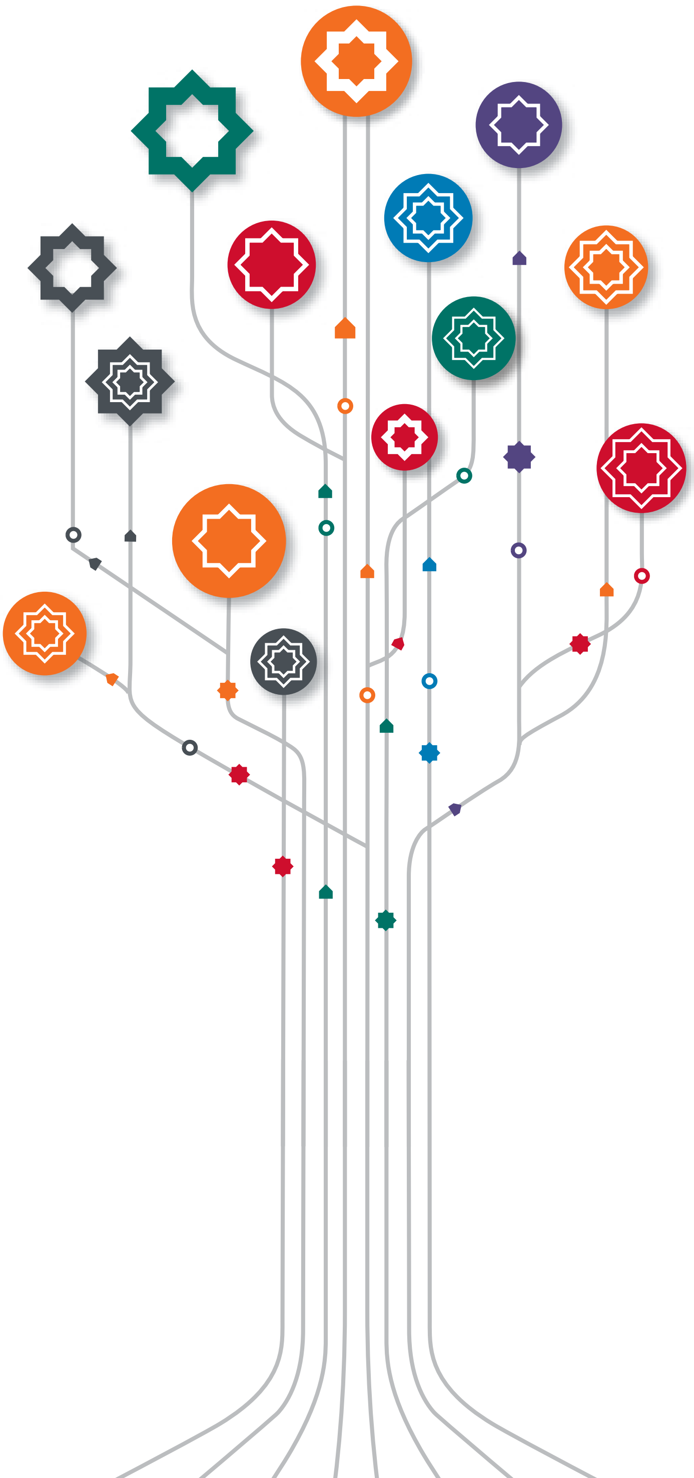
al Baraka

AGILITY | EFFICIENCY

ROOTED IN PARTNERSHIPS



ANNUAL REPORT 2019

Your Partner Bank

INTRODUCTION

"Al Baraka Banking Group's philosophy, in essence, is that Allah, The Almighty, grants mankind the power to inherit the land on this earth. As such, Man is not the owner of wealth but he is responsible for it.

The purpose of Man, by the commandment of Allah, The Almighty, is to construct, embellish, create and build on this earth. Man is therefore also ordained to create jobs for others. Thus, the wealth bestowed upon us belongs to Allah, The Almighty.

Therefore, we must apply Shari'a rules related to the ownership of wealth in creating the wealth and in investing, exchanging, growing and spending the wealth."

Shaikh Saleh Abdullah Kamel
Chairman of Board of Directors, Al Baraka Banking Group

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Al Baraka Headquarters, Bahrain Bay

OVER

3.1

MILLION CUSTOMERS

MAINTAINING STRONG LINKS TO OUR HERITAGE ENSURES BETTER PARTNERSHIPS INTO THE FUTURE

We believe that banking has a crucial role to play, and as bankers we have an incredible responsibility towards the resources in our hands.

Banking into the Future
To Impact the World Around Us

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

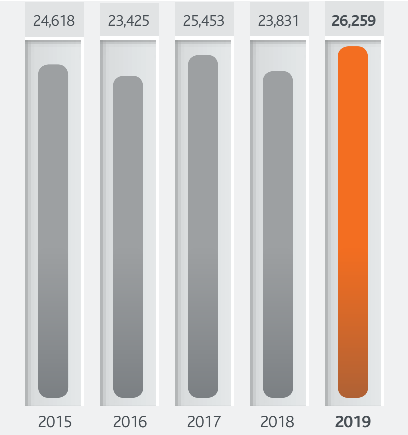
MISSION
To meet the financial needs of communities across the world by conducting business ethically in accordance with our beliefs, practicing the highest professional standards and sharing the mutual benefits with the customers, staff and shareholders who participate in our business success.

Financial Highlights

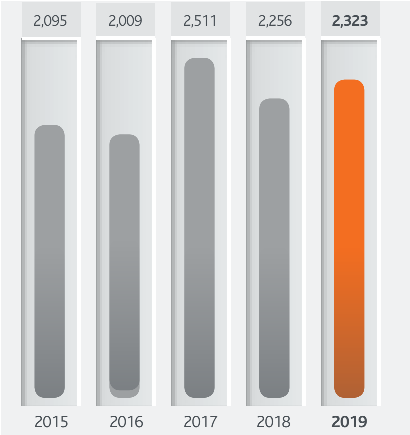
	2019	2018	2017	2016	2015
EARNINGS (US$ MILLIONS)					
Total Operating Income	**967**	988	999	1,074	1,000
Net Operating Income	**399**	447	430	507	464
Net Income	**180**	217	207	268	286
Net Income Attributable to Equity Holders of the Parent	**106**	129	129	152	163
Basic and Diluted Earnings per Share - US Cents*	**6.01**	7.91	9.19	12.29	13.19
FINANCIAL POSITION (US$ MILLIONS)					
Total Assets	**26,259**	23,831	25,453	23,425	24,618
Total Financing and Investments	**19,753**	17,861	19,123	17,465	18,358
Total Customer Accounts	**22,458**	19,627	20,670	19,179	20,164
Total Owners' Equity	**2,323**	2,256	2,511	2,009	2,095
Equity attributable to Parent	**1,467**	1,546	1,740	1,281	1,356
CAPITAL (US$ MILLIONS)					
Authorised	**2,500**	2,500	1,500	1,500	1,500
Subscribed and Fully Paid-up	**1,242.9**	1,242.9	1,206.7	1,149.2	1,115.7
PROFITABILITY RATIOS					
Return on Average Owners' Equity	**8%**	9%	9%	13%	14%
Return on Average Parent's Equity	**7%**	8%	9%	12%	12%
Return on Average Assets	**0.7%**	0.9%	0.8%	1.1%	1.2%
Operating Expenses to Operating Income	**59%**	55%	57%	53%	54%
FINANCIAL POSITION RATIOS					
Owners' Equity to Total Assets	**9%**	10%	10%	9%	9%
Total Financing and Investments as a Multiple of Equity (times)	**8.5**	7.9	7.6	8.7	8.8
Liquid Assets to Total Assets	**25%**	27%	25%	24%	24%
Net Book Value per Share (US$)*	**0.95**	0.93	1.09	1.04	1.10
OTHER INFORMATION					
Total Number of Employees	**12,662**	12,937	12,795	12,644	11,458
Total Number of Branches	**702**	697	675	697	586

* Adjusted for treasury and bonus shares.

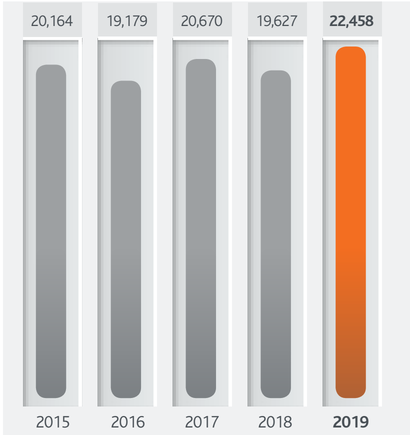
TOTAL ASSETS
(US$ Millions)



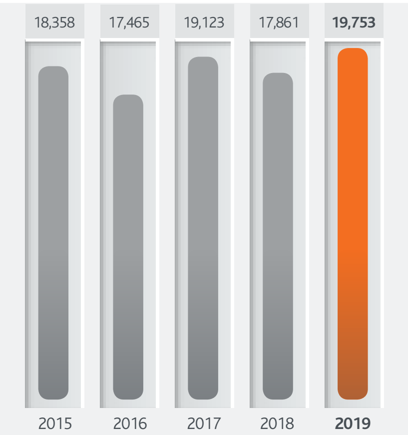
TOTAL OWNERS' EQUITY
(US$ Millions)



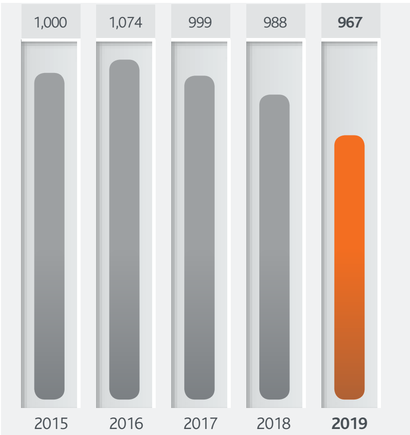
TOTAL CUSTOMER ACCOUNTS
(US$ Millions)



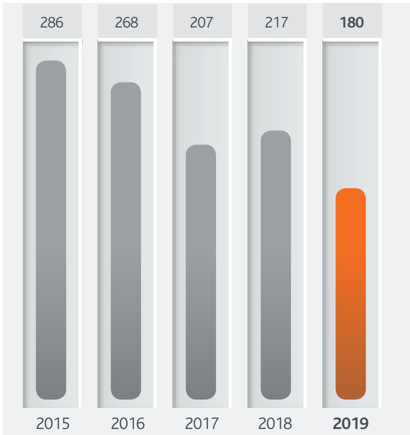
TOTAL FINANCING & INVESTMENTS
(US$ Millions)



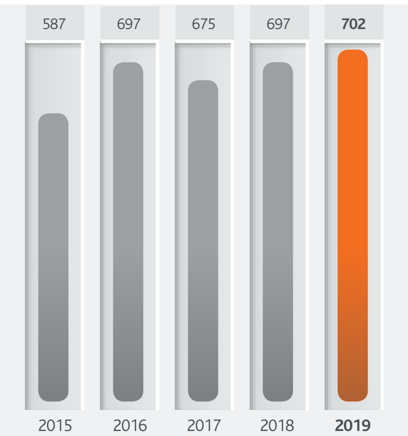
TOTAL OPERATING INCOME
(US$ Millions)



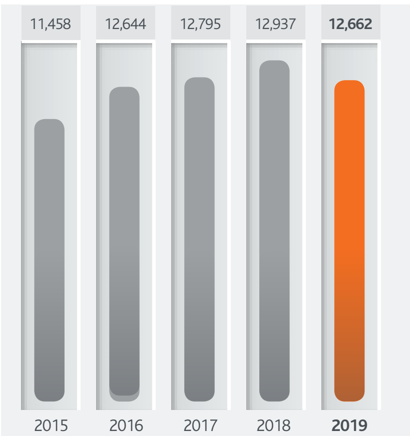
NET INCOME
(US$ Millions)



TOTAL NUMBER OF BRANCHES



TOTAL NUMBER OF EMPLOYEES



Net Income
US$ 180
million

Board of Directors & Unified Shari'a Supervisory Board

BOARD OF DIRECTORS

Shaikh Saleh Abdullah Kamel
Chairman

Mr. Abdulla A. Saudi ■
Vice Chairman

Mr. Abdullah Saleh Kamel ▲
Vice Chairman

Mr. Saleh Mohammed Al Yousef ■ ● ●
Board Member

Mr. Adnan Ahmed Yousif ●
Board Member and President & Chief Executive

Mr. Abdul Elah Sabbahi ● ●
Board Member

Mr. Ebrahim Fayez Al Shamsi ■ ▲ ●
Board Member

Mr. Jamal Bin Ghalaita ■ ▲ ●
Board Member

Mr. Yousef Ali Fadil Bin Fadil ■ ▲ ● ●
Board Member

Dr. Bassem Awadallah ■ ▲ ● ●
Board Member

Mr. Mohyedin Saleh Kamel ●
Board Member

Mr. Saud Saleh Al Saleh ■ ▲ ●
Board Member

Dr. Khaled Abdulla Ateeq ● ●
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

Dr. Ahmed Mohiyeldin Ahmed ●
Member

Shaikh Dr. Saad Bin Nasser Al Shithry
Member

Shaikh Dr. Al Ayachi Al Saddig Fiddad
Member

Mr. Yousif Hassan Khalawi
Member

Dr. Eltigani El Tayeb Mohammed
Secretary of the Unified Sharia Board and Sharia Officer

NOTES:

* *Mr. Abdulmalek Mezher was appointed as the Secretary to the Board effective of November 2019 in place of Mr. Salah Abuzaid.*

COMMITTEE NAME	CHAIRMAN OF THE COMMITTEE	MEMBER OF THE COMMITTEE
Board Executive Committee	▲	●
Board Audit Committee	▲	●
Board Affairs & Remuneration Committee	▲	●
Board Risk Committee	▲	●
Board Sustainability & Social Responsibility Committee	▲	●
Board Governance and Compliance	▲	●
Independent Directors		■

Executive Management

Mr. Adnan Ahmed Yousif
President & Chief Executive

Mr. Hamad A. Al Oqab
Deputy Chief Executive

Mr. Abdulrahman Shehab
Executive Vice President - Head of Operations and Administration

Mr. Salah Othman Abuzaid
Senior Vice President - Head of Legal Affairs

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

Mr. Ahmed Albalooshi
Senior Vice President - Head of Information Technology

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

Mr. Yaser Ismaeel Mudhafar
Senior Vice President - Head of Finance

Mr. Nader Mahmood*
Senior Vice President - Group Head of Compliance & MLRO Management

Dr. Ali Adnan Ibrahim
First Vice President - Head of Sustainability and Social Responsibility

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

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

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

Dr. El Tigani El Tayeb Mohammed
Sharia Officer and Secretary of the Unified Sharia Board

NOTES:

* *Mr. Nader Mahmood, Senior Vice President, was appointed as Group Head of Compliance & MLRO Management, effective 10 March 2019 upon the retirement of Mr. Qutub Yousafali on 31st March 2019*

** *Dr. Mohammed Mustapha Khemira, First Vice President, was appointed as Head of Strategic Planning, effective 1st November 2019 upon the retirement of Mr. K. Krishnamoorthy on 31st October 2019*

*** *Mr. Abdulmalek Mezher, First Vice President , was appointed as Head of Corporate Governance & Board Affairs, effective 3rd November 2019*

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Strong Local Idiom
in a Large Global Network

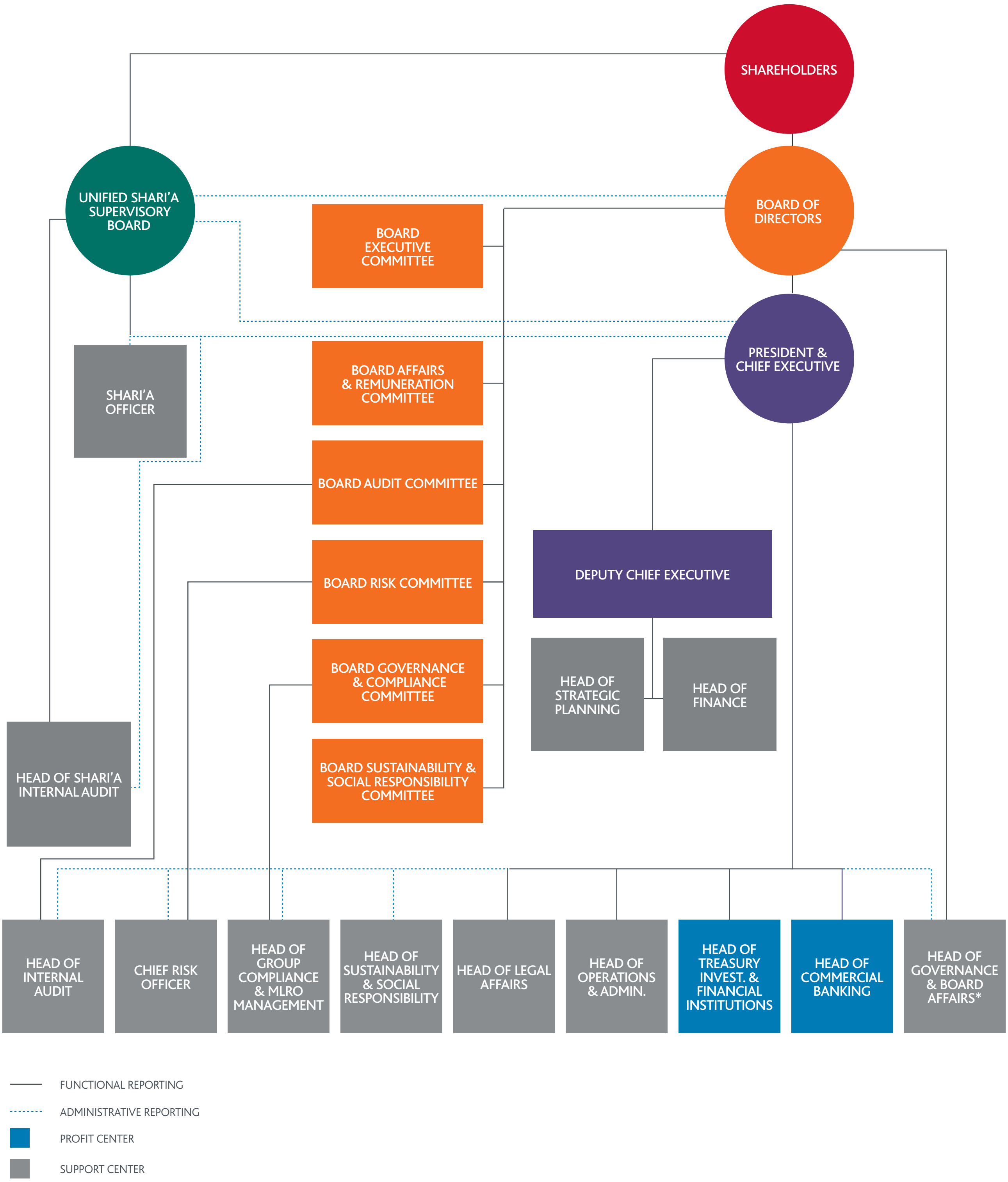
While we have presence across 3 continents and 17 countries, we have not lost sight of the local customer needs in a diverse geography. We are strong local banks. This, we believe, is our biggest strength.

About Us

Good Governance

“Ethics in business help us forge deeper customer relationships”

Head Office Organisation Chart



* The Head of 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 have supported its consistent business strategy

Shaikh Saleh Abdullah Kamel
Chairman

It is the belief of these investors in the viability of investing through Islamic means that drove them to put this trust in our Group.

In the Name of Allah, the Most Gracious, the Most Merciful Praise be to Allah, Lord of the worlds, and Allah's Prayers and Peace be upon our master Mohammad, the Seal of the Prophets and Messengers, and upon all his family and companions. May Peace, Mercy, and Blessings of Allah be upon you, and May you have a happy, safe and peaceful New Year, Allah willing.

We present to you the journey of the 2019 activities of your Group, which, thanks to Allah and His care, managed to maintain its steadiness, despite the situation in the region and the whole world, and in spite of the successive waves of political events and economic crises. The Group's results are hereby presented to you, and with the Grace of Allah, they comprise profits, as you are accustomed to every year:

- The Group recorded 10% growth in Total Assets, which grew from US$23.8 billion at the end of 2018 to US$26.3 billion as of December 31, 2019.
- Income Generating Assets (financing and investments) grew by 11% or US$ 1.9 billion to reach US$ 19.8 billion (2018: US$ 17.9 billion).
- Customer Accounts grew by US$ 2.8 billion in 2019, or 14%, to US$ 22.5 billion (2018: US$ 19.6 billion)
- Total Operating Income was US$ 967.4 million in 2019 (2018: US$ 987.8 million).
- Net Operating Income for 2019 was US$ 399.2 million (2018: US$ 447.4 million).
- Net Income for the year was US$ 180.2 million, compared to US$ 216.7 million for 2018.
- The Net Income Attributable to the Equity of the Group's shareholders for was US$ 105.7 million (2018: US$ 129.1 million).

TOTAL OPERATING INCOME

US$ 967 Million

NET OPERATING INCOME

US$ 399 Million

(All figures in US Dollars unless stated otherwise)

In the light of the Group's 2019 performance, the Board of Directors has recommended a cash dividend distribution to shareholders of 2% of the paid-up capital, amounting to US$24.9 million, after a transfer of US$10.6 million to the legal reserve, with the balance net income of US$70.3 million to be allocated to the retained earnings. The Board has further recommended a remuneration of US$1.5 million for its directors, subject to the approval of the shareholders at the annual general assembly.

The Group's performance was accompanied by a growth in assets thanks to Allah Almighty and thanks to the confidence of the investors who deal with the Group, and who constitute the key pillar on which the Group depends in its work.

It is the belief of these investors in the viability of investing through Islamic means that drove them to put this trust in our Group, Al Baraka Banking Group. And we promise them that we shall strive to always observe the purposes of Islamic Shari'a and that we shall make our utmost best to fear Allah as much as we could in the investment of their money, despite the prevailing circumstances, the systems of commercial banking under which we are operating, and the international decisions such as Basel and others. Accordingly, the Group has developed a new strategy to establish its pure investment arms; and, with the Grace of Allah, it started in Egypt and the rest of the countries will follow. We ask Allah Almighty to grant us success in our journey and to make us always worthy of your trust.

As of December 31, 2019, the ownership of the shares of ABG by the Board (with the exception of the Chairman) is immaterial and no major trading of such shares took place during 2019. Details of the shares held by the directors and executive management are provided in the notes to the consolidated financial statements.

Finally, we thank the Unified Shari'a Supervisory Board, the Central Bank of Bahrain, the Ministry of Industry, Commerce and Tourism, the Bahrain Bourse, Nasdaq Dubai and all the regulatory authorities of our subsidiaries for their continued support and wise guidance over the past year.

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

Saleh Abdullah Kamel
Chairman

President & Chief Executive's Report

ABG's sustainability and social responsibility program, in keeping with its objectives, has continued to support socially responsible projects across the various countries

Mr. Adnan Ahmed Yousif
President & Chief Executive

During 2019, the Group pursued its strategy to establish investment arms in some of the subsidiaries and further advanced on its Group-wide digital transformation initiative that is expected to place each of its subsidiaries in a position of strength in the respective markets.

At the outset, I am pleased to report that, despite the enormous economic and political challenges that the world witnessed in 2019, Al Baraka Banking Group ("ABG" or the "Group") deftly balanced growth in assets with cautious optimism and rigorous discipline in risk metrics.

During 2019, the Group pursued its strategy to establish investment arms in some of the subsidiaries and further advanced on its Group-wide digital transformation initiative that is expected to place each of its subsidiaries (each a "unit") in a position of strength in the respective markets. Retail and corporate banking continue to be important strategic priorities for the Group, with the overall strategy of digitalizing many aspects of operations and product delivery for customer ease and comfort as a natural complement, while continuing to maintain rapport with and loyalty to customers.

Concomitant with the changing trade relationships in the world, and with the MENA and Asian countries expected to enhance economic inter-dependencies, ABG has put in place a comprehensive trade finance business strategy to take advantage of financing the trade flows among the countries where it is present. The Group has already witnessed a gradual build-up of this business, and is slated to grow further as intra-unit systems, processes and procedures are enhanced. The Group also has plans to offer to its vast customer base products that can assist in their businesses in overseas countries. The Group has done well to continue to maintain good asset quality, taking swift action to support its corporate, SME and retail relationships in these challenging times. While at the same time the strategy of pursuing deposit growth is very much a significant priority: garnering of deposits, with an eye on efficient branches, is an axiom of ABG's business growth strategy.

TOTAL ASSETS

US$ 26.3 Billion

NET INCOME FOR THE YEAR

US$ 180 Million

(All figures in US Dollars unless stated otherwise)

ABG's sustainability and social responsibility program, in keeping with its objectives, has continued to support socially responsible projects across the various countries. In addition, ABG is part of the United Nations initiative on development and environment, MOUs having been signed in this respect.

The year 2019 produced encouraging results for the Group. Most of the units did well to register asset and revenue growth in terms of local currencies. Our operations in Jordan, Algeria, Egypt, Syria and Tunisia particularly contributed to the net income. The Turkish operations were temporarily affected by the rise in funding costs that caused a time lag in refinancing the asset portfolios at their contracted maturities: the revenues have since started to normalize with the refinancing.

The total assets as of end 2019 were US$ 26.3 billion versus US$ 23.8 billion in end 2018, an increase of 10% despite the movements in the foreign exchange rates. If the effect of these foreign exchange rate movements were not taken into account, the total assets as of end 2019 would have been US$ 26.8 billion, an increase of 12% over 2018. The year produced a total operating income of US$ 967.4 million (2018: US$ 987.8 million). The net income for the year was US$ 180.2 million compared to US$ 216.7 in 2018. The net income attributable to the equity holders was US$ 105.7 million (2018: US$ 129.1 million).

Going forward, the Group expects asset growth to be accompanied by judicious and strategic expansion, at times even rationalizing its branch network on the back of an ever-growing digitalization program. Inorganically, ABG is looking to expand its horizons into the Far East, using its representative office presence in Indonesia to identify opportunities for expansion in the country and elsewhere in that region. ABG believes that, over the medium term, the sub-Saharan African continent will present significant opportunities for growth and expansion, in keeping with its overall global ambitions.

The outlook for ABG in 2020 is that we expect to approach our strategy with caution, cognisant of the risks emanating from the global environment, and balancing it with our strategic objectives and targets to continue to produce a consistent return for our shareholders. We are therefore optimistic about the future and of our abilities to continue to steer ABG towards its cherished vision and mission.

Review of ABG Banking Subsidiaries ("Units"):

As with our unique business model, each unit is managed by its respective Board of Directors, which oversees and guides the unit to achieve the objectives set for itself, but under the all-pervading global direction enunciated by the overall strategic objectives of the Group's shareholders and management.

The following section is a review of the performance of each unit in 2019. Except where local currency sums are explicitly mentioned, all figures are stated in the US dollar equivalents of the audited local currency-based balance sheets and income statements, prepared in accordance with the Islamic Accounting Standards issued by the Accounting and Auditing Organisation of Islamic Financial Institutions (AAOIFI) (and IFRS where AAOIFI is silent), and without any Group-level adjustments.

President & Chief Executive's Report (continued)

ABG believes that, over the medium term, it should approach its strategy with caution, cognizant of the risks emanating from the global environment, and balance it with its strategic ambitions.

03 Continents

17 Countries

702 Branches

President & Chief Executive's Report (continued)

Turkey

Al Baraka Türk Participation Bank

ESTABLISHED

1985

NUMBER OF BRANCHES

230

Unit Head **Title**	Mr. Meliksah Utku General Manager
Address	Saray Mahallesi, Dr. Adnan Büyükdeniz Caddesi, No. 6, 34768 Ümraniye, Istanbul, Turkey
Tel	+90 216 666 01 01
Fax	+90 216 666 16 00
Website	albaraka.com.tr

The Turkish economy resumed its growth in 2019, albeit at a slow pace, and credit growth and fiscal stimulus spurred an expansion of private and public consumption. The financial sector continued to deleverage and external loan liabilities fell, including the stock of foreign currency loans. The economy is expected to rebound in 2020, led by a recovery in private consumption and investment, accelerating to 4% in 2021. The Turkish Lira (TRY) meanwhile showed relatively less volatility during the year than earlier.

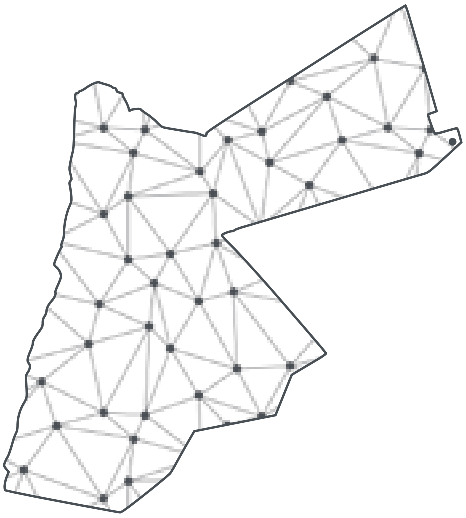
Al Baraka Turk Participation Bank did well to be proactive under the circumstances. While many of the restructured financings in the market turned non-performing, the bank chose to work with customers, thus cementing relationships further. This will auger well for the bank in the future.

The bank's total assets showed a growth of 21% at TRY 50.9 billion as of end 2019 compared to TRY 42.2 billion in 2018. As there was depreciation in the TRY during the year, the increase in US$ terms was from US$ 8 billion in 2018 to US$ 8.6 billion in end 2019, a rise of 7%. Customer accounts grew during to year to TRY 43.7 billion, up 35% from TRY 32.3 billion in 2018, thereby reflecting the confidence of customers in the bank's ability to weather the crisis. In US$ terms the increase was 20% as it grew from US$ 6.1 billion in 2018 to US$ 7.4 billion in 2019. Net operating income for 2019 was TRY 271.2 million as compared to TRY 736.8 million in 2018. Although the funding costs were significantly high during the year, a significant portion of the asset portfolio was refinanced only at contracted maturities, the time lag causing the net operating income to be temporarily lower. The revenues are however expected to normalize in the coming months. Also, owing to the environment the regulators directed banks to make additional provisions, which resulted in the bank's net income reducing to TRY 46.2 million (2018: TRY 290.3 million). The bank has been inherently strong and liquid throughout the crisis: it repaid a total of TRY 3.7 billion (US$ 662 million) of the long-term financing during the year.

(All figures in US Dollars unless stated otherwise)

The bank made significant strides in its digital transformation program with progress toward cloud banking for enhancing customer experience besides upgrading the services of INSHA (digital bank in Germany) for many applications. The investment banking department that was created in 2018 continued to expand with most processes being digitalized in addition to the introduction of custodian services for customers located anywhere in the world. New products were launched during the year including a Wakalah based participation account, the Bal Kaymak Finance or investment of 50% of the customer's funds into lease assets and the balance into a participation account, and Fast Retail Finance (Jet Finans) – an on-line interactive portal to expedite financing requests. The bank increased its trade finance business in countries where ABG is present - including from a desk-presence in Al Baraka Bank Algeria – and in the process exceeding the targets. The bank is also developing further its treasury business with other ABG Units to take advantage of ABG's vast network. Meanwhile, the compliance, credit and risk management processes have been further strengthened to comply with various regulations.

The bank won the "Best Islamic Bank" at the International Business Magazine Awards 2019 and the Al Baraka Academy won an award in the field of technical applications at the Brendon Hall Awards 2019 program.



Jordan

Jordan Islamic Bank

ESTABLISHED

1978

NUMBER OF BRANCHES

108

The Jordanian economy grew moderately in 2019, and it is projected to increase gradually, supported by net exports on the demand side, and robust performance of the services sector, especially tourism, from the supply side. Projected increased inflows of foreign private investment were well below the levels of the mid-2000s boom. Inflation remained subdued and it is projected to be so over the medium term. Export growth is expected to moderate due to slack in the global trade activity while imports are projected to marginally recover.

Despite the challenges from the regional instabilities, Jordan Islamic Bank continued to perform well, given its strong business model. It has managed its NPAs well with over 100% provision coverage. The total assets grew by 7% from JD 4.2 billion in 2018 to JD 4.4 billion in 2019 supported by growth in customer accounts of 6% from JD 3.7 billion in 2018 to JD 3.9 billion in 2019. In US$ the growth was also 7% to reach US$ 6.3 billion in 2019, up from US$ 5.9 billion in 2018. Similarly, the customer accounts grew 6% from US$ 5.2 billion in 2018 to US$ 5.5 billion in 2019. The Bank's net operating income was US$ 127 million v/s US$ 106.9 million in 2018. Net income was US$ 77.1 million compared to US$ 70.3 million in 2018. During the year, the bank enhanced its capital by JD 20 million through the issuance of bonus shares.

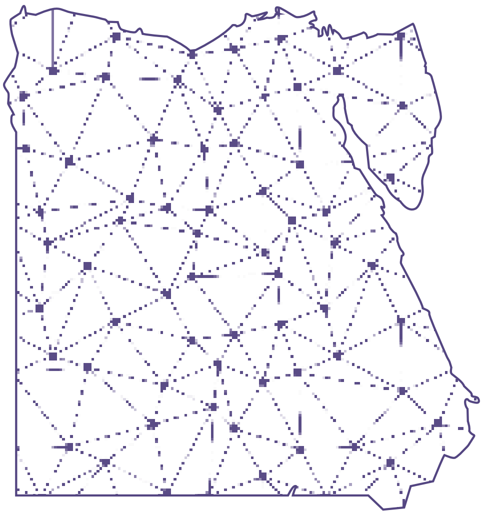
The bank has been in a premier position in its ranking amongst peer banks and it is well ahead on its digital transformation program, having introduced new products that will ease retail and SME customer interaction through digital channels. During the year, the bank also launched the Zafafi Package of products and services for customers seeking to get married, and the Murabaha card with enhanced services. The mobile banking services were also upgraded to enrich customer experience. The bank expanded its trade finance business, interacting with ABG Units as well as in countries where ABG is not present.

(All figures in US Dollars unless stated otherwise)

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

Jordan Islamic Bank was the recipient of many awards during the year: it was awarded the best Islamic financial institution in Jordan by the Global Finance Magazine, New York; the World Finance Magazine, London – the best Islamic bank in Jordan, the bank with the best corporate governance in Jordan, the most sustainable bank in Jordan, to the General Manager - the best business leadership and outstanding contribution to Islamic Finance; the strongest Islamic Retail Bank in Jordan and most Innovative Islamic Retail Bank in Jordan by Cambridge IEF Analytical; Excellence Award for Economic and Social Initiatives/Economic Programs Category and Golden Shields for websites by the Excellence Awards Academy in the Arab Region.

President & Chief Executive's Report (continued)



Egypt

Al Baraka Bank Egypt

ESTABLISHED

1980

NUMBER OF BRANCHES

32

Unit Head **Title**	Mr. Ashraf El Ghamrawy Vice Chairman & CEO
Address	Plot 29, Road 90, City Center, First Sector, 5th Settlement, New Cairo, P.O. Box: 84, 5th settlement, Cairo, Egypt
Tel	+202 281 03600, +202 258 60520
Fax	+202 281 03501, +202 281 03503
Website	albaraka-bank.com.eg

The economy of Egypt picked up in 2019, helped by net exports as goods and services inched up in tandem with a contraction of oil imports, supported by an increase in natural gas production. Private investment also picked up as gas extractives, tourism, wholesale and retail trade and construction were the main drivers of growth. Assuming that this trend continues into 2020 along with macroeconomic reforms and gradual improvement in the business environment, economic growth is expected to improve.

The total assets of Al Baraka Bank Egypt reached US$ 4.5 billion in 2019, an increase of 30% over the 2018 figure of U$ 3.5 billion, due to the growth in the customer accounts by 31% from US$ 3.1 billion in 2018 to US$ 4.1 billion in 2019. The equity of the investment account holders rose by 36% during the year, reflecting the positive trend in the economy as investments picked up. The bank's liquid assets witnessed a growth of 27% as did the Mudaraba assets, which showed a jump of 78%. Although the net operating income rose by 5% in terms of US Dollars, the net income however showed a reduction of 13%, down from US$ 73.6 million in 2018 to US$ 63.7 million mainly due to higher provisions taken by the bank for creating a cautious buffer.

During the year, the bank increased emphasis on its trade finance business, expanding into countries where other ABG units are present; at the same time, it strengthened its risk metrics. The bank finalized plans for the Al Baraka Investment Fund for Money Markets to provide liquidity to investors by facilitating a daily return. It is also taking steps to improve asset quality further besides focusing on rationalising and centralizing some of its branch operations.

(All figures in US Dollars unless stated otherwise)

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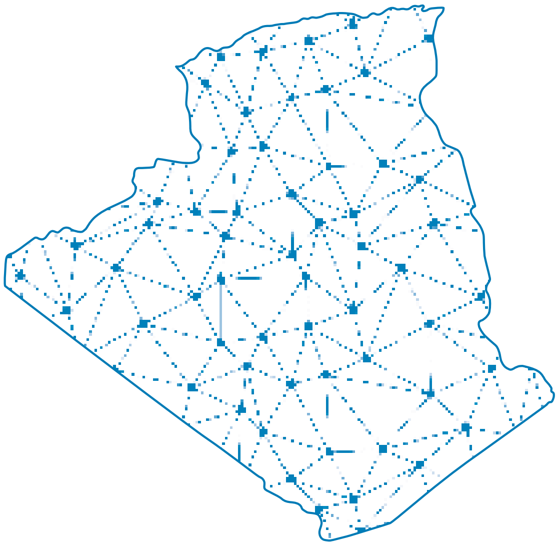


Algeria

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
Address	Hai Bouteldja Houidef, Villa No. 1, Rocade Sud, Ben Aknoun, Algiers, Algeria
Tel	+213 23 38 12 73
Fax	+213 23 38 12 76/77
Website	albaraka-bank.com

Algeria's economy, which is highly dependent upon hydrocarbons, and on global oil and gas prices, achieved a modest growth in 2019. Although growth in the hydrocarbon sector was slow, the non-hydrocarbon sector however showed a slight growth, as an offset. Inflation remained stable in 2019. The change in leadership earlier in the year has brought political uncertainty to the country.

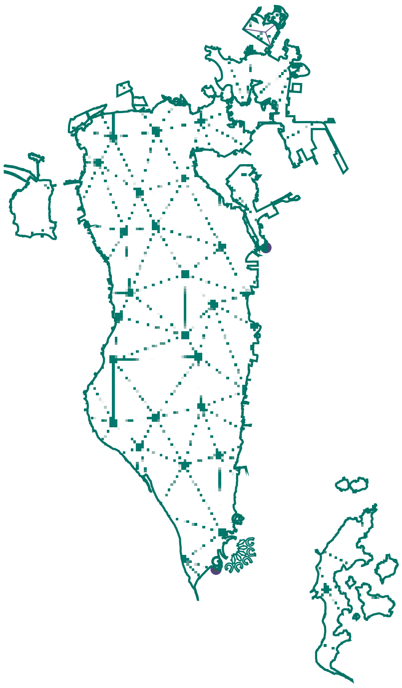
The total assets of Banque Al Baraka D'Algerie declined by 5% to US$ 2.15 billion from US$ 2.2 billion in 2018, mainly due to reductions in the total customer accounts by 5% from US$ 1.9 billion in 2018 to US$ 1.8 billion in 2019. The net operating income rose by 12% to US$ 79.6 million in 2019 mainly due to income from documentary credits and the net income for the year was US$ 54.9 million, 21% higher than 2018.

The bank has put in place a strategy for digital transformation of both customer services and the internal processes, including using robotics and artificial intelligence. And, consistently with earlier years, the trade finance business was at good levels, exceeding the budget estimates.

The bank was awarded the Best Islamic Bank in Algeria 2019 for the 6th year in succession by Global Finance Magazine.

(All figures in US Dollars unless stated otherwise)

President & Chief Executive's Report (continued)



Bahrain

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

ESTABLISHED

1984

NUMBER OF BRANCHES

07

Unit Head **Title**	Mr. Hamad Al Oqab* Chief Executive Officer
Address	Al Baraka Headquarters - Bahrain Bay, P.O.Box 1882, Manama, Kingdom of Bahrain
Tel	+973 17 535 300
Fax	+973 17 533 993
Website	albaraka.bh

Bahrain's economic growth was boosted by the expansion of the non-oil sector and higher infrastructure spending thanks to the Gulf financial support package. Inflation is expected to pick up, given the introduction of VAT in 2019. The economy is projected to post a moderate level of growth at an average of 2.2% over 2020-2021, while the non-oil economy is expected to grow at 3% for the same period thanks to high levels of infrastructure spending and an increase in manufacturing output. The current account deficit is likely to persist, albeit at moderate levels.

Al Baraka Islamic Bank performed well under the circumstances, with a growth of 7% in total assets from US$ 1.4 billion in 2018 to US$ 1.5 billion in 2019, such growth emanating from an 8% increase in customer accounts as a result of the many business initiatives undertaken during the year. Customer accounts grew from US$ 1.1 billion in 2018 to US$ 1.14 billion in 2019. The net operating income for 2019 was US$ 13 million, up 35% from US$ 9.6 million in 2018. The net income for 2019 was US$ 5.6 million compared to a loss of US$ 18.9 million in 2018.

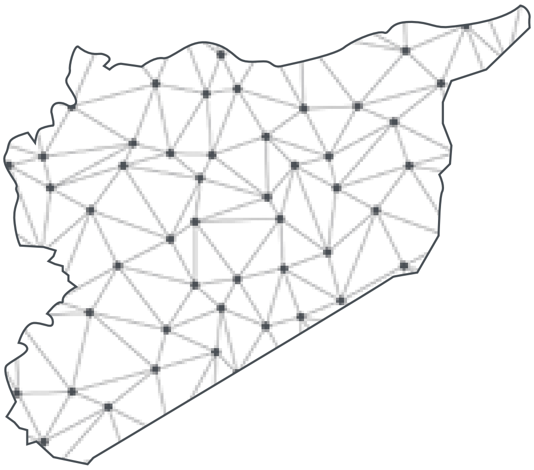
A new, proactive strategy has been put in place to position the bank in a competitive position and strengthen its internal controls and processes concomitant with the digital transformation initiatives spanning customer facing functions and back-office. Meanwhile, the core banking system is being upgraded to enhance controls and processes. A robust compliance function is in place, and the non-performing assets are being addressed, with additional provisions taken and a remedial unit set in place.

The bank's success continued with the "Al Barakat" savings scheme that awards prizes on a regular basis: As a result, it surpassed the milestone of US$ 200 million in deposits and 23,000 accounts. In 2019 alone, 3,600 accounts were added in addition to an increase of US$ 35 million in the total deposit base. During the year, the bank signed agreements with prominent real estate developers in Bahrain, for provision of mortgage facilities to their customers. The bank has also made progress in its partnership with the 'Danat-ul-Barakat" project, which is under the patronage of the Ministry of Housing in Bahrain. Moreover, the bank has plans to grow its trade finance business in cooperation with other ABG units.

The bank was awarded the GCC Best Brand award from CMO Global.

(All figures in US Dollars unless stated otherwise)

* *Mr. Hamad Al Oqab was appointed as CEO of Al Baraka Islamic Bank B.S.C. (C) - Bahrain, effective 12th March 2019.*



Syria

Al Baraka Bank Syria S.A.

ESTABLISHED

2009

NUMBER OF BRANCHES

14

Unit Head **Title**	Mr. Mohamad Halabi CEO
Address	Alshahbander Street, P.O.Box 100, Damascus, Syria
Tel	+963 11 443 78 20
Fax	+963 11 443 78 10
Website	albarakasyria.com

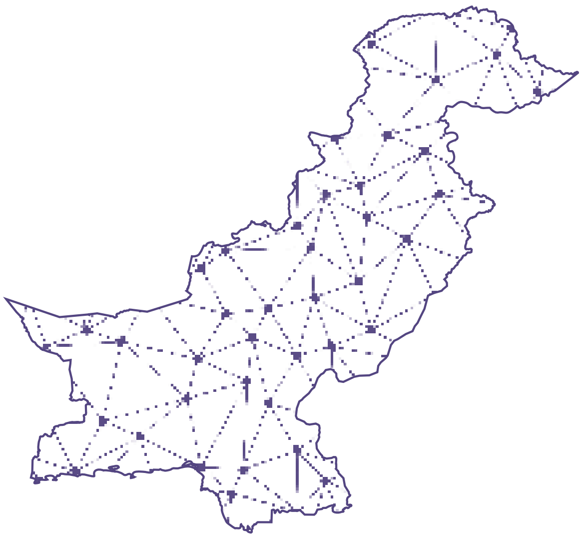
The economy of Syria suffered for a long time from the effects of political turmoil, but it is now slowly rebuilding, albeit in pockets; and, with the opening of the land border with Iraq, the outlook for trade is starting to look up. The Syrian Pound however has been volatile and a Syrian Pound support fund has been launched, inviting large businessmen and companies to subscribe. The Monetary and Credit Council in Syria has issued guidelines for banks to utilize their foreign currency surplus liquidity by depositing it with the central bank. And overall, the outlook for the Syrian economy looks positive.

The bank's assets reduced in US$ terms by 17% down from US$ 908.6 million in 2018 to US$ 755.5 million in 2019 as did customer accounts by 22% (2018: US$ 742 million, 2019: US$ 578 million). The reduction was due mainly to a decrease in deposits from banks and financial institutions from US$ 395.9 million in 2018 to US$ 247 million in 2019 and a resultant decline in Mudaraba financing by US$ 137.4 million. The income from jointly financed accounts and investments showed a 56% increase from 2018 to US$ 15.5 million in 2019. The net income for 2019 was US$ 15 million (2018: US$ 9.5 million).

During the year, the bank inaugurated its new headquarters at Yafour; meanwhile, it won the Best Sustainability Initiative Award from CPI International.

(All figures in US Dollars unless stated otherwise)

President & Chief Executive's Report (continued)



Pakistan

Al Baraka Bank (Pakistan) Limited

ESTABLISHED

2010

NUMBER OF BRANCHES

192

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

Pakistan's GDP growth slowed in 2019 when compared to the previous year due to the stabilization measures taken by the government. Over the past year the exchange rate was allowed to depreciate, the development budget was cut, energy prices increased and a policy rate was raised by 325 basis points. Growth is expected to recover gradually to 3% in FY 2021 as external demand picks up, macroeconomic conditions improve, and the pack of structural reforms in fiscal management and competitiveness take effect.

The total assets of Al Baraka Bank (Pakistan) Limited increased from US$ 893 million in 2018 to US$ 1 billion in 2019, with currency depreciation being factored in. Customer accounts increased from US$ 779.6 million in 2018 to US$ 877.6 million in 2019, mainly from increases in the equity of the investment account holders. Liquidity improved to 28% of total assets at US$ 282.7 million, but financing and investment accounts declined marginally by 2%. The bank ended the year with a net loss of US$ 0.4 million v/s a net income of US$ 0.7 million in 2018.

The bank has met the minimum capital and capital adequacy thresholds stipulated by the State Bank of Pakistan. The bank has put in place processes for its NPAs, with a special department dedicated to stressed assets. Moreover, it is pursuing digital transformation as a priority with the introduction of, among other services, the QR code for mobile banking and mobile biometric verification. The bank has also introduced several new products such as the Saving Plan for Haj and Umrah, Recurring and Term Deposits and Agriculture Financing products.

The bank won the Social Responsibility award from the Shaukat Khanum Memorial Cancer Hospital. It also received two CSR awards at the 7th International CSR Summit Awards & Gallery in two categories: collaboration and partnership and the Education Scholarship program.

(All figures in US Dollars unless stated otherwise)

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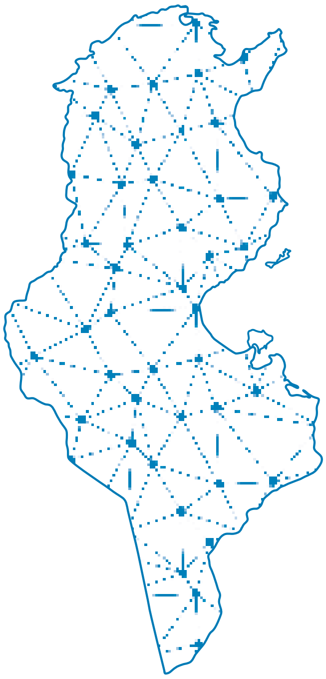


Tunisia

Al Baraka Bank Tunisia

ESTABLISHED

1983

NUMBER OF BRANCHES

37

Unit Head **Title**	Mr. Mohamed El Moncer General Manager
Address	88, Avenue Hedi Chaker 1002, Tunis, Tunisia
Tel	+216 71 186 500
Fax	+216 71 780 235
Website	albarakabank.com.tn

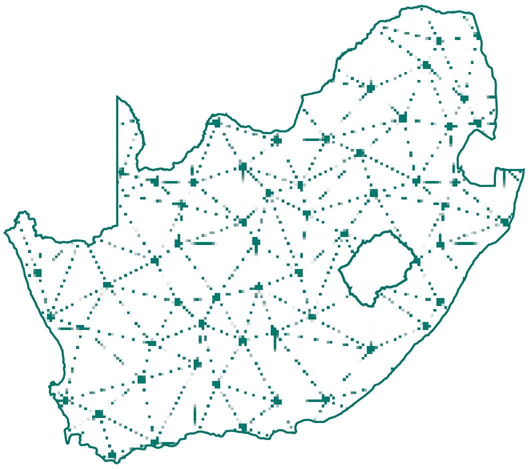
The Tunisian economy slowed down during 2019 largely due to slow agricultural growth as well as a contraction in the oil and gas business, which was only partially compensated by growth in services. While important progress has been made on political transition towards an open democratic system of governance, economic transition has not kept pace. Hence, the internal constraints have been an impediment to reaching consensus on economic reform. Exports however grew to narrow the current account deficit slightly and the improved foreign exchange market functioning contributed towards protecting foreign reserves. The currency appreciated against the US Dollar and Euro during the year.

Al Baraka Bank Tunisia performed well in 2019. The total assets increased by 11% from US$ 481 million in 2018 to US$ 533.6 million in 2019. In terms of Tunisian Dinars (TD) the growth was just 6% due to the currency becoming stronger during the year. The revenues from the bank's share of income from the jointly financed accounts grew 24% from US$ 17 million in 2018 to US$ 21.1 million in 2019. In terms of the local currency the growth was 38%. The net income for the year was US$ 4.3 million v/s US$ 1.7 million in 2018, an increase of 160%.

The bank has put in place a digital transformation strategy that is expected to enhance customer experience and ease of doing business. Besides, internal processes and procedures for corporate governance and compliance are being strengthened in line with best international practices. A tight mechanism has been put in place to enhance asset quality, which is evidenced by the lower provisions during the year. The bank introduced many new products in 2019 including Amanat Al Baraka Savings , "Al Baraka Study Savings" , "My Kids Saving", and a variety of charge cards.

(All figures in US Dollars unless stated otherwise)

President & Chief Executive's Report (continued)



South Africa

Al Baraka Bank Limited - South Africa

ESTABLISHED

1989

NUMBER OF BRANCHES

11

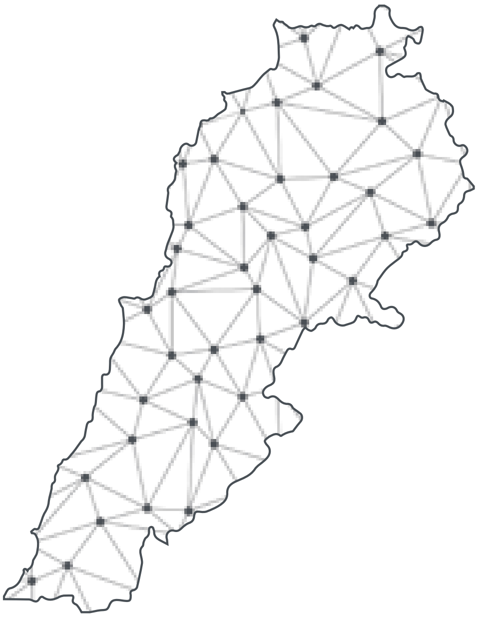
Unit Head **Title**	Mr. Shabir Chohan Board Member & CEO
Address	2 Kingsmead Boulevard, Kingsmead Office Park, Stalwart Simelane Street, P.O.Box 4395, Durban 4000, South Africa
Tel	+27 31 364 9000
Fax	+27 31 364 9001
Website	albaraka.co.za

The real GDP growth for South Africa in 2019 dimmed because of domestic and global headwinds including threats posed by US-led protectionism and trade wars. Assuming that reforms gather momentum and global tensions dissipate rather than escalate, real GDP growth is expected to quicken to 2% in 2020 before heading higher to 3.1% on average in 2021-23. The current account deficit is expected to peak at 4% of GDP in 2020 a world trade slows, before retreating slightly to an annual average of 3.6% of GDP in 2021-23.

Al Baraka Bank Limited, South Africa's results for 2019 were positive, having experienced growth in total assets of 7% from ZAR 6.8 billion in 2018 to ZAR 7.3 billion in 2019, with customer accounts funding this growth of 7% from ZAR 6 billion in 2018 to ZAR 6.5 billion in 2019, most of which was invested in Mudaraba and Musharaka financing. In US Dollar terms, the growth in total assets was 10% due to the slight appreciation in the Rand during the year. The net income for 2019 was ZAR 73.1 million, up 11% from 2018 figure of ZAR 65.9 million.

The bank is in the process of upgrading its core banking software and has set in place a digital transformation initiative aiming to transform both customer facing functions as well as internal processes. The bank has progressed further in the trade finance business, liaising with other ABG units and it has broadened its focus on foreign exchange business, mutual funds and electronic banking, all of which will help increase fee income. The non-performing assets are under control, although provisions have been taken to further buffer the portfolio.

(All figures in US Dollars unless stated otherwise)



Lebanon

Al Baraka Bank Lebanon S.A.L.

ESTABLISHED

1991

NUMBER OF BRANCHES

06

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	al-baraka.com

Lebanon has been constrained by political instability, on the back of an economy in stagnation. The construction and real estate sectors are particularly affected and businesses and consumers await a clear political and economic direction. The impact of the crisis in Syria has also affected the Lebanese economy, and the quantum of US Dollar deposits from overseas reduced. The GDP growth has been languishing at low levels and government debt is continuing to rise.

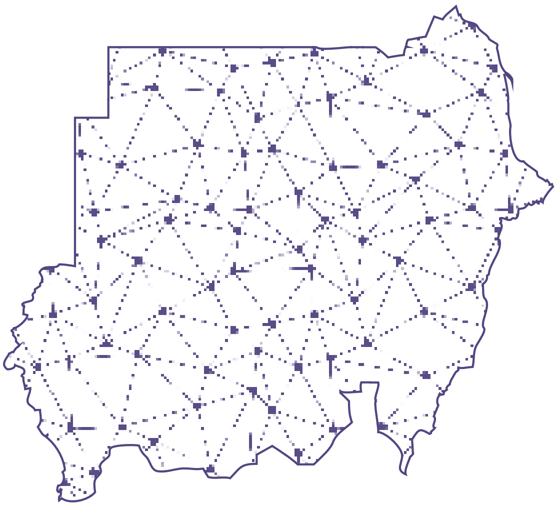
The total assets of Al Baraka Bank Lebanon reduced from US$ 365 million in 2018 to US$ 335.5 million with the customer accounts decreasing from US$ 331.8 million to US$ 301.2 million. Financing and investments reduced from US$ 244 million to US$ 200.5 million or 18% in keeping with the trend for the banking industry in the country. The net loss for the year was US$ 2.3 million (2018: Net Income of US$ 146 thousand).

Despite the challenges in the economic environment, Al Baraka Bank Lebanon managed to set in place a digital transformation strategy that is due to generate tangible benefits in the future. The bank was also active in trade finance during the year. In addition, the bank strengthened its compliance function by additional processes and procedures.

During the year, the bank won the Best Islamic Bank in Lebanon award from Global Finance Award 2019.

(All figures in US Dollars unless stated otherwise)

President & Chief Executive's Report (continued)



Sudan

Al Baraka Bank Sudan

ESTABLISHED

1984

NUMBER OF BRANCHES

28

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

The change of political leadership in Sudan in April 2019 brought with it economic uncertainties as the country sought to regroup in the aftermath of the events. Inflation soared to over 54% and the currency was trading much higher in the black market than the official rate of 45 Sudanese pounds to the US dollar. The new government is faced with a challenge to put the economy back on track and stem the currency fall and it has put in place a nine-month rescue plan for this purpose. A positive development is that there has been an easing of the liquidity crisis that had affected the banking sector since the beginning of 2018.

The bank performed well during 2019, despite the adverse economic and business conditions that beset the country. The total assets grew by 74% in local currency, and in US$ terms the growth was 83%, up from US$ 193.3 million in 2018 to US$ 354.1 million in 2019 emanating from a 114% growth in customer accounts from US$ 126.6 million in 2018 to US$ 271.4 million in 2019 – reflecting the customers' confidence in the bank's ability to weather the conditions. Much of this liquidity was deployed into Murabaha financing and non-trading investments. In SDG terms the growth in the net income was 20% at SDG 455.1 million in 2019 v/s SDG 377.8 million in 2018, thus endorsing the inherent strength and solidity of the bank.

The bank tightened its compliance infrastructure and drew up a comprehensive strategy for digital transformation. Construction of 3 new branches was completed during the year with 4 additional branches in the process of being constructed, thus setting the stage for further deposit growth and launch of more new products in the coming year. The bank meanwhile signed partnerships with a number of its major customers, which resulted in the increase in the volume of deposits.

(All figures in US Dollars unless stated otherwise)

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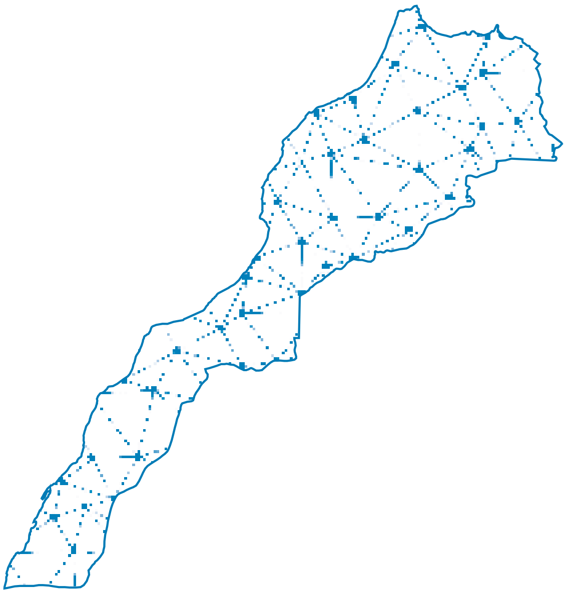


Morocco

BTI Bank

ESTABLISHED

2017

NUMBER OF BRANCHES

05

Unit Head **Title**	Mr. Mohamed Maarouf General Manager
Address	157, Avenue Hassan ll, Casablanca 20000, Morocco
Tel	+212 5 20 51 51 51
Website	btibank.ma

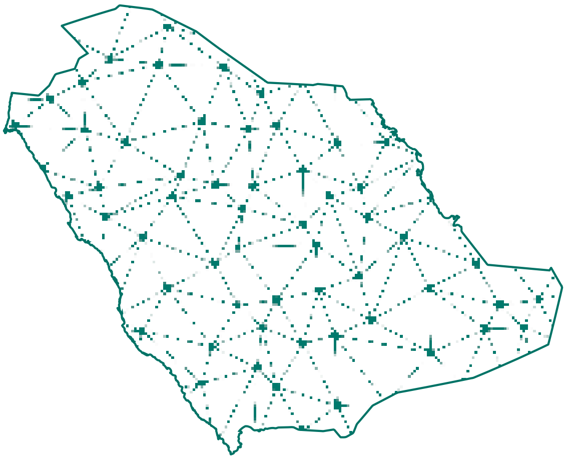
The Moroccan economy slowed down slightly in 2019 with real GDP growth at 2.7%, mainly due to a decline in agricultural output. However, the non-agricultural growth improved (3.4% in 2019 v/s 3% in 2018) driven by better performance of phosphates, chemicals and textile outputs. Growth is expected to pick up gradually and average 3.3% over 2020–2021, mainly driven by more dynamic secondary and tertiary activities, bolstered by high foreign investments. Inflation is projected to average around 1% over the medium-term. The government is currently working to develop a new model of economic development for the country.

The year 2019 was the second full year of BTI Bank's operations as the bank is gradually developing a niche for itself in the country. The net loss for the year was US$ 5.8 million (2018: US$ 5.9 million). The total assets grew from US$ 33.6 million in 2018 to US$ 43.5 million in 2019, in keeping with its increasing coverage of the market. The bank has five branches at present, and it envisages doubling the branch network in the next year, as it reaches other parts of Morocco.

The bank won the Best participatory Bank for customer quality in 2019 from the World Finance Magazine.

(All figures in US Dollars unless stated otherwise)

President & Chief Executive's Report (continued)



Saudi Arabia

Itqan Capital

ESTABLISHED

2007

Unit Head **Title**	Mr. Abdullah Farid Shaker Managing Director & CEO
Address	The Headquarters Business Park - West Tower - 15th Floor, Corniche Road, P.O. Box 8021, Jeddah 21482, Kingdom of Saudi Arabia
Tel	+966 12 510 6030
Fax	+966 12 510 6033
Website	itqancapital.com

The Kingdom of Saudi Arabia implemented significant cuts in oil production in 2019 as part of an OPEC agreement. These cuts contributed to softening growth to 0.9% in 2019. The growth is however expected to rise to 2.2% in 2021 as on-going diversification reforms start to yield dividends. The financial sector has witnessed both consolidation of two local banks (SABB & Al) into Awwal Bank and growth as new banking licenses were granted to Softbank and Standard Chartered Bank.

Itqan Capital, is the Group's investment banking subsidiary mainly focused on asset management and custody services. Following the Board approved restructuring strategy in 2018, Itqan witnessed an expansion in its assets under management to its present level of US$ 260 million in 2019, v/s US$ 170 million in 2018. The assets under custody were US$ 182 million in 2019 compared to US$ 129 million in 2018. The total assets as of end 2019 were US$ 20.5 million v/s US$ 22.6 million in 2018. However, the net loss for 2019 was US$ 5.2 million v/s a net loss of US$ 5.3 million in 2018.

(All figures in US Dollars unless stated otherwise)

Indonesia

Al Baraka Banking Group (Representative Office)

ESTABLISHED

2008

Name **Title**	Ms. Nurul Bariah Djaafar Chief Representative
Address	Ravindo Building, 10th Floor, Jalan Kebon Sirih, No. 75, Jakarta Pusat 10340, Indonesia
Tel	+62 21 316 1345
Fax	+62 21 316 1074
Website	albaraka.com

The real GDP growth for Indonesia is forecast at 5.1% for 2019-2023. On the expenditure side, domestic demand (led by private consumption) remains the biggest contributor to GDP expansion. Government measures taken in 2019 boosted household consumption. It is expected that the on-going efforts to encourage more private investment (foreign and otherwise) in infrastructure and manufacturing will provide steady support to capital formation in 2019-2023. Inflation is expected to average around 3.4% pa.

Islamic banking is growing rapidly in Indonesia and accounted for 5.95% of total banking assets in 2019. The largest Islamic banks are subsidiaries of the largest conventional banks.

ABG's Representative Office continued to market the Group's trade finance services and explore further expansion opportunities in South East Asia, while maintaining close relationships with the Central Bank and other regulatory authorities.

(All figures in US Dollars unless stated otherwise)

President & Chief Executive's Report (continued)

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

Libya's protracted political stand-off, coupled with low oil prices, continue to hold back the economy. The outlook depends on restoring lasting stability, as well as on programmes to rebuild economic and social infrastructures.

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, as well as fielding enquiries from local banks that want to convert into Islamic banking.

(All figures in US Dollars unless stated otherwise)

Corporate Governance

Since inception and much before it became a regulatory requirement, ABG regarded the inculcation of 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, for monitoring of the Executive Management and its conduct of the Group's operations, for making critical business decisions and for 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;
- 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 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 sustainability and corporate social responsibility 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 of 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 has delegated responsibility for monitoring compliance to the President & Chief Executive. 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) and Anti-Money Laundering (AML) framework. 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 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 appraised of such shortfalls, if any, and the milestones set. In accordance with this procedure, ABG earlier applied for and received the CBB's consent to appoint the Chairman of the Board of Directors, although he is not an independent director as defined in the CBB Rulebook.

ABG continuously ensures that the Group's minority shareholders are well represented on the Board of Directors through the independent directors, who have additional responsibility for protection 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 President & Chief Executive 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 of Bahrain.

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

- the original appointment being found to be contrary to the provisions of the Commercial Companies Law (CCL) or ABG's Articles of Association;
- 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 without lawful excuse notified 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.

Corporate Governance (continued)

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 Affairs 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 so 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 experience 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. Other than the President & Chief Executive, all Directors are non-executive and fully independent of management, and they are individually responsible for scrutinising and challenging management decisions and performance. The posts of Chairman, Vice Chairman and President & Chief Executive are held by different Directors, and the President & Chief Executive has separate, clearly defined responsibilities. The size and composition of the Board and its Committees are regularly assessed, while the effectiveness, contribution and independence of individual Directors are assessed annually in light of interests disclosed and conduct. The independence or non-independence of Directors is, likewise, reviewed annually.

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

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

In March 2017, the shareholders' Ordinary General Meeting elected the following members of the Board for a three-year term:

Non-Executive Directors
1. **Shaikh Saleh Abdullah Kamel -** *Chairman*
2. **Mr. Abdullah Saleh Kamel** - *Vice Chairman*
3. **Mr. Abdul Elah Sabbahi**
4. **Mr. Mohyedin Saleh Kamel**
5. **Dr. Khaled Abdulla Ateeq**

Independent Directors
1. **Mr. Abdulla A. Saudi** - *Vice Chairman*
2. **Mr. Saleh Mohammed Al Yousef**
3. **Mr. Ebrahim Fayez Al Shamsi**
4. **Mr. Jamal Bin Ghalaita**
5. **Mr. Yousef Ali Fadil Bin Fadil**
6. **Dr. Bassem Awadallah**
7. **Mr. Saud Saleh Al Saleh**

Executive Director
1. **Mr. Adnan Ahmed Yousif -** *President & Chief Executive*

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:

Board Executive Committee
The Board Executive Committee is chaired by Mr. Abdullah Saleh Kamel (Non-Executive Director), and the other members are Mr. Adnan Ahmed Yousif, President & Chief Executive (Executive Director), Mr. Abdul Elah Sabbahi (Non-Executive Director) and Mr. Saleh Mohammed Al Yousef (Independent Director). The Board Executive Committee comprises 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 Affairs and Remuneration Committee

The Board Affairs and Remuneration Committee operates in accordance with a formal written charter adopted by it. The Committee is chaired by Mr. Saud Saleh Al Saleh (Independent Director), and its other members are Mr. Ebrahim Fayez Al Shamsi (Independent Director) and Mr. Yousef Ali Fadil Bin Fadil (Independent Director). The Committee 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 also performs the role of a Nominations Committee, as described below.

The Committee conducts an annual evaluation of the performance of the Board, Board Committees and the President & Chief Executive. 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 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 orienting 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 Mr. Ebrahim Fayez Al Shamsi (Independent Director). Other members are Dr. Bassem Awadallah (Independent Director), and Mr. Mohyedin Saleh Kamel (Non-executive Director). The Committee is governed by a formal written Charter, adopted by it and approved by the Board. The Committee meets formally at least four times a year. External auditors attend at least one meeting annually; moreover, external auditors have unrestricted access to the Committee and its Chairman throughout the year.

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

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

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

The Board has adopted a 'whistleblower' programme, allowing employees confidentially to 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 Mr. Yousef Ali Fadil Bin Fadil (Independent Director), with its other members being Mr. Jamal Bin Ghalaita (Independent Director) and Dr. Khaled Ateeq (Non-Executive Director). The Board Risk Committee meets formally at least twice a year but may meet more frequently at the request of the Chairman of the Committee. It can call for the attendance of the President & Chief Executive, Head of Credit and Risk Management and other senior executives of the Group at any of its meetings.

Corporate Governance (continued)

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 Governance and Compliance Committee

The Board Governance and Compliance Committee was formed in November 2018 and its members have been appointed starting in February 2019. The Committee is chaired by Mr. Jamal Bin Ghalaita (Independent Director) and its other members include Mr. Yousef Ali Fadil Bin Fadil (Independent Director), Dr. Khaled Ateeq (Non-Executive Director) and Dr. Bassem Awadallah (Independent Director), in addition to Dr. Ahmed Mohiyeldin Ahmed, 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 corporate governance framework and strong compliance culture across the group including 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, thereby minimising risk. 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 Sustainability and Social Responsibility Committee

The Board Sustainability and Social Responsibility Committee is chaired by Dr. Bassem Awadallah (Independent Director), and other members are Mr. Abdul Elah Sabbahi (Non-Executive Director) and Mr. Saleh Mohammed Al Yousef (Independent Director).

The Committee leads the Al Baraka Sustainability and Social Responsibility 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 enjoins Sustainability and Social Responsibility as a principal feature of Islamic banking and finance. The Committee demonstrates its commitment to the spirit of Sustainability and Social Responsibility 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 2019

Name of the Board/ Committees	No. of meetings in 2019	Dates of the meetings	Member's name	No. of meetings attended
Board of Directors	6	20/02/2019 20/03/2019 12/05/2019 06/08/2019 03/11/2019 23/12/2019	**Sh. Saleh Abdullah Kamel,** Chairman	6
			Mr. Abdulla A. Saudi	6
			Mr. Abdullah Saleh Kamel	5
			Mr. Saleh Mohammed Al Yousef	6
			Mr. Adnan Ahmed Yousif	6
			Mr. Abdul Elah Sabbahi	6
			Mr. Ebrahim Fayez Al Shamsi	5
			Mr. Yousef Ali Fadil Bin Fadil	6
			Mr. Jamal Bin Ghalaita	6
			Dr. Bassem Awadallah	6
			Mr. Mohyedin Saleh Kamel	6
			Mr. Saud Saleh Al Saleh	6
			Dr. Khaled Abdulla Ateeq	6
Board Executive Committee	4	27/01/2019	**Mr. Abdullah Saleh Kamel,** Chairman	4
		02/05/2019	**Mr. Abdul Elah Sabbahi**	4
		10/09/2019	**Mr. Saleh Mohammed Al Yousef**	4
		05/12/2019	**Mr. Adnan Ahmed Yousif**	4
Board Audit Committee	5	10/02/2019	**Mr. Ebrahim Fayez Al Shamsi,** Chairman	5
		12/05/2019	**Dr. Bassem Awadallah**	5
		05/08/2019	**Mr. Mohyedin Saleh Kamel**	5
		03/11/2019	*** Dr. Ahmed Mohiyeldin Ahmed**	1
		23/12/2019		
Board Affairs & Remuneration Committee	4	07/02/2019	**Mr. Saud Saleh Al Saleh,** Chairman	4
		24/07/2019	**Mr. Ebrahim Fayez Al Shamsi**	4
		03/10/2019	**Mr. Yousef Ali Fadil Bin Fadil**	4
		12/12/2019		
Board Risk Committee	4	05/03/2019	**Mr. Yousef Ali Fadil Bin Fadil,** Chairman	4
		21/05/2019	**Mr. Jamal Bin Ghalaita**	4
		25/09/2019	**Dr. Khaled Abdulla Ateeq**	4
		21/11/2019	****Mr. Saud Saleh Al Saleh**	3
Sustainability and Social Responsibility Committee	3	20/02/2019	**Dr. Bassem Awadallah,** Chairman	3
		12/05/2019	**Mr. Abdul Elah Sabbahi**	3
		03/11/2019	**Mr. Saleh Mohammed Al Yousef**	3
Board Governance and Compliance Committee	3	20/03/2019	**Mr. Jamal bin Ghalita,** Chairman	3
		25/09/2019	**Mr. Yousef Ali Fadil Bin Fadil**	3
		23/12/2019	**Dr. Khalid Abdulla Ateeq**	3
			Dr. Bassem Awadallah	3
			***** Dr. Ahmed Mohiyeldin Ahmed**	2

* *Audit Committee: Just attended Meeting No. 1 as a Member of Sharia Committee*

** *Risk Committee: Was not a Member in Meeting No. 1*

*** *Appointed on 20 February 2019 as Member of the Board Governance and Compliance Committee representing the Unified Shari'a Supervisory Board as per CBB requirement.*

Corporate Governance (continued)

BOARD OF DIRECTORS' PROFILES

Shaikh Saleh Abdullah Kamel

Chairman

Shaikh Saleh Abdullah Kamel is the Chairman of the Dallah Al Baraka Group, one of the largest business groups in the Kingdom of Saudi Arabia. He founded the group more than 50 years ago and created Al Baraka Investment and Development, a holding company for many Islamic Banks, Financial Institutions and companies in various diversified businesses around the world.

He is recognized as one of the pioneers of Islamic banking and finance and enjoys the reputation of being the highest authority in the field of Islamic economics.

In addition to being Chairman and Board Member of many companies within the Dallah Al Baraka Group, he is on the Boards of many social, charitable and cultural societies and foundations such as Arab Thought Foundations, King Abdulaziz and His Companions Foundation for the Gifted, Islamic Solidarity Fund, and Arab Academy for Finance and Banking.

Shaikh Saleh Abdullah Kamel is the President of The Islamic Chamber of Commerce, Industry and Agriculture and the General Council for Islamic Banks and Financial Institutions. He is a Member of President's Advisory Panel at Islamic Development Bank.

In recognition of his personal endeavors and the remarkable contribution of the Dallah Al Baraka Group in enhancing economic development and creating jobs and well being, Shaikh Saleh Abdullah Kamel has been awarded many medals, titles and prizes including the Jordanian Independence Decoration, the King Abdulaziz Decoration – Kingdom of Saudi Arabia, the Al Alawi Decoration - Morocco, the Royal Award for Islamic Finance - Malaysia and the Islamic Banker Award by the Islamic Development Bank.

Mr. Abdulla A. Saudi

Vice Chairman

Mr. Abdulla A. Saudi is the Chairman of United Bank for Commerce and Investments, Tripoli, Libya, Executive Chairman, ASA Consultants W.L.L., Bahrain and Board member of Credit Lebanese Bank, Lebanon. He was the Founder and President & Chief Executive of Arab Banking Corporation (B.S.C.), Bahrain from 1980 until 1994. He also founded Arab Financial Services (E.C.) and ABC Islamic Bank (E.C.), Bahrain. He was the Founder, Chairman and General Manager of Libyan Arab Foreign Bank, Tripoli from 1972 until 1980. In addition, he held positions at the Central Bank of Libya for 14 years.

Mr. Abdulla A. Saudi is a world-renowned international banker of over five decades' standing. He has received many international accolades and decorations, including the title "One of the Most Innovative Bankers" in 1980 at a presentation at Georgetown University, Washington D.C., the "Best Banker" award from the Association of Arab American Banks in 1990, and the "Arab Banker of the Year" award from the Union of Arab Banks in 1993.

He also has several gold medals and awards, notably those bestowed by the King of Spain and the President of Italy in 1977, and the Grand Medal of the Republic of Tunisia in 1993. Recently, he was honoured with the "Integrity Award for Combating Forgery" by the Arab Union – a subordinate of the Arab League – in 2012. He was awarded "Banker of the Year" by the Union of Arab Banks in Beirut in 2018 . Mr. Abdulla A. Saudi, a Libyan national, holds a Certificate in Management and Accounting.

Mr. Abdullah Saleh Kamel

Vice Chairman

Mr. Abdullah Saleh Kamel is the President and Chief Executive Officer of Dallah Al Baraka Group, Kingdom of Saudi Arabia. He is also Chairman of Aseer Company, Chairman of Amlak Real Estate Development and Finance, Chairman of Okaz Press and Publishing Corporation and Vice-Chairman of King Abdullah Economic City Emaar. Previously he held various executive positions at Dallah Al Baraka Group, culminating in the position of Vice President for Business Sector until 1999 when he assumed his current position.

Mr. 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 international and local organizations and associations such as the Jeddah Chamber of Commerce (he has been a Board Member on two occasions), the Young Presidents' Organization, Friends of Saudi Arabia, The Centennial Fund and the Board of Trustees of the Prince of Wales Business Leaders' Forum. Mr. Abdullah Saleh Kamel, a Saudi national, studied Economics at University of California, Los Angeles, USA.

Mr. Saleh Mohammed Al Yousef

Board Member

Mr. Saleh Mohammed Al Yousef is a distinguished Kuwaiti businessman. He has held several prestigious positions in Kuwait and at a regional level, including that of Chairman and Managing Director of the Industrial Bank of Kuwait from 1988 until 2005. Mr. Saleh Mohammed Al Yousef has earlier held several executive positions at the Industrial Bank of Kuwait and the Central Bank of Kuwait for 11 years, and was responsible for the Supervision of Banking and was Director of the Field Inspection Department. He was Chairman and Managing Director of Afkar Holding Company, Kuwait until September 2010. He also served as Chairman of ABC Islamic Bank (E.C.), Bahrain and on the Supervisory Board of Arab Banking Corporation – Daus & Co. GmbH, Frankfurt Germany. He was also a member of the Board of Directors of Financial Securities Group, Kuwait, Gulf Bank (K.S.C.), Kuwait, Arab Banking Corporation (B.S.C.), Bahrain, Ahli United Bank (B.S.C.), London, Gulf Investment Corporation – Kuwait, and the Public Authority for Industry, Kuwait. He has been a member of the Board of Trustees of the Kuwait Institute for Scientific Research and a Member of the Foreign Investment Committee in Kuwait. He was also a Member of the Board of Commissioners of the Capital Markets Authority in Kuwait. He is currently a Board Member of Al Baraka Banking Group, Bahrain, Al Baraka Bank of Lebanon and Al Baraka Bank Tunisia. Mr. Saleh Mohammed Al Yousef holds a Bachelor of Commerce degree in Accounting and Auditing from Kuwait University and possesses a long banking career of more than 38 years.

Mr. Adnan Ahmed Yousif

Board Member and President & Chief Executive

Mr. Adnan Ahmed Yousif has led Al Baraka Banking Group (ABG) since its inception, developing the Group into one of the largest and most diversified Islamic banking groups in the world. He is the Chairman of Al Baraka Bank Sudan, Al Baraka Turk Participation Bank, Al Baraka Bank Ltd. South Africa, Banque Al Baraka D'Algerie S.P.A., Al Baraka Bank Pakistan Ltd., Al Baraka Bank Syria S.A., Vice Chairman of Al Baraka Islamic Bank B.S.C.(c), Bahrain and a Board member of Al Baraka Bank Tunisia and Itqan Capital in Saudi Arabia. He is currently the Chairman of Bahrain Association of Banks. He was the Chairman of the Union of Arab Banks, Lebanon, for two consecutive terms (2007-2013). He was previously with Arab Banking Corporation (B.S.C.) for over 20 years, last serving as a Director on its Board.

In 2011, he received the Medal of Efficiency, a unique honour conferred by His Majesty King Hamad Bin Isa Al Khalifa, the King of the Kingdom of Bahrain. In 2017 he received the Honorary Freedom Award, the highest honour from the City of London for his outstanding contributions to international banking services. He was declared as the Islamic Finance Personality of the Year 2017 by the Global Islamic Finance Awards (GIFA). He was also awarded by the LARIBA American Finance House the 2012 LARIBA Award for Excellence in Achievement in recognition of his leadership role in consolidating and operating the largest diversified Islamic banking group in the world. In 2004 and 2009, he received the "Islamic Banker of the Year" award.

In 2017, he won the 12th Islamic Business & Finance Awards for his outstanding contribution in CSR in Islamic banking. In 2016, the CSR Regional Network designated him as the High Commissioner for advocating the United Nations Sustainable Development Goals 2030. The CSR Regional Network, in 2015, also named him the CSR International Ambassador (Kingdom of Bahrain). He received the Gold Award for Sustainable Development for his role in the social responsibility programs nationally and internationally in 2016, as well as recognition for the leading role of ABG in the field of CSR at Oman International Conference on Social Responsibility.

He holds a Master's in Business Administration degree from University of Hull, U.K. In recognition of his outstanding contribution in the field of contemporary Islamic finance and for modernizing its theoretical fundamentals in practice, the Al Jinan University of Lebanon granted him an Honorary Doctorate of Philosophy in Business Administration. Mr. Adnan Ahmed Yousif possesses over three decades of international banking experience.

Mr. Abdul Elah Sabbahi

Board Member

Mr. Abdul Elah Sabbahi is the Vice President of Dallah Al Baraka Group, Kingdom of Saudi Arabia. He is also Chairman of Al Baraka Bank Tunisia, Chairman of Arab Leasing International Finance, Kingdom of Saudi Arabia and La Société de Promotion du Lac de Tunis, Tunisia. He is also a member of the Boards of Dallah Al Baraka Holding Co. E.C., Bahrain, Al Amin Investment Co., Jordan and 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. Mr. Abdul Elah Sabbahi, a Saudi national, holds a Bachelor of Science Degree in Accounting from King Abdulaziz University, Saudi Arabia.

Mr. Ebrahim Fayez Al Shamsi

Board Member

Mr. Ebrahim Fayez Al Shamsi is Chairman of Al Baraka Bank Egypt and Board Member of Al Baraka Turk Participation Bank and Al Baraka Bank Syria. He was previously a Member of the Board of Arab Fund for Economic & Social Development in Kuwait, Chief Executive Officer of Emirates Islamic Bank, Dubai and Deputy General Manager, Abu Dhabi Fund for Development.

Mr. Al Shamsi has 46 years' varied experience in the financial services industry and in service of the U.A.E. Government. Mr. Al Shamsi, a U.A.E. national, holds a Bachelor of Commerce degree.

Mr. Jamal Bin Ghalaita

Board Member

Mr. Jamal Bin Ghalaita is currently Managing Director of BG Group of Companies, United Arab Emirates (UAE) and Advisor to the Chairman of Emirates Islamic PJSC (UAE) since 2018. He was earlier Chief Executive Officer of Emirates Islamic Bank PJSC from 2012 until 2018. He was previously a Board Member of Emirates Islamic Bank while serving as Group Deputy CEO and General Manager, Consumer Banking and Wealth Management at Emirates NBD, the parent of Emirates Islamic Bank. He has driven unprecedented growth at Emirates Islamic, as acknowledged through awards, including "Best Islamic Bank" in the UAE. He also serves as the Chairman of Emirates Islamic Financial Brokerage LLC and he is a Board Member of Tanfeeth LLC.

A UAE national, Mr. Jamal Bin Ghalaita has been a banker for over 29 years, with key roles in corporate, retail, trade finance and human resources at Emirates NBD Group. His achievements include planning the launch of Emirates Islamic Bank and establishing new areas of business at Emirates NBD, including private banking, asset management and Emirates Money. Additionally, he is credited with overseeing the growth of the consumer banking and wealth management business.

Mr. Yousef Ali Fadil Bin Fadil

Board Member

Mr. Yousef Ali Fadil Bin Fadil is a Board Member of Al Baraka Islamic Bank, Bahrain and of Ajman Bank, United Arab Emirates. He was earlier General Manager of Emirates Financial Company and prior to that he served as Executive Manager for Investment in Dubai Islamic Bank. He has held senior positions at National Bank of Umm Al Quawain and also served on the boards of other financial institutions including Union Insurance Company (United Arab Emirates), Bosnia International Bank and Dubai Islamic Insurance Company.

Corporate Governance (continued)

Mr. Yousef Ali Fadil Bin Fadil, a U.A.E. National, holds a Bachelor's degree in Mathematics & Computer Science from Gonzaga University, Spokane, Washington State, U.S.A. He has more than 33 years' experience in banking.

Dr. Bassem Awadallah
Board Member

Dr. Bassem Awadallah is the Chief Executive Officer of Tomoh Advisory, a strategy and financial consultancy based in the United Arab Emirates. He is also Vice Chairman of Arab Bank (Jordan) and member of the Board of Directors of Arab National Bank (Kingdom of Saudi Arabia). Earlier in Jordan, he held the positions of Economic Secretary to the Prime Minister (1992-1996), Economic Advisor to the Prime Minister (1996-1999), Director of the Economic Department at the Royal Hashemite Court (1999-2001), Minister of Planning and International Cooperation (2001-2005), Minister of Finance (2005), Director of the Office of His Majesty King Abdullah II (April 2006-November 2007), and Chief of the Royal Hashemite Court (November 2007-October 2008).

Dr. Bassem Awadallah also served as the Secretary General of the Islamic Chamber of Commerce and Industry from 2010 until 2013. He was awarded the King Abdullah Bin Abdulaziz Visiting Fellowship at the Oxford Centre for Islamic Studies in 2012. He is also a member of the Advisory Board of the Middle East Centre at the London School of Economics and Political Science, and is Vice Chairman of the Board of Trustees of Al-Quds University, in Palestine. He is the recipient of the Al Hussein Medal for Distinguished Service, the Al Kawkab Decoration of the First Order, and the Al Istiqlal Decoration of the First Order of the Hashemite Kingdom of Jordan, as well as other decorations from several countries.

Dr. Bassem Awadallah has 33 years of diverse experience. He holds a PhD in Economics and a Master of Science in Economics from the London School of Economics and Political Science. He also holds a Bachelor of Science in Foreign Service, International Economics, International Finance and Commerce, from Georgetown University, Washington, D.C.

Mr. Mohyedin Saleh Kamel
Board Member

Mr. Mohyedin Saleh Kamel is the Deputy Chief Executive Officer - Direct Investments of Dallah Al Baraka Holding Company (E.C.) and member of the Management Committee. He was earlier Chairman of Dallah Media Production Company and Al Rabie Saudi Foods Co. Ltd. He is also member of the Boards of Dallah Real Estate Investment Company, Almaza Real Estate Development Company, Egypt, Jabal Omar Development Company, Al Khozami Company, Saudi Research and Marketing Group, Dallah Health Company, Okaz Organization for Press and Publication and VFS Tasheel International Company. Mr. Mohyedin Kamel was earlier a member of the Board of Directors of Jeddah Chamber of Commerce and Industry and is active in public and community work in Saudi Arabia.

A Saudi national with 17 years of varied experience, he studied Economics at the University of San Francisco, USA.

Mr. Saud Saleh Al Saleh
Board Member

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

He has more than 33 years of experience in banking, including 25 years of service at The 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 a General Secretary of the Supreme Economic Council of the Kingdom of Saudi Arabia. Mr. Saud Saleh Al Saleh, a Saudi national, holds a Bachelor of Science degree in Business Administration from Portland State University, Oregon, USA and an M.A. in Economics from The University of Rhode Island, USA. He has also done many advanced courses in the financial and legal fields.

Dr. Khaled Abdulla Ateeq
Board Member

Dr. Khaled Abdulla Ateeq is currently Chief Executive Officer and a Board Member of Family Bank 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 Deputy CEO at Venture Capital Bank.

He has over 38 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.

UNIFIED SHARI'A SUPERVISORY BOARD

The Unified Shari'a Supervisory Board of Al Baraka Banking Group ("Shari'a Board"/"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.

It is worth noting that the Shari'a Audit has been separated from the Internal Audit department into an independent department reporting functionally to the Shari'a Board, and administratively to the President and Chief Executive. Also, the new position of the "Shari'a Officer" has been created; the Shari'a Officer reports functionally to the Shari'a Board and administratively to the President and Chief Executive. Both the Shari'a Officer and the Head of Shari'a Audit are working in conformity with a charter that defines their technical duties in accordance with the instructions of the Central Bank.

SHARI'A COMPLIANCE

Al Baraka Banking Group places great importance on Shari'a compliance, whether in the transactions of the ABG head office or of its subsidiaries. The compliance policy of Al Baraka Banking Group 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 Al Baraka Banking Group 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 Board.

THE UNIFIED SHARI'A SUPERVISORY BOARD'S PROFILE

Shaikh Abdulla Bin Sulaiman Al Mannea

Chairman

Shaikh Abdulla Bin Sulaiman 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 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 has 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 KSA 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 at Islamic financial institutions including Bahrain Islamic Bank, Takaful, And the Arab Islamic Banking Association in Bahrain and London.

Shaikh Dr. Abdulaziz Bin Fowzan Al Fowzan

Member*

Shaikh Dr. Abdulaziz Bin Fowzan Al Fowzan holds a Master of arts degree and PhD in Comparative Jurisprudence from the Higher Judicial Institute. He is a teacher of comparative jurisprudence at the Higher Judicial Institute, and a Board member of the Human Rights Council. He serves as a consultant for a number of Islamic financial institutions. He is also a member of the Scientific Society of Jurisprudence, Kingdom of Saudi Arabia and the Saudi Judicial Society.

** Shaikh Dr. Abdulaziz Bin Fowzan Al Fowzan's membership ended in March 2019.*

Dr. Ahmed Mohiyeldin Ahmed

Member

Dr. Ahmed Mohiyeldin Ahmed holds a PhD in Islamic Economics and holds a Master of Arts degree in Jurisprudence of Transactions from Umm Al Qura University in Makkah, Kingdom of Saudi Arabia, and a Bachelor of Arts in Economics from Omdurman Islamic University, Sudan. He has previously served as Head of Research and Development at Al Baraka Banking Group, and is currently a member of the Shari'a supervisory board at Al Baraka Bank Egypt and the Shari'a Board at RHB Malaysia. He holds a membership in the Islamic Fiqh Academy in Jeddah. He was Secretary General of the Islamic Chamber of Commerce, Agriculture and Industry at the Organization of Islamic Cooperation.

Corporate Governance (continued)

Shaikh Dr. Saad bin Nasser Al Shithry

Member

Dr. Saad bin Nasser Al Shithry holds a Phd. from the College of Sharia 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 Sharia at Imam Muhammad bin Saud Islamic University where he commenced as a teaching assistant and then rose to the positions of Lecturer, Assistant Professor and Associate Professor. He has written as much as 65 books on comparative jurisprudence and principles of jurisprudence, in addition to many scientific research papers.

Shaikh Dr. Al Ayachi Al Saddig Fiddad

Member

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 Sharia - Umm Al-Qura University - Makkah Al-Mukarramah. He has had a total of 25 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 Sharia Council of the Accounting and Auditing Organization for Islamic Financial Institutions in Bahrain, Member of the Sharia Council of the International Islamic Rating Agency, Member of the Sharia 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 Sharia Standards Committee of the Accounting and Auditing Organization for Islamic Financial Institutions.

Mr. Yousif Hassan Khalawi

Member

Mr. Yousif Hassan Khalawi is a specialized practitioner of Sharia, its principles and international law. He graduated from the College of Sharia 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 Sharia 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 and Shari'a Officer

Dr. Eltigani El Tayeb Mohammed is a Certified Sharia 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.

Dr. Eltigani El Tayeb Mohammed has over 11 years' extensive experience in Islamic banking and finance, with specialization in Islamic Banking law. He joined Al Baraka Banking Group in November 2007.

Meeting schedule for the Unified Shari'a Supervisory Board

The Shari'a Board held 5 meetings in 2019. Below are the details of membership and the number of meetings attended:

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

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 2019, the Executive Management Team consisted of the President & Chief Executive, Deputy Chief Executive and the Heads of: Operations and Administration, Audit, Credit and Risk Management, Treasury, Investments and Financial Institutions, Finance, Compliance, Commercial Banking, Legal Affairs, IT, Strategic Planning, Sustainability and Social Responsibility, Shari'a Internal Audit, Shari'a Officer and Corporate Governance and Board Affairs; and Secretary of the Unified Shari'a Board. 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 President & Chief Executive with the remaining membership comprising of the Deputy Chief Executive and Heads of: Operations and Administration, Credit and Risk Management, Treasury, Investments and Financial Institutions, Finance, Commercial Banking, Legal Affairs, IT, Strategic Planning, Sustainability and Social Responsibility, Corporate Governance and Board Affairs; 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 President & Chief Executive and its remaining members are the Deputy Chief Executive and the Heads of: Operations and Administration, Credit and Risk Management, Finance, Treasury, Investments and Financial Institutions.

Head Office Credit Committee

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

Management Risk Committee

The Management Risk Committee's role is to assist the Board Risk Committee in managing and controlling risks, and to introduce and support such measures which enhance the efficiency of risk management policies, procedures, practices and controls within the Group. It is chaired by the President & Chief Executive, with remaining membership comprising of the Deputy Chief Executive and Heads of: Operations and Administration, Credit and Risk Management as well as the Manager of Enterprise Risk Management.

Compliance Committee

The role of the Compliance Committee is to ensure that the bank continuously and properly manages its compliance risk in accordance with the tenets of zero tolerance for non-compliance, international best practices and complies with the rules and regulations of the Central Bank of Bahrain and other applicable regulatory requirements. The main responsibilities of this committee are to determine compliance risk appetite and to provide oversight, strategy, policy & guidelines on compliance matters to all members of the ABG Group relating to AML/CFT, International Sanctions, FATCA/CRS and Regulatory Compliance. The Compliance Committee is chaired by the President & Chief Executive with remaining memberships comprising of the Deputy Chief Executive and Heads of: Credit and Risk Management, Finance, Compliance, Corporate Governance and Board Affairs, with Internal Audit as observer.

IT and Digitalization Committee

The IT and Digitalization Committee's role is to draw up the Group's short and long-term IT strategy, and to oversee and monitor its implementation throughout the Group with a view to effecting standardisation in information and operation management. The Committee is chaired by the Deputy Chief Executive with remaining memberships comprising of the Heads of: Operations and Administration, Credit and Risk Management, IT, Finance and Strategic Planning.

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 Head of Operations and Administration and the other members are the Deputy Chief Executive, IT and Strategic Planning.

Corporate Governance (continued)

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 relating 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 President & Chief Executive and the other members are the Deputy Chief Executive and Heads of: Operations and Administration, Treasury, Investments and Financial Institutions and Legal Affairs with the Head of Internal Audit as an observer.

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. Adnan Ahmed Yousif

Board Member and President & Chief Executive

Mr. Adnan Ahmed Yousif possesses over three decades of international banking experience. He has led Al Baraka Banking Group (ABG) since its inception, developing the Group into one of the largest and most diversified Islamic banking groups in the world. He is the Chairman of Al Baraka Bank Sudan, Al Baraka Turk Participation Bank, Al Baraka Bank Ltd. South Africa, Banque Al Baraka D'Algerie S.P.A., Al Baraka Bank Pakistan Ltd., Al Baraka Bank Syria S.A., Vice Chairman of Al Baraka Islamic Bank B.S.C.(c), Bahrain and a Board member of Al Baraka Bank Tunisia and Itqan Capital in Saudi Arabia.

He is currently the Chairman of Bahrain Association of Banks. He was the Chairman of the Union of Arab Banks, Lebanon, for two consecutive terms (2007-2013). He was previously with Arab Banking Corporation (B.S.C.) for over 20 years, last serving as a Director on its Board.

In 2011, he received the Medal of Efficiency, a unique honour conferred by His Majesty King Hamad Bin Isa Al Khalifa, the King of the Kingdom of Bahrain. In 2017 he received the Honorary Freedom Award, the highest honour from the City of London for his outstanding contributions to international banking services. He was declared as the Islamic Finance Personality of the Year 2017 by the Global Islamic Finance Awards (GIFA). He was also awarded by the LARIBA American Finance House the 2012 LARIBA Award for Excellence in Achievement in recognition of his leadership role in consolidating and operating the largest diversified Islamic banking group in the world. In 2004 and 2009, he received the "Islamic Banker of the Year" award.

In 2017, he won the 12th Islamic Business & Finance Awards for his outstanding contribution in CSR in Islamic banking. In 2016, the CSR Regional Network designated him as the High Commissioner for advocating the United Nations Sustainable Development Goals 2030. The CSR Regional Network, in 2015, also named him the CSR International Ambassador (Kingdom of Bahrain). He received the Gold Award for Sustainable Development for his role in the social responsibility programs nationally and internationally in 2016, as well as recognition for the leading role of ABG in the field of CSR at Oman International Conference on Social Responsibility.

He holds a Master's in Business Administration degree from University of Hull, U.K. In recognition of his outstanding contribution in the field of contemporary Islamic finance and for modernizing its theoretical fundamentals in practice, the Al Jinan University of Lebanon granted him an Honorary Doctorate of Philosophy in Business Administration.

Mr. Hamad Abdulla Al Oqab

Deputy Chief Executive

Mr. Hamad Abdulla Al Oqab has over 26 years' experience in banking, finance and auditing. He is currently the Chairman of Al Baraka Bank Lebanon and Vice Chairman of Jordan Islamic Bank. He is also Board Member in Al Baraka Turk Participation Bank, Banque Al Baraka D'Algerie and Al Baraka Bank Egypt. In addition, he serves as the Chairman of the Executive Committee as well as Salaries & Remuneration Committee of Al Baraka Bank Egypt. He is also the Chairman of Board Credit Committee of Jordan Islamic Bank and Chairman of IT Governance Committee of Al Baraka Turk Participation Bank. He serves as a member of various other Board committees these banking subsidiaries. He is the Chairman of the Accounting Standards Board of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). Before joining Al Baraka Banking Group in 2005, he worked in Shamil Bank (currently Ithmaar Bank), Arthur Andersen, Unilever and Bahrain Monitory Agency (currently Central Bank of Bahrain).

Effective March 2019, Mr. Hamad Abdulla Al Oqab was assigned the role of Chief Executive Officer of Al Baraka Islamic Bank in addition to his responsibility as Deputy Chief Executive of Al Baraka Banking Group. Mr. Hamad Abdulla Al Oqab Hold a Bachelor of Science degree in Accounting from the University of Bahrain and is a Certified Public Accountant and Chartered Global Management Accountant.

Mr. Abdulrahman Shehab

Executive Vice President - Head of Operations and Administration

Mr. Shehab has over 40 years' experience with international financial institutions, both Islamic and conventional. He is a Member of the Boards of Banque Al Baraka D'Algerie and Al Baraka Bank (Pakistan) Ltd. Before joining ABG in May 2006, he was Assistant Chief Executive Officer – Head of Operations & Administration at Bahrain Islamic Bank from 2002-2006, which he joined from Faysal Islamic Bank of Bahrain (now Ithmaar Bank) where he worked from 1985- 2002. Previously, he worked at Bahrain Middle East Bank and the Bahrain branches of American Express Bank, Bank of America and Chase Manhattan Bank. He started his career with Habib Bank Ltd. in 1973. Mr. Shehab holds a Master degree in Business Administration from Hull University, U.K.

Mr. Salah Othman Abuzaid *

Senior Vice President – Head of Legal Affairs

Mr. Salah Othman Abuzaid has over 35 years of professional experience as a judge, a practicing advocate and legal consultant for local, regional and international law firms and financial institutions. He joined ABG as First Vice President - Head of Legal Affairs & Compliance, and was promoted to Senior Vice President. Before joining ABG, he worked at Al Baraka Islamic Bank (Bahrain) as Manager, Legal Affairs, prior to which he was based in the Sultanate of Oman from 2001-2004 working for an international law firm. In Oman, he was admitted to practice before all Omani courts. Before that, he spent 20 years in legal practice in Sudan. Mr. Salah Othman Abuzaid has an LLB degree from the Faculty of Law, University of Khartoum, Sudan.

* *Mr. Salah Othman Abuzaid retired from ABG on 31st January 2020.*

Mr. Mohammed A. El Qaq

Senior Vice President - Head of Commercial Banking

Mr. Mohammed El Qaq has over 28 years of experience in commercial banking. Before joining ABG in August 2014, Mr. El Qaq 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 then 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.

Mr. Ahmed Albalooshi

Senior Vice President - Head of Information Technology

Mr. Ahmed Albalooshi has more than 19 years of experience in IT gained while working in the government and private sectors in Bahrain including banking. He commenced his career with Bahrain Islamic Bank and then moved to other government and private organizations before joining ABG in November 2008. Mr. Ahmed Albalooshi is also the Chairman of the Advisory Board of Bahrain FinTech Bay and the Chairman of Digital and Cybersecurity Committee of Bahrain Association of Banks. He holds a Master of Business Administration degree from University of Manchester and a Bachelor degree in Information Technology from the University of Canberra in Australia. He also holds a number of additional professional qualifications in the IT sector such as Certified in the Governance of Enterprise IT (CGEIT), Certified Information Systems Auditing (CISA), Certified Information Security Management (CISM) and others.

Mr. Azhar Aziz Dogar

Senior Vice President - Head of Credit and Risk Management

Mr. Azhar Aziz Dogar has over 27 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. 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 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 Al-Alawi has over 21 years of external and internal audit experience, mainly auditing Islamic banks. He reports directly to the Audit and Governance 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 all of ABG's subsidiaries. The audit function also includes the review of the control environment of IT systems, risks, controls and corporate governance and compliance. Previously Mr. Mohammed Al-Alawi worked as an Internal Audit manager in Ithmaar Bank prior to which he also worked in leading audit firms such as PricewaterhouseCoopers and Ernst & Young. Mr. Mohammed Al-Alawi is an FCCA - Fellow of the Association of Chartered Certified Accountants, U.K. and ICAEW - member of the Institute of Chartered Accountants in England & Wales.

Corporate Governance (continued)

Mr. Suhail Tohami

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

Mr. Suhail Tohami has more than 21 years of experience in both conventional and Islamic banking and other diversified businesses. His most recent position was 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 includes more than 7 years at BBK, Bahrain with exposure to various Treasury functions including fixed income portfolio manager, FX trading, money market, liquidity management. Mr. Suhail is a member of the CFA Institute and is a Chartered Financial Analyst (CFA). 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 first-class honours from University of Bahrain.

Mr. Yaser Ismaeel Mudhafar

Senior Vice President- Head of Finance

Mr. Yaser Ismaeel Mudhafar has over 20 years of extensive experience in the Islamic banking industry. His most recent position was Assistant General Manager - Chief Financial Officer at Khaleeji Commercial Bank for more than 12 years where he established, developed and managed the Financial Control Department and Internal Control at the Bank. Prior to Khaleeji Commercial Bank, he worked at Kuwait Finance House - Bahrain in the Financial Control Department. Mr. Yaser Ismaeel Mudhafar is a member of American Institute of Certified Public Accountants (AICPA) and holds the title of Certified Public Accountant(CPA) of the State of Michigan, USA. He is an Executive MBA graduate of the University of Bahrain and holds the Certified Islamic Professional Accountant (CIPA) title from the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

Mr. Nader Mahmood

Senior Vice President - Group Head of Compliance & MLRO Management

Mr. Nader Mahmood is a banking professional with more than 31 years of experience in finance and banking and joined ABG in March 2019. Prior to that Mr. Mahmood worked with Gulf International Bank (B.S.C.), Bahrain, most recently as Head of Group Compliance responsible for overseeing and coordinating compliance functions and activities, including regulatory compliance, corporate governance, anti-money laundering and international sanctions across the network of offices worldwide. Before this appointment, he held a number of senior positions in the Compliance & AML and Internal Audit area within the banking industry. Mr. Mahmood commenced his professional career with Bahrain Petroleum Company (Bapco). During his working career, Mr. Mahmood has gained varied experience in compliance, audit, credit control, investment & treasury, and trade finance fields. Mr. Nader is a Commerce Graduate from the University of Bahrain and holds a number of certifications, including Certified Anti-Money Laundering Specialist (ACAMS), International Compliance Association (FICA), and Certified Financial Service Auditor (CFSA).

Dr. Ali Adnan Ibrahim

First Vice President - Head of Sustainability & Social Responsibility

Dr. Ali Adnan Ibrahim has over 23 years of experience. As Head of the Group Sustainability and Social Responsibility Department, he specialises in market-based strategies for economic development, corporate sustainability, impact investing, Islamic micro-and- SME finance, mergers and acquisitions, and Shari'a-structuring. He also develops strategies and processes to ensure that Al Baraka's businesses contribute to its communities. He is the Chairman of the Sustainable Development Committee of the Bahrain Association of Banks and also chairs the Global Islamic and Sustainable Fintech Centre with a mission to leverage financial technology, Islamic and sustainable finance for impact. He is also a World Economic Forum Young Global Leader. Previously, he was a counsel at Baker & McKenzie. As a Fulbright Scholar, Dr. Ali Adnan Ibrahim received his doctorate in financial regulation from the Georgetown University (with distinction). He has attended leadership programs such as "Global Leadership and Public Policy in 21st Century" at Harvard University and "Transformational Leadership" at Oxford University. He has twice served as Co-Chair of the Islamic Finance Committee of the American Bar Association. He has been published internationally on market-based strategies for economic development, financial inclusion, Islamic finance and its regulation, Islamic microfinance, comparative corporate governance and capital markets in developing countries.

Mr. Mohammed Abdullatif Al Mahmood

First Vice President - Head of Internal Shari'a Audit

Mr. Mohammed Abdullatif Al Mahmood has more than ten 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 Al Mahmood is a Certified Shari'a Advisor and Auditor (CSAA) and holds a Master degree in Islamic Jurisprudence and Its foundations from Jordan University in addition to a Bachelor of Science degree in Shari'a and Law from Azhar University.

Dr. Mohammed Mustapha Khemira

First Vice President – Head of Strategic Planning *

Dr. Mohammed Mustapha Khemira has over 23 years of experience in Islamic banking services, management consulting and education. Prior to joining ABG in February 2017, Dr. Mohammed Mustapha worked in different managerial positions with prominent global and GCC-based institutions. He served as the Head of Sharia Structuring and Coordination as well as Head of the Sharia Department at Emirates Islamic Bank for more than eight years. Before that, he 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 started his career in Islamic banking with Faysal Islamic Bank of Bahrain the late nineties where he served in various capacities, last being Vice President Corporate & Investment Banking. He commenced his career with Netbroker Inc. (Waltham, MA, USA) as a Financial Software Developer in 1996.

Dr. Mohammed Mustapha holds a Ph.D. and an M.Sc. in Mechanical Engineering from the Massachusetts Institute of Technology (MIT) in Cambridge, MA, USA. He completed his B.Sc. in Mechanical Engineering from University of Minnesota, Minneapolis, USA. He is the recipient of scholarships for his education from the USAID Technology Transfer Program.

* *Appointed as Head of Strategic Planning on November 1, 2019 upon the retirement of Mr. K. Krishnamoorthy.*

Mr. Abdulmalek Mezher

First Vice President - Head of Corporate Governance & Board Affairs

Mr. Abdulmalek Mezher joined ABG in November 2019 and has over 15 years of experience in Compliance, AML/CTF, Operational Risk, Corporate Governance and Board Secretariat matters in Banking and Asset Management sectors. Prior to joining ABG, he worked for Alistithmar Capital the subsidiary of the Saudi Investment Bank as Head of Corporate Governance besides handling matters related to Board Affairs.

Mr. Abdulmalek holds a BA in Accounting from University of Jordan. He has several Professional Certificates in Compliance and AML/CTF fields. He has the ICGC-International Corporate Governance Certificate and is a GRCP – Governance, Risk and Compliance Professional.

Dr. Eltigani El Tayeb Mohammed

Shari'a Officer

Dr. Eltigani El Tayeb Mohammed is a Certified Sharia 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.

Dr. Eltigani El Tayeb Mohammed has over 11 years' extensive experience in Islamic banking and finance, with specialization in Islamic Banking law. He joined Al Baraka Banking Group in November 2007.

COMPLIANCE, POLICIES AND PROCEDURES

Group Compliance

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.

Pursuant to the Group's Compliance Policy, approved and adopted by the Board of Directors in November 2009, ABG appointed a Compliance Officer, whose role is to assist the management to ensure the Group's adherence to the Group Compliance Policy, in particular that all Group activities are conducted in conformity with all applicable laws and regulations and in accordance with best practice.

The Group Head of Compliance & MLRO Management (GCMM) 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 letter 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 GCMM reports to the Governance & Compliance Committee and provides independent oversight on behalf of the Board of Directors. He has access to the Board of Directors whenever deemed necessary. In addition, the GCMM has the right and the authority to contact the Central Bank of Bahrain (CBB), as and when he considers it necessary.

Corporate Governance (continued)

The GCMM is supported by dedicated compliance teams in all ABG subsidiaries. At the Group level, the GCMM 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 subsidiaries, 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 subsidiary 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 subsidiaries. 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 subsidiaries. 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 Governance and Compliance 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 subsidiaries. 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 Policy for application throughout the Group. ABG subsidiaries 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. Only the following persons are authorised to make public information via the media:

- Chairman of the Board of Directors
- Vice-Chairmen of the Board of Directors
- President & Chief Executive

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

The Group distributes its Financial Statements and Prudential Returns to the CBB, 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 either Arabic or 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.

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 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 2019 are reflected in Note 25 to the Consolidated Financial Statements.

Corporate Governance (continued)

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 Supervisory 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 Supervisory Board must take place after it is declared to the Board of Directors or to the Shari'a Supervisory 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.

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 Affairs & Remuneration Committee (BARC) 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 BARC believes the latter contributes to the long-term sustainability of the business.

BARC Role and Focus

The BARC has oversight of all reward policies for the Group's employees. The BARC 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 BARC 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 BARC 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 BARC 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.

The aggregate remuneration paid to BARC members during the year in the form of sitting fees amounted to US$ 54 thousand (2018: US$ 51 thousand); other details concerning BARC membership are disclosed elsewhere in this report.

External Consultants
The Bank used external consultants for some small updates to its remuneration process during the year and for generation of suitable reports for the BARC.

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 BARC 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 BARC carefully evaluates practices by which remuneration is paid for potential future revenues whose timing and likelihood remain uncertain. The BARC 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 BARC.

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.

Corporate Governance (continued)

Variable Compensation for Business Units

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

Risk Assessment Framework

The purpose of risk linkages is to align variable remuneration to the risk profile of the Group. In its 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 BARC 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 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 BARC keeps itself abreast of the Group's performance against the risk management framework. The BARC 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 BARC, 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.

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) Board of Directors

	US$ '000	
	2019*	**2018**
Sitting Fees	591	389
Remuneration	1,500	1,500
Other	243	167

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 2020.

b) Unified Shari'a Supervisory Board

	US$ '000	
	2019	**2018**
Sitting Fees	96	85
Remuneration	145	125
Other	35	38

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

Corporate Governance (continued)

c) Employee Remuneration

Total fixed remuneration for Approved Persons and Material Risk Takers affected by the policy amounted to US$7,765 thousand (2018: US$8,197 thousand) and the number of persons affected: 17 (2018:20).

The total variable remuneration for 2019 was US$6,028 thousand (2018: US$7,258 thousand).

d) 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$ 3,598 thousand (2018: US$4,356 thousand).

e) Severance Pay – Nil (2019-2018)

(1) Approved Employees Remuneration

Details of Remuneration Paid for the Financial Year Ended 2019 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	2,711	1,316	4,027	2,048	3,072	0	0	0	5,120	9,147
Approved persons in risk management, internal audit, operations, finance, AML and compliance functions.	7	1,271	515	1,786	159	194	0	0	0	353	2,139
Employees, other than approved persons, engaged in functions under 2.	6	1,395	557	1,952	223	332	0	0	0	555	2,507
Total	17	5,377	2,388	7,765	2,430	3,598	0	0	0	6,028	13,793

Details of Remuneration Paid For the Financial Year Ended 2018

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	2,218	1,727	3,945	2,347	3,523	0	0	0	5,870	9,815
Approved persons in risk management, internal audit, operations, finance, AML and compliance functions.	9	1,629	769	2,398	332	499	0	0	0	831	3,229
Employees, other than approved persons, engaged in functions under 2.	7	1,377	477	1,854	223	334	0	0	0	557	2,411
Total	20	5,224	2,973	8,197	2,902	4,356	0	0	0	7,258	15,455

(2) Deferred Awards

	2019				
		Shares			
	Cash (US$ '000)	Number ('000)	(US$ '000)	Others (US$ '000)	Total (US$ '000)
Opening balance	0	36,785	13,212	0	13,212
Awarded during the period	0	12,307	3,815	0	3,815
Lapse	0	(6,916)	(3,541)	0	(3,541)
Service in value unvested opening awards	0	0	0	0	0
Closing balance	0	42,176	13,486	0	13,486

	2018				
		Shares			
	Cash (US$ '000)	Number ('000)	(US$ '000)	Others (US$ '000)	Total (US$ '000)
Opening balance	0	25,831	11,762	0	11,762
Awarded during the period	0	14,520	4,356	0	4,356
Lapse	0	(3,566)	(2,906)	0	(2,906)
Service in value unvested opening awards	0	0	0	0	0
Closing balance	0	36,785	13,212	0	13,212

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. The Management Risk Committee, Asset Liability Committee, Credit Committee and other executive committees guide and assist with management of the Group's balance sheet risks. The Group manages exposure by setting limits approved by the Board of Directors or under delegated authorities by committees of the management. Risk policies and processes to mitigate the risks are regularly reviewed on an ongoing basis.

To ensure the effectiveness of the 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 structure, 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 should be divided:

1- The first line of defence: Functions that own and manage risk. Under this line of defence, operational management has ownership, responsibility and accountability for directly assessing, controlling and mitigating risks.

2- The second line of defence: Functions that oversee or specialise in risk management, compliance. This line of defence consists of activities covered by several components of internal governance (compliance, risk management, quality, IT and other control 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 Group.

3- The third line of defence: Functions that provide independent assurance i.e. internal audit. Internal Audit forms the third line of defence. An independent internal audit function will, through a risk-based approach to its work, provide 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 combination, this approach ensures that ABG is able to grow its business without taking undue risks that could impact its capital adequacy, shareholder returns and ultimately its brand and reputation.

Corporate Governance (continued)

ABG's Group Risk Management is responsible for formulating and monitoring the Group's policies relating to all aspects of risk, developing the framework for risk measurement and coordinating with the Group subsidiaries all necessary steps for adhering to the requirements of Basel III and, where and when still applicable, Basel II, under the Central Bank of Bahrain (CBB) rules and guidelines. Group Risk Management is also responsible for introducing and implementing risk measurement software and systems, monitoring the Group's compliance with risk measurement standards and providing the Risk Committee of the Board of Directors and Group management with reports on the various risks.

The Group's risk management has the following objectives:

a. unified Group-wide risk management with the ultimate aim of enabling the Group to calculate risk-adjusted return on capital;
b. inculcation of a professional risk management culture throughout the Group with a prudent, disciplined approach to risk-taking based on comprehensive Group-wide policies, processes and limits;
c. professionally qualified staff and ongoing credit training;
d. investing in technology and systems enabling best practice risk management;
e. segregation of duties and reporting lines between personnel transacting business and personal processing that business throughout the Group;
f. strict compliance with all Shari'a and legal requirements and regulatory directives; and maintaining clear, well documented policies via a "Group Credit and Risk Policies and Guidelines Manual" and credit and risk management manuals in each of the subsidiaries, which incorporate the policies and guidelines of the Group in addition to the local requirements and regulations.

Each of ABG's subsidiaries is governed by its respective Board of Directors. Group subsidiaries follow documented credit policies and procedures which, as stated above, reflect Group-wide policies and so ensure that sound risk management is in place in all ABG's subsidiaries.

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 operation. Furthermore, operational risk systems 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 bring about resilient asset quality in the face of increased challenges in some of the Group's markets.
- All subsidiaries ensure that their NPA provisioning policies are in line with both Group policies and local regulatory requirements.
- Subsidiaries continue to strive to ensure 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 in each unit.
- Each subsidiary has an approved Credit and Risk Management Manual, covering all relevant risks, which accords with Group policies and procedures.
- All subsidiaries submit timely quarterly risk management reports to the Head Office, which fully meet regulatory requirements. The contents of these reports are continuously expanded in order to provide the Head Office with increasingly 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 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 cause 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 of Directors to 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.

Each subsidiary maintains an internal audit department responsible for carrying out reviews of credit exposures to counterparties, and assessing their quality and adherence to laid down approval procedures. Each subsidiary also maintains policies and procedures covering "single obligor large exposures" and case-by-case approvals of "related party transactions".

During the year 2017 ABG and its Subsidiaries made all necessary preparations including acquiring credit rating and other systems and revising credit policies and procedures for introduction of the new FAS 30 Accounting Standard of AAOIFI on January 1, 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 - in most cases 20%. ABG additionally holds liquid funds which are earmarked and available for its subsidiaries in the unlikely event that they should require assistance. Liquidity management reporting conforms to all local regulations.

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.

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 31 December 2018 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.

Corporate Governance (continued)

Information Security (Cyber Security) Risk

The Group continued to enhance its management of information security (cyber security) risk on an ongoing basis in 2019. 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 Information Security Risk Management Committee at the Head Office meets regularly and has implemented a new Information Risk Management Framework and Group Policy and Guidance.

Compliance Risk

Compliance risk is defined as the risk of legal or regulatory sanctions, material or financial loss or loss to reputation 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 for compliance has changed substantially in recent years. As a result, ABG and its subsidiaries are continuously enhancing their compliance risk management framework. Please refer to separate section on Group Compliance function.

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 31 December 2019 was 16.65%, 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 & INFORMATION TECHNOLOGY

The Digitalization and IT Steering Committee governs and supports Digital Transformation strategies, IT strategies, policies, projects and initiatives across all ABG subsidiaries, and ensures that they are consistent with the Group's strategic aims as well as each subsidiary's local strategy. The Group periodically reviews Digital Transformation and IT strategies across all ABG subsidiaries to ensure that they enable The Group business strategy and strategic objectives.

Several subsidiaries are in the final stages of replacing their legacy core banking systems with a new modern core banking system. The subsidiaries are now introducing new solutions in areas such as digital banking, compliance, risk management, and cyber security as well as exploring new technologies related to Artificial Intelligence and Robotic Process Automation. Digital Banking, Digital Transformation and FinTech are major areas where the Group is actively setting strategies to ensure that it leverages opportunities and overcomes challenges associated with disruption.

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 2019, the Al Baraka Banking Group (ABG) is fully in compliance with the Corporate Governance requirements outlined under the Central Bank of Bahrain, the HC Module, in its Rulebook.

Sustainability and Social Responsibility

As an Islamic bank, Al Baraka Banking Group B.S.C. (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 sustainability and social responsibility (SSR) fits naturally with the business ethics of Islam and, therefore, with ABG's foundation philosophy and vision.

Islam and SSR

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.

SSR 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 interest 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 Sustainability and Social Responsibility 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. In 2017, the program has been renamed as "Al Baraka Sustainability and Social Responsibility 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.

Governance

A Board Committee for Sustainability and Social Responsibility oversees the Al Baraka Sustainability and Social Responsibility Programme and the Department of Sustainability and Social Responsibility, which is also overseen directly by the President and CE. The Department's role is to:

1. Maintain the continuity of the Al Baraka Sustainability and Social Responsibility 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.

Sustainability and Social Responsibility (continued)

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 sustainability and social responsibility programmes.

A detailed report of the Group's activities and progress in the area of Sustainability and Social Responsibility is posted on the ABG website. Furthermore, a report covering progress over the past year is available annually on that website. Each of ABG's subsidiaries will also produce an annual report of its activities in this area, which will similarly be available on their individual websites.

Activities

The Al Baraka Sustainability and Social Responsibility 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 or goodwill 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 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 Sustainability and Social Responsibility Programme contributed US$ 3 billion in 2018 to communities (primarily with the financing operations).

Al Baraka Goals 2016-2020

The Group decided in 2016 to take our Sustainability and Social Responsibility 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 and supporting US$197 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$822 million over the five years towards the Al Baraka Goals (2016-2020). It plans to do so through job creation, healthcare financing and donation, education financing and donation.

During 2019, the Group carried out a full impact assessment of the progress in 2018 against the 2016-2020 goals. The Group has exceeded most of the 2018 targets of Al Baraka Goals (reporting lags by a year due to the time taken to collect qualitative data). In 2018, the Group achieved the following:

- Helped to create 7,631 jobs, 75% of the 2018 target.
- Helped to achieve US$ 40,375,000 of education funding / financing, 106% of the 2018 target.
- Helped to achieve US$153,621,000 of healthcare funding/ financing, 177% of the 2018 target.

Credit approval process and Sustainability and Social Responsibility

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 Sustainability and Social Responsibility 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.

The Future

When ABG signed up to the UN Global Compact in 2016, it set out a path for the future in line with the Al Baraka Goals 2016-2020. Given that our business model is uniquely tailored around adding economic value to the communities that we serve, our contribution (and as a result our economic value-added contribution to society) will increase in line with our growth. We hope that our example will kick-start a trend in the Islamic banking industry.

In addition to signing an MOU with United Nations Development Program (UNDP) in 2018, ABG also signed an MOU with the United Nations Environment Program (UNEP). Both of these MOUs are aimed at collaborating with the UN agencies with regard to the Al Baraka Goals 2016-2020. In 2019, ABG also adopted the principles of responsible banking, which are already reflected in the Al Baraka Goals (2016-2020), and ABG overall governance and other business practices.

Unified Shari'a Supervisory Board Report

For the year ended 31 December 2019

16 Jumada Al-Akhirah 1441

10 February 2020

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:

We have conducted six meetings during 2019 in which we studied Shari'a audit reports prepared by the Group's Shari'a Audit for the year ended 31 December 2019 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 2019.

Second:

We have reviewed the principles applied by the Group and reviewed the 2019 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 2019 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:

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 2019 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.

As the General Assembly in its annual meeting conducted on 20 March 2019 empowered the Executive Management of Al Baraka Banking Group to pay an amount of US$ 2,235,005 as Zakah on behalf of the shareholders deducted from the Retained Earnings for the financial year of 2018. The Group has paid and distributed an amount of US$1,865,172 to those who's entitled to receive Zakah as per Shari'a boundaries and as approved by Unified Shari'a Board. The remaining amount of US$ 369,833 has been allocated to be paid maximum by end of first quarter of 2020.

For the year 2019, the Group is not required 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. Therefore if the shareholders have not empower the Group to pay Zakah, the shareholders have to pay the Zakah related to their shares, which equal to US Cent 19 for each 100 shares. In case of unavailability of such empowerment, then the shareholders should pay their share of Zakah as per the enclosed calculation. In case of unavailability of liquidity, it is allowed to postponed the Zakah and become debt until the liquidity become 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

Dr. Ahmed Mohiyeldin
Member

Shaikh Dr. Al Ayachi Al Saddig Fiddad
Member

Mr. Yousif Hassan Khalawi
Member

Unified Shari'a Supervisory Board Report (continued)

For the year ended 31 December 2019

Zakah Calculation for the year ended 31 December 2019	**US$ '000**
Equity Attributable to Shareholders	1,466,088
Less: Investment of the parent on the shareholding of Al Baraka Bank Egypt, Al Baraka Bank Sudan and Itqan Capital	(230,869)
Perpetual tier 1 capital	(400,000)
Net Zakatable Equity Attributable to Shareholders	**835,219**
Less:	
Musharaka underlined by unzakatable assets	(137,337)
Investment in Islamic Sukuk underlined by unzakatable assets	(21,077)
Ijarah Muntahia Bittamleek	(202,507)
long-term investment in real estate	(27,300)
Properties and equipment	(252,407)
Intangible assets	(79,082)
Investment in Associates	(4,053)
Prepayments	(24,543)
Deferred tax asset	(35,958)
Add:	
Shareholders share on Zakatable Assets by Associates	3,801
Sale of long-term investment in real estate during the year	61
Deferred tax liability	3,921
Employees' end of services benefit	30,391
Zakatable amount	**89,129**
Zakah Percentage	2.5770%
Total Zakah due	**2,297**
Number of Shares (thousands)	1,234,572
Zakah per share (US cents)	**0.19**

Independent Auditors' Report

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

Report on the consolidated financial statements

We have audited the accompanying consolidated statement of financial position of Al Baraka Banking Group B.S.C. ("the Bank") and its subsidiaries ("the Group") as of 31 December 2019, 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. These consolidated financial statements and the Group's undertaking to operate in accordance with Islamic Shari'a Rules and Principles are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2019, the results of its 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 issued by AAOIFI.

Report on other 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; and
b) the financial information contained in the Report of the Board of Directors is consistent with 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 having occurred during the year ended 31 December 2019 that might have had a material adverse effect on the business of the Bank or on its financial position. Satisfactory explanations and information have been provided to us by management in response to all our requests. The Bank has also complied with the Islamic Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Group.

Ernst + Young

Partner's registration no. 244
23 February 2020
Manama, Kingdom of Bahrain

Consolidated
Financial Statements

For the year ended 31 December 2019

Consolidated statement of financial position

At 31 December 2019

	Notes	2019 US$ '000	2018 US$ '000
ASSETS			
Cash and balances with banks	3	**5,386,926**	5,008,009
Receivables	4	**10,894,937**	10,303,868
Mudaraba and Musharaka financing	5	**3,228,615**	2,718,906
Investments	6	**3,872,538**	3,067,008
Ijarah Muntahia Bittamleek	7	**1,756,756**	1,770,833
Property and equipment	8	**455,031**	406,564
Other assets	9	**663,728**	556,050
TOTAL ASSETS		**26,258,531**	23,831,238
LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY			
LIABILITIES			
Customer current and other accounts		**6,195,073**	5,325,924
Due to banks		**1,106,923**	1,178,758
Long term financing	10	**379,269**	976,891
Other liabilities	11	**1,098,200**	971,310
TOTAL LIABILITIES		**8,779,465**	8,452,883
EQUITY OF INVESTMENT ACCOUNTHOLDERS	12	**15,155,876**	13,122,368
OWNERS' EQUITY			
Share capital	13	**1,242,879**	1,242,879
Treasury shares	13	**(8,308)**	(9,203)
Share premium		**18,138**	18,829
Perpetual tier 1 capital	14	**400,000**	400,000
Reserves		**177,254**	165,551
Cumulative changes in fair values		**29,370**	31,929
Foreign currency translations	13	**(752,068)**	(861,313)
Retained earnings		**335,089**	519,587
Proposed appropriations		**24,858**	37,286
EQUITY ATTRIBUTABLE TO PARENT'S SHAREHOLDERS AND SUKUK HOLDERS		**1,467,212**	1,545,545
Non-controlling interest		**855,978**	710,442
TOTAL OWNERS' EQUITY		**2,323,190**	2,255,987
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY		**26,258,531**	23,831,238

Saleh Abdullah Kamel
Chairman

Adnan Ahmed Yousif
Member of the Board and
President and Chief Executive

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

Consolidated statement of income

For the year ended 31 December 2019

	Notes	2019 US$ '000	2018 US$ '000
INCOME			
Net income from jointly financed contracts and investments	15	**1,391,699**	1,327,244
Return on equity of investment accountholders before Group's share as a Mudarib		**(1,244,567)**	(1,159,241)
Group's share as a Mudarib	16	**357,774**	372,914
Return on equity of investment accountholders		**(886,793)**	(786,327)
Group's share of income from equity of investment accountholders (as a Mudarib and Rabalmal)		**504,906**	540,917
Mudarib share for managing off-balance sheet equity of investment accountholders		**14,797**	8,366
Net income from self financed contracts and investments	15	**216,983**	242,967
Other fees and commission income	17	**181,816**	158,578
Other operating income	18	**95,852**	120,098
		1,014,354	1,070,926
Profit paid on long term financing	19	**(46,957)**	(83,107)
TOTAL OPERATING INCOME		**967,397**	987,819
OPERATING EXPENSES			
Staff expenses		**325,291**	306,350
Depreciation and amortisation	20	**40,523**	42,064
Other operating expenses	21	**202,344**	192,043
TOTAL OPERATING EXPENSES		**568,158**	540,457
NET OPERATING INCOME FOR THE YEAR BEFORE NET ALLOWANCE FOR CREDIT LOSSES / IMPAIRMENT AND TAXATION		**399,239**	447,362
Net allowance for credit losses / impairment	22	**(121,791)**	(159,774)
NET INCOME BEFORE TAXATION		**277,448**	287,588
Taxation		**(97,282)**	(70,860)
NET INCOME FOR THE YEAR		**180,166**	216,728
Attributable to:			
Equity holders of the parent		**105,672**	129,084
Non-controlling interest		**74,494**	87,644
		180,166	216,728
Basic and diluted earnings per share - US cents	23	**6.01**	7.91

Saleh Abdullah Kamel
Chairman

Adnan Ahmed Yousif
Member of the Board and
President and Chief Executive

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

Consolidated statement of cash flows

For the year ended 31 December 2019

	Notes	2019 US$ '000	2018 US$ '000
OPERATING ACTIVITIES			
Net income before taxation		**277,448**	287,588
Adjustments for:			
Depreciation and amortisation	20	**40,523**	42,064
Depreciation on Ijarah Muntahia Bittamleek	15.4	**195,294**	190,817
Unrealised gain on equity and debt-type instruments at fair value through statement of income	15.3	**(21,952)**	(5,619)
Gain on sale of property and equipment	18	**(7,194)**	(8,850)
Gain on sale of investment in real estate	15.3	**(431)**	(1,248)
Loss (Gain) on sale of equity type instruments at fair value through equity	15.3	**654**	(457)
Gain on sale of equity and debt-type instruments at fair value through statement of income	15.3	**(3,874)**	(3,466)
Income from associates	15.3	**(5,818)**	(3,667)
Net allowance for credit losses / impairment		**121,791**	159,774
Operating profit before changes in operating assets and liabilities		**596,441**	656,936
Net changes in operating assets and liabilities:			
Reserves with central banks		**(374,147)**	478,668
Receivables		**(703,307)**	1,594,175
Mudaraba and Musharaka financing		**(511,448)**	(347,145)
Ijarah Muntahia Bittamleek		**(180,628)**	(105,888)
Other assets		**(123,866)**	(110,942)
Customer current and other accounts		**869,141**	(139,511)
Due to banks		**(71,835)**	(143,711)
Other liabilities		**126,613**	(74,995)
Equity of investment accountholders		**2,037,376**	(758,803)
Taxation paid		**(92,836)**	(97,999)
Net cash from operating activities		**1,571,504**	950,785
INVESTING ACTIVITIES			
Net purchase of investments		**(792,093)**	(265,789)
Net purchase of property and equipment		**(76,344)**	(9,552)
Dividends received from associates		**1,053**	3,207
Disposal (Purchase) of investment in associate		**13,032**	(1,231)
Net cash used in investing activities		**(854,352)**	(273,365)
FINANCING ACTIVITIES			
Long term financing		**(597,622)**	(259,663)
Dividends paid to equity holders of the parent		**(37,286)**	(24,134)
Net movement in treasury shares		**204**	532
Profit distributed on perpetual tier 1 capital		**(31,500)**	(31,500)
Movement related to subsidiaries' tier 1 capital		**2,396**	1,990
Payment of expenses related to subsidiaries' tier 1 capital		**-**	(426)
Net changes in non-controlling interest		**65,186**	4,936
Net cash used in financing activities		**(598,622)**	(308,265)
Foreign currency translation adjustments		**(110,139)**	(312,543)
NET CHANGES IN CASH AND CASH EQUIVALENTS		**8,391**	56,612
Cash and cash equivalents at 1 January		**2,917,794**	2,861,182
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	24	**2,926,185**	2,917,794

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

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Consolidated statement of changes in owners' equity

For the year ended 31 December 2019

	Attributable to equity holders of the parent and Sukuk holders													
					Reserves		Cumulative changes in fair values							
	Share capital US$ '000	Treasury shares US$ '000	Shaer premium US$ '000	Perpetual tier 1 capital US$ '000	Statutory reserve US$ '000	Other reserves US$ '000	Investments US$ '000	Property and equipment US$ '000	Foreign currency translations reserve US$ '000	Retained earnings US$ '000	Proposed appro-priations US$ '000	Total US$ '000	Non controlling interest US$ '000	Total owners equity US$ '000
Balance at 1 January 2019	1,242,879	(9,203)	18,829	400,000	165,551	-	4,739	27,190	(861,313)	519,587	37,286	1,545,545	710,442	2,255,987
Dividends paid	-	-	-	-	-	-	-	-	-	-	(37,286)	(37,286)	-	(37,286)
Movement in treasury shares	-	895	(691)	-	-	-	-	-	-	-	-	204	-	204
Net movement in cumulative change in fair value for investments	-	-	-	-	-	-	477	-	-	-	-	477	(2,284)	(1,807)
Net movement in cumulative change in fair value for property and equipment	-	-	-	-	-	-	-	(3,036)	-	-	-	(3,036)	2,322	(714)
Net movement in other reserves	-	-	-	-	-	1,136	-	-	-	-	-	1,136	1,796	2,932
Foreign currency translation	-	-	-	-	-	-	-	-	(73,421)	-	-	(73,421)	(36,718)	(110,139)
Net income for the year	-	-	-	-	-	-	-	-	-	105,672	-	105,672	74,494	180,166
Transfer to statutory reserve (note 13)	-	-	-	-	10,567	-	-	-	-	(10,567)	-	-	-	-
Proposed dividends	-	-	-	-	-	-	-	-	-	(24,858)	24,858	-	-	-
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(26,755)	(26,755)
Zakah paid on behalf of shareholders (note 13)	-	-	-	-	-	-	-	-	-	(2,235)	-	(2,235)	-	(2,235)
Profit distributed on perpetual tier 1 capital	-	-	-	-	-	-	-	-	-	(31,500)	-	(31,500)	-	(31,500)
Movement related to subsidiaries' tier 1 capital	-	-	-	-	-	-	-	-	-	2,396	-	2,396	(12,706)	(10,310)
Effect of change in ownership	-	-	-	-	-	-	-	-	182,666	(223,406)	-	(40,740)	40,740	-
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	104,647	104,647
Balance at 31 December 2019	1,242,879	(8,308)	18,138	400,000	176,118	1,136	5,216	24,154	(752,068)	335,089	24,858	1,467,212	855,978	2,323,190

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

Consolidated statement of changes in owners' equity

For the year ended 31 December 2019

	Attributable to equity holders of the parent and Sukuk holders													
					Reserves		Cumulative changes in fair values							
	Share capital US$ '000	Treasury shares US$ '000	Shaer premium US$ '000	Perpetual tier 1 capital US$ '000	Statutory reserve US$ '000	Other reserves US$ '000	Investments US$ '000	Property and equipment US$ '000	Foreign currency translations reserve US$ '000	Retained earnings US$ '000	Proposed appro-priations US$ '000	Total US$ '000	Non controlling interest US$ '000	Total owners equity US$ '000
Balance at 1 January 2018	1,206,679	(9,550)	18,644	400,000	152,643	46,639	4,143	36,300	(706,242)	530,615	60,334	1,740,205	770,456	2,510,661
Transition adjustment on adoption of FAS 30 as of 1 January 2018 (note 2.1)	-	-	-	-	-	(46,639)	-	-	-	(56,021)	-	(102,660)	(49,177)	(151,837)
Restated balance as of 1 January 2018	1,206,679	(9,550)	18,644	400,000	152,643	-	4,143	36,300	(706,242)	474,594	60,334	1,637,545	721,279	2,358,824
Dividends paid	-	-	-	-	-	-	-	-	-	-	(24,134)	(24,134)	-	(24,134)
Bonus shares issued (note 13)	36,200	-	-	-	-	-	-	-	-	-	(36,200)	-	-	-
Movement in treasury shares	-	347	185	-	-	-	-	-	-	-	-	532	-	532
Net movement in cumulative change in fair value for investments	-	-	-	-	-	-	596	-	-	-	-	596	260	856
Net movement in cumulative change in fair value for property and equipment	-	-	-	-	-	-	-	(9,110)	-	-	-	(9,110)	(5,541)	(14,651)
Foreign currency translation	-	-	-	-	-	-	-	-	(155,071)	-	-	(155,071)	(98,137)	(253,208)
Net income for the year	-	-	-	-	-	-	-	-	-	129,084	-	129,084	87,644	216,728
Transfer to statutory reserve (note 13)	-	-	-	-	12,908	-	-	-	-	(12,908)	-	-	-	-
Proposed dividends	-	-	-	-	-	-	-	-	-	(37,286)	37,286	-	-	-
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(30,862)	(30,862)
Zakah paid on behalf of shareholders (note 13)	-	-	-	-	-	-	-	-	-	(3,961)	-	(3,961)	-	(3,961)
Expenses related to perpetual tier 1 capital issued by subsidiaries	-	-	-	-	-	-	-	-	-	(426)	-	(426)	(326)	(752)
Profit distributed on perpetual tier 1 capital	-	-	-	-	-	-	-	-	-	(31,500)	-	(31,500)	-	(31,500)
Movement related to subsidiaries' tier 1 capital	-	-	-	-	-	-	-	-	-	1,990	-	1,990	(4,740)	(2,750)
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	40,865	40,865
Balance at 31 December 2018	**1,242,879**	**(9,203)**	**18,829**	**400,000**	**165,551**	**-**	**4,739**	**27,190**	**(861,313)**	**519,587**	**37,286**	**1,545,545**	**710,442**	**2,255,987**

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

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

For the year ended 31 December 2019

	Cash US$ '000	Sales receivables US$ '000	Mudaraba financing US$ '000	Investment in real estate US$ '000	Ijarah Muntahia Bittamleek US$ '000	Investments US$ '000	Others US$ '000	Total US$ '000
Balance at 1 January 2019	30,447	295,001	335,288	48,468	159,134	125,700	-	994,038
Deposits	214,769	797,383	292,869	1,774	37,684	162,503	-	1,506,982
Withdrawals	(189,175)	(665,883)	(207,389)	(4,110)	(61,157)	(8,260)	-	(1,135,974)
Income net of expenses	-	35,776	4,867	588	7,457	6,913	-	55,601
Mudarib's share	-	(10,665)	(3,147)	-	(116)	(869)	-	(14,797)
Foreign exchange translations	-	12,749	-	-	-	342	-	13,091
Balance at 31 December 2019	**56,041**	**464,361**	**422,488**	**46,720**	**143,002**	**286,329**	**-**	**1,418,941**
Balance at 1 January 2018	33,196	177,793	292,657	48,411	112,345	190,788	48,190	903,380
Deposits	165,784	335,471	256,093	529	59,876	13,421	-	831,174
Withdrawals	(168,533)	(216,196)	(219,844)	(937)	(21,762)	(54,390)	(48,190)	(729,852)
Income net of expenses	-	34,160	7,787	465	8,782	2,883	20	54,097
Mudarib's share	-	(6,657)	(1,405)	-	(107)	(177)	(20)	(8,366)
Foreign exchange translations	-	(29,570)	-	-	-	(26,825)	-	(56,395)
Balance at 31 December 2018	30,447	295,001	335,288	48,468	159,134	125,700	-	994,038

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

Notes to the Consolidated Financial Statements

at 31 December 2019

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.

The consolidated financial statements were approved by the Board of Directors on 23 February 2020.

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$') being the functional and reporting currency of the Group. All values are rounded to the nearest US$ 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'), 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.

Basis of consolidation

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

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

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

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

Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in owners' equity since the date of combination. Losses applicable to the non-controlling interest in excess of the non-controlling interest in a subsidiary's owners' equity are allocated against the interests of the Group except to the extent that the non-controlling interest has a binding obligation and is able to make an additional investment to cover the losses. Changes in the ownership interest in a subsidiary that do not result in a loss of control are accounted for as an owners' equity transaction.

Notes to the Consolidated Financial Statements

at 31 December 2019

2 ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

The following are the principal subsidiaries of the Bank, which are consolidated in these consolidated financial statements:

Held directly by the Bank	Ownership for 2019	Ownership for 2018	Year of incorporation	Country of incorporation	No. of branches/ offices at 31 December 2019
Banque Al Baraka D'Algerie (BAA)	**55.65%**	55.90%	1991	Algeria	**31**
Al Baraka Islamic Bank - Bahrain (AIB)	**92.03%**	91.12%	1984	Bahrain	**200**
Al Baraka Bank Tunis (ABT)	**78.40%**	78.40%	1983	Tunisia	**37**
Al Baraka Bank Egypt (ABE)	**73.44%**	73.68%	1980	Egypt	**32**
Al Baraka Bank Lebanon (ABBL)	**98.98%**	98.98%	1991	Lebanon	**6**
Jordan Islamic Bank (JIB)	**65.80%**	66.01%	1978	Jordan	**108**
Al Baraka Turk Participation Bank (ATPB)**	**38.02%**	56.64%	1985	Turkey	**230**
Al Baraka Bank Limited (ABL)	**64.51%**	64.51%	1989	South Africa	**11**
Al Baraka Bank Sudan (ABS)	**75.73%**	75.73%	1984	Sudan	**28**
Al Baraka Bank Syria (ABBS) *	**23.00%**	23.00%	2009	Syria	**14**
BTI Bank *	**49.00%**	49.00%	2017	Morocco	**5**

* The Group consolidate BTI Bank (49% ownership), Al Baraka Bank Syria (23% ownership) and Al Baraka Sukuk Limited SPV (0% 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 Group did not participate into this Rights issue. The majority of the Rights eligibility of ABG 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 Group. On the basis of this management agreement and the 38.01% ownership of shares in ATPB, the management and control of ATPB was held by ABG. Based on the management agreement, the Group 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.

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

Held indirectly by the Bank	Subsidiary held through	Effective Ownership for 2019	Effective Ownership for 2018	Year of incorporation	Country of incorporation
Al Baraka Bank (Pakistan) Limited	AIB	**54.42%**	53.88%	2010	Pakistan
Itqan Capital	AIB	**76.45%**	75.69%	2007	Saudi Arabia
Al-Omariya School Company	JIB	**62.11%**	62.31%	1987	Jordan
Al-Samaha Real Estate Company	JIB	**62.77%**	62.97%	1998	Jordan
Future Applied Computer Technology Company	JIB	**65.80%**	66.01%	1998	Jordan
Sanable Alkhair for Financial Investment	JIB	**65.80%**	66.01%	2006	Jordan
Al Baraka Properties (Pty) Ltd.	ABL	**64.51%**	64.51%	1991	South Africa
Insha GMBH	ATPB	**38.02%**	56.64%	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 2019:

Notes to the Consolidated Financial Statements

at 31 December 2019

2 ACCOUNTING POLICIES (continued)

2.1 Adoption of FAS 28 - Murabaha and Other Deferred Payment Sales

The Group has adopted FAS 28 which is effective on the financial statements on or after 1 January 2019.

This standard prescribes the accounting and reporting principles and requirements for Murabaha and deferred payment sales transactions and different elements of such transaction. This standard supersedes the earlier FAS 2 "Murabaha and Murabaha to the Purchase Orderer" and FAS 20 "Deferred Payment Sale". This standard has been applied on a prospective basis for transaction executed on or after the effective date. The standard did not have any significant impact on the financial statements except for additional disclosure that has been added in the relevant section (note 4.1 (a)).

2.2 New standards issued but not yet effective

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

This standard intends to define 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 2020, with early adoption permitted.

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 2020, 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.

A pass-through investment is an investment in which the involvement of the agent, as well as, the options for transferability of the instrument are limited and the investor principally takes a direct exposure on the underlying assets. An investor shall apply the pass-through investment approach for its investments in an investment agency instruments; unless it opts to apply the wakala venture approach.

Under this 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 required under certain conditions.

Under this 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.

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 Bank will reinvest 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.

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.

Notes to the Consolidated Financial Statements

at 31 December 2019

2 ACCOUNTING POLICIES (continued)

2.2 New standards issued but not yet effective (continued)

FAS 33 Investment in sukuk, shares and similar instruments

This standard 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 shall be effective beginning or after 1 January 2020 with early adoption permitted.

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 2020, with early adoption permitted.

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.

FAS 30 Impairment, Credit Losses and Onerous Commitments

The Group has early adopted FAS 30, effective from 1 January 2018 which has a mandatory date of initial application of 1 January 2020. The requirements of FAS 30 represent a significant change from the provisions part of FAS 11 "Provisions and Reserves".

2.3 Summary of significant accounting policies

a. Financial contracts

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

b. Impairment assessment

Impairment of financial assets

The Group applies three-stage approach to measure 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.

Notes to the Consolidated Financial Statements

at 31 December 2019

2 ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

b. Impairment assessment (continued)

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 case where there is 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.

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.

Notes to the Consolidated Financial Statements

at 31 December 2019

2 ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

b. Impairment assessment (continued)

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 parentage 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 2019

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 is estimated. For letter of Credit (LCs) and letter 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.

Notes to the Consolidated Financial Statements

at 31 December 2019

2 ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

b. Impairment assessment (continued)

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 facing 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.

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.

Notes to the Consolidated Financial Statements
at 31 December 2019

2 ACCOUNTING POLICIES (continued)
2.3 Summary of significant accounting policies (continued)
b. Impairment assessment (continued)

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

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

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

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

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

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

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

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 owners' equity.

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

Notes to the Consolidated Financial Statements

at 31 December 2019

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

Assets acquired for leasing (Ijarah) are stated at cost, less accumulated depreciation.

Depreciation is provided on the straight line method over the useful life of the asset or the period of the lease, whichever is lower.

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 2019

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

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.

Notes to the Consolidated Financial Statements

at 31 December 2019

2 ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

m. Employees' end of service benefits

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

n. Provision

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

o. Dividends

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

p. Equity of investment accountholders

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

Notes to the Consolidated Financial Statements

at 31 December 2019

2 ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

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.

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".

Notes to the Consolidated Financial Statements

at 31 December 2019

2 ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

y. Taxation

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

z. Shari'a supervisory board

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

aa. Zakah

The article of association of Al Baraka 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.

Notes to the Consolidated Financial Statements

at 31 December 2019

2 ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

ad. Offsetting

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

Foreign currency transactions at the subsidiary level

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

Foreign currency translations

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

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

af. Judgments

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

Classification of investments

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

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.

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at 31 December 2019

2 ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

ah. Derecognition

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

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

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

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

3 CASH AND BALANCES WITH BANKS

	2019 US$ '000	2018 US$ '000
Balances with central banks*	**3,956,830**	3,408,489
Balances with other banks	**707,214**	878,930
Cash and cash in transit	**726,567**	720,655
Less: allowance for credit losses	**(3,685)**	(65)
	5,386,926	5,008,009

* Balances with central banks include mandatory reserves amounting to US$ 2,464,426 thousand (2018: US$ 2,090,280 thousand). These amounts are not available for use in the Group's day-to-day operations.

4 RECEIVABLES

	2019 US$ '000	2018 US$ '000
Sales (Murabaha) receivables (note 4.1)	**10,944,436**	10,441,374
Ijarah receivables (note 4.2)	**97,919**	87,084
Salam receivables (note 4.3)	**265,926**	215,681
Istisna'a receivables (note 4.4)	**157,738**	126,232
Less: allowance for credit losses	**(571,082)**	(566,503)
	10,894,937	10,303,868

Notes to the Consolidated Financial Statements

at 31 December 2019

4 RECEIVABLES (continued)

4.1 Sales (Murabaha) receivables

	2019			2018		
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000
Commodity murabaha	33,967	600,802	634,769	56,072	567,237	623,309
Other murabaha	1,659,381	10,214,951	11,874,332	1,896,579	9,315,374	11,211,953
Gross sales (murabaha) receivables	1,693,348	10,815,753	12,509,101	1,952,651	9,882,611	11,835,262
Deferred profits (note 4.1(a))	(272,405)	(1,292,260)	(1,564,665)	(299,791)	(1,094,097)	(1,393,888)
	1,420,943	9,523,493	10,944,436	1,652,860	8,788,514	10,441,374
Less: allowance for credit losses (note 22)	(157,268)	(361,961)	(519,229)	(159,738)	(361,881)	(521,619)
Net sales (murabaha) receivables	1,263,675	9,161,532	10,425,207	1,493,122	8,426,633	9,919,755

	2019 US$ '000	2018 US$ '000
Non-performing	684,126	654,917

4.1(a) Murabaha deferred profit movement

	2019 US$ '000	2018 US$ '000
Deferred profit at the beginning of the year	1,393,888	1,721,783
Murabaha Sales during the year	5,246,048	4,986,515
Murabaha Cost of Sales	(3,903,575)	(3,864,691)
	2,736,361	2,843,607
Deferred profit collected during the year	(720,167)	(617,955)
Deferred profit settled during the year	(345,204)	(449,513)
Deferred profit waived during the period	(6,794)	(3,381)
FX translation	(99,531)	(378,870)
Deferred profit at the end of the year	1,564,665	1,393,888

4.2 Ijarah receivables

	2019			2018		
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000
Gross ijarah receivables	10,027	87,892	97,919	5,877	81,207	87,084
Less: allowance for credit losses (note 22)	(119)	(34,333)	(34,452)	(116)	(33,101)	(33,217)
Net ijarah receivables	9,908	53,559	63,467	5,761	48,106	53,867

	2019 US$ '000	2018 US$ '000
Non-performing	85,851	75,759

Notes to the Consolidated Financial Statements

at 31 December 2019

4 RECEIVABLES (continued)

4.3 Salam receivables

	2019			2018		
	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	-	265,926	265,926	-	215,681	215,681
Less: allowance for credit losses (note 22)	-	(12,441)	(12,441)	-	(7,724)	(7,724)
Net salam receivables	-	253,485	253,485	-	207,957	207,957

	2019 US$ '000	2018 US$ '000
Non-performing	24,264	14,473

4.4 Istisna'a receivables

	2019			2018		
	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	-	157,738	157,738	1,580	124,652	126,232
Less: allowance for credit losses (note 22)	-	(4,960)	(4,960)	-	(3,943)	(3,943)
Net istisna'a receivables	-	152,778	152,778	1,580	120,709	122,289

	2019 US$ '000	2018 US$ '000
Non-performing	8,063	6,588

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 2019			
	Stage 1 US$ '000	Stage 2 US$ '000	Stage 3 US$ '000	Total US$ '000
Good (1-4)	2,637,228	161,309	-	2,798,537
Satisfactory (5-7)	6,265,444	1,599,734	-	7,865,178
Default (8-10)	-	-	802,304	802,304
Less: allowance for credit losses	(54,358)	(115,719)	(401,005)	(571,082)
	8,848,314	1,645,324	401,299	10,894,937

Notes to the Consolidated Financial Statements

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4 RECEIVABLES (continued)

4.4 Istisna'a receivables (continued)

	31 December 2018			
	Stage 1 US$ '000	Stage 2 US$ '000	Stage 3 US$ '000	Total US$ '000
Good (1-4)	2,299,334	77,745	-	2,377,079
Satisfactory (5-7)	5,672,979	2,068,576	-	7,741,555
Default (8-10)	-	-	751,737	751,737
Less: allowance for credit losses	(29,750)	(124,404)	(412,349)	(566,503)
	7,942,563	2,021,917	339,388	10,303,868

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

	31 December 2019			
	Stage 1: 12-month ECL US$ '000	**Stage 2 Lifetime ECL not credit-Impaired US$ '000**	**Stage 3 Lifetime ECL credit Impaired US$ '000**	**Total US$ '000**
Balance at 1 January	**29,750**	**124,404**	**412,349**	**566,503**
Changes due to receivables recognised in opening balance that have:				
- transferred to Stage 1	**4,073**	**(4,020)**	**(53)**	**-**
- transferred to Stage 2	**(3,378)**	**11,315**	**(7,937)**	**-**
- transferred to Stage 3	**(13,779)**	**(48,112)**	**61,891**	**-**
Net remeasurement of loss allowance	**12,896**	**(3,150)**	**148,541**	**158,287**
Recoveries / write-backs	**-**	**-**	**(46,050)**	**(46,050)**
Allocation from (to) investment risk reserve	**20,741**	**34,604**	**(49,628)**	**5,717**
Amounts written off	**-**	**-**	**(113,220)**	**(113,220)**
FX translation / others	**4,055**	**678**	**(4,888)**	**(155)**
	54,358	**115,719**	**401,005**	**571,082**

Notes to the Consolidated Financial Statements

at 31 December 2019

4 RECEIVABLES (continued)

4.4 Istisna'a receivables (continued)

	31 December 2018			
	Stage 1: 12-month ECL US$ '000	Stage 2 Lifetime ECL not credit-Impaired US$ '000	Stage 3 Lifetime ECL credit Impaired US$ '000	Total US$ '000
Balance at 1 January on adoption of FAS 30	32,409	83,877	460,627	576,913
Changes due to receivables recognised in opening balance that have:				
- transferred to Stage 1	2,468	(1,768)	(700)	-
- transferred to Stage 2	(3,462)	3,687	(225)	-
- transferred to Stage 3	(1,835)	(8,746)	10,581	-
Net remeasurement of loss allowance	8,816	38,817	115,337	162,970
Recoveries / write-backs	-	-	(59,960)	(59,960)
Allocation from investment risk reserve	1,603	5,958	14,458	22,019
Amounts written off	-	-	(59,740)	(59,740)
FX translation / others	(10,249)	2,579	(68,029)	(75,699)
	29,750	124,404	412,349	566,503

5 MUDARABA AND MUSHARAKA FINANCING

	2019 US$ '000	2018 US$ '000
Mudaraba financing (note 5.1)	**2,207,515**	1,711,827
Musharaka financing (note 5.2)	**1,040,725**	1,026,987
Less: allowance for credit losses	**(19,625)**	(19,908)
	3,228,615	2,718,906

5.1 Mudaraba financing

	2019			2018		
	Self financed US$ '000	**Jointly financed US$ '000**	**Total US$ '000**	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000
Gross mudaraba financing	**393,725**	**1,813,790**	**2,207,515**	526,261	1,185,566	1,711,827
Less: allowance for credit losses (note 22)	**(420)**	**(6,411)**	**(6,831)**	-	(7,204)	(7,204)
Net mudaraba financing	**393,305**	**1,807,379**	**2,200,684**	526,261	1,178,362	1,704,623

	2019 US$ '000	2018 US$ '000
Non-performing	**16,311**	-

Notes to the Consolidated Financial Statements

at 31 December 2019

5 MUDARABA AND MUSHARAKA FINANCING (continued)

5.2 Musharaka financing

	2019			2018		
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000
Gross musharaka financing	493,070	547,655	1,040,725	468,081	558,906	1,026,987
Less: allowance for credit losses (note 22)	(582)	(12,212)	(12,794)	(776)	(11,928)	(12,704)
Net musharaka financing	492,488	535,443	1,027,931	467,305	546,978	1,014,283

	2019 US$ '000	2018 US$ '000
Non-performing	21,415	12,974

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 2019			
	Stage 1 US$ '000	Stage 2 US$ '000	Stage 3 US$ '000	Total US$ '000
Good (1-4)	2,152,918	68,381	-	2,221,299
Satisfactory (5-7)	737,563	251,652	-	989,215
Default (8-10)	-	-	37,726	37,726
Less: allowance for credit losses	(2,496)	(2,406)	(14,723)	(19,625)
	2,887,985	317,627	23,003	3,228,615

	31 December 2018			
	Stage 1 US$ '000	Stage 2 US$ '000	Stage 3 US$ '000	Total US$ '000
Good (1-4)	1,759,973	78,181	-	1,838,154
Satisfactory (5-7)	721,077	166,609	-	887,686
Default (8-10)	-	-	12,974	12,974
Less: allowance for credit losses	(2,957)	(8,138)	(8,813)	(19,908)
	2,478,093	236,652	4,161	2,718,906

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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 2019			
	Stage 1: 12-month ECL US$ '000	Stage 2 Lifetime ECL not credit-Impaired US$ '000	Stage 3 Lifetime ECL credit Impaired US$ '000	Total US$ '000
Balance at 1 January	**2,957**	**8,138**	**8,813**	**19,908**
Changes due to financing recognised in opening balance that have:				
- transferred to Stage 1	**86**	**(74)**	**(12)**	**-**
- transferred to Stage 2	**(58)**	**59**	**(1)**	**-**
- transferred to Stage 3	**(25)**	**(6,363)**	**6,388**	**-**
Net remeasurement of loss allowance	**(656)**	**298**	**2,416**	**2,058**
Recoveries / write-backs	**-**	**-**	**(319)**	**(319)**
Allocation from (to) investment risk reserve	**105**	**(7)**	**3**	**101**
Amounts written off	**-**	**-**	**(565)**	**(565)**
FX translation / others	**87**	**355**	**(2,000)**	**(1,558)**
	2,496	**2,406**	**14,723**	**19,625**

	31 December 2018			
	Stage 1: 12-month ECL US$ '000	Stage 2 Lifetime ECL not credit-Impaired US$ '000	Stage 3 Lifetime ECL credit Impaired US$ '000	Total US$ '000
Balance at 1 January on adoption of FAS 30	2,140	1,533	23,351	27,024
Changes due to financing recognised in opening balance that have:				
- transferred to Stage 1	31	(31)	-	-
- transferred to Stage 2	(33)	33	-	-
- transferred to Stage 3	185	(49)	(136)	-
Net remeasurement of loss allowance	714	3,737	2,115	6,566
Recoveries / write-backs	-	-	(672)	(672)
Allocation (to) from investment risk reserve	(146)	46	-	(100)
Amounts written off	-	-	(20,902)	(20,902)
FX translation / others	66	2,869	5,057	7,992
	2,957	8,138	8,813	19,908

Notes to the Consolidated Financial Statements
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6 INVESTMENTS

	2019 US$ '000	2018 US$ '000
Equity and debt-type instruments at fair value through statement of income (note 6.1)	**291,611**	215,160
Equity-type instruments at fair value through equity (note 6.2)	**94,446**	100,651
Debt-type instruments at amortised cost (note 6.3)	**3,235,903**	2,482,498
	3,621,960	2,798,309
Investment in real estate (note 6.4)	**206,108**	215,530
Investment in associates (note 6.5)	**44,470**	53,169
	3,872,538	3,067,008

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

	2019			2018		
	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	**2,939**	**-**	**2,939**	1,840	786	2,626
Equity Securities	**283,976**	**879**	**284,855**	211,544	608	212,152
	286,915	**879**	**287,794**	213,384	1,394	214,778
Unquoted investments						
Equity Securities	**1,079**	**2,738**	**3,817**	382	-	382
	1,079	**2,738**	**3,817**	382	-	382
	287,994	**3,617**	**291,611**	213,766	1,394	215,160

6.2 Equity-type instruments at fair value through equity

	2019			2018		
	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	**10,981**	**28,158**	**39,139**	14,085	31,301	45,386
Managed funds	**3,627**	**4,655**	**8,282**	9,554	4,660	14,214
	14,608	**32,813**	**47,421**	23,639	35,961	59,600
Unquoted investments						
Equity Securities	**15,749**	**21,872**	**37,621**	24,449	17,816	42,265
Managed funds	**828**	**15,386**	**16,214**	-	5,194	5,194
	16,577	**37,258**	**53,835**	24,449	23,010	47,459
Provisions for impairment	**(5,082)**	**(1,728)**	**(6,810)**	(4,628)	(1,780)	(6,408)
	26,103	**68,343**	**94,446**	43,460	57,191	100,651

Notes to the Consolidated Financial Statements

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6 INVESTMENTS (continued)

6.3 Debt-type instruments at amortised cost

	2019			2018		
	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	**1,196,959**	**1,155,569**	**2,352,528**	642,498	804,619	1,447,117
Unquoted investments						
Sukuk and similar items	**114,511**	**776,664**	**891,175**	181,553	865,430	1,046,983
Less: allowance for credit losses	**(785)**	**(7,015)**	**(7,800)**	(919)	(10,683)	(11,602)
	1,310,685	**1,925,218**	**3,235,903**	823,132	1,659,366	2,482,498

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 2019			
	Stage 1 US$ '000	**Stage 2 US$ '000**	**Stage 3 US$ '000**	**Total US$ '000**
Good (1-4)	**2,700,451**	**-**	**-**	**2,700,451**
Satisfactory (5-7)	**530,687**	**10,000**	**-**	**540,687**
Default (8-10)	**-**	**-**	**2,565**	**2,565**
Less: allowance for credit losses	**(4,651)**	**(584)**	**(2,565)**	**(7,800)**
	3,226,487	**9,416**	**-**	**3,235,903**

	31 December 2018			
	Stage 1 US$ '000	Stage 2 US$ '000	Stage 3 US$ '000	Total US$ '000
Good (1-4)	2,085,704	-	-	2,085,704
Satisfactory (5-7)	354,481	46,483	-	400,964
Default (8-10)	-	-	7,432	7,432
Less: allowance for credit losses	(2,334)	(2,246)	(7,022)	(11,602)
	2,437,851	44,237	410	2,482,498

Notes to the Consolidated Financial Statements

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6 INVESTMENTS (continued)

6.3 Debt-type instruments at amortised cost (continued)

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

	31 December 2019			
	Stage 1: 12-month ECL US$ '000	Stage 2 Lifetime ECL not credit-Impaired US$ '000	Stage 3 Lifetime ECL credit Impaired US$ '000	Total US$ '000
Balance at 1 January	2,334	2,246	7,022	11,602
Changes due to instruments recognised in opening balance that have:				
- transferred to Stage 1	38	(38)	-	-
- transferred to Stage 2	-	-	-	-
- transferred to Stage 3	-	-	-	-
Net remeasurement of loss allowance	2,103	(189)	408	2,322
Allocation to investment risk reserve	(47)	(1,435)	(2,563)	(4,045)
Recoveries / write-backs	-	-	-	-
Amounts written off during the year	-	-	(2,302)	(2,302)
FX translation / others	223	-	-	223
	4,651	584	2,565	7,800

	31 December 2018			
	Stage 1: 12-month ECL US$ '000	Stage 2 Lifetime ECL not credit-Impaired US$ '000	Stage 3 Lifetime ECL credit Impaired US$ '000	Total US$ '000
Balance at 1 January on adoption of FAS 30	4,706	-	6,987	11,693
Changes due to instruments recognised in opening balance that have:				
- transferred to Stage 1	-	-	-	-
- transferred to Stage 2	(93)	93	-	-
- transferred to Stage 3	-	-	-	-
Net remeasurement of loss allowance	(2,172)	134	-	(2,038)
Allocation (to) from investment risk reserve	(79)	2,019	2,564	4,504
Recoveries / write-backs	-	-	-	-
Amounts written off during the year	-	-	(2,500)	(2,500)
FX translation / others	(28)	-	(29)	(57)
	2,334	2,246	7,022	11,602

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6 INVESTMENTS (continued)

6.4 Investment in real estate

	2019			2018		
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000
Land	4,698	120,754	125,452	3,258	127,288	130,546
Buildings	17,165	63,491	80,656	7,760	77,224	84,984
	21,863	184,245	206,108	11,018	204,512	215,530

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

	2019 US$ '000	2018 US$ '000
Beginning balance of the year	215,530	211,157
Acquisitions	15,584	22,477
Net gain (loss) from fair value adjustments	6,075	(1,583)
Disposals	(82)	(1,676)
Transfer	(27,178)	-
Foreign exchange translation / others - net	(3,821)	(14,845)
	(9,422)	4,373
Ending balance of the year	206,108	215,530

6.5 Investment in associates

Investment in associates comprise the following:

	2019			
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Market value US$ '000
Quoted associates	-	11,581	11,581	9,026
Unquoted associates	32,889	-	32,889	
	32,889	11,581	44,470	

	2018			
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Market value US$ '000
Quoted associates	-	11,784	11,784	9,698
Unquoted associates	38,650	2,735	41,385	
	38,650	14,519	53,169	

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7 IJARAH MUNTAHIA BITTAMLEEK

	2019			2018		
	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	23,261	1,914,053	1,937,317	37,525	1,878,304	1,915,829
Accumulated depreciation	(5,205)	(401,518)	(406,723)	(12,761)	(390,922)	(403,683)
Less: allowance for credit losses	(226)	(11,556)	(11,782)	(179)	(11,879)	(12,058)
Net book value	17,830	1,500,979	1,518,809	24,585	1,475,503	1,500,088
Equipment						
Cost	88,154	262,302	350,456	99,758	274,422	374,180
Accumulated depreciation	(40,023)	(74,287)	(114,310)	(29,245)	(80,134)	(109,379)
Less: allowance for credit losses	(132)	(5,771)	(5,903)	(230)	(6,186)	(6,416)
Net book value	47,999	182,244	230,243	70,283	188,102	258,385
Others						
Cost	-	13,735	13,735	-	20,946	20,946
Accumulated depreciation	-	(5,929)	(5,929)	-	(8,474)	(8,474)
Less: allowance for credit losses	-	(102)	(102)	-	(112)	(112)
Net book value	-	7,704	7,704	-	12,360	12,360
TOTAL						
Cost	111,415	2,190,090	2,301,505	137,283	2,173,672	2,310,955
Accumulated depreciation	(45,228)	(481,734)	(526,962)	(42,006)	(479,530)	(521,536)
Less: allowance for credit losses	(358)	(17,429)	(17,787)	(409)	(18,177)	(18,586)
Net book value	65,829	1,690,927	1,756,756	94,868	1,675,965	1,770,833

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 2019			
	Stage 1 US$ '000	Stage 2 US$ '000	Stage 3 US$ '000	Total US$ '000
Good (1-4)	459,419	7,331	-	466,750
Satisfactory (5-7)	934,002	373,791	-	1,307,793
Default (8-10)	-	-	-	-
Less: allowance for credit losses	(4,627)	(13,160)	-	(17,787)
	1,388,794	367,962	-	1,756,756

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at 31 December 2019

7 IJARAH MUNTAHIA BITTAMLEEK (continued)

	31 December 2018			
	Stage 1 US$ '000	Stage 2 US$ '000	Stage 3 US$ '000	Total US$ '000
Good (1-4)	460,613	3,153	-	463,766
Satisfactory (5-7)	912,051	413,602	-	1,325,653
Default (8-10)	-	-	-	-
Less: allowance for credit losses	(3,999)	(14,587)	-	(18,586)
	1,368,665	402,168	-	1,770,833

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

	31 December 2019			
	Stage 1: 12-month ECL US$ '000	**Stage 2 Lifetime ECL not credit-Impaired US$ '000**	**Stage 3 Lifetime ECL credit Impaired US$ '000**	**Total US$ '000**
Balance at 1 January	**3,999**	**14,587**	**-**	**18,586**
Changes due to ijarah muntahia bittamleek recognised in opening balance that have:				
- transferred to Stage 1	**(11)**	**11**	**-**	**-**
- transferred to Stage 2	**-**	**-**	**-**	**-**
- transferred to Stage 3	**-**	**-**	**-**	**-**
Net remeasurement of loss allowance	**705**	**(1,293)**	**-**	**(588)**
FX translation / others	**(66)**	**(145)**	**-**	**(211)**
	4,627	**13,160**	**-**	**17,787**

	31 December 2018			
	Stage 1: 12-month ECL US$ '000	Stage 2 Lifetime ECL not credit-Impaired US$ '000	Stage 3 Lifetime ECL credit Impaired US$ '000	Total US$ '000
Balance at 1 January on adoption of FAS 30	8,470	10,649	-	19,119
Changes due to ijarah muntahia bittamleek recognised in opening balance that have:				
- transferred to Stage 1	-	-	-	-
- transferred to Stage 2	-	-	-	-
- transferred to Stage 3	-	-	-	-
Net remeasurement of loss allowance	(3,420)	3,678	-	258
FX translation / others	(1,051)	260	-	(791)
	3,999	14,587	-	18,586

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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	Total US$ '000
Cost:						
At 1 January 2018	203,749	178,505	228,767	10,796	62,070	683,887
Additions	41,690	14,962	17,651	6,122	14,336	94,761
Revaluation	-	8,150	-	-	-	8,150
Disposals	(1,811)	(1,366)	(5,510)	(2,477)	(11,292)	(22,456)
Foreign exchange translations	(18,395)	(53,233)	(22,710)	(4,134)	(14,885)	(113,357)
At 31 December 2018	225,233	147,018	218,198	10,307	50,229	650,985
Additions	22,492	13,715	17,453	2,350	38,493	94,503
Disposals	(11,398)	-	(5,730)	(994)	(13,068)	(31,190)
Foreign exchange translations	(268)	361	(1,489)	240	(1,104)	(2,260)
At 31 December 2019	**236,059**	**161,094**	**228,432**	**11,903**	**74,550**	**712,038**
Depreciation:						
At 1 January 2018	62,990	-	162,804	5,746	22,156	253,696
Charged during the year (note 20)	9,742	-	19,112	751	3,315	32,920
Relating to disposals	(4,515)	-	(5,089)	(564)	(2,436)	(12,604)
Foreign exchange translations	(6,700)	-	(15,901)	(1,293)	(5,697)	(29,591)
At 31 December 2018	61,517	-	160,926	4,640	17,338	244,421
Charged during the year (note 20)	8,513	-	19,123	1,130	3,271	32,037
Relating to disposals	(10,632)	-	(2,424)	(427)	(4,664)	(18,147)
Foreign exchange translations	(380)	-	(544)	16	(396)	(1,304)
At 31 December 2019	**59,018**	**-**	**177,081**	**5,359**	**15,549**	**257,007**
Net book values:						
At 31 December 2019	**177,041**	**161,094**	**51,351**	**6,544**	**59,001**	**455,031**
At 31 December 2018	163,716	147,018	57,272	5,667	32,891	406,564

9 OTHER ASSETS

	2019 US$ '000	2018 US$ '000
Bills receivables	**199,615**	123,733
Goodwill and intangible assets (note 9 (a))	**75,082**	75,923
Collateral pending sale	**220,610**	229,580
Good faith qard	**30,177**	22,092
Deferred taxation	**62,850**	65,032
Prepayments	**68,622**	37,082
Others	**29,953**	61,124
	686,909	614,566
Less: impairment / allowance for credit losses*	**(23,181)**	(58,516)
	663,728	556,050

* In 2018, An amount of US$ 45 million is related to impairment of collateral pending sale.

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9 OTHER ASSETS (continued)

9 (a) Goodwill and intangible assets

	2019			2018		
	Goodwill US$ '000	**Intangible assets US$ '000**	**Total US$ '000**	Goodwill US$ '000	Intangible assets US$ '000	Total US$ '000
At 1 January	**53,325**	**22,598**	**75,923**	61,339	25,498	86,837
Additions	**705**	**9,963**	**10,668**	-	8,901	8,901
Amortisation charge for the year (note 20)	**-**	**(8,486)**	**(8,486)**	-	(9,144)	(9,144)
Foreign exchange translations	**(2,670)**	**(353)**	**(3,023)**	(8,014)	(2,657)	(10,671)
At 31 December	**51,360**	**23,722**	**75,082**	53,325	22,598	75,923

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:

	2019 US$ '000	2018 US$ '000
Al Baraka Turk Participation Bank	**9,298**	9,689
Al Baraka Bank Egypt	**914**	818
Jordan Islamic Bank	**26,646**	26,646
Al Baraka Bank (Pakistan) Limited	**14,502**	16,172
	51,360	53,325

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

10 LONG TERM FINANCING

	2019 US$ '000	2018 US$ '000
Murabaha financing	**99,841**	557,964
Subordinated financing obtained by a subsidiary	**279,428**	249,287
Wakala	**-**	169,640
	379,269	976,891

Notes to the Consolidated Financial Statements

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11 OTHER LIABILITIES

	2019 US$ '000	2018 US$ '000
Payables	**517,130**	366,210
Cash margins	**224,177**	268,216
Managers' cheques	**94,500**	104,256
Current taxation *	**74,885**	72,905
Deferred taxation *	**6,698**	6,414
Accrued expenses	**97,931**	74,994
Charity fund	**36,645**	26,549
Others	**23,097**	29,371
Allowance for credit losses on unfunded exposures	**23,137**	22,395
	1,098,200	971,310

* In view of 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.

12 EQUITY OF INVESTMENT ACCOUNTHOLDERS (IAH)

	2019 US$ '000	2018 US$ '000
Equity of investment accountholders *	**15,063,854**	13,004,814
Profit equalisation reserve (note 12.1)	**7,400**	5,320
Investment risk reserve (note 12.2)	**77,199**	104,005
Cumulative changes in fair value attributable to equity of investment accountholders - net (note 12.3)	**7,423**	8,229
	15,155,876	13,122,368

* Medium term Sukuk

This includes unsecured, sub-ordinated and privately placed unrestricted mudaraba sukuk amounting to US$ 14,667 thousand (2018: US$ 27,478 thousand) issued by Al Baraka Bank (Pakistan) Limited (ABPL) during 2014. The issuance of sukuk is intended to comply with regulatory requirements related to capital adequacy ratio of ABPL. The tenure of the sukuk is seven years maturing in 2021. 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:

	2019 US$ '000	2018 US$ '000
Balance at 1 January	**5,320**	6,006
Amount apportioned from income allocable to equity of investment accountholders	**(962)**	4,240
Amount used during the year	**(21)**	(4,792)
Foreign exchange translations	**3,063**	(134)
Balance at 31 December	**7,400**	5,320

Notes to the Consolidated Financial Statements

at 31 December 2019

12 EQUITY OF INVESTMENT ACCOUNTHOLDERS (IAH) (continued)

12.2 Investment risk reserve

The following shows the movement in investment risk reserve:

	2019 US$ '000	2018 US$ '000
Balance at 1 January	**104,005**	187,149
Amount appropriated to provision (note 22)	**(1,771)**	(26,423)
Amount apportioned from income allocable to equity of investment accountholders	**(24,616)**	(47,755)
Foreign exchange translations	**(419)**	(8,966)
Balance at 31 December	**77,199**	104,005

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

	2019 US$ '000	2018 US$ '000
Balance at 1 January	**8,229**	8,934
Change in fair values during the year	**(274)**	2,404
Realised gain transferred to consolidated statement of income	**(160)**	(562)
Deferred taxation effect	**165**	(140)
Transfer to shareholders equity	**(537)**	(2,407)
Balance at 31 December	**7,423**	8,229
Attributable to investment in real estate	**11,137**	9,194
Attributable to equity-type instruments at fair value through equity	**(3,714)**	(965)
	7,423	8,229

13 OWNERS' EQUITY

	2019 US$ '000	2018 US$ '000
Share capital		
Authorised: 2,500,000,000 (2018: 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 (2018: 1,206,679,374) shares of US$1 each	**1,242,879**	1,206,679
Issued during the year		
Nil bonus shares (2018: 36,200,381) of US$1 each	**-**	36,200
At end of the year		
1,242,879,755 (2018: 1,242,879,755) shares of US$1 each	**1,242,879**	1,242,879

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13 OWNERS' EQUITY (continued)

Treasury shares

	Number of shares ('000)	2019 US$ '000	2018 US$ '000
At 1 January	**9,203**	**9,203**	9,550
Purchase of treasury shares	**230**	**230**	781
Sale of treasury shares	**(1,125)**	**(1,125)**	(1,128)
At 31 December	**8,308**	**8,308**	9,203

The market value of the treasury shares is US$ 2,575 thousand (2018: US$ 2,761 thousand) and it represents 0.7% (2018: 0.7%) 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 2019 **Names**	**Nationality/ Incorporation**	**Number of shares**	**% holding**
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 2018 Names	Nationality/ Incorporation	Number of shares	% holding
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:

At 31 December 2019	**Number of shares**	**Number of shareholders**	**% of total outstanding shares**
Less than 1%	**104,768,232**	**1,097**	**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	**1,106**	**100.00%**

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13 OWNERS' EQUITY (continued)

Additional information on shareholding pattern (continued)

At 31 December 2018	Number of shares	Number of shareholders	% of total outstanding shares
Less than 1%	104,768,232	1,078	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	1,087	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$ 10,567 thousand (2018: US$ 12,908 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**	**2019 US$ '000**	2018 US$ '000
Banque Al Baraka D'Algerie (BAA)	Algerian Dinar	**57,159**	56,455
Al Baraka Bank (Pakistan) Limited	Pakistani Rupees	**30,006**	24,111
Al Baraka Bank Egypt (ABE)	Egyptian Pound	**121,363**	138,794
Al Baraka Turk Participation Bank (ATPB)*	Turkish Lira	**373,936**	468,562
Al Baraka Bank Limited (ABL)	South African Rand	**18,593**	19,174
Al Baraka Bank Sudan (ABS)	Sudanese Pound	**85,822**	87,051
Al Baraka Bank Tunis (ABT)	Tunisian Dinar	**31,437**	33,519
Al Baraka Bank Syria (ABBS)	Syrian Pound	**33,534**	33,534
BTI Bank	Moroccan Dirham	**218**	113
		752,068	861,313

* The reduction in Turkish Lira is related to change of ownership in Al Baraka Turk Participation Bank (see details in note 2)

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13 OWNERS' 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 2019 empowered the Executive Management of Al Baraka Banking Group to pay an amount of US$ 2,235 thousand as Zakah on behalf of the shareholders deducted from the retained earnings for the financial year of 2018. The Group has paid and distributed an amount of US$ 1,865 thousand to those who's entitled to receive Zakah as per Shari'a boundaries and as approved by the Unified Shari'a Board. The remaining amount of US$ 370 thousands has been allocated to be paid maximum by end of first quarter of 2019.

	2019 US$ '000	2018 US$ '000
Zakah to be paid on behalf of shareholders for the year	**2,235**	3,961
Uses of Zakah:		
Zakah for the poor and needy	**1,007**	2,746
Zakah for new converts to islam	**58**	80
Scholarships	**800**	1,050
Total uses	**1,865**	3,876
Remaining Zakah to be paid	**370**	85

g. Proposed Appropriations

	2019 US$ '000	2018 US$ '000
Cash dividend 2% (2018: 3%)	**24,858**	37,286
	24,858	37,286

The above proposed appropriations exclude appropriations to the statutory reserve as mentioned above and will be submitted for formal approval at the Annual General Meeting subject to regulatory approval.

The Bank declare a cash dividend of US$ 0.02 per issued share (2018: cash dividened of US$ 0.03 per issued share and no bonus shares). This will be submitted for formal approval at the Annual General Meeting subject to regulatory approval.

The proposed appropriations for the year 2018 was approved at the Annual General Meeting on 20 March 2019 and was effected in 2019 following the approval.

h. 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.

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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.

15 NET INCOME FROM JOINTLY AND SELF FINANCED CONTRACTS AND INVESTMENTS

	2019 US$ '000	2018 US$ '000
Receivables (note 15.1)	**998,512**	1,027,363
Mudaraba and Musharaka financing (note 15.2)	**304,126**	235,922
Investments (note 15.3)	**319,227**	249,362
Ijarah Muntahia Bittamleek (note 15.4)	**109,305**	137,631
Others	**914**	790
	1,732,084	1,651,068
Net income from jointly financed contracts and investments	**1,391,699**	1,327,244
Gross income from self financed contracts and investments	**340,385**	323,824
	1,732,084	1,651,068
Gross income from self financed contracts and investments	**340,385**	323,824
Profit paid on short term financing	**(123,402)**	(80,857)
Net income from self financed contracts and investments	**216,983**	242,967

15.1 Receivables

	2019 US$ '000	2018 US$ '000
Sales (Murabaha) receivables	**968,863**	1,004,541
Salam receivables	**17,215**	15,603
Istisna'a receivables	**12,434**	7,219
	998,512	1,027,363

15.2 Mudaraba and Musharaka financing

	2019 US$ '000	2018 US$ '000
Mudaraba financing	**233,524**	163,814
Musharaka financing	**70,602**	72,108
	304,126	235,922

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

15.3 Investments

	2019 US$ '000	2018 US$ '000
Equity-type instruments at fair value through equity	**4,513**	5,500
Debt-type instruments at amortised cost	**282,737**	224,576
Unrealised gain on equity and debt-type instruments at fair value through statement of income	**21,952**	5,619
(Loss) gain on sale of equity-type instruments at fair value through equity	**(654)**	457
Gain on sale of equity and debt-type instruments at fair value through statement of income	**3,874**	3,466
Rental income	**556**	1,052
Income from associates	**5,818**	3,667
Gain on sale of investment in real estate	**431**	5,025
	319,227	249,362

15.4 Ijarah Muntahia Bittamleek

	2019 US$ '000	2018 US$ '000
Income from Ijarah Muntahia Bittamleek	**304,599**	328,448
Depreciation on Ijarah Muntahia Bittamleek	**(195,294)**	(190,817)
	109,305	137,631

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

	2019 US$ '000	2018 US$ '000
Banking fees and commissions	**131,469**	95,771
Letters of credit	**15,748**	24,769
Guarantees	**27,869**	31,639
Acceptances	**6,730**	6,399
	181,816	158,578

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18 OTHER OPERATING INCOME

	2019 US$ '000	2018 US$ '000
Foreign exchange gain*	**88,658**	111,248
Gain on sale of property and equipment	**7,194**	8,850
	95,852	120,098

* An amount of US$ 15 million is related to foreign currency revaluation gain from subsidiaries.

19 PROFIT PAID ON LONG TERM FINANCING

	2019 US$ '000	2018 US$ '000
Murabaha financing	**5,540**	18,557
Subordinated financing obtained by a subsidiary	**28,427**	29,212
Wakala	**12,990**	35,338
	46,957	83,107

20 DEPRECIATION AND AMORTISATION

	2019 US$ '000	2018 US$ '000
Property and equipment depreciation (note 8)	**32,037**	32,920
Intangible assets amortisation (note 9 (a))	**8,486**	9,144
	40,523	42,064

21 OTHER OPERATING EXPENSES

	2019 US$ '000	2018 US$ '000
General and administration expenses	**114,877**	98,074
Professional and business expenses	**32,510**	32,526
Premises related expenses	**54,957**	61,443
	202,344	192,043

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22 NET ALLOWANCE FOR CREDIT LOSSES / IMPAIRMENT

2019	Cash and balances with banks US$ '000 (note 3)	Sales (Murabaha) receivables US$ '000 (note 4.1)	Ijarah receivables US$ '000 (note 4.2)	Salam receivables US$ '000 (note 4.3)	Istisna'a receivables US$ '000 (note 4.4)	Mudaraba financing US$ '000 (note 5.1)	Musharaka financing US$ '000 (note 5.2)	Investments US$ '000 (note 6.2 & 6.3)	Ijarah Muntahia Bittamleek US$ '000 (note 7)	Other assets US$ '000 (note 9)	Other liabilities US$ '000 (note 11)	Total US$ '000
Allowance at 1 January	65	521,619	33,217	7,724	3,943	7,204	12,704	18,010	18,586	58,516	22,395	703,983
Charged during the year	990	137,660	12,311	6,586	1,730	431	1,627	3,026	(588)	5,856	1,638	171,267
Written back/recovered during the year	-	(41,431)	(3,012)	(1,464)	(143)	-	(319)	-	-	(1,554)	(1,708)	(49,631)
	990	96,229	9,299	5,122	1,587	431	1,308	3,026	(588)	4,302	(70)	121,636
	1,055	617,848	42,516	12,846	5,530	7,635	14,012	21,036	17,998	62,818	22,325	825,619
Written off during the year	-	(104,833)	(8,387)	-	-	-	(565)	(2,302)	-	(18)	-	(116,105)
Amount appropriated from investment risk reserve (note 12.2)	-	5,152	843	-	(278)	-	101	(4,047)	-	-	-	1,771
Foreign exchange translations/others - net	2,630	1,062	(520)	(405)	(292)	(804)	(754)	(77)	(211)	(39,619)	812	(38,178)
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

During the year, an impairment loss of US$ 155 thousand (2018: US$ 507 thousand) was charged against investments and goodwill. An amount of US$ 6,810 thousand (2018: US$ 6,408 thousand) is related to provision of equity type instrumnets at fair value through equity.

2018	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
Provisions at 1 January	-	369,261	13,350	5,875	1,390	12,938	9,129	11,696	-	15,195	8,731	447,565
Transition adjustment on adoption of FAS 30 as of 1 January 2018	109	180,238	4,578	1,118	1,103	(358)	5,315	4,706	19,119	7,613	11,080	234,621
'Restated balance as of 1 January 2018	109	549,499	17,928	6,993	2,493	12,580	14,444	16,402	19,119	22,808	19,811	682,186
Charged during the year	20	139,924	18,765	2,260	2,021	4,113	2,453	1,154	258	42,919	8,615	222,502
Written back/recovered during the year	-	(55,122)	(3,311)	(718)	(809)	-	(672)	(193)	-	(540)	(1,870)	(63,235)
	20	84,802	15,454	1,542	1,212	4,113	1,781	961	258	42,379	6,745	159,267
	129	634,301	33,382	8,535	3,705	16,693	16,225	17,363	19,377	65,187	26,556	841,453
Written off during the year	-	(59,740)	-	-	-	(20,902)	-	(3,308)	-	-	-	(83,950)
Amount appropriated from investment risk reserve (note 12.2)	-	20,601	788	-	630	-	(100)	4,504	-	-	-	26,423
Foreign exchange translations/others - net	(64)	(73,543)	(953)	(811)	(392)	11,413	(3,421)	(549)	(791)	(6,671)	(4,161)	(79,943)
Provisions at 31 December	65	521,619	33,217	7,724	3,943	7,204	12,704	18,010	18,586	58,516	22,395	703,938

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22 NET ALLOWANCE FOR CREDIT LOSSES / IMPAIRMENT (continued)

The provisions relate to the following geographical areas:

2019	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	3,664	259,583	8,834	-	371	6,831	3,852	9,716	-	18,895	16,881	328,627
North Africa	21	27,506	22,829	5,295	793	-	715	1,006	17,374	1,835	2,958	80,332
Europe	-	209,099	-	-	-	-	-	222	369	1,324	3,140	214,154
Others	-	23,041	2,789	7,146	3,796	-	8,227	3,666	44	1,127	158	49,994
Total	3,685	519,229	34,452	12,441	4,960	6,831	12,794	14,610	17,787	23,181	23,137	673,107
2018												
Middle East	48	226,610	14,599	-	650	7,204	3,944	13,629	-	12,114	18,235	297,033
North Africa	17	28,211	15,543	4,114	480	-	156	956	17,819	2,177	1,745	71,218
Europe	-	243,098	-	-	-	-	-	93	477	41,567	2,186	287,421
Others	-	23,700	3,075	3,610	2,813	-	8,604	3,332	290	2,658	229	48,311
Total	65	521,619	33,217	7,724	3,943	7,204	12,704	18,010	18,586	58,516	22,395	703,983

The fair value of collateral the Group holds relating to non-performing facilities as at 31 December 2019 amounts to US$ 684.5 million (2018: US$ 589.1 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:

	2019	2018
Net income attributable to the equity shareholders of the parent for the year - US$ '000	**105,672**	129,084
Less: Profit distributed on perpetual tier 1 capital - US$ '000	**(31,500)**	(31,500)
	74,172	97,584
Number of shares outstanding at the beginning of the year (in thousands)	**1,242,879**	1,242,879
Treasury shares effect (in thousands)	**(8,754)**	(9,563)
Weighted average number of shares outstanding at the end of the year (in thousands)	**1,234,125**	1,233,316
Earnings per share - US cents	**6.01**	7.91

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24 CASH AND CASH EQUIVALENTS

	2019 US$ '000	2018 US$ '000
Balances with central banks excluding mandatory reserve	**1,492,404**	1,318,209
Balances with other banks	**707,214**	878,930
Cash and cash in transit	**726,567**	720,655
	2,926,185	2,917,794

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	2019 US$ '000	2018 US$ '000
Net income from jointly financed contracts and investments	**2,767**	**11**	**90**	**-**	**2,868**	2,111
Net (loss) income from self financed contracts and investments	**-**	**-**	**-**	**-**	**-**	(2,444)
Return on equity of investment accountholders	**255**	**859**	**621**	**-**	**1,735**	620
Other fees and commission income	**365**	**1,952**	**-**	**2**	**2,319**	485

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

	2019 US$ '000	2018 US$ '000
Short term benefits	**8,851**	8,567
Long term benefits	**1,559**	1,386

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 2019 amounted to US$ 1.5 million (2018: US$ 1.5 million).

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25 RELATED PARTY TRANSACTIONS (continued)

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	2019 US$ '000	2018 US$ '000
Assets:						
Receivables	2,101	-	340	-	2,441	2,724
Mudaraba and Musharaka financing	-	-	1,656	-	1,656	-
Investments	15,615	-	-	168	15,783	22,799
Ijarah Muntahia Bittamleek	-	-	62	-	62	204
Other assets	1,509	-	546	99	2,154	1,705
Liabilities:						
Customer current and other accounts	6,176	27,634	724	-	34,534	26,359
Due to banks	7	-	-	-	7	15,139
Other liabilities	-	4	4	-	8	-
Equity of investment accountholders	6,122	10,838	7,387	-	24,347	26,094
Off-balance sheet equity of investment accountholders	15,021	23,514	8,831	-	47,366	48,226

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

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

Name of directors	Position	Nationality	2018 Number of shares	Transaction Number of shares	**2019 Number of shares**
Saleh Abdulla Kamel	Chairman	Saudi	680,431,667	-	**680,431,667**
Abdulla Ammar Saudi	Vice Chairman	Bahraini	666,350	-	**666,350**
Abdulla Saleh Kamel	Vice Chairman	Saudi	338,598	-	**338,598**
Mohydin Saleh Kamel	Board Member	Saudi	707,976	-	**707,976**
AbdulElah Sabbahi	Board Member	Saudi	225,899	-	**225,899**
Adnan Ahmed Yousif	Board Member (President & Chief Executive)	Bahraini	362	-	**362**
Abdulrahman Shehab	Executive Vice President, Head of Operations and Administration	Bahraini	339,231	-	**339,231**

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26 COMMITMENTS AND CONTINGENCIES

	2019 US$ '000	2018 US$ '000
Letters of credit	**635,669**	709,048
Guarantees	**2,027,755**	2,151,650
Acceptances	**111,075**	76,287
Undrawn commitments	**874,750**	914,940
Sharia'a compliant promise contracts	**84,641**	138,686
Others	**-**	125
	3,733,890	3,990,736

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 are presented as that is not applicable to the Group.

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

	2019			2018		
Segment	**Assets US$ '000**	**Liabilities US$ '000**	**IAH US$ '000**	Assets US$ '000	Liabilities US$ '000	IAH US$ '000
Middle East	**13,147,200**	**3,183,416**	**8,602,235**	11,594,671	2,907,485	7,338,507
North Africa	**2,711,726**	**1,412,977**	**992,650**	2,743,750	1,429,458	1,042,643
Europe	**8,509,482**	**3,654,755**	**4,361,686**	7,919,036	3,662,996	3,768,663
Others	**1,890,123**	**528,317**	**1,199,305**	1,573,781	452,944	972,555
	26,258,531	**8,779,465**	**15,155,876**	23,831,238	8,452,883	13,122,368

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27 SEGMENTAL ANALYSIS (continued)

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

	2019			2018		
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	**491,027**	**245,515**	**118,293**	414,924	198,191	114,643
North Africa	**145,346**	**77,421**	**46,888**	132,279	68,822	37,792
Europe	**242,382**	**52,028**	**2,469**	347,782	155,280	48,415
Others	**88,642**	**24,275**	**12,516**	92,834	25,069	15,878
	967,397	**399,239**	**180,166**	987,819	447,362	216,728

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-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 2019 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	4,183,191	7,835	10,597	20,000	391,168	9,807	-	-	-	764,328	5,386,926
Receivables	1,803,083	864,854	1,246,223	1,498,193	2,524,020	1,943,389	744,506	266,606	4,063	-	10,894,937
Mudaraba and Musharaka financing	1,933,154	9,792	16,211	26,693	667,145	430,979	121,026	23,463	-	152	3,228,615
Investments	224,330	169,914	390,586	339,534	1,170,147	621,021	406,004	(61,696)	-	612,698	3,872,538
Ijarah Muntahia Bittamleek	44,643	34,523	86,317	120,988	433,509	285,874	421,193	309,765	19,944	-	1,756,756
Property and equipment	-	-	-	-	-	-	-	-	-	455,031	455,031
Other assets	147,697	21,990	43,897	91,556	27,306	63,087	4,650	1,539	-	262,006	663,728
Total assets	8,336,098	1,108,908	1,793,831	2,096,964	5,213,295	3,354,157	1,697,379	539,677	24,007	2,094,215	26,258,531
Liabilities											
Customer current and other accounts	6,195,073	-	-	-	-	-	-	-	-	-	6,195,073
Due to banks	552,272	256,845	105,053	23,310	38,000	-	-	131,443	-	-	1,106,923
Long term financing	1,993	62	-	44,212	83,158	17,440	232,404	-	-	-	379,269
Other liabilities	536,937	115,338	74,178	70,266	20,896	23,283	241	249,535	-	7,526	1,098,200
Total liabilities	7,286,275	372,245	179,231	137,788	142,054	40,723	232,645	380,978	-	7,526	8,779,465
Equity of investment accountholders	6,288,760	1,603,538	767,885	1,535,142	2,602,576	881,752	1,377,304	98,919	-	-	15,155,876
Total liabilities and equity of investment accountholders	13,575,035	1,975,783	947,116	1,672,930	2,744,630	922,475	1,609,949	479,897	-	7,526	23,935,341
Net liquidity gap	(5,238,937)	(866,875)	846,715	424,034	2,468,665	2,431,682	87,430	59,780	24,007	2,086,689	2,323,190
Cumulative net liquidity gap	(5,238,937)	(6,105,812)	(5,259,097)	(4,835,063)	(2,366,398)	65,284	152,714	212,494	236,501	2,323,190	
Off-balance sheet equity of investment accountholders	35,499	174,234	219,965	680,233	20,274	121,520	134,259	317	20,868	11,772	1,418,941

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28 RISK MANAGEMENT (continued)

a) Liquidity risk (continued)

The maturity profile at 31 December 2018 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	4,091,142	1,235	9,843	-	295,764	8,862	-	-	-	601,163	5,008,009
Receivables	1,532,439	1,078,468	1,249,383	1,948,416	2,284,913	1,708,543	324,011	174,975	2,720	-	10,303,868
Mudaraba and Musharaka financing	1,520,508	5,640	14,169	32,532	626,550	418,211	69,711	31,585	-	-	2,718,906
Investments	200,079	275,719	363,245	188,801	618,943	618,191	282,479	31,098	-	488,453	3,067,008
Ijarah Muntahia Bittamleek	26,433	33,458	45,606	137,157	473,189	281,972	321,669	436,388	14,961	-	1,770,833
Property and equipment	-	-	-	-	-	-	-	-	-	406,564	406,564
Other assets	84,852	30,722	40,560	47,408	20,491	45,775	19	1,462	-	284,761	556,050
Total assets	7,455,453	1,425,242	1,722,806	2,354,314	4,319,850	3,081,554	997,889	675,508	17,681	1,780,941	23,831,238
Liabilities											
Customer current and other accounts	5,325,924	-	-	-	-	-	-	-	-	-	5,325,924
Due to banks	452,127	224,418	293,082	78,059	38,000	-	-	93,072	-	-	1,178,758
Long term financing	-	-	3,435	366,744	65,071	348,279	193,362	-	-	-	976,891
Other liabilities	368,263	113,094	75,245	108,591	27,570	15,322	154	263,071	-	-	971,310
Total liabilities	6,146,314	337,512	371,762	553,394	130,641	363,601	193,516	356,143	-	-	8,452,883
Equity of investment accountholders	5,020,263	1,646,997	1,013,992	1,524,475	2,153,803	991,921	635,405	135,512	-	-	13,122,368
Total liabilities and equity of investment accountholders	11,166,577	1,984,509	1,385,754	2,077,869	2,284,444	1,355,522	828,921	491,655	-	-	21,575,251
Net liquidity gap	(3,711,124)	(559,267)	337,052	276,445	2,035,406	1,726,032	168,968	183,853	17,681	1,780,941	2,255,987
Cumulative net liquidity gap	(3,711,124)	(4,270,391)	(3,933,339)	(3,656,894)	(1,621,488)	104,544	273,512	457,365	475,046	2,255,987	
Off-balance sheet equity of investment accountholders	208,997	170,738	353,194	116,353	39,539	104,992	166	59	-	-	994,038

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.

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28 RISK MANAGEMENT (continued)

b) Credit risk (continued)

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

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

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

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

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

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

	Maximum exposure	
	2019 US$ '000	2018 US$ '000
Balances with central banks	**3,956,830**	3,408,489
Balances with other banks	**707,214**	878,930
Receivables	**10,894,937**	10,303,868
Mudaraba and Musharaka financing	**3,228,615**	2,718,906
Investments	**3,872,538**	3,067,008
Other assets	**236,564**	148,433
Total	**22,896,698**	20,525,634
Commitments and contingencies	**3,733,890**	3,990,736
	26,630,588	24,516,370

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28 RISK MANAGEMENT (continued)

b) Credit risk (continued)

Credit quality by type of islamic financing contracts

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

	31 December 2019			
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	**9,878,412**	**785,303**	**802,304**	**11,466,019**
Mudaraba and Musharaka financing	**3,205,304**	**5,210**	**37,726**	**3,248,240**
Other assets	**250,190**	**1,668**	**7,887**	**259,745**
	13,333,906	**792,181**	**847,917**	**14,974,004**

	31 December 2018			
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	8,976,524	1,142,110	751,737	10,870,371
Mudaraba and Musharaka financing	2,705,121	20,719	12,974	2,738,814
Other assets	199,836	41	7,072	206,949
	11,881,481	1,162,870	771,783	13,816,134

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 2019			
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	**119,090**	**505,294**	**160,919**	**785,303**
Mudaraba and Musharaka financing	**1,678**	**429**	**3,103**	**5,210**
Other assets	**398**	**576**	**694**	**1,668**
	121,166	**506,299**	**164,716**	**792,181**

	31 December 2018			
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	136,317	897,073	108,720	1,142,110
Mudaraba and Musharaka financing	16,515	2,759	1,445	20,719
Other assets	-	29	12	41
	152,832	899,861	110,177	1,162,870

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28 RISK MANAGEMENT (continued)
b) Credit risk (continued)

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 vehicle or equipments, if new, as qualifying collateral for more than 80% of its market value. No vehicles or equipments, if used, are accepted as qualifying collateral for more than 50% of its insured value.

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.

Notes to the Consolidated Financial Statements

at 31 December 2019

28 RISK MANAGEMENT (continued)

b) Credit risk (continued)

Accordingly, countries, governments and financial Institutions will be rated on the basis of their unsecured medium term foreign currency obligations. This means that for governments and financial institutions the cross-border risk will also be part of the rating and the country's rating will be, in most cases, the ceiling on the financial institution's rating.

The basic approach of the major credit rating agencies to rating is the same as what the Group credit policies require i.e. a comprehensive fundamental analysis of all relevant quantitative and non quantitative factors aimed at identifying actual and potential vulnerability. Credit rating will be applied to countries and single obligors. Single obligors, in turn are categorised as financial institutions, corporates, governments and retail. CRS therefore rates obligors (issuers) and not facilities. The obligor rating of countries and single obligors will identify the relative probability of default but will not take into account the impact of collateral security and other mitigants in the event of default. Facility ratings by contrast, combine both the probability of default and loss severity in case of defaults. However, initially the Group wide policy will be to set up obligor ratings only (which does not prevent individual subsidiaries internally to also rate facilities if they so wish).

c) Concentration risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Group policies and procedures include specific guidelines to focus on country and counter party limits and maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

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

	2019			2018		
	Assets US$ '000	**Liabilities US$ '000**	**IAH US$ '000**	Assets US$ '000	Liabilities US$ '000	IAH US$ '000
Manufacturing	**3,973,201**	**207,022**	**249,199**	3,670,844	100,106	277,065
Mining and quarrying	**87,175**	**5,623**	**38,993**	122,771	4,647	21,572
Agriculture	**159,492**	**29,803**	**11,967**	179,627	21,003	4,999
Construction and real estate	**2,834,481**	**28,612**	**20,410**	2,796,364	21,853	25,271
Financial	**5,246,635**	**1,524,956**	**1,933,975**	4,493,331	2,081,910	1,690,425
Trade	**1,752,862**	**267,965**	**282,359**	1,608,667	254,441	175,776
Personal and consumer finance	**2,641,012**	**4,657,786**	**10,540,573**	2,834,613	3,933,665	8,954,660
Government	**6,949,245**	**85,353**	**105,790**	5,648,272	55,087	70,743
Other Services	**2,614,428**	**1,972,345**	**1,972,610**	2,476,749	1,980,171	1,901,857
	26,258,531	**8,779,465**	**15,155,876**	23,831,238	8,452,883	13,122,368

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.

Notes to the Consolidated Financial Statements

at 31 December 2019

28 RISK MANAGEMENT (continued)

d) Market risk (continued)

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$ 383,115 thousand (2018: US$ 313,185 thousand) comprising of equity-type instruments at fair value through equity amounting to US$ 94,443 thousand (2018: US$ 100,651 thousand) and equity-type instruments at fair value through statement of income amounting to US$ 288,672 thousand (2018: US$ 212,534 thousand). Variation of 10% increase or decrease in the portfolio value will not have a significant impact on the Group's consolidated net income or owners' equity.

Foreign exchange risk

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

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

	31 December 2019		
Currency	Operational equivalent Long (Short) US$ '000	Strategic equivalent Long (Short) US$ '000	Total equivalent Long (Short) US$ '000
Turkish Lira	64,897	175,310	240,207
Jordanian Dinar	8,406	413,150	421,556
Egyptian Pound	(9,832)	188,947	179,115
Sudanese Pound	2,718	28,001	30,719
Algerian Dinar	(3,935)	122,139	118,204
Lebanese Pound	(2,169)	15,249	13,080
Pound Sterling	(5,176)	-	(5,176)
Tunisian Dinar	(8,558)	47,128	38,570
Euro	(24,528)	-	(24,528)
South African Rand	(828)	35,075	34,247
Pakistani Rupees	(32,940)	94,475	61,535
Syrian Pound	(36,782)	20,586	(16,196)
Moroccan Dirham	(20,718)	12,988	(7,730)
Others	88,379	-	88,379

Notes to the Consolidated Financial Statements

at 31 December 2019

28 RISK MANAGEMENT (continued)

d) Market risk (continued)

	31 December 2018		
Currency	Operational equivalent Long (Short) US$ '000	Strategic equivalent Long (Short) US$ '000	Total equivalent Long (Short) US$ '000
Turkish Lira	(76,748)	255,772	179,024
Jordanian Dinar	4,846	388,012	392,858
Egyptian Pound	106	139,307	139,413
Sudanese Pound	1,494	21,578	23,072
Algerian Dinar	-	109,654	109,654
Lebanese Pound	1,242	17,567	18,809
Pound Sterling	(3,718)	-	(3,718)
Tunisian Dinar	7,674	41,891	49,565
Euro	71,575	-	71,575
South African Rand	(484)	32,025	31,541
Pakistani Rupees	(701)	94,475	93,774
Syrian Pound	3,512	17,299	20,811
Moroccan Dirham	15	10,806	10,821
Others	8,462	-	8,462

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

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 judgment of the management of the Group.

Notes to the Consolidated Financial Statements

at 31 December 2019

28 RISK MANAGEMENT (continued)

d) Market risk (continued)

Following is the sensitivity analysis that calculates the effect of a reasonable possible movement of the currency exchange rate against the US Dollar with all other variables held constant on the consolidated statement of income and the consolidated statement of owners' equity.

At 31 December 2019

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	50,621	-15%	(6,603)	5%	2,664
	Total owners' equity	221,481	-15%	(28,889)	5%	11,657
Egyptian Pound	Net Income	55,857	-20%	(9,309)	5%	2,940
	Total owners' equity	260,269	-20%	(43,378)	5%	13,698
Turkish Lira	Net Income	3,961	-20%	(660)	5%	208
	Total owners' equity	462,542	-20%	(77,090)	5%	24,344
Sudanese Pound	Net Income	8,191	-130%	(4,630)	5%	431
	Total owners' equity	36,973	-130%	(20,898)	5%	1,946
S.African Rand	Net Income	4,764	-15%	(621)	5%	251
	Total owners' equity	54,371	-15%	(7,092)	5%	2,862
Syrian Pound	Net Income	14,845	-20%	(2,474)	5%	781
	Total owners' equity	89,506	-20%	(14,918)	5%	4,711
Pakistani Rupees	Net (Loss)	(436)	-10%	40	5%	(23)
	Total owners' equity	71,161	-10%	(6,469)	5%	3,745
Tunisian Dinar	Net Income	4,072	-10%	(370)	5%	214
	Total owners' equity	60,113	-10%	(5,465)	5%	3,164
Moroccan Dirham	Net (Loss)	(5,807)	-20%	968	5%	(306)
	Total owners' equity	26,505	-20%	(4,418)	5%	1,395

Notes to the Consolidated Financial Statements
at 31 December 2019

28 RISK MANAGEMENT (continued)
d) Market risk (continued)

At 31 December 2018

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	41,561	(15%)	(5,421)	5%	2,187
	Total owners' equity	196,164	(15%)	(25,587)	5%	10,324
Egyptian Pound	Net Income	67,481	(20%)	(11,247)	5%	3,552
	Total owners' equity	189,067	(20%)	(31,511)	5%	9,951
Turkish Lira	Net Income	48,415	(20%)	(8,069)	5%	2,548
	Total owners' equity	487,378	(20%)	(81,230)	5%	25,651
Sudanese Pound	Net Income	10,065	(130%)	(5,689)	5%	530
	Total owners' equity	28,492	(130%)	(16,104)	5%	1,500
S.African Rand	Net Income	5,103	(15%)	(666)	5%	269
	Total owners' equity	49,643	(15%)	(6,475)	5%	2,613
Syrian Pound	Net Income	9,405	(20%)	(1,568)	5%	495
	Total owners' equity	75,214	(20%)	(12,536)	5%	3,959
Pakistani Rupees	Net Income	709	(10%)	(64)	5%	37
	Total owners' equity	70,142	(10%)	(6,377)	5%	3,692
Tunisian Dinar	Net Income	2,015	(10%)	(183)	5%	106
	Total owners' equity	53,434	(10%)	(4,858)	5%	2,812
Moroccan Dirham	Net (Loss)	(5,784)	(20%)	964	5%	(304)
	Total owners' equity	22,053	(20%)	(3,675)	5%	1,161

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.

Notes to the Consolidated Financial Statements

at 31 December 2019

28 RISK MANAGEMENT (continued)

e) Operational Risk (continued)

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) and Net Stabale Funding Ratio (NSFR)

The regulatory capital, risk-weighted assets and NSFR have been calculated in accordance with Basel III as adopted by the CBB. The Group capital adequacy ratio as of 31 December 2019 is 16.65% (2018: 17.42%) and the minimum requirement as per Central Bank of Bahrain is 12.5%. The Group NSFR as of 31 December 2019 is 269% and the minimum requirement as per Central Bank of Bahrain is 100%.

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 Bahrain Minister of Industry and Commerce.

Notes to the Consolidated Financial Statements

at 31 December 2019

28 RISK MANAGEMENT (continued)

f) Corporate governance (continued)

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$ 3,519 million (2018: US$ 2,697 million).

Also included under investments are unquoted equity-type instruments at fair value through equity amounting to US$ 53,835 thousand (2018: US$ 47,459 thousand) which are carried at 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.

30 EARNINGS PROHIITED BY SHARI'A

Earnings realised during the year from transactions that were not permitted by Shari'a amounted to US$ 12 million (2018: US$ 16 million). This amount has been taken to charity.

31 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.

Additional Public Disclosures

and Regulatory Capital Disclosure

At 31 December 2019 (Unaudited)

Additional Public Disclosures

31 December 2019

(Unaudited)

Additional Public Disclosures

31 December 2019

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 2019		
	CET1 US$ '000	AT1 US$ '000	T2 US$ '000
Tier 1 Capital			
Common Equity Tier 1 (CET1)			
Issued and fully paid up ordinary shares	1,242,880	-	-
Less: Treasury Shares	8,308	-	-
Legal / statutory reserves	176,117	-	-
Share premium	18,137	-	-
Retained earnings	254,271	-	-
Current net income	83,720	-	-
Unrealised gains and losses on available for sale financial instruments	(1,967)	-	-
Gains and losses resulting from converting foreign currency subsidiaries to the parent currency	(752,065)	-	-
All other reserves	1,136	-	-
Unrealised gains and losses from fair valuing equities	21,952	-	-
Total CET1 capital before minority interest	1,035,873	-	-
Total minority interest in banking subsidiaries given recognition in CET1 capital	450,595	-	-
Total CET1 capital prior to regulatory adjustments	1,486,468	-	-
Less:			
Goodwill	51,361	-	-
Intangibles other than mortgage servicing rights	23,721	-	-
Deferred tax assets	14,196	-	-
Total Common Equity Tier 1 capital after the regulatory adjustments above (CET1 d)	1,397,190	-	-
Other Capital (AT1 & T2)			
Instruments issued by parent company		400,000	-
Instruments issued by banking subsidiaries to third parties		30,901	87,441
Assets revaluation reserve - property, plant, and equipment		-	31,337
General financing loss provision		-	116,829
Total Available AT1 & T2 Capital		430,901	235,607
Net Available Capital after regulatory adjustments before Applying Haircut		430,901	235,607
Net Available Capital after Applying Haircut	1,397,190	430,901	235,607
Total Tier 1		1,828,091	-
Total Capital		-	2,063,698

Additional Public Disclosures

31 December 2019

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 2019	
	Risk weighted assets US$ '000	Minimum capital requirements US$ '000
Credit Risk	9,346,347	1,168,293
Market Risk	1,228,050	153,506
Operational Risk	1,846,191	230,774
Total risk weighted exposures	12,420,588	1,552,573
Investment risk reserve (30% only)	(23,159)	(2,895)
Profit equalization reserve (30% only)	(2,220)	(278)
	12,395,209	1,549,400

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 2019	
Islamic financing contracts	Risk weighted assets US$ '000	Minimum capital requirements US$ '000
Receivables	4,150,481	518,810
Mudaraba and Musharaka financing	953,701	119,213
Ijarah Muntahia Bittamleek	785,109	98,139
	5,889,291	736,162

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 2019
Total capital ratio	16.65%
Tier 1 capital ratio	14.75%

Additional Public Disclosures

31 December 2019

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 2019	
	Tier 1 capital ratio	Total capital ratio
Banque Al Baraka D'Algerie	20.83%	22.60%
Al Baraka Islamic Bank *	22.25%	23.86%
Al Baraka Bank Tunis	19.05%	19.49%
Al Baraka Bank Egypt	26.70%	27.64%
Al Baraka Bank Lebanon	8.24%	9.33%
Jordan Islamic Bank	30.67%	31.74%
Al Baraka Turk Participation Bank	9.28%	10.71%
Al Baraka Bank Limited	22.79%	23.07%
Al Baraka Bank Sudan	4.83%	5.80%
Al Baraka Bank Syria	20.68%	21.80%
BTI Bank	113.79%	114.35%

* These ratios represents the consolidated ratios and Al Baraka Pakistan has tier 1 capital ratio of 16.51% and total capital ratio of 21.42%.

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:

Nationality/ Incorporation	31 December 2019 % holding
Bahraini	27.74%
Saudi	41.61%
Cayman Islands	19.32%
Emirati	6.06%
Others	5.27%

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.

Additional Public Disclosures

31 December 2019

2 RISK MANAGEMENT (continued)

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 to 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.

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.
p. 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 2019
Short term assets to short term liabilities and IAH	73%
Liquid assets to total assets	25%

Additional Public Disclosures

31 December 2019

2 RISK MANAGEMENT (continued)

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.

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 42% and of IAH represent 58%.

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

	31 December 2019				
	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	2,290,781	2,238,577	8,604,156	8,068,678	10,894,937
Mudaraba and Musharaka financing	1,277,959	1,567,612	1,950,656	1,596,592	3,228,615
Investments	2,105,007	1,721,677	1,767,531	1,530,927	3,872,538
Ijarah Muntahia Bittamleek	609,782	634,351	1,146,974	1,135,410	1,756,756
Other assets	108,293	118,492	151,452	155,879	259,745
Unfunded Exposure					
Commitments and contingencies	3,733,890	4,309,762	-	-	3,733,890
	10,125,712		13,620,769		23,746,481

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

Additional Public Disclosures

31 December 2019

2 RISK MANAGEMENT (continued)

b) Credit risk (continued)

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 2019, 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	892,496	635,755	566,968	195,562	2,290,781	3,910,999	397,684	3,932,542	362,931	8,604,156	10,894,937
Mudaraba and Musharaka financing	653,906	36,353	442,851	144,849	1,277,959	1,526,257	23,462	-	400,937	1,950,656	3,228,615
Investments	843,852	34,711	1,047,522	178,922	2,105,007	1,710,983	18,549	-	37,999	1,767,531	3,872,538
Ijarah Muntahia Bittamleek	225,561	345,107	38,036	1,078	609,782	916,481	220,672	2,701	7,120	1,146,974	1,756,756
Other Assets	70,755	19,608	4,736	13,194	108,293	120,017	8,170	4,894	18,371	151,452	259,745
	2,686,570	1,071,534	2,100,113	533,605	6,391,822	8,184,737	668,537	3,940,137	827,358	13,620,769	20,012,591

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 2019:

	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	408,746	853,839	277,884	1,151,669	1,536,147	1,526,512	27,754	-	-	-	7,237	-	2,257,768	3,532,020
Claims on International Organizations	-	-	-	-	1,196	1,103	-	-	-	-	-	-	1,196	1,103
Claims on MDBs	1,093	6,049	-	-	-	-	549	2,897	-	-	-	-	1,642	8,946
Claims on banks	230,893	409,814	402,553	203,141	17,531	30,898	5,659	3,732	-	-	282,314	-	938,950	647,585
Claims on corporates	694,542	4,367,293	453,481	274,163	121,700	12,494	251,490	353,552	-	-	2,440,258	-	3,961,471	5,007,502
Claims on retail	616,243	2,196,982	-	90,894	-	-	13,763	3,167	-	-	859,418	-	1,489,424	2,291,043
Mortgage	195,407	562,603	-	-	-	-	310,567	762,330	-	-	106,474	-	612,448	1,324,933
Past due receivables	143,857	207,576	3,887	20,361	-	-	-	21,296	-	-	888	-	148,632	249,233
Equity investment	-	-	-	-	64,225	40,631	-	-	-	-	-	-	64,225	40,631
Investment in funds	-	-	-	-	310,040	11,669	-	-	-	-	-	-	310,040	11,669
Specialized lending	-	-	140,154	210,428	-	-	-	-	-	-	37,301	-	177,455	210,428
Other assets	-	-	-	-	54,168	144,224	-	-	108,293	151,452	-	-	162,461	295,676
Total	2,290,781	8,604,156	1,277,959	1,950,656	2,105,007	1,767,531	609,782	1,146,974	108,293	151,452	3,733,890	-	10,125,712	13,620,769

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.

Additional Public Disclosures

31 December 2019

2 RISK MANAGEMENT (continued)

b) Credit risk (continued)

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.

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 aging of non performing Islamic financing contracts disclosed by counterparty type as of 31 December 2019:

					Aging of non performing Islamic financing contracts		
	Total US$ '000	Neither past due nor non performing US$ '000	Past due but performing US$ '000	Non performing Islamic financing contracts US$ '000	90 days to 1 year US$ '000	1 year to 3 years US$ '000	Over 3 years US$ '000
Sovereign	1,871,303	1,865,184	6,118	-	-	-	-
Bank	876,572	876,177	262	133	-	-	133
Investment Firms	687	687	-	-	-	-	-
Corporates	8,205,749	6,810,337	736,465	658,947	301,825	224,409	132,713
Retail	4,019,693	3,781,519	49,336	188,837	43,537	77,877	67,423
	14,974,004	13,333,964	792,181	847,917	345,362	302,286	200,269

Table -12. Specific provisions by counterparty type (PD-1.3.23 (h), 1.3.24 (d))

The following table summarises the total expected credit loses (ECL) on stage 3 disclosed by counterparty type as of 31 December 2019:

	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	285	-	-	-	(247)	38
Investment Firms	13,202	2,216	-	(15,409)	(5)	4
Corporates	307,394	171,926	(43,678)	(105,481)	(25,742)	304,419
Retail	100,281	37,091	(2,691)	7,105	(30,519)	111,267
	421,162	211,233	(46,369)	(113,785)	(56,513)	415,728

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:

Nationality/ Incorporation	31 December 2019 % holding
Opening balance	183,837
Charged during the year	(51,477)
Foreign exchange translations/ others	60,406
Balance at the end of the year	192,766

Additional Public Disclosures

31 December 2019

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 2019		
	Past due and non performing islamic financing contracts US$ '000	Stage 3 ECL US$ '000	Stage 1 and 2 ECL US$ '000
Middle East	354,304	159,061	106,481
North Africa	140,648	47,897	26,694
Europe	1,056,624	156,524	52,945
Others	88,522	52,246	6,655
	1,640,098	415,728	192,775

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

	31 December 2019
Renegotiated Islamic financing contracts	546,946

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 2019
Gross positive fair value of contracts	19,752,846
Netting Benefits	-
Netted Current Credit Exposure	19,752,846
Collateral held:	
Cash	628,949
Others	2,104,639
Real Estate	3,659,806
	6,393,394

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

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31 December 2019

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 2019	
	Equity position risk US$ '000	Foreign exchange risk US$ '000
Risk weighted exposure (RWE)	-	1,228,050
Capital requirements (12.5%)	-	153,506
Maximum value of RWE	-	1,629,550
Minimum value of RWE	-	1,205,825

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.

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31 December 2019

2 RISK MANAGEMENT (continued)

c) Market risk (continued)

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 2019:

	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	3,238,842	2,891,437	2,355,467	883,375	78,562
Equity Investment	404,385	388,176	335,575	68,810	50,548
Managed funds	23,201	22,942	8,282	14,919	2,900
	3,666,428	3,302,555	2,699,324	967,104	132,010

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 2019 US$ '000
Cumulative realised gains arising from sales or liquidations in the reporting year	3,220
Total unrealized losses recognised in the consolidated statement of financial positions but not through consolidated statement of income	(1,967)

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		
	2019 US$ '000	2018 US$ '000	2017 US$ '000
Total Gross Income	967,397	987,819	998,690

Additional Public Disclosures

31 December 2019

2 RISK MANAGEMENT (continued)

d) Operational Risk (continued)

	2019
Indicators of operational risk	
Average Gross income (US$ '000)	984,635
Multiplier	12.5
	12,307,942
Eligible Portion for the purpose of the calculation	15%
TOTAL OPERATIONAL RISK WEIGHTED EXPOSURE (US$ '000)	**1,846,191**

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

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.

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31 December 2019

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.

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.

Additional Public Disclosures

31 December 2019

3 CORPORATE GOVERNANCE (continued)

Remuneration (continued)

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 2019 US$ '000
Directors remuneration	**1,500**
Executive Management	
Salary and other remuneration, including meeting allowance	**6,923**
Fees	**510**
Bonuses	**1,418**
Benefits-in-kind	**1,559**
	10,410
Shari'a Committee Members fee and remuneration	**267**
	12,177

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 2019 financial year. The AGM has approved the reappointment of the external auditor for the year 2019 on 20 March 2019 and the related regulatory approval were taken.

For the year 2019, annual audit and quarterly review services amounted to US$ 378,434, other attestation services amounted to US$ 105,836 and other non-audit services amounted to US$ 29,244.

Additional Public Disclosures

31 December 2019

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:

b) Targeted returns;

c) Compliance with credit and Investment policy and overall business plan; and

d) 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 2019 US$ '000
IAH - Banks	539,021
IAH - Non-banks	14,524,833
Profit equalisation reserve (PER) - Banks	268
Profit equalisation reserve (PER) - Non-banks	7,132
Investment risk reserve (IRR) - Banks	2,789
Investment risk reserve (IRR) - Non-banks	74,410
Cumulative changes in fair value attributable to IAH	7,423
	15,155,876

Additional Public Disclosures

31 December 2019

4 EQUITY OF INVESTMENT ACCOUNTHOLDERS (continued)

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

	2019 %
Return on average IAH Equity	17.6
Return on average IAH Assets	12.5

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

	31 December 2019 %
IAH - Banks	4
IAH - Non-banks	96

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 2019 %
Receivables	74
Mudaraba and Musharaka financing	17
Ijarah Muntahia Bittamleek	9

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 2019 %
Sovereign	17
Bank	5
Corporates	47
Retail	31

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.

Additional Public Disclosures

31 December 2019

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 2019		
	Opening actual allocation US$ '000	Movement US$ '000	Closing actual allocation US$ '000
Cash and balances with bank	1,070,170	420,097	1,490,267
Receivables	8,178,695	425,461	8,604,156
Mudaraba and Musharaka financing	1,832,548	118,108	1,950,656
Investments	1,499,945	267,586	1,767,531
Ijarah Muntahia Bittamleek	1,154,729	(7,755)	1,146,974
Other assets	176,522	19,770	196,292
	13,912,609	1,243,267	15,155,876

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 2019		
Type of Claims	RWA US$ '000	RWA for capital adequacy purposes US$ '000	Capital charges US$ '000
Claims on Sovereign	829,095	248,729	31,091
Claims on PSEs	715	215	27
Claims on MDBs	4,473	1,342	168
Claims on Banks	391,248	117,374	14,672
Claims on Corporates	4,617,757	1,385,327	173,166
Regulatory Retail Portfolio	1,677,861	503,358	62,920
Mortgage	1,237,375	371,213	46,402
Past due facilities	273,306	81,992	10,249
Investment in securities	56,332	16,900	2,113
Holding of Real Estates	326,684	98,005	12,251
Other Assets	434,499	130,350	16,294
	9,849,345	2,954,805	369,353

Additional Public Disclosures

31 December 2019

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))

	2019 US$ '000	2018 US$ '000	2017 US$ '000	2016 US$ '000	2015 US$ '000
The profit available for shareholders before smoothing	**147,132**	168,003	174,243	222,550	196,848
The profit available for IAH before smoothing	**1,244,567**	1,159,241	1,084,420	1,114,019	1,026,367
The profit available for sharing between IAH and shareholders before smoothing	**1,391,699**	1,327,244	1,258,663	1,233,215	1,166,772
The percentage of profit available for shareholders	**1%**	1%	1%	1%	1%
The percentage of profit available for IAH	**7%**	8%	7%	6%	7%
The profit available for shareholders after smoothing	**147,132**	168,003	222,550	196,848	147,945
The profit available for IAH after smoothing	**1,242,487**	1,159,927	1,084,505	1,117,965	1,029,375
The profit available for sharing between IAH and shareholders after smoothing	**1,389,619**	1,327,930	1,307,055	1,314,813	1,177,320
The percentage of profit available for shareholders	**1%**	1%	1%	1%	1%
The percentage of profit available for IAH	**7%**	8%	7%	7%	6%
Profit equalisation reserve					
Balance at 1 January	**5,320**	6,006	6,091	10,037	13,045
Amount apportioned from income allocable to equity of IAH	**(962)**	4,240	910	297	49
Amount used during the year	**(21)**	(4,792)	(976)	(3,580)	(1,229)
Foreign exchange translations	**3,063**	(134)	(19)	(663)	(1,828)
Balance at 31 December	**7,400**	5,320	6,006	6,091	10,037
Investment risk reserve					
Balance at 1 January	**104,005**	187,149	176,583	179,238	198,559
Amount appropriated to provision	**(1,771)**	(26,423)	(8,069)	7,324	(9,549)
Amount apportioned from income allocable to equity of IAH	**(24,616)**	(47,755)	21,895	1,057	10,711
Foreign exchange translations	**(419)**	(8,966)	(3,260)	(11,036)	(20,483)
Balance at 31 December	**77,199**	104,005	187,149	176,583	179,238

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.

Additional Public Disclosures

31 December 2019

5 OFF-BALANCE SHEET EQUITY OF INVESTMENT ACCOUNTHOLDERS (continued)

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.

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 2019 %
Receivables	45
Mudaraba and Musharaka financing	41
Ijarah Muntahia Bittamleek	14

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 2019 %
Sovereign	12
Investment Firms	5
Bank	38
Corporates	13
Retail	32

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))

	2019 US$ '000	2018 US$ '000	2017 US$ '000	2016 US$ '000	2015 US$ '000
Return on off-balance sheet equity of IAH net of expenses	55,601	54,097	42,467	43,826	30,426

Regulatory Capital Disclosure

At 31 December 2019

Composition of Capital Disclosure Requirements

	Statement of Financial Position as in published financial statements 31 December 2019 US$ '000	Consolidated PIRI data 31 December 2019 US$ '000	Reference
Assets			
Cash and balances at central banks	5,386,926	5,390,611	
Trading portfolio assets	291,611	291,611	
Murabaha	10,425,207	10,590,146	
Ijarah assets	1,756,756	1,774,545	
Ijarah installment receivables	63,467	64,263	
Mudarabah	2,200,684	2,201,813	
Musharakah	1,027,931	1,031,707	
Salam	253,485	256,654	
Istisna'a	152,778	153,955	
Held to maturity	3,235,903	3,241,138	
Available for sale financial investments	94,446	94,446	
Investment in real estate	206,108	206,108	
Prepayments, accrued income and other assets	588,646	590,090	
Current and deferred tax assets	-	14,196	H
Investments in associates and joint ventures	44,470	44,470	
Goodwill	51,360	51,360	F
Other intangible assets	23,722	23,722	G
Property, Plant and Equipment	455,031	455,031	
Total Assets	**26,258,531**	**26,475,866**	
Liabilities			
Deposits or placement from banks	1,106,923	1,106,923	
Customer accounts	6,195,073	6,195,073	
Accruals, deferred income and other liabilities	1,016,617	1,007,432	
Current and deferred tax liabilities	81,583	81,583	
Long term financing	379,269	379,269	
Total Liabilities	**8,779,465**	**8,770,280**	
Equity of Investment Account Holders	**15,155,876**	**15,155,876**	
Shareholders' Equity			
Paid-in share capital	1,234,571	1,234,571	A
Share premium	18,138	18,138	C1
Retained earnings	359,947	359,947	B
Reserves	(545,444)	(576,784)	C2
Tier 1 Sukuk	400,000	400,000	L
Assets revaluation reserve - property, plant, and equipment	-	31,337	K
Expected credit losses (Stages 1 & 2)	-	116,829	M
Expected credit losses (Stages 1 & 2)	-	226,523	M1
Non controlling interest	855,978	855,978	
NCI - CET1	-	450,595	D
NCI -AT1	-	30,901	I
NCI-T2	-	87,441	J
		287,041	
Total Shareholders' Equity	**2,323,190**	**2,549,710**	
Total Liabilities, URIA and Shareholders' Equity	**26,258,531**	**26,475,866**	

Regulatory Capital Disclosure

At 31 December 2019

Composition of Capital Disclosure Requirements

		PIRI	Reference
Common Equity Tier 1 capital: instruments and reserves			
1	Directly issued qualifying common share capital plus related stock surplus	1,234,571	A
2	Retained earnings	359,947	B
3	Accumulated other comprehensive income (and other reserves)	(558,646)	C1+C2
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	450,595	D
6	**Common Equity Tier 1 capital before regulatory adjustments**	**1,486,467**	
Common Equity Tier 1 capital: regulatory adjustments			
8	Goodwill (net of related tax liability)	51,360	F
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	23,722	G
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	14,196	H
28	**Total regulatory adjustments to Common equity Tier 1**	**89,278**	
29	**Common Equity Tier 1 capital (CET1)**	**1,397,189**	
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)	30,901	I
36	**Additional Tier 1 capital before regulatory adjustments**	**430,901**	
Additional Tier 1 capital: regulatory adjustments			
44	**Additional Tier 1 capital (AT1)**	**430,901**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**1,828,090**	
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)	118,778	J+K
50	Provisions	116,829	M
51	**Tier 2 capital before regulatory adjustments**	**235,608**	
Tier 2 capital: regulatory adjustments			
58	**Tier 2 capital (T2)**	**235,608**	
59	**Total capital (TC = T1 + T2)**	**2,063,698**	
60	**Total risk weighted assets**	**12,395,209**	
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	11.27%	
62	Tier 1 (as a percentage of risk weighted assets)	14.75%	
63	Total capital (as a percentage of risk weighted assets)	16.65%	
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)	4.8%	
National minima including CCB (if different from Basel 3)			
69	CBB Common Equity Tier 1 minimum ratio	9.0%	
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	236	
73	Significant investments in the common stock of financials	1,947	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	56,465	
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)	226,523	M1
77	Cap on inclusion of provisions in Tier 2 under standardised approach	116,829	M

Regulatory Capital Disclosure

At 31 December 2019

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
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	BARKA - Bahrain Bourse & Nasdaq Dubai	Irish stock exchange	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
	Regulatory treatment			
4	Transitional CBB rules	Common Equity Tier 1	Additional Tier 1	Tier 2
5	Post-transitional CBB rules	Common Equity Tier 1	Additional Tier 1	Tier 2
6	Eligible at solo/group/group&solo	GROUP & SOLO	GROUP & SOLO	GROUP
7	Instrument type (types to be specified by each jurisdiction)	Common Equity Shares	Mudaraba Sukuk	Unrestricted Mudaraba Sukuk
8	Amount recognized in regulatory capital (US$ in mil, as of most recent reporting date)	1,235	400	13
9	Par value of instrument	US$ 1	US$ 1,000	NA
10	Accounting classification	Shareholders' equity	Shareholders' equity	Liability - amortized cost
11	Original date of issuance	Various dates	31-May-17	2014
12	Perpetual or dated	Perpetual	Perpetual	Dated
13	Original maturity date	No maturity	No maturity	2021
14	Issuer call subject to prior supervisory approval	NA	Yes	No
15	Optional call date, contingent call dates and redemption amount	NA	31-May-22	NA
16	Subsequent call dates, if applicable	NA	Each periodic distribution date thereafter	NA
	Coupons / dividends			
17	Fixed or floating dividend/coupon	NA	Floating	Floating
18	Coupon rate and any related index	NA	7.875%, 5Y U.S.$ mid-swap rate	KIBOR
19	Existence of a dividend stopper	NA	Yes	NA
20	Fully discretionary, partially discretionary or mandatory	NA	Fully discretionary	NA
21	Existence of step up or other incentive to redeem	NA	No	NA
22	Noncumulative or cumulative	Non cumulative	Non cumulative	Non cumulative
23	Convertible or non-convertible	NA	Non convertible	NA
24	If convertible, conversion trigger (s)	NA	NA	NA
25	If convertible, fully or partially	NA	NA	NA
26	If convertible, conversion rate	NA	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA	NA
30	Write-down feature	No	Yes	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
32	If write-down, full or partial	NA	Full	NA
33	If write-down, permanent or temporary	NA	Permanent	NA
34	If temporary write-down, description of write-up mechanism	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
36	Non-compliant transitioned features	NA	NA	NA
37	If yes, specify non-compliant features	NA	NA	NA

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