAS 41, "Interim Financial Reporting".

Elias Abi Nakhoul

PricewaterhouseCoopers M.E Limited

Partner's registration number: 196

Manama, Kingdom of Bahrain

10 May 2023

# Al Baraka Group B.S.C.

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023 (Reviewed)

		<u>Reviewed</u>	<u>Audited</u>
		<u>31 March</u>	<u>31 December</u>
		<u>2023</u>	<u>2022</u>
	Notes	US\$ '000	US\$ '000
<b>ASSETS</b>			
Cash and balances with banks	3	4,210,563	4,396,612
Receivables	4	10,591,722	10,437,573
Mudaraba and Musharaka financing	5	1,198,222	1,497,324
Investments	6	5,084,250	5,234,714
Ijarah Muntahia Bittamleek	7	2,310,131	2,233,356
Property and equipment		466,990	461,472
Other assets	8	632,341	720,783
<b>TOTAL ASSETS</b>		<u><u>24,494,219</u></u>	<u><u>24,981,834</u></u>
<b>LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND EQUITY</b>			
<b>LIABILITIES</b>			
Customers' current and other accounts		6,237,408	6,451,061
Due to banks		1,015,683	971,459
Long term financing	9	482,011	308,037
Other liabilities	10	1,356,478	1,151,678
<b>Total liabilities</b>		<u><u>9,091,580</u></u>	<u><u>8,882,235</u></u>
<b>EQUITY OF INVESTMENT ACCOUNTHOLDERS</b>			
Financial institutions		609,994	670,694
Non-financial institutions and individuals		12,863,275	13,462,134
<b>Total equity of investment accountholders</b>	11	<u><u>13,473,269</u></u>	<u><u>14,132,828</u></u>
<b>EQUITY</b>			
Share capital	14	1,242,879	1,242,879
Treasury shares		(15,252)	(15,000)
Share premium		16,147	16,059
Reserves		208,363	208,363
Cumulative changes in fair value		54,371	55,006
Foreign currency translations	14	(1,193,724)	(1,127,651)
Retained earnings		520,128	483,571
<b>Equity attributable to parent's shareholders</b>		<u><u>832,912</u></u>	<u><u>863,227</u></u>
Sukuk (Tier 1 Capital)		400,000	400,000
<b>Equity attributable to parent's shareholders and Sukuk (Tier 1 Capital) holders</b>		<u><u>1,232,912</u></u>	<u><u>1,263,227</u></u>
Non-controlling interest		696,458	703,544
<b>TOTAL EQUITY</b>		<u><u>1,929,370</u></u>	<u><u>1,966,771</u></u>
<b>TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND EQUITY</b>		<u><u>24,494,219</u></u>	<u><u>24,981,834</u></u>

Abdullah Saleh Kamel  
Chairman

Houssem Ben Haj Amor  
Board member and Group Chief Executive Officer

The attached notes 1 to 22 form part of these interim condensed consolidated financial statements.

# Al Baraka Group B.S.C.

## INTERIM CONSOLIDATED STATEMENT OF INCOME

For the three months ended 31 March 2023 (Reviewed)

		Three months ended	
		31 March 2023 US\$ '000	31 March 2022 US\$ '000 (restated - note 22)
Notes			
<b>INCOME</b>			
Net income from jointly financed contracts and investments		347,370	331,050
Return on equity of investment accountholders before			
Group's share as a Mudarib		(297,185)	(274,028)
Group's share as a Mudarib		89,503	96,634
Return on equity of investment accountholders		(207,682)	(177,394)
Group's share of income from equity of investment			
accountholders (as a Mudarib and Rabalmaal)		139,688	153,656
Mudarib share for managing off-balance sheet			
equity of investment accountholders		443	2,107
Net income from self financed contracts and investments		113,291	96,321
Fees and commission income		38,531	40,700
Other operating income	15	19,594	35,563
		311,547	328,347
Profit paid on long term financing		(8,698)	(6,547)
<b>TOTAL OPERATING INCOME</b>		<b>302,849</b>	<b>321,800</b>
<b>OPERATING EXPENSES</b>			
Staff expenses		84,634	69,102
Depreciation and amortisation		9,573	14,728
Other operating expenses		52,234	49,423
<b>TOTAL OPERATING EXPENSES</b>		<b>146,441</b>	<b>133,253</b>
<b>NET INCOME FOR THE PERIOD BEFORE</b>			
<b>NET ALLOWANCE FOR EXPECTED CREDIT</b>			
<b>LOSSES / IMPAIRMENT AND TAXATION</b>			
Net allowance for expected credit losses / impairment	16	156,408	188,547
		(56,043)	(84,317)
<b>NET INCOME FOR THE PERIOD BEFORE TAXATION</b>		<b>100,365</b>	<b>104,230</b>
Taxation		(27,710)	(35,160)
<b>NET INCOME FOR THE PERIOD</b>		<b>72,655</b>	<b>69,070</b>
Attributable to:			
Equity holders of the parent		41,434	45,566
Non-controlling interest		31,221	23,504
		72,655	69,070
Basic and diluted earnings per share - US cents	13	3.42	3.76

Abdullah Saleh Kamel  
Chairman

Houssem Ben Haj Amor  
Board member and Group Chief Executive Officer

The attached notes 1 to 22 form part of these interim condensed consolidated financial statements.

**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**

For the three months ended 31 March 2023 (Reviewed)

	<i>Three months ended</i>	
	<b>31 March</b>	<b>31 March</b>
	<b>2023</b>	<b>2022</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>
		<i>(restated - note 22)</i>
<b>OPERATING ACTIVITIES</b>		
Net income for the period before taxation	<b>100,365</b>	104,230
Adjustments for:		
Depreciation and amortisation	<b>9,573</b>	14,728
Depreciation on Ijarah Muntahia Bittamleek	<b>35,272</b>	42,163
Unrealised gain on equity and debt-type instruments at fair value through statement of income	<b>(37,685)</b>	(34,496)
Gain on sale of property and equipment	<b>(3,544)</b>	(3,078)
Gain on sale of investment in real estate	<b>(790)</b>	(3,212)
Gain on sale of equity-type instruments at fair value through equity	<b>(10)</b>	(105)
Gain on sale of equity and debt-type instruments at fair value through statement of income	<b>(5)</b>	(7)
Net allowance for expected credit losses / impairment	<b>56,043</b>	84,317
Income from associates	<b>(5,895)</b>	(3,690)
Operating profit before changes in operating assets and liabilities	<b>153,324</b>	200,850
Net changes in operating assets and liabilities:		
Reserves with central banks	<b>(79,848)</b>	198,891
Receivables	<b>(206,393)</b>	165,556
Mudaraba and Musharaka financing	<b>298,417</b>	1,119,478
Ijarah Muntahia Bittamleek	<b>(110,777)</b>	(72,198)
Other assets	<b>124,011</b>	(9,825)
Customer current and other accounts	<b>(213,653)</b>	(486,588)
Due to banks	<b>44,224</b>	(420,648)
Other liabilities	<b>214,294</b>	13,580
Equity of investment accountholders	<b>(656,337)</b>	(464,528)
Taxation paid	<b>(66,008)</b>	(52,949)
Net cash (used in) / generated from operating activities	<b>(498,746)</b>	191,619
<b>INVESTING ACTIVITIES</b>		
Net proceeds from sale / (purchase) of investments	<b>175,619</b>	(115,090)
Net (purchase) / proceeds from sale of property and equipment	<b>(9,023)</b>	17,816
Dividend received from associates	-	564
Net movement in investment in associates	<b>1,243</b>	1,227
Net cash generated from / (used in) investing activities	<b>167,839</b>	(95,483)
<b>FINANCING ACTIVITIES</b>		
Long term financing	<b>173,974</b>	20,047
Net movement in treasury shares	<b>(164)</b>	55
Movement related to subsidiaries tier 1 capital	<b>(2,746)</b>	(2,772)
Net change in non-controlling interest	<b>(12,176)</b>	95,910
Net cash generated from financing activities	<b>158,888</b>	113,240
Foreign currency translation adjustments	<b>(93,726)</b>	(51,826)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(265,745)</b>	157,550
Cash and cash equivalents at 1 January (restated)	<b>2,212,263</b>	2,706,114
<b>CASH AND CASH EQUIVALENTS AT 31 MARCH (Note 19)</b>	<b>1,946,518</b>	2,863,664

The attached notes 1 to 22 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2023 (Reviewed)

	Equity attributable to parent's shareholders and Sukuk holders												
	Reserves												
	Share capital US\$ '000	Treasury shares US\$ '000	Share premium US\$ '000	Statutory reserve US\$ '000	Other reserves US\$ '000	Cumulative changes in fair value of investments US\$ '000	Cumulative changes in fair value of property and equipment US\$ '000	Foreign currency translations reserve US\$ '000	Retained earnings US\$ '000	Total US\$ '000	Sukuk (Tier 1 Capital) US\$ '000	Non- controlling interest US\$ '000	Total equity US\$ '000
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
Net movement in treasury shares	-	(252)	88	-	-	-	-	-	-	(164)	-	-	(164)
Net movement in cumulative													
changes in fair values	-	-	-	-	-	(290)	(345)	-	-	(635)	-	(539)	(1,174)
Foreign currency translations	-	-	-	-	-	-	-	(66,073)	-	(66,073)	-	(27,653)	(93,726)
Net income for the period	-	-	-	-	-	-	-	-	41,434	41,434	-	31,221	72,655
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(6,512)	(6,512)
Allocation of Zakah	-	-	-	-	-	-	-	-	(610)	(610)	-	-	(610)
Movement related to													
subsidiaries' tier 1 capital	-	-	-	-	-	-	-	-	(2,746)	(2,746)	-	(5,697)	(8,443)
Effect of change in ownership	-	-	-	-	-	-	-	-	(1,521)	(1,521)	-	-	(1,521)
Net movement in non- controlling interests	-	-	-	-	-	-	-	-	-	-	-	2,094	2,094
At 31 March 2023	1,242,879	(15,252)	16,147	208,363	-	9,455	44,916	(1,193,724)	520,128	832,912	400,000	696,458	1,929,370

The attached notes 1 to 22 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2023 (Reviewed)

	Equity attributable to parent's shareholders and Sukuk holders												
	Reserves												
	Share capital US\$ '000	Treasury shares US\$ '000	Share premium US\$ '000	Statutory reserve US\$ '000	Other reserves US\$ '000	Cumulative changes in fair value of investments US\$ '000	Cumulative changes in fair value of property and equipment US\$ '000	Foreign currency translation reserve US\$ '000	Retained earnings US\$ '000	Total US\$ '000	Sukuk (Tier 1 Capital) US\$ '000	Non- controlling interest US\$ '000	Total equity US\$ '000
At 1 January 2022	1,242,879	(15,655)	16,619	194,051	2,488	10,475	46,929	(940,728)	430,312	987,370	400,000	670,757	2,058,127
Restatement (note 22)	-	-	-	-	-	-	(1,668)	-	(27,438)	(29,106)	-	(28,433)	(57,539)
<b>Restated balance as of 1 January 2022</b>	<b>1,242,879</b>	<b>(15,655)</b>	<b>16,619</b>	<b>194,051</b>	<b>2,488</b>	<b>10,475</b>	<b>45,261</b>	<b>(940,728)</b>	<b>402,874</b>	<b>958,264</b>	<b>400,000</b>	<b>642,324</b>	<b>2,000,588</b>
Net movement in treasury shares	-	380	(325)	-	-	-	-	-	-	55	-	-	55
Net movement in other reserves	-	-	-	-	(2,488)	-	-	-	-	(2,488)	-	(2,712)	(5,200)
Net movement in cumulative													
changes in fair values	-	-	-	-	-	2,172	-	-	-	2,172	-	397	2,569
Foreign currency translations	-	-	-	-	-	-	-	(68,817)	-	(68,817)	-	16,991	(51,826)
Net income for the period	-	-	-	-	-	-	-	-	45,566	45,566	-	23,504	69,070
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(6,243)	(6,243)
Allocation of Zakah	-	-	-	-	-	-	-	-	(347)	(347)	-	-	(347)
Movement related to													
subsidiaries' tier 1 capital	-	-	-	-	-	-	-	-	(2,772)	(2,772)	-	(6,353)	(9,125)
Net movement in non- controlling interests	-	-	-	-	-	-	-	-	-	-	-	25,015	25,015
<b>At 31 March 2022 (restated)</b>	<b>1,242,879</b>	<b>(15,275)</b>	<b>16,294</b>	<b>194,051</b>	<b>-</b>	<b>12,647</b>	<b>45,261</b>	<b>(1,009,545)</b>	<b>445,321</b>	<b>931,633</b>	<b>400,000</b>	<b>692,923</b>	<b>2,024,556</b>

The attached notes 1 to 22 form part of these interim condensed consolidated financial statements.

Al Baraka Group B.S.C.

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

For the three months ended 31 March 2023 (Reviewed)

	<i>Cash</i> <i>US\$ '000</i>	<i>Sales</i> <i>receivable</i> <i>US\$ '000</i>	<i>Mudaraba</i> <i>financing</i> <i>US\$ '000</i>	<i>Investment</i> <i>in real estate</i> <i>US\$ '000</i>	<i>Ijarah Muntahia</i> <i>Bittamleek</i> <i>US\$ '000</i>	<i>Investments</i> <i>US\$ '000</i>	<i>Total</i> <i>US\$ '000</i>
At 1 January 2023	51,767	519,725	189,326	48,246	242,560	482,063	1,533,687
Deposits	124,296	89,118	168,912	213	56,882	133,338	572,759
Withdrawals	(100,033)	(55,038)	(165,429)	-	(13,145)	(214,367)	(548,012)
Income net of expenses	-	11,023	2,566	64	3,812	6,389	23,854
Mudarib's share	-	(345)	-	-	(96)	(2)	(443)
Foreign exchange translation	-	4,688	-	-	-	(23)	4,665
<b>At 31 March 2023</b>	<b>76,030</b>	<b>569,171</b>	<b>195,375</b>	<b>48,523</b>	<b>290,013</b>	<b>407,398</b>	<b>1,586,510</b>
At 1 January 2022	67,715	456,222	85,846	53,319	219,412	245,189	1,127,703
Deposits	53,025	101,228	174,612	43	16,146	253,117	598,171
Withdrawals	(21,335)	(141,805)	(36,415)	-	(6,199)	(3,855)	(209,609)
Income net of expenses	-	6,569	664	89	2,503	6,206	16,031
Mudarib's share	-	(462)	(1,571)	-	(72)	(2)	(2,107)
Foreign exchange translation	-	(4,865)	-	-	-	(207)	(5,072)
<b>At 31 March 2022 (restated)</b>	<b>99,405</b>	<b>416,887</b>	<b>223,136</b>	<b>53,451</b>	<b>231,790</b>	<b>500,448</b>	<b>1,525,117</b>

The attached notes 1 to 22 form part of these interim condensed consolidated financial statements.



As at 31 March 2023 (Reviewed)

## 1 CORPORATE INFORMATION AND ACTIVITIES

Al Baraka 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.

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

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

The interim condensed consolidated financial statements were approved by the Board of Directors on 10 May 2023.

## 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

### Basis of preparation

The interim condensed 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 interim condensed 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 interim condensed consolidated financial statements of the Group are prepared in accordance with applicable rules and regulations issued by the Central Bank of Bahrain ("CBB"). These rules and regulations require the adoption of all Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation of Islamic Financial Institutions (AAOIFI). In accordance with the AAOIFI framework, for matters not covered by FAS, the Group uses the requirements of the relevant International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). This framework is referred to as "FAS issued by AAOIFI". Accordingly, the interim condensed consolidated financial information of the Group has been presented in condensed form in accordance with the guidance provided by Financial Accounting Standard 41 - Interim Financial Reporting, which came into effect for financial periods beginning on or after 1 January 2023.

There are no differences between FAS 41 "Interim Financial Reporting" and IAS 34 - Interim Financial Reporting, which was the basis of preparation used for the interim condensed financial statements for the three-month period ended 31 March 2022.

The interim condensed consolidated financial statements do not contain all information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the annual consolidated financial statements as at 31 December 2022. In addition, results for the three month period ended 31 March 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of annual audited consolidated financial statements of the Group for the year ended 31 December 2022 except for the changes due to adoption of new and amended standards as set out below.

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

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

#### FAS 39 - Financial Reporting for Zakah

AAOIFI has issued FAS 39 in 2021. This standard improves upon and supersedes FAS 9 on "Zakah" and aims at setting out the accounting treatment of Zakah in the books of the institutions, including the presentation and disclosure by an Islamic financial institution. The accounting and financial reporting requirements such as recognition, presentation and disclosure requirements of this standard shall apply to institutions that are obliged to pay Zakah on behalf of certain or all stakeholders. Institutions that are not obliged to pay Zakah shall apply the disclosure requirements of this standard for certain or all stakeholders, as relevant.

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

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

#### 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 Group adopted this standard for the basis of preparation of its interim condensed consolidated financial information. The adoption of this standard did not have any significant impact on the Group's interim financial information.

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

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

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

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

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

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

#### 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 Group is currently evaluating the impact of the above standard.

#### 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 Group is currently evaluating the impact of the above standard.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2023 (Reviewed)

**3 CASH AND BALANCES WITH BANKS**

	<b>Reviewed</b> <b>31 March</b> <b>2023</b> <b>US\$ '000</b>	<b>Audited</b> <b>31 December</b> <b>2022</b> <b>US\$ '000</b>
Balances with central banks*	<b>3,118,385</b>	3,331,927
Balances with other banks	<b>558,678</b>	530,747
Cash and cash in transit	<b>533,851</b>	534,119
Allowance for expected credit losses	<b>(351)</b>	(181)
	<b>4,210,563</b>	4,396,612

\* Balances with central banks include mandatory reserves amounting to US\$ 2,264,396 thousand (31 December 2022: US\$ 2,184,530 thousand). These amounts are not available for use in the Group's day-to-day operations.

**4 RECEIVABLES**

	<b>Reviewed</b> <b>31 March</b> <b>2023</b> <b>US\$ '000</b>	<b>Audited</b> <b>31 December</b> <b>2022</b> <b>US\$ '000</b>
Sales (Murabaha) receivables	<b>10,816,275</b>	10,610,013
Ijarah receivables	<b>141,901</b>	136,924
Salam receivables	<b>268,462</b>	283,574
Istisna'a receivables	<b>122,044</b>	150,365
Allowance for expected credit losses	<b>(756,960)</b>	(743,303)
	<b>10,591,722</b>	10,437,573

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

	<b>Reviewed</b> <b>31 March 2023</b>				<b>Audited</b> <b>31 December</b> <b>2022</b>
	<b>Stage 1</b> <b>US\$ '000</b>	<b>Stage 2</b> <b>US\$ '000</b>	<b>Stage 3</b> <b>US\$ '000</b>	<b>Total</b> <b>US\$ '000</b>	<b>Total</b> <b>US\$ '000</b>
Good (1-4)	<b>2,640,145</b>	<b>149,707</b>	-	<b>2,789,852</b>	2,900,074
Satisfactory (5-7)	<b>6,335,267</b>	<b>1,691,959</b>	-	<b>8,027,226</b>	7,744,442
Default (8-10)	-	-	<b>531,604</b>	<b>531,604</b>	536,360
Less: allowance for expected credit losses	<b>(65,800)</b>	<b>(302,972)</b>	<b>(388,188)</b>	<b>(756,960)</b>	(743,303)
	<b>8,909,612</b>	<b>1,538,694</b>	<b>143,416</b>	<b>10,591,722</b>	10,437,573

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2023 (Reviewed)

**4 RECEIVABLES (continued)**

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

	Reviewed				Audited
	For the three months period ended				For the year ended
	31 March 2023				31 December 2022
	Stage 1: 12-month ECL	Stage 2: Lifetime ECL not credit-impaired	Stage 3: Lifetime ECL credit-impaired	Total	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Balance at 1 January	45,453	282,885	414,965	743,303	860,900
Net movement between stages	1,427	1,113	(2,540)	-	-
Net remeasurement of loss allowance	29,498	18,777	19,278	67,553	277,880
Recoveries / write-backs	-	-	(15,309)	(15,309)	(60,564)
Allocation from / (to) investment risk reserve	1,000	(2,566)	2,196	630	11,794
Amounts written off	-	-	(14,286)	(14,286)	(263,736)
FX translation / others	(11,578)	2,763	(16,116)	(24,931)	(82,971)
	65,800	302,972	388,188	756,960	743,303

**5 MUDARABA AND MUSHARAKA FINANCING**

	<i>Reviewed</i> <i>31 March</i> <i>2023</i> <i>US\$ '000</i>	<i>Audited</i> <i>31 December</i> <i>2022</i> <i>US\$ '000</i>
Mudaraba financing	458,824	691,226
Musharaka financing	767,017	836,032
Allowance for expected credit losses	(27,619)	(29,934)
	<b>1,198,222</b>	<b>1,497,324</b>

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

	<i>Reviewed</i> <i>31 March 2023</i>				<i>Audited</i> <i>31 December</i> <i>2022</i>
	<i>Stage 1</i> <i>US\$ '000</i>	<i>Stage 2</i> <i>US\$ '000</i>	<i>Stage 3</i> <i>US\$ '000</i>	<i>Total</i> <i>US\$ '000</i>	<i>Total</i> <i>US\$ '000</i>
Good (1-4)	702,553	28,472	-	731,025	782,563
Satisfactory (5-7)	358,032	82,609	-	440,641	691,100
Default (8-10)	-	-	54,175	54,175	53,595
Less: allowance for expected credit losses	(3,139)	(2,639)	(21,841)	(27,619)	(29,934)
	<b>1,057,446</b>	<b>108,442</b>	<b>32,334</b>	<b>1,198,222</b>	<b>1,497,324</b>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2023 (Reviewed)

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

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

	Reviewed				Audited
	For the three months period ended				For the year ended
	31 March 2023				31 December 2022
	Stage 1: 12-month ECL	Stage 2: Lifetime ECL not credit-impaired	Stage 3: Lifetime ECL credit-impaired	Total	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Balance at 1 January	3,457	4,474	22,003	29,934	34,329
Net movement between stages	(152)	10	142	-	-
Net remeasurement of loss allowance	243	(976)	1,417	684	1,596
Recoveries / write-backs	-	-	-	-	(1,134)
Allocation from / (to) investment risk reserve	(11)	9	(36)	(38)	(11)
Amounts written off	-	-	-	-	-
FX translation / others	(398)	(878)	(1,685)	(2,961)	(4,846)
	3,139	2,639	21,841	27,619	29,934

**6 INVESTMENTS**

	<i>Reviewed</i> <i>31 March</i> <i>2023</i> <i>US\$ '000</i>	<i>Audited</i> <i>31 December</i> <i>2022</i> <i>US\$ '000</i>
Equity and debt-type instruments at fair value through statement of income (6.1)	199,159	135,926
Equity-type instruments at fair value through equity (6.2)	508,743	593,612
Debt-type instruments at amortised cost (6.3)	4,150,783	4,274,330
	<b>4,858,685</b>	<b>5,003,868</b>
Investment in real estate (6.4)	170,379	172,708
Investment in associates	55,186	58,138
	<b>5,084,250</b>	<b>5,234,714</b>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2023 (Reviewed)

**6 INVESTMENTS (continued)**

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

	<i>Reviewed 31 March 2023 US\$ '000</i>	<i>Audited 31 December 2022 US\$ '000</i>
<b>Quoted investments</b>		
Debt instruments	62	67
Equity securities	198,609	135,064
<b>Unquoted investments</b>		
Equity securities	488	795
	<u>199,159</u>	<u>135,926</u>

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

	<i>Reviewed 31 March 2023 US\$ '000</i>	<i>Audited 31 December 2022 US\$ '000</i>
<b>Quoted investments</b>		
Equity securities	38,131	43,104
Managed funds	23,523	23,523
Sukuk	386,898	477,900
	<u>448,552</u>	<u>544,527</u>
<b>Unquoted investments</b>		
Equity securities	35,573	35,932
Managed funds	12,778	12,257
Sukuk	18,035	7,577
	<u>66,386</u>	<u>55,766</u>
Provision for impairment	(6,195)	(6,680)
	<u>508,743</u>	<u>593,612</u>

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

	<i>Reviewed 31 March 2023 US\$ '000</i>	<i>Audited 31 December 2022 US\$ '000</i>
<b>Quoted investments</b>		
Sukuk and similar items	3,319,767	3,404,474
<b>Unquoted investments</b>		
Sukuk and similar items	845,451	878,567
Allowance for expected credit losses	(14,435)	(8,712)
	<u>4,150,783</u>	<u>4,274,330</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2023 (Reviewed)

**6 INVESTMENTS (continued)**

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

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

	<i>Reviewed</i> <i>31 March 2023</i>				<i>Audited</i> <i>31 December</i> <i>2022</i>
	<i>Stage 1</i> <i>US\$ '000</i>	<i>Stage 2</i> <i>US\$ '000</i>	<i>Stage 3</i> <i>US\$ '000</i>	<i>Total</i> <i>US\$ '000</i>	<i>Total</i> <i>US\$ '000</i>
Good (1-4)	3,557,161	-	-	3,557,161	3,677,322
Satisfactory (5-7)	582,332	23,159	-	605,491	603,154
Default (8-10)	-	-	2,565	2,565	2,565
Less: allowance for expected credit losses	(11,163)	(706)	(2,565)	(14,434)	(8,712)
	<b>4,128,330</b>	<b>22,453</b>	<b>-</b>	<b>4,150,783</b>	<b>4,274,330</b>

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

	<i>Reviewed</i> <i>For the three months period ended</i> <i>31 March 2023</i>				<i>Audited</i> <i>For the year ended</i> <i>31 December 2022</i>
	<i>Stage 1: 12-month ECL</i> <i>US\$ '000</i>	<i>Stage 2: Lifetime ECL not credit-impaired</i> <i>US\$ '000</i>	<i>Stage 3: Lifetime ECL credit-impaired</i> <i>US\$ '000</i>	<i>Total</i> <i>US\$ '000</i>	<i>Total</i> <i>US\$ '000</i>
Balance at 1 January	5,872	275	2,565	8,712	7,568
Net remeasurement of loss allowance	6,591	512	1	7,104	3,094
Allocation from / (to) investment risk reserve	(37)	(87)	-	(124)	221
FX translation / others	(1,263)	6	(1)	(1,258)	(2,171)
	<b>11,163</b>	<b>706</b>	<b>2,565</b>	<b>14,434</b>	<b>8,712</b>

**6.4 Investment in real estate**

	<i>Reviewed</i> <i>31 March</i> <i>2023</i> <i>US\$ '000</i>	<i>Audited</i> <i>31 December</i> <i>2022</i> <i>US\$ '000</i>
Land	95,072	97,437
Buildings	75,307	75,271
	<b>170,379</b>	<b>172,708</b>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2023 (Reviewed)

**6 INVESTMENTS (continued)**

**6.4 Investment in real estate (continued)**

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

	<b>Reviewed</b> <b>31 March</b> <b>2023</b> <b>US\$ '000</b>	<i>Audited</i> <i>31 December</i> <i>2022</i> <i>US\$ '000</i>
Beginning balance of the period / year	172,708	186,767
Acquisition	997	3,106
Net gain from fair value adjustments	-	190
Disposal	(3,265)	(15,269)
Foreign exchange translation - net	(61)	(2,086)
	<b>(2,329)</b>	<b>(14,059)</b>
	<b>170,379</b>	<b>172,708</b>

**7 IJARAH MUNTAHIA BITTAMLEEK**

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

	<b>Reviewed</b> <b>31 March 2023</b>				<i>Audited</i> <i>31 December</i> <i>2022</i>
	<b>Stage 1</b> <b>US\$ '000</b>	<b>Stage 2</b> <b>US\$ '000</b>	<b>Stage 3</b> <b>US\$ '000</b>	<b>Total</b> <b>US\$ '000</b>	<i>Total</i> <i>US\$ '000</i>
Good (1-4)	704,303	9,594	-	713,897	812,654
Satisfactory (5-7)	1,380,505	227,866	-	1,608,371	1,433,945
Default (8-10)	-	-	9	9	11
Less: allowance for expected credit losses	(2,039)	(10,105)	(2)	(12,146)	(13,254)
	<b>2,082,769</b>	<b>227,355</b>	<b>7</b>	<b>2,310,131</b>	<b>2,233,356</b>



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2023 (Reviewed)

**7 IJARAH MUNTAHIA BITTAMLEEK (continued)**

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

	<i>Reviewed</i> <i>For the three months period ended</i> <i>31 March 2023</i>			<i>Audited</i> <i>For the year ended</i> <i>2022</i>
	<i>Stage 1: 12-month ECL</i> <i>US\$ '000</i>	<i>Stage 2: Lifetime ECL not credit-impaired</i> <i>US\$ '000</i>	<i>Stage 3: Lifetime ECL credit-impaired</i> <i>US\$ '000</i>	<i>Total</i> <i>US\$ '000</i>
Balance at 1 January	1,926	11,326	2	13,254
Net remeasurement of loss allowance	92	(1,361)	-	(1,269)
Allocation from / (to) investment risk reserve	-	-	-	-
FX translation / others	21	140	-	161
	<b>2,039</b>	<b>10,105</b>	<b>2</b>	<b>12,146</b>
				<b>13,254</b>

**8 OTHER ASSETS**

	<i>Reviewed</i> <i>31 March</i> <i>2023</i> <i>US\$ '000</i>	<i>Audited</i> <i>31 December</i> <i>2022</i> <i>US\$ '000</i>
Bills receivable	102,136	262,124
Goodwill and intangible assets	72,180	73,461
Collateral pending sale*	141,552	149,857
Good faith qard	53,600	59,153
Deferred taxation	124,719	88,219
Prepayments	54,414	29,237
Assets held for sale	39,978	39,978
Others	73,353	51,233
	<b>661,932</b>	<b>753,262</b>
Allowance for expected credit losses	<b>(29,591)</b>	<b>(32,479)</b>
	<b>632,341</b>	<b>720,783</b>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2023 (Reviewed)

**9 LONG TERM FINANCING**

	<b>Reviewed</b> <b>31 March</b> <b>2023</b> <b>US\$ '000</b>	<b>Audited</b> <b>31 December</b> <b>2022</b> <b>US\$ '000</b>
Murabaha financing	<b>82,078</b>	23,491
Subordinated financing obtained by a subsidiaries	<b>399,933</b>	284,546
	<b>482,011</b>	308,037

**10 OTHER LIABILITIES**

	<b>Reviewed</b> <b>31 March</b> <b>2023</b> <b>US\$ '000</b>	<b>Audited</b> <b>31 December</b> <b>2022</b> <b>US\$ '000</b>
Payables	<b>409,614</b>	310,059
Cash margins	<b>307,558</b>	235,099
Managers' cheques	<b>100,267</b>	69,807
Current taxation	<b>118,813</b>	119,287
Deferred taxation	<b>12,093</b>	13,416
Accrued expenses	<b>81,916</b>	92,729
Charity fund	<b>22,831</b>	20,389
Net Ijarah liability	<b>55,242</b>	52,562
Liabilities held for sale	<b>39,978</b>	39,978
Others	<b>147,030</b>	135,481
Allowance for expected credit losses	<b>61,136</b>	62,871
	<b>1,356,478</b>	1,151,678

**11 EQUITY OF INVESTMENT ACCOUNTHOLDERS**

	<b>Reviewed</b> <b>31 March</b> <b>2023</b> <b>US\$ '000</b>	<b>Audited</b> <b>31 December</b> <b>2022</b> <b>US\$ '000</b>
Equity of investment accountholders	<b>13,310,855</b>	13,966,177
Profit equalisation reserve (note 11.1)	<b>67,112</b>	66,501
Investment risk reserve (note 11.2)	<b>97,141</b>	98,768
Cumulative changes in fair value attributable to equity of investment accountholders - net (note 11.3)	<b>(1,839)</b>	1,382
	<b>13,473,269</b>	14,132,828

*\*Medium term Sukuk*

This includes unsecured, sub-ordinated and privately placed unrestricted mudaraba sukuk amounting to US\$ 12,069 thousand (31 December 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2023 (Reviewed)

**11 EQUITY OF INVESTMENT ACCOUNTHOLDERS (continued)**

The following table summarises the breakdown of IAH as of:

	<b>Reviewed 31 March 2023 US\$ '000</b>	<b>Audited 31 December 2022 US\$ '000</b>
IAH - Financial institutions	<b>609,994</b>	670,694
IAH - Non-financial institutions and individuals	<b>12,863,275</b>	13,462,134
	<b>13,473,269</b>	14,132,828

**11.1 Profit equalisation reserve**

The following shows the movement in profit equalisation reserve:

	<b>Reviewed 31 March 2023 US\$ '000</b>	<b>Audited 31 December 2022 US\$ '000</b>
Balance at 1 January	<b>66,501</b>	3,152
Amount apportioned from income allocable to equity of investment accountholders	<b>3,420</b>	73,409
Amount used during the period / year	<b>(715)</b>	1,674
Foreign exchange translations	<b>(2,094)</b>	(11,734)
Balance at period / year	<b>67,112</b>	66,501

The Group has apportioned an amount related to its operations in Turkey during the period. This amount also considers the fact that AAOIFI does not currently has a standard for hyperinflation accounting.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2023 (Reviewed)

**11 EQUITY OF INVESTMENT ACCOUNTHOLDERS (continued)**

**11.2 Investment risk reserve**

The following shows the movement in investment risk reserve:

	<b>Reviewed 31 March 2023 US\$ '000</b>	<b>Audited 31 December 2022 US\$ '000</b>
Balance at 1 January	<b>98,768</b>	62,005
Amount appropriated to provision	<b>(12,194)</b>	(12,056)
Amount apportioned from income allocable to equity of investment accountholders	<b>10,777</b>	51,259
Foreign exchange translations	<b>(210)</b>	(2,440)
Balance at period / year	<b>97,141</b>	98,768

The economic environment in Turkey was considered hyperinflationary. Unlike IFRS which issued IAS 29 'Financial Reporting in Hyperinflationary Environment' to consider the impact on hyperinflation, the AAOIFI standards do not have similar requirements and are still under consideration of the AAOIFI Board. IAS 29 requires financial statements that are prepared in the currency of a 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

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

**11.3 Cumulative changes in fair value attributable to equity of investment**

	<b>Reviewed 31 March 2023 US\$ '000</b>	<b>Audited 31 December 2022 US\$ '000</b>
Balance at 1 January	<b>1,382</b>	2,183
Change in fair values during the period / year	-	613
Realised gain transferred to consolidated statement of income	<b>(3,272)</b>	(1,466)
Deferred taxation effect	<b>41</b>	58
Transfer to shareholders equity	<b>10</b>	(6)
Balance at period / year	<b>(1,839)</b>	1,382
Attributable to investment in real estate	<b>2,548</b>	2,897
Attributable to equity-type instruments at fair value through equity	<b>(4,387)</b>	(1,515)
	<b>(1,839)</b>	1,382

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2023 (Reviewed)

**12 COMMITMENTS AND CONTINGENCIES**

	<b>Reviewed</b> <b>31 March</b> <b>2023</b> <b>US\$ '000</b>	<b>Audited</b> <b>31 December</b> <b>2022</b> <b>US\$ '000</b>
Letters of credit	571,735	630,421
Guarantees	1,464,939	1,496,283
Acceptances	53,304	56,076
Undrawn commitments	892,855	857,095
Sharia'a compliant promise contracts	158,560	252,006
	<b>3,141,393</b>	<b>3,291,881</b>

**13 BASIC AND DILUTED EARNINGS PER SHARE**

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

	<i>Three months ended</i>	
	<b>31 March</b> <b>2023</b> <b>US\$ '000</b>	<b>31 March</b> <b>2022</b> <b>US\$ '000</b> <i>(restated)</i>
Net income attributable to the equity holders of the parent for the period - US\$ '000	41,434	45,566
Less: Profit distributed on perpetual tier 1 capital	-	-
Net income attributable to the shareholders	<b>41,434</b>	<b>45,566</b>
Weighted number of shares outstanding without the effect of treasury shares (in thousands)	1,242,879	1,242,879
Treasury shares effect (in thousands)	(30,117)	(30,576)
Weighted number of shares outstanding (in thousands)	<b>1,212,762</b>	<b>1,212,303</b>
Basic and diluted earnings per share - US cents	<b>3.42</b>	<b>3.76</b>

**14 EQUITY**

	<b>Reviewed</b> <b>31 March</b> <b>2023</b> <b>US\$ '000</b>	<b>Audited</b> <b>31 December</b> <b>2022</b> <b>US\$ '000</b>
<b>Share capital</b>		
Authorised:		
Ordinary shares 2,500,000,000 (2022: 2,500,000,000) of US\$ 1 each	<b>2,500,000</b>	<b>2,500,000</b>
Issued and fully paid up:		
1,242,879,755 (2022: 1,242,879,755) shares of US\$1 each	<b>1,242,879</b>	<b>1,242,879</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2023 (Reviewed)

**14 EQUITY (continued)****Foreign currency translation reserve**

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

The following table summarises the subsidiary wise and the direct associate foreign currency translation (gain) / loss balance.

<b>Component</b>	<b>Currency</b>	<b>Reviewed</b>	<b>Audited</b>
		<b>31 March</b>	<b>31 December</b>
		<b>2023</b>	<b>2022</b>
		<b>US\$ '000</b>	<b>US\$ '000</b>
Banque Al Baraka D'Algerie	Algerian Dinar	<b>71,125</b>	72,806
Al Baraka Bank (Pakistan) Limited	Pakistani Rupees	<b>57,928</b>	49,345
Al Baraka Bank Egypt	Egyptian Pound	<b>284,313</b>	237,882
Al Baraka Turk Participation Bank*	Turkish Lira	<b>517,734</b>	514,209
Al Baraka Bank Limited	South African Rand	<b>27,009</b>	25,057
Al Baraka Bank Sudan	Sudanese Pound	<b>134,843</b>	134,216
Al Baraka Bank Tunis	Tunisian Dinar	<b>36,655</b>	37,915
Al Baraka Bank Syria**	Syrian Pound	<b>64,897</b>	57,001
Others		<b>(780)</b>	(780)
		<b>1,193,724</b>	1,127,651

\*Refer to note 21 for further details

\*\*Al Baraka Bank Syria is an associate, refer to note 22 for further details

**15 OTHER OPERATING INCOME**

	<i>Three months ended</i>	
	<b>31 March</b>	<b>31 March</b>
	<b>2023</b>	<b>2022</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>
		<i>(restated)</i>
Foreign exchange gain	<b>16,050</b>	32,485
Gain on sale of property and equipment	<b>3,544</b>	3,078
	<b>19,594</b>	35,563

**16 NET ALLOWANCE FOR EXPECTED CREDIT LOSSES / IMPAIRMENT**

	<i>Three months ended</i>	
	<b>31 March</b>	<b>31 March</b>
	<b>2023</b>	<b>2022</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>
		<i>(restated)</i>
Cash and balances with banks	<b>151</b>	30
Receivables	<b>52,244</b>	78,074
Mudaraba and Musharaka financing	<b>684</b>	342
Ijarah Muntahia Bittamleek	<b>(1,269)</b>	(1,237)
Investments	<b>7,496</b>	1,973
Other assets	<b>(2,796)</b>	1,033
Other liabilities	<b>(467)</b>	4,102
	<b>56,043</b>	84,317

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2023 (Reviewed)

**17 RELATED PARTY TRANSACTIONS AND BALANCES**

Related parties comprise major shareholders, directors of the Group, entities owned or controlled, jointly controlled or significantly influenced by them and 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 transactions with related parties were as follows:

	<b>Associated companies US\$ '000</b>	<b>Major shareholders US\$ '000</b>	<b>Directors and key management personnel US\$ '000</b>	<b>Other related parties US\$ '000</b>	<b>Three months ended</b>	
					<b>31 March 2023 US\$ '000</b>	<b>31 March 2022 US\$ '000 (restated)</b>
Net income from jointly financed contracts and investments	508	-	23	-	531	306
Return on equity of investment accountholders	262	4	-	-	266	969
Fees and commission income	8	-	-	-	8	102

The significant balances with related parties were as follows:

	<b>Associated companies US\$ '000</b>	<b>Major shareholders US\$ '000</b>	<b>Directors and key management personnel US\$ '000</b>	<b>Other related parties US\$ '000</b>	<b>Reviewed 31 March 2023 US\$ '000</b>	<b>Audited 31 December 2022 US\$ '000</b>
<b>Assets</b>						
Receivables	1,808	-	-	-	1,808	2,858
Mudaraba and Musharaka financing	-	-	-	-	-	1,370
Investments	59,291	-	-	-	59,291	64,904
Other assets	9,576	-	348	-	9,924	9,666
<b>Liabilities</b>						
Customer current and other accounts	81,268	3,688	1,743	36	86,735	76,615
Other liabilities	19	-	-	-	19	383
Equity of investment accountholders	40,306	81	14,141	20	54,548	35,119
Off-balance sheet equity of investment accountholders	131,948	8,915	2,821	-	143,684	134,050

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2023 (Reviewed)

## 18 SEGMENTAL INFORMATION

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

For financial reporting purposes, the Group is divided into 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 interim condensed consolidated financial statements as set out in note 2. Transactions between segments are conducted at mutually agreed terms.

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

Segment	Reviewed 31 March 2023			Audited 31 December 2022		
	Assets	Liabilities	Equity of investment accountholders	Assets	Liabilities	Equity of investment accountholders
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Middle East	12,522,232	3,161,160	8,104,239	12,999,079	3,002,644	8,719,950
North Africa	2,777,458	1,455,577	1,048,036	2,627,922	1,348,227	994,496
Europe	7,697,323	4,015,467	3,411,573	7,647,797	4,051,269	3,337,415
Others	1,497,206	459,376	909,421	1,707,036	480,095	1,080,967
	<b>24,494,219</b>	<b>9,091,580</b>	<b>13,473,269</b>	<b>24,981,834</b>	<b>8,882,235</b>	<b>14,132,828</b>

Segment operating income, net income before ECL, impairment and tax and net income were as follows:

Segment	Three months ended 31 March 2023			Three months ended 31 March 2022 (Restated)		
	Total operating income	income before ECL, impairment	Net income	Total operating income	Net income before ECL, impairment and tax	Net income
	US\$ '000	US\$ '000	US\$ '000	US\$ '000 (restated)	US\$ '000 (restated)	US\$ '000 (restated)
Middle East	121,032	51,360	26,618	140,136	74,502	45,922
North Africa	20,924	4,692	(478)	26,561	8,186	3,702
Europe	133,798	88,186	38,471	127,658	93,450	10,882
Others	27,095	12,170	8,044	27,445	12,409	8,564
	<b>302,849</b>	<b>156,408</b>	<b>72,655</b>	<b>321,800</b>	<b>188,547</b>	<b>69,070</b>

## 19 CASH AND CASH EQUIVALENTS

	Three months ended	
	31 March 2023 US\$ '000	31 March 2022 US\$ '000 (restated)
Balances with central banks excluding mandatory reserve	853,989	1,408,071
Balances with other banks	558,678	660,485
Cash and cash in transit	533,851	795,108
	<b>1,946,518</b>	<b>2,863,664</b>



## 20 FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2022.

### 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 management of the Group has enhanced its monitoring of the liquidity and funding requirements. ALCO meetings are convened more frequently in order to carryout granular assessment of funding requirements with the objective to explore available lines of funding and to drawdown the existing funding lines as and when necessary to maintain enough liquidity at a reasonable cost of funding.

### 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.

### 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.

## 21 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.

## 22 Prior year restatement

### Deconsolidation of an investee

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

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

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

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

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

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

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

The restatement described in this note to these interim condensed consolidated financial statements has had no material impact on the previously reported balances as at 1 January 2022, therefore a third consolidated statement of financial position has not been presented.

**22 Prior year restatement (continued)**

**I. Statement of income**

	Originally reported	Adjustments	Restated
	Three months ended		
	31 March 2022		31 March 2022
<b>Income</b>			
investments	331,833	(783)	331,050
Return on equity of investment accountholders before Group's share as a Mudarib	(274,296)	268	(274,028)
Group's share as a Mudarib	96,747	(113)	96,634
Return on equity of investment accountholders	(177,549)	155	(177,394)
Group's share of income from equity of investment accountholders (as a Mudarib and Rabalmal)	154,284	(628)	153,656
Mudarib share for managing off-balance sheet equity of investment accountholders	2,107	-	2,107
Net income from self financed contracts and investments	96,728	(407)	96,321
Fees and commission income	45,490	(4,790)	40,700
Other operating income	36,671	(1,108)	35,563
	335,280	(6,933)	328,347
Profit paid on long term financing	(6,547)	-	(6,547)
<b>Total operating income</b>	<b>328,733</b>	<b>(6,933)</b>	<b>321,800</b>
<b>Operating expenses</b>			
Staff expenses	70,105	(1,003)	69,102
Depreciation and amortisation	13,299	1,429	14,728
Other operating expenses	52,446	(3,023)	49,423
<b>Total operating expense</b>	<b>135,850</b>	<b>(2,597)</b>	<b>133,253</b>
<b>Net income for the period before net allowance for expected credit losses / impairment and taxation</b>	<b>192,883</b>	<b>(4,336)</b>	<b>188,547</b>
Net allowance for expected credit losses / impairment	(84,584)	267	(84,317)
<b>Net income for the period before taxation</b>	<b>108,299</b>	<b>(4,069)</b>	<b>104,230</b>
Taxation	(36,599)	1,439	(35,160)
<b>Net income for the period</b>	<b>71,700</b>	<b>(2,630)</b>	<b>69,070</b>
Attributable to:			
Equity holders of the parent	45,566	-	45,566
Non-controlling interest	26,134	(2,630)	23,504
	<b>71,700</b>	<b>(2,630)</b>	<b>69,070</b>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2023 (Reviewed)

22 Prior year restatement (continued)

II. Statement of changes in equity

	Originally reported 1 January 2022	Adjustments	Restated 1 January 2022	Originally reported 31 March 2022	Adjustments	Restated 31 March 2022
Equity attributable to parent's shareholders and Sukuk holders						
<i>Cumulative changes in fair value of property and equipment</i>	46,929	(1,668)	45,261	59,576	(1,668)	57,908
<i>Foreign currency translation reserve</i>	(940,728)	-	(940,728)	(1,009,545)	-	(1,009,545)
<i>Retained earnings</i>	430,312	(27,438)	402,874	472,759	(27,438)	445,321
Total equity attributable to parent's shareholders and Sukuk (Tier 1 Capital) holders	1,387,370	(29,106)	1,358,264	1,360,739	(29,106)	1,331,633
Non-controlling interest	670,757	(28,433)	642,324	723,985	(31,062)	692,923
Total equity	<b>2,058,127</b>	<b>(57,539)</b>	<b>2,000,588</b>	<b>2,084,724</b>	<b>(60,168)</b>	<b>2,024,556</b>

III. Statement of cash flows

	Originally reported 31 March 2022	Adjustments	Restated 31 March 2022
Net income for the period before taxation	108,299	(4,069)	104,230
Change in cash from operating activities	176,959	14,660	191,619
Change in cash (used in) investing activities	(95,892)	409	(95,483)
Change in cash from financing activities	29,749	83,491	113,240
Net change in cash and cash equivalents	58,990	98,560	157,550
Cash and cash equivalents at 1 January	2,929,757	(223,643)	2,706,114
Cash and cash equivalents at 31 March	2,988,747	(125,083)	2,863,664