alBaraka

your partner bank

Annual Report **2021**

There...
Where You Are.

Servicing 24.8 million deposit accounts

Spanning 17 countries

Spread across 3 continents

We are your local bank and international partner.


alBaraka
your partner bank

Over 40 years of Successful Partnerships

Al Baraka Headquarters, Bahrain Bay

CONTENTS

OVER
3.2
MILLION CUSTOMERS

Our customers' success is directly linked to a partnership built on common beliefs and efforts towards a common goal

We have an incredible responsibility to make efficient use of the resources we have to contribute to building communities at large

BANKING INTO THE FUTURE:
To impact the world around us

VISION

We believe society needs a fair and equitable financial system: one which rewards effort and contributes to the development of the community.

MISSION

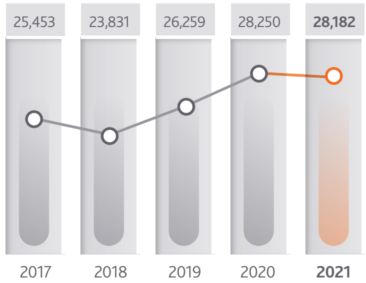
To meet the financial needs of communities across the world, by conducting business ethically in accordance with our beliefs, practicing the highest professional standards and sharing the mutual benefits with the customers, staff and shareholders who participate in our business success.

Financial Highlights

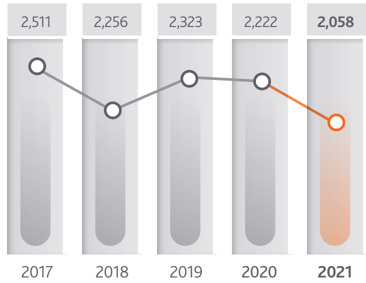
	2021	2020	2019	2018	2017
EARNINGS (US$ MILLIONS)					
Total Operating Income	1,041	1,140	967	988	999
Net Operating Income	512	579	399	447	430
Net Income	190	166	180	217	207
Net Income Attributable to Equity Holders of the Parent	113	67	106	129	129
Basic and Diluted Earnings per Share - US Cents*	6.71	2.90	6.01	7.91	9.19
FINANCIAL POSITION (US$ MILLIONS)					
Total Assets	28,182	28,250	26,259	23,831	25,453
Total Financing and Investments	21,111	21,645	19,753	17,861	19,123
Total Customer Accounts	24,632	24,381	22,458	19,627	20,670
Total Owners' Equity	2,058	2,222	2,323	2,256	2,511
Equity attributable to Parent's Shareholders and sukuk holders	1,387	1,424	1,467	1,546	1,740
CAPITAL (US$ MILLIONS)					
Authorised	2,500	2,500	2,500	2,500	1,500
Subscribed and Fully Paid-up	1,227.2	1,225.4	1,234.6	1,242.9	1,206.7
PROFITABILITY RATIOS					
Return on Average Owners' Equity	9%	7%	8%	9%	9%
Return on Average Parent's Equity	8%	5%	7%	8%	9%
Return on Average Assets	0.7%	0.6%	0.7%	0.9%	0.8%
Operating Expenses to Operating Income	51%	49%	59%	55%	57%
FINANCIAL POSITION RATIOS					
Owners' Equity to Total Assets	7%	8%	9%	10%	10%
Total Financing and Investments as a Multiple of Equity (times)	10.3	9.7	8.5	7.9	7.6
Liquid Assets to Total Assets	27%	26%	25%	27%	25%
Net Book Value per Share (US$)*	0.80	0.84	0.86	0.93	1.09
OTHER INFORMATION					
Total Number of Employees	11,419	12,026	12,662	12,937	12,795
Total Number of Branches	688	697	702	697	675

* Adjusted for treasury and bonus shares.

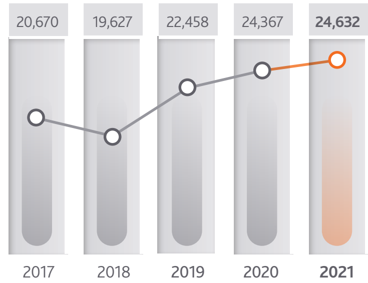
TOTAL ASSETS
(US$ Millions)
28,182



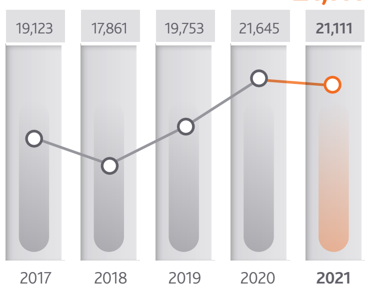
TOTAL OWNERS' EQUITY
(US$ Millions)
2,058



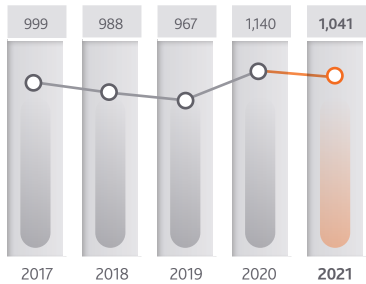
TOTAL CUSTOMER ACCOUNTS
(US$ Millions)
24,632



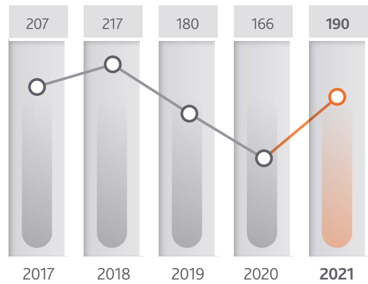
TOTAL FINANCING & INVESTMENTS
(US$ Millions)
21,111



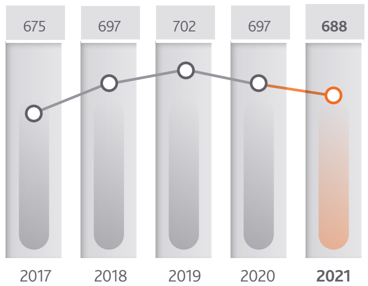
TOTAL OPERATING INCOME
(US$ Millions)
1,041



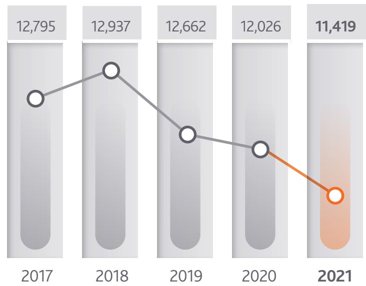
NET INCOME
(US$ Millions)
190



TOTAL NUMBER OF BRANCHES
688



TOTAL NUMBER OF EMPLOYEES
11,419



Board of Directors & Unified Shari'a Supervisory Board

BOARD OF DIRECTORS

Shaikh Abdullah Saleh Kamel ▲
Chairman - Non-Executive Director

Mr. Mohamed Ebrahim Alshroogi ■ ●
Vice Chairman

Mr. Tawfig Shaker Mufti ●
Board Member

Dr. Jehad El-Nakla ■ ▲ ● ●
Board Member

Dr. Khaled Abdulla Ateeq ■ ▲ ▲ ●
Board Member

Mrs. Dalia Hazem Khorshid ■ ●
Board Member

Dr. Ziad Ahmed Bahaaeldin ■ ● ●
Board Member

Mr. Saud Saleh Al Saleh ■ ▲ ●
Board Member

Mr. Abdul Elah Abdul Rahim Sabbahi ● ●
Board Member - Executive Director

Mr. Mazin Khairy Manna ●
Board Member and Group Chief Executive Officer

Mr. Fahad Abdullah Al Rajhi ● ●
Board Member - Non-Executive Director

Dr. Mohamed Moncef Chiekh-Rouhou ■ ● ●
Board Member

Mr. Naser Mohamed Al Nuwais ■ ▲ ●
Board Member

Mr. Abdulmalek Mezher
Secretary to the Board

UNIFIED SHARI'A SUPERVISORY BOARD

Shaikh Abdulla Bin Sulieman 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

NOTES:

Mr. Tawfig Shaker Mufti was appointed as Non- Executive Board Member on 05th April 2021.

COMMITTEE NAME	CHAIRMAN OF THE COMMITTEE	MEMBER OF THE COMMITTEE
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. Mazin Khairy Manna
Group Chief Executive Officer

Mr. Houssem Ben Haj Amor
Deputy Chief Executive – Head of Business Development & Investments

Mr. Mohammed El Qaq
Senior Vice President - Head of Commercial Banking

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

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

Mr. Suhail Tohami
Senior Vice President - Head of Treasury, Investments and Financial Institutions

Dr. Adel Basha
Senior Vice President - Head of Legal Affairs

Dr. Mohammed Mustapha Khemira
Senior Vice President - Head of Strategic Planning

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

Mr. Abdulmalek Mezher
First Vice President - Head of Corporate Governance & Board Affairs

Mr. Ali Asgar Mandasorwala
First Vice President – Acting Head of Finance

Mr. Fouad Janahi
First Vice President – Financial Institutions Department & Acting Head of Operations and Administration

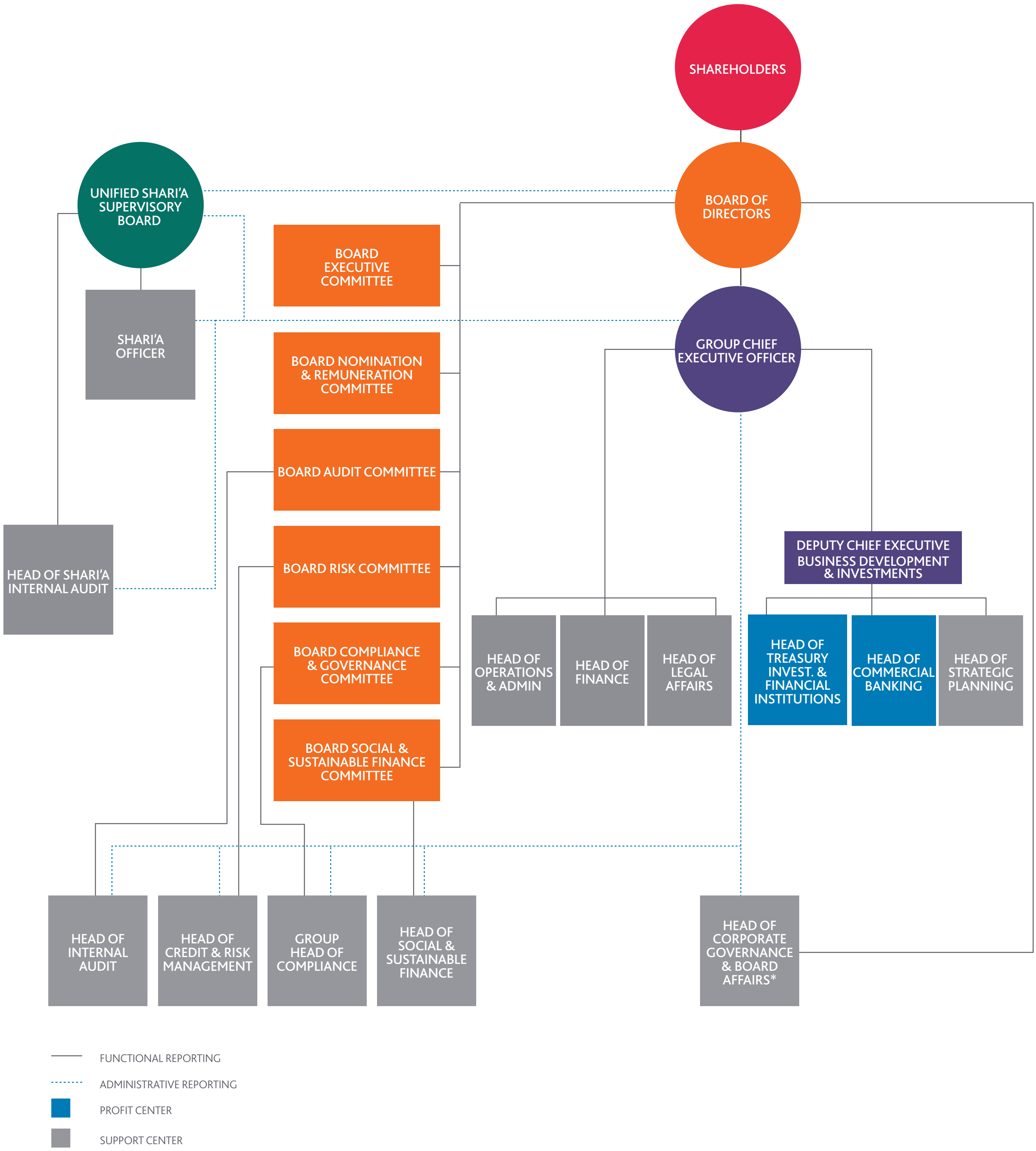
Dr. El Tigani El Tayeb Mohammed
Shari'a Officer and Secretary of the Unified Shari'a Board

Mr. Abdulsamad Khalfan
Vice President – Acting Head of Group Compliance

Good Governance

"Ethics in business
help us forge deeper
customer relationships"

Head Office Organisation Chart



* The Head of Corporate Governance & Board Affairs Reports directly to the Chairman of the Board.

Directors' Report

The history of ABG's excellence in risk mitigation and operational resilience over the years has supported its consistent business strategy

Abdullah Saleh Kamel
Chairman

Al Baraka Banking Group and its subsidiaries responded swiftly to the economic, fiscal and social fallouts of the pandemic by setting in place a strategy that would serve to protect the interests of customers and their businesses.

Economic review

The year 2021 bore testimony to the significant initiatives taken worldwide to combat Covid-19 with large parts of the world population inoculated. Global recovery continued unrelentingly, albeit a touch weakened by the effects of the pandemic, which made inroads into the efficacy of supply chains across the world, the developing economies being impacted more than the developed ones. Financial stability risks were largely contained thanks to the ongoing policy support that fuelled the global rebound. In some emerging markets and developing economies inflation pressures are expected to persist, but financial conditions have generally eased in the advanced economies, and banks by and large have remained resilient. The approach to business has experienced a substantial metamorphosis in the manner it is conducted and administered, with technology leapfrogging many development cycles to ensure greater efficiency in the delivery of services. Global trade has also been redefined by the constraints imposed by the pandemic dictating an adjustment to newer equations. Generally, the world has weathered the pandemic reasonably well and global growth is forecast to continue. The Middle East and North Africa ("MENA") region is also expected to recover from the pandemic although it is likely to be uneven, aided in many cases by a gradual rise in the prices of crude oil during the year.

Strategy Review

The board members and management leadership at Al Baraka Banking Group (ABG/or the ABG Group or the Group) adopted a new approach to strategy and direction, with priority for strengthening internal processes, controls and procedures whilst ensuring a more market related business focus, especially with trade equilibrium and economics being recalibrated by the pandemic. ABG has begun consolidating on the track record of previous years to develop for itself a greater niche over the near future.

Emphasis will be on de-risking our investments and more effective deployment of capital resources towards business segments that yield greater returns, with enhanced risk management, adequate control over expenditure and tighter management information reporting and accountability. With the continued strong presence of ABG at each Subsidiary ("Unit") board level, our Group's business and operational strategy is cohesive, well-coordinated and implementation is being executed effectively, cognisant of developments in our markets. The digital transformation across our Group will form the bedrock of our strategy going forward, spurred on by the need for contact-less customer interaction, technology-aided product delivery and enhanced customer experience.

The Board of Directors have resolved to withdraw our presence in Indonesia, subject to the approval of the local regulators and other authorities. The conversion of the license of ABG from an Islamic Wholesale bank to a Category 1 Investment Firm is being actively pursued and is awaiting the final approval of the Central Bank of Bahrain.

The conversion will enable the Group to greater streamline operations, enhance efficiencies and make better use of resources for the benefit of our subsidiaries.

Looking forward, we believe that the ABG Group is well-positioned to leverage opportunities that will emerge in a world that is expected to recover strongly from the pandemic and rebuild itself with renewed vigor. We shall look forward to continue providing our esteemed customers and stakeholders with excellent service as we take them along in our journey to surge ahead into the future.

TOTAL OPERATING INCOME

US$ 1.04 Billion

NET OPERATING INCOME

US$ 512 Million

(All figures in US Dollars unless stated otherwise)

Review of 2021

Al Baraka Banking Group proved its business resilience once again in the face of the challenges posed by the difficult economic environment that prevailed during the year. Astute positioning of business priorities and efficient management of resources enabled ABG to achieve yet another consistent performance.

Total operating income of the Group decreased by 8.6% in the full year 2021 to US$ 1.04 billion compared to US$ 1.14 billion in 2020.

ABG reported total net income of US$ 190 million for the full year 2021 compared to US$ 166 million in 2020, reflecting an increase of 14.3%.

The net income attributable to the equity holders of the parent increased by 69.3% to US$ 113 million compared to US$ 67 million in 2020. The Basic and Diluted Earnings per Share in 2021 were US Cents 6.71 compared to US Cents 2.90 in 2020.

Total assets of the Group were largely flat at US$ 28.18 billion at the end of 2021 compared to US$ 28.25 billion at the end of 2020.

The equity attributable to the parent's shareholders and Sukuk holders amounted to US$ 1.39 billion by end of December 2021 compared to US$ 1.42 billion by the end of December 2020 reflecting a decrease of 2.5%. Total equity stood at US$ 2.06 billion compared to US$ 2.22 billion by end of December 2020, marking a decrease of 7.4%.

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

As of 31st December 2021, the ownership of the shares of ABG by the Board is immaterial and no trading of such shares took place during 2021. 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 thank all our customers for their loyalty and for choosing us as their trusted banking partners. We extend our gratitude to the management and staff of ABG Group for their dedication and commitment to furthering ABG's business strategy and to achieving our strategic goals during the year. Finally, we thank our Unified Shari'a Supervisory Board, the Central Bank of Bahrain, the Ministry of Industry, Commerce and Tourism, the Bahrain Bourse, Nasdaq Dubai and all our subsidiaries' regulatory authorities for their continued support and wise guidance over the past year.

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

On behalf of the Board of Directors,

Abdullah Saleh Kamel
Chairman

The detailed Board of Directors and top management remuneration is on page 53.

Group Chief Executive Officer's Report

Al Baraka Banking Group performed relatively well, thanks to our flexible strategy that enabled us to adjust to the vagaries of the crisis and ensure a smooth, consistent performance.

Mr. Mazin Manna
Group Chief Executive Officer

Swift action was taken to protect the customer base by supporting businesses, reinforcing the strength of the asset quality, ensuring strong liquidity levels and adhering to a strict credit risk regimen.

The 'post-pandemic' economic rebound was relatively strong during 2021, with overall positive economic trends in countries of ABG presence, albeit lower than the Global average in general; Meanwhile, headline inflation picked up on average during the year, with advanced economies seeing a sharper rise; core inflation also increased, although more moderately. While there was some expectation during most of 2021 that the inflation spike is only transitory, the global stance on inflation changed by the end of the year, with the US Federal Reserve planning a number of rate hikes in 2022 as part of its fight against inflation.

The global banking sector experienced an extension of the low-interest-rate regime during the year due to COVID-19 and its multi-variants; this resulted in additional margin compression and it expanded the extent and duration of central-bank support. The Pandemic also acted as a catalyst for digitization, with bank customers expressing clear preference for migrating to digital channels post the pandemic, as they expect a better, more predictive and seamless experience than ever before—and better advice— across every channel. At the regional level, banks have been facing with many challenges including rising costs, lower profit margins and higher capital requirements. These challenges are driving up the pressure for more consolidation of the banking incumbents.

Al Baraka Banking Group and its Units have been proactive in 2021, as we have continued the strengthening of our risk management practices and compliance culture, and we have been striving to ensure that our resources are focused on the markets and businesses that give us the best returns and growth potential, whilst ensuring adequate control of overheads and expenditure.

Our strategic management of the Units has also been enhanced, with a tighter model of operational accountability and financial and risk management information reporting that will ensure swift decision-making at the head-office. Strong representation of the head-office management on our Units boards will ensure better harmonization and efficient execution of our strategies. We have embarked upon containment of expenses across all Units, which will help us achieve enhanced profitability. We are leveraging digital transformation to enhance our products and services delivery through digital channels in order to meet our customers' increasing demands and exceed their expectations. This has compelled us to focus our IT infrastructure on innovation, operational efficiency, and continued investment aimed at empowering our customers to bank with us quickly, safely and securely from anywhere.

NET INCOME FOR THE YEAR
US$ 190 Million
(All figures in US Dollars unless stated otherwise)

TOTAL ASSETS
US$ 28.18 Billion

We continue to work with the Central Bank of Bahrain on converting ABG's license to that of a Category 1 Investment Firm. The license conversion will allow ABG to better allocate resources and streamline its efforts towards achieving growth for our shareholders and customers. However, it will not impact the operations of the Group's subsidiaries, which will continue to be regulated by their respective countries' regulators.

Despite currency devaluation and higher cost of funding in some markets, we have increased our total net income by 14% to US$ 190 million compared to US$ 166 million in 2020. The Group achieved a net income of US$ 113 million attributable to the equity holders of the ABG parent compared to US$ 67 million in 2020, due to lower credit losses. The Return on Equity stood at 8.8% in 2021 compared to 7.3% in 2020.

Total operating income of the Group stood at US$ 1.04 billion in 2021 compared to US$ 1.14 billion in 2020. This stemmed mainly from currency devaluations in some of the key markets that the Group operates in addition to higher cost of funding in some markets. Due to the lower total operating income, the Cost to Income ratio was 51% in 2021 compared to 49% in 2020.

Our controlled expenditure discipline resulted in a further reduction of 5% in the total operating expenses to reach US$ 529 million in 2021 compared to US$ 560 million in 2020.

Because of currency devaluations in key ABG markets, the total assets of the Group were largely flat at US$ 28.18 billion at the end of 2021 compared to US$ 28.25 billion at the end of 2020, despite the rise in assets in local currencies in most of the ABG Units. Return on Assets improved to 0.7% compared to 0.6% in 2020.

The Basic and Diluted Earnings per Share for the year 2021 was US Cents 6.71 compared to US Cents 2.90 for the same period of 2020.

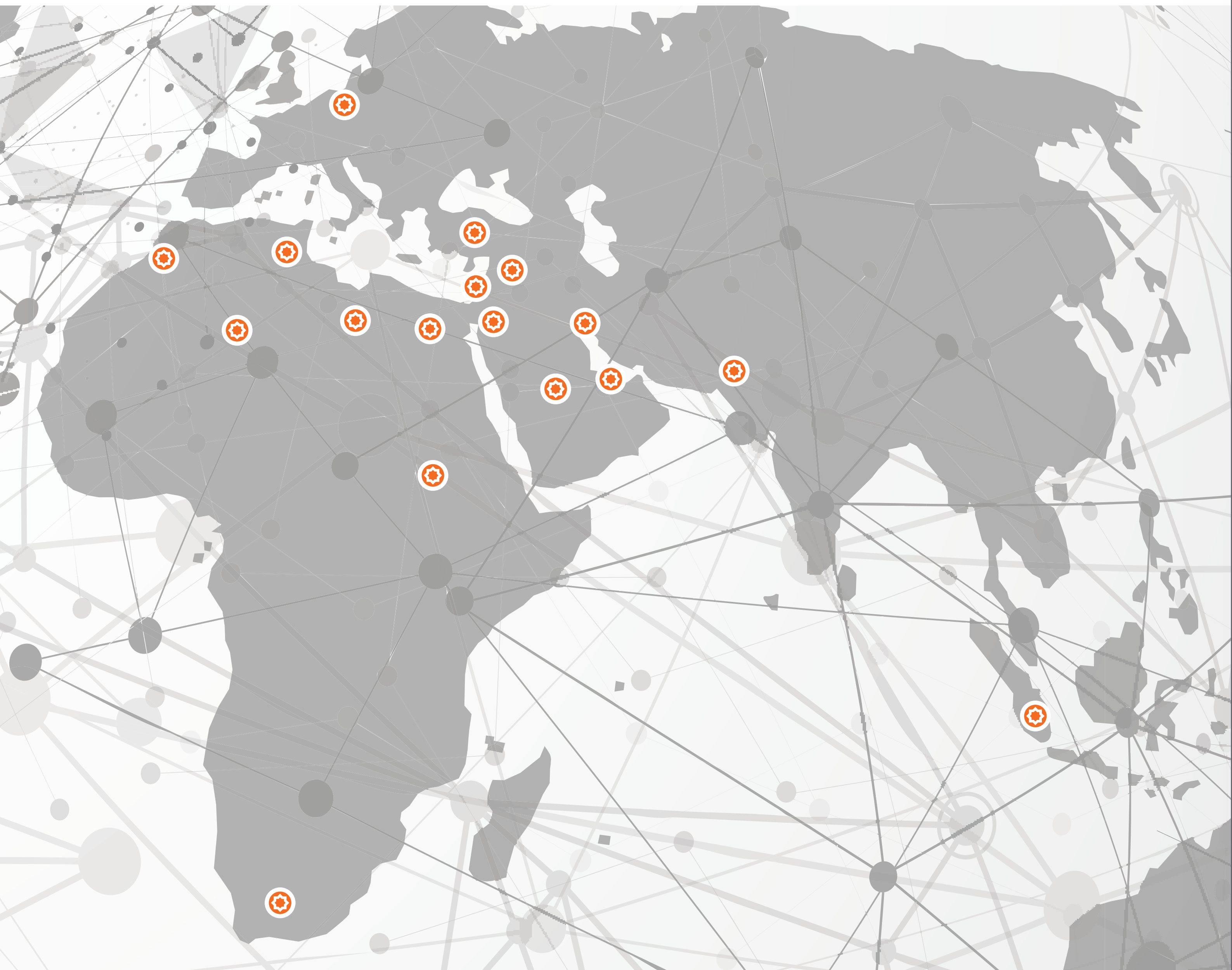
We are proud to have had six of Al Baraka Banking Group's Units recognized at the Islamic Finance News Awards 2021 in the Best Islamic Bank by Country category.

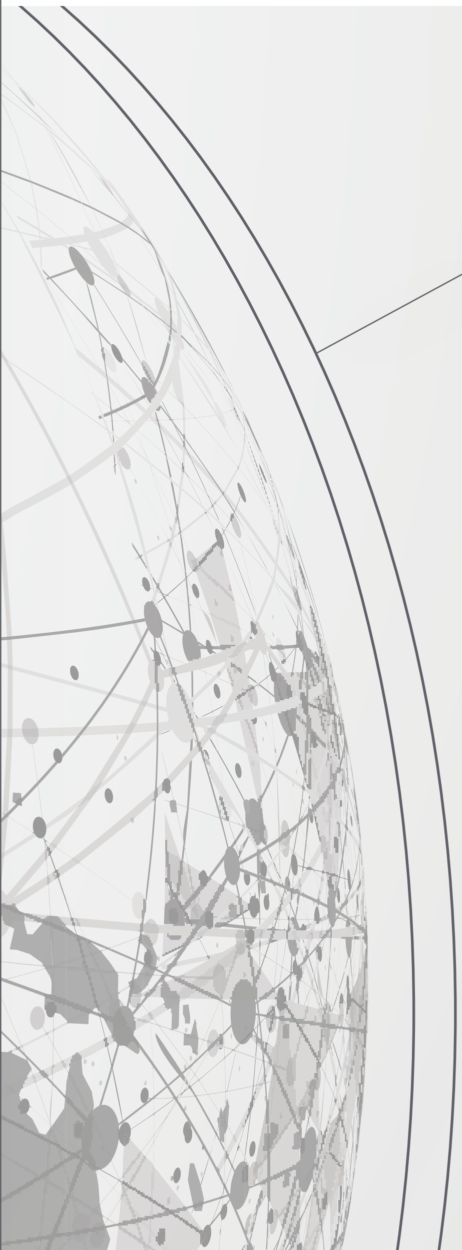
These awards are a testament to our teams' efforts towards offering the best in class products and services and enhancing our customers' experience whilst meeting their banking needs and I would like to take this opportunity to thank our teams in all our Units for their dedication and efforts during the past challenging year.

We look forward positively to the opportunities emerging in the region and elsewhere. We have positioned ourselves well in terms of strengthening our internal processes and procedures, and we have reinforced our business strategy and market positioning, duly aided with our rapid progress in technology and digitalization aimed at better serving the needs of our customers across all our markets.

Review of ABG Banking Subsidiaries ("Units")

We have weathered the impacts of the pandemic and will continue with our reinforced business strategy and market positioning to better serve the needs of our customers across all our markets.





17
Countries

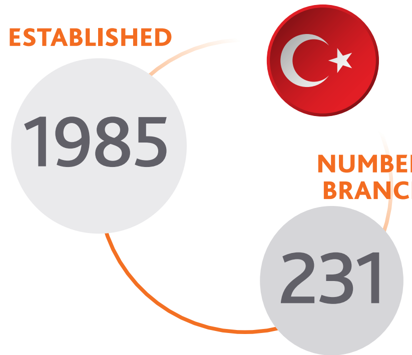
688
Branches

03
Continents

Review of ABG Banking Subsidiaries ("Units") (continued)

Turkey

Al Baraka Türk Participation Bank



Unit Head **Title**	Malek Khodr Temsah Acting General Manager and Board Member
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

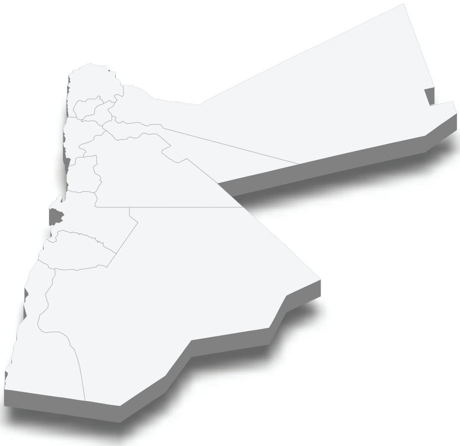
Turkey witnessed a challenging year due to the impact of Covid-19 and although the economy grew in 2021, the downward pressure on the Turkish Lira (TRY) has served to dampen it. The government announced a new law that included temporary measures to support employment in sectors hit hardest by the pandemic including a grant package for small and medium enterprises ("SMEs"), reductions in withholding taxes for TRY bank deposits and some sector-specific value added tax ("VAT") rate cuts. Discretionary fiscal support packages were also extended in the amount of TRY 638 billion for, amongst other things, loan guarantees to firms and households, loan service deferrals by state-owned banks, tax deferrals for businesses and equity injections into public banks. Economic growth rebounded and is expected to grow further in 2022 and beyond on the back of growth in industrial output and exports, and with the eventual lifting of restrictions post-Covid-19, the tourism industry may witness a resurgence. In addition, there is expected to be a greater emphasis by the sovereign on domestic funding, overall though the volatility of the TRY and the on-going inflation pressures, could be a cause for concern in the medium term.

The Bank is one of the larger participation banks in the country, accounting for approximately 16% of total assets for the sector. The total assets of the bank at the year end showed a growth of 57% at TRY 107.7 billion compared to TRY 68.6 billion in end 2020. In US Dollar terms the total assets were lower than 2020 level by 13% – US$ 8.1 billion - due to the erosion in the value of the TRY versus the US Dollar. Total customer accounts grew by 59% from TRY 60.8 billion in end 2020 to TRY 96.5 billion as of end 2021. In US Dollar terms, the total customer accounts were lower by 12% US$ 7.3 billion. Operating assets (financing and investments) were TRY 73.2 billion as of year end against TRY 50.0 billion in end 2020 reflecting a growth of 46%, which in US Dollar terms was a reduction of 19% i.e. US$ 5.5 billion at year end compared with US$ 6.8 billion at end 2020. Liquidity continued to be strong in TRY terms with cash and balances at the central banks and other financial institutions at TRY 31.8 billion, representing 30% of total assets – a consistent feature of the bank's strategy. Total operating income for the year was TRY 2.2 billion (US$ 256.7 million) against TRY 2.2 billion (US$ 320.9 million) in 2020. The reduction was due mainly to lower net yields on the financing assets. Net income for 2021 was TRY 289.2 million (US$ 33.4 million) compared to TRY 226.0 million (US$ 32.5 million) in 2020.

The bank was proactive during the year to ensure customer and employee health and encouraged contact-less customer interaction through various digital modes of product delivery. During the year it helped finance many sectors of the economy that were affected by Covid-19, with special emphasis on the manufacturing, trading and services businesses, and launched marketing campaigns to create awareness of its products. Many new products were introduced such as the Eflatun women banking card which addresses a niche business segment by offering debit and credit cards for a variety of services; the Alba Foreign Exchange mobile application; the Trend debit and credit card aimed at targeting youth; and Agricultural banking to acquire new micro customers by providing flexible repayment options for machine and equipment and other agricultural equipment. The bank also established a digital branch for its customers and implemented a remote and flexible working system for its employees to facilitate distancing during Covid-19 conditions. The total number of digital customers as of end October 2021 was 0.6 million with a compounded annual growth rate ("CAGR") of 35% since 2017 and the total digital transactions accounted for approximately 75% of the total transactions, giving credence to the success of the bank's digital strategy.

Jordan

Jordan Islamic Bank



ESTABLISHED

1978

NUMBER OF BRANCHES

109

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

Following the recession in 2020 caused by the effects of the pandemic when the real GDP contracted, it is expected that the economy will show a gradual recovery in the near term when the percentage of vaccinations will be increased in the country, resulting in a rebound of the retail and tourism sectors. The construction industry is expected to pick up slowly, accelerating as consumer demand and incomes recover in 2022-24. Jordan has been giving priority to the solar energy sector that is expected to replace hydrocarbon energy over the medium term. Earlier in the year, the government announced a Covid-19 stimulus package in the amount of JD ("Jordanian Dinars") 448 million to protect existing jobs, employ youth in Covid-19 related programmes and augment social welfare programmes. The Central Bank of Jordan raised the policy rate earlier this year and is further expected to do so in line with the US Federal Reserve actions. Exports are forecast to pick up as demand recovers in line with higher oil prices in the Gulf Arab countries which are a crucial export market. The country is therefore poised to recover well over the medium term from the downturn caused by the pandemic.

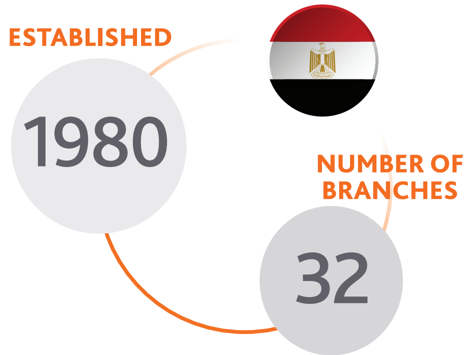
Jordan Islamic Bank is the largest Islamic bank in the country and accounts for approximately 8.9% of the total assets of the banking sector in Jordan. It showed an exemplary performance in the face of difficult economic conditions in 2021, with total assets growing from JD 4.8 billion (US$6.8 billion) in end 2020 to JD 5.3 billion (US$ 7.5 billion) as of end 2021, an increase of 10%. Total customer accounts also increased 9% from JD 4.2 billion (US$ 6.0 billion) in end 2020 to JD 4.6 billion (US$ 6.5 billion) in end 2021. The bank has always had a faithful deposit base which proved so, even during the pandemic conditions. Operating assets also grew from JD 3.8 billion (US$ 5.3 billion) in end 2020 to JD 4.1 billion (US$5.8 billion) in end 2021, an increase of 10% reflecting the bank's strategy to back its customers during their periods of duress during the year. Asset quality continued to be good. Liquidity was strong with cash and balances with Central Bank and other financial institutions representing 17.7% of the total assets as of end 2021 as compared to 17.6% in end 2020. Total operating income showed a healthy trend, growing 11% to JD 181.5 million (US$ 256.0 million) in 2021 compared to JD 162.9 million (US$ 229.7 million) in 2020, almost in tandem with the growth rate of the operating assets. The net operating income for the year was JD 103.9 million (US$146.1 million), up 23% from JD 84.1 million (US$ 118.6 million) in 2020. The net income for 2021 was JD 59.1 million (US$ 83.3 million) against JD 52.4 million (US$73.9 million) in 2020.

Cognisant of the effects of the pandemic on businesses, the bank took rapid steps to protect its customers' interests. It deferred the repayments of finance instalments for its retail and corporate customers besides offering restructuring / rescheduling options. The bank also used this opportunity to review its overheads so they are controlled, upgraded many of its processes and procedures and progressed speedily on its digitalization project for customer onboarding and product delivery through the medium of mobile phones. "Islami Digital", a digital corner offering many banking services, was launched to help customers to interact with the bank on a contact-less basis. The bank also launched the Musawameh card that will ease repayment of instalments. In addition, it launched many marketing campaigns designed to increase the awareness of the bank's products.

Review of ABG Banking Subsidiaries ("Units") (continued)

Egypt

Al Baraka Bank Egypt



Unit Head **Title**	Mr. Hazem Hegazy CEO & Vice Chairman
Address	Plot 29, Road 90, City Center, First Sector, 5th Settlement, New Cairo, P.O. Box: 84, 5th Settlement, Cairo, Egypt
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Despite the low vaccination rates in Egypt, the economy managed to turn in a reasonable performance in 2021 with modest real GDP growth rates of around 2.3% that are expected to quicken over the medium term as global demand returns to pre-pandemic levels and new energy projects bring export momentum. However, the country's tourism will remain affected by international travel restrictions but is forecast to pick up later when conditions ease. Development of hydrocarbons resources and processing capabilities could boost long term export expansion, impacting positively on GDP growth. The Central Bank of Egypt cut its policy rate by 400 basis points earlier this year and it is expected that rate profile will remain stable over the next year and the inflation within the target range. Renewed financial support from IMF and strong regional backing have always helped restore confidence in the economy and the Egyptian Pound was relatively stable during the year. The current account is expected to remain in deficit, and to be mitigated in part by the development of the hydrocarbons sector.

Al Baraka Bank Egypt is one of the larger Islamic banks in Egypt. The total assets of the bank as of year end 2021 were the EGP ("Egyptian Pound") equivalent of US$ 5.2 billion, up 9% from the EGP equivalent of US$ 4.8 billion in end 2020. Customer accounts witnessed an 8% growth to US$ 4.6 billion, up from US$ 4.3 billion in end 2020: this increase was despite the pandemic conditions, implying that the brand equity of the bank is viewed positively by its depositors. Operating assets totalled US$ 4.6 billion as of end 2021 versus US$ 4.2 billion in end 2020. As a proactive strategy, the bank grew its mudaraba financing and sales receivables assets and reduced non-trading investments. Although volatile during the early part of the year, the EGP exchange rate caused no appreciable erosion in the assets in US$ terms at year-end. The total operating income for 2021 was US$ 199.1 million which was in the same level of 2020. The net income was US$ 60.3 million against US$ 73.2 million in 2020.

The strategy of the bank is to expand its growing portfolio of financing assets, with prudent risk management policies and sound operating systems that will be further enhanced with technological development and digital transformation.

(All figures in US Dollars unless stated otherwise)

Algeria

Banque Al Baraka D'Algerie S.P.A

ESTABLISHED

1991

NUMBER OF BRANCHES

31

Unit Head **Title**	Mr. Mohammed Seddik Hafid Board Member & General Manager
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Algeria's government has responded well to the pressures caused by the pandemic and international borders were opened partially in mid 2021 and vaccinations increased, albeit still low for the population. The government plans to diversify the economy, fostering high value-added sectors and international trade and promoting a favorable business climate and foreign direct investment. Earlier this year, the government introduced a permanent tax holiday for foreign currency generating export activities and suspended VAT and customs duties for imported or domestically purchased inputs used in the production of goods besides extending the repayment period of overdue tax claims. The authorities also announced several measures to cut the import bill by at least US$ 10 billion or 6% of the GDP and banned exports of several products including food and hygiene items. The Bank of Algeria (the central bank) announced a reduction in the reserve ratio from 3% to 2%. Algeria's economy is dominated by hydrocarbons, with oil and natural gas making up the vast majority of the export and fiscal revenue - it is expected that a strong demand for natural gas from Europe could see a continued growth in exports following the surge in 2021 and the trade deficit could narrow. As a result, real GDP is estimated to grow in 2022 which represents a significant economic recovery. The foreign reserves are expected to rise, following the uptick in hydrocarbon prices, as well as the injection of US$ 2.7 billion in International Monetary Fund ("IMF") special drawing rights.

Banque Al Baraka D'Algerie is one of the larger Islamic banks in Algeria. The total assets of the bank as of the end of 2021 were US$ 2.04 billion compared with US$ 1.98 billion in end 2020, reflecting an increase of 3%. Customer accounts increased by 3% from US$ 1.67 billion in end 2020 to US$ 1.72 billion. Operating assets witnessed a reduction of 9% at US$ 1.00 billion versus US$ 1.09 billion in end 2020. The bank chose to bolster its cash and balances with banks and financial institutions and reduce sales receivable and ijarah muntahia bittamleek as a strategy during these difficult economic conditions caused by the pandemic. The total operating income in 2021 was US$ 66.5 million, a 26% decrease when compared with US$ 89.7 million in 2020 due to the reduced operating assets and lower yields on assets. The net income for the year was US$ 37.7 million which showed an increase 138% from the 2020 figure of US$15.9 million mainly due to writeback of provisions during the year.

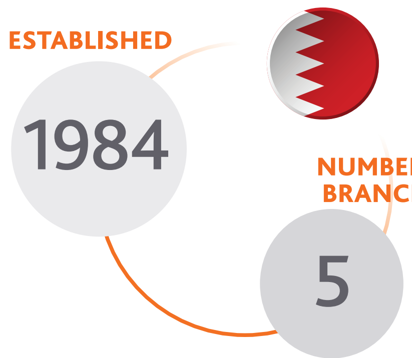
The bank's approach to the pandemic was to continue to implement social distancing throughout all branches and customer touch points so as to minimize infections. A remote working program was established to enable employees to work from home and adopt work schedules for essential personnel to enable a safe working environment. The bank's strategy during the year was to lay due emphasis on, inter alia, the agri-food and health sectors in these challenging times. It also introduced M-Pay, a contact-less payment application that allows merchants to quickly receive payments via a QR code. Internal policies and procedures in the areas of risk management, human resources, accounting, administration and products were updated by the bank in order to further strengthen the operations infrastructure. Digitalization projects also continued with the introduction of mobile and web on-boarding, and the IT infrastructure, network architecture and IT security platforms were upgraded to ensure that the bank is in synch with modern practices.

(All figures in US Dollars unless stated otherwise)

Review of ABG Banking Subsidiaries ("Units") (continued)

Bahrain

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



Unit Head **Title**	Mr. Hamad Al Oqab Chief Executive Officer
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Tel	+973 17 535 300
Fax	+973 17 533 993
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It is expected that the recovery in the real GDP of Bahrain will accelerate as compared to 2020, driven by improving consumer confidence and robust retail sales, as high vaccination rates will reduce restrictions on movement and, with the other Gulf states easing travel restrictions, the number of tourists is expected to increase. The government's stimulus package announced in 2020 was carried into the current year such as support for various sectors for salary payments, municipal fees and commercial registration fees, fee exemptions for tourist facilities, rent exemptions for tenants and a national employment program aimed at creating private sector jobs and training the workforce. Fiscal deficit is expected to narrow in 2021 and further ease in 2022 mostly due to higher oil prices. In addition, the possibility of an increase in private consumption and therefore VAT revenues, could further ensure that the deficit remains at the same level. In addition, the prospect of higher oil production from the Khaleej al-Bahrain oilfield over the medium term could boost fiscal revenue. Bringing the current account and fiscal deficits under control therefore remains a long-term government priority. Bahrain's Vision 2030 programme is expected to increase the pace of the privatization programme which will make the private sector an important driver of productivity gains and economic growth.

The bank's total assets grew by 11% in 2021 at US$ 1.7 billion at year end 2021 compared to US$ 1.6 billion at end 2020. Customer account increased from US$ 1.2 billion at end 2020 to US$ 1.3 billion in end 2021 – a growth of 2%. Operating assets increased by 9% from US$ 1.4 billion in end 2020 to US$ 1.5 billion at the end of the year, the mudaraba financing being scaled back and, along with the long-term borrowings, being deployed profitably into ijarah muntahia bittaleek assets. Total operating income reduced from US$ 51.3 million in 2020 to US$ 50.3 million, in recognition of the increased financing assets booked and additional revenues from banking services. The net income for the year was US$ 6.5 million, up from US$ 3.8 million in 2020 due to the controlled operating expenses and lesser provisions.

During the year, the bank strived to ensure the well-being of its retail and corporate customers during these challenging times by offering delayed finance repayment options and restructuring options, which served it well as the asset portfolio suffered no material deterioration. The bank also diversified its exposure base to participate in government backed projects. Many new products were introduced – the PariPassu- jointly financed by the Ministry of Housing, Education Ijarah Finance, expatriate property financing and accounts for the youth and Tamweel Al Saree'a a form of quick finance to cater to corporate clients' business and working capital requirements. Memoranda of understanding were signed with well-known real estate developers, universities and a solar company that will provide the bank with more revenue flow. The bank further updated many of its internal policies and procedures in the areas of operations, risk management and its digitalization projects progressed well as did the robotic automation of processes and the digital Know-Your-Customer procedure.

(All figures in US Dollars unless stated otherwise)

Syria

Al Baraka Bank Syria S.A.

ESTABLISHED

2009

NUMBER OF BRANCHES

15

Unit Head **Title**	Mr. Mohamad Halabi CEO
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The Syrian economy is still dealing in 2021 with the challenges of the pandemic, which resulted in an economic contraction back in 2020. The currency also suffered depreciation during the year. The country's vaccination programme commenced in April 2021 with the objective of inoculating a significant portion of the population by April 2023, but infrastructural problems could delay this deadline. It is expected that Syria's GDP will continue to contract but will start to emerge towards growth in the medium term which could still be modest. Oil production will however start to rise, but currency volatility and goods shortages could fuel inflation. Over the next two years Syria could show GDP growth if reconstruction efforts gain momentum and investment inflows pick up.

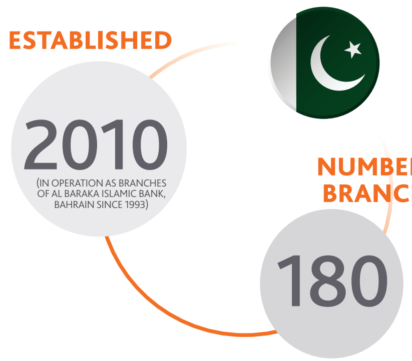
Despite the challenging economic conditions, the bank turned in a good performance during the year, giving credence to the bank's inherent strength. Although total assets in US Dollar terms at the end of 2021 were US$ 557.6 million compared to US$ 643.7 million in end 2020, a reduction of 13%, due to the depreciation of 50% in the Syrian Pound ("SYP") versus the US Dollar, the total assets actually grew by 73% from SYP 808.4 billion to SYP 1.4 trillion. Similarly, the total customer accounts showed a growth of 58% from SYP 628.3 billion in end 2020 to SYP 1.0 trillion in end 2021. In US$ terms there was a reduction of 21%, from US$ 500.2 million in end 2020 to US$ 394.2 million in end 2021. Also, operating assets shrunk by 37% from US$ 370.2 million in end 2020 to US$ 231.8 million in end 2021 – an increase of 25% in SYP terms from SYP 465 billion to SYP 582.3 billion. The total operating income for 2021 was US$ 55.8 million, a decrease of 6% when compared to US$ 59.4 million in 2020. In SYP terms the total operating income increased by 88% from SYP 74.6 billion in 2020 to SYP 140.3 billion in 2021. Net income for 2021 was US$ 38.3 million compared to US$ 42.8 million in 2020, a decrease of 11% - in local currency terms the net income increased from SYP 53.7 billion to 96.1 billion.

The bank took swift action to launch Covid-19 campaigns that created awareness among its customers and employees to stress social distancing and encouraging contact-less banking transactions. The bank's focus for a large part of the year was on its corporate and retail customers in the food, pharmaceutical, infrastructure and energy sectors. It also introduced new products for the payment of zakat through a mobile phone application and the Nawaret service, a financing for projects involving alternative methods of power generation. Faster customer onboarding was also enabled with the launch of a digital account opening procedure. In addition, many marketing campaigns were undertaken to promote products, thus reaching a wide range of customers. The bank also strengthened its internal processes and procedures in the areas of risk management, information technology and digitalization.

(All figures in US Dollars unless stated otherwise)

Pakistan

Al Baraka Bank (Pakistan) Limited



Unit Head **Title**	Mr. Ahmed Shuja Kidwai Board Member & CEO
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Fax	+92 21 3453 0981
Website	albaraka.com.pk

Pakistan is still grappling with the effects of the multiple waves of Covid-19 and is likely to continue into the next year, but a greater coverage of vaccinations is expected. Carrying on the support initiatives from 2020, the government's fiscal year 2021 budget included further increases in health and social spending, tariffs and customs duty restrictions on food items, an allocation of PKR ("Pakistan Rupee") 70 billion for natural calamities and a PKR 30 billion housing package to subsidize mortgages as well as provision of tax incentives to the construction sector. The State Bank of Pakistan (the central bank) ("SBP") has introduced mandatory targets for banks to ensure that loans to construction activities account for at least 5% of their private sector portfolios and introduced further regulatory measures to facilitate the import of Covid-19-related medical equipment and medicines. On the economic front, the government's priority in the near term will be to support macro-economic fundamentals by implementing reforms under the IMF programme. To this end the IMF and Pakistan have agreed to review the US$ 6 billion Extended Facility Programme which was initiated in 2019, of which only US$ 2 billion was disbursed. US$ 1 billion is expected to be further disbursed, subject to Pakistan agreeing to certain conditions. The country's fiscal budget for 2021-22 aims to support the economy by increasing capital expenditure in the manufacturing sector, the textiles industries being the major part. The fiscal deficit will continue to narrow as the government takes measures to expand the tax base. It is expected that real GDP will expand in the near term, lead by private consumption, which will gradually accelerate in the medium term supported by an accommodative policy stance and investment by China under the China-Pakistan Economic Corridor ("CPEC") which was estimated in 2020 to be around US$ 60 billion in infrastructure projects. The SBP raised its policy rate by 25 basis points in the fourth quarter of 2021 and future policy statements could be prompted by movement in the Pakistan Rupee.

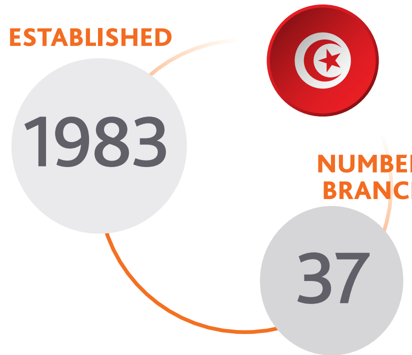
The bank performed well under the prevailing conditions and expanded by growing its total assets from US$ 1.18 billion in end 2020 to US$ 1.22 billion, an increase of 4%. Customer accounts also increased by 3%, from US$ 1.0 billion at the end of 2020 to US$ 1.6 billion at the year end 2021 reflecting the consistency of depositor-sentiment towards the bank. Financing and investments showed a growth of 6%, increasing from US$ 0.9 billion end 2020 to US$ 1.0 billion in end 2021, with non-trading investments, trading securities and istisna financing in consonance with the government's initiative to encourage industrial growth. Total operating income for 2021 was US$ 52.3 million, an increase of 3% from US$ 50.9 million in end 2020, mainly due to increased revenue from banking services and income from self-financed financing and investments. Net income for 2021 was US$ 6.1 million compared with US$ 3.8 million in 2020, an increase of 62%.

With customers' interest paramount, the bank offered many support mechanisms to industrial and commercial businesses that were affected by Covid-19 in terms of extending financing to enable salary payments, providing hospitals and medical centres with facilities to import medicines and other equipment and generally deferring repayments as per the guidelines set by SBP. The main thrust of bank's business was in the pharmaceutical, fertilizer and textile sectors. The SBP issued a circular in October 2021 directing all banks and micro-finance banks to provide digital payments and facilitation of financial services to institutional clients through their digital portals, thus accelerating the digitalization of services. The bank speeded up its digitalization projects by launching several digitally aided products to enable contact-less interaction, including onboarding of new customers. "Raast", a micro payment gateway was launched during the year to enable bulk payments and promote e-commerce through the medium of UnionPay debit cards, besides introducing a NFC (Near Field Communication) contact-less debit Mastercard and collaborating with a local Fintech company for an online domestic payment gateway. Digital transactions totalled approximately 0.91 million during the first ten months of the year, up 66% from the corresponding period last year. During the year the bank updated many of its operational policies and procedures in the areas of risk management, consumer credit etc.

(All figures in US Dollars unless stated otherwise)

Tunisia

Al Baraka Bank Tunisia



Unit Head **Title**	Mr. Mohamed El Moncer General Manager
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Website	albarakabank.com.tn

The priority for Tunisia is to currently secure external financial support. Extending the fiscal measures from 2020, the government has introduced a Covid-19 dedicated fund financed by voluntary contributions, withheld one day's salary from all economic agents, increased the tax rate on the interest on bank deposits and introduced an exceptional 2% profit surcharge on financial companies for 2020-2021. The 2021 budget law also includes additional measures to support affected enterprises in the tourism sector. Following a deep recession in 2020 caused by the pandemic, real GDP is just beginning to show signs of recovery and the expectation is that the outlook for trade will start to brighten more noticeably in the near term. The fiscal deficit has been narrowing and is expected to continue to do so over the near term as the government's efforts to curb growth in expenditure, in line with IMF recommendations, begin to take effect. Banque Centrale de Tunisie, the country's central bank, has been easing monetary policy since the pandemic hit in early 2020. Exports are expected to pick up as the recovery begins, but with a bigger import spend due to strong internal demand and higher oil prices, the trade deficit is expected to widen.

The bank recorded an impressive performance during the year and grew its total assets from US$ 598.3 million in end 2020 to US$ 650.3 million in end 2021, an increase of 9%. The increase was mainly due to 61% growth in mudaraba financing to total US$ 102.8 million at year end, up from US$ 63.9 million in end 2020. Customer accounts increased 5% from US$505.6 million in end 2020 to US$ 533.3 million in end 2021. Total operating assets also grew by 9% from US$ 515.2 million in end 2020 to US$ 562.7 million in end 2021, the increase being mainly in mudaraba financing to support businesses through the difficult economic conditions. As a result of the expanded portfolio of operating assets, the total operating income also grew by 38% from US$ 36.5 million in 2020 to US$ 50.3 million in 2021: the bank's share of income from jointly financed assets increased by 52% from US$ 30.0 million in 2020 to US$ 45.8 million in 2021.

Net income for the year was US$ 12.5 million compared to US$ 7.6 million in 2020, an increase of 66%. The total revenues were greater during the year but were dampened by precautionary provisions and additional taxation on increased revenues.

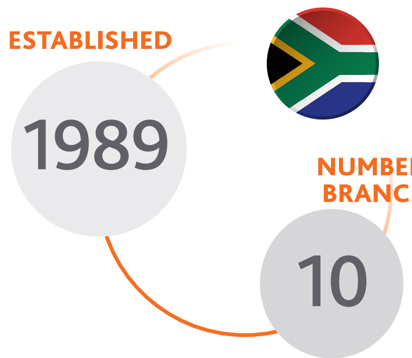
The bank continued with its measures to safeguard its employees by implementing social distancing protocols and creating awareness among all employees and customers, prioritizing its digital contact-less operations. In order to help its retail, SME and corporate customers tide over the downturn, repayments of financing were deferred. Products were nevertheless introduced – the Al Baraka Platinum, Premium and Premium+ cards for its VIP clients that would enable them to transact at a preferential fee structure. In addition, many marketing campaigns were undertaken, using different media forms that created more awareness of the bank's diverse product offerings. The bank also took this opportunity to look inward at updating many policies and procedures in risk management and liquidity framework and progressed well on its digitalization projects, in the process creating many APIs (application programming interfaces) for its core banking system.

(All figures in US Dollars unless stated otherwise)

Review of ABG Banking Subsidiaries ("Units") (continued)

South Africa

Al Baraka Bank Limited - South Africa



Unit Head **Title**	Mr. Shabir Chohan Board Member & CEO
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South Africa is the most advanced economy in Africa and a major business hub. It is deeply engaged with the Southern and Central/East African countries and attracts international companies from the US, Europe and Asia owing to its strong institutions and sound banks. But, like elsewhere in the world, it was hit by the scourge of the pandemic in 2020 that brought on the recession. The government ensured that funds are made available to assist SMEs under stress, mainly in the tourism and hospitality sectors, and small-scale farmers in the poultry, livestock and vegetables sectors. Also, an official loan guarantee scheme was announced earlier in the year to provide bank loans, guaranteed by the government, to eligible businesses to assist them during the pandemic with operation expenses. The government is pushing ahead with structural reforms and a US$ 2.7 billion emergency relief package, and on a more urgent basis following the civil unrest in July 2021. The government aims to target measures such as employment incentives and adding new capacity from independent power producers of solar and wind energy. After a cumulative 300 basis points cut in the interest rate in 2020, the South African Reserve Bank, the central bank, has kept the rates steady in 2021, but an uptick in inflation in line with global price pressures could prompt rate rises. Vaccination programmes have been actively pursued and close to 50% of the population vaccinated, but it remains to be seen whether the latest variant of the coronavirus, which originated in the country towards the end of the year, will impact the efforts of the government at economic and fiscal consolidation.

The bank put in a consistent performance for the year. The South African Rand ("ZAR") experienced volatility during the year, strengthening mid-year before ending approximately 9% weaker at year end. The total assets of the bank as of year end were US$ 537.8 million, down 9% from US$ 591.9 million at the end of 2020. In ZAR terms the reduction was 1% from ZAR 8.7 billion in end 2020 to ZAR 8.6 billion in end 2021. Total customer accounts at year end were US$ 479.0 million versus US$ 529.0 million at end 2020 - a decrease of 9%. The reduction in ZAR terms was 1% - from ZAR 7.7 billion to ZAR 7.6 billion at year end. The operating assets reduced 9% from US$ 540.3 million in end 2020 to US$ 491.8 million in end 2021, and in ZAR terms 1% from ZAR 7.9 billion at end 2020 to ZAR 7.8 billion. The decreases were due mainly to the reduction in sales receivable assets and equity of investment account holders in line with downturns experienced in the economy and therefore businesses. The total operating income for the year was US$ 19.9 million compared to US$ 20.3 million, a reduction of 2%. In terms of the local currency the total operating income was down 11% from ZAR 332.3 million to ZAR 295.9 million. The net income for the year was US$ 2.5 million, more or less at the same level as last year in US Dollar terms. In the local currency the net income of ZAR 37.4 million was 4% more than ZAR 36.1 million in 2020.

The bank made rapid progress in its efforts to counteract the impact of the pandemic on its customers in addition to ensuring social distancing and work from home policies for its employees. It remained in close contact with its many customers to attend to their financing needs by deferring repayments to enable them to continue to function. Emphasis was given to the fast-moving consumer goods industry, a sector that was least affected by Covid-19. Internal processes were updated to enable more efficient operations to support customer facing activities. In this regard, the bank implemented many robotic process automation procedures and further enhanced its mobile banking applications and the total of the digital transactions of the bank has seen a significant uptick.

(All figures in US Dollars unless stated otherwise)

Sudan

Al Baraka Bank Sudan

ESTABLISHED
1984

NUMBER OF BRANCHES
29

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Website	albaraka.com.sd

Sudan has had to bear the impact of the pandemic that kept the economy in recession. The vaccination rates have been low. Economic growth is however expected to return with the effects of the pandemic and natural disasters fading. High inflation may dampen private consumption amidst low productivity and underemployment. It is expected that international aid and investment will pick up the construction activity in the near term. Expanding gold and hydrocarbon exports, the main drivers of growth, and investment in public infrastructure and capital projects are expected to spur economic resurgence accompanied by a narrowing of the fiscal deficit. In addition, the country's oil transit fees are slated to pick up on the back of the higher oil prices. Early in the year the country devalued the Sudanese Pound and moved it to a flexible management regime which could provide some stability in the near term.

The bank performed very well, given the challenging economic conditions. Total assets as of the end of the year were Sudanese Pounds ("SGD") 38.1 billion, up 247% when compared with SDG 132.4 billion in end 2020 – sales receivables, mudaraba and musharaka financing registering significant increases – as the total operating assets went up 192% from SDG17.1 billion in end 2020 to SDG 50.0 billion in end 2021. As the currency suffered a significant devaluation, these increases in terms of US Dollars were negated and at the end of 2021 the total assets reduced 58% to US$ 293.2 million, down from US$ 691.5 million in end 2020. Total customer accounts of SDG 82.2 billion registered a 172% increase when compared to SDG 30.2 billion in end 2020. with the equity of investment account holders increasing by 152%, thus serving as an endorsement by depositors to the reliability of the bank. In terms of US Dollars, the total customers account decreased in 2021 at US$ 182.0 million versus US$ 547.3 million in 2020. Total operating income for the year was SDG11.8 billion, up from SDG 3.2 billion – US Dollar terms US$ 26.1 million in 2021 versus 58.9 million in 2020. Net income for the year was SDG 5.4 billion, up from SDG 1.5 Billion in 2020 (US$ 11.9 million in 2021 versus US$ 26.8 million in 2020).

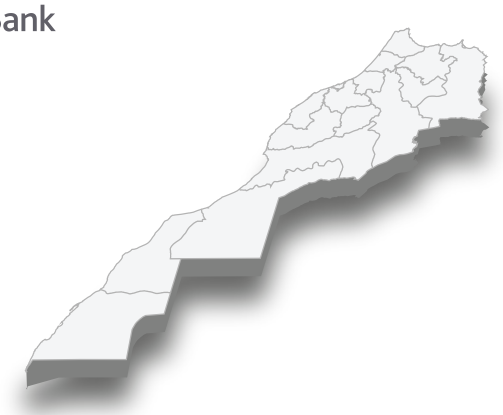
During the year the bank continued to upgrade its internal processes for risk management, credit ratings and asset / liability management and established direct interfaces with telecom companies and government service departments to process payments besides introducing a mobile application. It also instituted many training programmes for its employees.

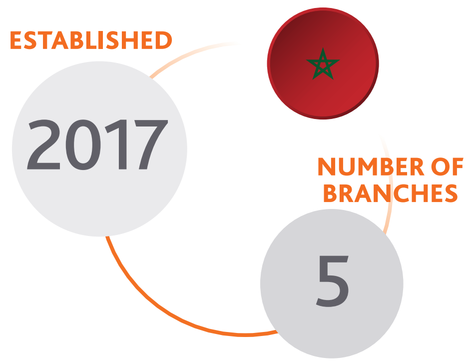
(All figures in US Dollars unless stated otherwise)

Review of ABG Banking Subsidiaries ("Units") (continued)

Morocco

BTI Bank





Unit Head **Title**	Ms. Yasmina Kilali Acting General Manager
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The Kingdom of Morocco has been proactive in administering vaccines during the year and most of the population has been vaccinated. In addition, it has established a domestic vaccine manufacturing facility that is slated to go into production shortly. Such initiatives are likely to bring medium term benefits to the country, better positioning it to deal with new variants of the virus, if any. Under a post-crisis facility to support businesses by providing finance to cover working capital at subsidized interest rates, banks provided loans worth 3.3% of the GDP to about 25,000 firms. Also, the government launched initiatives to provide financing to very small firms and real estate firms operating in the tourism sector. Morocco has been focusing on addressing the socio-economic impact of the pandemic by continuing to seek public-private partnerships in the infrastructure and renewable energy sectors to drive growth and productivity gains. The country has been maintaining excellent relationships with the IMF and has repaid a substantial part of the US$ 3 billion precautionary and liquidity line ahead of schedule. A state-owned phosphate producer successfully issued US$ 1.5 billion worth of international bonds and it is expected that the country will further access the international markets for future needs. It is expected that GDP growth will be driven by stronger exports, high remittance inflows and robust agricultural sector output – this would perhaps be a shade slower due to the effects of the pandemic. The future therefore for the Kingdom looks positive.

The total assets of the bank were more or less at the same level as last year: US$ 56.8 million in end 2021 versus US$ 61.0 million in 2020. The total customer accounts at year end reduced by 6% to reach US$ 30.8 million against US$ 32.8 million in end 2020, while the operating assets increased by 15% - mainly in sales receivables – to total US$ 35.0 million in end 2021 with the end 2020 figure totalling US$ 30.4 million. The Moroccan Dirham ("MAD") has been trading in a band so there was no appreciable erosion in value during the year. The total operating income for 2021 was US$ 1.1 million compared to US$ 1.5 million in 2020, a decrease of 23%. The net loss for the year was US$ 4.0 million compared to a loss of US$ 4.6 million in 2020.

Although the year continued with the presence of Covid-19 conditions, the bank nevertheless pursued with its business of financing the real estate, vehicles and equipment and merchandise sectors and launched many campaigns through the digital medium. It also developed many products and services to upgrade its present offerings related to money transfers, insurance, agricultural land and financings backed by guarantees from the Central Guarantee Fund. The bank took the opportunity of strengthening its internal processes and procedures in product delivery and risk management.

(All figures in US Dollars unless stated otherwise)

Saudi Arabia

Itqan Capital

ESTABLISHED

2007

Unit Head **Title**	Dr. Bassam Hashim Alsayed Managing Director & CEO
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The Kingdom of Saudi Arabia has benefitted from the rise of the price of oil during the year. It is expected that real GDP growth will accelerate in the near term, spurred by the higher oil prices, the continuing recovery in the non-oil sector, and the increased international demand, particularly from China. Along with an easing of the restrictions and entry permitted to vaccinated pilgrims, the economy is set to rebound. The government has set a long-term strategy to diversify the economy and reduce the Kingdom's reliance on oil by introducing the Vision 2030 programme. The Public Investment Fund also has sanctioned enhanced investment into the domestic private sector with a view to incentivising some of the largest companies in the country to invest around US$ 1.3 trillion locally by 2030. The Saudi Central Bank ("SAMA") has kept the policy rate low but there could be an upward movement in the near term in line with the Federal Reserve action as the Saudi Arabian Riyal is pegged to the US Dollar.

Itqan Capital's year end 2021 total assets were US$ 14.5 million, down 25% from US$ 19.4 million in end 2020, mainly due to a reduction in the trading securities during the year. The assets under management as of the end of 2021 were a total of US$ 453.3 million compared to US$ 389.3 in end 2020, an increase of 16%. The company reported a small net income of US$ 0.3 million, compared to a loss of US$ 3.0 million in 2020.

With the conditions of the coronavirus continuing to affect business and personal spaces, Itqan Capital took measures to ensure that all its employees worked from home and the focus continued on the real estate and health care sectors with added business. In the meantime, the company concentrated its efforts on updating its many policies and procedures in risk management and implemented a new enterprise resource system.

(All figures in US Dollars unless stated otherwise)

Lebanon

Al Baraka Bank Lebanon S.A.L.

ESTABLISHED

1991

NUMBER OF BRANCHES

3

Unit Head **Title**	Mr. Mutasim Mahmassani Board Member & General Manager
Address	Justinian Street, BAC Center, 12th Floor, Sanayeh, near Chamber of Industry and Commerce, Beirut, Lebanon
Tel	+96117 48061 - 65
Fax	+96117 48061 - 65 Ext: 700
Website	albaraka.com.lb

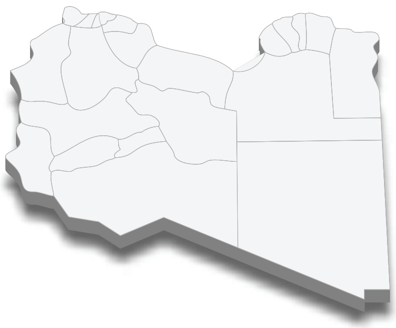
Lebanon is going through an acute financial and economic crisis. The government, is expected to restructure the economy with the help of the IMF with many appurtenant conditions one of which is a stable government. The economy is nevertheless expected to shrink over the next couple of years, but growth is expected thereafter. Banque du Liban, the central bank, could replace the currency peg to the US Dollar with a managed float, in line with IMF requirements. Inflation has reached significant levels and the fiscal deficit averaged 4% of GDP. The government's priority will be to focus on shoring up public finances, mitigating the coronavirus-related economic disruptions and resolve immediate debt sustainability reforms, in addition to laying down a roadmap for overhauling the domestic banking sector.

The Al Baraka Bank Lebanon S.A.L. took action to safeguard its employees by implementing adequate measures to prevent the spread of Covid-19 in addition to ensuring that social distancing was maintained in the workspaces as well as in customer interaction.

(All figures in US Dollars unless stated otherwise)

Libya

Al Baraka Banking Group (Representative Office)



ESTABLISHED

2011

Name **Title**	Mr. Mohamed Elkhazmi 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

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, and the rise in oil prices could serve as a 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 useful once the country emerges from the current political instability.

(All figures in US Dollars unless stated otherwise)

AL Baraka Headquarters at Bahrain Bay,
Kingdom of Bahrain

Corporate Governance

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 organisation. 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 organisation.

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;
- 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 behaviour 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;
- ensuring that the Anti-bribery and Corruption programme 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;
- convening and preparing the agenda for shareholder meetings;
- ensuring equitable treatment of all shareholders including minority shareholders; and
- performing any other functions required from the Board of Directors under applicable laws and regulations.

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 and controls framework, the Board structure and the organisational 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. 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 programme ("ABC Programme") frameworks. ABG is continuously enhancing its compliance framework and that of each of its subsidiaries.

In 2010, the CBB introduced new requirements to be met by all licensees under Volumes 2 and 6 of Module HC of its Rulebook, with respect to corporate governance principles. These requirements were in line with the Principles relating to the Corporate Governance Code issued by the Ministry of Industry, Commerce & Tourism 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. In 2014, the CBB introduced further requirements addressing the matter of remuneration of Approved Persons and Material Risk Takers (see below), which requirements were duly adopted by ABG. 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 organisation, reports provided to it on the operations of the Group (with emphasis on organisational, 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 15 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 & Tourism of Bahrain.

Corporate Governance (continued)

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;
- abuse by the individual of his/her position as Director or failure to comply with the provisions of his/her appointment or the terms of the Charter of the Board or of its Committees;
- the individual's failure to attend three consecutive Board meetings with out presenting a lawfully excused notification in writing to the Board;
- the individual's formal resignation from the Board following reasonable prior notice; or
- occupation of any other remunerative office within ABG unless specifically approved by the Board of Directors.

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.

There are currently 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 scrutinising 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.

As of 31st December, 2021, ABG had the following Board Composition *(for more details regarding the Board Composition please refer to page No 6 of this report):*

Non-Executive Directors

1. Shaikh Abdullah Saleh Kamel – *Chairman*
2. Mr. Tawfig Shaker Mufti
3. Mr. Fahad Abdulla Al Rajhi

Independent Directors

1. Mr. Mohamed Ebrahim Alshroogi – *Vice Chairman*
2. Dr. Jehad El-Nakla
3. Dr. Khaled Abdulla Ateeq
4. Mrs. Dalia Hazem Khorshid
5. Dr. Ziad Ahmed Bahaaeldin
6. Mr. Saud Saleh Al Saleh
7. Dr. Mohamed Moncef Cheikh-Rouhou
8. Mr. Naser Mohamed Al Nuwais

Executive Directors

1. Mr. Abdul Elah Abdul Rahim Sabbahi
2. Mr. Mazin Khairy Manna - *Group Chief Executive Officer*

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 31st Dec 2021)

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), Mr. Mazin Khairy Manna - Group Chief Executive Officer (Executive Director), Mr. Abdul Elah Abdul Rahim Sabbahi (Executive Director) , Mrs. Dalia Hazem Khorshid (Independent Director) and Dr. Ziad Ahmed Bahaaeldin (Independent 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 organisation structure, assets or investments.

Board Nomination and Remuneration Committee

The Board Nomination and Remuneration Committee is chaired by Mr. Saud Saleh Al Saleh (Independent Director), and its other members are Mr. Fahad Abdulla Al Rajhi (Non-Executive Director) and Dr. Mohamed Moncef Cheikh-Rouhou (Independent 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 programmes from time to time for members of the Board.

Board Audit Committee

The Board Audit Committee is chaired by Dr. Khaled Abdulla Ateeq (Independent Director). Other members are Mr. Fahad Abdulla Al Rajhi (Non-Executive Director), Dr. Jehad El-Nakla (Independent Director), Mr. Naser Mohamed Al Nuwais (Independent Director) and Mr. Tawfig Shaker Mufti (Non-Executive Director), who was appointed as a member on 10th May 2021. 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

Corporate Governance (continued)

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' programme, allowing employees to confidentially raise concerns about possible improprieties in financial or legal matters. Under the programme, 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 Risk Committee

The Board Risk Committee is chaired by Dr. Jehad El-Nakla (Independent Director), with its other members being Dr. Khaled Abdulla Ateeq (Independent Director) and Mr. Saud Saleh Al Saleh (Independent 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 Dr. Jehad El-Nakla (Independent Director) and Dr. Ziad Ahmed Bahaaeldin (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 Dr. Mohamed Moncef Cheikh-Rouhou (Independent Director).

The Committee leads the Al Baraka Social & Sustainable Finance Programme. 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 at Meetings of the Board of Directors and its Committees In 2021

Name of the Board/ Committees	No. of meetings in 2021	Dates of the meetings	Member's name	No. of meetings attended
Board of Directors	6	25/02/2021 25/03/2021 10/05/2021 10/07/2021 12/08/2021 11/11/2021	Shaikh Abdullah Saleh Kamel, Chairman	6
			Mr. Mohamed Ebrahim Alshroogi	6
			Mr. Tawfig Shaker Mufti *	4
			Dr. Jehad El-Nakla	6
			Dr. Khaled Abdulla Ateeq	6
			Mrs. Dalia Hazem Khorshid	6
			Dr. Ziad Ahmed Bahaaeldin	5
			Mr. Saud Saleh Al Saleh	6
			Mr. Abdul Elah Abdul Rahim Sabbahi	6
			Mr. Mazin Khairy Manna	6
			Mr. Fahad Abdulla Al Rajhi	6
			Dr. Mohamed Moncef Cheikh-Rouhou	5
			Mr. Naser Mohamed Al Nuwais	5
Board Executive Committee	4	16/02/2021 29/04/2021 14/10/2021 26/12/2021	Shaikh Abdullah Saleh Kamel, Chairman	4
			Mr. Mohamed Ebrahim Alshroogi	3
			Mr. Mazin Khairy Manna	4
			Mr. Abdul Elah Abdul Rahim Sabbahi	4
			Mrs. Dalia Hazem Khorshid	4
			Dr. Ziad Ahmed Bahaaeldin	3
Board Audit Committee	4	11/02/2021 09/05/2021 08/08/2021 08/11/2021	Dr. Khaled Abdulla Ateeq, Chairman	4
			Mr. Fahad Abdulla Al Rajhi	4
			Dr. Jehad El-Nakla	4
			Mr. Naser Mohamed Al Nuwais	3
			Mr. Tawfig Shaker Mufti *	2
Board Nomination & Remuneration Committee	2	04/02/2021 20/12/2021	Mr. Saud Saleh Al Saleh, Chairman	2
			Mr. Fahad Abdulla Al Rajhi	2
			Dr. Mohamed Moncef Cheihk-Rouhou	1
Board Risk Committee	4	18/02/2021 25/05/2021 08/08/2021 18/11/2021	Dr. Jehad El-Nakla, Chairman	4
			Dr. Khaled Abdulla Ateeq	4
			Mr. Saud Saleh Al Saleh	4
Social & Sustainable Finance Committee	2	18/02/2021 21/11/2021	Mr. Naser Mohamed Al Nuwais, Chairman	2
			Mr. Abdul Elah Abdul Rahim Sabbahi	2
			Dr. Mohamed Moncef Cheikh-Rouhou	2
Board Compliance and Governance Committee	5	04/02/2021 26/05/2021 18/07/2021 02/09/2021 25/11/2021	Dr. Khaled Abdulla Ateeq, Chairman	5
			Dr. Jehad El-Nakla	5
			Dr. Ziad Ahmed Bahaaeldin	4
			Mr. Yousif Hassan Khalawi	5

**Mr. Tawfig Shaker Mufti was appointed as Non- Executive Board Member on 05th April 2021; and as Board Audit Committee Member on 10th May, 2021*

Corporate Governance (continued)

BOARD OF DIRECTORS' PROFILES

Shaikh Abdullah Saleh Kamel

Chairman

Shaikh Abdullah Saleh Kamel is the Chairman of Dallah Al Baraka Holding Company. He is also Chairman of Aseer Company, Umm Alqura for Development & Constructions Company, Okaz Press and Publishing Corporation, The General Council for Islamic Banks and Financial Institutions, and The Islamic Chamber of Commerce, Industry and Agriculture. Previously, Shaikh Abdullah Saleh Kamel 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 of 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. Mohamed Ebrahim AlShroogi

Vice Chairman

Mr. Mohamed Ebrahim AlShroogi is a board member of Wisaya Investment Company, Aramco Pension Funds, Investcorp Financial Services, and APM Terminals which operates one of the world's most comprehensive ports. He is also a board member of Bahraini Health Insurance Fund, Chairman of Saudi joint stock company L'azurde, Chairman of the GCC Board of Directors Institute (BDI), and the National US-Arab Chamber of Commerce located in Washington, DC. Prior to joining Investcorp, he was appointed as the Division Executive for Citigroup's Middle Eastern, North African, and Pakistani region as well as the CEO for UAE.

While serving as Division Executive, spanning 33 years, Citigroup was successful in strengthening its business in the Middle East region in corporate, investment, commercial, private and consumer banking.

Mr. AlShroogi has over 40 years of experience in banking, investment, and economics in a number of different sectors. During his tenure as Investcorp's Co-Chief Executive Officer, the company transformed into the largest private equity investor in the Gulf, with assets under management increasing from US$ 10.5 billion in 2009 to US$ 25 billion in 2018. Mr. Mohamed Ebrahim AlShroogi also served as a member of the Bahrain Shura Council among other Board positions. He attended the Kuwait University and several different programs, including Harvard Executive Management Program.

Mr. Tawfig Shaker Mufti

Board Member

Mr. Tawfig Shaker Mufti has served as Group Treasurer of a multinational Middle Eastern conglomerate and held CEO positions and Board memberships in several group / non-group companies. Prior to this, he served as a Financial Institutions executive in Corporate & Investment Banking and Private Banking groups. In the past Mr. Tawfig Shaker 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. Tawfig Shaker 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.

Dr. Jehad El-Nakla

Board Member

Dr. Jehad El-Nakla is currently an Independent Board Member of Al Baraka Banking Group (ABG) and additionally he is the Chairman of the Board of Directors of Al Baraka Bank Pakistan, Chairman of Al Baraka Bank Sudan and a non-executive Board Member of Jordan Islamic Bank.

He is also a Senior Advisor at Acreditus Partners, which is a boutique advisory services covering risk, governance, credit ratings and Sukuk. Prior to this, he served as the General Manager of Moody's Investors Service Middle East (Moody's Credit Rating Agency) in Dubai from November 2007 until March 2020. Dr. El-Nakla also served on the boards of three of Moody's subsidiaries in Egypt, Cyprus and the UAE. Prior to Moody's, Dr. El-Nakla was a Deputy General Manager at Arab National Bank in Riyadh.

Dr. El-Nakla has over thirty years of experience in mixed commercial banking and credit rating agency at senior levels as well as possessing strong credit, risk management and financial analysis skills. Dr. El-Naka has a PhD degree in Numerical Analysis from Loughborough University in the UK.

Dr. Khaled Abdulla Ateeq

Board Member

Dr. Khaled Abdulla Ateeq is currently Chief Executive Officer and a Board Member of Family Microfinance House in Bahrain. He earlier served as 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 a Director of Al Baraka Islamic Bank (Bahrain). He has held senior posts with a number of firms, including as Deputy CEO at Venture Capital Bank.

He has over 39 years of experience in banking, finance, auditing, and accounting. Before joining the CBB, Dr. Khaled Abdulla 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 Hazem Khorshid is currently Chairwoman, CEO, and Founder of MASAR Financial Advisory. She previously served as Founder, Chairwoman and CEO at EAGLE Capital for Financial

Investment from 2017 until 2018. She was the first and youngest female minister in the Cabinet of Ministers of the Government of Egypt from 2016 to 2017. She oversaw and managed more than 10,000 employees and also served as a public servant during the transformational year in Egypt with the launch of the Economic Reform Program.

She has over 25 years of global experience in various management capacities and in working within the investment banking and corporate finance sectors. She possesses a Bachelors of Arts degree in Business Administration and Economics.

Dr. Ziad Ahmed Bahaaeldin

Board Member

Dr. Ziad Ahmed Bahaaeldin is currently a member of the Board of Directors of The African Committee as well as the African Team and The Arabian Cement Company in Egypt and the Non-Executive Chairman of Alexandria Bank. He is also the Managing Partner of Thebes Consultancy and Bahaaeldin Law Office in Cooperation with BonelliErede.

He was earlier Egypt's Deputy Prime Minister and Minister of International Cooperation from 2013 until 2014. Dr. Ziad Ahmed Bahaaeldin was also a member of the Board of Directors of the Central Bank of Egypt and Executive Chairman of the Egyptian Financial Supervisory Authority from 2009 to 2011. In addition, he was a member of the Board of Directors of National Bank of Egypt (UK).

He has over 30 years of experience in government positions and in the private sector as well as extensive experience in financial law, banking, capital markets, investment, company laws, governance, compliance and economy legislation. From 1999 until 2004, Dr. Ziad Ahmed Bahaaeldin taught Economic Legislation at the Cairo University, after successfully obtaining his PhD in Law in 1996, from London School of Economics, UK.

Mr. Saud Saleh Al Saleh

Board Member

Mr. Saud Saleh Al Saleh is currently a Board Member of Emaar Economic City. He has held various positions as the Head of the Board of Trustees of the Riyadh Economic Forum, Chairman of SAIB-BNP Paribas Assets Management Company, Chairman of MAAD International Company in Saudi Arabia, Vice Chairman of American Express (Kingdom of Saudi Arabia) Limited (ASAL), Board Member of the Saudi Arabian General Investment Authority (SAGIA), General Organization for Social Insurance (GOSI), The Higher Education Fund, in addition to his board membership in 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).

He has more than 35 years of experience in banking, during which he worked at Arab National Bank in Riyadh followed by management positions at Saudi Investment Bank in Riyadh. He advanced gradually to become General Manager of Saudi Investment Bank. Following that, 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. Saud Saleh Al Saleh is a Saudi national and 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 done many advanced courses in the financial 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 Chairman of Société Al Buhaira de Developpement et d'Investissement, Tunisia. He is also on the boards 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 Al Baraka Group in the Kingdom of Saudi Arabia, where he was the Chief Financial Officer. Mr. Abdil Elah Abdul Rahim Sabbahi, a Saudi national, holds a Bachelor of Science Degree in Accounting from King Abdulaziz University, Saudi Arabia.

Mr. Mazin Khairy Manna

Board Member and Group Chief Executive Officer

Mr. Mazin Khairy Manna took charge as Board Member and Group Chief Executive Officer of Al Baraka Banking Group on January 1, 2021. He is also the Chairman of Al Baraka Algeria and Al Baraka Turkey and a Board Member of Jordan Islamic Bank, Al Baraka Egypt and Al Baraka South Africa. Mr. Mazin Khairy Manna is also a Board Member in INJAZ Bahrain, a non-profit organization with the aim of empowering young people towards economic success and prepare them for the current day business challenges. Most recently, he served as CEO of Abu Dhabi Islamic Bank. Prior to that, he was the CEO for MENA at Credit Agricole CIB and Group Senior Country officer for the UAE and was a member of the Extended Executive Committee of Credit Agricole CIB.

Mr. Mazin Khairy Manna started his career with Citi in 1991 where he worked for 24 years holding various positions. He served as CEO for Bahrain from 2010-2015, during which time he was responsible for Citibank's corporate, investment and consumer banking businesses as well as key relationships in Saudi Arabia. He also co-headed Citi's corporate and investment banking business in the Middle East and held senior positions in corporate and investment banking in the Gulf region, which included serving as Managing Director of Citi Islamic Investment Bank.

Mr. Mazin Khairy Manna is a graduate of the London School of Economics and Political Science.

Corporate Governance (continued)

Mr. Fahad Abdullah Al Rajhi

Board Member

Mr. Fahad Abdullah Al Rajhi is currently Chairman of Fahad Abdullah Al Rajhi Holding LLC and Chairman of Abdullah Abdul Aziz Al Rajhi and Sons Holding LLC in addition to his board memberships in Deutsche Gulf Finance, in Raysut Cement Company and Najran Cement Company. Previously he served as General Manager of the Treasury and Financial Institutions Group at Al Rajhi Banking Corporation where he was responsible for investment operations, treasury and financial institutions.

Mr. Fahad Abdullah Al Rajhi has over 34 years of experience in banking, finance, investment and treasury, and holds a Bachelors' Science degree in Industrial Management from King Fahd University of Petroleum and Minerals.

Dr. Mohamed Moncef Chiekh-Rouhou

Board Member

Dr. Mohamed Moncef Chiekh- Rouhou is a professor in the Business School of Ecole Des Hautes Etudes Commerciales located in Paris, France, a position he has held since 1975. He was the founder of International Maghreb Merchant Bank and served as founder and director of Best Bank in 1995 and Mediterranean Investment Bank in 1983. The banks that he founded attracted investment and organized large national development projects in Tunisia.

He has over 45 years of professional experience in education, banking and executive positions and has studied alongside decorated and prolific professors such as Noble Peace Prize winner in Economics, Prof. George Akerlof. He obtained a PhD degree in Applied Economics in 1974 from the University of California in Berkley, United States. In 1981, Tunisia's President Habib Bourguiba requested him to establish new financial institutions and lead development projects for Tunisia.

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, and Chairman of Rotana Hotel Management Corp. Ltd and Aswaq Management & Services, both located in Abu Dhabi, UAE. Other positions include Chairman of Arab Insurance Group in Bahrain and member of the Board of Directors of Dana Gas in Sharjah, UAE from 2009 until 2019.

He has more than 40 years of experience in business, insurance, 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. Naser Mohamed Ali 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 Banking Group ("Shari'a Board" or "USSB") is elected for a three year term by the shareholders during the AGM based on recommendations from the Board of Directors. 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 full 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. 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 26 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.

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.

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

Secretary of Unified Shari'a Supervisory Board

Dr. El Tigani El Tayeb Mohammed has over 13 years' extensive experience in Islamic banking and finance, with specialization in Islamic Banking law. He joined Al Baraka Banking 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.

Corporate Governance (continued)

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

The Shari'a Board held 6 meetings in 2021. 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	6
Shaikh Dr. Abdullatif Mahmood Al Mahmood	Vice Chairman	6
Shaikh Dr. Saad bin Nasser Al Shithry	Member	6
Shaikh Dr. Al Ayachi Al Saddig Fiddad	Member	6
Mr. Yousif Hassan Khalawi	Member	6

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, thus ensuring the implementation of Group wide policies and common operational processes and procedures.

As at the end of 2021, the Executive Management Team consisted of the Group Chief Executive Officer, the Deputy Chief Executive and the Heads of: Commercial Banking, Credit and Risk Management, Internal Audit, Treasury, Investments and Financial Institutions, Legal Affairs, Strategic Planning, Sharia Internal Audit, Corporate Governance & Board Affairs, Finance *(Acting Head)*, Operations & Administration *(Acting Head)*, Sharia Officer and Group Compliance *(Acting Head)*.

All members of the Executive Management Team have been provided with a written appointment agreement specifying the rights and obligations attaching to the office of each member. Executive Management also exercises control via a number of committees with specific responsibilities, among which are:

Executive Management Committee

The Executive Management Committee's role is to oversee the implementation of the strategic objectives of the Group in relation to its business direction, operations, risk, expansion plans and overall policies and procedures. The Committee is chaired by the Group Chief Executive Officer with the remaining membership comprising of the Deputy Chief Executive and Heads of: Commercial Banking, Credit and Risk Management, Treasury, Investments and Financial Institutions, Legal Affairs, Strategic Planning, Corporate Governance & Board Affairs, Finance *(Acting Head)*, Operations & Administration *(Acting Head)*, Sharia Officer, Group Compliance *(Acting Head)* and IT; with Head of Internal Audit and Head of Shari'a Internal Audit as observers.

Asset and Liability Committee

The Asset and Liability Committee's mandate is to monitor the liquidity and capital adequacy of the Group and review the Group's long-term equity investments and its penetration into the different markets. The Committee reviews liquidity and cash flow of ABG and the Group Units and sets balance sheet growth targets, besides monitoring the distribution of profits to investors. The Committee is chaired by the Group Chief Executive Officer and its remaining members are the Deputy Chief Executive and the Heads of: Commercial Banking, Credit and Risk Management, Treasury, Investments and Financial Institutions and Finance *(Acting Head)*; with the Acting Head of Operations & Administration and a member of the Credit and Risk Management department as invitees.

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 Credit and Risk Management .

Risk, Compliance & Audit Committee

In an effort to enhance operational efficiency and oversight, the Group dissolved both the Management Risk Committee and the Compliance Committee earlier in the year and combined them into a single committee, the Risk, Compliance & Audit Committee ("RCA")

The 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"), 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, and Internal Audit, Commercial Banking, Treasury, Investments & Financial Institutions, Strategic Planning, Finance *(Acting Head)* among other members.

Digitalization Committee

The Digitalization Committee oversees the digital transformation strategies, policies, projects, and initiatives across the Group and monitors their implementation to ensure that they enable the Group business strategy and strategic objectives. The committee also ensures that the units are consistent with the Group's strategic aims as well as with each local strategy. The Committee is chaired by the GCEO and its membership consists of the Heads of Strategic Planning and IT and the Chief Digital Officer.

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 Acting Head of Operations and Administration and the Acting 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 (BB), 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. Mazin Khairy Manna

Board Member and Group Chief Executive Officer

Mr. Mazin Khairy Manna took charge as Board Member and Group Chief Executive Officer of Al Baraka Banking Group on January 1, 2021. He is also the Chairman of Al Baraka Algeria and Al Baraka Turkey and a Board Member of Jordan Islamic Bank, Al Baraka Egypt and Al Baraka South Africa. Mr. Mazin Khairy Manna is also a Board Member in INJAZ Bahrain, a non-profit organization with the aim of empowering young people towards economic success and prepare them for the current day business challenges. Most recently, he served as CEO of Abu Dhabi Islamic Bank. Prior to that, he was the CEO for MENA at Credit Agricole CIB and Group Senior Country officer for the UAE and was a member of the Extended Executive Committee of Credit Agricole CIB.

Mr. Mazin Khairy Manna started his career with Citi in 1991 where he worked for 24 years holding various positions. He served as CEO for Bahrain from 2010-2015, during which time he was responsible for Citibank's corporate, investment and consumer banking businesses as well as key relationships in Saudi Arabia. He also co-headed Citi's corporate and investment banking business in the Middle East and held senior positions in corporate and investment banking in the Gulf region, which included serving as Managing Director of Citi Islamic Investment Bank.

Mr. Mazin Khairy Manna is a graduate of the London School of Economics and Political Science.

Mr. Houssem Ben Haj Amor

Deputy Chief Executive – Head of Business Development & Investments

Mr. Houssem Ben Haj Amor has over 20 years of experience in the Finance industry across the Middle East, Europe and North Africa. He previously served as Chief Financial Officer and Head of Strategy at Amlak Finance UAE. Earlier he was the General Manager of SHUAA Capital, a leading Investment bank in the GCC. He commenced his career with Andersen and later with Societe Generale Banking Group. He holds board positions in several banks and financial institutions. He has valuable experience working with different regulators across the GCC. Mr. Houssem Ben Haj Amor is a Certified Public Accountant.

Mr. Mohammed A. El Qaq

Senior Vice President - Head of Commercial Banking

Mr. Mohammed El Qaq has over 30 years of experience in commercial banking. Before joining ABG in August 2014, he was General Manager, International Banking & Syndications at Commercial Bank of Kuwait, prior to which he was a First Vice President at Arab Banking Corporation (B.S.C.), Bahrain, and Deputy Chief Executive & Head of Corporate Banking Group at Arab Banking Corporation (Jordan). He also served as a Member of the Board of Directors of ABC Islamic Bank from 2009-2012. Having commenced his career with the Housing Bank for Trade and Finance, Jordan, in 1990, he worked with Arab Bank in Jordan and Qatar National Bank in Qatar. Mr. Mohammed El Qaq holds a Master of Business Administration degree from Howard University, U.S.A.

Corporate Governance (continued)

Mr. Azhar Aziz Dogar

Senior Vice President - Head of Credit and Risk Management

Mr. Azhar Aziz Dogar has close to 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 and retail.

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 the ABG 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. Azhar Aziz 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.

Mr. Mohammed Al-Alawi

Senior Vice President - Head of Internal Audit

Mr. Mohammed Alawi Al-Alawi has over 25 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. Mohammed 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. Mohammed 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 24 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 more than 11 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. Suhail 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. Suhail 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. Adel Basha

Senior Vice President – Head of Legal Affairs

Dr. Adel Basha has over 20 years of working experience in the Islamic Banking industry. He is also Secretary of the Board of Directors at Al Baraka Islamic Bank Bahrain. He previously served as Head of Al Baraka Bank Sudan's Legal Department during which he was responsible for directing and managing the department. Prior to this he worked as a lecturer and assistant professor in the Faculty of Law (University of Khartoum) and many other universities in Sudan for over 15 years.

He was also a part time lecturer in different universities in Sudan including National Ribat University, Sudan University for Science and Technology and Sudan University College for Girls. Dr. Adel Basha delivered lectures on "The Criminal Liability of Corporate Entities" at the Faculty of Law, University of Shendi in June 2005 and wrote a book "The Law of Insurance in Sudan" which was published by the Open University of Sudan. Dr. Adel has a PhD from the University of Khartoum, Sudan in 2004, with his thesis – "Automobile Accident Compensation System in Sudan".

Dr. Mohammed Mustapha Khemira

Senior Vice President – Head of Strategic Planning

Dr. Mohammed Mustapha Khemira has over 24 years of experience in Islamic banking services, management consulting and education. Prior to joining ABG in February 2017, he worked in different managerial positions with prominent global and GCC-based institutions. He served as the Head of Shari'a Structuring and Coordination as well as Head of the Shari'a Department at Emirates Islamic Bank for more than eight years. Before that, he was Chief Operating Officer and Co-Founder of Beacon Education LLC and Taaleem PJSC in Dubai for a year. Earlier he worked with McKinsey & Company for 3 years at the firm's Dubai office. Dr. Mohammed Mustapha Khemira commenced his career in Islamic banking with Faysal Islamic Bank of Bahrain in the late 1990's where he served in various capacities, the last as Vice President Corporate & Investment Banking. He began his career with Netbroker Inc. (Waltham, MA, USA) as a Financial Software Developer in 1996.

Mr. Mohammed Abdullatif Al Mahmood

First Vice President - Head of Internal Shari'a Audit

Mr. Mohammed Abdullatif Al Mahmood has fourteen 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. Mr. Mohammed Abdullatif Al Mahmood is a Certified Shari'a Advisor and Auditor (CSAA) and holds a Masters 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. Abdulmalek Mezher

First Vice President - Head of Corporate Governance & Board Affairs

Mr. Abdulmalek Mezher joined ABG in November 2019 and has over 16 years of experience in Compliance, AML/CTF, Operational Risk, Corporate Governance and Board Secretariat matters in Banking and Asset Management sectors. Prior to joining ABG, he worked for Alistithmar Capital, the subsidiary of Saudi Investment Bank, as Head of Corporate Governance besides handling matters related to Board Affairs.

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

Mr. Fouad Janahi

First Vice President - Head of Financial Institutions Department and Acting Head of Operations & Administration

Mr. Fouad Janahi has a diverse and rich banking experience spanning 33 years in the areas of internal audit, compliance, operations, financial control and financial institutions. Mr. Fouad Janahi joined Al Baraka Banking Group in November 2007, 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. Fouad 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. Fouad Janahi holds a master of business administration degree in Banking and Finance from the University of Hull, UK.

Mr. Ali Asgar Mandasorwala

First Vice President – Acting Head of Finance

Mr. Ali Asgar Mandasorwala possesses a rich experience of over 28 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 Banking Group in the year 2008.

As a key member of the Executive Management at the Group's Headquarters, Mr. Ali Asgar 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. Ali Asgar 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 Banking Group, Mr. Ali Asgar was Management Accountant (Derivatives & Hedge Funds) at Abu Dhabi Investment Authority, UAE. He is a Chartered Financial Analyst - Charter Holder from CFA Institute, Charlottesville, Virginia, USA and a Chartered Accountant - Member of Institute of Chartered Accountants of India.

Dr. Eltigani El Tayeb Mohammed

Shari'a Officer

Dr. El Tigani El Tayeb Mohammed has over 12 years' extensive experience in Islamic banking and finance, with specialization in Islamic Banking law. He joined Al Baraka Banking 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.

Mr. Abdulsamad Khalfan

Vice President - Acting Group Head of Compliance

Mr. Abdulsamad Khalfan has over 15 years of experience in the banking, auditing and investment sectors. Prior to joining ABG, he was the Head of Internal Audit at Tadhamon Capital Investment Firm. Prior to that, he worked with Ernst & Young for over 6 years and was responsible for conducting several assurance assignments in the banking, investment and other sectors clients (both Conventional and Islamic) within the MENA region.

Mr. Khalfan is a member of the Association of Certified Anti Money Laundering Specialists (ACAMS), the International Compliance Association (ICA) and the American Institute of Certified Public Accountants (AICPA).

Corporate Governance (continued)

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 annual 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 never hesitated to decline business that might risk breaching applicable laws, rules and regulatory standards.

The Group Compliance (GC) department has formulated a Group compliance strategy and compliance management framework 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; and
- maintain a robust corporate governance environment at all times.

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.

An Independent Function

Group Compliance in ABG is an independent function responsible for:

- proactively identifying and evaluating compliance risks;
- developing and implementing compliance policies, programmes 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 good market practice.

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

- Regulatory Compliance and Corporate Governance;
- Anti-Money Laundering and Countering Financing of Terrorism;
- International Sanctions; and
- Foreign Account Tax Compliance Act and Common Reporting Standard (FATCA/CRS).

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. The ABG Group 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 Group, its officers and staff, who are expected to read, understand and uphold these standards and principles at all times.

The ABG Group 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.

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

Risks relating to financial crime are proactively managed at the Group and unit levels. The ABG Group is committed to complying with AML/CFT laws and regulations, as well as the recommendations of the Basel Committee and Financial Action Task Force. These laws, regulations and recommendations are reflected in the AML/CFT policies of ABG and each of its Units. The Group has strict Know Your Customer 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 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. 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 strategies and policies on an ongoing basis. The Group MLRO coordinates the activities of each subsidiary's MLRO, overseeing appropriate AML 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 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.

Foreign Account Tax Compliance Act and Common Reporting Standard (FATCA/CRS)

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

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 directives as detailed in the Public Disclosure Module of its Rulebook, Volume 2, and 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 (BB) and NASDAQ Dubai, ABG is committed to adhering on a timely basis to all periodic information dissemination requirements of the BB and NASDAQ Dubai, as stipulated in their 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 Acting 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, BB and NASDAQ Dubai 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 authorised 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.

Corporate Governance (continued)

Regulations

ABG complies with all the regulatory requirements governing Islamic Banks 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, as the home supervisor, sets and monitors ABG's capital requirements on both a consolidated and an unconsolidated basis, 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 bank or banking group to maintain a minimum capital adequacy ratio of 8% on a solo basis and 12.5% (including a capital conservation buffer (CCB) of 2.5%) on a consolidated basis.

By the end of 2014, the CBB had issued the final regulation to give effect to the Basel III framework, which came into effect on 1st January 2015. The Basel III framework significantly revises the definition of regulatory capital. The framework emphasises common equity as the predominant component of tier 1 capital by introducing a minimum common equity tier 1 (CET1) capital ratio. The Basel III rules also require institutions to hold capital buffers. For the purpose of calculating CET1 capital, the regulatory adjustments including amounts above the aggregate limit for significant investments in financial institutions, mortgage servicing rights, and deferred tax assets from temporary differences, will be deducted from CET1 over a phased manner to be fully deducted by 1st January 2019. The current capital position is sufficient to meet the new regulatory capital requirements.

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 2020 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 and Internal Audit departments are 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.

Anti-bribery & Corruption ("ABC") Policy

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 Policy, be fully aware of their roles and responsibilities and should always act in the spirit rather than just the letter of the Policy. Any non-compliance shall trigger personal liability such as fines and imprisonment, or disciplinary action.

Units are required to develop their own ABC policies, which must incorporate the requirements of the Group ABC Policy 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 Policy, the higher standards must be applied. If any applicable laws conflict with this Policy, 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 Policy 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 Policy 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 summarised below, the Group aims to comply with the CBB's regulations concerning Sound Remuneration Practices.

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, summarised 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.

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 realised or whose likelihood of realisation 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 favour 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; 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.

Corporate Governance (continued)

The aggregate remuneration paid to BNRC members during the year in the form of sitting fees amounted to US$15 thousand (2020: US$ 45 thousand); other details concerning BNRC membership are disclosed elsewhere in this report.

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. In the framework adopted for determining the variable remuneration pool, the BNRC aims to balance the distribution of the Group's profits between shareholders and employees.

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.

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

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

The Group uses a formalised and transparent process to adjust the bonus pool for quality of earnings. It is the Group's objective to pay bonuses out of realised and sustainable profits. If the quality of earnings is not strong, the profit base may be adjusted at the discretion of the BNRC.

Funding for distribution of a bonus pool is dependent on threshold financial targets being achieved by the Group. The performance measures ensure that total variable remuneration is generally considerably contracted where subdued or negative financial performance of the Group occurs. Furthermore, the target bonus pool, as determined above, is subject to risk adjustments in line with the risk assessment and linkage framework.

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 favour 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.

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 endeavour 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 rationalise 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 behaviour 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 misbehaviour, 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, misbehaviour 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.

Corporate Governance (continued)

Components of Variable Remuneration

Variable remuneration has the following main components:

Upfront cash	The portion of the variable compensation that is awarded and paid out in cash on conclusion of the performance evaluation process for each year
Deferred cash	The portion of variable compensation that is awarded and paid in cash on a pro-rata basis over a period of 3 years
Upfront share awards	The portion of variable compensation that is awarded and issued in the form of shares on conclusion of the performance evaluation process for each year
Deferred shares	The portion of variable compensation that is awarded and paid in the form of shares on a pro-rata basis over a period of 3 years

All deferred awards are subject to malus provisions. All share awards are released to the benefit of the employee after a six-month retention period from the date of vesting. The number of equity share awards is linked to the Group's share price as per the rules of the Group's Share Incentive Scheme. Any dividend on these shares is released to the employee along with the shares (i.e. after the retention period).

Deferred Compensation

All employees earning over BHD100 thousand or equivalent, in total compensation shall be subject to deferral of variable remuneration as follows:

Element of variable remuneration	Deferral	Deferral period	Retention	Malus	Clawback
Upfront cash	40%	Immediate	-	-	Yes
Upfront shares	-	Immediate	6 months	Yes	Yes
Deferred cash	0%	Over 3 years	-	Yes	Yes
Deferred share awards	60%	After 3 years	6 months	Yes	Yes

The BARC, based on its assessment of role profile and risk taken by an employee, may increase the coverage of employees that are subject to deferral arrangements.

Details of remuneration paid

a) 1. Board of Directors

	US$ '000	
	2021*	2020
Sitting Fees	447	524
Remuneration*	1,500	1,500
Other	22	41

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 2022.

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)	
First: Independent Directors:													
1- Mr. Mohamed Ebrahim Alshroogi	44,656.70	10,179.00	-	-	54,835.70	-	-	-	-	-	-	54,835.70	-
2- Dr. Jehad El-Nakla	56,513.42	21,489.00	-	-	78,002.42	-	-	-	-	-	-	78,002.42	1,552.55
3- Dr. Khaled Abdulla Ateeq	61,668.52	21,489.00	-	-	83,157.52	-	-	-	-	-	-	83,157.52	786.54
4- Mrs. Dalia Hazem Khorshid	40,532.62	11,310.00	-	-	51,842.62	-	-	-	-	-	-	51,842.62	391.82
5- Dr. Ziad Ahmed Bahaaeldin	40,532.62	13,572.00	-	-	54,104.62	-	-	-	-	-	-	54,104.62	391.85
6- Mr. Saud Saleh Al Saleh	43,625.68	13,572.00	-	-	57,197.68	-	-	-	-	-	-	57,197.68	-
7- Dr. Mohamed Cheikh Rouhou	32,799.97	9,048.00	-	-	41,847.97	-	-	-	-	-	-	41,847.97	-
8- Mr. Naser Mohamed Al Nuwais	37,955.07	11,310.00	-	-	49,265.07	-	-	-	-	-	-	49,265.07	1,929.49
Second: Non-Executive Directors:													
1- Mr. Abdullah Saleh Kamel	57,028.93	11,310.00	-	-	68,338.93	-	-	-	-	-	-	68,338.93	1,370.40
2- Mr. Tawfig Shaker Mufti	24,464.55	6,786.00	-	-	31,250.55	-	-	-	-	-	-	31,250.55	382.53
3- Mr. Fahad Abdullah Al Rajhi	41,563.64	13,572.00	-	-	55,135.64	-	-	-	-	-	-	55,135.64	714.04
Third: Executive Directors:													
1- Mr. Mazin Manna	40,532.62	11,310.00	**	-	51,842.62	-	-	-	-	-	-	51,842.62	-
2- Mr. Abdul Elah Abdul Rahim Sabbahi	43,625.68	13,572.00	-	-	57,197.68	-	-	-	-	-	-	57,197.68	787.20
Total	**565,500.00**	**168,519.00**	-	-	**734,019.00**	-	-	-	-	-	-	**734,019.00**	**8,306.40**

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 amuonts and are subject to approval by the Shareholders in the AGM.

Salaries:
** Mr. Mazin Manna'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.

Corporate Governance (continued)

Details of remuneration paid (continued)

b) Unified Shari'a Supervisory Board

	US$ '000	
	2021*	2020
Sitting Fees	100	97
Remuneration	105	145
Other	5	15

The category 'Other' includes the reimbursement of air fares and payment of per diem allowances for attending Unified Shari'a Supervisory Board's meetings.

c) Executive management remuneration details:

Executive management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration for 2021	Aggregate Amount
Top 6 remunerations for executives, including CEO* and Senior Financial Officer**	BHD 1,330,777.488	Not available	0	BHD 1,330,777.488

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)

d) Employee Remuneration

Total fixed remuneration for Approved Persons and Material Risk Takers affected by the policy amounted to US$5,521 thousand (2020: US$8,025 thousand) and the number of persons affected: 15 (2020:18).

The total variable remuneration for 2021 was US$Nil. (2020: US$Nil).

e) Deferred Awards

Selected members of management in ABG's subsidiaries are entitled to deferred variable remuneration under a Management Incentive Programme based on pre-defined objectives and thresholds of performance. Annual amounts of such variable remuneration, in accordance with the said programme, are used to purchase shares in ABG, which purchases are deferred over a three-year period, with annual vesting. Total amounts of deferred variable remuneration amounted to US$Nil (2020: US$Nil).

f) Severance Pay – 2021: US$ 7,944 thousand (2020: US$ Nil)

(1) Approved Employees Remuneration

Details of Remuneration Paid for the Financial Year Ended 2021 for Head Office only

Categories of Employees	No.	Fixed Remuneration (US$ '000)			Variable Remuneration (US$ '000)						Total (US$ '000)
		Salaries and Wages	Other Benefits & Allowances	Total	Performance Bonuses (in Cash)	Performance Bonuses (in Shares)	Other Performance Linked Incentives	Deferred Compensation paid during the period	Others	Total	
Employees engaged in risk taking activities (business areas)	4	2,695	644	3,339	0	0	0	0	0	0	3,339
Approved persons in risk management, internal audit, operations, finance, AML and compliance functions.	7	1,091	217	1,308	0	0	0	0	0	0	1,308
Employees, other than approved persons, engaged in functions under 2.	4	737	137	874	0	0	0	0	0	0	874
Total	15	4,523	998	5,521	0	0	0	0	0	0	5,521

Details of Remuneration Paid For the Financial Year Ended 2020

Categories of Employees	No.	Fixed Remuneration (US$ '000)			Variable Remuneration (US$ '000)						Total (US$ '000)
		Salaries and Wages	Other Benefits & Allowances	Total	Performance Bonuses (in Cash)	Performance Bonuses (in Shares)	Other Performance Linked Incentives	Deferred Compensation paid during the period	Others	Total	
Employees engaged in risk taking activities (business areas)	5	3,226	1,386	4,612	0	0	0	0	0	0	4,612
Approved persons in risk management, internal audit, operations, finance, AML and compliance functions.	8	1,422	383	1,805	0	0	0	0	0	0	1,805
Employees, other than approved persons, engaged in functions under 2.	5	1,244	364	1,608	0	0	0	0	0	0	1,608
Total	18	5,892	2,133	8,025	0	0	0	0	0	0	8,025

(2) Deferred Awards

	2021				
		Shares			
	Cash (US$ '000)	**Number ('000)**	**(US$ '000)**	**Others (US$ '000)**	**Total (US$ '000)**
Opening balance	0	34,057	9,808	0	9,808
Awarded during the period	0	0	0	0	0
Lapse	0	(10,585)	(3,853)	0	(3,853)
Service in value unvested opening awards	0	0	0	0	0
Closing balance	0	23,472	5,955	0	5,955

	2020				
		Shares			
	Cash (US$ '000)	**Number ('000)**	**(US$ '000)**	**Others (US$ '000)**	**Total (US$ '000)**
Opening balance	0	42,176	13,486	0	13,486
Awarded during the period	0	0	0	0	0
Lapse	0	(8,119)	(3,678)	0	(3,678)
Service in value unvested opening awards	0	0	0	0	0
Closing balance	0	34,057	9,808	0	9,808

Corporate Governance (continued)

RISK MANAGEMENT

The Group is committed to complying with internationally established principles and policies in relation to risk management. In particular, the Group fully subscribes to the guiding principles of risk management for Islamic financial services institutions set down by the Islamic Financial Services Board and the need for a comprehensive risk management and reporting process. 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 Committee (RCA), Asset Liability Committee (ALCO), Head Office Credit Committee 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 Defence (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 defence (Risk Taking):** Functions that own and manage risk. Under this line of defence 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 defence (Risk Oversight):** Functions that oversee or specialise in risk management and compliance. This line of defence 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 defence (Risk Assurance):** Functions that provide independent assurance i.e. internal audit. which forms the third line of defence. 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 defence. 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 organisational 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 defence.

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 Group Risk Management include the following:

- To develop and implement Group risk 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 develop and maintain ABG's ICAAP framework and conduct periodical stress-test exercises in line with regulatory requirements.
- 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 analyse 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.

A consolidation process for the calculation of capital adequacy, taking into account credit, market and operational risk, all in accordance with Basel III requirements and Central Bank of Bahrain, is in place. Furthermore, 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 both Group policies and 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.

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) and Shari'a Compliance 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 have 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 honour all its obligations. Liquidity management also recognises 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 or Rate of Return Risk

Profit rate risk or rate of return 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.

Corporate Governance (continued)

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 2021 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.

Information Security (Cyber Security) Risk
The Group continues to enhance its management of information security (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 IT & 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.

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.

CAPITAL MANAGEMENT/CAPITAL ADEQUACY
Capital is managed at ABG with a view to meeting the capital maintenance requirements directed by the CBB and achieving optimum utilisation in the course of carrying out its business, in accordance with its predetermined risk appetite and intended risk profile, and with the ultimate aim of maximising shareholders' returns. Capital management includes pro-actively making appropriate and necessary adjustments to reflect changes in the economic environment or in the degree or nature of risk associated with the Group's activities, including adjustment to its dividend policy, issue of Tier 1 or Tier 2 securities by way of public issue or private placement, etc.

Optimum capital management, therefore, addresses such crucial issues as:

- ensuring that adequate capital is held at all times to meet unexpected calls occasioned by such events as sudden withdrawals by depositors, earlier than expected drawdown of facilities, or unexpected losses;
- achieving the Group's return on capital objectives;
- meeting capital adequacy ratio targets and regulatory imperatives; and
- maintaining the Group's strong credit rating.

The Group's capital adequacy ratio as at 31st December 2021 was 15.62%, comfortably above the CBB's minimum regulatory requirement of 12.5% (including CCB of 2.5%).

Each of ABG's banking subsidiaries is directly regulated by its own home regulator, which stipulates a minimum capital adequacy ratio for that subsidiary. ABG ensures that each subsidiary adheres to these local capital adequacy requirements

DIGITAL TRANSFORMATION

The Digitalization Committee governs and supports Digital Transformation journeys of all ABG subsidiaries including their digital transformation strategies, policies, projects, and initiatives. The committee also ensures that the subsidiaries are consistent with the Group's strategic aims as well as each subsidiary's local strategy. The Group periodically reviews Digital Transformation strategies across all ABG subsidiaries and monitor the strategies implementation to ensure that they enable the Group business strategy and strategic objectives.

Almost all ABG subsidiaries have their Digital Transformation strategies and have started executing these strategies. The 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. It is worth noting that Al Baraka Turk Participation Bank also expanded into a new market through establishing a digital bank in Germany called "Insha".

Digital Banking, Digital Transformation, and FinTech are major areas where the Group is actively working on to ensure that it leverages opportunities and overcomes challenges associated with disruption.

IT and Information Security

The IT & Information Security Committee governs and supports 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 IT strategies across all ABG subsidiaries to ensure that they enable the Group business strategy and strategic objectives.

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

As per the independent compliance assessment undertaken to cover the year 2021, the Al Baraka Banking Group (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 appointment of Shaikh Abdullah Kamel as Chairman of the Board has been approved by the CBB and his classification as member is Non-Executive and Non-Independent Director.
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 was no organized sessions were booked prior or post the board meetings, but all independent directors have direct communications with each other's on regular basis or when there is a need.
Islamic bank licensees that conduct business through a branch or subsidiary in other jurisdictions must through the Group Compliance Function: (c) conduct annual compliance testing on overseas operations whose total revenue represents 20% or more of the Group's total revenue and on every two years' basis for other overseas operations.	Due to COVID-19 situation and curfews in most of the jurisdictions we operate, oversees visits to conduct annual compliance test on overseas operations were postponed for some of the subsidiaries during 2021.

As an Islamic bank, ABG conducts all its business in a sustainable and socially responsible manner. Making a positive, sustainable impact is part of the Group's philosophy and a strategic business goal.

The concept of social and sustainable finance ("SSF") fits naturally with the business ethics of Islam and, therefore, with ABG's foundation philosophy and vision.

Social & Sustainable Finance

Islam and SSF
Our philosophy is that Allah grants mankind the capacity to inherit the land on this earth and, therefore, mankind is not the owner of wealth but is entrusted with it. As the purpose of mankind is to construct, embellish and build on this earth, we are therefore ordained to create opportunities for others. Thus, the wealth bestowed upon us must be invested in creating the wealth and opportunities in society.

As members of a banking group founded on Islamic principles and values, we believe that we have an obligation to society, through patronage and sponsorship of a wide range of social projects, to enhance the living conditions and quality of life of needful individuals in the local communities where we operate. In making this commitment to society we strive to apply one of the important philosophical pillars of Islamic banking: the concept of E'mar Al Ardh - construction, or development, of land – which means adding tangible value to assets (whether natural or human).

This concept has a direct relevance to the development of society and its social and economic progress. The Group seeks to apply it through active investment mediation, which complements real and value-added production, and through the exchange of commodities and services, which enables us to offer practical alternatives to those financial intermediaries that provide no benefit to society at large.

SSF is fundamental to the Group's business model in all the countries where it operates. All the subsidiaries embrace Islamic ethical principles and apply them to their banking operations and services.

Three Guiding Principles
These principles may be summarised as:

1. Investments may only be made in sectors and industries that meet ethical standards. The moral values of Islam dictate that Muslims must only invest in the production of, and trade in, useful and beneficial goods. They, therefore, forbid investment activities such as the production of alcoholic beverages, tobacco or weapons; or those associated in any way with gambling, pornography or the abuse of children, women and minorities; or any other morally questionable practices.

2. All Islamic banks and financial institutions eschew the payment of interest to depositors, consumers and businesses, as Islam prohibits the paying or charging of interest. Instead, ABG's subsidiaries, like all Islamic banks, accept deposits on an investment basis whereby depositors share with the bank in the actual results of the realisation of their investments. Financing is provided to businesses in turn mainly based on instalment sale, leasing or equity participation. In this way, ABG's subsidiaries and their depositors share financial risk with entrepreneurs and, together, they reap the benefits of the investments. The essential difference in Islam is that the practice of profit sharing is such that wealth creation is the result of a partnership between investors and entrepreneurs. Both the risks and the rewards are shared: returns on invested capital are based on profits actually generated rather than predetermined rates.

3. All contracts entered into by ABG's banking subsidiaries, and all their relations with businesses and depositors, must comply with the ethical standards of the Shari'a.

The Al Baraka Social & Sustainable Finance Programme
In 2012, ABG established the "Al Baraka Social Responsibility Programme", the first such programme to be introduced by any Islamic banking and financial services institution. The programme has since been renamed "Al Baraka Social & Sustainable Finance Programme".

The programme includes the following activities:

1. Assessing the social impact of ABG's business at the local and transactional levels.
2. Investing in and supporting socially responsible and sustainable businesses.
3. Supervising and monitoring the development of the Al Baraka Microfinance Programme.
4. Supporting local economies.
5. Supporting healthcare projects and education.
6. Promoting Islamic classical arts and literature.
7. Promoting scholarly works of Islamic banking and finance.
8. Investing in people.
9. Nurturing and encouraging local talent.
10. Promoting programmes that protect the environment by adopting various conservation strategies, such as carbon mitigation, reduction of paper usage, energy and water conservation.

Activities
The Al Baraka Social & Sustainable Finance Programme is based on the following four pillars:

1. Al Baraka Philanthropic Programme: covering the promotion and funding of a broad spectrum of activities including the arts, literature and culture, scholarly and literary works, and activities aimed at aiding people with special needs and facilitating them in their own efforts through vocational training.
2. Al Baraka Economic Opportunities & Social Investments Programme: covering community development including financing and investments in projects supporting affordable housing and a spectrum of healthcare and related activities, micro, small and medium-sized enterprises, local and other industries.
3. Al Baraka Qard-Hassan Programme: covering benevolent loans extended on a charitable basis.
4. Al Baraka Time Commitment Programme: ABG subsidiaries commit a certain number of hours of their officers' time to social and educational contributions to the local community.

The Sustainability & Social Responsibility Department was renamed as Social & Sustainable Finance at the Board Meeting held on November 9, 2021.

Social & Sustainable Finance (continued)

The Group's target is to make all its businesses sustainable and socially responsible. As far as possible, we measure our progress. However, in some areas we are still developing the right tools to do so. Based on the existing measurement tools, the Group's overall Social & Sustainable Finance Programme contributed US$ 3.2 billion in 2020 to communities (primarily with the financing operations).

Al Baraka Goals 2016-2020

The Group decided in 2015 to take our Social & Sustainable Finance Programme to yet another level. The Group integrated specific targets and priorities for the next five years. Accordingly, by 2020 we would like to impact the communities we operate in by:

- Creating 51,000 jobs across the countries where the Group operates as a result of financing new and existing customers' operations.
- Financing and supporting over US$191 million in educational projects.
- Financing and supporting over US$434 million of healthcare projects.
- Financing US$748 million to sustainable energy projects.

The Al Baraka Goals are directly linked with the UN Global Goals for Sustainable Development ("SDGs"). In particular, our targets are focused on the following SDGs: no poverty (SDG 1), good health and well-being (SDG 3), quality education (SDG 4), gender equality (SDG 5), affordable and clean energy (SDG 7), decent work and economic growth (SDG 8), industry innovation and infrastructure (SDG 9).

In total, the Group pledged to contribute over US$1,373million over the five years towards the Al Baraka Goals (2016-2020) through job creation, healthcare financing and donations, education financing and donations, and financing sustainable energy projects.

During 2021, the Group carried out a full impact assessment of the progress in 2020 against the 2016-2020 goals. In 2020, the Group achieved the following:

- Helped to create 6,722 jobs, 66% of the 2020 target of 10,207 jobs.
- Helped achieve US$ 27,071,000 in education funding / financing, 76% of the 2020 target of US$38,200,000.
- Helped achieve US$131,694,000 of healthcare funding/ financing, 152% of the 2020 target of US$86,800,000.
- Helped achieve US$203,561,000 to finance sustainable energy, 53% of the 2020 targets of US$388,017,000.

Credit approval process and Social & Sustainable Finance

We have developed an internal mechanism to ensure that our entire business model remains sustainable and socially responsible. We have added new procedures to our credit approval process as a result of which we will not only encourage our existing customers to adopt the Al Baraka Social & Sustainable Finance Priorities, but we will also aim to give preference to working with such new customers who are equally committed to consistently adding more value to their respective communities.

Governance and Reporting

A Board Committee for Social & Sustainable Finance oversees the Al Baraka Social & Sustainable Finance Programme and the Department of Social & Sustainable Finance, which is also overseen by the Group Chief Executive Officer. The Department's role is to:

1. Maintain the continuity of the Al Baraka Social & Sustainable Finance Programme, and update it with the most recent international research and popular strategies to enhance Shari'a objectives.
2. Manage and supervise the Group's implementation of the programme.
3. Ensure that the programme continues to set best practices within the Islamic banking and finance industry, by conducting Shari'a and economic analysis on the subject.
4. Provide appropriate guidance for the programme's implementation.
5. Compile, consolidate and publish annual and periodic social responsibility reports.
6. Develop and update procedures that may result in enhancing the adequacy and effectiveness of the programme at the Group level.
7. Exercise all powers needed to achieve the programme's objectives and to remain consistent with the Committee's rationale.
8. Coordinate with other local and international Social & Sustainable Finance programmes.

Unified Shari'a Supervisory Board Report

For the year ended 31 December 2021

16 Rajab 1443

17 February 2022

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

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

To: **Al Baraka Banking 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 Banking 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 six meetings during 2021 in which we studied Shari'a audit reports prepared by the Group's Shari'a Audit for the year ended 31 December 2021 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 2021.

Second: Monitoring
We have reviewed the principles applied by the Group and reviewed the 2021 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 2021 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 2021 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 23, 2021, had authorized the executive management of Al Baraka Banking Group to pay an amount of money amounting to one million fourteen thousand eight hundred and fifteen (1,014,815) US dollars as zakat on behalf of all shareholders for the year 2020, where it to be directly deducted from the shareholders' profits. This amount was paid to those worthy of Zakat in accordance with the Shariah regulations established, approved and certified by the Unified Shariah Board. The Unified Shariah Board monitored, through the reports of the Shariah observer, the amounts paid from the zakat to ascertain how it was distributed, as it made sure it was directed towards the eligible recipients as stipulated in the honorable verse No. (60) of Surat Al-Ma'idah.

The Unified Shariah Board reviewed the financial report and the Zakah calculation, which includes the amount of zakah due according to the zakat base. Since the Group is not authorized to pay zakat without obtaining an authorization from the shareholders in the general assembly, the shareholders must pay the zakat themselves or authorize the group to pay it on their behalf. Noting that zakat 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 2021

Zakah Calculation for the year ended 31 December 2021	US$ '000
Equity Attributable to Shareholders	1,387,370
Less: Investment of the parent on the shareholding of Al Baraka Bank Egypt, Al Baraka Bank Sudan, Itqan Capital and Al Baraka Islamic Bank	(413,970)
Perpetual tier 1 capital	(400,000)
Net Zakatable Equity Attributable to Shareholders	**573,400**
Less:	
Musharaka underlined by unzakatable assets	(12,067)
Investment in Islamic Sukuk underlined by unzakatable assets	(7,008)
Ijarah Muntahia Bittamleek	(234,225)
long-term investment in real estate	(27,688)
Properties and equipment	(257,113)
Intangible assets	(27,093)
Investment in Associates	(4,441)
Prepayments	(5,025)
Deferred tax asset	(22,759)
Add:	
Shareholders share on Zakatable Assets by Associates	4,373
Sale of long-term investment in real estate during the year	1,028
Deferred tax liability	10,826
Employees' end of services benefit	21,259
Zakatable amount	**13,467**
Zakah Percentage	2.5770%
Total Zakah due	**347**
Number of Shares (thousands)	1,212,185
Zakah per share (US$ cents)	**0.03**

Independent Auditors' Report

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

Independent Auditors' Report

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Al Baraka Banking Group B.S.C. ("the Bank") and its subsidiaries (together "the Group"), which compromise the consolidated statement of financial position as at 31 December 2021, and the related consolidated statements of income, cash flows, changes in owners' equity and changes in off-balance sheet equity of investment accountholders for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and the consolidated results of the operations, its cash flows, changes in owners' equity and changes in off-balance sheet equity of investment accountholders for the year then ended in accordance with Financial Accounting Standards ["FAS"] issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ["AAOIFI"] ("FAS issued by AAOIFI as modified by CBB").

In our opinion, the Bank has also complied with the Islamic Shari'ah Principles and Rules as determined by the Shari'ah Supervisory Board of the Bank during the period under audit.

Basis for opinion

We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions issued ("ASIFI") by AAOIFI. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section in our report. We are independent of the Group in accordance with the AAOIFI's Code of Ethics for Accountants and Auditors of Islamic Financial Institutions, and we have fulfilled our other ethical responsibilities in accordance with this Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 for the year ended 31 December 2021. 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 each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material judgment of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

<table>
<tr><th colspan="2">Expected Credit Loss on Financing Facilities and Ijarah Muntahia Bittamleek</th></tr>
<tr><th>Description of key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>The process for estimating the impairment provision on financing facilities and Ijarah Muntahia Bittamleek in accordance with FAS 30 – Impairment, Credit Losses and Onerous Commitment ("FAS 30") is a significant and complex area. FAS 30 requires use of expected credit loss ("ECL") models for the purposes of calculating impairment loss. The ECL model requires the Group to exercise significant judgement using subjective assumptions when determining both the timing and the amounts of ECL for financing facilities and Ijarah Muntahia Bittamleek.

The Covid-19 global pandemic has significantly impacted management's determination of ECL due to the fact that it has required application of significant judgements resulting in higher uncertainty of ECL estimates as well as forward-looking macroeconomic inputs. This may result in material changes to the estimates of ECL for Stage 1 and 2 in future periods.

In order to capture the future uncertainties and related impacts arising due to effects of the payment holidays provided by the Group and the local regulators and other government initiatives which were not captured by the modelled ECL, the management has applied their expert judgement with respect to: a) assigning scenario weightages; b) determination of LGD; and c) determination of significant increase in credit risk and consequent staging of customers with special emphasis on customers severely affected by Covid-19.</td><td>Our approach included testing the controls associated with the relevant processes for estimating ECL and performing substantive procedures on such estimates.

Our procedures, among others, focused on following:
• Assessment of:
– the Group's FAS 30 based impairment provisioning policy including significant increase in credit risk criteria with the requirements of FAS 30 and regulatory guidelines issued with respect to Covid-19;
– Group's ECL modeling techniques and methodology against the requirements of FAS 30 incorporating consideration of Covid-19 impacts;
– the basis of determination of any management overlays applied by the Group to incorporate the effects of Covid-19 global pandemic on its modelled ECL outcome;
– the theoretical soundness and mathematical integrity of the models.
• We obtained an understanding of the design and tested the operating effectiveness of relevant controls over ECL models, including approvals for any changes to the models, ongoing monitoring / validation, model governance and mathematical accuracy. We have also checked completeness and accuracy of the data used and the reasonableness of the management assumptions.</td></tr>
</table>

Report on the Audit of the Consolidated Financial Statements (continued)

<table>
<tr><th colspan="2">Expected Credit Loss on Financing Facilities and other financial assets subject to credit risk</th></tr>
<tr><th>Description of key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Because of the complexity of the requirements under FAS 30, the significance of the judgements applied and the high degree of estimation uncertainty arising due to Covid-19 and the Group's exposure to financing facilities forming a major portion of the Group's assets, the audit of ECL is a key area of focus.

As at 31 December 2021, the Group's gross financing facilities amounted to US$ 17,568 million and the related ECL amounted to US$ 930 million, comprising US$ 389 million of ECL against Stage 1 and 2 exposures and US$ 541 million against exposures classified under Stage 3.

Refer to note 2.3 (b) which contains the disclosure of critical accounting judgements, estimates and assumptions relating to the impairment losses on financial assets and the impairment assessment methodology used by the Group; notes 4, 5, 7 and 22 which contain the disclosures of impairment against the financing facilities; and note 28 (b) for details of credit quality analysis and key assumptions and factors considered in determination of ECL.</td><td>• We understood and assessed the significant modeling assumptions for exposures as well as overlays incorporating the consideration of Covid-19 impacts with a focus on:
– Key modeling assumptions adopted by the Group; and
– Basis for and data used to determine overlays.
• For a sample of exposures, we performed procedures to evaluate:
– Appropriateness of exposure at default, probability of default and loss given default (including collateral values used) in the calculation of ECL;
– Timely identification of exposures with a significant increase in credit risk and appropriateness of the Group's staging keeping in view the long-term effects of Covid-19 on customers severely affected by it; and
– ECL calculation.
• For forward looking information used by the Group's management in its ECL calculations, we held discussions with management and checked internal approvals by management for economic outlook used for purposes of calculating ECL;
• We considered the adequacy of the disclosures in the consolidated financial statements in relation to impairment of financing facilities and Ijarah Muntahia Bittamleek as required under FAS 30.
We also involved our internal specialists in performing the above procedures.
We also assessed the appropriateness of ECL related disclosures included in the consolidated financial statements of the Group.</td></tr>
</table>

Other information included in the Group's 2021 Annual Report

Other information consists of the information included in the Group's 2021 Annual Report, other than the consolidated financial statements and our auditor's report thereon. The Board of Directors is responsible for the other information. Prior to the date of this auditors' report, we obtained the Directors report which forms part of the annual report, and the remaining sections of the annual report are 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 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 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, we conclude that there is a material misstatement, of this other information, we are required to report the fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements

These consolidated financial statements and the Group's undertaking to operate in accordance with Islamic Shari'ah Rules and Principles are the responsibility of the Group's 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 issued by AAOIFI as modified by CBB and for such internal control as the Board of Directors determines is necessary to enable the preparation of 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.

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 ASIFI 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 ASIFI 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 the Audit Committee 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 the Audit Committee 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 the Audit Committee, 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.

Report on Other Legal and Regulatory Requirements

As required by the Bahrain Commercial Companies Law and the Central Bank of Bahrain (CBB) Rule Book (Volume 2), we report that:

a) the Bank has maintained proper accounting records and the consolidated financial statements are in agreement therewith;

b) the financial information contained in the Report of the Board of Directors is consistent with the consolidated financial statements;

c) except for what has been reported in note 2 to the consolidated financial statements, we are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 2 and applicable provisions of Volume 6) and CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse or the terms of the Bank's memorandum and articles of association during the year ended 31 December 2021 that might have had a material adverse effect on the business of the Bank or on its consolidated financial position; and

d) satisfactory explanations and information have been provided to us by Management in response to all our requests.

The partner in charge of the audit resulting in this independent auditor's report is Kazim Merchant.

Ernst + Young

Partner's registration no. 244
23 February 2022.
Manama, Kingdom of Bahrain

Consolidated Financial Statements

For the year ended 31 December 2021

Consolidated statement of financial position

At 31 December 2021

	Notes	2021 US$ '000	2020 US$ '000
ASSETS			
Cash and balances with banks	3	**5,923,878**	5,361,444
Receivables	4	**10,996,072**	11,945,993
Mudaraba and Musharaka financing	5	**3,623,315**	2,854,658
Investments	6	**4,472,649**	5,097,189
Ijarah Muntahia Bittamleek	7	**2,018,800**	1,747,627
Property and equipment	8	**539,960**	478,572
Other assets	9	**607,503**	764,516
TOTAL ASSETS		**28,182,177**	28,249,999
LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY			
LIABILITIES			
Customer current and other accounts		**7,728,895**	7,508,344
Due to banks		**1,303,793**	1,642,085
Long term financing	10	**286,833**	319,364
Other liabilities	11	**1,205,122**	1,327,623
TOTAL LIABILITIES		**10,524,643**	10,797,416
EQUITY OF INVESTMENT ACCOUNTHOLDERS			
Financial institutions		**744,845**	538,177
Non-financial institutions and individuals		**14,854,562**	14,692,012
TOTAL EQUITY OF INVESTMENT ACCOUNTHOLDERS	12	**15,599,407**	15,230,189
EQUITY			
Share capital	13	**1,242,879**	1,242,879
Treasury shares	13	**(15,655)**	(17,462)
Share premium		**16,619**	18,084
Reserves		**196,539**	183,121
Cumulative changes in fair values		**57,404**	32,940
Foreign currency translations	13	**(940,728)**	(800,489)
Retained earnings		**430,312**	364,496
EQUITY ATTRIBUTABLE TO PARENT'S SHAREHOLDERS		**987,370**	1,023,569
Perpetual tier 1 capital	14	**400,000**	400,000
EQUITY ATTRIBUTABLE TO PARENT'S SHAREHOLDERS AND SUKUK HOLDERS		**1,387,370**	1,423,569
Non-controlling interest		**670,757**	798,825
TOTAL EQUITY		**2,058,127**	2,222,394
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND EQUITY		**28,182,177**	28,249,999

Abdullah Saleh Kamel
Chairman

Mazin Manna
Member of the Board and Group Chief Executive

The attached notes 1 to 32 form part of these consolidated financial statements.

Consolidated statement of income

For the year ended 31 December 2021

	Notes	2021 US$ '000	2020 US$ '000
INCOME			
Net income from jointly financed contracts and investments	15	1,304,017	1,285,391
Return on equity of investment accountholders before Group's share as a Mudarib		(1,070,743)	(1,066,575)
Group's share as a Mudarib	16	364,142	354,552
Return on equity of investment accountholders		(706,601)	(712,023)
Group's share of income from equity of investment accountholders (as a Mudarib and Rabalmal)		597,416	573,368
Mudarib share for managing off-balance sheet equity of investment accountholders		12,122	14,654
Net income from self financed contracts and investments	15	162,948	265,075
Other fees and commission income	17	180,599	165,988
Other operating income	18	121,408	155,063
		1,074,493	1,174,148
Profit paid on long term financing	19	(33,031)	(34,399)
TOTAL OPERATING INCOME		1,041,462	1,139,749
OPERATING EXPENSES			
Staff expenses		284,035	308,623
Depreciation and amortisation	20	58,765	39,591
Other operating expenses	21	186,586	212,105
TOTAL OPERATING EXPENSES		529,386	560,319
NET OPERATING INCOME FOR THE YEAR BEFORE NET ALLOWANCE FOR CREDIT LOSSES / IMPAIRMENT AND TAXATION		512,076	579,430
Net allowance for credit losses / impairment	22	(253,713)	(290,121)
NET INCOME BEFORE TAXATION		258,363	289,309
Taxation		(68,682)	(123,420)
NET INCOME FOR THE YEAR		189,681	165,889
Attributable to:			
Equity holders of the parent		112,750	66,580
Non-controlling interest		76,931	99,309
		189,681	165,889
Basic and diluted earnings per share - US cents	23	6.71	2.90

Abdullah Saleh Kamel
Chairman

Mazin Manna
Member of the Board and Group Chief Executive

The attached notes 1 to 32 form part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2021

	Notes	2021 US$ '000	2020 US$ '000
OPERATING ACTIVITIES			
Net income before taxation		258,363	289,309
Adjustments for:			
Depreciation and amortisation	20	58,765	39,591
Depreciation on Ijarah Muntahia Bittamleek	15.4	133,349	211,751
Unrealised gain on equity and debt-type instruments at fair value through statement of income	15.3	(15,319)	(24,705)
Gain on sale of property and equipment	18	(19,114)	(10,484)
Gain on sale of investment in real estate	15.3	(3,266)	(3,303)
(Gain) / loss on sale of equity type instruments at fair value through equity	15.3	(2,400)	(1,076)
Gain on sale of equity and debt-type instruments at fair value through statement of income	15.3	(1,751)	(3,664)
Income from associates	15.3	(9,896)	(5,049)
Net allowance for credit losses / impairment		253,713	290,121
Operating profit before changes in operating assets and liabilities		652,444	782,491
Net changes in operating assets and liabilities:			
Reserves with central banks		(410,840)	(122,577)
Receivables		700,369	(1,260,739)
Mudaraba and Musharaka financing		(768,938)	357,075
Ijarah Muntahia Bittamleek		(394,757)	(210,724)
Other assets		157,067	(117,012)
Customer current and other accounts		220,541	1,313,287
Due to banks		(324,241)	521,108
Other liabilities		(161,127)	175,806
Equity of investment accountholders		372,189	76,054
Taxation paid		(68,169)	(110,458)
Net cash (used in) / from operating activities		(25,462)	1,404,311
INVESTING ACTIVITIES			
Net sale/ (purchase) of investments		653,137	(1,190,872)
Net purchase of property and equipment		(64,590)	(43,872)
Dividends received from associates		5,332	1,955
Disposal of investment in associate		7,075	2,354
Net cash from / (used in) investing activities		600,954	(1,230,435)
FINANCING ACTIVITIES			
Long term financing		(32,531)	(59,905)
Dividends paid to equity holders of the parent		-	(24,858)
Net movement in treasury shares		(363)	(8,129)
Profit distributed on perpetual tier 1 capital		(31,500)	(31,500)
Movement related to subsidiaries' tier 1 capital		5,706	7,695
Net changes in non-controlling interest		(44,439)	(13,392)
Net cash used in financing activities		(103,127)	(130,089)
Foreign currency translation adjustments		(320,785)	(191,795)
NET CHANGES IN CASH AND CASH EQUIVALENTS		151,580	(148,008)
Cash and cash equivalents at 1 January		2,778,177	2,926,185
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	24	2,929,757	2,778,177

The attached notes 1 to 32 form part of these consolidated financial statements.

Consolidated statement of changes in owners' equity

For the year ended 31 December 2021

	Attributable to equity holders of the parent												
				Reserves		Cumulative changes in fair values							
	Share capital	Treasury shares	Share premium	Statutory reserve	Other reserves	Investments	Property and equipment	Foreign currency translations reserve	Retained earnings	Total	Perpetual tier 1 capital	Non-controlling interest	Total owners' 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
Balance at 1 January 2021	1,242,879	(17,462)	18,084	182,776	345	8,786	24,154	(800,489)	364,496	1,023,569	400,000	798,825	2,222,394
Movement in treasury shares	-	1,807	(1,465)	-	-	-	-	-	(705)	(363)	-	-	(363)
Net movement in cumulative change in fair value for investments	-	-	-	-	-	1,689	-	-	-	1,689	-	229	1,918
Net movement in cumulative change in fair value for property and equipment	-	-	-	-	-	-	22,775	-	-	22,775	-	9,973	32,748
Net movement in other reserves	-	-	-	-	2,143	-	-	-	-	2,143	-	1,640	3,783
Foreign currency translation	-	-	-	-	-	-	-	(150,317)	-	(150,317)	-	(180,547)	(330,864)
Net income for the year	-	-	-	-	-	-	-	-	112,750	112,750	-	76,931	189,681
Transfer to statutory reserve (note 13)	-	-	-	11,275	-	-	-	-	(11,275)	-	-	-	-
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(18,196)	(18,196)
Zakah paid on behalf of shareholders (note 13)	-	-	-	-	-	-	-	-	(1,015)	(1,015)	-	-	(1,015)
Profit distributed on perpetual tier 1 capital	-	-	-	-	-	-	-	-	(31,500)	(31,500)	-	-	(31,500)
Movement related to subsidiaries' tier 1 capital	-	-	-	-	-	-	-	-	5,706	5,706	-	(12,706)	(7,000)
Effect of change in ownership	-	-	-	-	-	-	-	10,078	(8,145)	1,933	-	(1,933)	-
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(3,459)	(3,459)
Balance at 31 December 2021	**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**

The attached notes 1 to 32 form part of these consolidated financial statements.

Consolidated statement of changes in owners' equity

For the year ended 31 December 2021

	Attributable to equity holders of the parent													
				Reserves		Cumulative changes in fair values								
	Share capital	Treasury shares	Share premium	Statutory reserve	Other reserves	Investments	Property and equipment	Foreign currency translations reserve	Retained earnings	Proposed appro-priations	Total	Perpetual tier 1 capital	Non-controlling interest	Total owners' 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 2020	1,242,879	(8,308)	18,138	176,118	1,136	5,216	24,154	(752,068)	335,089	24,858	1,067,212	400,000	855,978	2,323,190
Dividends paid	-	-	-	-	-	-	-	-	-	(24,858)	(24,858)	-	-	(24,858)
Movement in treasury shares	-	(9,154)	(54)	-	-	-	-	-	1,079	-	(8,129)	-	-	(8,129)
Net movement in cumulative change in fair value for investments	-	-	-	-	-	3,570	-	-	-	-	3,570	-	941	4,511
Net movement in other reserves	-	-	-	-	(791)	-	-	-	-	-	(791)	-	(385)	(1,176)
Foreign currency translation	-	-	-	-	-	-	-	(48,421)	-	-	(48,421)	-	(143,390)	(191,811)
Net income for the year	-	-	-	-	-	-	-	-	66,580	-	66,580	-	99,309	165,889
Transfer to statutory reserve (note 13)	-	-	-	6,658	-	-	-	-	(6,658)	-	-	-	-	-
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(12,727)	(12,727)
Zakah paid on behalf of shareholders (note 13)	-	-	-	-	-	-	-	-	(1,656)	-	(1,656)	-	-	(1,656)
Profit distributed on perpetual tier 1 capital	-	-	-	-	-	-	-	-	(31,500)	-	(31,500)	-	-	(31,500)
Movement related to subsidiaries' tier 1 capital	-	-	-	-	-	-	-	-	7,695	-	7,695	-	(12,706)	(5,011)
Modification loss net of government assistance	-	-	-	-	-	-	-	-	(6,370)	-	(6,370)	-	(552)	(6,922)
Effect of change in ownership	-	-	-	-	-	-	-	-	237	-	237	-	(237)	-
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	12,594	12,594
Balance at 31 December 2020	**1,242,879**	**(17,462)**	**18,084**	**182,776**	**345**	**8,786**	**24,154**	**(800,489)**	**364,496**	**-**	**1,023,569**	**400,000**	**798,825**	**2,222,394**

The attached notes 1 to 32 form part of these consolidated financial statements.

Consolidated statement of changes in off-balance sheet equity of investment account holders

For the year ended 31 December 2021

	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 2021	72,556	569,572	503,823	48,099	160,352	227,508	1,581,910
Transfer on adoption of FAS 31	-	(15,001)	(68,433)	-	-	-	(83,434)
Deposits	96,945	216,628	24,708	4,689	65,447	38,574	446,991
Withdrawals	(101,786)	(317,961)	(377,269)	(389)	(19,000)	(28,893)	(845,298)
Income net of expenses	-	35,558	3,017	940	12,831	16,964	69,310
Mudarib's share	-	(11,876)	-	(20)	(218)	(8)	(12,122)
Foreign exchange translations	-	(20,698)	-	-	-	(8,956)	(29,654)
Balance at 31 December 2021	**67,715**	**456,222**	**85,846**	**53,319**	**219,412**	**245,189**	**1,127,703**
Balance at 1 January 2020	56,041	464,361	422,488	46,720	143,002	286,329	1,418,941
Deposits	170,514	352,327	339,485	1,953	34,392	120,784	1,019,455
Withdrawals	(153,999)	(272,262)	(258,722)	(1,093)	(22,968)	(185,492)	(894,536)
Income net of expenses	-	20,603	2,641	519	6,065	7,351	37,179
Mudarib's share	-	(12,269)	(2,069)	-	(139)	(177)	(14,654)
Foreign exchange translations	-	16,812	-	-	-	(1,287)	15,525
Balance at 31 December 2020	72,556	569,572	503,823	48,099	160,352	227,508	1,581,910

The attached notes 1 to 32 form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

at 31 December 2021

1 CORPORATE INFORMATION AND ACTIVITIES

Al Baraka Banking Group B.S.C. ("the Bank") is a joint stock company incorporated in the Kingdom of Bahrain on 27 June 2002, under Commercial Registration (CR) number 48915. The Bank is engaged in banking activities in the Middle East, Europe, North African and South African region. The address of the Bank's registered office is Bahrain Bay, P.O. Box 1882, Manama, Kingdom of Bahrain. The Bank is listed on Bahrain Bourse and NASDAQ Dubai.

The Bank operates under an Islamic wholesale banking license issued by the Central Bank of Bahrain ('the CBB').

The principal activities of the Bank and its subsidiaries ("the Group") comprise of international and commercial banking, financing, treasury and investment activities. The Bank is supervised and regulated by the CBB.

On 30 November 2020, the shareholders of the Bank resolved in an extra-ordinary meeting to change the license of the Bank from Wholesale Banking to "Investment Business Firm - Category 1" subject to approval by the CBB. Furthermore, the shareholders also resolved to change the name of the Bank from Al Baraka Banking Group B.S.C. to Al Baraka Group B.S.C. subject to the approval of Ministry of Industry, Commerce and Tourism ("MOICT"). The change in the name and the activities are still in process and the Bank's CR is not updated to reflect these changes.

The consolidated financial statements were approved by the Board of Directors on 23 February 2022.

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 at fair value through statement of income, equity-type instruments at fair value 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$') being the reporting currency of the Group. All values are rounded to the nearest US$ thousand ('US$ '000') unless otherwise indicated.

Statement of compliance

The consolidated financial statements have been prepared in accordance with Financial Accounting Standards ('FAS') issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ('AAOIFI') as modified by Central Bank of Bahrain ("CBB") including two exceptions which are set out below, the Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Group, the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 2 and applicable provisions of Volume 6) and CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse or the terms of the Bank's memorandum and articles of association. In accordance with the requirements of AAOIFI, for matters for which no AAOIFI standard exists, the Group uses the relevant International Financial Reporting Standards ('the IFRS') as issued by the International Accounting Standards Board (the 'IASB'), given it does not contradict with Shari'a Rules and Principles and the conceptual framework of AAOIFI.

The two exceptions mentioned above are as follows:

a. to recognise modification losses amounted to US$ 8.8 million during the period ended 31 December 2020 on financial assets arising from payment holidays provided to customers impacted by COVID-19 without charging additional profit, in statement of changes in equity instead of the statement of income as required by FAS 30 - Impairment, Credit Losses and Onerous Commitments ("FAS 30"). Any other modification gain or loss on financial assets are recognised in accordance with the requirements of FAS 30. Please refer below for further details; and

b. recognition of financial assistance amounted to US$ 1.9 million during the period ended 31 Deceber 2020 received from the government and/or regulators in response to its COVID-19 support measures that meets the government grant requirement, in equity, instead of profit or loss. This will only be to the extent of any modification loss recorded in statement of changes in owner's equity as a result of (a) above, and the balance amount to be recognized in profit or loss. Any other financial assistance is recognised in accordance with the relevant requirements of FAS issued by AAOIFI.

Notes to the Consolidated Financial Statements

at 31 December 2021

2 ACCOUNTING POLICIES (continued)

Statement of compliance (continued)

The above framework for basis of preparation of the consolidated financial statements is hereinafter referred to as 'FAS issued by AAOIFI as modified by CBB', which has been applied retrospectively and did not result in any change to the financial information reported for the comparative period.

The Group had provided payment holidays to certain customers on the basis of regulatory directives issued by the CBB as concessionary measures to mitigate the impact of COVID-19 and requests received. As of 31 December 2021, the outstanding balance of customers to whom such payment holidays have been provided amounted to US$ 195 million (year ended 31 December 2020: US$ 98 million). However, this did not result in any modification loss as these deferrals were provided to the customers at the profit rate as per the terms of original agreement.

COVID-19

COVID-19 pandemic has spread across various geographies globally, causing disruption to business and economic activities. COVID-19 has brought about uncertainties in the global economic environment. Global equity and commodity markets, in particulars the hydrocarbon sector, experienced significant volatility. The estimation uncertainty is associated with extent and duration of the economic downturn. This includes the volatility in capital market, deterioration of credit quality of financial assets and escalating the liquidity management challenges. In this regards, the fiscal and monetary authorities, both domestic and international, have announced various support measures across the globe to counter possible adverse implications. In this regards, the Group has undertaken various initiatives to ensure the protection of its human capital along-with uninterrupted supply of services to our customer base. Further, the strict prudential practices were followed to maintain sufficient liquidity levels and mitigate the possible impacts on assets base of the Bank. Further, the Group is actively monitoring the progress and impacts of such outbreak on its operations like possible loss of revenues, Expected Credit Losses (ECL), onerous contract etc.

Liquidity support

During the year, based on a regulatory directive issued by the CBB as concessionary measures to mitigate the impact of COVID-19, CBB has reduced the regulatory reserve requirements from 5% to 3%.

Regulatory compliance

As required by CBB rulebook, the bank is required to compute Group capital adequacy ratio and Head Office solo capital adequacy ratio. The Group capital adequacy ratio, which is of primary importance is above the minimum regulatory threshold of 12.5%. However, at solo level, the Bank breached rule CA 2.2.1A as the solo core equity tier 1 (CET1) ratio has declined below 4.5% which is the minimum regulatory threshold for solo CET 1 as prescribed by the CBB rule book volume 2 - capital adequacy module. Management believes that there will be no impact of this breach on the business of the Group or any of its operations.

Notes to the Consolidated Financial Statements

at 31 December 2021

2 ACCOUNTING POLICIES (continued)

Basis of consolidation

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 Bank 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 Bank, which are consolidated in these consolidated financial statements:

	Ownership for 2021	Ownership for 2020	Year of incorporation	Country of incorporation	No. of branches/ offices at 31 December 2021
Held directly by the Bank					
Banque Al Baraka D'Algerie (BAA)	**55.67%**	55.67%	1991	Algeria	**31**
Al Baraka Islamic Bank - Bahrain (AIB)	**92.03%**	92.03%	1984	Bahrain	**186**
Al Baraka Bank Tunis (ABT)	**78.40%**	78.40%	1983	Tunisia	**37**
Al Baraka Bank Egypt (ABE)	**73.47%**	73.47%	1980	Egypt	**32**
Al Baraka Bank Lebanon (ABBL)	**98.98%**	98.98%	1991	Lebanon	**3**
Jordan Islamic Bank (JIB)	**65.82%**	65.82%	1978	Jordan	**109**
Al Baraka Turk Participation Bank (ATPB)**	**38.02%**	38.02%	1985	Turkey	**231**
Al Baraka Bank Limited (ABL)	**64.51%**	64.51%	1989	South Africa	**10**
Al Baraka Bank Sudan (ABS)	**75.73%**	75.73%	1984	Sudan	**29**
Al Baraka Bank Syria (ABBS) *	**29.00%**	23.00%	2009	Syria	**15**
BTI Bank *	**49.00%**	49.00%	2017	Morocco	**5**

* The Group consolidate BTI Bank (49% ownership) and Al Baraka Bank Syria (29% ownership) due to the Group's control through the power to govern their financial and operating policies.

** The ownership of Al Baraka Turk Participation bank (ATPB) reduced from 56.64% to 38.02% in December 2019. ATPB did rights issue to increase its capital from TRY 900 million to TRY 1,350 million in December 2019. The Bank did not participate into this rights issue. The majority of the rights eligibility of the Bank were assigned to Dallah Al Baraka Holding Company BSC. By subscribing to this rights issue, Dallah Al Baraka Holding Company BSC became 15.38% owner of ATPB shares. However, Dallah Al Baraka through a management agreement assigned all their voting power to the Bank. On the basis of this management agreement and the 38.02% ownership of shares in ATPB, the management and control of ATPB was held by the Bank. Based on the management agreement, the Bank controls 53.4% of voting power in ATPB and hence has the power to govern the financial and operating policies of ATPB. On the basis of these controls ATPB is treated as a subsidiary and is consolidated in the financials of the Group.

Notes to the Consolidated Financial Statements

at 31 December 2021

2 ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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

	Subsidiary held through	Effective Ownership for 2021	Effective Ownership for 2020	Year of incorporation	Country of incorporation
Held indirectly by the Bank					
Al Baraka Bank (Pakistan) Limited	AIB	**54.42%**	54.42%	2010	Pakistan
Itqan Capital	AIB	**76.45%**	76.45%	2007	Saudi Arabia
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	**38.02%**	38.02%	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 2021:

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 2020 except for the new standards, interpretations and amendments issued and effective as of 1 January 2021 which are as follows:

FAS 31 Investment Agency (Al-Wakala Bi Al-Istithmar)

This standard defines the accounting principles and reporting requirements for investment agency (Al-Wakala Bi Al-Istithmar) transactions and instruments, in the hands of both the principal and the agent. This standard shall be effective beginning on or after 1 January 2021, with early adoption permitted. The standard requires the principal to evaluate the nature of the investment as either a) a pass-through investment or b) wakala venture.

In case of a pass-through investment approach, the principal shall initially recognize the assets underlying the wakala arrangement in its books of account applying the initial recognition principles as applicable in line with respective FAS. The principal may opt to apply the wakala venture approach if, and only if, the investment agency contract meets any of the conditions described below:

- The instrument is transferable; or
- The investment is made in a single asset (or pool of assets) where such asset(s) are subject to frequent changes throughout the term of the contract i.e. there are routine changes or replacements over the term of arrangement (unless it constitutes a business) at the discretion of the agent; or
- The role of the agent is not limited whereby the agent performs day-to-day asset management function and, where applicable, is also responsible for replacement of assets or recoveries against them.

In case of wakala venture approach, an investment shall be accounted for in the books of the investor applying the "equity method of accounting"; where the investment shall be recognized initially at cost and subsequently shall be measured at the end of the financial period at carrying amount and shall be adjusted to include the investor's share in profit or loss of the wakala venture.

FAS 31 Investment Agency (Al-Wakala Bi Al-Istithmar)

From the agent perspective, the standard requires that at inception of the transaction the agent shall recognize an agency arrangement under off-balance sheet approach since the agent does not control the related assets / business. However, there are exceptions to off-balance sheet approach where by virtue of additional considerations attached to the instrument based on investment agency may mandate the same to be accounted for as on-balance sheet. An agent may maintain multi-level investment arrangements. Under such arrangement, the Group is reinvesting Wakala funds into a secondary contract. Such secondary contracts shall be accounted for in line with the requirements of respective FAS in the books of the agent.

2 ACCOUNTING POLICIES (continued)

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

FAS 31 Investment Agency (Al-Wakala Bi Al-Istithmar) (continued)

The Group has adopted the standard with effect from 1 January 2021.

From the principal perspective, the Group opted to use Wakala venture approach instead of pass-through approach given the difficulties for the principal to identify in which assets the funds are invested in, and hence, the investment is accounted for applying the equity method of accounting.

The Group provides funds to other financial institutions under this Wakala venture arrangement where the Group is acting as principal. Those Wakala funds are mainly invested in money market placements.

From agent perspective, a multi-level investment arrangement is maintained, whereby the Group invests funds under the investment agency into unrestricted investment arrangements, under a separate contract and accounted for accordingly based on the relevant accounting standard.

The adoption of the above accounting standard did not have a material impact on net profit or equity. However, the standard affects the classification of the Bank's Wakala based contracts previously accounted for as part of on-balance sheet liabilities or off-balance sheet equity of investment accountholders.

As a result of this, the Group has accounted for all wakala contracts as follows:

- Contracts falling within the definition of Restricted Investment Account ("RIA") were classified as off-balance sheet equity of investment accountholders as being done before the adoption of this standard; and
- Other wakala contracts are classified as either on-balance sheet or off-balance sheet depending on the relevant terms of the contract and whether the Group has invested such funds into secondary contracts through multi-level arrangement.

Further, based on the directions of CBB, all Wakala contracts (except RIA) managed within Bahrain, either directly by the Bank or its Bahrain based banking subsidiary, have been invested into secondary contract under multi-level arrangement and have been recorded on-balance sheet as either other liabilities, due to banks or (on balance-sheet) equity of investment accountholders. This resulted in wakala balances amounting to US$ 83,434 thousand outstanding as at 31 December 2020 previously classified as off-balance sheet equity of investment accountholders being reclassified to due to banks (with an equivalent increase in total assets; sales receivable and mudaraba financing increased by US$ 15,001 thousand and US$ 68,433 thousand respectively) with effect from 1 January 2021 upon formalization of multi-level arrangement.

FAS 32 Ijarah

This standard supersedes FAS 8 "Ijarah and Ijarah Muntahia Bittamleek". The standard aims at setting out principles for the classification, recognition, measurement, presentation and disclosure of Ijarah type transactions including their different forms entered into by an institution, in both the capacities of lessor and lessee. This standard shall be effective beginning or after 1 January 2021, with early adoption permitted.

Under this standard, an institution, in its capacity either as lessor or lessee shall classify each of its Ijarah into a) operating Ijarah b) Ijara Muntahia Biltamleek with expected transfer of ownership after the end of the Ijarah term – either through sale or gift; and c) Ijarah Muntahia Biltamleek with gradual transfer – with gradual transfer of ownership during the Ijarah term including Diminishing Musharaka Ijarah.

The standard includes two recognition exemptions for lessees – leases of "low-value" assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of the lease, a lessee will recognize an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset) and a net Ijarah liability, duly comprising of a) gross Ijarah liability and b) deferred Ijarah cost (shown as contra-liability).

The Group adopted FAS 32 using the modified retrospective method and recognised lease liabilities to make lease payments and right-of-use asset representing the right to use the underlying assets. In accordance with FAS 32, the Group has recognised the right-of-use assets and corresponding lease liability on 1 January 2021 in the consolidated financial statements.

a) Right-of-use asset

The Group recognised right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use asset is measured at cost, less any accumulated amortisation and impairment losses, and adjustment for any effect of Ijarah modification or reassessment. The cost of right-of-use assets represents the fair value of total consideration paid/ payable and includes initial direct costs and any dismantling or decommissioning costs. The Group amortises the right-of-use asset from the commencement date to the end of the useful economic life of the right-of use assets which coincides with the end of the Ijarah term using a systematic basis that is reflective of the pattern of utilization of benefits from the right-of-use asset. Right-of-use asset is also subject to impairment in line with FAS 30 requirements. The carrying value of right-of-use asset is recognised under "Property and equipment" in the consolidated statement of financial position.

Notes to the Consolidated Financial Statements

at 31 December 2021

2 ACCOUNTING POLICIES (continued)

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

FAS 32 Ijarah (continued)

b) Ijarah liability

At the commencement date of the lease (i.e., the date the underlying asset is available for use), the Group recognised Ijarah liability measured at the fair value of total rentals payable for Ijarah term. After the commencement date, the amount of Ijarah liability is increased to reflect return on the Ijarah liability – by way of amortisation of deferred Ijarah cost and reduced to reflect the payment of Ijarah rentals made. In addition, the carrying amount of Ijarah liability is remeasured if there is a modification, a change in the Ijarah term or change in the in-substance fixed lease payments. The carrying value of Ijarah liability is recognised under "Other liabilities" in the consolidated statement of financial position.

FAS 33 Investment in Sukuk, shares and similar instruments (FAS 33)

FAS 33 aims at setting out principles for the classification, recognition, measurement, presentation, and disclosure of investment in Sukuk, shares and other similar instruments of investments made by Islamic financial institution. The standard defines the key types of instruments of Shari'ah compliant investments and the primary accounting treatments commensurate to the characteristic and business model of institution under which the investments are made, managed and held. This standard supersedes FAS 25 "Investment in Sukuk" and is effective beginning or after 1 January 2021 with early adoption permitted. For the purpose of this standard, each investment is to be categorised as one of the below investment categories depending on its nature:

- *Monetary Debt-type instrument;*
- *Non-monetary Debt-type instrument;*
- *Equity-type instrument; and*
- *Other investment instruments.*

Classification

Unless the irrevocable initial recognition choices provided below are exercised, the Group shall classify investments subject to this standard as subsequently measured at either (i) amortised cost, (ii) fair value through equity or (iii) fair value through income statement, on the basis of both the Group's business model for managing investments and the expected cash flow characteristics of the investment in line with the nature of the underlying Islamic contracts.

Investment in a monetary debt-type instrument, as it reflects a debt at the back-end, shall be initially classified and measured at cost, till the time the transaction at the back-end is executed, and at amortised cost thereafter.

Investment in a non-monetary debt-type instrument or other investment instrument, may be classified under any of the three categories ((i) amortised cost, (ii) fair value through equity or (iii) fair value through income statement) depending on the Group's business model.

Investment in equity-type instrument is carried as investment at fair value through income statement unless the Group make an irrevocable classification choice at initial recognition to classify this as investment at fair value through equity. An investment held for trading purposes shall always fall in fair value through income statement classification.

Recognition and initial measurement

All investment shall be initially recognized at their value plus transaction costs except for investments at fair value through income statement. Transaction costs relating to investments at fair value through income statement are charged to the consolidated statement of income when incurred. A regular way purchase of investments shall be recognized upon the transfer of control to investor.

Subsequent measurement

a) Investments at amortised cost

Investments carried at amortised cost shall be re-measured as such using the effective profit rate method. All gains or losses arising from the amortization process and those arising from de-recognition or impairment of the investment, are recognized in the consolidated statement of income. Investment carried at amortised cost shall be tested for impairment at each reporting period in accordance with FAS 30 "Impairment, credit losses and onerous commitments".

b) Investments at fair value through income statement

Investment carried at fair value through income statement shall be re-measured at fair value at end of each reporting period. The resultant remeasurement gain or loss, if any being the difference between the carrying amount and the fair value shall be recognized in the consolidated statement of income.

Notes to the Consolidated Financial Statements

at 31 December 2021

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

FAS 33 Investment in Sukuk, shares and similar instruments (FAS 33) (continued)

c) Investments at fair value through equity

Investment carried at fair value through equity shall be re-measured at fair value at the end of each reporting period. The resultant re-measurement gain or loss, if any, being the difference between the carrying amount and the fair value shall be directly recognized in equity under "fair value through equity reserve". Investment carried at fair value through equity shall be tested for impairment at each reporting period in accordance with FAS 30 "Impairment, credit losses and onerous commitments".

Reclassification

When, and only when, the Group changes its business model for managing investments, it shall reclassify all affected financial assets prospectively from the reclassification date. In case of reclassification, the Group shall not restate any previously recognized gains, losses (including impairment gains or losses) or returns/ profits.

The Group has adopted the standard retrospectively and the adoption of the above accounting standard did not have a material impact on the consolidated financial statements.

FAS 34 Financial Reporting for Sukuk-holders

This standard prescribes the accounting principles and reporting requirements for underlying assets of a sukuk instrument. It requires the originator to prepare or cause to prepare financing reports as needed under this standard. This standard shall be effective from the financial periods beginning on or after 1 January 2021, with early adoption permitted.

The Group has adopted the standard retrospectively and the adoption of the above accounting standard did not have a material impact on the consolidated financial statements.

FAS 35 Risk Reserves

This standard defines the accounting and financial reporting principles for risk reserves to be in line with global best practices for accounting and risk management. This standard complements FAS 30 "Impairment, Credit Losses and Onerous Commitments". Both standards FAS 35 & FAS 30 together supersede the earlier FAS 11 "Provisions and Reserves". This standard shall be effective beginning or after 1 January 2021, with early adoption is permitted, only if the financial institution decided to early adopt FAS 30.

The Group has adopted the standard retrospectively and the adoption of the above accounting standard did not have a material impact on the consolidated financial statements.

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

2.2.1 FAS 37 Financial Reporting by Waqf Institutions

AAOIFI issued FAS 37 "Financial Reporting by Waqf Institutions" in 2020. The objective of the standard is to establish principles of financial reporting by Waqf institutions, which are established and operated in line with Shari'ah principles and rules. This standard shall be effective for the financial periods beginning on or after 1 January 2022 with early adoption permitted.

The Board of Directors does not expect the above accounting standard to have an impact on the consolidated financial statements of the Group.

2.2.2 FAS 38 Wa'ad, Khiyar and Tahawwut

AAOIFI issued FAS 38 "Wa'ad, Khiyar and Tahawwut" in 2020. The objective of this standard is to prescribe the accounting and reporting principles for recognition, measurement and disclosures in relation to Shari'ah compliant Wa'ad (promise), Khiyar (option) and Tahawwut (hedging) arrangements for Islamic financial institutions (the institutions). This standard shall be effective for the financial periods beginning on or after 1 January 2022 with early adoption permitted.

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.

Notes to the Consolidated Financial Statements

at 31 December 2021

2 ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

b. Impairment assessment

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

Stage 1: twelve months ECL
For exposures where there has not been a Significant Increase in Credit Risk ("SICR"), since initial recognition, a portion of the lifetime ECL's that represent the ECL that result from default events on a financial contract that is possible within 12 months after the reporting date (or a shorter period if the expected life of the financial instrument is less than 12 months) 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.

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.

Notes to the Consolidated Financial Statements

at 31 December 2021

2 ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

b. Impairment assessment (continued)

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.

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.

Notes to the Consolidated Financial Statements

at 31 December 2021

2 ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

b. Impairment assessment (continued)

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.

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.

Notes to the Consolidated Financial Statements

at 31 December 2021

2 ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

b. Impairment assessment (continued)

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 interim 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.

Notes to the Consolidated Financial Statements

at 31 December 2021

2 ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

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.

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 Bank 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.

Investment in real estate

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

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

Notes to the Consolidated Financial Statements

at 31 December 2021

2 ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

f. Investments (continued)

Investment in associates

The Group's investment in associates 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 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. Goodwill relating to an associate 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. Where there has been a change recognised directly in the equity of the associate, 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 are eliminated to the extent of the interest in the associate.

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.

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.

Notes to the Consolidated Financial Statements

at 31 December 2021

2 ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

h. Property and equipment (continued)

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

i. Fair values

For investments actively traded in organised financial markets, fair value is determined by reference to quoted market bid prices.

For investment where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument, which is substantially the same or is based on the assessment of future cash flows. The cash equivalent values are determined by the Group at current profit rates for contracts with similar term and risk characteristics.

For Sales (Murabaha) receivables the fair value is determined at the Bank or subsidiary level at the end of the financial period at their cash equivalent value.

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.

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.

Notes to the Consolidated Financial Statements

at 31 December 2021

2 ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

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 Bank 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 equity of investment accountholders.

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.

Notes to the Consolidated Financial Statements

at 31 December 2021

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.

Notes to the Consolidated Financial Statements
at 31 December 2021

2 ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

aa. Zakah
The article of association of Al Baraka Banking 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.

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.

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.

Notes to the Consolidated Financial Statements

at 31 December 2021

2 ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

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.

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.

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

	2021	2020
	US$ '000	US$ '000
Balances with central banks*	4,572,189	4,027,943
Balances with other banks	646,835	497,408
Cash and cash in transit	708,578	839,830
Allowance for credit losses	(3,724)	(3,737)
	5,923,878	5,361,444

* Balances with central banks include mandatory reserves amounting to US$ 2,997,845 thousand (2020: US$ 2,587,004 thousand). These amounts are not available for use in the Group's day-to-day operations.

4. RECEIVABLES

	2021	2020
	US$ '000	US$ '000
Sales (Murabaha) receivables (note 4.1)	11,279,456	12,126,087
Ijarah receivables (note 4.2)	140,805	150,787
Salam receivables (note 4.3)	259,295	225,550
Istisna'a receivables (note 4.4)	198,926	198,804
Allowance for credit losses	(882,410)	(755,235)
	10,996,072	11,945,993

Notes to the Consolidated Financial Statements

at 31 December 2021

4 RECEIVABLES (continued)

4.1 Sales (Murabaha) receivables

	2021			2020		
	Self financed	Jointly financed	Total	Self financed	Jointly financed	Total
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
Commodity murabaha	61,144	532,345	593,489	58,485	569,723	628,208
Other murabaha	1,668,364	10,129,562	11,797,926	2,466,023	10,332,891	12,798,914
Gross sales (murabaha) receivables	1,729,508	10,661,907	12,391,415	2,524,508	10,902,614	13,427,122
Deferred profits (note 4.1(a))	(180,162)	(931,797)	(1,111,959)	(296,564)	(1,004,471)	(1,301,035)
	1,549,346	9,730,110	11,279,456	2,227,944	9,898,143	12,126,087
Less: allowance for credit losses (note 22)	(290,041)	(508,005)	(798,046)	(221,835)	(455,075)	(676,910)
Net sales (murabaha) receivables	1,259,305	9,222,105	10,481,410	2,006,109	9,443,068	11,449,177

	2021	2020
	US$'000	US$'000
Non-performing	645,795	769,795

4.1(a) Murabaha deferred profit movement

	2021	2020
	US$ '000	US$ '000
Deferred profit at the beginning of the year	1,301,035	1,564,665
Murabaha Sales during the year	2,875,541	3,960,783
Murabaha Cost of Sales	(2,226,503)	(3,493,121)
	1,950,073	2,032,327
Deferred profit collected during the year	(408,726)	(498,002)
Deferred profit settled during the year	(20,591)	(31,019)
Deferred profit waived during the period	(1,923)	(3,172)
FX translation	(406,874)	(199,099)
Deferred profit at the end of the year	1,111,959	1,301,035

4.2 Ijarah receivables

	2021			2020		
	Self financed	Jointly financed	Total	Self financed	Jointly financed	Total
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
Gross ijarah receivables	9,150	131,655	140,805	12,272	138,515	150,787
Allowance for credit losses (note 22)	(318)	(47,671)	(47,989)	(382)	(51,593)	(51,975)
Net ijarah receivables	8,832	83,984	92,816	11,890	86,922	98,812

	2021	2020
	US$'000	US$'000
Non-performing	111,857	127,733

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at 31 December 2021

4 RECEIVABLES (continued)

4.3 Salam receivables

	2021			2020		
	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	-	259,295	259,295	-	225,550	225,550
Allowance for credit losses (note 22)	-	(18,912)	(18,912)	-	(15,186)	(15,186)
Net salam receivables	-	240,383	240,383	-	210,364	210,364

	2021 US$'000	2020 US$'000
Non-performing	30,040	22,619

4.4 Istisna'a receivables

	2021			2020		
	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	-	198,926	198,926	-	198,804	198,804
Allowance for credit losses (note 22)	-	(17,463)	(17,463)	-	(11,164)	(11,164)
Net istisna'a receivables	-	181,463	181,463	-	187,640	187,640

	2021 US$'000	2020 US$'000
Non-performing	19,570	14,682

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 2021			
	Stage 1 US$ '000	Stage 2 US$ '000	Stage 3 US$ '000	Total US$ '000
Good (1-4)	2,954,925	185,249	-	3,140,174
Satisfactory (5-7)	6,173,234	1,757,812	-	7,931,046
Default (8-10)	-	-	807,262	807,262
Allowance for credit losses	(59,970)	(305,981)	(516,459)	(882,410)
	9,068,189	1,637,080	290,803	10,996,072

	31 December 2020			
	Stage 1 US$ '000	Stage 2 US$ '000	Stage 3 US$ '000	Total US$ '000
Good (1-4)	2,816,741	228,144	-	3,044,885
Satisfactory (5-7)	7,018,497	1,703,017	-	8,721,514
Default (8-10)	-	-	934,829	934,829
Allowance for credit losses	(73,192)	(179,520)	(502,523)	(755,235)
	9,762,046	1,751,641	432,306	11,945,993

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at 31 December 2021

4 RECEIVABLES (continued)

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

	31 December 2021			
	Stage 1: 12-month ECL	Stage 2: Lifetime ECL not credit-impaired	Stage 3: Lifetime ECL credit-impaired	Total
	US$ '000	US$ '000	US$ '000	US$ '000
Balance at 1 January	73,192	179,520	502,523	755,235
Changes due to receivables recognised in opening balance that have:				
- transferred to Stage 1	5,727	(2,711)	(3,016)	-
- transferred to Stage 2	(3,846)	12,704	(8,858)	-
- transferred to Stage 3	(150)	(42,681)	42,831	-
Net remeasurement of loss allowance	7,413	121,665	198,809	327,887
Recoveries / write-backs	-	-	(78,333)	(78,333)
Allocation from (to) investment risk reserve	(8,093)	(2,184)	7,687	(2,590)
Amounts written off	-	-	(41,305)	(41,305)
FX translation / others	(14,273)	39,668	(103,879)	(78,484)
	59,970	305,981	516,459	882,410

	31 December 2020			
	Stage 1: 12-month ECL	Stage 2: Lifetime ECL not credit-impaired	Stage 3: Lifetime ECL credit-impaired	Total
	US$ '000	US$ '000	US$ '000	US$ '000
Balance at 1 January	54,358	115,719	401,005	571,082
Changes due to receivables recognised in opening balance that have:				
- transferred to Stage 1	12,761	(3,304)	(9,457)	-
- transferred to Stage 2	(1,223)	(37,684)	38,907	-
- transferred to Stage 3	(65)	(1,800)	1,865	-
Net remeasurement of loss allowance	11,701	95,572	153,572	260,845
Recoveries / write-backs	-	-	(57,534)	(57,534)
Allocation from (to) investment risk reserve	(6,439)	12,794	13,325	19,680
Amounts written off	-	-	(13,185)	(13,185)
FX translation / others	2,099	(1,777)	(25,975)	(25,653)
	73,192	179,520	502,523	755,235

5 MUDARABA AND MUSHARAKA FINANCING

	2021	2020
	US$ '000	US$ '000
Mudaraba financing (note 5.1)	2,698,975	1,784,183
Musharaka financing (note 5.2)	958,669	1,106,881
Allowance for credit losses	(34,329)	(36,406)
	3,623,315	2,854,658

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at 31 December 2021

5 MUDARABA AND MUSHARAKA FINANCING (continued)

5.1 Mudaraba financing

	2021			2020		
	Self financed	Jointly financed	Total	Self financed	Jointly financed	Total
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
Gross mudaraba financing	381,618	2,317,357	2,698,975	427,218	1,356,965	1,784,183
Allowance for credit losses (note 22)	(420)	(17,311)	(17,731)	(420)	(14,198)	(14,618)
Net mudaraba financing	381,198	2,300,046	2,681,244	426,798	1,342,767	1,769,565

	2021	2020
	US$ '000	US$ '000
Non-performing	30,227	15,994

5.2 Musharaka financing

	2021			2020		
	Self financed	Jointly financed	Total	Self financed	Jointly financed	Total
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
Gross musharaka financing	333,261	625,408	958,669	451,433	655,448	1,106,881
Allowance for credit losses (note 22)	(4,049)	(12,549)	(16,598)	(8,436)	(13,352)	(21,788)
Net musharaka financing	329,212	612,859	942,071	442,997	642,096	1,085,093

	2021	2020
	US$'000	US$'000
Non-performing	27,920	26,167

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 2021			
	Stage 1	Stage 2	Stage 3	Total
	US$ '000	US$ '000	US$ '000	US$ '000
Good (1-4)	1,194,146	79,440	-	1,273,586
Satisfactory (5-7)	2,148,254	177,657	-	2,325,911
Default (8-10)	-	-	58,147	58,147
Allowance for credit losses	(6,461)	(3,883)	(23,985)	(34,329)
	3,335,939	253,214	34,162	3,623,315

	31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
	US$ '000	US$ '000	US$ '000	US$ '000
Good (1-4)	1,219,723	139,196	-	1,358,919
Satisfactory (5-7)	1,170,475	319,509	-	1,489,984
Default (8-10)	-	-	42,161	42,161
Allowance for credit losses	(12,269)	(9,381)	(14,756)	(36,406)
	2,377,929	449,324	27,405	2,854,658

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5 MUDARABA AND MUSHARAKA FINANCING (continued)

5.2 Musharaka financing (continued)

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

	31 December 2021			
	Stage 1: 12-month ECL	Stage 2: Lifetime ECL not credit-impaired	Stage 3: Lifetime ECL credit-impaired	Total
	US$ '000	US$ '000	US$ '000	US$ '000
Balance at 1 January	12,269	9,381	14,756	36,406
Changes due to financing recognised in opening balance that have:				
- transferred to Stage 1	498	(496)	(2)	-
- transferred to Stage 2	(239)	263	(24)	-
- transferred to Stage 3	(3)	(211)	214	-
Net remeasurement of loss allowance	(1,207)	(4,731)	6,776	838
Recoveries / write-backs	-	-	(553)	(553)
Allocation from (to) investment risk reserve	(1,069)	(26)	94	(1,001)
Amounts written off	-	-	(11,579)	(11,579)
FX translation / others	(3,788)	(297)	14,303	10,218
	6,461	3,883	23,985	34,329

	31 December 2020			
	Stage 1: 12-month ECL	Stage 2: Lifetime ECL not credit-impaired	Stage 3: Lifetime ECL credit-impaired	Total
	US$ '000	US$ '000	US$ '000	US$ '000
Balance at 1 January	2,496	2,406	14,723	19,625
Changes due to receivables recognised in opening balance that have:				
- transferred to Stage 1	(252)	262	(10)	-
- transferred to Stage 2	(2,581)	2,583	(2)	-
- transferred to Stage 3	(4)	(4)	8	-
Net remeasurement of loss allowance	12,860	4,235	266	17,361
Recoveries / write-backs	-	-	(482)	(482)
Allocation from (to) investment risk reserve	346	(2)	(3)	341
FX translation / others	(596)	(99)	256	(439)
	12,269	9,381	14,756	36,406

Notes to the Consolidated Financial Statements

at 31 December 2021

6. INVESTMENTS

	2021 US$ '000	2020 US$ '000
Equity and debt-type instruments at fair value through statement of income (note 6.1)	52,688	234,405
Equity-type instruments at fair value through equity (note 6.2)	87,451	107,971
Debt-type instruments at amortised cost (note 6.3)	4,102,509	4,533,589
	4,242,648	4,875,965
Investment in real estate (note 6.4)	186,767	176,136
Investment in associates (note 6.5)	43,234	45,088
	4,472,649	5,097,189

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

	2021			2020		
	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	-	33,653	33,653	3,308	3,389	6,697
Equity Securities	7,569	4,596	12,165	221,493	686	222,179
	7,569	38,249	45,818	224,801	4,075	228,876
Unquoted investments						
Equity Securities	6,870	-	6,870	1,885	3,644	5,529
	6,870	-	6,870	1,885	3,644	5,529
	14,439	38,249	52,688	226,686	7,719	234,405

6.2 Equity-type instruments at fair value through equity

	2021			2020		
	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	13,754	31,552	45,306	20,292	30,044	50,336
Managed funds	3,382	11,146	14,528	3,515	4,342	7,857
	17,136	42,698	59,834	23,807	34,386	58,193
Unquoted investments						
Equity Securities	10,215	15,157	25,372	7,216	14,039	21,255
Managed funds	546	9,032	9,578	993	34,949	35,942
	10,761	24,189	34,950	8,209	48,988	57,197
Provisions for impairment	(6,911)	(422)	(7,333)	(6,952)	(467)	(7,419)
	20,986	66,465	87,451	25,064	82,907	107,971

Notes to the Consolidated Financial Statements

at 31 December 2021

6. INVESTMENTS (continued)

6.3 Debt-type instruments at amortised cost

	2021			2020		
	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	1,913,519	1,504,459	3,417,978	1,673,465	1,556,333	3,229,798
Unquoted investments						
Sukuk and similar items	97,905	594,194	692,099	119,526	1,192,521	1,312,047
Allowance for credit losses	(502)	(7,066)	(7,568)	(772)	(7,484)	(8,256)
	2,010,922	2,091,587	4,102,509	1,792,219	2,741,370	4,533,589

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 2021			
	Stage 1 US$ '000	Stage 2 US$ '000	Stage 3 US$ '000	Total US$ '000
Good (1-4)	3,483,937	-	-	3,483,937
Satisfactory (5-7)	611,661	11,914	-	623,575
Default (8-10)	-	-	2,565	2,565
Allowance for credit losses	(4,966)	(37)	(2,565)	(7,568)
	4,090,632	11,877	-	4,102,509

	31 December 2020			
	Stage 1 US$ '000	Stage 2 US$ '000	Stage 3 US$ '000	Total US$ '000
Good (1-4)	3,959,071	-	-	3,959,071
Satisfactory (5-7)	517,658	62,551	-	580,209
Default (8-10)	-	-	2,565	2,565
Less: allowance for credit losses	(4,490)	(1,201)	(2,565)	(8,256)
	4,472,239	61,350	-	4,533,589

Notes to the Consolidated Financial Statements

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6 INVESTMENTS

6.3 Debt-type instruments at amortised cost (continued)

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

	31 December 2021			
	Stage 1: 12-month ECL	Stage 2: Lifetime ECL not credit-impaired	Stage 3: Lifetime ECL credit-impaired	Total
	US$ '000	US$ '000	US$ '000	US$ '000
Balance at 1 January	4,490	1,201	2,565	8,256
Changes due to instruments recognised in opening balance that have:				
- transferred to Stage 1	74	(74)	-	-
- transferred to Stage 2	710	(710)	-	-
Net remeasurement of loss allowance	464	(370)	-	94
Allocation from investment risk reserve	(620)	-	-	(620)
FX translation / others	(152)	(10)	-	(162)
	4,966	37	2,565	7,568

	31 December 2020			
	Stage 1: 12-month ECL	Stage 2: Lifetime ECL not credit-impaired	Stage 3: Lifetime ECL credit-impaired	Total
	US$ '000	US$ '000	US$ '000	US$ '000
Balance at 1 January	4,651	584	2,565	7,800
Net remeasurement of loss allowance	(272)	480	-	208
Allocation from investment risk reserve	54	126	-	180
FX translation / others	57	11	-	68
	4,490	1,201	2,565	8,256

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6 INVESTMENTS (continued)

6.4 Investment in real estate

	2021			2020		
	Self financed	Jointly financed	Total	Self financed	Jointly financed	Total
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
Land	1,973	100,572	102,545	3,951	114,316	118,267
Buildings	12,348	71,874	84,222	11,573	46,296	57,869
	14,321	172,446	186,767	15,524	160,612	176,136

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

	2021	2020
	US$ '000	US$ '000
Beginning balance of the year	176,136	206,108
Acquisitions	33,113	3,729
Net loss from fair value adjustments	(6,843)	(4,063)
Disposals	(11,467)	(26,531)
Foreign exchange translation / others - net	(4,172)	(3,107)
	10,631	(29,972)
Ending balance of the year	186,767	176,136

6.5 Investment in associates

Investment in associates comprise the following:

	2021			
	Self financed	Jointly financed	Total	Market value
	US$ '000	US$ '000	US$ '000	US$ '000
Quoted associates	-	12,767	12,767	11,834
Unquoted associates	30,447	20	30,467	
	30,447	12,787	43,234	

	2020			
	Self financed	Jointly financed	Total	Market value
	US$ '000	US$ '000	US$ '000	US$ '000
Quoted associates	-	11,729	11,729	9,742
Unquoted associates	33,359	-	33,359	
	33,359	11,729	45,088	

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at 31 December 2021

7 IJARAH MUNTAHIA BITTAMLEEK

	2021			2020		
	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	2,340	2,209,182	2,211,522	16,679	1,942,652	1,959,331
Accumulated depreciation	(328)	(408,494)	(408,822)	(114)	(395,219)	(395,333)
Allowance for credit losses	-	(8,384)	(8,384)	(170)	(15,506)	(15,676)
Net book value	2,012	1,792,304	1,794,316	16,395	1,531,927	1,548,322
Equipment						
Cost	76,581	233,925	310,506	72,853	224,737	297,590
Accumulated depreciation	(13,100)	(71,703)	(84,803)	(24,673)	(70,157)	(94,830)
Allowance for credit losses	(259)	(4,337)	(4,596)	(431)	(7,712)	(8,143)
Net book value	63,222	157,885	221,107	47,749	146,868	194,617
Others						
Cost	-	5,349	5,349	-	12,780	12,780
Accumulated depreciation	-	(1,964)	(1,964)	-	(8,061)	(8,061)
Allowance for credit losses	-	(8)	(8)	-	(31)	(31)
Net book value	-	3,377	3,377	-	4,688	4,688
TOTAL						
Cost	78,921	2,448,456	2,527,377	89,532	2,180,169	2,269,701
Accumulated depreciation	(13,428)	(482,161)	(495,589)	(24,787)	(473,437)	(498,224)
Less: allowance for credit losses	(259)	(12,729)	(12,988)	(601)	(23,249)	(23,850)
Net book value	65,234	1,953,566	2,018,800	64,144	1,683,483	1,747,627

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 2021			
	Stage 1 US$ '000	Stage 2 US$ '000	Stage 3 US$ '000	Total US$ '000
Good (1-4)	570,992	4,872	-	575,864
Satisfactory (5-7)	1,217,341	238,570	-	1,455,911
Default (8-10)	-	-	13	13
Allowance for credit losses	(2,355)	(10,631)	(2)	(12,988)
	1,785,978	232,811	11	2,018,800

	31 December 2020			
	Stage 1 US$ '000	Stage 2 US$ '000	Stage 3 US$ '000	Total US$ '000
Good (1-4)	447,363	6,548	-	453,911
Satisfactory (5-7)	1,051,050	266,465	-	1,317,515
Default (8-10)	-	-	51	51
Allowance for credit losses	(2,408)	(21,434)	(8)	(23,850)
	1,496,005	251,579	43	1,747,627

Notes to the Consolidated Financial Statements

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7 IJARAH MUNTAHIA BITTAMLEEK (continued)

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

	31 December 2021			
	Stage 1: 12-month ECL	Stage 2: Lifetime ECL not credit-impaired	Stage 3: Lifetime ECL credit-impaired	Total
	US$ '000	US$ '000	US$ '000	US$ '000
Balance at 1 January	2,408	21,434	8	23,850
Net remeasurement of loss allowance	201	(9,964)	-	(9,763)
Allocation to (from) investment risk reserve	53	-	-	53
FX translation / others	(307)	(839)	(6)	(1,152)
	2,355	10,631	2	12,988

	31 December 2020			
	Stage 1: 12-month ECL	Stage 2: Lifetime ECL not credit-impaired	Stage 3: Lifetime ECL credit-impaired	Total
	US$ '000	US$ '000	US$ '000	US$ '000
Balance at 1 January	4,627	13,160	-	17,787
Changes due to ijarah muntahia bittamleek recognised in opening balance that have:				
- transferred to Stage 1	(8)	-	8	-
Net remeasurement of loss allowance	(1,820)	9,918	-	8,098
FX translation / others	(391)	(1,644)	-	(2,035)
	2,408	21,434	8	23,850

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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 2020	236,059	161,094	228,432	11,903	74,550	-	712,038
Additions	22,480	19,968	22,004	1,496	30,631	-	96,579
Disposals	(7,781)	-	(3,087)	(961)	(5,154)	-	(16,983)
Foreign exchange translations	(8,298)	(11,119)	(7,999)	(1,181)	(14,123)	-	(42,720)
At 31 December 2020	242,460	169,943	239,350	11,257	85,904	-	748,914
Additions	768	12,973	17,907	362	18,113	103,370	153,493
Revaluation	-	42,035	-	-	-	-	42,035
Disposals	(2,512)	(645)	(12,679)	(672)	(258)	(2,798)	(19,564)
Foreign exchange translations	(13,738)	(25,599)	(20,766)	(3,705)	(18,301)	(18,154)	(100,263)
At 31 December 2021	**226,978**	**198,707**	**223,812**	**7,242**	**85,458**	**82,418**	**824,615**
Depreciation:							
At 1 January 2020	59,018	-	177,081	5,359	15,549	-	257,007
Charged during the year (note 20)	7,835	-	18,376	888	3,716	-	30,815
Relating to disposals	(74)	-	(2,760)	(86)	(461)	-	(3,381)
Foreign exchange translations	(5,048)	-	(5,999)	(382)	(2,670)	-	(14,099)
At 31 December 2020	61,731	-	186,698	5,779	16,134	-	270,342
Charged during the year (note 20)	8,516	-	17,384	734	3,500	14,956	45,090
Relating to disposals	(651)	-	(12,181)	(361)	(37)	(4,327)	(17,557)
Foreign exchange translations	(7,290)	-	(12,845)	(1,270)	(5,828)	14,013	(13,220)
At 31 December 2021	**62,306**	**-**	**179,056**	**4,882**	**13,769**	**24,642**	**284,655**
Net book values:							
At 31 December 2021	**164,672**	**198,707**	**44,756**	**2,360**	**71,689**	**57,776**	**539,960**
At 31 December 2020	180,729	169,943	52,652	5,478	69,770	-	478,572

*Additions includes right-of-use assets recognized by Group on adoption of FAS 32 Ijarah on 1 January 2021 amounted to USD 74.3 million.

9. OTHER ASSETS

	2021 US$'000	2020 US$'000
Bills receivables	**214,699**	297,067
Goodwill and intangible assets (note 9 (a))	**76,026**	75,788
Collateral pending sale	**114,751**	176,126
Good faith qard	**97,675**	115,012
Deferred taxation	**79,451**	60,284
Prepayments	**27,396**	25,606
Others	**24,885**	39,684
	634,883	789,567
Impairment / allowance for credit losses	**(27,380)**	(25,051)
	607,503	764,516

Notes to the Consolidated Financial Statements

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9 OTHER ASSETS (continued)

9 (a) Goodwill and intangible assets

	2021			2020		
	Goodwill US$ '000	Intangible assets US$ '000	Total US$ '000	Goodwill US$ '000	Intangible assets US$ '000	Total US$ '000
At 1 January	46,804	28,984	75,788	51,360	23,722	75,082
Additions	-	18,910	18,910	117	14,603	14,720
Amortisation charge for the year (note 20)	-	(13,675)	(13,675)	-	(8,776)	(8,776)
Impairment loss for the year	-	-	-	(2,500)	-	(2,500)
Foreign exchange translations	(3,428)	(1,569)	(4,997)	(2,173)	(565)	(2,738)
At 31 December	43,376	32,650	76,026	46,804	28,984	75,788

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:

	2021 US$ '000	2020 US$ '000
Al Baraka Turk Participation Bank	3,004	5,107
Al Barak Bank Egypt	1,004	1,001
Jordan Islamic Bank	26,646	26,646
Al Baraka Bank (Pakistan) Limited	12,722	14,050
	43,376	46,804

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

	2021 US$ '000	2020 US$ '000
Murabaha financing	15,889	35,787
Subordinated financing obtained by a subsidiary	270,944	283,577
	286,833	319,364

11. OTHER LIABILITIES

	2021 US$ '000	2020 US$ '000
Payables	407,696	600,558
Cash margins	280,934	236,028
Managers' cheques	89,928	102,106
Current taxation *	84,269	80,612
Deferred taxation *	27,391	11,368
Accrued expenses	84,987	99,712
Charity fund	25,640	30,077
Net Ijarah liability	60,791	-
Others	57,715	80,646
Allowance for credit losses	85,771	86,516
	1,205,122	1,327,623

* 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.

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12 EQUITY OF INVESTMENT ACCOUNTHOLDERS (IAH)

	2021 US$ '000	2020 US$ '000
Equity of investment accountholders *	15,530,827	15,152,840
Profit equalisation reserve (note 12.1)	3,597	6,345
Investment risk reserve (note 12.2)	62,800	65,202
Cumulative changes in fair value attributable to equity of investment accountholders - net (note 12.3)	2,183	5,802
	15,599,407	15,230,189

* Medium term Sukuk

This includes unsecured, sub-ordinated and privately placed unrestricted mudaraba sukuk amounting to US$ 19,439 thousand (2020: US$ 12,883 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.

12.1 Profit equalisation reserve

The following shows the movement in profit equalisation reserve:

	2021 US$ '000	2020 US$ '000
Balance at 1 January	6,345	7,400
Amount apportioned from income allocable to equity of investment accountholders	1,302	2,423
Amount used during the year	(3,556)	(2,582)
Foreign exchange translations	(494)	(896)
Balance at 31 December	3,597	6,345

12.2 Investment risk reserve

The following shows the movement in investment risk reserve:

	2021 US$ '000	2020 US$ '000
Balance at 1 January	65,202	77,199
Amount appropriated to provision (note 22)	4,159	(20,201)
Amount apportioned from income allocable to equity of investment accountholders	(6,145)	8,469
Foreign exchange translations	(416)	(265)
Balance at 31 December	62,800	65,202

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

	2021 US$ '000	2020 US$ '000
Balance at 1 January	5,802	7,423
Change in fair values during the year	(714)	(1,215)
Realised gain transferred to consolidated statement of income	(2,406)	(157)
Deferred taxation effect	1,186	521
Transfer to shareholders equity	(1,685)	(770)
Balance at 31 December	2,183	5,802
Attributable to investment in real estate	4,136	8,591
Attributable to equity-type instruments at fair value through equity	(1,953)	(2,789)
	2,183	5,802

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13 EQUITY

	2021 US$ '000	2020 US$ '000
Share capital		
Authorised: 2,500,000,000 (2020: 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 (2020: 1,242,879,755) shares of US$1 each	1,242,879	1,242,879
At end of the year		
1,242,879,755 (2020: 1,242,879,755) shares of US$1 each	1,242,879	1,242,879

Treasury shares

	Number of shares ('000)	2021 US$ '000	2020 US$ '000
At 1 January	32,502	17,462	8,308
Purchase of treasury shares	1,914	1,914	9,636
Sale of treasury shares	(3,721)	(3,721)	(482)
At 31 December	30,695	15,655	17,462

The market value of the treasury shares is US$ 9,209 thousand (2020: US$ 8,386 thousand) and it represents 2.5% (2020: 2.6%) 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 2021

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%

At 31 December 2020

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

Notes to the Consolidated Financial Statements
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13 EQUITY (continued)

Additional information on shareholding pattern (continued)

At 31 December 2021

Categories:	Number of shares	Number of shareholders	% of total outstanding shares
Less than 1%	104,607,036	1,083	8.42%
1% up to less than 5%	130,354,801	5	10.48%
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%	680,431,667	2	54.75%
	1,242,879,755	1,092	100.00%

At 31 December 2020

Categories:	Number of shares	Number of shareholders	% of total outstanding shares
Less than 1%	104,768,232	1,101	8.43%
1% up to less than 5%	130,193,605	5	10.47%
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%	680,431,667	2	54.75%
	1,242,879,755	1,110	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 Bank that are directly related to raising capital and have been incurred in cash.

b. Statutory reserve

In accordance with the BCCL and the Bank'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 Bank'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$ 11,275 thousand (2020: US$ 6,658 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:

Subsidiary	Currency	2021 US$ '000	2020 US$ '000
Banque Al Baraka D'Algerie (BAA)	Algerian Dinar	74,184	68,594
Al Baraka Bank (Pakistan) Limited	Pakistani Rupees	37,615	31,499
Al Baraka Bank Egypt (ABE)	Egyptian Pound	116,329	117,960
Al Baraka Turk Participation Bank (ATPB)	Turkish Lira	475,106	392,992
Al Baraka Bank Limited (ABL)	South African Rand	22,674	19,637
Al Baraka Bank Sudan (ABS)	Sudanese Pound	128,790	91,312
Al Baraka Bank Tunis (ABT)	Tunisian Dinar	33,046	28,677
Al Baraka Bank Syria (ABBS)	Syrian Pound	53,267	50,480
BTI Bank	Moroccan Dirham	(283)	(662)
		940,728	800,489

Notes to the Consolidated Financial Statements

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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 20 March 2021 empowered the Executive Management of Al Baraka Banking Group to pay an amount of US$ 1,015 thousand as Zakah on behalf of the shareholders deducted from the retained earnings for the financial year of 2020. The Group has paid and distributed the full amount to those who are entitled to receive Zakah as per Shari'a boundaries and as approved by the Unified Shari'a Board.

	2021 **US$ '000**	2020 US$ '000
Zakah to be paid on behalf of shareholders for the year	**1,015**	1,656
Uses of Zakah:		
Zakah for the poor and needy	**427**	751
Zakah for new converts to islam	**-**	20
Scholarships	**588**	650
Total uses	**1,015**	1,421
Remaining Zakah to be paid	**-**	235

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 constitues 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$ 50 million (31 December 2020: US$ 50 million) issued by the Group's subsidiary in February 2018 which is not subscribed by the parent.

14. PERPETUAL 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 7.875% 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.

Notes to the Consolidated Financial Statements
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15 NET INCOME FROM JOINTLY AND SELF FINANCED CONTRACTS AND INVESTMENTS

	2021 US$ '000	2020 US$ '000
Receivables (note 15.1)	925,161	924,381
Mudaraba and Musharaka financing (note 15.2)	245,465	180,308
Investments (note 15.3)	337,312	435,390
Ijarah Muntahia Bittamleek (note 15.4)	121,803	104,300
Others	6,831	2,226
	1,636,572	1,646,605
Net income from jointly financed contracts and investments	1,304,017	1,285,391
Gross income from self financed contracts and investments	332,555	361,214
	1,636,572	1,646,605
Gross income from self financed contracts and investments	332,555	361,214
Profit paid on short term financing	(169,607)	(96,139)
Net income from self financed contracts and investments	162,948	265,075

15.1 Receivables

	2021 US$ '000	2020 US$ '000
Sales (Murabaha) receivables	897,431	889,571
Salam receivables	15,652	16,727
Istisna'a receivables	12,078	18,083
	925,161	924,381

15.2 Mudaraba and Musharaka financing

	2021 US$ '000	2020 US$ '000
Mudaraba financing	187,290	121,292
Musharaka financing	58,175	59,016
	245,465	180,308

15.3 Investments

	2021 US$ '000	2020 US$ '000
Equity-type instruments at fair value through equity	4,584	3,560
Debt-type instruments at amortised cost	297,017	394,642
Unrealised loss on equity and debt-type instruments at fair value through statement of income	15,319	24,705
Gain on sale of equity-type instruments at fair value through equity	2,400	1,076
Gain on sale of equity and debt-type instruments at fair value through statement of income	1,751	3,664
Gain (loss) income from investment in real estate	3,079	(609)
Income from associates	9,896	5,049
Gain on sale of investment in real estate	3,266	3,303
	337,312	435,390

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15.4 Ijarah Muntahia Bittamleek

	2021 US$ '000	2020 US$ '000
Income from Ijarah Muntahia Bittamleek	255,152	316,051
Depreciation on Ijarah Muntahia Bittamleek	(133,349)	(211,751)
	121,803	104,300

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

	2021 US$ '000	2020 US$ '000
Banking fees and commissions	124,754	104,569
Letters of credit	24,107	31,181
Guarantees	24,701	24,793
Acceptances	7,037	5,445
	180,599	165,988

18. OTHER OPERATING INCOME

	2021 US$ '000	2020 US$ '000
Foreign exchange gain*	102,294	122,593
Gain on sale of property and equipment	19,114	32,470
	121,408	155,063

* An amount of US$ 25 million (2020: US$ 37 million) is related to foreign currency revaluation gain from subsidiaries.

19. PROFIT PAID ON LONG TERM FINANCING

	2021 US$ '000	2020 US$ '000
Murabaha financing	986	4,255
Subordinated financing obtained by a subsidiary	30,387	28,353
Wakala	1,658	1,791
	33,031	34,399

20. DEPRECIATION AND AMORTISATION

	2021 US$ '000	2020 US$ '000
Property and equipment depreciation (note 8)	45,090	30,815
Intangible assets amortisation (note 9 (a))	13,675	8,776
	58,765	39,591

21. OTHER OPERATING EXPENSES

	2021 US$ '000	2020 US$ '000
General and administration expenses	124,345	133,458
Professional and business expenses	26,570	29,145
Premises related expenses	35,671	49,502
	186,586	212,105

Notes to the Consolidated Financial Statements

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22 NET ALLOWANCE FOR CREDIT LOSSES / IMPAIRMENT

2021	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 31 December	3,737	676,910	51,975	15,186	11,164	14,618	21,788	15,675	23,850	25,051	86,516	946,470
Charged during the year	(17)	302,660	8,729	5,769	10,729	(68)	906	2,448	(9,763)	3,457	9,673	334,523
Written back/recovered during the year	-	(63,962)	(11,450)	(885)	(2,036)	-	(553)	(2,284)	-	(747)	716	(81,201)
	(17)	238,698	(2,721)	4,884	8,693	(68)	353	164	(9,763)	2,710	10,389	253,322
	3,720	915,608	49,254	20,070	19,857	14,550	22,141	15,839	14,087	27,761	96,905	1,199,792
Written off during the year	-	(41,282)	(23)	-	-	(11,579)	-	-	-	-	-	(52,884)
Amount appropriated from investment risk reserve (note 12.2)	-	(1,088)	(32)	-	(1,470)	-	(1,001)	(621)	53	-	-	(4,159)
Foreign exchange translations/others - net	4	(75,192)	(1,210)	(1,158)	(924)	14,760	(4,542)	(317)	(1,152)	(381)	(11,134)	(81,246)
Allowance at 31 December	3,724	798,046	47,989	18,912	17,463	17,731	16,598	14,901	12,988	27,380	85,771	1,061,503

During the year, an impairment loss of US$ 391 thousand (2020: US$ 4,106 thousand) was charged against investments.

An amount of US$ 7,333 thousand (2020: US$ 7,419 thousand) is related to provision of equity type instruments at fair value through equity.

2020	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 31 December	3,685	519,229	34,452	12,441	4,960	6,831	12,794	14,610	17,787	23,181	23,137	673,107
Charged during the year	52	228,572	22,939	4,547	4,787	7,015	10,346	1,569	8,098	2,399	57,126	347,450
Written back/recovered during the year	-	(52,658)	(3,886)	(985)	(5)	-	(482)	(701)	-	(12)	(2,706)	(61,435)
	52	175,914	19,053	3,562	4,782	7,015	9,864	868	8,098	2,387	54,420	286,015
	3,737	695,143	53,505	16,003	9,742	13,846	22,658	15,478	25,885	25,568	77,557	959,122
Written off during the year	-	(13,185)	-	-	-	-	-	-	-	-	-	(13,185)
Amount appropriated from investment risk reserve (note Attributable to investment in real estate)	-	17,400	645	-	1,635	-	341	180	-	-	-	20,201
Foreign exchange translations/others - net	-	(22,448)	(2,175)	(817)	(213)	772	(1,211)	17	(2,035)	(517)	8,959	(19,668)
Allowance at 31 December	3,737	676,910	51,975	15,186	11,164	14,618	21,788	15,675	23,850	25,051	86,516	946,470

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22 NET ALLOWANCE FOR CREDIT LOSSES / IMPAIRMENT (continued)

The provisions relate to the following geographical areas:

2021	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	3,715	412,915	10,936	-	537	17,731	445	11,142	53	22,186	76,393	556,053
North Africa	9	51,426	34,720	7,394	918	-	1,230	1,782	12,607	2,777	2,993	115,856
Europe	-	312,819	-	-	-	-	4,037	12	320	1,545	1,839	320,572
Others	-	20,886	2,333	11,518	16,008	-	10,886	1,965	8	872	4,546	69,022
Total	3,724	798,046	47,989	18,912	17,463	17,731	16,598	14,901	12,988	27,380	85,771	1,061,503
2020												
Middle East	3,677	340,437	11,738	-	2,007	14,618	1,439	10,872	-	21,365	78,393	484,546
North Africa	60	30,708	37,555	6,710	977	-	1,210	1,510	23,112	1,847	3,215	106,904
Europe	-	280,487	-	-	-	-	8,431	8	711	756	4,725	295,118
Others	-	25,278	2,682	8,476	8,180	-	10,708	3,285	27	1,083	183	59,902
Total	3,737	676,910	51,975	15,186	11,164	14,618	21,788	15,675	23,850	25,051	86,516	946,470

The fair value of collateral the Group holds relating to non-performing facilities as at 31 December 2021 amounts to US$ 488 million (2020: US$ 588.7 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:

	2021	2020
Net income attributable to the equity shareholders of the parent for the year - US$ '000	112,750	66,580
Profit distributed on perpetual tier 1 capital	(31,500)	(31,500)
	81,250	35,080
Number of shares outstanding at the beginning of the year (in thousands)	1,242,879	1,242,879
Treasury shares effect (in thousands)	(32,350)	(32,502)
Weighted average number of shares outstanding at the end of the year (in thousands)	1,210,529	1,210,377
Earnings per share - US cents	6.71	2.90

24. CASH AND CASH EQUIVALENTS

	2021 US$ '000	2020 US$ '000
Balances with central banks excluding mandatory reserve	1,574,344	1,440,939
Balances with other banks	646,835	497,408
Cash and cash in transit	708,578	839,830
	2,929,757	2,778,177

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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	2021 US$ '000	2020 US$ '000
Net income from jointly financed contracts and investments	2,011	(33)	116	-	2,094	2,941
Return on equity of investment accountholders	199	1,816	441	-	2,456	3,710
Other fees and commission income	190	-	-	41	231	444

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

	2021 US$ '000	2020 US$ '000
Short term benefits	6,378	7,415
Long term benefits	698	927

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 2021 amounted to US$ 1.5 million (2020: 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	2021 US$ '000	2020 US$ '000
Assets:						
Receivables	196	-	913	-	1,109	6,040
Mudaraba and Musharaka financing	-	-	1,433	-	1,433	1,717
Investments	46,726	-	-	-	46,726	16,808
Other assets	42	-	233	-	275	573
Liabilities:						
Customer current and other accounts	6,187	178	1,323	5	7,693	13,052
Due to banks	13	10	-	-	23	579
Other liabilities	2	4	1	45	52	49
Equity of investment accountholders	21,554	1,086	14,469	21	37,130	28,954
Off-balance sheet equity of investment accountholders	18,817	8,548	1,901	-	29,266	24,779

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

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25. RELATED PARTY TRANSACTIONS (Continued)

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

			2021	Transaction
Name of directors	Position	Nationality	Number of shares	Number of shares
Abdulla Saleh Kamel	Chairman	Saudi	338,598	-
AbdulElah Sabbahi	Board Member	Saudi	225,899	-
Fahad AlRajhi (indirect)	Board Member	Saudi	10,815	-

			2020	Transaction
Name of directors	Position	Nationality	Number of shares	Number of shares
Abdulla Saleh Kamel	Chairman - elected on June 2020	Saudi	338,598	-
AbdulElah Sabbahi	Board Member	Saudi	225,899	-
Fahad AlRajhi (indirect)	Board Member	Saudi	10,815	-

26. COMMITMENTS AND CONTINGENCIES

	2021 US$ '000	2020 US$ '000
Letters of credit	877,971	645,083
Guarantees	1,587,388	1,832,887
Acceptances	130,561	104,947
Undrawn commitments	1,067,056	890,708
Shari'a compliant promise contracts	516,793	869,261
	4,179,769	4,342,886

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.

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27. SEGMENTAL ANALYSIS (Continued)

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

	2021			2020		
Segment	Assets US$ '000	Liabilities US$ '000	IAH US$ '000	Assets US$ '000	Liabilities US$ '000	IAH US$ '000
Middle East	15,327,597	3,893,707	10,041,898	13,891,840	3,430,814	9,130,834
North Africa	2,734,389	1,498,991	943,683	2,631,510	1,446,142	899,172
Europe	8,051,980	4,428,389	3,400,171	9,256,366	4,965,210	3,870,198
Others	2,068,211	703,556	1,213,655	2,470,283	955,250	1,329,985
	28,182,177	10,524,643	15,599,407	28,249,999	10,797,416	15,230,189

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

	2021			2020		
Segment	Total operating income US$ '000	Net operating income US$ '000	Net income US$ '000	Total operating income US$ '000	Net operating income US$ '000	Net income US$ '000
Middle East	567,621	324,661	140,727	557,179	304,659	77,812
North Africa	117,624	51,953	30,365	126,688	62,264	18,339
Europe	258,940	97,744	3,232	325,800	152,825	36,990
Others	97,277	37,718	15,357	130,082	59,682	32,748
	1,041,462	512,076	189,681	1,139,749	579,430	165,889

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.

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28. RISK MANAGEMENT (Continued)

a) Liquidity risk (Continued)

The maturity profile at 31 December 2021 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	3,695,001	13,908	7,406	-	410,676	8,849	-	-	-	1,788,038	5,923,878
Receivables	1,336,808	1,323,233	1,430,250	1,553,715	2,525,074	2,100,390	536,841	176,496	13,265	-	10,996,072
Mudaraba and Musharaka financing	2,527,772	18,392	9,846	52,820	421,261	370,583	150,233	72,408	-	-	3,623,315
Investments	219,593	360,877	93,529	329,029	1,656,410	1,153,266	357,223	17,387	1,000	284,335	4,472,649
Ijarah Muntahia Bittamleek	31,400	32,073	84,693	119,967	406,966	318,549	497,678	472,566	54,908	-	2,018,800
Property and equipment	-	-	-	-	-	-	-	-	-	539,960	539,960
Other assets	162,762	41,334	55,939	75,568	61,635	20,079	-	1,631	-	188,555	607,503
Total assets	7,973,336	1,789,817	1,681,663	2,131,099	5,482,022	3,971,716	1,541,975	740,488	69,173	2,800,888	28,182,177
Liabilities											
Customer current and other accounts	7,728,895	-	-	-	-	-	-	-	-	-	7,728,895
Due to banks	729,831	259,438	112,113	45,973	130,063	244	7,631	18,500	-	-	1,303,793
Long term financing	21,360	5,254	750	9,620	7,460	61,827	180,562	-	-	-	286,833
Other liabilities	421,195	126,327	94,139	119,357	33,929	175,900	14,436	21,014	-	198,825	1,205,122
Total liabilities	8,901,281	391,019	207,002	174,950	171,452	237,971	202,629	39,514	-	198,825	10,524,643
Equity of investment accountholders	5,343,801	1,704,038	878,758	1,434,923	3,195,381	851,720	1,663,761	527,025	-	-	15,599,407
Total liabilities and equity of investment accountholders	14,245,082	2,095,057	1,085,760	1,609,873	3,366,833	1,089,691	1,866,390	566,539	-	198,825	26,124,050
Net liquidity gap	(6,271,746)	(305,240)	595,903	521,226	2,115,189	2,882,025	(324,415)	173,949	69,173	2,602,063	2,058,127
Cumulative net liquidity gap	(6,271,746)	(6,576,986)	(5,981,083)	(5,459,857)	(3,344,668)	(462,643)	(787,058)	(613,109)	(543,936)	2,058,127	
Off-balance sheet equity of investment accountholders	223,416	88,282	71,933	447,211	103,163	68,083	117,877	7,691	47	-	1,127,703

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at 31 December 2021

28. RISK MANAGEMENT (Continued)

a) Liquidity risk (Continued)

The maturity profile at 31 December 2020 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	4,002,827	11,625	8,709	-	451,964	8,770	-	-	-	877,549	5,361,444
Receivables	1,739,016	1,458,536	1,467,365	1,743,098	2,514,567	2,282,171	650,300	83,788	7,152	-	11,945,993
Mudaraba and Musharaka financing	1,596,182	8,173	81,358	20,771	577,180	373,274	68,310	128,220	1,190	-	2,854,658
Investments	369,294	491,021	615,995	582,046	1,394,276	878,468	538,437	930	2,166	224,556	5,097,189
Ijarah Muntahia Bittamleek	35,586	39,018	79,764	116,590	313,724	288,946	440,493	405,320	28,186	-	1,747,627
Property and equipment	-	-	-	-	-	-	-	-	-	478,572	478,572
Other assets	125,737	30,988	101,532	52,423	196,464	39,907	8,841	1,686	-	206,938	764,516
Total assets	7,868,642	2,039,361	2,354,723	2,514,928	5,448,175	3,871,536	1,706,381	619,944	38,694	1,787,615	28,249,999
Liabilities											
Customer current and other accounts	6,204,996	278,473	224,936	171,399	211,197	159,661	257,682	-	-	-	7,508,344
Due to banks	884,190	391,828	105,265	109,799	136,950	-	-	-	-	-	1,628,032
Long term financing	21,165	15,260	7,081	1,726	10,161	17,977	245,994	-	-	-	319,364
Other liabilities	687,828	95,083	131,838	65,096	22,311	90,328	208	-	-	248,984	1,341,676
Total liabilities	7,798,179	780,644	469,120	348,020	380,619	267,966	503,884	-	-	248,984	10,797,416
Equity of investment accountholders	5,709,229	1,799,658	825,006	1,582,718	2,856,958	860,371	1,504,637	91,612	-	-	15,230,189
Total liabilities and equity of investment accountholders	13,507,408	2,580,302	1,294,126	1,930,738	3,237,577	1,128,337	2,008,521	91,612	-	248,984	26,027,605
Net liquidity gap	(5,638,766)	(540,941)	1,060,597	584,190	2,210,598	2,743,199	(302,140)	528,332	38,694	1,538,631	2,222,394
Cumulative net liquidity gap	(5,638,766)	(6,179,707)	(5,119,110)	(4,534,920)	(2,324,322)	418,877	116,737	645,069	683,763	2,222,394	
Off-balance sheet equity of investment accountholders	79,005	258,075	149,759	681,955	97,501	152,295	116,390	7,695	39,235	-	1,581,910

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.

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28. RISK MANAGEMENT (Continued)

b) Credit risk (Continued)

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

	Maximum exposure	
	2021	2020
	US$ '000	US$ '000
Balances with central banks	**4,572,189**	4,027,943
Balances with other banks	**646,835**	497,408
Receivables	**10,996,072**	11,945,993
Mudaraba and Musharaka financing	**3,623,315**	2,854,658
Investments	**4,472,649**	5,097,189
Other assets	**309,879**	426,712
Total	**24,620,939**	24,849,903
Commitments and contingencies	**4,179,769**	4,342,886
	28,800,708	29,192,789

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 2021			
Type of Islamic Financing Contracts	**Neither past due nor non performing US$ '000**	**Past due but performing US$ '000**	**Non performing islamic financing contracts US$ '000**	**Total US$ '000**
Receivables	**10,444,593**	**626,627**	**807,262**	**11,878,482**
Mudaraba and Musharaka financing	**3,597,795**	**1,702**	**58,147**	**3,657,644**
Other assets	**326,232**	**1,177**	**9,850**	**337,259**
	14,368,620	**629,506**	**875,259**	**15,873,385**

	31 December 2020			
Type of Islamic Financing Contracts	Neither past due nor non performing US$ '000	Past due but performing US$ '000	Non performing islamic financing contracts US$ '000	Total US$ '000
Receivables	11,109,733	656,666	934,829	12,701,228
Mudaraba and Musharaka financing	2,845,225	3,678	42,161	2,891,064
Other assets	444,301	1,123	6,339	451,763
	14,399,259	661,467	983,329	16,044,055

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28. RISK MANAGEMENT (Continued)

b) Credit risk (Continued)

Aging analysis of past due but performing Islamic financing contracts

The following table summarises the aging of past due but performing islamic financing contracts as of:

	31 December 2021			
Type of Islamic Financing Contracts	Less than 30 days US$ '000	31 to 60 days US$ '000	61 to 90 days US$ '000	Total US$ '000
Receivables	89,393	222,988	314,246	626,627
Mudaraba and Musharaka financing	1,307	211	184	1,702
Other assets	482	404	291	1,177
	91,182	223,603	314,721	629,506

	31 December 2020			
Type of Islamic Financing Contracts	Less than 30 days US$ '000	31 to 60 days US$ '000	61 to 90 days US$ '000	Total US$ '000
Receivables	149,787	158,996	347,883	656,666
Mudaraba and Musharaka financing	2,570	421	687	3,678
Other assets	391	411	321	1,123
	152,748	159,828	348,891	661,467

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.

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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).

Notes to the Consolidated Financial Statements

at 31 December 2021

28 RISK MANAGEMENT (continued)

c) Concentration risk (continued)

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.

The distribution of assets, liabilities and equity of investment accountholders items by economic sectors was as follows:

	2021			2020		
	Assets US$ '000	Liabilities US$ '000	IAH US$ '000	Assets US$ '000	Liabilities US$ '000	IAH US$ '000
Manufacturing	2,956,333	200,344	354,311	4,529,603	166,488	403,783
Mining and quarrying	101,177	3,151	26,840	178,966	3,630	29,542
Agriculture	132,246	36,953	13,065	176,243	34,575	15,851
Construction and real estate	2,562,346	22,380	19,304	2,704,963	23,255	20,379
Financial	5,073,272	1,607,138	1,901,811	4,304,550	2,065,887	1,735,509
Trade	2,006,368	280,891	229,889	1,716,019	294,681	214,500
Personal and consumer finance	3,428,089	6,091,288	10,217,345	3,069,122	5,620,301	10,143,401
Government	8,693,965	136,607	268,130	8,634,720	74,731	161,054
Other Sectors	3,228,381	2,145,890	2,568,712	2,935,813	2,513,868	2,506,170
	28,182,177	10,524,643	15,599,407	28,249,999	10,797,416	15,230,189

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$ 106,486 thousand (2020: US$ 335,679 thousand) comprising of equity-type instruments at fair value through equity amounting to US$ 87,451 thousand (2020: US$ 107,971 thousand) and equity-type instruments at fair value through statement of income amounting to US$ 19,035 thousand (2020: US$ 227,708 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.

Notes to the Consolidated Financial Statements
at 31 December 2021

28. RISK MANAGEMENT (Continued)

d) Market risk (Continued)

Foreign exchange risk

Foreign exchange risk arise from the movement of the rate of exchange over a period of time. Positions are monitored on a regular basis to ensure positions are maintained within established approved limits.

Following is the Group's exposure to different currencies in equivalent US dollars:

	2021		
Currency	Operational equivalent Long (Short) US$ '000	Strategic equivalent Long (Short) US$ '000	Total equivalent Long (Short) US$ '000
Turkish Lira	80,395	77,323	157,718
Jordanian Dinar	(37,935)	492,904	454,969
Egyptian Pound	(105,399)	287,765	182,366
Sudanese Pound	2,176	21,625	23,801
Algerian Dinar	13,155	104,291	117,446
Lebanese Pound	1,858	16,923	18,781
Pound Sterling	(6,845)	-	(6,845)
Tunisian Dinar	(4,196)	63,073	58,877
Euro	151,089	-	151,089
South African Rand	(437)	33,975	33,538
Pakistani Rupees	36,035	94,475	130,510
Syrian Pound	(12,150)	11,614	(536)
Moroccan Dirham	-	9,247	9,247
Others	14,608	-	14,608

	2020		
Currency	Operational equivalent Long (Short) US$ '000	Strategic equivalent Long (Short) US$ '000	Total equivalent Long (Short) US$ '000
Turkish Lira	309,231	146,342	455,573
Jordanian Dinar	14,280	458,019	472,299
Egyptian Pound	(1,440)	236,477	235,037
Sudanese Pound	1,254	42,679	43,933
Algerian Dinar	5,387	103,600	108,987
Lebanese Pound	1,292	16,923	18,215
Pound Sterling	(3,859)	-	(3,859)
Tunisia Dinar	(16,853)	55,946	39,093
Euro	(22,812)	-	(22,812)
South African Rand	(717)	35,530	34,813
Pakistani Rupees	(25,462)	94,475	69,013
Syrian Pound	3,423	12,379	15,802
Moroccan Dirham	-	11,606	11,606
Others	70,736	-	70,736

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

Notes to the Consolidated Financial Statements

at 31 December 2021

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 2021

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	21,747	-15%	(2,837)	5%	1,145
	Total owners' equity	192,392	-15%	(25,095)	5%	10,126
Egyptian Pound	Net Income	59,704	-20%	(9,951)	5%	3,142
	Total owners' equity	396,734	-20%	(66,122)	5%	20,881
Turkish Lira	Net Income	3,232	-20%	(539)	5%	170
	Total owners' equity	203,386	-20%	(33,898)	5%	10,705
Sudanese Pound	Net Income	6,808	-100%	(3,404)	5%	358
	Total owners' equity	28,554	-100%	(14,277)	5%	1,503
S.African Rand	Net Income	2,419	-15%	(316)	5%	127
	Total owners' equity	52,666	-15%	(6,869)	5%	2,772
Syrian Pound	Net Income	19,608	-100%	(9,804)	5%	1,032
	Total owners' equity	40,047	-100%	(20,024)	5%	2,108
Pakistani Rupees	Net Income	6,131	-10%	(557)	5%	323
	Total owners' equity	69,779	-10%	(6,344)	5%	3,673
Tunisian Dinar	Net Income	12,657	-10%	(1,151)	5%	666
	Total owners' equity	80,451	-10%	(7,314)	5%	4,234
Moroccan Dirham	Net Loss	(4,039)	-20%	673	5%	(213)
	Total owners' equity	18,872	-20%	(3,145)	5%	993

At 31 December 2020

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	15,197	-15%	(1,982)	5%	800
	Total owners' equity	191,150	-15%	(24,933)	5%	10,061
Egyptian Pound	Net Income	74,062	-20%	(12,344)	5%	3,898
	Total owners' equity	326,924	-20%	(54,487)	5%	17,207
Turkish Lira	Net Income	36,990	-20%	(6,165)	5%	1,947
	Total owners' equity	384,930	-20%	(64,155)	5%	20,259
Sudanese Pound	Net Income	26,630	-100%	(13,315)	5%	1,402
	Total owners' equity	56,354	-100%	(28,177)	5%	2,966
S.African Rand	Net Income	2,334	-15%	(304)	5%	123
	Total owners' equity	55,075	-15%	(7,184)	5%	2,899
Syrian Pound	Net Income	22,753	-100%	(11,377)	5%	1,198
	Total owners' equity	53,824	-100%	(26,912)	5%	2,833
Pakistani Rupees	Net Loss	3,783	-10%	(344)	5%	199
	Total owners' equity	73,614	-10%	(6,692)	5%	3,874
Tunisian Dinar	Net Income	7,758	-10%	(705)	5%	408
	Total owners' equity	71,360	-10%	(6,487)	5%	3,756
Moroccan Dirham	Net Loss	(4,616)	-20%	769	5%	(243)
	Total owners' equity	23,686	-20%	(3,948)	5%	1,247

Notes to the Consolidated Financial Statements

at 31 December 2021

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.

Capital Adequacy Ratio (CAR)

The Group capital adequacy ratio as of 31 December 2021 is 15.62% (2020: 15.97%) and the minimum requirement as per Central Bank of Bahrain is 12.5%.

Notes to the Consolidated Financial Statements
at 31 December 2021

28 RISK MANAGEMENT (continued)

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 President and Chief Executive, all Directors are non-executive. The posts of Chairman and President and Chief Executive are held by different Directors and each has separate, clearly defined responsibilities.

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.

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$ 4,310 million (2020: US$ 4,671 million).

Also included under investments are unquoted equity-type instruments at fair value through equity amounting to US$ 34,950 thousand (2020: US$ 57,197 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.

Notes to the Consolidated Financial Statements

at 31 December 2021

30 NSFR REQUIREMENTS AND CALCULATION METHODOLOGY

The Net Stable Funding Ratio ('NSFR') is calculated in accordance with the Liquidity Risk Management Module guidelines, issued by the CBB and is effective from 2019. The minimum NSFR ratio as per CBB is 100%. The Group's consolidated NSFR ratio as of 31 December 2021 is 251%.

The NSFR (as a percentage) must be calculated as follows:

	Unweighted Values (i.e. before / relevant factors)				
Item	No specified maturity US$ '000	Less than 6 months US$ '000	More than 6 months and less than one year US$ '000	Over one year US$ '000	Total weighted value US$ '000
Available Stable Funding (ASF):					
Capital:					
Regulatory Capital	1,879,017	-	-	252,172	2,131,189
Other Capital Instruments	-	-	-	-	-
Retail deposits and deposits from small business customers:					
Stable deposits	-	3,038,386	181,261	77,332	3,135,997
Less stable deposits	-	6,480,400	1,780,852	843,324	8,278,451
Wholesale funding:					
Operational deposits	-	128,179	9,240	-	68,710
Other wholesale funding	-	3,898,887	360,800	338,164	1,933,428
Other liabilities:					
NSFR Shari'a-compliant hedging contract liabilities	-	-	-	-	-
All other liabilities not included in the above categories	-	470,122	32,734	78,058	78,058
Total ASF	1,879,017	14,015,974	2,364,887	1,589,050	15,625,833
Required Stable Funding (RSF):					
Total NSFR high-quality liquid assets (HQLA)	4,390,764	2,668,718	-	-	42,524
Deposits held at other financial institutions for operational purposes	-	62,151	-	-	31,075
Performing financing and Sukuk/securities:					
Performing financing to financial institutions secured by Level 1 HQLA	-	24,624	1,747	50,271	53,607
Performing financing to financial institutions secured by non-level 1 HQLA and unsecured performing financing to financial institutions	-	779,834	50,604	249,988	392,265

Notes to the Consolidated Financial Statements

at 31 December 2021

30 NSFR REQUIREMENTS AND CALCULATION METHODOLOGY (continued)

	Unweighted Values (i.e. before / relevant factors)				
Item	No specified maturity US$ '000	Less than 6 months US$ '000	More than 6 months and less than one year US$ '000	Over one year US$ '000	Total weighted value US$ '000
Performing financing to non- financial corporate clients, financing to retail and small business customers, and financing to sovereigns, central banks and PSEs, of which:					
With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines	-	2,954,494	2,073,771	-	2,514,132
Performing residential mortgages, of which:					
With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	1,751,249	1,138,312
Securities/Sukuk that are not in default and do not qualify as HQLA, including exchange - traded equities	-	52,992	6,137	47,455	69,901
Other assets:					
Physical traded commodities, including gold	5	-	-	-	4
Assets posted as initial margin for Shari'a-compliant hedging contracts contracts and contributions to default funds of CCPs	-	-	-	-	-
NSFR Shari'a-compliant hedging assets	-	-	-	-	-
NSFR Shari'a-compliant hedging contract liabilities before deduction of variation margin posted	-	-	-	-	-
All other assets not included in the above categories	1,661,018	37,614	7,564	106,854	1,785,571
OBS items	3,735,779	-	-	-	186,789
Total RSF	9,787,566	6,580,427	2,139,823	2,205,817	6,214,180
NSFR (%)	19%	213%	111%	72%	251%

31 EARNINGS PROHIITED BY SHARI'A

Earnings realised during the year from transactions that were not permitted by Shari'a amounted to US$ 19 million (2020: US$ 10 million). This amount has been taken to charity.

32 COMPARATIVE FIGURES

Certain of the prior year's figures have been reclassified to conform to the presentation adopted in the current year. Such reclassification did not affect previously reported consolidated income or consolidated owners' equity.

Notes to the Consolidated Financial Statements

at 31 December 2021

COVID-19 pandemic has spread across various geographies globally, causing disruption to business and economic activities. COVID-19 has brought about uncertainties in the global economic environment. Global equity and commodity markets, in particular the hydrocarbon sector, experienced significant volatility. The estimation uncertainty is associated with extent and duration of the economic downturn. This includes the volatility in capital market, deterioration of credit quality of financial assets and escalating the liquidity management challenges. In this regards, the Group has undertaken various initiatives to ensure the protection of its human capital along-with uninterrupted supply of services to our customer base. Further, the strict prudential practices were followed to maintain sufficient liquidity levels and mitigate the possible impacts on assets base of the Bank. Further, the Group is actively monitoring the progress and impacts of such outbreak on its operations like possible loss of revenues, expected credit losses, onerous contract, etc.

The fiscal and monetary authorities, both domestic and international, have announced various support measures across the globe to counter possible adverse implications and offset such slowdown in economies. More specifically, the Central Bank of Bahrain and government has introduced the following fiscal stimulus package:

- Payment holiday for 6 months to eligible customers free of any additional profit in 2020;
- Concessionary repo to eligible banks free of cost or zero percent profit rate in 2020;
- Reduction of cash reserve ratio from 5% to 3% of subjective liabilities;
- Reduction of liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) ratio from 100% to 80%;
- Allowing to addback any additional impact on "Equity", from modification loss and ECL net of any subsidy / grant, to equity for the determination of capital adequacy ratio during the financial year 2020 and 2021. Thereafter, such amount will be amortized over a period of three year on an equal basis.
- Support provided to local business in the form of subsidy in utility bills and staff salaries for a period of three months.

SUPPLEMENTARY DISCLOSURES TO THE CONSOLIDATED FINANCIAL INFORMATION

at 31 December 2020

Additional Public Disclosures and Regulatory Capital Disclosure

At 31 December 2021 (Unaudited)

Additional Public Disclosures

31 December 2021

1. CAPITAL STRUCTURE AND CAPITAL ADEQUACY

The primary objectives of the Group's capital management are to ensure that the Group complies with externally imposed capital requirements and that the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities.

The Group's capital structure is primarily made of its paid-up capital, including the share premium and reserves. From regulation's perspective, the significant amount of the Group's capital are in Tier I as defined by the CBB, i.e., most of the consolidated capital are of permanent nature.

To assess its capital adequacy requirements in accordance with the CBB requirements, the Group adopts the standardised approach for its Credit Risk, Basic Indicator Approach for its Operational Risk and Standardised Measurement Approach for its Market Risk. To calculate its capital adequacy, the Group follows the accepted approaches approved by the CBB Rulebook. The Group consolidates all subsidiaries for Capital Adequacy Ratio (CAR) calculation. The Group strives to sustain reasonably higher capital cushion that strikes the balance between its business conduct and the regulatory requirements stipulated in the CBB capital adequacy requirements as a minimum accepted level of capital adequacy.

Table – 1. Capital Structure (PD-1.3.12 & 1.3.14)

The following table summarises the eligible capital as of:

	31 December 2021		
	CET 1	AT1	T2
	US$ '000	US$ '000	US$ '000
Tier 1 Capital			
Common Equity Tier 1 (CET1)			
Issued and fully paid up ordinary shares	1,242,879	-	-
Less: Treasury Shares	15,655	-	-
Legal / statutory reserves	194,051	-	-
Share premium	16,619	-	-
Retained earnings	463,672	-	-
Current net income	97,431	-	-
unrealized gains and losses on available for sale financial instruments	5,114	-	-
gains and losses resulting from converting foreign currency subsidiaries to the parent currency	(940,728)	-	-
all other reserves	2,487	-	-
unrealized gains and losses from fair valuing equities	15,319	-	-
Total CET1 capital before minority interest	1,081,189	-	-
Total minority interest in banking subsidiaries given recognition in CET1 capital	337,335	-	-
Total CET1 capital prior to regulatory adjustments	1,418,524	-	-
Less:			
Goodwill	43,376	-	-
Intangibles other than mortgage servicing rights	32,650	-	-
Deferred tax assets	5,823	-	-
Total Common Equity Tier 1 capital after the regulatory adjustments above (CET1 d)	1,336,675	-	-
Other Capital (AT1 & T 2)			
Instruments issued by parent company		400,000	-
Instruments issued by banking subsidiaries to third parties		32,347	93,673
Assets revaluation reserve - property, plant, and equipment		-	52,290
General financing loss provision		-	121,767
Total Available AT1 & T2 Capital		432,347	267,730
Net Available Capital after regulatory adjustments before Applying Haircut		432,347	267,730
Net Available Capital after Applying Haircut	1,336,675	432,347	267,730
Total Tier 1		1,769,022	
Total Capital			2,036,752

Additional Public Disclosures

31 December 2021

1. CAPITAL STRUCTURE AND CAPITAL ADEQUACY (Continued)

Table – 2. Capital requirement for different type of risks (PD - 1.3.18, 1.3.19)

The following table summarises the capital requirements for credit risk, market risk and operational risk as of:

	31 December 2021	
	Risk weighted assets US$ '000	Minimum capital requirements US$ '000
Credit Risk	9,741,375	1,217,672
Market Risk	1,353,200	169,150
Operational Risk	1,967,880	245,985
Total risk weighted exposures	13,062,455	1,632,807
Investment risk reserve (30% only)	18,840	2,355
Profit equalization reserve (30% only)	1,079	135
	13,042,536	1,630,317

Table – 3. Capital requirement by type of Islamic financing contracts (PD-1.3.17)

The following table summarises the capital requirements by type of Islamic financing contracts as of:

	31 December 2021	
Islamic financing contracts	Risk weighted assets US$ '000	Minimum capital requirements US$ '000
Receivables	3,673,690	459,211
Mudaraba and Musharaka financing	1,084,433	135,554
Ijarah Muntahia Bittamleek	804,959	100,620
	5,563,082	695,385

Table – 4. Capital Adequacy Ratios (PD-1.3.20 (a))

The following are capital adequacy ratios for Total capital and Tier 1 capital as of:

	31 December 2021
Total capital ratio	15.62%
Tier 1 capital ratio	10.25%

Additional Public Disclosures

31 December 2021

1. CAPITAL STRUCTURE AND CAPITAL ADEQUACY (Continued)

Table - 5. The Group's Subsidiaries Capital Adequacy Ratios (PD-1.3.20 (b))

The following are the Group's subsidiaries capital adequacy ratio prepared on the basis of the CBB requirements, which may differ form the local requirements of the countries in which the subsidiaries operate, as of:

	31 December 2021	
	Tier 1 capital ratio	Total capital ratio
Banque Al Baraka D'Algerie	23.04%	24.83%
Al Baraka Islamic Bank*	21.26%	22.96%
Al Baraka Bank Tunis	21.09%	22.08%
Al Baraka Bank Egypt	33.07%	33.93%
Al Baraka Bank Lebanon	8.08%	9.22%
Jordan Islamic Bank	27.73%	28.78%
Al Baraka Turk Participation Bank	5.95%	7.66%
Al Baraka Bank Limited	17.95%	18.34%
Al Baraka Bank Sudan	9.14%	11.14%
Al Baraka Bank Syria	18.53%	19.60%
BTI Bank	66.89%	67.38%

* These ratios represents the consolidated ratios and Al Baraka Pakistan has tier 1 capital ratio of 13.89% and total capital ratio of 18.65%.

Legal restrictions on capital and income mobility (PD-1.3.6 (c))

There are no major restrictions in distributing profits by the subsidiaries to the Bank. Such distribution should go through the legal and regulatory channels applicable in each jurisdiction. Mobilisation of capital, reserves and equivalent funds out of the subsidiaries to the parent is subject to the local rules and regulations. The parent is not subject to any restriction to support its subsidiary in the form of deposits or capital. However, as a procedure, a prior written approval has to be obtained from the CBB for increasing investments in subsidiaries.

Table – 6. Distribution of ownership of shares by nationality (PD-1.3.10(i))

The following table summarises the distribution of ownership of shares by nationality/ incorporation as of:

	31 December 2021
Nationality/ Incorporation	% holding
Bahraini	26.12%
Saudi	43.41%
Cayman Islands	19.32%
Emirati	6.07%
Others	5.08%

2. RISK MANAGEMENT

The Group is striving to bolster and instill the best practices of risk management across the Group's subsidiaries by ensuring prudent implementation of risk management policies which include effective risk identification, assessment, limit controls, monitoring and reporting.

The Group's risk management has the following objectives:

a. To ensure that key risks facing the Group and its subsidiaries are effectively identified, assessed, controlled, monitored and reported

b. To Unify Group-wide risk management to enable the Group to produce risk adjusted return on capital.

c. To Create a professional risk management culture throughout the Group with prudent, disciplined approach to risk taking based on comprehensive Group-wide policies, processes and limits.

d. To invest in key technology and systems to support and enhance the effectiveness and efficiency of risk management.

e. To have the right caliber of professionally risk qualified staff and their ongoing training.

f. To ensure strict segregation of duties and reporting lines between business personnel and thouse involved in reviewing and monitoring risks involved in businesses and operations.

g. To maintain clear, up tp date and well documented policies via Group Risk Management Manual by each of the Group's subsidiaries which incorporate the uniform processes and procedures of the Group in addition to the local requirements.

h. To ensure strict compliance with all Shari'a and legal requirements and regulatory directives.

2. RISK MANAGEMENT (Continued)

a) Liquidity risk

The liquidity management policy at a minimum includes the following: :

a. Articulates the Group' liquidity risk appetite and tolerance.
b. Sound process for identifying, measuring, monitoring and controlling liquidity risk.
c. Clear guidance on the composition and role of the asset/liability committee and other departments responsible for managing liquidity.
d. The processes and reports required to ensure monitoring and adherence to liquidity risk management strategies.
e. Liquidity metrics for identifying, measuring and analyzing liquidity risks as appropriate to the business mix, complexity and risk profile of the bank
f. Establish a framework for the composition of assets.
g. Early Warning Indicators.
h. Funding strategies to achieve sufficient diversification, both of funding sources and composition of liquid assets.
i. Stress testing guidelines to analyze the impact of stress scenarios on its consolidated group-wide liquidity position.
j. Contingency Funding plan that clearly sets out its strategies for addressing liquidity and funding shortfalls.
k. Periodic calculations to determine the extent to which the subsidiary is funding long-term assets with short-term liabilities.
l. Liquidity ratio benchmarks, e.g. parameters for the funding of long-term assets with short-term liabilities to guide liquidity management and the method for computing liquidity indicators.
m. Limits on the degree of concentrations that are deemed acceptable. This should:

   i) Ensure diversification of funding by origin and term structure by, for example, guarding against concentration by individuals or groups of depositors, types of deposit instruments, market sources of deposit, geographical sources, term to maturity, and deposit currencies. Where concentrations occur, the Group's subsidiaries manage their assets and liquidity profile to mitigate the risk; and

   ii) Set procedures for the orderly restoration of the liquidity position in the event of loss of funding where such concentrations are unavoidable. In addition, the Group's subsidiaries conduct an impact analysis on its dependency on any such concentrations.
n. Periodic review of the deposit structure. The review should include the volume and trend of various types of deposits offered, maturity distributions of time deposits, profit rate paid on each type of deposit, prevailing market profit rate, limits on large time deposits, public funds, and non-resident deposits.
o. Assess the acceptable mismatch in combination with currency commitments whereby the Group's subsidiaries undertake separate analysis of their strategy for each currency individually and accordingly set and regularly review limits on the size of cash flow mismatches over particular time horizons for foreign currencies in aggregate, and for each significant currency.

Table – 7. Liquidity Ratios (PD-1.3.37)

The following table summarises the liquidity ratios as of:

	31 December 2021
Short term assets to short term liabilities and IAH	71%
Liquid assets to total assets	27%

b) Credit risk

General credit policies and guiding principles

The following principles summarise the Group's financing and investing policies and form the framework of all financing decisions:

a. Financing will be extended when the Group can confidently expect that it will be repaid by the customer as agreed. This necessitates a thorough knowledge of the customer and clear understanding of the risks underlying the credit requests.
b. Financing should be extended where there are at least two clear sources of repayments.
c. It is generally preferred that the repayments are from cash generated by the customers' productive and ongoing income or activities.
d. Amounts, profits/other charges and terms under the prevailing market conditions for any proposed financing are to be consistent with the perceived quality of the risk being undertaken.
e. Financing should generally be extended where the Group's seniority as creditors is pari passu or better than any other financing.
f. Financing should be structured appropriately considering the purpose of the credit and the source of repayment.
g. Financing needs to be assessed on a stand alone basis as well as on portfolio basis to assess its impact on the total financing portfolio.
h. Compliance with all applicable local statutory and regulatory directives guidelines should be ensured in all cases.
i. Propriety and ethical standards should be taken into account in all financing decisions.

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2. RISK MANAGEMENT (Continued)

b) Credit risk (continued)

Table - 8. Gross funded and unfunded exposure (PD-1.3.23(a))

The Group's assets are funded by equity of investment accountholders (IAH) as well as the Group's own capital and current accounts (Self). The percentage of funding varies for each of the Group's subsidiary based on market conditions and applicable rules and regulations. However, at the Group level the percentage of funding of self financed represent 46% and of IAH represent 54%.

The following table summarises the amount of gross funded and unfunded credit exposure and average gross funded and unfunded exposure as of:

	31 December 2021				
	Self financed		Financed by IAH		Total
	Total gross credit exposure US$ '000	*Average gross credit exposure over the year US$ '000	Total gross credit exposure US$ '000	*Average gross credit exposure over the year US$ '000	Total self financed and financed by IAH US$ '000
Funded Exposure					
Receivables	2,225,264	2,382,674	8,770,808	9,176,597	10,996,072
Mudaraba and Musharaka financing	1,424,597	1,444,792	2,198,718	2,142,312	3,623,315
Investments	2,552,635	2,588,630	1,920,014	1,850,031	4,472,649
Ijarah Muntahia Bittamleek	583,568	563,910	1,435,232	1,351,208	2,018,800
Other assets	126,567	156,069	183,312	206,112	309,879
Unfunded Exposure					
Commitments and contingencies	4,179,769	4,183,823	-		4,179,769
	11,092,400		14,508,084		25,600,484

*Average Balances are computed based on quarter-end balances.

Table - 9. Geographic distribution of the gross funded exposure (PD-1.3.23(b))

The following table summarises the geographic distribution of gross funded exposure as of 31 December 2021, broken down into significant areas by major types of credit exposure:

	Self financed					Financed by IAH					IAH & Self financed
	Middle East US$ '000	North Africa US$ '000	Europe US$ '000	Others US$ '000	Total US$ '000	Middle East US$ '000	North Africa US$ '000	Europe US$ '000	Others US$ '000	Total US$ '000	Total US$ '000
Receivables	1,038,874	541,021	494,523	150,846	2,225,264	4,586,085	492,712	3,378,131	313,880	8,770,808	10,996,072
Mudaraba and Musharaka financing	829,464	73,299	275,440	246,394	1,424,597	1,744,892	31,594	-	422,232	2,198,718	3,623,315
Investments	945,265	23,455	1,256,346	327,569	2,552,635	1,780,593	8,381	-	131,040	1,920,014	4,472,649
Ijarah Muntahia Bittamleek	296,633	246,418	39,708	809	583,568	1,263,532	146,726	22,041	2,933	1,435,232	2,018,800
Other Assets	90,248	14,759	10,263	11,297	126,567	161,356	6,646	7,350	7,960	183,312	309,879
	3,200,484	898,952	2,076,280	736,915	6,912,631	9,536,458	686,059	3,407,522	878,045	14,508,084	21,420,715

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31 December 2021

2. RISK MANAGEMENT (Continued)

b) Credit risk (continued)

Table - 10. Exposure by counterparty type (PD-1.3.23(c))

The following table summarises the distribution of funded and unfunded exposure by counterparty type, broken down by major types of credit exposures as of 31 December 2021:

	Funded Exposures										Unfunded Exposures		Funded and Unfunded Exposures	
	Receivables		Mudaraba and Musharaka financing		Investments		Ijarah Muntahia Bittamleek		Other Assets		Commitments and contingencies		Total	
	Self	IAH	Self	IAH	Self	IAH	Self	IAH	Self	IAH	Self	IAH	Self	IAH
	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
Claims on sovereigns	369,784	1,252,928	339,400	1,458,068	2,237,039	1,662,056	26,536	8,851	-	-	148,301	-	3,121,060	4,381,903
Claims on International Organizations	-	-	-	-	2,122	7,075	-	-	-	-	-	-	2,122	7,075
Claims on MDBs	-	7,844	52,870	1,651	-	-	619	2,627	-	-	-	-	53,489	12,122
Claims on banks	189,845	261,306	442,170	188,954	132,176	16,401	1,209	759	-	-	639,087	-	1,404,487	467,420
Claims on corporates	655,517	4,480,387	530,535	139,753	37,494	14,990	198,022	482,991	-	-	2,567,570	-	3,989,138	5,118,121
Claims on retail	689,683	1,911,901	-	145,589	-	-	18,539	4,152	-	-	711,648	-	1,419,870	2,061,642
Mortgage	221,682	734,930	-	-	-	-	338,643	925,345	-	-	92,061	-	652,386	1,660,275
Past due receivables	98,753	121,512	3,913	20,762	-	-	-	10,507	-	-	1,815	-	104,481	152,781
Equity investment	-	-	-	-	62,463	81,447	-	-	-	-	-	-	62,463	81,447
Investment in funds	-	-	-	-	36,902	5,241	-	-	-	-	-	-	36,902	5,241
Specialized lending	-	-	55,709	243,941	-	-	-	-	-	-	19,287	-	74,996	243,941
Other assets	-	-	-	-	44,439	132,804	-	-	126,567	183,312	-	-	171,006	316,116
Total	2,225,264	8,770,808	1,424,597	2,198,718	2,552,635	1,920,014	583,568	1,435,232	126,567	183,312	4,179,769	-	11,092,400	14,508,084

Large Credit Exposure (PD - 1.3.23 (f))

The Group follows the CBB's guidelines with respect to the definition and measurement of large exposures at the consolidated level as stipulated in the CBB Rulebook for Islamic Banks.

There are no large exposures to individual counterparties where the exposure is in excess of the 15% individual obligor limit that qualifies for extra risk weight as per CBB's guidelines.

Past due, non-performing Islamic financing contracts and provisions (PD-1.3.22 (a))

Past due represents instalments that are not received on the contractual repayments date. The Group considers non-performing Islamic financing contracts as the contracts that are overdue for a period of 90 or more days. These exposures are placed on a non-accrual status with profit being recognised to the extent that it is actually received. It is the Group's policy that when an exposure is overdue for a period of 90 or more days, the whole financing facility extended is considered as past due, not only overdue instalments/payments.

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2. RISK MANAGEMENT (Continued)

b) Credit risk (continued)

Table -11. Credit quality of Islamic financing contracts by counterparty type (PD-1.3.23(h), 1.3.24 (b))
The following table summarises the total past due, non performing and neither past due nor non performing Islamic financing contracts and ageing of non performing Islamic financing contracts disclosed by counterparty type as of 31 December 2021:

					Ageing 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	1,834,937	1,806,877	23,320	4,740	4,740	-	-
Bank	3,045,580	3,036,011	-	9,569	9,569	-	-
Investment Firms	3,588	264	643	2,681	-	2,087	594
Corporates	7,875,063	6,644,777	566,308	663,978	285,227	261,449	117,302
Retail	3,114,217	2,880,691	39,235	194,291	94,488	41,729	58,074
	15,873,385	14,368,620	629,506	875,259	394,024	305,265	175,970

Table -12. Specific provisions by counterparty type (PD-1.3.23 (h), 1.3.24 (d))
The following table summarises the total expected credit looses (ECL) on stage 3 disclosed by counterparty type as of 31 December 2021:

	Stage 3 ECL					
	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 translations/ others - net US$ '000	Balance at the end of the year US$ '000
Bank	326	10,121	-	-	(162)	10,285
Investment Firms	-	2,975	(5,883)	-	(1,307)	(4,215)
Corporates	427,183	223,126	(66,221)	(52,378)	(92,420)	439,290
Retail	89,770	508	(6,782)	(506)	12,094	95,084
	517,279	236,730	(78,886)	(52,884)	(81,795)	540,444

Table -13. Expected credit losses stage 1 and 2 (PD-1.3.23 (h), 1.3.24 (d))
The following table summarises the movement of stage 1 and 2 ECL during the year ended:

	31 December 2021 US$ '000
Opening balance	274,362
Charged during the year	91,995
Foreign exchange translations/ others	9,938
Balance at the end of the year	376,295

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31 December 2021

2. RISK MANAGEMENT (Continued)

b) Credit risk (continued)

Table - 14. Past due and non-performing Islamic financing contracts and provisions by geographic areas (PD-1.3.23(i), PD-1.3.24(c))

The following table summarises the total past due and non performing Islamic financing contracts and provisions disclosed by geographical area as of:

	31 December 2021		
	Past due and non performing Islamic financing contracts US$ '000	Stage 3 ECL US$ '000	Stage 1 and 2 ECL US$ '000
Middle East	402,512	200,263	241,251
North Africa	229,883	75,880	20,248
Europe	768,140	209,202	107,657
Others	104,230	55,099	7,139
	1,504,765	540,444	376,295

Table - 15. Renegotiated Islamic financing contracts (PD-1.3.23(j))

	31 December 2021
	US$ '000
Renegotiated Islamic financing contracts	568,624

There is no significant impact of the renegotiated Islamic financing contracts on the provisions as well as present and future earnings. In addition, the magnitude of the restructuring activities is immaterial. These facilities has been renegotiated mainly to enter into new contracts with different tenor, profit or enhance the collaterals.

Others (PD-1.3.23(k), (l), PD-1.3.25(b) & (c))

The Group has no significant obligations with respect to recourse transaction.

The Group has not imposed any material penalties on customers for defaults.

The Group does not make use of eligible collaterals and guarantees in its credit risk analysis.

Table - 16. Counterparty Credit (PD-1.3.26 (b))

The following table summarises the counterparty credit risk exposure covered by collateral after the application of haircuts as of :

	31 December 2021
	US$ '000
Gross positive fair value of contracts	21,110,836
Netting Benefits	-
Netted Current Credit Exposure	21,110,836
Collateral held:	
Cash	581,776
Others	1,363,235
Real Estate	2,951,205
	4,896,216

The utilisation of the collaterals will be on a customer by customer basis and will be limited to the customer’s total exposure.

2. RISK MANAGEMENT (Continued)

c) Market risk

Market risk includes profit rate risk, displaced commercial risk, equity price risk and foreign exchange rate risk. The management of the Group have set limits on the level of risk that may be accepted. This is monitored by the local management at the subsidiary level.

Table – 17. Market Risk Capital Requirements (PD-1.3.27 (b))

The following table summarises the capital requirement for each category of market risk as of:

	31 December 2021	
	Equity position risk US$ '000	Foreign exchange risk US$ '000
Risk weighted exposure (RWE)	-	1,353,200
Capital requirements (12.5%)	-	169,150
Maximum value of RWE	-	1,979,488
Minimum value of RWE	-	1,249,725

Profit rate risk

Profit rate risk is the risk that the Group will incur a financial loss as a result of mismatch in the profit rate on the Group's assets and IAH. The profit distribution to IAH is based on profit sharing agreements. Therefore, the Group is not subject to any significant profit rate risk.

Displaced Commercial Risk

The Group is exposed to displaced commercial risk in the event of having IAH profit rates that are lower than market rates. The Group has partially mitigated this risk through the setting up of reserves that will be used in case of a drop in IAH profit rates. The policies and procedures for displaced commercial risk are formulated and implemented at the individual subsidiary level.

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 Group's investment portfolio.

Equity-type instruments at fair value through equity and investments in real estate are kept for capital gain purposes.

If financial instruments qualify to be included in the trading book, these must not exceed 25% of the total subsidiary's assets portfolio. For equity securities, the subsidiaries are required to observe the sectoral concentration limits outlined by the Group and/or their local requirement in this respect. Since trading securities in the trading book would be under marked-to-market requirement, the Risk Manager at the subsidiary level should immediately bring to the Credit and Risk Management at the Group as well as the subsidiary's asset/liability committee any volatility of position's value that is 15% or higher than the subsidiary's eligible capital to decide upon the appropriate course of action.

Table – 18. Investments in Banking Book (PD-1.3.31 (b) (c) & (f))

The following table summarises the total and average gross exposure of equity based financing structures by types of financing contracts and investments as of 31 December 2021:

	Total gross exposure US$ '000	Average gross exposure over the year US$ '000	Publicly held US$ '000	Privately held US$ '000	Capital requirement US$ '000
Sukuk and similar items	4,102,509	4,028,193	3,417,978	684,531	83,544
Equity Investment	161,167	205,632	103,891	57,276	20,146
Managed funds	22,206	17,670	14,528	7,678	2,776
	4,285,882	4,251,494	3,536,397	749,485	106,466

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2. RISK MANAGEMENT (Continued)

c) Market risk (continued)

Table – 19. Equity gains or losses in banking book (PD-1.3.31 (d) and (e))

The following table summarises the cumulative realised and unrealised gains or losses during the year ended:

	31 December 2021 US$ '000
Cumulative realised gains arising from sales or liquidations in the reporting year	1,906
Total unrealized losses recognised in the consolidated statement of financial positions but not through consolidated statement of income	2,400

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.

d) 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.

Table - 20. Operational risk exposure (PD-1.3.30 (a), (b) & (c))

The following table summarises the amount of exposure subject to basic indicator approach of operational risk and related capital requirements:

	Gross income		
	2021 US$ '000	2020 US$ '000	2019 US$ '000
Total Gross Income	**1,041,462**	1,139,749	967,397

	2021
Indicators of operational risk	
Average Gross income (US$ '000)	**1,049,536**
Multiplier	**12.5%**
	13,119,200
Eligible Portion for the purpose of the calculation	**15%**
TOTAL OPERATIONAL RISK WEIGHTED EXPOSURE (US$ '000)	**1,967,880**

The Group has no material legal contingencies including pending legal action.

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 (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 Group's policy also lays out the Operational Risk Management structure and the roles of all staff associated with operational risk. The major functional roles are defined for:

- Risk Management Committee
- Head of Credit and Risk Management
- Head of Operational, Liquidity and Market Risk
- Various departments

2. RISK MANAGEMENT (Continued)

d) Operational Risk (Continued)

The Risk Control Self Assessment exercise is viewed as an important part of the Group's Operational Risk Framework. It is proposed to be conducted every year by the Risk Management Department in coordination with the Internal Audit Department. In addition, the assessment shall also be based on the severity of the residual risks identified through Internal Audit reviews.

The Key processes identified in a Risk Control Self Assessment are:

- Risk and Control Identification Process
- Measurement of Operational Risk Exposures
- Identifying Unacceptable Risk Exposures
- Risk Action Plans.

The Operational Risk framework will be subject to periodic internal audit.

3. CORPORATE GOVERNANCE

Code of business conduct and ethics for members of the board of directors

Purpose:
The primary objectives of the following Code of Business Conduct and Ethics (the "Code") is to enable each Director to focus on areas of ethical risks, to help them recognize and deal with ethical issues, to provide mechanisms for reporting unethical conduct, and to foster a culture of honesty and accountability within the Group.

Conflict of interest:
Each Director must avoid any situation which may give rise to a conflict between their interests and those of the Group. Any situation which either will or may involve, a conflict of interest should be disclosed promptly to the Board of Directors in writing in advance of the meeting or verbally in the meeting itself. The concerned Director shall abstain from any discussion or decision on the matter of question. A conflict of interest can occur when a Director's personal interest is adverse to, or appears to be, adverse to the interests of the Group. Conflicts of interest also arise when a Director, or a member of their immediate family, receives an improper personal benefit as a result of their position as a Director of the Group. Common conflicts which Directors must endeavor to avoid include, but are not limited to, the following:

1 Engagement in any conduct or activity which may conflict with the best interests of the Group, or which may disrupt or impair Group's standing with any person or entity with whom or which the Group has to proposes to enter into a business or contractual relationship.

2 Acceptance of compensation (in any form) for services performed in relation to the Group from any source other than from the Group.

3 Acceptance by them or any member of their family of gifts from persons or entities who or which deal with the Group where acceptance of such gifts could generate a sense of obligation and thereby create a potential conflict of interest.

4 Utilization of the Group's assets, employees or information for personal use without obtaining the prior approval of the Board of Directors.

Confidentiality:
Confidential information includes all non-public information relating to the Group, whether in written or in oral form. Directors are under continuous obligation to maintain the confidentiality of information entrusted directly to them by the Group and any other confidential information about the Group which comes to them, from whatever source, in their capacity as a Director. Directors may disclose confidential information if such disclosures are mandated by the law.

Compliance with Rules, Laws and Regulation:
Directors shall, at all times, comply with all laws, rules and regulations applicable to the Group, including insider trading laws.

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3. CORPORATE GOVERNANCE (Continued)

Remuneration

The Group incentivise its Board members, executives and senior management and its Shari'a Board members in accordance to the remuneration policies and procedures approved by the Board. This policy links the incentives to the performance appraisal. The Group's corporate governance policy details the performance appraisal for the Board members.

The following table summarises remuneration of the Group's Directors, Shari'a Committee members, President & Chief Executive, Deputy Chief Executive and the Department Heads at Group Headquarters during the year ended :

	31 December 2021 US$ '000
Directors remuneration	1,500
Executive Management	
Salary and other remuneration, including meeting allowance	6,187
Fees	191
Bonuses	-
Benefits-in-kind	698
	7,076
Shari'a Committee Members fee and remuneration	207
	8,783

Complaints

The Group has adopted a special media approach to ensure that all the Group's stakeholders are well channelled through to the management. The contracted special media watch detect any news or complaints related to the Group and bring them to the attention of the Group's executive management.

Related party transactions

Related party transactions are governed by the Group corporate governance policy and individual subsidiaries' local rules and regulations. All related party transactions were conducted at arm's length.

External Auditors

The Board Audit Committee has continued to review the work carried out by the external auditors during the year, in particular timeliness of reporting, quality of work and related fees. Overall the Audit Committee believes that the work of the external auditors has been of a sufficiently high standard and that the fees are reasonable and therefore recommended to the Board and accordingly to the annual general meeting (AGM) to re-appoint the external auditors as auditor for the 2021 financial year. The AGM has approved the reappointment of the external auditor for the year 2021 on 25 March 2021 and the related regulatory approval were taken.

For the year 2021, annual audit and quarterly review services amounted to US$ 333,938 other attestation services amounted to US$ 167,109.

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4. EQUITY OF INVESTMENT ACCOUNTHOLDERS

The Group is exposed to some of the price risk on assets funded by IAH. The CBB requires the Group to maintain capital to cover the price risk arising from 30% of assets funded by IAH on a pro-rata basis.

The Group invests its own funds separately or jointly with amount received from Equity of Investment Account Holders. These funds received are managed in accordance with Shari' a requirements and standard of prudence is applied in the context of managing the overall portfolios to enable the Group to exercise its responsibilities. The Group is authorised by Equity of Investment Accountholders to invest the funds on the basis of Mudaraba, Murabaha, Salam, Ijarah transactions and other forms of contract in a manner which the Group deems appropriate without laying down any restrictions as to where, how and for what purpose the funds should be invested. Those investment accounts are available for different type of customers and investors ranging from retail to corporate.

The composition, characteristics, diversification, and concentration of portfolios are monitored within appropriate risk limits and indicators detailed in the Group's credit risk, liquidity risk, and other risks policies of the group. The strategic objectives of the investments of the funds are:

a) Targeted returns;
b) Compliance with credit and Investment policy and overall business plan; and
c) Diversified portfolio.

Funds are invested in Shari' a compliant commercial or consumer financing as well as short, medium, and long term investments excluding strategic investments. A due diligence process is in place which is consistent with business and risk policy guidelines of the Group after deduction of mandatory reserves and making allowance for short-term liquidity requirements.

Under all the aforesaid arrangement the Group can commingle the IAH funds with its own funds (Self-Financed). Some of the assets right from inception is designated exclusively as Self Financed by the Group.

The Group's share of profit as a Mudarib for managing equity of IAH and their share of income is based on the terms and conditions of the related Mudarib agreements. These funds are invested in Islamic modes of financing and investments including murabaha, musharaka, mudaraba and ijarah. There are no separate designations for portfolio managers, investment advisors and trustee. IAH accounts are managed at subsidiary levels by relevant departments.

Investors' share of income is calculated based on the income generated from joint investment accounts after deducting the expenses related to investment pool "mudarib share". Mudarib expenses include all expenses incurred by the Group, including specific provisions, but excluding staff cost and depreciation. The Group's "mudarib profit" is deducted from investors' share of income before distributing such income. In some cases, equity of IAH withdrawn before maturity are not entitled to any income and might be subject to charges. The practice varies for each subsidiary based on the business model, local market practices and prudential requirements for each subsidiary.

The basis applied by the Group in arriving at the investment account holders share of income varies for each subsidiary based on the business model, local market practices and prudential requirements for each subsidiary.

Table – 21 . Equity of IAH (PD-1.3.33 (a), (b) & (c))

The following table summarises the breakdown of IAH and return on IAH as of:

	31 December 2021 US$ '000
IAH - Banks	741,645
IAH - Non-banks	14,789,182
Profit equalisation reserve (PER) - Banks	173
Profit equalisation reserve (PER) - Non-banks	3,424
Investment risk reserve (IRR) - Banks	3,027
Investment risk reserve (IRR) - Non-banks	59,773
Cumulative changes in fair value attributable to IAH	2,183
	15,599,407

Additional Public Disclosures

31 December 2021

4. EQUITY OF INVESTMENT ACCOUNTHOLDERS (Continued)

Table – 22. Return on average IAH (PD-1.3.33 (d))

	2021
	%
Return on average IAH Equity	6.9
Return on average IAH Assets	4.6

Table – 23. Ratio by type of IAH (PD-1.3.33 (g))

	31 December 2021
	%
IAH - Banks	5
IAH - Non-banks	95

The appropriation percentage of IAH into profit equalisation reserve and investment risk reserve varies between each of the Group's subsidiary based on market conditions and applicable rules and regulations.

Table – 24. IAH by Islamic financing product type (PD-1.3.33 (h))

The following table summarises the percentage of IAH financing for each type of Shari'a-compliant contract to total IAH financing as of:

	31 December 2021
	%
Receivables	71
Mudaraba and Musharaka financing	18
Ijarah Muntahia Bittamleek	12

Table – 25. IAH by Counterparty Type (PD-1.3.33 (i))

The following table summarises the percentage of financing for each category of counterparty to total financing as of:

	31 December 2021
	%
Sovereign	23
Bank	4
Corporates	44
Retail	30

IAH Share of Profit (PD-1.3.33 (e) & (q))

The Group's share of profit as a Mudarib for managing IAH and the IAHs' share of income is based on the terms and conditions of the related Mudaraba agreements. These Mudaraba agreements are done at the individual subsidiary level. The rates and return are highly variable based on each of the subsidiaries' local environment as well as local rules and regulations. Detailed disclosures on IAH returns are analysed at the local level.

4. EQUITY OF INVESTMENT ACCOUNTHOLDERS (Continued)

Table – 26. IAH by type of Assets (PD-1.3.33 (r) & (s))

The following table summarises the types of assets in which the funds are invested, the actual allocation among various types of assets and the changes in the asset allocation in the last six months of the year ended:

	31 December 2021		
	Opening actual allocation US$ '000	Movement US$ '000	Closing actual allocation US$ '000
Cash and balances with banks	1,097,114	20,645	1,117,759
Receivables	8,910,364	(139,556)	8,770,808
Mudaraba and Musharaka financing	1,488,343	710,375	2,198,718
Investments	2,379,865	(459,851)	1,920,014
Ijarah Muntahia Bittamleek	1,182,742	252,490	1,435,232
Other assets	171,761	(14,885)	156,876
	15,230,189	369,218	15,599,407

Table – 27. Treatment of Assets financed by Equity of IAH (PD-1.3.33 (v))

The following table summarises the treatment of assets financed by IAH in the calculation of risk weighted assets (RWA) for capital adequacy purposes as of:

	31 December 2021		
Type of Claims	RWA US$ '000	RWA for capital adequacy purposes US$ '000	Capital charges US$ '000
Cash and notes	-	-	-
Claims on Sovereign	364,666	109,400	13,675
Claims on PSEs	1,651	495	62
Claims on MDBs	5,236	1,571	196
Claims on Banks	350,908	105,272	13,159
Claims on Corporates	4,606,827	1,382,048	172,756
Regulatory Retail Portfolio	1,494,315	448,295	56,037
Mortgage	1,548,321	464,496	58,062
Past due facilities	162,706	48,812	6,102
Investment in securities	82,653	24,796	3,100
Holding of Real Estates	315,616	94,685	11,836
Other Assets	416,925	125,078	15,635
	9,349,824	2,804,948	350,620

Additional Public Disclosures

31 December 2021

4. EQUITY OF INVESTMENT ACCOUNTHOLDERS (Continued)

Table – 28. Historical data over past five years related to IAH (PD-1.3.41 (b),(c),(d),(e),(f) & (g))

	2021 US$ '000	2020 US$ '000	2019 US$ '000	2018 US$ '000	2017 US$ '000
The profit available for shareholders before smoothing	**233,274**	218,816	147,132	168,003	174,243
The profit available for IAH before smoothing	**1,070,743**	1,066,575	1,244,567	1,159,241	1,084,420
The profit available for sharing between IAH and shareholders before smoothing	**1,304,017**	1,285,391	1,391,699	1,327,244	1,258,663
The percentage of profit available for shareholders	**1%**	1%	1%	1%	1%
The percentage of profit available for IAH	**6%**	6%	7%	8%	7%
The profit available for shareholders after smoothing	233,274	218,816	147,132	147,132	222,550
The profit available for IAH after smoothing	1,073,491	1,067,630	1,242,487	1,245,253	1,159,326
The profit available for sharing between IAH and shareholders after smoothing	**1,306,765**	1,286,446	1,389,619	1,392,385	1,381,876
The percentage of profit available for shareholders	**1%**	1%	1%	1%	1%
The percentage of profit available for IAH	**6%**	6%	7%	8%	7%
Profit equalisation reserve					
Balance at 1 January	6,345	7,400	5,320	6,006	6,091
Amount apportioned from income allocable to equity of IAH	1,302	2,423	(962)	4,240	910
Amount used during the year	(3,556)	(2,582)	(21)	(4,792)	(976)
Foreign exchange translations	(494)	(896)	3,063	(134)	(19)
Balance at 31 December	**3,597**	6,345	7,400	5,320	6,006
Investment risk reserve					
Balance at 1 January	65,202	77,199	104,005	187,149	176,583
Amount appropriated to provision	4,159	(20,201)	(1,771)	(26,423)	(8,069)
Amount apportioned from income allocable to equity of IAH	(6,145)	8,469	(24,616)	(47,755)	21,895
Foreign exchange translations	(416)	(265)	(419)	(8,966)	(3,260)
Balance at 31 December	**62,800**	65,202	77,199	104,005	187,149

The market benchmark rates for Equity of IAH for the Group differ at the subsidiaries' level based on local market environments.

5. OFF-BALANCE SHEET EQUITY OF INVESTMENT ACCOUNTHOLDERS

Off-balance sheet equity of investment accountholders funds are invested and managed in accordance with Shari'a requirements.

The Group as fund manager will manage and administer the investment account in a proper, diligent and efficient manner in accordance with applicable laws and local regulations.

The Group has appropriate procedures and controls in place commensurate to the size of its portfolio which includes:

(a) Organizing its internal affairs in a responsible manner, ensuring it has appropriate internal controls and risk management systems and procedures and controls designed to mitigate and manage such risks;

(b) Observing high standards of integrity and fair dealing in managing the scheme to the best interest of its investors; and

(c) Ensuring that the Group has the requisite level of knowledge and experience for the tasks that is undertaken and is competent for the work undertaken.

The range and measures of risks facing off balance sheet IAH are similar to those risks and measures for the relevant type of investment as disclosed by the Group.

Additional Public Disclosures

31 December 2021

5. OFF-BALANCE SHEET EQUITY OF INVESTMENT ACCOUNTHOLDERS (Continued)

Table – 29. Off-balance sheet equity of IAH by Islamic Financing product type (PD-1.3.33 (h))

The following table summarises the percentage of financing for each type of Shari'a-compliant contract to total financing as of:

	31 December 2021
	%
Receivables	60
Mudaraba and Musharaka financing	11
Ijarah Muntahia Bittamleek	29

Table – 30. Off-balance sheet equity of IAH by Counterparty Type (PD-1.3.33 (i))

The following table summarises the percentage of financing for each category of counterparty to total financing as of:

	31 December 2021
	%
Sovereign	25
Bank	19
Corporates	12
Retail	44

Off-Balance Sheet Equity of IAH Share of Profit (PD-1.3.33 (e) & (q))

The Group's share of profit as a Mudarib for managing IAH and off-balance sheet IAH's share of income is based on the terms and conditions of the related mudaraba agreements. These mudaraba agreements are done at the individual subsidiary level. The rates and return are highly variable based on each of the subsidiaries' local environment as well as local rules and regulations. Detailed disclosures on off-balance sheet equity of investment accountholders' returns and local market benchmark return are analysed at the local level.

Table – 31. Historical return on off-balance sheet equity of IAH over the past five years (PD-1.3.35 (b))

	2021	2020	2019	2018	2017
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
Return on off-balance sheet equity of IAH net of expenses	69,310	37,179	55,601	54,097	42,467

Regulatory Capital Disclosure

At 31 December 2021

Composition of Capital Disclosure Requirements

	Statement of Financial Position as in published financial statements 31 December 2021 US$ '000	Consolidated PIRI data 31 December 2021 US$ '000	Reference
Assets			
Cash and balances at central banks	5,923,878	5,927,602	
Trading portfolio assets	52,688	52,688	
Murabaha	10,481,410	10,843,793	
Ijarah assets	2,018,800	2,031,784	
Ijarah installment receivables	92,816	94,424	
Mudarabah	2,681,244	2,683,249	
Musharakah	942,071	950,412	
Salam	240,383	241,282	
Istisna'a	181,463	182,529	
Held to maturity	4,102,509	4,107,513	
Available for sale financial investments	87,451	87,451	
Investment in real estate	186,767	186,767	
Prepayments, accrued income and other assets	531,477	546,145	
Current and deferred tax assets	-	5,823	H
Investments in associates and joint ventures	43,234	43,234	
Goodwill	43,376	43,376	F
Other intangible assets	32,650	32,650	G
Property, Plant and Equipment	539,960	539,960	
Total Assets	**28,182,177**	**28,600,682**	
Liabilities			
Deposits or placement from banks	1,303,793	1,303,793	
Customer accounts	7,728,894	7,728,894	
Accruals, deferred income and other liabilities	1,093,463	1,020,546	
Current and deferred tax liabilities	111,660	111,660	
Long term financing	286,833	286,833	
Total liabilities	**10,524,643**	**10,451,726**	
Equity of Investment Account Holders	**15,599,407**	**15,599,407**	
Shareholders' Equity			
Paid-in share capital	1,227,224	1,227,224	A
Share premium	16,619	16,619	C1
Retained earnings	430,312	430,312	B
Of which related to modification loss and COVID 19 ECL net of government assisstant		146,110	N
		576,422	
Reserves	(686,785)	(739,078)	C2
Tier 1 Sukuk	400,000	400,000	L
Assets revaluation reserve - property, plant, and equipment	-	52,293	K
Expected credit losses (Stages 1 & 2)	-	121,767	M
Expected credit losses (Stages 1 & 2)	-	491,422	M1
Non controlling interest	670,757	670,757	
NCI - CET1	-	337,335	D
NCI -AT1	-	32,347	I
NCI-T2	-	93,673	J
		207,402	
Total Shareholders' Equity	**2,058,127**	**2,549,549**	
Total Liabilities, URIA and shareholders' equity	**28,182,177**	**28,600,682**	

Regulatory Capital Disclosure

At 31 December 2021

Common Disclosure Template		PIRI	Reference
Common Equity Tier 1 capital: instruments and reserves			
1	Directly issued qualifying common share capital plus related stock surplus	1,227,224	A
2	Retained earnings	576,422	B+N
3	Accumulated other comprehensive income (and other reserves)	(722,459)	C1+C2
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	337,335	D
6	**Common Equity Tier 1 capital before regulatory adjustments**	**1,418,522**	
Common Equity Tier 1 capital: regulatory adjustments			
7	Prudential valuation adjustments	-	
8	Goodwill (net of related tax liability)	43,376	F
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	32,650	G
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	5,823	H
28	**Total regulatory adjustments to Common equity Tier 1**	**81,849**	
29	**Common Equity Tier 1 capital (CET1)**	**1,336,673**	
Additional Tier 1 capital: instruments			
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	400,000	L
31	of which: classified as equity under applicable accounting standards	400,000	
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	32,347	I
35	*of which: instruments issued by subsidiaries subject to phase out*		
36	**Additional Tier 1 capital before regulatory adjustments**	**432,347**	
Additional Tier 1 capital: regulatory adjustments			
44	**Additional Tier 1 capital (AT1)**	**432,347**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**1,769,020**	
Tier 2 capital: instruments and provisions			
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	145,963	J+K
50	Provisions	121,767	M
51	**Tier 2 capital before regulatory adjustments**	**267,730**	
Tier 2 capital: regulatory adjustments			
58	**Tier 2 capital (T2)**	**267,730**	
59	**Total capital (TC = T1 + T2)**	**2,036,750**	
60	**Total risk weighted assets**	**13,042,536**	
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	10.25%	
62	Tier 1 (as a percentage of risk weighted assets)	13.56%	
63	Total capital (as a percentage of risk weighted assets)	15.62%	
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus D-SIB buffer requirement, expressed as a percentage of risk weighted assets)	12.5%	
65	of which: capital conservation buffer requirement	2.5%	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	3.7%	
National minima including CCB (where different from Basel III)			
69	CBB Common Equity Tier 1 minimum ratio	9%	
70	CBB Tier 1 minimum ratio	10.5%	
71	CBB total capital minimum ratio	12.5%	
Amounts below the thresholds for deduction (before risk weighting)			
72	Non-significant investments in the capital of other financials	239	
73	Significant investments in the common stock of financials	2,459	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	74,564	
Applicable caps on the inclusion of provisions in Tier 2			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	491,422	M1
77	Cap on inclusion of provisions in Tier 2 under standardised approach	121,767	M

Regulatory Capital Disclosure

At 31 December 2021

Composition of Capital Disclosure Requirements

Main features of regulatory capital instruments

1	Issuer	Al Baraka Banking Group	ABG Sukuk Limited	Al Baraka Bank (Pakistan) Limited	Al Baraka Bank (Pakistan) Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	BARKA - Bahrain Bourse & Nasdaq Dubai	Irish stock exchange	NA	NA
3	Governing law(s) of the instrument	All applicable laws and regulations of the Kingdom of Bahrain	English law	All applicable laws and regulations of the Islamic Republic of Pakistan	All applicable laws and regulations of the Islamic Republic of Pakistan
	Regulatory treatment				
4	Transitional CBB rules	Common Equity Tier 1	Additional Tier 1	Tier 2	Tier 2
5	Post-transitional CBB rules	Common Equity Tier 1	Additional Tier 1	Tier 2	Tier 2
6	Eligible at solo/group/group&solo	GROUP & SOLO	GROUP & SOLO	GROUP	GROUP
7	Instrument type (types to be specified by each jurisdiction)	Common Equity Shares	Mudaraba Sukuk	Unrestricted Mudaraba Sukuk	Unrestricted Mudaraba Sukuk
8	Amount recognized in regulatory capital (US$ in mil, as of most recent reporting date)	1,227	400	6	9,829
9	Par value of instrument	US$ 1	US$ 1,000	NA	NA
10	Accounting classification	Shareholders' equity	Shareholders' equity	Liability - amortized cost	Liability - amortized cost
11	Original date of issuance	Various dates	31-May-17	2014	2021
12	Perpetual or dated	Perpetual	Perpetual	Dated	Dated
13	Original maturity date	No maturity	No maturity	2021	2031
14	Issuer call subject to prior supervisory approval	NA	Yes	No	NA
15	Optional call date, contingent call dates and redemption amount	NA	31-May-22	NA	NA
16	Subsequent call dates, if applicable	NA	Each periodic distribution date thereafter	NA	NA
	Coupons / dividends				
17	Fixed or floating dividend/coupon	NA	Floating	Floating	Floating
18	Coupon rate and any related index	NA	7.875%, 5Y U.S.$ mid-swap rate	KIBOR	6 Month Kibor + 1.50%
19	Existence of a dividend stopper	NA	Yes	NA	No
20	Fully discretionary, partially discretionary or mandatory	NA	Fully discretionary	NA	Mandatory
21	Existence of step up or other incentive to redeem	NA	No	NA	Not Applicable
22	Noncumulative or cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative
23	Convertible or non-convertible	NA	Non convertible	NA	Non convertible
24	If convertible, conversion trigger (s)	NA	NA	NA	NA
25	If convertible, fully or partially	NA	NA	NA	NA
26	If convertible, conversion rate	NA	NA	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA	NA	NA
30	Write-down feature	No	Yes	No	No
31	If write-down, write-down trigger(s)	NA	A write-down of the Certificates (in whole or in part, as applicable) will take place if (i) the Obligor is instructed by the financial regulator to write-off or cancel such instruments on the grounds of non-viability or (ii) an immediate injection of capital is required, by way of an emergency intervention, without which the Obligor would become non-viable, as detailed in the Preliminary Prospectus.	NA	NA
32	If write-down, full or partial	NA	Full	NA	NA
33	If write-down, permanent or temporary	NA	Permanent	NA	NA
34	If temporary write-down, description of write-up mechanism	NA	NA	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to all depositors & creditors of the bank	Senior to only common equity shareholders	Subordinate to all liabilities	Subordinate to all liabilities
36	Non-compliant transitioned features	NA	NA	NA	No
37	If yes, specify non-compliant features	NA	NA	NA	NA

ABG Head Office Management

GROUP CHIEF EXECUTIVE OFFICER'S OFFICE

Mr. Mazin Manna
Group Chief Executive Officer
Mr. Mohsin Dashti
First Vice President - Head of Special Projects & Organization Development
Dr. Wajeeha Awadh
Chief Digital Officer

DEPUTY CHIEF EXECUTIVE

Mr. Houssem Bin Haj Amor
Deputy Chief Executive- Head of Business Development & Investments

COMMERCIAL BANKING

Mr. Mohammed El Qaq
Senior Vice President - Head of Commercial Banking

CORPORATE GOVERNANCE & BOARD AFFAIRS

Mr. Abdulmalek Mezher
First Vice Presedent - Head of Corporate Governance & Board Affairs

CREDIT & RISK MANAGEMENT

Mr. Azhar Aziz Dogar
Senior Vice President - Head of Credit and Risk Management
Dr. Hala Radwan
First Vice President

FINANCE

Mr. Ali Asgar Mandasorwala
First Vice President - Acting Head of Finance

GROUP COMPLIANCE

Mr. Abdulsamad Khalfan
Acting Group Head of Compliance & DMLRO
Ms. Hend Hatem
(Group Money Laundering Reporting Officer MLRO)

INTERNAL SHARI'A AUDIT

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

INTERNAL AUDIT

Mr. Mohammed Alawi Al-Alawi
Senior Vice President - Head of Internal Audit
Mr. Hassan Y. Al Banna
First Vice President

OPERATIONS & ADMINISTRATION

Mr. Fouad Janahi
First Vice President - Acting Head of Operations & Administration
Mr. Mohamed Jamsheer
First Vice President - Acting Head of Information Technology
Ms. Usha Ramesh *
Vice President - Corporate Communications & Branding

LEGAL AFFAIRS

Dr. Adel Basha
Senior Vice President - Head of Legal Affairs

STRATEGIC PLANNING

Dr. Mohammed Mustapha Khemira
Senior Vice President - Head of Strategic Planning
Mr. Ahmed M. AbdulGhaffar
First Vice President - Investors Relations

TREASURY, INVESTMENTS & FINANCIAL INSTITUTIONS

Mr. Suhail Tohami
Senior Vice President - Head of Treasury, Investments & Financial Institutions
Mr. Fouad Janahi
First Vice President - Financial Institutions

UNIFIED SHARI'A BOARD

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

* **Ms. Nadera Abuali** *was appointed as VP - Corporate Communications and Branding effective 16 January 2022.*

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