al Baraka

Lasting Partnerships

Annual Report 2020

Your Partner Bank

Over 40 years of Successful Partnerships

"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
Founder (1941 - 2020)

CONTENTS

Al Baraka Headquarters, Bahrain Bay

OVER
3.2
MILLION CUSTOMERS

Building lasting partnerships is about forging relationships that create the foundation of our business.

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 financial system: one which rewards effort and contributes to the development of the community.

MISSION

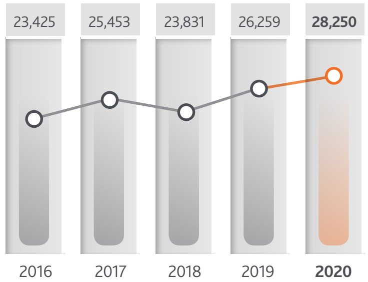
To meet the financial needs of communities across the world, by conducting business ethically in accordance with our beliefs, practicing the highest professional standards and sharing the mutual benefits with the customers, staff and shareholders who participate in our business success.

Financial Highlights

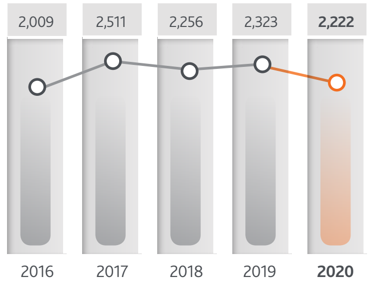
	2020	2019	2018	2017	2016
EARNINGS (US$ MILLIONS)					
Total Operating Income	1,140	967	988	999	1,074
Net Operating Income	579	399	447	430	507
Net Income	166	180	217	207	268
Net Income Attributable to Equity Holders of the Parent	67	106	129	129	152
Basic and Diluted Earnings per Share - US Cents*	2.90	6.01	7.91	9.19	12.66
FINANCIAL POSITION (US$ MILLIONS)					
Total Assets	28,250	26,259	23,831	25,453	23,425
Total Financing and Investments	21,645	19,753	17,861	19,123	17,465
Total Customer Accounts	24,367	22,458	19,627	20,670	19,179
Total Owners' Equity	2,222	2,323	2,256	2,511	2,009
Equity attributable to Parent	1,424	1,467	1,546	1,740	1,281
CAPITAL (US$ MILLIONS)					
Authorised	2,500	2,500	2,500	1,500	1,500
Subscribed and Fully Paid-up	1,242.9	1,242.9	1,242.9	1,206.7	1,149.2
PROFITABILITY RATIOS					
Return on Average Owners' Equity	7%	8%	9%	9%	13%
Return on Average Parent's Equity	5%	7%	8%	9%	12%
Return on Average Assets	0.6%	0.7%	0.9%	0.8%	1.1%
Operating Expenses to Operating Income	49%	59%	55%	57%	53%
FINANCIAL POSITION RATIOS					
Owners' Equity to Total Assets	8%	9%	10%	10%	9%
Total Financing and Investments as a Multiple of Equity (times)	9.7	8.5	7.9	7.6	8.7
Liquid Assets to Total Assets	26%	25%	27%	25%	24%
Net Book Value per Share (US$)*	0.84	0.86	0.93	1.09	1.04
OTHER INFORMATION					
Total Number of Employees	12,026	12,662	12,937	12,795	12,644
Total Number of Branches	697	702	697	675	697

* Adjusted for treasury and bonus shares.

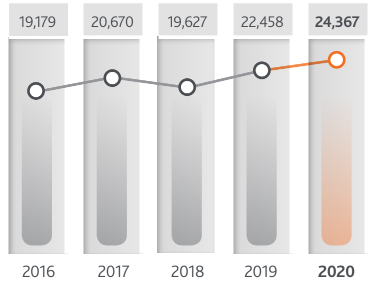
TOTAL ASSETS
(US$ Millions)



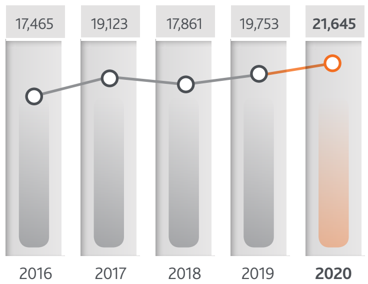
TOTAL OWNERS' EQUITY
(US$ Millions)



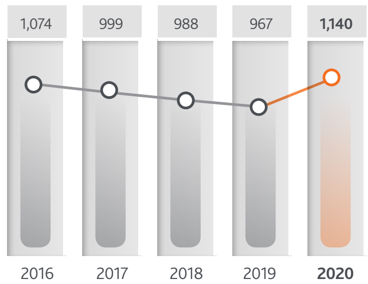
TOTAL CUSTOMER ACCOUNTS
(US$ Millions)



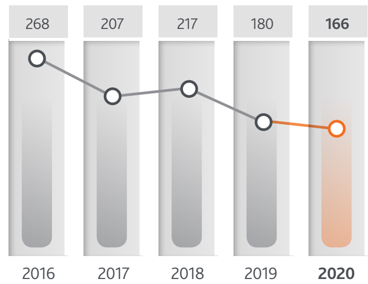
TOTAL FINANCING & INVESTMENTS
(US$ Millions)



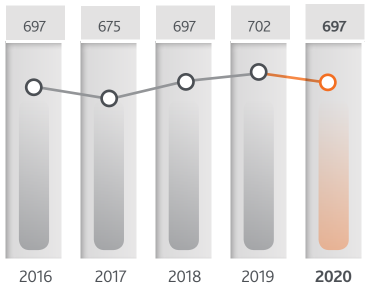
TOTAL OPERATING INCOME
(US$ Millions)



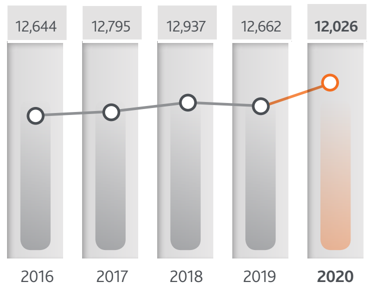
NET INCOME
(US$ Millions)



TOTAL NUMBER OF BRANCHES



TOTAL NUMBER OF EMPLOYEES



Board of Directors & Unified Shari'a Supervisory Board

BOARD OF DIRECTORS

Elected in the Annual General Assembly on 23rd March 2020 for a 3-year term.

Mr. Abdullah Saleh Kamel ▲
Chairman - Non-Executive Director

Mr. Mohamed Ebrahim Alshroogi ■ ●
Vice Chairman

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

Dr. Khaled Abdulla Ateeq ■ ▲ ▲ ●
Board Member

Mrs. Dalia Hazem Khorshid ■ ●
Board Member

Dr. Ziad Ahmed Bahaaeldin ■ ● ●
Board Member

Mr. Saud Saleh Al Saleh ■ ▲ ●
Board Member

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

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

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

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

Mr. Naser Mohamed Al Nuwais ■ ▲ ●
Board Member

Mr. Abdulmalek Mezher
Secretary to the Board

UNIFIED SHARI'A SUPERVISORY BOARD

Shaikh Abdulla Bin Sulieman Al Mannea
Chairman

Shaikh Dr. Abdullatif Al Mahmood
Vice Chairman

Shaikh Dr. Al Ayachi Al Saddig Fiddad
Member

Shaikh Dr. Saad Bin Nasser Al Shithry
Member

Mr. Yousif Hassan Khalawi ●
Member

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

NOTES:

1. *Shaikh Saleh Abdullah Kamel passed away on 18th May 2020 and in his stead Mr. Abdullah Saleh Kamel was appointed Chairman effective 4th June 2020.*
2. *Mr. Mohamed Ebrahim Alshroogi was appointed Vice Chairman on 25th March 2020.*
3. *The following board members held office until 22nd March, 2020:*
   - *Mr. Abdulla A. Saudi – Vice Chairman*
   - *Mr. Saleh Mohammed Al Yousef*
   - *Mr. Ebrahim Fayez Al Shamsi*
   - *Mr. Jamal Bin Ghalaita*
   - *Mr. Yousef Ali Fadil Bin Fadil*
   - *Dr. Bassem Awadallah*
   - *Mr. Mohyedin Saleh Kamel*
4. *Dr. Ahmed Mohyieldin Ahmed, Member of the Unified Shari'a Supervisory Board passed away on 29th August, 2020.*
5. *Mr. Adnan Ahmed Yousif retired on December 31st, 2020. Mr. Mazin Manna was appointed Board Member effective January 1st, 2021*

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

Executive Management

Mr. Adnan Ahmed Yousif *
President & Chief Executive

Mr. Hamad A. Al Oqab
Deputy Chief Executive - Head of Support

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

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

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 - Chief Risk Officer & 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. Adel Basha
Senior Vice President - Head of Legal Affairs

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

Dr. Ali Adnan Ibrahim
First Vice President - Head of Social and Sustainable Finance

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

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

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

** Mr. Adnan Ahmed Yousif retired on December 31st, 2020. Mr. Mazin Manna was appointed Group Chief Executive Officer effective 1st January, 2021*
*** Mr. Abdulrahman Shehab retired on December 31st, 2020. Mr. Ahmed Albalooshi was appointed as Acting Head of Operations & Administration effective 1st January, 2021*

In an era of disruption and challenges,
one thing does not change:

Our commitment to lasting partnerships

Turkey • Iraq • Jordan • Egypt • Algeria • Bahrain • Syria
Pakistan • Tunisia • South Africa • Lebanon • Sudan
Morocco • Saudi Arabia • Indonesia • Libya • Germany

Late Shaikh Saleh Abdullah Kamel

Founder-Chairman of Al Baraka Banking Group

Shaikh Saleh Abdullah Kamel
Founder (1941 - 2020)

It is said that wise men and pioneers leave their footprints in the sands of time for posterity to learn from and reflect upon. The Late Shaikh Saleh Abdullah Kamel (May Allah bless his soul) was such a luminary who, from humble beginnings in the early part of the mid-20th century, created a presence in the realm of business excellence and Islamic thought and jurisprudence that helped set the stage for the genesis and evolution of Islamic banking in the world.

Sh. Saleh was born in the Holy city of Mecca, Kingdom of Saudi Arabia, in 1941. He was educated initially in Mecca, Taif and Jeddah, and earned his Bachelor's degree from the University of Riyadh in 1963. A short stint with the government and he realized that his moorings were in entrepreneurship when, in 1969, he founded the Al Baraka Investment and Development Company which grew into one of the largest business conglomerates in the Kingdom of Saudi Arabia, spanning the financial services, healthcare, real estate, manufacturing, transportation, media, operations and maintenance services.

Sh. Saleh is one of the key pioneers of Islamic banking in the world. His philosophy is based on the tenet that man has been bestowed with wealth and resources to do good for society, and that we are just custodians who have an enormous responsibility towards mankind. To give credence to this thought, he established in 1978 the first Islamic bank in the Kingdom of Jordan named Jordan Islamic Bank, followed by Egyptian Saudi Finance Bank (now Al Baraka Bank Egypt) in 1980, Bait Al-Tamweel Al-Tunisi Al-Saudi (now Al Baraka Bank Tunisia) in 1983, Al Baraka Islamic Bank, Bahrain (1983), Al Baraka Turk Participation Bank (1985), Al Baraka Bank Limited, South Africa (1989), and in 1991 Banque Al Baraka D'Algerie and Al Baraka Bank Lebanon. Many of these banks were set up at a time when there was no formal recognition of Islamic banking by most of the regulatory authorities, yet they operated on the sacred principles of the Shari'a.

Sh. Saleh was the Founder-Chairman of Al Baraka Banking Group, which was created in 2002 as the parent company for all the Islamic banks in the Dallah Al Baraka Group. He was venerated by many countries and organizations and was member of the boards of many companies, and charitable organizations across the world such as Arab Thought Foundations, King Abdulaziz and His Companions Foundation for the Gifted, Islamic Solidarity Fund, and Arab Academy for Finance and Banking. He was also president of the Islamic Chamber of Commerce & Industry, the General Council of Islamic Banks and Financial Institutions and the Jeddah Chamber of Commerce & Industry in addition to being a Member of President's Advisory Panel at Islamic Development Bank.

Sh. Saleh was awarded many medals and titles 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.

The members of the Board of Directors, the Executive Management and all the employees of Al Baraka Banking Group mourn with great sadness and sorrow Sheikh Saleh Kamel, may Allah have mercy on him, and they vow to carry forward the banner of Islamic banking in accordance with his directives and philosophy for the good of society and all humanity.

"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."

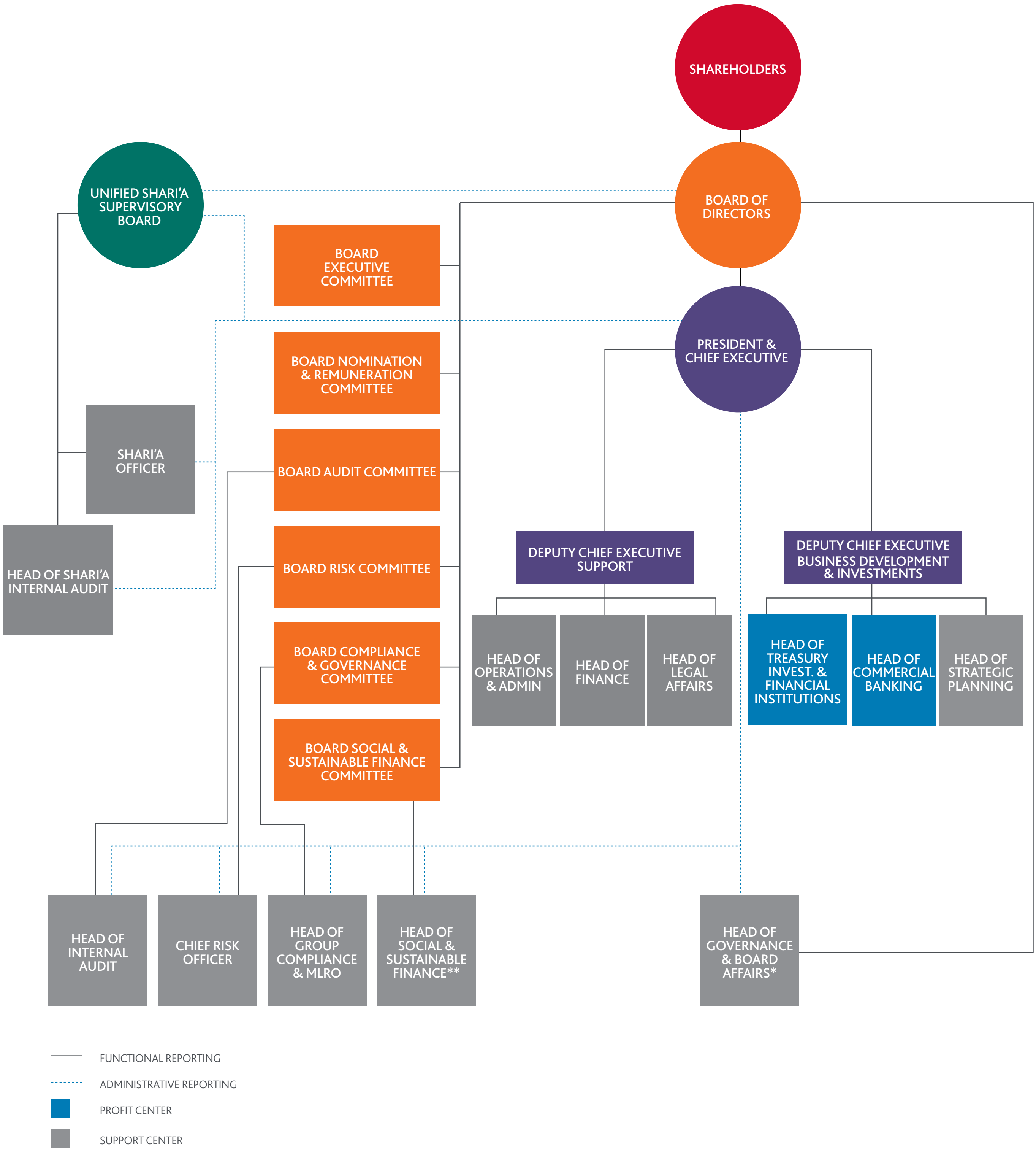
Shaikh Saleh Abdullah Kamel
Founder (1941 - 2020)

Sustainability is at the heart of everything we do

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.
** The Sustainability & Social Responsibility department was renamed Social & Sustainable Finance department at a Board meeting on 9th November 2020

Directors' Report

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

Abdullah Saleh Kamel
Chairman

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

At the outset, and with reverence, we pay homage to the memory of Sh. Saleh Abdullah Kamel, the Founder-Chairman of Al Baraka Banking Group ("ABG" or the "Group") and pioneer of Islamic banking in the world who sadly passed away in May 2020. May Allah bless him, forgive him and grant him paradise. We will strive to uphold his tenets as we take Islamic banking forward into new frontiers.

We would like to thank Mr. Adnan Ahmed Yousif, the President & Chief Executive of the Group for his invaluable contribution to ABG, who retired on December 31st, 2020, Mr. Mazin Khairy Manna was appointed as Group Chief Executive Officer of ABG, effective 1st January, 2021.

Economic outlook

The year 2020 brought forth in its wake a pandemic of epic proportions that the world has never seen before. The Coronavirus ("Covid-19") has impacted the world both physically in terms of the numerous human casualties and in economic terms a significant contraction of growth. As a consequence, trade equations were redefined across the world, as were political and economic equilibriums. The very fabric of personal and business life came to be re-prioritized, the impact of which will beset the world for several years to come. With the lessons learnt from the 2008 crisis, governments quickly set in place measures to stem the economic downturn, with an expectation that the world economies will recover in 2021, rising gradually at modest rates over the medium term. In addition, the global banking system was already fortified with relatively high capital and liquidity buffers which are expected to adequately weather the shocks. The Middle East and North Africa region has been particularly proactive in taking measures, both fiscal and physical in terms of monetary policy, liquidity and other macro initiatives.

Strategy review

Al Baraka Banking Group and its subsidiaries ("Units") responded swiftly to the economic, fiscal and social fallouts of the pandemic by setting in place a strategy that would serve to protect the interests of customers and their businesses. The axioms of the other initiatives were to ensure a safe environment for customers and employees, preserve adequate capital and liquidity, ensure good asset quality with high credit risk standards and adequate provisions.

The Group and its Units took advantage of the crisis to look inward at strengthening processes and procedures in anticipation of eventual economic recovery and thereby product and revenue growth, whilst rationalizing overheads. Professional skills of staff were also enhanced, an investment that is expected to bear fruit in the periods to come. The Group's digital transformation strategy that has been progressing well over the years experienced a further surge, guided with impetus from the current crisis that brought into play social distancing, and the absence of human contact for non-essential functions.

TOTAL OPERATING INCOME

US$ 1.1 Billion

NET OPERATING INCOME

US$ 579 Million

(All figures in US Dollars unless stated otherwise)

During the year, a proposal was put forth by the Board of Directors and approved by the shareholders at an extra-ordinary general assembly on November 30, 2020 to convert (subject to required regulatory approvals) the Islamic Wholesale Banking License of ABG in Bahrain to that of a Category 1 Islamic Investment Firm regulated by the Central Bank of Bahrain ("CBB"), and rename it "Al Baraka Group B.S.C". This conversion will enable the Group to streamline operations, enhance efficiencies, make better use of its resources for the benefit of its Units and other Stakeholders and continue to play the role of strategic controller of all its subsidiaries.

Review of 2020

Despite the challenging conditions for the year caused by the pandemic, ABG managed to turn in an encouraging performance in the face of volatile currencies of the constituent unit-countries, reflecting a growth in total assets by 8% to US$ 28.2 billion, up from US$ 26.3 billion in end 2019. The growth came largely from increase in the deposit base of customers and financial institutions by 8% to US$ 24.4 billion, up from US$ 22.5 billion in end 2019, which serves as an endorsement of the confidence in the Group, even under the current conditions, by its faithful depositors.

Operating assets (financing and investments) grew from US$ 19.8 billion in 2019 to US$ 21.6 billion in 2020, representing an increase of 10%. Operating income grew 18% to US$ 1.1 billion, up from US$ 967.4 million in 2019 which is a signal of the intrinsic strength of the Group's business model. The net income for the year was US$ 165.9 million, a decrease of 8% from US$ 180.2 million in 2019. The net income attributable to the equity shareholders of the parent was US$ 66.6 million as against US$ 105.7 million in 2019, a decrease of 37%. Overall therefore, the performance of the Group was creditable under the extreme adverse conditions experienced during the year.

After the transfer of US$ 6.7 million to the legal reserve, the Board of Directors has recommended to transfer the balance net income of US$ 60.0 million to the retained earnings. The Board has further recommended a remuneration of US$ 1.5 million for its directors, subject to the approvals of the Ministry of Industry, Commerce and Tourism and the shareholders at the annual general assembly.

In March 2020 the shareholders of ABG elected a new Board of Directors, with some of the members being reelected and new members added. The Board approved the appointment of Shaikh Saleh Abdullah Kamel as Chairman of the Board and Mr. Mohamed Ebrahim Al Shroogi as Vice Chairman effective 25th March 2020. On 4 June 2020, the undersigned was appointed as Chairman of the Board, succeeding the late Chairman Shaikh Saleh Abdullah Kamel.

As of 31st December 2020, the ownership of the shares of ABG by the Board is immaterial and no major trading of such shares took place during 2020. Details of the shares held by the directors and executive management are provided in the notes to the consolidated financial statements.

We would like to place on record our condolences on the sad passing away of Dr. Ahmed Mohyeldin earlier this year. Dr. Mohiyeldin was a long-standing member of our Unified Shari'a Supervisory Board and a respected proponent of Islamic banking Fiqh. We would also like to mourn the passing away of Sh. Dr. Abdul Sattar Abu Ghuddah earlier this year. Sh. Abu Ghuddah was Chairman of our Unified Shari'a Supervisory Board until mid-2018 and a luminary of Islamic banking in the world. May Allah bless our scholars who passed away and grant them paradise, and may we all benefit from their scholarship.

We should like to offer of our congratulations to all our subsidiaries for their commitment to the Group's vision and mission and for their performance in the face of the challenges during the year. We should also like to extend our gratitude to our executive management who have continued to diligently and successfully execute the Group's strategic objectives.

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

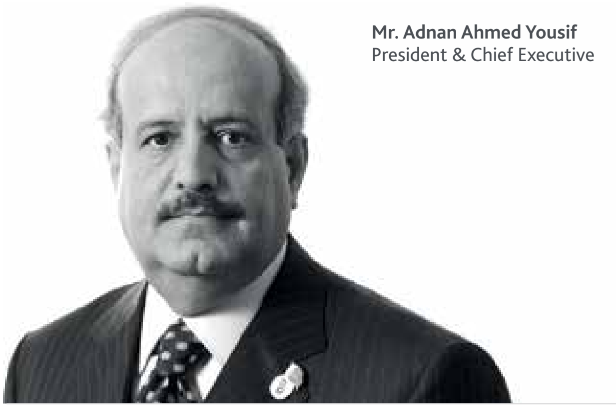
May Peace, Mercy and Blessings of Allah be upon you!

On behalf of the Board of Directors,

Abdullah Saleh Kamel
Chairman

President & Chief Executive's Report

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



Mr. Adnan Ahmed Yousif
President & Chief Executive

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

At the outset we would like to express our deepest condolences on the passing away in May 2020 of our dear Founder-Chairman, Sh. Saleh Abdullah Kamel , May Allah bless and forgive him. The world will certainly miss the wisdom and council of Sh. Saleh who was one of the main pioneers and patriarchs of Islamic banking, regionally and globally.

The world in 2020 was struck by a pandemic of epic proportions, causing all countries to take, as never before, actions to protect citizens and ensure their economic survival and safe conduct. The ramifications of the Coronavirus ("Covid-19" or the "virus") were felt in every fabric of life, crippling economic, political and fiscal activity. Economic growth decelerated to negative recession-type levels, forcing governments to take action to support their economies with asset purchases and financial support for the workforce as well as medium and small businesses. The Middle East and North Africa ("MENA") region was quick to respond to the crisis: fiscal policies were implemented by reducing interest rates, injecting liquidity into the system, cutting reserve requirements, introducing repo arrangements, relaxing loan classifications, shoring up the public sector, in addition to strengthening / broadening unemployment benefits, expanding energy subsidies and subsidizing financing for small and medium enterprises.

The initiatives of governments around the world appear to have worked well. For the first time since the 2008 financial crisis, the global banking systems' regulatory framework was put to the test, and it has proved to be largely successful in that high capital and liquidity buffers were in place to withstand the economic shock. It is expected that the world and regional economies will recover faster than anticipated, although the ascent will be uneven and uncertain.

In this scenario of grave uncertainty, Al Baraka Banking Group performed relatively well, thanks to our flexible strategy that enabled us to adjust to the vagaries of the crisis and ensure a smooth, consistent performance. Immediately upon the advent of the virus, swift action was taken to protect the customer base by supporting businesses, reinforcing the strength of the asset quality with additional provisions, ensuring strong liquidity levels in the subsidiaries ("Units"), adhering to a strict credit risk regimen, paring down non-essential expenditure and overheads, making product delivery more efficient by introducing touchless services, protecting the well-being of the workforce and enhancing their skills, and various other strategic initiatives designed for the welfare of the Units as well as customers.

TOTAL ASSETS

US$ 28.2 Billion

NET INCOME FOR THE YEAR

US$ 166 Million

(All figures in US Dollars unless stated otherwise)

Digital transformation, being one of the main strategic priorities for the Group for the past few years, took on a more important role with the onset of the crisis. More electronic mediums of banking services were introduced across the Units and the opportunity to enhance internal processes and systems were embarked upon. The Internal Capital Adequacy Assessment Process ("ICAAP") project was furthered across all Units to ensure that capital was used judiciously when engaging in existing and new business. Internally, the rules for containment of Covid-19 were implemented strictly, such as social distancing, work from home policies as applicable and sanitization norms.

In order to change the operational structure of ABG's parent company in Bahrain to better align it with the Group's strategy and business model, while ensuring that it continues to fully benefit from the regulatory framework of the CBB, the shareholders, in the extra-ordinary general assembly on 30th November 2020, approved the board's recommendation to formally initiate the process to convert ABG's license to that of a Category 1 Islamic Investment Firm as defined by the Central Bank of Bahrain's ("CBB") Rule Book Volume 4. The new name of ABG will be "Al Baraka Group B.S.C.". Both the license conversion and the proposed name change are subject to regulatory and legal approval. The conversion will not impact the Group's banking subsidiaries, including Al Baraka Islamic Bank Bahrain, which will continue their banking activities and business as usual under the supervision of the CBB and their respective local banking regulators. All business and legal obligations and business operations of ABG would remain unchanged. The Group will also continue to be listed on the Bahrain Bourse and NASDAQ Dubai. The formal approval of the CBB is awaited.

We ended the year with total assets of US$28.2 billion, up 8% from the end 2019 figure of US$ 26.3 billion. The increase was largely due to the deposits from customer accounts and financial institutions which grew by 8% to US$24.4 billion, up from US$ 22.5 billion – this is a reflection of the trust and confidence reposed by our customers in the Group. Our liquidity remained largely at the same level and our operating assets (financing and investments) increased by 10% from US$ 19.8 billion in end 2019 to US$21.6 billion in end 2020, Murabaha and Musharakha financing and investments registering increases. Total Owners' Equity was down from US$ 2.3 billion in end 2019 to US$2.2 billion in end 2020, a reduction of 4%.

Our Total Operating Income was US$1.1 Billion, up 18% from US$967 million in 2019: this evidences the strong business fundamentals the Group possesses, as well as the yields from the strong customer financing base. During 2020, additional provisions for impairment were taken on a conservative basis to buffer the asset portfolio from any shocks in the immediate future. The Net income for 2020 was US$165.9 million, a decrease of 8% when compared to US$180.2 million in 2019. The Net Income Attributable the Parent was US$66.6 million, a decrease of 37% over the 2019 figure of US$105.7 million, largely due to the additional provisions taken.

Before concluding this section, we wish to convey our condolences for the passing away during 2020 of Dr. Ahmed Mohiyeldin, May Allah bless and forgive him. Dr. Mohiyeldin was a long serving member of the Unified Shari'a Supervisory Board. We also offer our condolences on the passing away during 2020 of Sh. Dr. Abdul Sattar Abu Ghuddah, May Allah bless and forgive him. Sh. Dr. Abu Ghuddah served as the Chairman of the Unified Shari'a Supervisory Board until mid 2018.

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 Units to achieve the objectives set for themselves, 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 2020. Except where local currency sums are explicitly mentioned, all figures are stated in the US dollar ("US$") equivalents of the audited local currency-based balance sheets and income statements, prepared in accordance with the Islamic Accounting Standards issued by the Accounting and Auditing Organisation of Islamic Financial Institutions (AAOIFI) (and IFRS where AAOIFI is silent), and without any Group-level adjustments.

President & Chief Executive's Report (continued)

Al Baraka Banking Group has the resilience and tenacity to weather the impact of the pandemic and be poised for opportunities in the future.

03 Continents

17 Countries

697 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 government of Turkey was proactive in its response to the onset of Covid-19 with measures implemented, including loan guarantees to firms and households, loan service deferrals by state-owned banks, tax deferrals for businesses, equity injection into the public banks and a country-wide ban on employee layoffs. The central bank cut its policy rate and substantially increased liquidity facilities to the banks, and introduced a new regulatory ratio to incentivize banks to support the real economy. In addition, it introduced a number of forbearance measures to limit the accounting impact of the TRY ("Turkish Lira") depreciation, raising the loan-to-value limit on mortgages, and suspension of debt enforcement and bankruptcy proceedings. Dividend distributions were limited to 25% of the net profit and a new Turkish Lira lending facility for SMEs in the export sector was established to support trade finance.

There has been a substantial contraction in the economy, making it the worst recession since 2001, but the expectation is that the economy will start to grow in 2021, once Covid-19 eases and / or the vaccine proves effective. The Turkish Lira was volatile and depreciated during the year, brought on by geopolitical tensions in the region and the uncertainty surrounding the pandemic.

The total assets showed a growth of 35%, up from TRY 50.9 billion in end 2019 to TRY 68.6 billion due mainly to the increase in the total customer accounts from TRY 43.7 billion to TRY 60.8 billion in end 2020, despite the pandemic conditions. This speaks volumes about the faith of the customers in the bank. Owing to the depreciation in the TRY, the total assets registered an increase of only 9% from US$8.6 billion in end 2019 to US$9.3 billion in end 2020. The bank retained its liquidity at good levels throughout the year with cash and balances with the central bank and other banks at TRY 16.6 billion, representing 24% of total assets, against a balance of TRY 12.98 billion in 2019. The total operating income for the year was TRY 2.2 billion (US$320.9 million) versus TRY 1.3 Billion (US$236.9 million) in 2019, the significant increase emanating mainly from income from self-financed investments – reflecting the inherent strength in the business. After provisions being taken on a conservative basis, the net income was TRY 226.0 million (2019: 46.2 million).

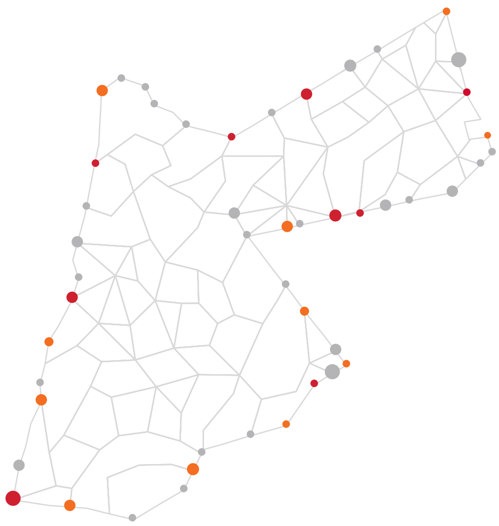
The bank responded swiftly to the onset of the pandemic, enhancing its customer-centricity by providing various Covid-19 support packages, increasing communication with customers aged 65 and above, postponing payments of funded credits, restructuring facilities for credit customers, providing support to SME customers, increasing ATM withdrawal limits, introducing contact-less credit cards and generally ensuring the continuance of banking transactions and campaigns. These measures will serve to retain customers and increase their faith in the bank and its capabilities. Although some of the branches had to be temporarily closed, adequate branch back up arrangements were put in place. Staff were given the option to work remotely from home.

Despite the ongoing tensions arising from an economy under duress, the bank managed to forge ahead with its ambitious digital transformation project, addressing many sub-projects that eased customer interaction and provided them with a variety of additional services. The initial phase of infrastructure and project enrichment has been achieved and preparations are being made to provide an integration with the digital ecosystem of various public services, and API banking.

(All figures in US Dollars unless stated otherwise)

Jordan

Jordan Islamic Bank



ESTABLISHED
1978

NUMBER OF BRANCHES AND OFFICES
108

Unit Head **Title**	Dr. Hussein Said Mohammad Ammar Saifan CEO - General Manager
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Fax	+96 26 566 6326
Website	jordanislamicbank.com

Jordan took early measures in response to Covid-19 to enforce strict restrictions which were eased in the third quarter. The International Monetary Fund approved US$ 400 million in aid for the country and very early on the Ministry of Finance introduced a host of measures to tackle the pandemic: the introduction of price ceilings on essential products, postponement of 70% of the customs duty collections from selected companies, reduction of social security contributions from the private sector besides allocating funds for purchases of health equipment and supplies, rental of hotels for quarantines etc. Also, a battery of measures were introduced that included support for the tourism sector and reduction of the general sales tax and service tax for hotels and restaurants.

The Central Bank of Jordan reduced policy rates early in the year and allowed banks to postpone loan repayments of clients in the impacted sectors, reducing the cash reserve ratio on deposits, redeeming CDs held by banks, reducing interest rates on its refinancing program and expanding the coverage of guarantees provided by the Jordan Loan Guarantee Corporation on SME loans for the tourist sector. The GDP of the country is however expected to contract in 2020, given the global downturn caused by the pandemic which disrupted trade in global supply chains. It is expected that construction sector growth will pick up gradually during the medium term, accelerating as consumer demand and incomes recover.

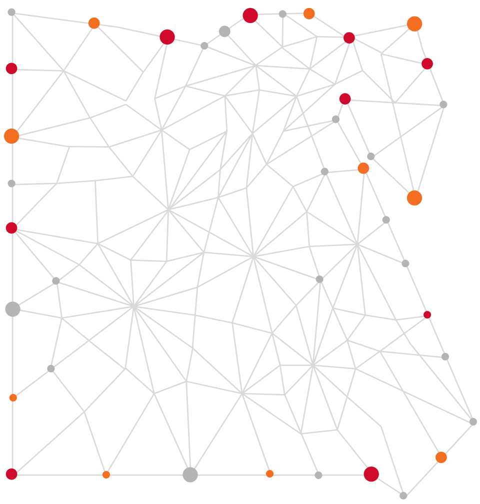
Reflecting a consistent performance in the face of the pandemic, the total assets of the bank reached Jordanian Dinars ("JD") 4.8 billion (US$ 6.8 billion) as of the end of 2020 compared to JD 4.4 billion (US$ 6.3 billion) in end 2019, representing an increase of 9% and customers' account holders went up during this period by 9% at the end of 2020 it was JD 4.2 billion versus JD 3.9 billion in end 2019, contributing to the overall increase in the total asset footing. This speaks volumes for the stability and image of the bank in these testing economic conditions. The bank also maintained a consistent level of liquidity with its cash and balances with the central bank and other banks being 18% of the total assets as of end 2020.

The total operating income for the year was JD162.9 million, with a slight drop of 2% from JD 165.5 million in 2019. The net operating income for the year was JD 84.1 million, with a slight drop of 7% from JD 90.0 million in 2019 and the net income was JD 52.4 million, with a drop of 4% from JD 54.7 million in 2019.

The bank was resilient in the face of the trying conditions of the pandemic, using the opportunity to advance its digital transformation capabilities, especially when human contact was at a minimum. Remote working by the employees provided an uninterrupted service for customers, thereby ensuring seamless continuity of business. The bank has reached out to support its corporate and individual customers to ease the financing terms and thereby support them during this period and also strengthened its relationships with the government, increasing its sovereign exposure. The bank has also undertaken to finance hybrid cars, in its support for a cleaner environment.

(All figures in US Dollars unless stated otherwise)

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
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Fax	+202 281 03501, +202 281 03502
Website	albaraka-bank.com.eg

Egypt was quick to introduce proactive steps to address the economic fallout of the Covid-19 pandemic, setting up testing centres, imposing nighttime curfews, encouraging civil servants to work from home and suspending air-travel. Over the months, there was a gradual and partial reopening of the country, albeit with caution. The government announced a US$ 6.13 billion stimulus package to mitigate the economic impact of the pandemic, including to the tourism sector. In addition, a consumer spending initiative was launched to offer citizens low interest loans to pay for discounted consumer goods and funds allocated for urgent and necessary medical supplies besides additional allowance for medical professionals.

The central bank reduced the policy rate and the preferred interest rate on loans to the tourism, industry, agriculture and construction sectors, in addition to loan guarantees. To aid small projects in the labor intensive and industrial sectors impacted by Covid-19, short term loans were made available for funding operational expenses. Microlenders were advised to consider delays in repayments for struggling clients and a suspension in the credit score black lists. The GDP of the country was nevertheless affected by the virus contagion and GDP growth is expected to average just 0.8% until 2021, despite the above measures. It is expected that development of hydrocarbon resources and processing could boost expansion over the longer term.

Al Baraka Bank Egypt displayed considerable resilience to turn in a good performance for the year. The total assets grew by 6% from the EGP equivalent of US$4.5 billion in end 2019 to the equivalent of US$4.8 billion. The growth came largely from the increase in the customer accounts - despite the pandemic conditions – of 4% from US$4.1 billion in end 2019 to US$ 4.3 billion. The operating assets also witnessed an increase from US$ 3.9 billion in end 2019 to US$ 4.2 billion in end 2020. The EGP exchange rate was largely stable during the year and therefore caused no appreciable erosion in the US$ equivalent assets. The total operating income for the year was US$ 198.6 million, up 42% from the 2019 figure of US$ 140.0 million, emanating largely from revenue from banking services as well as from the bank's share of income from jointly financed operating assets. Although the provisions were increased to bolster the asset quality, the net income was still 25% higher in 2020 at US$ 79.4 million compared with US$ 63.7 million in 2019.

(All figures in US Dollars unless stated otherwise)

Algeria

Banque Al Baraka D'Algerie S.P.A

ESTABLISHED
1991

NUMBER OF BRANCHES
31

Unit Head **Title**	Mr. Mohammed Seddik Hafid Board Member & General Manager
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

Although Algeria was simultaneously witness to the incidence of Coivd-19 and a decline in the oil prices, the government responded well to both, the latter having a telling impact as the economy depends upon hydrocarbons. It ordered a full lockdown of the country with curfews in many places which were in time gradually eased with norms of social distancing and wearing face masks being made mandatory. A plan was set in place to ensure food and medical supplies' availability, promote a favorable business climate and foster value-added sectors and international trade. The payment of income taxes for individuals and small and medium enterprises were postponed and contractual deadlines on public projects undertaken by companies relaxed. Additionally, to adjust to the low oil price environment, the government set in place plans to reduce spending. However, owing to the adverse conditions the GDP contracted during the year.

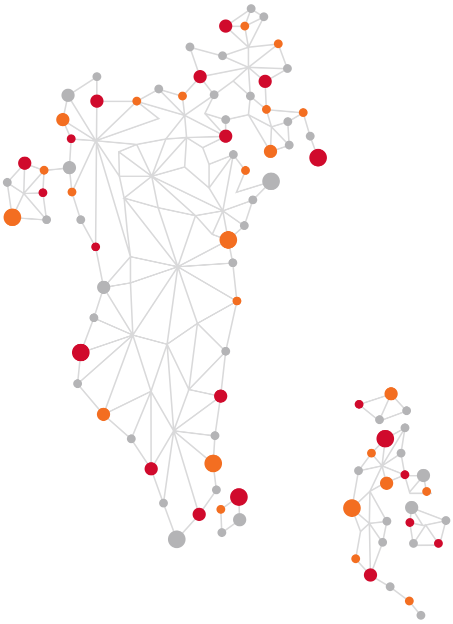
The central bank took various fiscal measures to combat the pandemic – lowering the reserve requirement ratio and reducing its main policy rate on more than one occasion, easing solvency, liquidity and NPL ratios for banks, extending payments of some of the loans without the need for provisions against them, lowering the haircuts on government securities used in refinancing operations and easing of the prudential requirements.

The total assets of the bank as of end 2020 was US$1.99 billion compared to US$ 2.15 billion in end 2019, representing a 7% decrease. In Algerian Dinar (DZD) terms, the increase was just 2%, up from DZD 256.1 billion in end December 2019 to DZD262.2 billion in end 2020, owing to the weakening of the DZD against the US Dollar during the year. The customer accounts have also increased – by 3% from DZD 214.0 billion in end 2019 to DZD221.0 billion in end 2020, in US$ terms declined from US$ 1.8 billion in December 2019 to US$1.7 billion, and the operating assets (financing and investments) from DZD 152.6 billion to DZD144.9 billion, reflecting the challenges in the economic environment. The operating income also declined from DZD13.8 billion to DZD11.3 billion due to the lower operating assets. The net income showed a reduction from DZD6.6 billion in 2019 to DZD3.3 billion in 2020.

During the year the bank introduced some new products – the savings package product and an international payment card for individuals and companies. The bank also used the opportunity to further its digital transformation program by enhancing its customer delivery mechanism, enhancing access to its multi services platform, as also upgrading its internal governance and processes. It continued to promote trade finance that has been a successful line of business for the past few years.

(All figures in US Dollars unless stated otherwise)

President & Chief Executive's Report (continued)



Bahrain

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

ESTABLISHED
1984

NUMBER OF BRANCHES
06

Unit Head Title	Mr. Hamad Al Oqab Chief Executive Officer
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Tel	+973 17 535 300
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Website	albaraka.bh

Bahrain showed an exemplary response to Covid-19 and swiftly took action to physically bring discipline in social distancing and stay-at-home measures, closing educational institutions, retail establishments, restaurants and cinemas, suspending flights and rescheduling major events among other initiatives. On the fiscal front a US$ 1.5 billion stimulus package was implemented to help locals in the private sector by payment of their salaries, utility and municipality bills, providing an exemption in fees for tourist facilities, exempting industrial and commercial entities from paying rent to the government and delaying capital expenditure.

The Central Bank of Bahrain extended its lending facilities to banks by US$ 10 billion to facilitate deferred debt payments and extension of additional credit. The short terms deposit facility rates were cut in stages and the cash reserve ratio reduced, in addition to requesting banks to offer a 6 month deferral of repayments and refrain from charging any penalties. The GDP of Bahrain is expected to contract during 2020 with a modest recovery in 2021 along with oil prices and a recovery in the tourism industry.

The bank registered a growth of 7% in the total assets, rising from US$ 1.5 billion in 2019 to US$ 1.6 billion in end 2020, due mainly customer accounts by 9% over the 2019 figure of US$ 1.1 billion to US$ 1.2 billion as of December 2020. The increase in the resources funded the operating assets (financing and investments) of US$1.4 billion as of end 2020, 4% over the end 2019 figure of US$ 1.3 billion. The total operating income grew by 11%, the increase emanating mainly in income from jointly financed financing and investments amounting to US$ 17.5 million in 2020 versus US$ 13.9 million in 2019. The net income for the year was US$ 3.8 million, a reduction of 32% from the 2019 figure of US$ 5.6 million. The decrease was due mainly to the precautionary provisions taken in 2020 against any fallouts from the pandemic.

To ensure business continuity during the pandemic, the bank gave the choice to employees to work from home, and social distancing and other norms as stipulated by the World Health Organization were strictly implemented. While fostering its existing customer relationships, the bank built new avenues for business, engaging with the sovereign entities that offered stability and uninterrupted revenue and with large domestic corporates with stable creditworthiness. Credit deferrals were accorded to customers in line with the CBB directions. In addition to introducing new products, the Albarakat savings scheme continued to perform well, garnering more deposits from customers. The bank used the opportunity to look inward at its processes, implementing phase 1 of the iMal core banking system besides putting in place the Internal Liquidity Adequacy Assessment Process ("ILAAP") and ICAAP methodologies for allocating and monitoring financial and capital resources. Close on the heels of the core banking implementation, steps were taken to forge ahead with the digital transformation project involving robotic automated processes and card-less banking and a clear horizon mapped for further strides.

(All figures in US Dollars unless stated otherwise)

Syria

Al Baraka Bank Syria S.A.

ESTABLISHED
2009

NUMBER OF BRANCHES AND OFFICES
13

Unit Head **Title**	Mr. Mohamad Halabi CEO
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Fax	+963 11 443 78 10
Website	albarakasyria.com

The country has been beset with political turmoil for the past few years and Covid-19 unfortunately compounded the issue. However, the government took measures to isolate pockets of Syria's border with Iraq and other neighbors in an effort to minimize the impact of the transmission of Covid-19. In addition, initiatives were taken by government ministries to suspend / limit work hours, restrict inter-provincial movement, establish quarantine and isolation centres, set up additional labs in cooperation with the World health Organization for diagnosing the virus, import sanitizers, detergents and other materials to combat the virus and ensure that stocks of consumer products are available and sufficient for the coming months.

Due to the dual issues of the Covid-19 pandemic and the political instability, the GDP of Syria is expected to contract in 2020. Private consumption is expected to reduce due to isolation measures. The agriculture sector is robust but owing to the virus, supply disruptions were significant, adding to the contraction in growth. In addition, factories were forced to work reduced hours and in some cases close, and industry and services continued to suffer. Severely reduced domestic supply, constraints on import capacity, monetization of the large public deficits and substantial devaluation of the currency have pushed up the inflation. The bank took action under the circumstances to defer the payments of its customers, providing digital access for services, besides implementing the government's norms for social distancing and working remotely.

The bank nevertheless managed to perform well under the challenging conditions. The total assets of the bank as of the end of 2019 was US$ 755.5 million which reduced to US$ 643.7 million in end 2020, a decrease of 15%. In Syrian Pounds ("SP") however, there was an increase in the total assets – from SP 329 .4 million in end 2019 to SP 808.4 million. The SP lost 188% of its value during the year due to the economic effects of the pandemic as well as the continuing political unrest. Total customer accounts decreased by 13%, down from US$ 578.0 million as of December 2019 to US$ 500.2 million as of December 2020. Operating assets (financing and investments) also decreased 14% down from US$ 430.0 million in end 2019 to US$ 370.2 million in end 2020. Total operating income increased by 70% from US$ 34.9 million in 2019 to US$ 59.4 million in 2020 largely due to the other operating income from funds invested overseas. The net income for the current year was US$ 42.8 million compared to US$ 15.0 million in 2019, an increase of 185%.

(All figures in US Dollars unless stated otherwise)

President & Chief Executive's Report (continued)

Pakistan

Al Baraka Bank (Pakistan) Limited

ESTABLISHED
2010
(IN OPERATION AS BRANCHES OF AL BARAKA ISLAMIC BANK, BAHRAIN SINCE 1993)

NUMBER OF BRANCHES
188

Unit Head **Title**	Mr. Ahmed Shuja Kidwai Board Member & CEO
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Tel	+92 21 3430 7000
Fax	+92 21 3453 0981
Website	albaraka.com.pk

Pakistan did well to react quickly to the Covid-19 pandemic, with key measures implemented by the government. Import duties on health equipment were eliminated, wage support packages introduced, tax refunds given to the export industry, financial support provided to the SMEs and the agriculture sector, fuel prices reduced, a housing package given to subsidize mortgages etc. Similarly, the provincial governments implemented various other measures.

The State Bank of Pakistan ("SBP") cut the policy rate on more than one occasion and extended the scope of the existing refinancing facilities and introduced support for hospitals and medical centres to purchase Covid-19 related equipment, stimulated investment in new manufacturing plants and machinery, and re-incentivized businesses to avoid laying off workers. The SBP also reduced the capital conservation buffer, increased the regulatory limited on extension of credit to SMEs, allowed banks to defer the principal on loan obligations, relaxed the criteria for restructured loans for borrowers who required relief and suspended dividend payments. The SBP further stipulated targets for banks to ensure that loans for construction activities account for at least 5% of the private sector portfolios by December 2021. Owing to the pandemic, the country is going through a tough period economically with the current account deficit narrowing and the GDP contracting, the effects of which may spill into 2021. While it is expected that economic growth will resume in 2021, the gradual depreciation in the Pakistan Rupee is forecast to continue into 2021.

The bank reported growth in total assets from US$ 1.0 billion in end 2019 to US$ 1.2 billion in end 2020, an increase of 17%. The total customer accounts accounted for this increase – by 19% from US$ 877.6 million in end 2019 to US$1.0 Billion in end 2020. These were deployed gainfully in operating assets that went up by 44% from US$ 652.4 million in end 2019 to US$ 937.8 million. The increased level of funds deployed in consumer and other financing and greater trade finance business boosted the total operating income by 19% from US$ 42.8 million in 2019 to US$ 50.9 million in 2020. The bank conservatively took on an increased level of provisions in order to bolster the asset quality of its financing assets. The net income for the year was US$ 3.8 million versus a loss of US$ 0.4 million in 2019.

The bank did well to support the government's plans to help ease wage payments, and increased contact-less services via alternative distribution channels while continuing to improve the features of its products. The bank also implemented safety measures for its staff, such as social distancing, wearing masks, ensuring hygiene etc. Through the digital transformation initiatives, the bank eased customer experience by offering new faster and more convenient access to services. During the year the trade finance business of the bank witnessed growth.

(All figures in US Dollars unless stated otherwise)

Tunisia

Al Baraka Bank Tunisia

ESTABLISHED
1983

NUMBER OF BRANCHES
37

Unit Head **Title**	Mr. Mohamed El Moncer General Manager
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Fax	+216 71 780 235
Website	albarakabank.com.tn

Tunisia declared a state of emergency to combat the onset of Covid-19, adopting early confinement measures. A Tunisian Dinar ("TND") 2.5 billion emergency plan was announced early on involving VAT exemptions and acceleration of refund procedures, rescheduling of taxes and customs arrears, easing liquidity in the private sector in order to minimize layoffs etc. The government also took action to support low income households and the temporarily unemployed with cash transfers.

The Central Bank of Tunisia ("CBT") cut its policy rate more than once and announced a package to support the private sector, request banks to defer payments on loans and suspend any fees on electronic payments and withdrawals and postpone credit reimbursement by employees. Other fiscal measures included the creation of investment funds, a state guarantee for new credits and capping the effective rate on investment loans, besides supporting the tourism industry. The real GDP of the country was badly hit nevertheless and it contracted, accompanied by the current account deficit. External trade also experienced a fall but is expected to pick up in 2021, along with a recovery in the GDP and narrowing of the current account deficit.

The total assets of the bank as of end 2020 was US$ 598 million, increasing by 12% from end 2019 when it was US$ 533.6 million. The increase was mainly due to the rise in the customer accounts by 14% from US$ 444.1 million in end 2019 to US$ 505.6 million in end 2020. The bank effectively deployed its resources in financing and investments which rose from US$ 419.5 million as of December 2019 to US$ 515.2 million in end 2020 and was mainly into Murabaha receivables and other financing instruments which generated an increased operating income as will be evident from the total operating income of US$ 36.5 million, an increase of 21% over US$ 30.0 million in 2019. The net income for the year was US$ 7.6 million versus US$ 4.3 million in 2019, an increase of 75%. The bank therefore grew its income yielding assets well, despite the challenging economic conditions.

(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 South African government took early action to combat the effects of Covid-19 on the economy. It declared a national state of disaster and adopted containment measures such as social distancing, travel bans on visitors and quarantine of returning nationals, school closures and introduction of mobile technology to track Covid-19 cases. During the months ensuing, a slow lifting of the lockdown started with easing of some of the restrictions. Following a request from the government, the IMF approved an emergency assistance in the form of the Rapid Financing Instrument equivalent to US$ 4.3 billion.

The South African Reserve Bank ("SARB") cut its policy rate several times during the year and eased liquidity conditions by increasing the number of repo auctions, reducing the upper and lower limits of the standing facility to lend and borrow at repo rates and raising the weekly refinancing operations as needed. The SARB also permitted purchases of government securities in the secondary market, issued temporary relief for capital requirements for banks and reduced the liquidity coverage ratio and restricted dividend payouts. However, the SARB did not intervene in the foreign exchange markets. The Department of Trade and Industry announced regulations against price gouging and export control measures on essential goods.

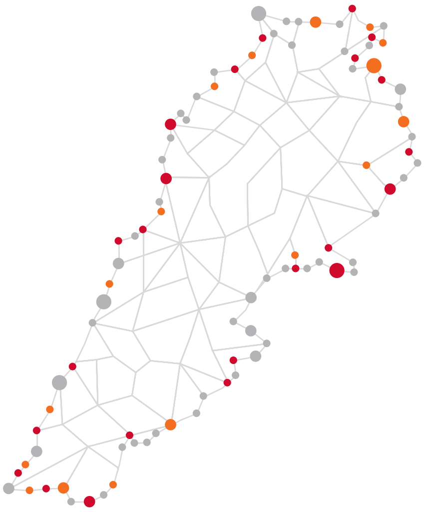
The bank performed reasonably well during the year, given the adverse conditions. The total assets of the bank as of end 2020 were US$592.0 million versus US$ 520.2 million in end 2019, an increase of 14%. In terms of the South African Rand ("ZAR"), the total assets increased by 18%, from ZAR 7.3 billion in end 2019 to ZAR 8.7 billion in end 2020. The fundamentals of the business are strong – total customer accounts increased by 19% from ZAR 6.5 billion as of December 2019 to ZAR 7.7 billion in December 2020. The additional deposits were deployed in financing and investments (largely in mudaraba and musharakha financing) totaling ZAR 7.9 billion (US$529 million) as of end 2020, an increase of 22% from the end December 2019 figure of ZAR 6.5 billion (US$459 million). The operating income of the bank for the year was ZAR 332.3 million (US$20.3 million) versus ZAR 350.1 million in 2019 (US$24.3 million), a reduction of 5% owing to the increase in assets deployed at lower yields which reduced the margins. The net income for 2020 was ZAR 36.1 million (US$2.2 million), a decrease of 51% from 2019 when it was ZAR 73.1 million (US$5.1 million).

In response to Covid-19, the bank took action to defer payments from clients, assist clients impacted by the economic conditions, implemented remote branch services and arrears management initiatives. The bank also used the slower business conditions during the year to implement a new core banking system, including the introduction of robotic technology and business intelligence tools and virtual customer on-boarding. It successfully raised a Sukuk of ZAR 107 million (US$ 5.93 million) following on from its earlier sukuk issuance. A ZAR 140 million (US$ 7.75 million) Solidarity Fund was co-launched with a client to assist SMEs during this challenging period. The digital transformation project took on more speed during the year, concomitant with the core banking implementation to address many aspects of customer and back office interaction.

(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
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Fax	+96117 48061 - 65 Ext: 700
Website	al-baraka.com

Lebanon has been under economic and political strife for a few years and Covid-19 impacted the issue further. The country however resorted to a variety of measures designed to contain the pandemic by immediately closing the borders, shutting educational institutions and closing the private sector and public offices with general lockdowns implemented at various times during the year. The parliament approved an additional allocation of Lebanese Pounds ("LBP") 1,200 billion (US$ 797 million) from the 2020 budget for aid distribution. The government also established a national solidarity fund to accept in-kind and monetary donations. Deadlines for payment of taxes were extended and dues to private hospitals paid. The government also approved a plan to distribute cash assistance to families hit economically and financially as a result of Covid-19.

The central bank of the country, Banque Du Liban ("CBL"), permitted banks to extend zero interest rate loans in LBP and US Dollars to customers unable to meet their obligations, operating expenses or pay the salaries of their employees, besides providing zero interest rate credit lines to banks and financial institutions in US Dollars equivalent to the value of exceptional loans granted.

The total assets of the bank as of year end were more or less at the same level as last year at US$ 333.9 million in end 2020 versus US$ 335.5 million. The customer accounts which funded these assets did not change appreciably – US$ 300.7 million versus US$ 301.2 million last year end. The operating assets (financing and investments) reduced by 21% from US$ 200.5 million in end 2019 to US$ 158.6 million in end 2020 due to a decision of the bank to stay liquid during these exigent times. The cash and balances with central bank and other banks registered an increase of 39% from US$ 82.9 million to US$ 115.2 million in end 2020 and were 34% of the total assets as of end 2019. As a result of the lower level of the operating assets, the total operating income reduced by 44% from US$ 12.3 million in 2019 to US$ 6.9 million in 2020. The net income for year was US$ 178.9 thousands compared to a loss of of US$ 2.3 million in 2019.

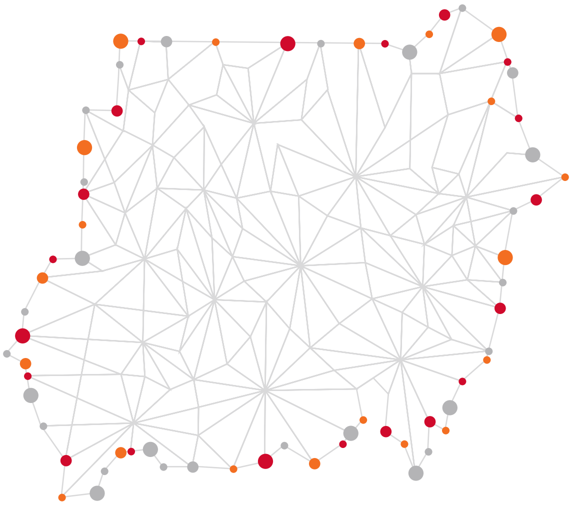
The bank has in place a new core banking system that will facilitate many digital transformation initiatives including digital customer on boarding, upgrading customer services amongst other applications, and back office functions. The bank is also keeping a tight control on NPAs and assisting customers weather the Covid-19 crisis.

(All figures in US Dollars unless stated otherwise)

President & Chief Executive's Report (continued)

Sudan

Al Baraka Bank Sudan



ESTABLISHED
1984

NUMBER OF BRANCHES
29

Unit Head Title	Mr. Elrasheed Abdelrahman Ali General Manager
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Fax	+249 183 788 585
Website	albaraka.com.sd

The country is passing through a difficult period, with the economic strife exacerbated by Covid-19. Measures were taken initially to contain the pandemic but caused a knock-on effect on inflation, rising unemployment and falling exports. The revised budget during the year included new policy measures to address the dire economic situation, involving subsidies on gasoline prices, exchange rate reforms and increased domestic revenue mobilization. The international community has also pledged US$ 1.8 billion in aid for macroeconomic reform, a large portion of which will be used for direct cash assistance to the population. In the interim the government has plans for implementing forbearance on loan repayments in the private sector. Sudan is nevertheless undergoing a recession and the GDP is expected to contract during the year.

Despite the existing conditions, the bank turned in an excellent performance with total assets at US$ 691.5 million as of December 2020 compared to US$ 354.1 million in December 2019, an increase of 95%. In terms of Sudanese Pounds ("SDG"), the total assets were up 139% at SDG 38.1 billion versus SDG 16 billion in end 2019. The difference in the growth rates was due to the depreciation in the SDG during the year . Customer accounts grew during the year by 102% from US$ 271.4 million to US$ 547.3 million in end 2020. The operating assets also showed growth – by 43% - from US$ 216.5 million in end 2019 to US$ 310.5 million in end 2020. The bank chose to build up liquidity with 35% of its assets in cash and balances with banks. The total operating income for 2020 was US$ 58.9 million, a growth of 155% from US$ 23.1 million in 2019. The bank managed to garner an increased yield on its operating assets and the revenue from non-banking services and other operating income. The net income for the year was US$26.8 million compared with US$ 9.9 million in 2019.

Under the Covid-19 conditions, the bank launched a savings product, introduced remote-access services, commenced digital on-boarding of customers, as well as dispensed cash to customers as part of the government's initiatives. In addition, the bank expanded its trade finance capabilities. The bank has been engaged in furthering its digital transformation strategy by working on applications that will ease customer experience as well as undertake additional projects to enhance internal processes and procedures such as business intelligence etc.

(All figures in US Dollars unless stated otherwise)

Morocco

BTI Bank

ESTABLISHED
2017

NUMBER OF BRANCHES
05

Unit Head **Title**	Ms. Yasmina Kilali Acting General Manager
Address	157, Avenue Hassan ll, Casablanca 20000, Morocco
Tel	+212 5 20 51 51 51
Website	btibank.ma

The Kingdom of Morocco displayed proactiveness at the onset of Covid-19 and declared a state of health emergency and suspended all international passenger flights, closed all educational institutions, restaurant, cafes and hammams and instituted a ban on public gatherings. These were eased in some measure later during the year. The authorities created a special fund dedicated to the management of the pandemic financed by the government and contributed to by the private sector to upgrade the medical facilities and support businesses and households affected. Debt payments were deferred and tax filings postponed and other tax exemptions given.

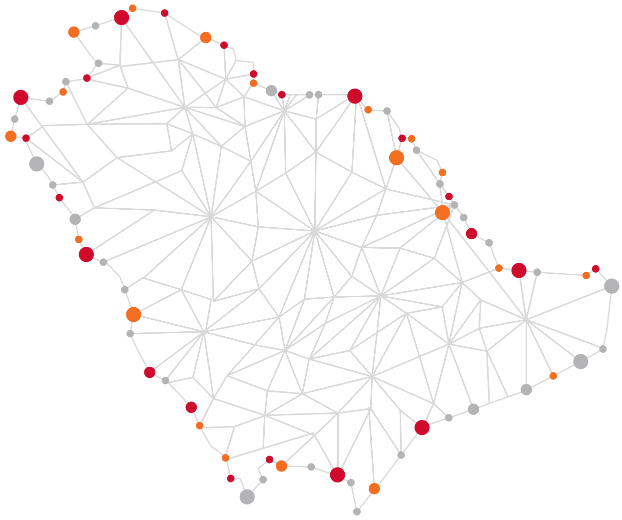
Bank Al Maghreb, the central bank, reduced the policy rate and, to support SMEs, loan payments were suspended for a while. The Capital Markets Authority revised downwards the maximum variation thresholds applicable to financial instruments listed in the Casablanca Stock Exchange. The central bank also put in place a strategy to increase liquidity in the banking sector: it expanded the collateral accepted for repos and credit guarantees to include public and private debt instruments, increased and lengthened the refinancing operations to support banking credit to SMEs among other things. In addition the reserve requirements were reduced, the liquidity coverage ratio reduced to below 100%, provisioning requirements eased and the capital conversation buffer reduced. The central bank also suspended all dividend payments.

The bank posted a growth of 40% in total assets in 2020 at US$ 61.0 million versus US$ 43.5 million in end 2019. Total customer accounts grew by 136% from US$ 13.9 million in 2019 to US$ 32.8 million in end 2020, reflecting the growing franchise of the bank in the market. Operating assets also grew – by 8% to US$ 30.4 million, up from US$ 28.1 million in end 2019. The bank maintained a fair amount of liquidity – the cash and balances with banks was 40% of total assets as of end 2020, against 15% in 2019. The Operating income for the year was US$ 1.5 million, up 73% from the 2019 figure of US$ 0.9 million. The net loss for the year was US$ 4.6 million versus a loss of US$ 5.8 million.

During the year the bank launched new investment products and took the opportunity to advance its digital transformation initiatives by completing phase 1 to cover customer friendly ease of dealing with the bank. The subsequent stages would involve more sophisticated customer facing applications that will further facilitate ease of customer interaction.

(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	Al Zahraa District Ahmed Al Attas Street Al Zahraa Commercial Center P.O. Box 8021, Jeddah 21482 Kingdom of Saudi Arabia
Tel	+966 12 263 8787
Fax	+966 12 263 8789
Website	itqancapital.com

The Kingdom of Saudi Arabia was confronted by a dual crisis – the Covid-19 pandemic and the low oil prices. Restrictions were immediately put in place to combat the virus in terms of social distancing, travel restrictions, public and prayer gatherings etc. These curbs were slowly eased as the year progressed. The government announced a Saudi Riyal ("SAR") 70 billion (US$ 18.7 billion) private sector support package that suspended government tax payments, fees and other dues to provide liquidity to the private sector. Additional financial resources were given to the Ministry of Health to fight the pandemic. The Value Added Tax ("VAT") was increased and cost of living allowances for expatriate workers removed. The government also launched programs to help businesses defer loan repayments.

The Saudi Arabian Monetary Agency ("SAMA") reduced its policy rate and announced a SAR 50 billion (US$13.3 billion) to support the private sector, particularly the SMEs so they could defer their loans and increase funding for their businesses. SAMA has also instructed banks to delay repayments of loans by Saudi employees. Besides, another SAR 50 billion was injected into the banking sector through deposits to support banking liquidity and private sector credit.

Itqan Capital's year end 2020 total assets were US$ 19.4 million, down by 5% from US$ 20.5 million in end 2019, mainly due to the difficult conditions for investment and asset management during the year. The assets under management as of the end of 2020 were a total of US$ 389.3 million compared to US$ 182 in end 2019, an increase of 114%. The net loss for the year was US$ 3.0 million compared to US$ 5.2 million in 2019.

(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

Indonesia reacted to the pandemic in a proactive manner, putting in place the cautionary measures of travels bans, social distancing, restrictions on public gatherings among other initiatives. Bank Indonesia, the central bank, reduced the policy rate on multiple occasions during the year besides lowering the reserve requirements, liquidity coverage ratio, net stable funding requirements and easing the capital conservation buffer for banks, introducing repo and reverse repo auctions, effecting bond purchases etc. However, the GDP of the country is expected to fall during the current year along with a fall in domestic demand and recovery is expected to be slow in the medium term.

ABG's Representative Office continued to market the Group's trade finance services, 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 has been fraught with political instability for a few years, exacerbated by the fluctuations in the oil prices which have challenged the economic policies of the country and caused an imbalance between supply and demand. GDP is expected to contract in 2020 and recover in 2021 along with oil prices.

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

(All figures in US Dollars unless stated otherwise)

AL Baraka Headquarters at Bahrain Bay,
Kingdom of Bahrain

Corporate Governance

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

THE BOARD OF DIRECTORS

The Board of Directors (the "Board") is responsible for the establishment and oversight of the Group's business strategy and priorities, for setting its high-level policies and for overall management; and is accountable to the shareholders for the financial and operational performance of the Group. It is responsible for raising and allocating of capital, 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;
- ensuring that an Anti-Money Laundering framework is in place to manage money laundering risk throughout the Group;
- ensuring that the Anti-bribery and Corruption programme ("ABC Programme") is implemented throughout the Group;
- approving strategic investments by ABG and its subsidiaries;
- monitoring potential conflicts of interest and preventing abusive related party transactions;
- approving material transactions outside the normal course of business or in excess of the limits of approval authority delegated to the Executive Management;
- ensuring the preparation of financial statements which accurately disclose the Group's financial position, on a regular and consistent basis, and for reviewing and approving for dissemination its periodic financial statements and annual reports;
- approving all significant changes in the Group's accounting and reporting policies;
- ensuring compliance at all times with all relevant requirements of Shari'a ("Sharia" or "Shari'a") and Islamic Accounting Standards, issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI);
- ensuring that the Group establishes and maintains an approved employee Code of Conduct and is in compliance with it;
- ensuring that the control environment maintains necessary client confidentiality, and that clients' rights and assets are properly safeguarded;
- ensuring that the Group's Social and Sustainable Finance objectives are attained;
- convening and preparing the agenda for shareholder meetings;
- ensuring equitable treatment of all shareholders including minority shareholders; and
- performing any other functions required 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 is also responsible for upholding the highest ethical standards in the conduct of business activities and expects all employees, directors and associated persons of the Group to abide by the policies and laws including those stipulated by the Bahrain Penal Code. The Board has delegated responsibility for monitoring compliance to the 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), Anti-Money Laundering (AML) and Anti-bribery and Corruption programme ("ABC Programme") frameworks. ABG is continuously enhancing its compliance framework and that of each of its subsidiaries.

In 2010, the CBB introduced new requirements to be met by all licensees under Volumes 2 and 6 of Module HC of its Rulebook, with respect to corporate governance principles. These requirements were in line with the Principles relating to the Corporate Governance Code issued by the Ministry of Industry & Commerce 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 Mr. Abdullah Saleh Kamel as Chairman of the Board of Directors (Non-Executive Director), although he is not an independent director as mentioned in the CBB Rulebook (as a guidance requirement not as a mandatory Rule); where all the members of the Board of Directors have approved to elect Mr. Abdullah Saleh Kamel as Chairman, in the place of the late Founder of the Group Shaikh Saleh Abdullah Kamel.

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

Corporate Governance (continued)

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

- the original appointment being found to be contrary to the provisions of the Commercial Companies Law (CCL) or ABG's Articles of Association;
- abuse by the individual of his/her position as Director or failure to comply with the provisions of his/her appointment or the terms of the Charter of the Board or of its Committees;
- the individual's failure to attend three consecutive Board meetings 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.

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 Nomination and Remuneration Committee for it to make its recommendations to the Board. As part of the nomination process, each nomination must comply with local rules and regulations, and must be submitted for approval to the CBB in order to ensure compliance with the CBB's "Fit and Proper" criteria. The names of all nominated individuals 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 12 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 2020, the shareholders' Ordinary General Meeting elected the following members of the Board for a three-year term: *(Please check the Board Composition and Member's classification as of 31st December 2020 as mentioned above page No (6))*

Non-Executive Directors

1. Shaikh Saleh Abdullah Kamel
2. Mr. Fahad Abdulla Al Rajhi

Independent Directors

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

Executive Director

1. Mr. Abdullah Saleh Kamel
2. Mr. Adnan Ahmed Yousif - *President & Chief Executive*
3. Mr. Abdul Elah Abdul Rahim Sabbahi

BOARD COMMITTEES

The Board has put in place a number of Board committees, membership of which is drawn from the Board membership and to which it has delegated specific responsibilities. The principal Board committees are: (as of 31st Dec 2020)

Board Executive Committee

The Board Executive Committee is chaired by Mr. Abdullah Saleh Kamel (Non-Executive Director), who was nominated such on 1st July, 2020 (instead of Sh. Saleh Abdullah Kamel who passed away in May 2020), and the other members are Mr. Mohamed Ebrahim Alshroogi (Vice Chairman - nominated on 1st July, 2020, Independent Director), Mr. Adnan Ahmed Yousif, President & Chief Executive(Executive Director), Mr. Abdul Elah Abdul Rahim Sabbahi (Executive Director) , Mrs. Dalia Hazem Khorshid (Independent Director) and Dr. Ziad Ahmed Bahaaeldin (Independent Director). The Board Executive Committee comprises a minimum of four Directors and meets at least four times a year. The Board has delegated to the Board Executive Committee, under a formal written charter adopted by it, the responsibility to make recommendations to the Board, for the Board's approval, concerning the Group's overall strategies and business plan, or any significant change to them, or any major change to its capital or organisation structure, assets or investments.

Board Nomination and Remuneration Committee

The Board Nomination and Remuneration Committee *(formerly Board Affairs and Remuneration Committee until 6th April, 2020)* 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. Fahad Abdulla Al Rajhi (Non-Executive Director)and Dr. Mohamed Moncef Cheikh-Rouhou (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 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 President & Chief Executive, 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 Dr. Khaled Abdulla Ateeq (Independent Director). Other members are Mr. Fahad Abdulla Al Rajhi (Non-Executive Director), Dr. Jehad Abdul Hamid El-Nakla (Independent Director) and Mr. Naser Mohamed Al Nuwais (Independent 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

Corporate Governance (continued)

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 Dr. Jehad Abdul Hamid El-Nakla (Independent Director), with its other members being Dr. Khaled Abdulla Ateeq (Independent Director) and Mr. Saud Saleh Al Saleh (Independent Director). The Board Risk Committee meets formally at least twice a year but may meet more frequently at the request of the Chairman of the Committee. It can call for the attendance of the President & Chief Executive, Head of Credit and Risk Management and other senior executives of the Group at any of its meetings.

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

Board Compliance & Governance Committee

The Board Compliance & Governance Committee is chaired by Dr. Khaled Abdulla Ateeq (Independent Director) and its other members are Dr. Jehad Abdul Hamid El-Nakla (Independent Director) and Dr. Ziad Ahmed Bahaaeldin (Independent Director) in addition to Mr. Yousif Hassan Khalawi, who represents the Unified Shari'a Supervisory Board. Mr. Yousif Hassan Khalawi replaced Dr. Al Ayachi Al Saddig Fiddad on 18th May 2020. The Committee meets at least 4 times a year but may meet more frequently at the request of the Chairman.

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

Board Social & Sustainable Finance Committee

The Board Social & Sustainable Finance Committee *(formerly Board Sustainability and Social Responsibility Committee until 8th November, 2020)* is chaired by Mr. Naser Mohamed Al Nuwais (Independent Director) and the other members are Mr. Abdul Elah Abdul Rahim Sabbahi (Executive Director) and Dr. Mohamed Moncef Cheikh-Rouhou (Independent Director). The size of the committee was reduced from 4 members to the current 3, following the passing away of Shaikh Saleh Abdullah Kamel earlier in the year.

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

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

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

Directors' Attendance at Meetings of the Board of Directors and its Committees In 2020

Name of the Board/ Committees	No. of meetings 2020 in	Dates of the meetings	Member's name	No. of meetings attended
Board of Directors	6	25/03/2020 22/06/2020 10/08/2020 09/11/2020 08/12/2020 24/12/2020	Sh. Saleh Abdullah Kamel, Late Chairman	1
			Mr. Abdullah Saleh Kamel, Chairman	6
			Dr. Jehad Abdul Hamid El-Nakla*	5
			Dr. Khaled Abdulla Ateeq	6
			Mrs. Dalia Hazem Khorshid	6
			Dr. Ziad Ahmed Bahaaeldin	5
			Mr. Saud Saleh Al Saleh	6
			Mr. Abdul Elah Abdul Rahim Sabbahi	6
			Mr. Adnan Ahmed Yousif	5
			Mr. Fahed Abdulla Al Rajhi	5
			Mr. Mohamed Ebrahim Alshroogi	6
			Dr. Mohamed Moncef Cheikh-Rouhou	6
			Mr. Naser Mohamed Al Nuwais	6
Board Executive Committee	3	28/04/2020 24/09/2020 08/12/2020	Sh. Saleh Abdullah Kamel, Late Chairman	1
			Mr. Abdullah Saleh Kamel, Chairman	3
			Mrs. Dalia Hazem Khorshid	3
			Dr. Ziad Ahmed Bahaaeldin	2
			Mr. Abdul Elah Abdul Rahim Sabbahi	3
			Mr. Adnan Ahmed Yousif	3
			Mr. Mohamed Ebrahim Alshroogi	3
Board Audit Committee	4	04/05/2020 15/06/2020 09/08/2020 08/11/2020	Dr. Khaled Abdulla Ateeq, Chairman	4
			Dr. Jehad Abdul Hamid El-Nakla	4
			Mr. Fahad Abdulla Al Rajhi	4
			Mr. Naser Mohamed Al Nuwais	4
Board Nomination & Remuneration Committee	4	11/03/2020 14/05/2020 15/06/2020 08/11/2020	Mr. Saud Saleh Al Saleh, Chairman	4
			Mr. Fahad Abdulla Al Rajhi	3
			Dr. Mohamed Moncef Cheihk-Rouhou	3
Board Risk Committee	3	03/06/2020 18/08/2020 22/11/2020	Dr. Jehad Abdul Hamid El-Nakla, Chairman	3
			Dr. Khaled Abdulla Ateeq	3
			Mr. Saud Saleh Al Saleh	3
Board Social & Sustainable Finance Committee	2	27/04/2020 16/09/2020	Sh. Saleh Abdullah Kamel, Late Chairman	1
			Mr.Naser Mohamed Al Nuwais, Chairman	2
			Mr. Abdul Elah Abdul Rahim Sabbahi	2
			Dr. Mohamed Moncef Cheikh-Rouhou	2
Board Compliance and Governance Committee	3	31/05/2020 03/09/2020 05/11/2020	Dr. Khaled Abdulla Ateeq, Chairman	3
			Dr. Jehad Abdul Hamid El-Nakla	3
			Dr. Ziad Ahmed Bahaaeldin	2
			Mr. Yousif Hassan Khalawi	3

** Dr. Jehad Abdul Hamid El-Nakla did not attend the board meeting on 25th March 2020 in compliance with CBB's request which is related to conflict of interest,, as he was in an employment until 31st March 2020 that conflicted with his directorial duties.*

Notes: 1. The above board members were elected in the Annual General Assembly on 23rd March 2020 for a 3-year term.
2. The meetings prior to the Annual General Assembly on 23rd March 2020 are listed in the table on page 42 of this report.

Directors' Attendance at Meetings of the Board of Directors and its Committees In 2020 (Previous Board Term)

Name of the Board/ Committees	No. of meetings in 2020	Dates of the meetings	Member's name	No. of meetings attended
Board of Directors	1	23/02/2020	**Shaikh Saleh Abdullah Kamel,** Chairman	1
			Mr. Abdulla A. Saudi, Vice Chairman	1
			Mr. Abdullah Saleh Kamel, Vice Chairman	1
			Mr. Ebrahim Fayez Al Shamsi	1
			Dr. Bassem Awadallah	1
			Mr. Jamal Bin Ghalaita	1
			Dr. Khaled Abdulla Ateeq	1
			Mr. Saud Saleh Alsaleh	1
			Mr. Saleh Mohammed Al Yousef	1
			Mr. Abdul Elah Abdul Rahim Sabbahi	1
			Mr. Adnan Ahmed Yousif	1
			Mr. Mohyedin Saleh Kamel	1
			Mr. Yousef Ali Bin Fadil	1
Board Executive Committee	1	27/01/2020	**Mr. Abdullah Saleh Kamel,** Chairman	1
			Mr. Saleh Mohammed Al Yousef	1
			Mr. Abdul Elah Abdul Rahim Sabbahi	1
			Mr. Adnan Ahmed Yousif	1
Board Audit Committee	1	12/02/2020	**Mr. Ebrahim Fayez Al Shamsi,** Chairman	1
			Dr. Basem Awadallah	1
			Mr. Mohiyeldin Saleh Kamel	0
Board Affairs & Remuneration Committee	1	23/02/2020	**Mr. Saud Saleh Alsaleh,** Chairman	1
			Mr. Ebrahim Fayez Alshamsi	1
			Mr. Yousef Ali Bin Fadil	1
Board Risk Committee	1	12/02/2020	**Mr. Yousef Ali Bin Fadil,** Chairman	1
			Mr. Jamal Bin Ghalaita	1
			Dr. Khaled Abdulla Ateeq	1
			Mr. Saud Saleh Alsaleh	1
Board Governance and Compliance Committee	1	23/02/2020	**Mr. Jamal bin Ghalita,** Chairman	1
			Dr. Bassem Awadallah	1
			Dr. Khaled Abdulla Ateeq	1
			Mr. Yousef Ali Fadil Bin Fadil	1
			Dr. Ahmed Mohiyeldin Ahmed (Member)	1

Corporate Governance (continued)

BOARD OF DIRECTORS' PROFILES

Mr. Abdullah Saleh Kamel

Chairman

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

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 organizations and associations such as the Jeddah Chamber of Commerce (he has been a Board Member for two terms), and the Friends of Saudi Arabia Association. Mr. Abdullah Saleh Kamel is a Saudi national and studied Economics at University of California, Los Angeles, USA.

Mr. Mohamed Ebrahim AlShroogi

Vice Chairman

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

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

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

Dr. Jehad Abdul Hamid El-Nakla

Board Member

Dr. Jehad Abdul Hamid El-Nakla is currently a Senior Advisor at Acreditus, a boutique advisory services covering risk, governance, credit ratings and Sukuk. Prior to this, he served as the General Manager at Moody's Investors Services Middle East (Moody's Credit Rating Agency) in Dubai from November 2007 until March 2020, where he was responsible for managing expansion plans, and supervising and coordinating Moody's business and activities. He successfully positioned Moody's as the rating agency of choice in the Middle Eastern region as evident in the number of public ratings. Dr. El-Nakla served on the board of Moody's subsidiaries in Egypt, Cyprus and the UAE.

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

Dr. Khaled Abdulla Ateeq

Board Member

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

He has over 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.

Mrs. Dalia Hazem Khorshid

Board Member

Mrs. Dalia Hazem Khorshid is currently Chairwoman, CEO, and Founder of MASAR Financial Advisory. She previously served as Founder, Chairwoman and CEO at EAGLE Capital for Financial Investment from 2017 until 2018. She was the first and youngest female minister in the Cabinet of Ministers of the Government of Egypt from 2016 to 2017. She oversaw and managed more than 10,000 employees and also served as a public servant during the transformational year in Egypt with the launch of the Economic Reform Program.

She has over 25 years of global experience in various management capacities and in working within the investment banking and corporate finance sectors. She possesses a Bachelors of Arts degree in Business Administration and Economics and currently serves as a teaching professor for undergraduates in the Investment Analysis and Applied Banking field at The American University of Cairo from 2018.

Dr. Ziad Ahmed Bahaaeldin

Board Member

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

Thebes Consultancy and Bahaaeldin Law Office in Cooperation with BonelliErede.

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

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

Mr. Saud Saleh Al Saleh

Board Member

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

He has more than 33 years of experience in banking, during which he worked at Arab National Bank in Riyadh followed by management positions at Saudi Investment Bank in Riyadh. He advanced gradually to become General Manager of Saudi Investment Bank. Following that, he was appointed at a minister rank to the position of a General Secretary of the Supreme Economic Council of the Kingdom of Saudi Arabia. Mr. Saud Saleh Al Saleh is a Saudi national and holds a Bachelor of Science degree in Business Administration from Portland State University, Oregon, USA and an M.A. in Economics from The University of Rhode Island, USA. He has also done many advanced courses in the financial and legal fields.

Mr. Abdul Elah Abdul Rahim Sabbahi

Board Member

Mr. Abdul Elah Abdul Rahim Sabbahi is the Chief Financial Officer 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 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 Abdul Rahim Sabbahi, a Saudi national, holds a Bachelor of Science Degree in Accounting from King Abdulaziz University, Saudi Arabia.

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 Banks in Sudan, Turkey, South Africa, Algeria, Pakistan and Syria and Vice Chairman of Al Baraka Islamic Bank-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.

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. During his three decades of international banking experience, Mr. Adnan Ahmed Yousif has won several accolades and prestigious awards, internationally.

Mr. Fahad Abdullah Al Rajhi

Board Member

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

Mr. Fahad Abdullah Al Rajhi has over 33 years of experience in banking, finance, investment and treasury, and holds a Bachelors' Science degree in Industrial Management from King Fahd University of Petroleum and Minerals.

Corporate Governance (continued)

Dr. Mohamed Moncef Chiekh-Rouhou

Board Member

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

He has over 44 years of professional experience in education, banking and executive positions and has studied alongside decorated and prolific professors such as Noble Peace Prize winner in Economics, Prof. George Akerlof. He obtained a PhD degree in Applied Economics in 1974 from the University of California in Berkley, United States. In 1981, Tunisia's President Habib Bourguiba requested him to establish new financial institutions and lead development projects for Tunisia.

Mr. Naser Mohamed Ali Al Nuwais

Board Member

Mr. Naser Mohamed Ali Al Nuwais holds a variety of positions in several different corporations - Director General of Abu Dhabi Fund for Development, and Chairman of Rotana Hotel Management Corp. Ltd and Aswaq Management & Services, both located in Abu Dhabi, UAE. Other positions include Chairman of Arab Insurance Group in Bahrain and member of the Board of Directors of DanaGas in Sharjah, UAE from 2009 until 2019.

He has more than 40 years of experience in business, insurance, real estate development. His outstanding work as a businessperson earned him a Lifetime Achievement Award from the Arabian Hotel Investment Conference in 2011 as well as Pioneer in the Tourism Industry in the Arab World Award in 2003. Mr. Naser Mohamed Ali Al Nuwais acquired his BA degree in Business & Public Administration from New York University in 1974.

UNIFIED SHARI'A SUPERVISORY BOARD

The Unified Shari'a Supervisory Board of Al Baraka Banking Group ("Shari'a Board" or "USSB") is elected for a three year term by the shareholders during the AGM based on recommendations from the Board of Directors. The Shari'a Board has the following responsibilities:

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

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

SHARI'A COMPLIANCE

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

SHARI'A BOARD'S MEETINGS

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

THE UNIFIED SHARI'A SUPERVISORY BOARD'S PROFILES

Shaikh Abdulla Bin Sulaiman Al Mannea

Chairman

Shaikh Abdulla Bin Sulieman Al Mannea holds a Master of Arts degree in Jurisprudence and Economics from the College of Finance in the Kingdom of Saudi Arabia. He is a member of the Permanent Committee for Scholarly Research and Ifta in the Kingdom of Saudi Arabia, a committee that includes prominent scholars in 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. Saad bin Nasser Al Shithry

Member

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

Shaikh Dr. Al Ayachi Al Saddig Fiddad

Member

Shaikh Dr. Al Ayachi Al Saddig Fiddad holds a PhD in Islamic Economics with excellent grades from Umm Al-Qura University in Makkah Al-Mukarramah, a master's degree in the same specialty from the same university, and a bachelor's degree in Islamic law - majoring in jurisprudence and fundamentals from the College of Shari'a - Umm Al-Qura University - Makkah Al-Mukarramah. He has had a total of 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 Shari'a Council of the Accounting and Auditing Organization for Islamic Financial Institutions in Bahrain, Member of the Shari'a Council of the International Islamic Rating Agency, Member of the Shari'a Committee of the Themar Fund of United Gulf Company, and expert in the International Islamic Fiqh Academy in Jeddah. He is currently a member of the Shari'a Standards Committee of the Accounting and Auditing Organization for Islamic Financial Institutions.

Mr. Yousif Hassan Khalawi

Member

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

Dr. Eltigani El Tayeb Mohammed

Secretary of Unified Shari'a Supervisory Board

Dr. El Tigani El Tayeb Mohammed has over 12 years' extensive experience in Islamic banking and finance, with specialization in Islamic Banking law. He joined Al Baraka Banking Group in November 2007.

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

Corporate Governance (continued)

A tribute to the Late Dr. Ahmed Mohiyeldin (1956-2020)

Dr Ahmed Mohiyeldin was born in the State of Gezira in Sudan and was considered as one of the most prominent Sudanese experts in Islamic banking. His academic and work achievements span over two decades during which he developed a wide profile as an expert in Islamic Fiqh and was an active contributor to local and international conferences. He was revered for his role in the development of Islamic banking thought and was initially the Head of Research & Development at Al Baraka Banking Group.

He earned his Bachelor of Arts degree from Omdurman Islamic University and a Master's degree in Transactional Jurisprudence from Umm Al-Qura University in the Kingdom of Saudi Arabia. He obtained his Ph.D. from Umm Al-Qura University. He was one of the founders of the Khartoum Stock Exchange and contributed significantly to the drafting of its rules and administrative structure. He has held memberships of the Sharia Supervisory Boards of many Islamic banks, the most prominent being the Unified Sharia Supervisory Board of Al Baraka Banking Group of which he was a founding member.

He sadly passed away on 29th August 2020.
May Allah have mercy upon him.

Meeting schedule for the Unified Shari'a Supervisory Board

The Shari'a Board held 6 meetings in 2020. Below are the details of membership and the number of meetings attended:

Name	Position	Number of meetings attended
Shaikh Abdulla Bin Sulieman Al Mannea	Chairman	6
Shaikh Dr. Abdullatif Mahmood Al Mahmood	Vice Chairman	6
Late Dr. Ahmed Mohiyeldin Ahmed	Member	3
Shaikh Dr. Saad bin Nasser Al Shithry	Member	6
Shaikh Dr. Al Ayachi Al Saddig Fiddad	Member	6
Mr. Yousif Hassan Khalawi	Member	6

EXECUTIVE MANAGEMENT

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

As at the end of 2020, the Executive Management Team consisted of the President & Chief Executive, the Deputy Chief Executives and the Heads of: Operations and Administration, Internal Audit, Credit and Risk Management, Treasury, Investments and Financial Institutions, Finance, Compliance, Commercial Banking, Legal Affairs, IT, Strategic Planning, Social & Sustainable Finance, Shari'a Internal Audit, Shari'a Audit, Corporate Governance and Board Affairs in addition to the Shari'a Officer. 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 Executives and Heads of: Operations and Administration, Credit and Risk Management, Treasury, Investments and Financial Institutions, Finance, Commercial Banking, Compliance, Legal Affairs, IT, Strategic Planning, Social & Sustainable Finance, Corporate Governance and Board Affairs, Secretary to the Unified Shari'a Supervisory Board; 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 Executives 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 "HOCC" is the authority that approves credits and considers issues of Group credit policy and

Group credit exposures, problem credits and provisioning levels. The Committee is chaired by the President & Chief Executive with the remaining membership being drawn from among the Executive Management which include the Group Head of Credit and Risk Management .

Management Risk Committee
The Management Risk Committee's "MRC" role is to assist the Board Risk Committee in managing and controlling material risks, and to introduce and support such measures which enhance the efficiency of risk management policies, procedures, practices and controls within the Group. The committee is chaired by the President & Chief Executive, with remaining membership comprising of the Deputy Chief Executive - Head of Support (Vice Chairman) and Heads of: Credit & Risk Management, Finance, Operations &Administration as well as the Head of Enterprise Risk Management (who serves as the secretary of the committee).

Compliance Committee
The role of the Compliance Committee is to ensure that the bank manages its compliance risk in accordance with the tenets of zero tolerance for non-compliance and according to 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 the compliance risk appetite and to provide oversight, strategy, policy and guidance on compliance on matters relating to AML/CFT, International Sanctions, Foreign Account Tax Compliance Act and Common Reporting Standard ("FATCA/ CRS') and Regulatory Compliance. The Compliance Committee is chaired by the President & Chief Executive with remaining memberships comprising of the Deputy Chief Executives 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 - Head of Support 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 - Head of Support, IT and Strategic Planning.

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 - Head of Support and Heads of: Operations and Administration, Treasury, Investments and Financial Institutions and Legal Affairs, Investor Relations 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 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 Banks in Sudan, Turkey, South Africa, Algeria, Pakistan and Syria and Vice Chairman of Al Baraka Islamic Bank-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.

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. During his three decades of international banking experience, Mr. Adnan Ahmed Yousif has won several accolades and prestigious awards, internationally. Mr. Adnan Ahmed Yousif retired from ABG on 31st December, 2020.

Mr. Hamad Abdulla Al Oqab

Deputy Chief Executive - Head of Support

Mr. Hamad Abdulla Ali Al Oqab has over 27 years' experience in banking, finance and auditing. With effect from March 2019, he was assigned the role of Chief Executive Officer of Al Baraka Islamic Bank in addition to his current responsibility.

He is also Chairman of Al Baraka Bank Lebanon and Vice Chairman of Jordan Islamic Bank, and a Board Member of Banque Al Baraka D'Algerie and Al Baraka Bank Egypt. He serves as a member of various Board committees of these banking subsidiaries. He is

Corporate Governance (continued)

also the Chairman of the Accounting Standards Board of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

Prior to joining Al Baraka Banking Group in 2005, he worked in Shamil Bank (currently Ithmaar Bank), Arthur Andersen, Unilever and Bahrain Monetary Agency (currently Central Bank of Bahrain). Mr. Hamad Abdulla Ali Al Oqab holds a Bachelor of Science degree in Accounting from the University of Bahrain and is a Certified Public Accountant and Chartered Global Management Accountant.

Mr. Houssem Ben Haj Amor

Deputy Chief Executive – Head of Business Development & Investments

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

Mr. Abdulrahman Shehab

Executive Vice President - Head of Operations and Administration

Mr. Abdulrahman 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 until 2006, prior to which he was with Faysal Islamic Bank of Bahrain (now Ithmaar Bank) from 1985 to 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 commenced his career with Habib Bank Ltd. in 1973. Mr. Abdulrahman Shehab holds a Master degrees in Business Administration from Hull University, U.K. Mr. Abdulrahman Shehab retired from ABG on 31st December 2020.

Mr. Mohammed A. El Qaq

Senior Vice President - Head of Commercial Banking

Mr. Mohammed El Qaq has over 29 years of experience in commercial banking. Before joining ABG in August 2014, he was General Manager, International Banking & Syndications at Commercial Bank of Kuwait, prior to which he was a First Vice President at Arab Banking Corporation (B.S.C.), Bahrain, and Deputy Chief Executive & Head of Corporate Banking Group at Arab Banking Corporation (Jordan). He also served as a Member of the Board of Directors of ABC Islamic Bank from 2009-2012. Having commenced his career with the Housing Bank for Trade and Finance, Jordan, in 1990, he worked with Arab Bank in Jordan and Qatar National Bank in Qatar. Mr. Mohammed El Qaq holds a Master of Business Administration degree from Howard University, U.S.A.

Mr. Ahmed Albalooshi

Senior Vice President - Head of Information Technology

Mr. Ahmed Albalooshi has more than 20 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 an advisory board member 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 - Chief Risk Officer & Head of Credit and Risk Management

Mr. Azhar Aziz Dogar has over 28 years of international banking experience that includes ME&A/GCC and Asia regions with short assignments in U.K., Netherlands and U.S.A. His banking experience encompasses credit and risk management covering all business segments inclusive of corporate/investment banking, commercial/middle market and retail. Over the years, his work also involved corporate strategy and buy-side due diligence on financial sector acquisitions. He commenced his career with Citigroup in its investment banking division and later moved to ABN AMRO Bank taking on a variety of leadership roles including Deputy Regional Risk Manager for MENA and Head of Credit Portfolio Management. Within the credit and risk management area, he has held a number of senior positions including Chief Risk Officer for DIB Capital (wholly owned subsidiary/investment banking arm of Dubai Islamic Bank), Chief Risk Officer of SAMBA Capital in Saudi Arabia and Chief Risk Officer of National Bank of Abu Dhabi for its corporate and investment banking business. Prior to joining ABG group, his last role with National Bank of Abu Dhabi was as the Chief Credit Officer for Wholesale & International Banking. He has also been a board member of Dubai Islamic Bank in Pakistan. Within banking, he has worked across 3 lines of defense - i.e., risk taking, risk oversight and risk assurance. His experience entails both working for conventional and Islamic banks. Mr. Azhar Aziz Dogar is graduate of University of Pennsylvania and Brown University, USA with a Bachelors and Masters in Economics. His Masters' thesis was in Islamic Finance.

Mr. Mohammed Al-Alawi

Senior Vice President - Head of Internal Audit

Mr. Mohammed Alawi Al-Alawi has over 22 years of external and internal audit experience, mainly in Islamic banks. He reports directly to the Audit Committee of the Board of Directors of ABG and also acts as Secretary of the Committee. He participates as an observer member in Audit Committee meetings of ABG's subsidiaries. Previously Mr. Mohammed Alawi Al-Alawi worked as an Internal Audit manager in Ithmaar Bank prior to which he worked in leading audit firms such as PricewaterhouseCoopers and Ernst & Young. Mr. Mohammed Alawi Al-Alawi is an FCCA - Fellow of the Association of Chartered Certified Accountants, U.K. and ICAEW - member of the Institute of Chartered Accountants in England & Wales.

Mr. Suhail Tohami

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

Mr. Suhail Tohami has more than 23 years of experience in both conventional and Islamic banking and other diversified businesses. His most recent position was SVP - Head of Treasury & Placement at Seera Investments, Bahrain for more than 11 years having established, developed and managed the Treasury department since inception and also managing Shareholder and Investor relations. Prior to Seera, his banking experience includes more than 7 years at BBK, Bahrain with exposure to all Treasury functions including fixed income portfolio manager, FX and interest-rate trading, and heading the money market and liquidity management function. Mr. Suhail Tohami is a member of the CFA Institute and is a holder of the Chartered Financial Analyst (CFA) designation. He also holds a Certified Public Accountant (CPA) designation from University of Illinois and is a member of the American Institute of Certified Public Accountants. Mr. Suhail Tohami holds an Executive MBA Degree with distinction and first-class honors and a Bachelor's Degree in Accounting with distinction from University of Bahrain.

Mr. Yaser Ismaeel Mudhafar

Senior Vice President- Head of Finance

Mr. Yaser Ismaeel Mudhafar has over 21 years of extensive experience in the Islamic banking industry and Audit. He is Board member and Head of Board Audit Committee in Al-Baraka Bank Sudan. Prior to joining ABG, he 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 he 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 has the Certified Islamic Professional Accountant (CIPA) designation 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 32 years of experience in finance and banking and joined ABG in March 2019. Prior to that Mr. Nader 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. Nader Mahmood commenced his professional career with Bahrain Petroleum Company (Bapco). During his working career, he gained varied experience in compliance, audit, credit control, investment & treasury, and trade finance fields. He 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. Adel Basha

Senior Vice President – Head of Legal Affairs

Dr. Adel Basha has over 20 years of working experience in the Islamic Banking industry. He is also Secretary of the Board of Directors at Al Baraka Islamic Bank Bahrain and the Head of the Legal Committee in Bahrain Association of Banks. He previously served as Director of Al Baraka Bank Sudan's legal department during which he was responsible for directing and managing the department. Prior to this he worked as a lecturer and assistant professor in the faculty of law (University of Khartoum) and many other universities in Sudan for over 15 years. He was the Head of Legal Department in Al Baraka Bank (Sudan) before he joined ABG in 2007.

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

Dr. Mohammed Mustapha Khemira

Senior Vice President – Head of Strategic Planning

Dr. Mohammed Mustapha Khemira has over 24 years of experience in Islamic banking services, management consulting and education. Prior to joining ABG in February 2017, he worked in different managerial positions with prominent global and GCC-based institutions. He served as the Head of Shari'a Structuring and Coordination as well as Head of the Shari'a Department at Emirates Islamic Bank for more than eight years. Before that, he was Chief Operating Officer and Co-Founder of Beacon Education LLC and Taaleem PJSC in Dubai for a year. Earlier he worked with McKinsey & Company for 3 years at the firm's Dubai office. Dr. Mohammed Mustapha Khemira started his career in Islamic banking with Faysal Islamic Bank of Bahrain in 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.

Corporate Governance (continued)

Dr. Mohammed Mustapha Khemira 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.

Dr. Ali Adnan Ibrahim

First Vice President - Head of Social & Sustainable Finance

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. Dr. Ali Adnan Ibrahim is co-chairman of the Sustainability Working Group of the General Council of Islamic Banks and Financial Institutions (CIBAFI) and Member of the Sustainable Finance Working Group (SFWG) managed by the International Institute of Finance. 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 an active member of various communities of the World Economic Forum including the Forum of Young Global Leaders and the Executive Working Group on Financing. He is also member of the Global Islamic Finance & SDGs Taskforce established jointly by the United Kingdom Treasury and the Islamic Finance Council, United Kingdom.

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 Abdullatif 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.

Mr. Abdulmalek Mezher

First Vice President - Head of Corporate Governance & Board Affairs

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

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

Dr. Eltigani El Tayeb Mohammed

Shari'a Officer

Dr. El Tigani El Tayeb Mohammed has over 12 years' extensive experience in Islamic banking and finance, with specialization in Islamic Banking law. He joined Al Baraka Banking Group in November 2007.

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

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.

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 Compliance & Governance 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.

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 Units, which adapt and implement them in accordance with local regulatory requirements. The ABG Group has a strict Code of Conduct in place that all employees must adhere to at all times. The Code sets out to deter wrongdoing and to promote ethical conduct and fair treatment of customers. It outlines the responsibilities of all members of the ABG Group, its officers and staff, who are expected to read, understand and uphold these standards and principles at all times.

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

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

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

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

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

International Sanctions

Owing to the raft of sanctions imposed by local and international regulatory bodies, sanctions compliance is one of the primary challenges faced by banks today, particularly those operating

Corporate Governance (continued)

across multiple geographies. Breaches of sanctions expose banks to significant regulatory, reputational and commercial risks, including potential financial losses. As evidenced by the large number of cases reported and the very sizeable fines imposed, sanctions risk has become one of the most serious risks faced by banks worldwide.

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

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

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

Group Disclosure Policy

The Group communication strategy aims to keep the market informed of material information in a timely, accurate and balanced manner. The Group's communications with the market ensures compliance with the CBB's directives as detailed in the Public Disclosure Module of its Rulebook, Volume 2, and the CBB Disclosure Standards as specified under the CBB Capital Markets Regulations.

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

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

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

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

- Chairman of the Board of Directors
- Vice-Chairman 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 a capital conservation buffer (CCB) of 2.5%) on a consolidated basis.

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

Related Party Transactions

Dealings with persons or entities connected with the Group (including directors and shareholders) are called "related party transactions". The Group treats all such transactions at arm's length and requires that they have the specific approval of the Board. If a director is an interested party, he is required to abstain from voting on the respective matter. The Related Party Transactions pertaining to 2020 are reflected in Note 25 to the Consolidated Financial Statements.

Code of Business Conduct and Ethics

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

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

Anti-bribery & Corruption ("ABC") Policy

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

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

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

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

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

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

Any material or systemic breaches shall be reported to the Board's

Corporate Governance (continued)

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

REMUNERATION POLICY AND RELATED DISCLOSURES

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

Through the remuneration framework summarised below, the Group aims to comply with the CBB's regulations concerning Sound Remuneration Practices.

Remuneration Strategy

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

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

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

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

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

BNRC Role and Focus

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

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

- Approving, monitoring and reviewing the remuneration system to ensure the system operates as intended;
- Approving the remuneration policy and amounts for each Approved Person and Material Risk Taker, as well as total variable remuneration to be distributed, taking account of total remuneration including salaries, fees, expenses, bonuses and other employee benefits;
- Ensuring remuneration is adjusted for all types of risks and that the remuneration system takes into consideration employees who earn the same short-run profit but take different amounts of risk on behalf of the Group;
- Ensuring that, for Material Risk Takers variable remuneration forms a substantial part of their total remuneration;
- Reviewing the stress testing and back testing results before approving the total variable remuneration to be distributed, including salaries, fees, expenses, bonuses and other employee benefits;
- Carefully evaluating practices by which remuneration is paid for potential future revenues whose timing and likelihood remain uncertain; the BNRC will question pay-outs for income that cannot be realised or whose likelihood of realisation remains uncertain at the time of payment;
- Ensuring that, for approved persons in risk management, internal audit, operations, finance and compliance functions, the mix of fixed and variable remuneration is weighted in favour of fixed remuneration;
- Recommending Board members' remuneration based on their attendance and performance, and in compliance with Article 188 of the Bahrain Commercial Companies law; and
- Ensuring appropriate compliance mechanisms are in place

to make sure that employees commit themselves not to use personal hedging strategies or remuneration and liability-related insurance to undermine the risk alignment effects embedded in their remuneration arrangements.

The aggregate remuneration paid to BNRC members during the year in the form of sitting fees amounted to US$45 thousand (2019: US$54 thousand); other details concerning BNRC membership are disclosed elsewhere in this report.

Scope of Application of the Remuneration Policy
The remuneration policy has been adopted on a Group-wide basis.

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

Variable Remuneration for Staff
Variable remuneration is performance related and consists primarily of the annual performance bonus award. As a part of the staff's variable remuneration, the annual bonus rewards delivery of operational and financial targets set each year, the individual performance of the employees in achieving those targets, and their contribution to delivering the Group's strategic objectives. The Group has adopted a Board-approved framework to develop a transparent link between variable remuneration and performance. The framework is designed on the basis of both meeting satisfactory financial performance and the achievement of other non-financial factors that will, all other things being equal, deliver a target bonus pool for employees, prior to consideration of any allocation to business lines and employees individually. In the framework adopted for determining the variable remuneration pool, the BNRC aims to balance the distribution of the Group's profits between shareholders and employees.

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

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

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

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

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

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

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

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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

Corporate Governance (continued)

regulatory requirements. The consideration of risk assessments in the performance evaluation of individuals ensures that any two employees who generate the same short-run profits but take different amounts of risk on behalf of the Group are treated differently by the remuneration system.

Risk Assessment Framework

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

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

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

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

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

a) The cost and quantity of capital required to support the risks taken;
b) The cost and quantity of the liquidity risk assumed in the conduct of business; and
c) Consistency with the timing and likelihood of potential future revenues incorporated into current earnings.

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

Risk Adjustments

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

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

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

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

Malus and Clawback Framework

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

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

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

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

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	
	2020*	2019
Sitting Fees	524	591
Remuneration*	1,500	1,500
Other	41	243

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 2021.

b) Unified Shari'a Supervisory Board

	US$ '000	
	2020	2019
Sitting Fees	97	96
Remuneration	145	145
Other	15	35

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$8,025 thousand (2019: US$7,765 thousand) and the number of persons affected: 18 (2019:17).

The total variable remuneration for 2020 was US$ Nil (2020: US$6,028 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$ Nil (2019: US$3,598 thousand).

e) Severance Pay – Nil (2020-2019)

(1) Approved Employees Remuneration

Details of Remuneration Paid for the Financial Year Ended 2020 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)	5	3,226	1,386	4,612	0	0	0	0	0	0	4,612
Approved persons in risk management, internal audit, operations, finance, AML and compliance functions.	8	1,422	383	1,805	0	0	0	0	0	0	1,805
Employees, other than approved persons, engaged in functions under 2.	5	1,244	364	1,608	0	0	0	0	0	0	1,608
Total	18	5,892	2,133	8,025	0	0	0	0	0	0	8,025

Details of Remuneration Paid For the Financial Year Ended 2019

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

(2) Deferred Awards

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

	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

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 (Risk Taking):** Functions that own and manage risk. Under this line of defence business management has ownership, responsibility and accountability for directly assessing, controlling and mitigating risks. These primarily include functions or departments engaged in front office / client facing roles responsible for risk taking activities like financing (e.g., Corporate Banking).

2- **The second line of defence (Risk Oversight):** Functions that oversee or specialise in risk management and compliance. This line of defence consists of activities covered by several components of the internal governance framework (Compliance, Risk Management, Finance, Legal, Operations, Internal Controls, Human Resources, Information Technology and other such departments). Furthermore, it monitors and facilitates the implementation of effective risk management practices by operational management and assists the risk owners in reporting adequate risk related information within ABG. The Shari'a coordination and implementation function ensures all products, transactions and activities undertaken by ABG are in line with Islamic principles.

3- **The third line of defence (Risk Assurance):** Functions that provide independent assurance i.e. internal audit. 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 addition, an Independent Shari'a Internal Audit Department is an important pillar of the third line of defence.

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

Corporate Governance (continued)

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

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

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

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

A consolidation process for the calculation of capital adequacy, taking into account credit, market and operational risk, all in accordance with Basel III requirements and Central Bank of Bahrain, is in 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 ensure resilient asset quality in the face of increased challenges in some of the Group's markets.
- To ensure that all unit NPA provisioning policies are in line with both Group policies and local regulatory requirements.
- To ensure that Units strive for a high degree of cooperation between their business arms and risk management departments. Hiring and training of credit and risk management staff is an ongoing priority at each unit.
- To ensure that each subsidiary has an approved Credit and Risk Management Manual covering all relevant risks which is consistent with the Group policies and procedures.
- To ensure that all subsidiaries submit timely monthly and quarterly risk management reports to the Head Office, which fully meet regulatory requirements. The contents of these reports are continuously enhanced in order to provide the Head Office with comprehensive data.

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

Credit Risk

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

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. It 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 1st January, 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 31st December 2020 are detailed in Note 28 to the Financial Statements.

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

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

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

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

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

Information Security (Cyber Security) Risk
The Group 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.

Corporate Governance (continued)

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 31st December 2020 was 16.0%, 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 new modern core banking systems. 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 2020, the Al Baraka Banking Group (ABG) is in full compliance with the Corporate Governance requirements outlined under Central Bank of Bahrain's HC Module, in its Rulebook, with the exception of the following:

To facilitate free and open communication among independent directors, each Board meeting should be preceded or followed with a session at which only independent directors are present, except as may otherwise be determined by the independent directors themselves.	There was no organized sessions were booked prior or post the board meetings, but all independent directors have direct communications with each other's on regular basis or when there is a need.
Islamic bank licensees that conduct business through a branch or subsidiary in other jurisdictions must through the Group Compliance Function: (c) conduct annual compliance testing on overseas operations whose total revenue represents 20% or more of the Group's total revenue and on every two years' basis for other overseas operations.	Due to COVID-19 situation and curfews in most of the jurisdictions we operate, oversees visits to conduct annual compliance test on overseas operations were postponed during 2020.

Social & Sustainable Finance

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

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

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

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

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

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

Three Guiding Principles
These principles may be summarised as:

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

2. All Islamic banks and financial institutions eschew the payment of interest to depositors, consumers and businesses, as Islam prohibits the paying or charging of interest. Instead, ABG's subsidiaries, like all Islamic banks, accept deposits on an investment basis whereby depositors share with the bank in the actual results of the realisation of their investments. Financing is provided to businesses in turn mainly based on instalment sale, leasing or equity participation. In this way, ABG's subsidiaries and their depositors share financial risk with entrepreneurs and, together, they reap the benefits of the investments. The essential difference in Islam is that the practice of profit sharing is such that wealth creation is the result of a partnership between investors and entrepreneurs. Both the risks and the rewards are shared: returns on invested capital are based on profits actually generated rather than predetermined 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 Social & Sustainable Finance Programme
In 2012, ABG established the "Al Baraka Social Responsibility Programme", the first such programme to be introduced by any Islamic banking and financial services institution. The programme has since been renamed "Al Baraka Social & Sustainable Finance Programme".

The programme includes the following activities:

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

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

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

The Sustainability & Social Responsibility Department was renamed as Social & Sustainable Finance at the Board Meeting held on November 9, 2020.

Social & Sustainable Finance (continued)

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 Social & Sustainable Finance Programme contributed US$ 3.4 billion in 2019 to communities (primarily with the financing operations).

Al Baraka Goals 2016-2020

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

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

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

- Helped to create 10,570 jobs, 104% of the 2019 target of 10,207 jobs.
- Helped achieve US$ 27,782,000 in education funding / financing, 73% of the 2019 target of US$38,200,000.
- Helped achieve US$125,079,000 of healthcare funding/ financing, 144% of the 2019 target of US$86,800,000.
- Helped achieve US$195,762,000 to finance sustainable energy, 231% of the 2019 targets of US$84,851,000.

Credit approval process and Social & Sustainable Finance

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

Governance and Reporting

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

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

A detailed report of the Group's activities and progress in the area of Social & Sustainable Finance is posted on the ABG website. Furthermore, a report covering progress 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.

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 (launched by UNEP Finance Initiative), which are already reflected in the Al Baraka Goals (2016-2020), and ABG overall governance and other business practices.

The Sustainability & Social Responsibility Department was renamed as Social & Sustainable Finance at the Board Meeting held on November 9, 2020.

Unified Shari'a Supervisory Board Report

For the year ended 31 December 2019

3 Rajab 1442

15 February 2021

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 2020 in which we studied Shari'a audit reports prepared by the Group's Shari'a Audit for the year ended 31 December 2020 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 2020.

Second:

We have reviewed the principles applied by the Group and reviewed the 2020 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 2020 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 2020 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 23 March 2020 empowered the Executive Management of Al Baraka Banking Group to pay an amount of US$ 1,656,267as Zakah on behalf of the shareholders deducted from the Retained Earnings for the financial year of 2019. The Group has paid and distributed an amount of US$1,420,428 to those who's entitled to receive Zakah as per Shari'a boundaries and as approved by Unified Shari'a Board. The remaining amount of US$ 235,839 has been allocated to be paid maximum by end of first quarter of 2021. The unified Sharia Board monitored, through the Sharia observer's reports, the distribution of the Zakah amount to ensure how it was distributed and that it was directed to the Sharia Zakah banks mentioned in the verse.

For the year 2020, 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 8 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

Shaikh Dr. Al Ayachi Al Saddig Fiddad
Member

Shaikh Yousif Hassan Khilawy
Member

Unified Shari'a Supervisory Board Report (continued)

For the year ended 31 December 2019

Zakah Calculation for the year ended 31 December 2020	US$ '000
Equity Attributable to Shareholders	1,433,184
Less: Investment of the parent on the shareholding of Al Baraka Bank Egypt, Al Baraka Bank Sudan and Itqan Capital	(282,863)
Perpetual tier 1 capital	(400,000)
Net Zakatable Equity Attributable to Shareholders	**750,321**
Less:	
Musharaka underlined by unzakatable assets	(65,845)
Investment in Islamic Sukuk underlined by unzakatable assets	(23,469)
Ijarah Muntahia Bittamleek	(244,071)
Long-term investment in real estate	(28,340)
Properties and equipment	(278,204)
Intangible assets	(62,342)
Investment in Associates	(4,882)
Prepayments	(7,587)
Deferred tax asset	(33,272)
Add:	
Shareholders share on Zakatable Assets by Associates	4,741
Sale of long-term investment in real estate during the year	55
Deferred tax liability	5,960
Employees' end of services benefit	26,307
Zakatable amount	**39,372**
Zakah Percentage	2.5775%
Total Zakah due	**1,015**
Number of Shares (thousands)	1,210,378
Zakah per share (US$ cents)	**0.08**

Independent Auditors' Report

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

Independent Auditors' Report

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Al Baraka Banking Group B.S.C. ("the Bank") and its subsidiaries (together "the Group"), which compromise the consolidated statement of financial position as at 31 December 2020, and the related consolidated statements of income, cash flows, changes in owners' equity and changes in off-balance sheet equity of investment accountholders for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and the consolidated results of the operations, its cash flows, changes in owners' equity and changes in off-balance sheet equity of investment accountholders for the year then ended in accordance with Financial Accounting Standards ["FAS"] issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ["AAOIFI"] ("FAS issued by AAOIFI as modified by CBB").

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

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

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

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

In order to capture the future uncertainties and related impacts arising due to effects of the payment holidays provided by the Group and the local regulators and other government initiatives which were not captured by the modelled ECL.</td><td>Our approach included testing the controls associated with the relevant processes for estimating ECL and performing substantive procedures on such estimates.

Our procedures, among others, focused on following:
• Assessment of:

- the Group's FAS 30 based impairment provisioning policy including significant increase in credit risk criteria with the requirements of FAS 30 and regulatory guidelines issued with respect to Covid-19;
- Group's ECL modeling techniques and methodology against the requirements of FAS 30 incorporating consideration of Covid-19 impacts;
- the basis of determination of any management overlays applied by the Group to incorporate the effects of Covid-19 global pandemic on its modelled ECL outcome;
- the theoretical soundness and mathematical integrity of the models.</td></tr>
</table>

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

Expected Credit Loss on Financing Facilities and other financial assets subject to credit risk	
Description of key audit matter	**How our audit addressed the key audit matter**
the management has applied their expert judgement with respect to: a) assigning scenario weightages; b) determination of LGD; and c) determination of significant increase in credit risk and consequent staging of customers with special emphasis on customers severely affected by Covid-19. Because of the complexity of the requirements under FAS 30, the significance of the judgements applied and the high degree of estimation uncertainty arising due to Covid-19 and the Group's exposure to financing facilities subject to credit risk forming a major portion of the Group's assets, the audit of ECL is a key area of focus. As at 31 December 2020, the Group's gross financing facilities amounted to US$ 17,364 million and the related ECL amounted to US$ 816 million, comprising US$ 298 million of ECL against Stage 1 and 2 exposures and US$ 518 million against exposures classified under Stage 3. Refer to note 2.2 (b) which contains the disclosure of critical accounting judgements, estimates and assumptions relating to the impairment losses on financial assets and the impairment assessment methodology used by the Group; notes 4, 5, 7 and 22 which contain the disclosures of impairment against the financing facilities; and note 28 (b) for details of credit quality analysis and key assumptions and factors considered in determination of ECL.	• We obtained an understanding of the design and tested the operating effectiveness of relevant controls over ECL models, including approvals for any changes to the models, ongoing monitoring / validation, model governance and mathematical accuracy. We have also checked completeness and accuracy of the data used and the reasonableness of the management assumptions. • We understood and assessed the significant modeling assumptions for exposures as well as overlays incorporating the consideration of Covid-19 impacts with a focus on: - Key modeling assumptions adopted by the Group; and - Basis for and data used to determine overlays. • For a sample of exposures, we performed procedures to evaluate: - Appropriateness of exposure at default, probability of default and loss given default (including collateral values used) in the calculation of ECL; - Timely identification of exposures with a significant increase in credit risk and appropriateness of the Group's staging keeping in view the long-term effects of Covid-19 on customers severely affected by it; and - ECL calculation. • For forward looking information used by the Group's management in its ECL calculations, we held discussions with management and checked internal approvals by management for economic outlook used for purposes of calculating ECL; • We considered the adequacy of the disclosures in the consolidated financial statements in relation to impairment of financing facilities and other financial assets subject to credit risk as required under FAS 30. We also involved our internal specialists in performing the above procedures. We also assessed the appropriateness of ECL related disclosures included in the consolidated financial statements of the Group.

Other information included in the Group's 2020 Annual Report

Other information consists of the information included in the Group's 2020 Annual Report, other than the consolidated financial statements and our auditor's report thereon. The Board of Directors is responsible for the other information.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement, of this other information, we are required to report the fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements

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

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the FAS issued by AAOIFI as modified by CBB and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

As part of an audit in accordance with ASIFI issued by AAOIFI, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

a) the Bank has maintained proper accounting records and the consolidated financial statements are in agreement therewith;
b) the financial information contained in the Report of the Board of Directors is consistent with the consolidated financial statements;
c) except for what has been reported in note 2 to the consolidated financial statements, we are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 2 and applicable provisions of Volume 6) and CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse or the terms of the Bank's memorandum and articles of association during the year ended 31 December 2020 that might have had a material adverse effect on the business of the Bank or on its consolidated financial position; and
d) satisfactory explanations and information have been provided to us by Management in response to all our requests.

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

Ernst & Young

Partner's registration no. 244
25 February 2021
Manama, Kingdom of Bahrain

Consolidated
Financial Statements

For the year ended 31 December 2020

Consolidated statement of financial position

At 31 December 2020

	Notes	2020 US$ '000	2019 US$ '000
ASSETS			
Cash and balances with banks	3	5,361,444	5,386,926
Receivables	4	11,945,993	10,894,937
Mudaraba and Musharaka financing	5	2,854,658	3,228,615
Investments	6	5,097,189	3,872,538
Ijarah Muntahia Bittamleek	7	1,747,627	1,756,756
Property and equipment	8	478,572	455,031
Other assets	9	764,516	663,728
TOTAL ASSETS		28,249,999	26,258,531
LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY			
LIABILITIES			
Customer current and other accounts		7,508,344	6,195,073
Due to banks		1,628,032	1,106,923
Long term financing	10	319,364	379,269
Other liabilities	11	1,341,676	1,098,200
TOTAL LIABILITIES		10,797,416	8,779,465
EQUITY OF INVESTMENT ACCOUNTHOLDERS			
Financial institutions		538,177	542,078
Non-financial institutions and individuals		14,692,012	14,613,798
TOTAL EQUITY OF INVESTMENT ACCOUNTHOLDERS	12	15,230,189	15,155,876
OWNERS' EQUITY			
Share capital	13	1,242,879	1,242,879
Treasury shares	13	(17,462)	(8,308)
Share premium		18,084	18,138
Reserves		183,121	177,254
Cumulative changes in fair values		32,940	29,370
Foreign currency translations	13	(800,489)	(752,068)
Retained earnings		364,496	335,089
Proposed appropriations		-	24,858
EQUITY ATTRIBUTABLE TO PARENT'S SHAREHOLDERS		1,023,569	1,067,212
Perpetual tier 1 capital	14	400,000	400,000
EQUITY ATTRIBUTABLE TO PARENT'S SHAREHOLDERS AND SUKUK HOLDERS		1,423,569	1,467,212
Non-controlling interest		798,825	855,978
TOTAL EQUITY		2,222,394	2,323,190
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY		28,249,999	26,258,531

Abdullah Saleh Kamel
Chairman

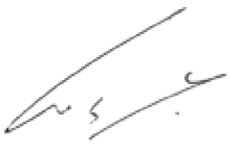
Mohamed Al Shroogi
Vice Chairman

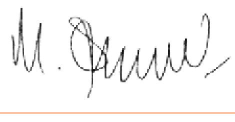
The attached notes 1 to 32 form part of these consolidated financial statements.

Consolidated statement of income

For the year ended 31 December 2020

	Notes	2020 US$ '000	2019 US$ '000
INCOME			
Net income from jointly financed contracts and investments	15	1,285,391	1,391,699
Return on equity of investment accountholders before Group's share as a Mudarib		(1,066,575)	(1,244,567)
Group's share as a Mudarib	16	354,552	357,774
Return on equity of investment accountholders		(712,023)	(886,793)
Group's share of income from equity of investment accountholders (as a Mudarib and Rabalmal)		573,368	504,906
Mudarib share for managing off-balance sheet equity of investment accountholders		14,654	14,797
Net income from self financed contracts and investments	15	265,075	216,983
Other fees and commission income	17	187,974	181,816
Other operating income	18	133,077	95,852
		1,174,148	1,014,354
Profit paid on long term financing	19	(34,399)	(46,957)
TOTAL OPERATING INCOME		1,139,749	967,397
OPERATING EXPENSES			
Staff expenses		308,623	352,291
Depreciation and amortisation	20	39,591	40,523
Other operating expenses	21	212,105	202,344
TOTAL OPERATING EXPENSES		560,319	568,158
NET OPERATING INCOME FOR THE YEAR BEFORE NET ALLOWANCE FOR CREDIT LOSSES / IMPAIRMENT AND TAXATION		579,430	399,239
Net allowance for credit losses / impairment	22	(290,121)	(121,791)
NET INCOME BEFORE TAXATION		289,309	277,448
Taxation		(123,420)	(97,282)
NET INCOME FOR THE YEAR		165,889	180,166
Attributable to:			
Equity holders of the parent		66,580	105,672
Non-controlling interest		99,309	74,494
		165,889	180,166
Basic and diluted earnings per share - US cents	23	2.90	6.01





Abdullah Saleh Kamel
Chairman

Mohamed Al Shroogi
Vice Chairman

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

Consolidated statement of cash flows

For the year ended 31 December 2020

	Notes	2020 US$ '000	2019 US$ '000
OPERATING ACTIVITIES			
Net income before taxation		289,309	277,448
Adjustments for:			
Depreciation and amortisation	20	39,591	40,523
Depreciation on Ijarah Muntahia Bittamleek	15.4	211,751	195,294
Unrealised gain on equity and debt-type instruments at fair value through statement of income	15.3	(24,705)	(21,952)
Gain on sale of property and equipment	18	(10,484)	(7,194)
Gain on sale of investment in real estate	15.3	(3,303)	(431)
(Gain) / loss on sale of equity type instruments at fair value through equity	15.3	(1,076)	654
Gain on sale of equity and debt-type instruments at fair value through statement of income	15.3	(3,664)	(3,874)
Income from associates	15.3	(5,049)	(5,818)
Net allowance for credit losses / impairment		290,121	121,791
Operating profit before changes in operating assets and liabilities		782,491	596,441
Net changes in operating assets and liabilities:			
Reserves with central banks		(122,577)	(374,147)
Receivables		(1,260,739)	(703,307)
Mudaraba and Musharaka financing		357,075	(511,448)
Ijarah Muntahia Bittamleek		(210,724)	(180,628)
Other assets		(117,012)	(123,866)
Customer current and other accounts		1,313,287	869,141
Due to banks		521,108	(71,835)
Other liabilities		175,806	126,613
Equity of investment accountholders		76,054	2,037,376
Taxation paid		(110,458)	(92,836)
Net cash from operating activities		1,404,311	1,571,504
INVESTING ACTIVITIES			
Net purchase of investments		(1,190,872)	(792,093)
Net purchase of property and equipment		(43,872)	(76,344)
Dividends received from associates		1,955	1,053
Disposal of investment in associate		2,354	13,032
Net cash used in investing activities		(1,230,435)	(854,352)
FINANCING ACTIVITIES			
Long term financing		(59,905)	(597,622)
Dividends paid to equity holders of the parent		(24,858)	(37,286)
Net movement in treasury shares		(8,129)	204
Profit distributed on perpetual tier 1 capital		(31,500)	(31,500)
Movement related to subsidiaries' tier 1 capital		7,695	2,396
Net changes in non-controlling interest		(13,392)	65,186
Net cash used in financing activities		(130,089)	(598,622)
Foreign currency translation adjustments		(191,795)	(110,139)
NET CHANGES IN CASH AND CASH EQUIVALENTS		(148,008)	8,391
Cash and cash equivalents at 1 January		2,926,185	2,917,794
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	24	2,778,177	2,926,185

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

Consolidated statement of changes in owners' equity

For the year ended 31 December 2020

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

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

Consolidated statement of changes in owners' equity

For the year ended 31 December 2020

	Attributable to equity holders of the parent												Non-controlling interest	Total owners' equity
				Reserves		Cumulative changes in fair values								
	Share capital	Treasury shares	Share premium	Statutory reserve	Other reserves	Investments	Property and equipment	Foreign currency translations reserve	Retained earnings	Proposed appro-priations	Total	Perpetual tier 1 capital	Non-controlling interest	Total owners' equity
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
Balance at 1 January 2019	1,242,879	(9,203)	18,829	165,551	-	4,739	27,190	(861,313)	519,587	37,286	1,145,545	400,000	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)	-	-	-	74,494	180,166
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**	**176,118**	**1,136**	**5,216**	**24,154**	**(752,068)**	**335,089**	**24,858**	**1,067,212**	**400,000**	**855,978**	**2,323,190**

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

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

For the year ended 31 December 2020

	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	Total US$ '000
Balance at 1 January 2020	56,041	464,361	422,488	46,720	143,002	286,329	1,418,941
Deposits	170,514	352,327	339,485	1,953	34,392	120,784	1,019,455
Withdrawals	(153,999)	(272,262)	(258,722)	(1,093)	(22,968)	(185,492)	(894,536)
Income net of expenses	-	20,603	2,641	519	6,065	7,351	37,179
Mudarib's share	-	(12,269)	(2,069)	-	(139)	(177)	(14,654)
Foreign exchange translations	-	16,812	-	-	-	(1,287)	15,525
Balance at 31 December 2020	**72,556**	**569,572**	**503,823**	**48,099**	**160,352**	**227,508**	**1,581,910**
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

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

Notes to the Consolidated Financial Statements

at 31 December 2020

1 CORPORATE INFORMATION AND ACTIVITIES

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

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

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

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

The consolidated financial statements were approved by the Board of Directors on 25 February 2021.

2 ACCOUNTING POLICIES

Basis of preparation

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

Statement of compliance

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

The two exceptions mentioned above are as follows:

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

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

Notes to the Consolidated Financial Statements

at 31 December 2020

2 ACCOUNTING POLICIES (continued)

Statement of compliance (continued)

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

The accounting policies used in the preparation of annual audited consolidated financial statements of the Group for the year ended 31 December 2020 were in accordance with FAS issued by AAOIFI. However, except for the above-mentioned modifications to accounting policies that have been applied retrospectively, all other accounting policies remain the same and have been consistently applied in these consolidated financial statements. The retrospective application of the change in accounting policies did not result in any change to the financial information reported for the comparative period.

COVID-19

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

Modification loss

During the current year, based on a regulatory directive issued by the CBB as concessionary measures to mitigate the impact of COVID-19, the one-off modification losses amounting to US$ 8.8 million arising from the 6 month payment holidays provided to financing customers without charging additional profits has been recognized directly in statement of changes in equity. The modification loss has been calculated as the loss of income on the modified cash flows calculated using the original effective profit rate and the current carrying value of the financial assets on the date of modification. The Group provided payment holidays to financing exposures amounting to US$ 301.1 million as part of its support to impacted customers.

Government assistance and subsidies

As per the regulatory directive, financial assistance amounting to US$ 1.9 million (representing specified reimbursement of a portion of staff costs and waiver of fees, levies and utility charges) received from the government, in response to its COVID-19 support measures, have been recognized directly in statement of changes in equity instead of being recognized through profit or loss account.

Liquidity support

During the period, based on a regulatory directive issued by the CBB as concessionary measures to mitigate the impact of COVID-19, CBB has reduced the regulatory reserve requirements from 5% to 3% and offered free of cost REPO facility. In this regards, the Group raised US$ 79.6 million against REPO of investments in Government of Bahrain Sukuk which were matured during the period.

Regulatory compliance

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

Notes to the Consolidated Financial Statements

at 31 December 2020

2 ACCOUNTING POLICIES (continued)

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. Statement of income and each component of OCI are attributed to the equity holders of the parent of the Bank and to the non-controlling interests (NCIs), even if this results in the NCIs having a deficit balance.

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

	Ownership for 2020	Ownership for 2019	Year of incorporation	Country of incorporation	No. of branches/ offices at 31 December 2020
Held directly by the Bank					
Banque Al Baraka D'Algerie (BAA)	**55.67%**	55.67%	1991	Algeria	**31**
Al Baraka Islamic Bank - Bahrain (AIB)	**92.03%**	92.03%	1984	Bahrain	**195**
Al Baraka Bank Tunis (ABT)	**78.40%**	78.40%	1983	Tunisia	**37**
Al Baraka Bank Egypt (ABE)	**73.47%**	73.47%	1980	Egypt	**32**
Al Baraka Bank Lebanon (ABBL)	**98.98%**	98.98%	1991	Lebanon	**6**
Jordan Islamic Bank (JIB)	**65.82%**	65.82%	1978	Jordan	**108**
Al Baraka Turk Participation Bank (ATPB)**	**38.02%**	38.02%	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	**29**
Al Baraka Bank Syria (ABBS) *	**23.00%**	23.00%	2009	Syria	**13**
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.

Notes to the Consolidated Financial Statements

at 31 December 2020

2 ACCOUNTING POLICIES (continued)

Statement of compliance (continued)

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

	Subsidiary held through	Effective Ownership for 2020	Effective Ownership for 2019	Year of incorporation	Country of incorporation
Held indirectly by the Bank					
Al Baraka Bank (Pakistan) Limited	AIB	**54.42%**	54.42%	2010	Pakistan
Itqan Capital	AIB	**76.45%**	76.45%	2007	Saudi Arabia
Al-Omariya School Company	JIB	**65.69%**	62.11%	1987	Jordan
Al-Samaha Real Estate Company	JIB	**65.82%**	62.77%	1998	Jordan
Future Applied Computer Technology Company	JIB	**65.82%**	65.80%	1998	Jordan
Sanable Alkhair for Financial Investment	JIB	**65.82%**	65.80%	2006	Jordan
Al Baraka Properties (Pty) Ltd.	ABL	**64.51%**	64.51%	1991	South Africa
Insha GMBH	ATPB	**38.02%**	38.02%	2018	Germany

Significant accounting policies

The significant accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial year, except for the adoption of new standards and interpretations effective as of 1 January 2020:

2.1 Adoption of new and amended standards and interpretations

These consolidated financial statements have been prepared using accounting policies, which are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2019. All the mandatory applications of new standards and interpretation effective from 1 January 2020 has been deferred to 1 January 2021 by the Accounting Board (AAB) of Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) through its 18th meeting held on 22-23 June 2020. The new standards, interpretations and amendments issued but not effective are as follows:

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

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

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

-The instrument is transferable; or

-The investment is made in a single asset (or pool of assets) where such asset(s) are subject to frequent changes throughout the term of the contract i.e. there are routine changes or replacements over the term of arrangement (unless it constitutes a business) at the discretion of the agent; or

-The role of the agent is not limited whereby the agent performs day-to-day asset management function and, where applicable, is also responsible for replacement of assets or recoveries against them.

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

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

The Board of Directors decided not to early adopt the standard with effect from the current year.

Notes to the Consolidated Financial Statements

at 31 December 2020

2 ACCOUNTING POLICIES (continued)

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

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.

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

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

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

Classification

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

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

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

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

Recognition and Initial measurement

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

Subsequent measurement

a) Investments at amortised cost

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

Notes to the Consolidated Financial Statements

at 31 December 2020

2 ACCOUNTING POLICIES (continued)

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

Subsequent measurement (continued)

b) Investments at fair value through income statement

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

c) Investments at fair value through equity

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

FAS 34 Financial Reporting for Sukuk -holders

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

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.

2.2 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.

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.

Notes to the Consolidated Financial Statements

at 31 December 2020

2 ACCOUNTING POLICIES (continued)

2.2 Summary of significant accounting policies (continued)

b. Impairment assessment (continued)

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.

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.

Notes to the Consolidated Financial Statements

at 31 December 2020

2 ACCOUNTING POLICIES (continued)

2.2 Summary of significant accounting policies (continued)

b. Impairment assessment (continued)

Probability of default (continued)

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.

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.

Notes to the Consolidated Financial Statements

at 31 December 2020

2 ACCOUNTING POLICIES (continued)

2.2 Summary of significant accounting policies (continued)

b. Impairment assessment (continued)

Exposure At Default (continued)

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.

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.

Notes to the Consolidated Financial Statements

at 31 December 2020

2 ACCOUNTING POLICIES (continued)

2.2 Summary of significant accounting policies (continued)

b. Impairment assessment (continued)

Renegotiated financial assets

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

Backward transition

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

From Stage 2 to stage 1

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

From stage 3 to stage 2

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

Write-offs

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

Presentation of allowance for credit losses in the 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.

Notes to the Consolidated Financial Statements

at 31 December 2020

2 ACCOUNTING POLICIES (continued)

2.2 Summary of significant accounting policies (continued)

d. Receivables

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

Sales (Murabaha) receivables

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

Ijarah receivables

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

Salam receivables

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

Istisna'a receivables

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

e. Mudaraba and Musharaka financing

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

f. Investments

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

Investment in real estate

Properties held for rental, or for capital appreciation purposes, or both, are classified as investment in real estate. Investments in real estate are initially recorded at cost, being the fair value of the consideration given and acquisition charges associated with the property. Subsequent to initial recognition, investments in real estate are re-measured at fair value and changes in fair value (only gains) are recognised as property fair value reserve in the consolidated statement of changes in 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 2020

2 ACCOUNTING POLICIES (continued)

2.2 Summary of significant accounting policies (continued)

f. Investments (continued)

Investment in associates

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

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

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

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

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

Equity-type instruments at fair value through equity

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

Debt-type instruments at amortised cost

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

g. Ijarah Muntahia Bittamleek

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

h. Property and equipment

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

Notes to the Consolidated Financial Statements

at 31 December 2020

2 ACCOUNTING POLICIES (continued)

2.2 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.

m. Employees' end of service benefits

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

Notes to the Consolidated Financial Statements

at 31 December 2020

2 ACCOUNTING POLICIES (continued)

2.2 Summary of significant accounting policies (continued)

n. Provision

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

o. Dividends

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

p. Equity of investment accountholders

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

q. Investment risk reserve

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

r. Profit equalisation reserve

Profit equalisation reserves are amounts appropriated out of the Mudaraba income, before allocating the mudarib share, in order to maintain a certain level of return on investments for equity of investment accountholders.

s. Sukuk

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

t. Off-balance sheet equity of investment accountholders

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

u. Treasury shares

Own equity instruments which are reacquired (treasury shares) are deducted from equity of the parent and accounted for at weighted average cost. Consideration paid or received on the purchase, sale, issue or cancellation of the Group's own equity instruments 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.

v. Revenue recognition

Sales (Murabaha) receivables

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

Salam and Istisna'a receivables

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

Notes to the Consolidated Financial Statements

at 31 December 2020

2 ACCOUNTING POLICIES (continued)

2.2 Summary of significant accounting policies (continued)

v. Revenue recognition (continued)

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

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

Fee and commission income
Fee and commission income is recognised when earned.

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

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

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

w. Return on equity of investment accountholders

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

x. Joint and self financed

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

y. Taxation

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

z. Shari'a supervisory board

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

Notes to the Consolidated Financial Statements

at 31 December 2020

2 ACCOUNTING POLICIES (continued)

2.2 Summary of significant accounting policies (continued)

aa. Zakah

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

ab. Earnings prohibited by Shari'a

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

ac. Impairment of financial assets

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

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

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

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

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

Foreign currency translations

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

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

Notes to the Consolidated Financial Statements
at 31 December 2020

2 ACCOUNTING POLICIES (continued)
2.2 Summary of significant accounting policies (continued)

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

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

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

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

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

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

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

3. CASH AND BALANCES WITH BANKS

	2020 US$ '000	2019 US$ '000
Balances with central banks*	4,027,943	3,956,830
Balances with other banks	497,408	707,214
Cash and cash in transit	839,830	726,567
Less: allowance for credit losses	(3,737)	(3,685)
	5,361,444	5,386,926

* Balances with central banks include mandatory reserves amounting to US$ 2,587,004 thousand (2019: US$ 2,464,426 thousand). These amounts are not available for use in the Group's day-to-day operations.

4. RECEIVABLES

	2020 US$ '000	2019 US$ '000
Sales (Murabaha) receivables (note 4.1)	12,126,087	10,944,436
Ijarah receivables (note 4.2)	150,787	97,919
Salam receivables (note 4.3)	225,550	265,926
Istisna'a receivables (note 4.4)	198,804	157,738
Less: allowance for credit losses	(755,235)	(571,082)
	11,945,993	10,894,937

Notes to the Consolidated Financial Statements

at 31 December 2020

4 RECEIVABLES (continued)

4.1 Sales (Murabaha) receivables

	2020			2019		
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000
Commodity murabaha	58,485	569,723	628,208	33,967	600,802	634,769
Other murabaha	2,466,023	10,332,891	12,798,914	1,659,381	10,214,951	11,874,332
Gross sales (murabaha) receivables	2,524,508	10,902,614	13,427,122	1,693,348	10,815,753	12,509,101
Deferred profits (note 4.1(a))	(296,564)	(1,004,471)	(1,301,035)	(272,405)	(1,292,260)	(1,564,665)
	2,227,944	9,898,143	12,126,087	1,420,943	9,523,493	10,944,436
Less: allowance for credit losses (note 22)	(221,835)	(455,075)	(676,910)	(157,268)	(361,961)	(519,229)
Net sales (murabaha) receivables	2,006,109	9,443,068	11,449,177	1,263,675	9,161,532	10,425,207

	2020 US$'000	2019 US$'000
Non-performing	769,795	684,126

4.1(a) Murabaha deferred profit movement

	2020 US$ '000	2019 US$ '000
Deferred profit at the beginning of the year	1,564,665	1,393,888
Murabaha Sales during the year	3,960,783	5,246,048
Murabaha Cost of Sales	(3,493,121)	(3,903,575)
	2,032,327	2,736,361
Deferred profit collected during the year	(498,002)	(720,167)
Deferred profit settled during the year	(31,019)	(345,204)
Deferred profit waived during the period	(3,172)	(6,794)
FX translation	(199,099)	(99,531)
Deferred profit at the end of the year	1,301,035	1,564,665

4.2 Ijarah receivables

	2020			2019		
	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	12,272	138,515	150,787	10,027	87,892	97,919
Less: allowance for credit losses (note 22)	(382)	(51,593)	(51,975)	(119)	(34,333)	(34,452)
Net ijarah receivables	11,890	86,922	98,812	9,908	53,559	63,467

	2020 US$'000	2019 US$'000
Non-performing	127,733	85,851

Notes to the Consolidated Financial Statements

at 31 December 2020

4 RECEIVABLES (continued)

4.3 Salam receivables

	2020			2019		
	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	-	225,550	225,550	-	265,926	265,926
Less: allowance for credit losses (note 22)	-	(15,186)	(15,186)	-	(12,441)	(12,441)
Net salam receivables	-	210,364	210,364	-	253,485	253,485

	2020 US$'000	2019 US$'000
Non-performing	22,619	24,264

4.4 Istisna'a receivables

	2020			2019		
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000
Gross istisna'a receivables	-	198,804	198,804	-	157,738	157,738
Less: allowance for credit losses (note 22)	-	(11,164)	(11,164)	-	(4,960)	(4,960)
Net istisna'a receivables	-	187,640	187,640	-	152,778	152,778

	2020 US$'000	2019 US$'000
Non-performing	14,682	8,063

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

	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

at 31 December 2020

4 RECEIVABLES (continued)

4.4 Istisna'a receivables (continued)

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

	31 December 2020			
	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	54,358	115,719	401,005	571,082
Changes due to receivables recognised in opening balance that have:				
- transferred to Stage 1	12,761	(3,304)	(9,457)	-
- transferred to Stage 2	(1,223)	(37,684)	38,907	-
- transferred to Stage 3	(65)	(1,800)	1,865	-
Net remeasurement of loss allowance	11,701	95,572	153,572	260,845
Recoveries / write-backs	-	-	(57,534)	(57,534)
Allocation from investment risk reserve	(6,439)	12,794	13,325	19,680
Amounts written off	-	-	(13,185)	(13,185)
FX translation / others	2,099	(1,777)	(25,975)	(25,653)
	73,192	179,520	502,523	755,235

	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 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

5 MUDARABA AND MUSHARAKA FINANCING

	2020 US$ '000	2019 US$ '000
Mudaraba financing (note 5.1)	1,784,183	2,207,515
Musharaka financing (note 5.2)	1,106,881	1,040,725
Less: allowance for credit losses	(36,406)	(19,625)
	2,854,658	3,228,615

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at 31 December 2020

5 MUDARABA AND MUSHARAKA FINANCING (continued)

5.1 Mudaraba financing

	2020			2019		
	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	427,218	1,356,965	1,784,183	393,725	1,813,790	2,207,515
Less: allowance for credit losses (note 22)	(420)	(14,198)	(14,618)	(420)	(6,411)	(6,831)
Net mudaraba financing	426,798	1,342,767	1,769,565	393,305	1,807,379	2,200,684

	2020 US$ '000	2019 US$ '000
Non-performing	15,994	16,311

5.2 Musharaka financing

	2020			2019		
	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	451,433	655,448	1,106,881	493,070	547,655	1,040,725
Less: allowance for credit losses (note 22)	(8,436)	(13,352)	(21,788)	(582)	(12,212)	(12,794)
Net musharaka financing	442,997	642,096	1,085,093	492,488	535,443	1,027,931

	2020 US$'000	2019 US$'000
Non-performing	26,167	21,415

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

	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

Notes to the Consolidated Financial Statements

at 31 December 2020

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 2020			
	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	2,496	2,406	14,723	19,625
Changes due to financing recognised in opening balance that have:				
- transferred to Stage 1	(252)	262	(10)	-
- transferred to Stage 2	(2,581)	2,583	(2)	-
- transferred to Stage 3	(4)	(4)	8	-
Net remeasurement of loss allowance	12,860	4,235	266	17,361
Recoveries / write-backs	-	-	(482)	(482)
Allocation from (to) investment risk reserve	346	(2)	(3)	341
Amounts written off	-	-	-	-
FX translation / others	(596)	(99)	256	(439)
	12,269	9,381	14,756	36,406

	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 receivables 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

Notes to the Consolidated Financial Statements

at 31 December 2020

6. INVESTMENTS

	2020 US$ '000	2019 US$ '000
Equity and debt-type instruments at fair value through statement of income (note 6.1)	234,405	291,611
Equity-type instruments at fair value through equity (note 6.2)	107,971	94,446
Debt-type instruments at amortised cost (note 6.3)	4,533,589	3,235,903
	4,875,965	3,621,960
Investment in real estate (note 6.4)	176,136	206,108
Investment in associates (note 6.5)	45,088	44,470
	5,097,189	3,872,538

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

	2020			2019		
	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	3,308	3,389	6,697	2,939	-	2,939
Equity Securities	221,493	686	222,179	283,976	879	284,855
	224,801	4,075	228,876	286,915	879	287,794
Unquoted investments						
Equity Securities	1,885	3,644	5,529	1,079	2,738	3,817
	1,885	3,644	5,529	1,079	2,738	3,817
	226,686	7,719	234,405	287,994	3,617	291,611

6.2 Equity-type instruments at fair value through equity

	2020			2019		
	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	20,292	30,044	50,336	10,981	28,158	39,139
Managed funds	3,515	4,342	7,857	3,627	4,655	8,282
	23,807	34,386	58,193	14,608	32,813	47,421
Unquoted investments						
Equity Securities	7,216	14,039	21,255	15,749	21,872	37,621
Managed funds	993	34,949	35,942	828	15,386	16,214
	8,209	48,988	57,197	16,577	37,258	53,835
Provisions (note 22)	(6,952)	(467)	(7,419)	(5,082)	(1,728)	(6,810)
	25,064	82,907	107,971	26,103	68,343	94,446

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at 31 December 2020

6. INVESTMENTS (continued)

6.3 Debt-type instruments at amortised cost

	2020			2019		
	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	1,673,465	1,556,333	3,229,798	1,196,959	1,155,569	2,352,528
Unquoted investments						
Sukuk and similar items	119,526	1,192,521	1,312,047	114,511	776,664	891,175
Less: allowance for credit losses	(772)	(7,484)	(8,256)	(785)	(7,015)	(7,800)
	1,792,219	2,741,370	4,533,589	1,310,685	1,925,218	3,235,903

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

	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

Notes to the Consolidated Financial Statements

at 31 December 2020

6 INVESTMENTS

6.3 Debt-type instruments at amortised cost (continued)

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

	31 December 2020			
	Stage 1: 12-month ECL US$ '000	Stage 2: Lifetime ECL not credit-impaired US$ '000	Stage 3: Lifetime ECL credit-impaired US$ '000	Total US$ '000
Balance at 1 January	4,651	584	2,565	7,800
Changes due to instruments recognised in opening balance that have:				
- transferred to Stage 1	-	-	-	-
- transferred to Stage 2	-	-	-	-
- transferred to Stage 3	-	-	-	-
Net remeasurement of loss allowance	(272)	480	-	208
Allocation from investment risk reserve	54	126	-	180
Recoveries / write-backs	-	-	-	-
Amounts written off during the year	-	-	-	-
FX translation / others	57	11	-	68
	4,490	1,201	2,565	8,256

	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

Notes to the Consolidated Financial Statements

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6 INVESTMENTS (continued)

6.4 Investment in real estate

	2020			2019		
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000
Land	3,951	114,316	118,267	4,698	120,754	125,452
Buildings	11,573	46,296	57,869	17,165	63,491	80,656
Net musharaka financing	15,524	160,612	176,136	21,863	184,245	206,108

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

	2020 US$ '000	2019 US$ '000
Beginning balance of the year	206,108	215,530
Acquisitions	3,729	15,584
Net (loss) gain from fair value adjustments	(4,063)	6,075
Disposals	(26,531)	(82)
Transfer	-	(27,178)
Foreign exchange translation / others - net	(3,107)	(3,821)
	(29,972)	(9,422)
Ending balance of the year	176,136	206,108

6.5 Investment in associates

Investment in associates comprise the following:

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

	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	

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at 31 December 2020

7 IJARAH MUNTAHIA BITTAMLEEK

	2020			2019		
	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	16,679	1,942,652	1,959,331	23,261	1,914,053	1,937,314
Accumulated depreciation	(114)	(395,219)	(395,333)	(5,205)	(401,518)	(406,723)
Less: allowance for credit losses	(170)	(15,506)	(15,676)	(226)	(11,556)	(11,782)
Net book value	16,395	1,531,927	1,548,322	17,830	1,500,979	1,518,809
Equipment						
Cost	72,853	224,737	297,590	88,154	262,302	350,456
Accumulated depreciation	(24,673)	(70,157)	(94,830)	(40,023)	(74,287)	(114,310)
Less: allowance for credit losses	(431)	(7,712)	(8,143)	(132)	(5,771)	(5,903)
Net book value	47,749	146,868	194,617	47,999	182,244	230,243
Others						
Cost	-	12,780	12,780	-	13,735	13,735
Accumulated depreciation	-	(8,061)	(8,061)	-	(5,929)	(5,929)
Less: allowance for credit losses	-	(31)	(31)	-	(102)	(102)
Net book value	-	4,688	4,688	-	7,704	7,704
TOTAL						
Cost	89,532	2,180,169	2,269,701	111,415	2,190,090	2,301,505
Accumulated depreciation	(24,787)	(473,437)	(498,224)	(45,228)	(481,734)	(526,962)
Less: allowance for credit losses	(601)	(23,249)	(23,850)	(358)	(17,429)	(17,787)
Net book value	64,144	1,683,483	1,747,627	65,829	1,690,927	1,756,756

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

	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

Notes to the Consolidated Financial Statements

at 31 December 2020

7 IJARAH MUNTAHIA BITTAMLEEK (continued)

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

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

	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

Notes to the Consolidated Financial Statements

at 31 December 2020

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 2019	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
Additions	22,480	19,968	22,004	1,496	30,631	96,579
Disposals	(7,781)	-	(3,087)	(961)	(5,154)	(16,983)
Foreign exchange translations	(8,298)	(11,119)	(7,999)	(1,181)	(14,123)	(42,720)
At 31 December 2020	**242,460**	**169,943**	**239,350**	**11,257**	**85,904**	**748,914**
Depreciation:						
At 1 January 2019	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
Charged during the year (note 20)	7,835	-	18,376	888	3,716	30,815
Relating to disposals	(74)	-	(2,760)	(86)	(461)	(3,381)
Foreign exchange translations	(5,048)	-	(5,999)	(382)	(2,670)	(14,099)
At 31 December 2020	**61,731**	**-**	**186,698**	**5,779**	**16,134**	**270,342**
Net book values:						
At 31 December 2020	**180,729**	**169,943**	**52,652**	**5,478**	**69,770**	**478,572**
At 31 December 2019	177,041	161,094	51,351	6,544	59,001	455,031

9. OTHER ASSETS

	2020 US$'000	2019 US$'000
Bills receivables	**297,067**	199,615
Goodwill and intangible assets (note 9 (a))	**75,788**	75,082
Collateral pending sale	**176,126**	220,610
Good faith qard	**115,012**	30,177
Deferred taxation	**60,284**	62,850
Prepayments	**25,606**	68,622
Others	**39,684**	29,953
	789,567	686,909
Less: impairment / allowance for credit losses	**(25,051)**	(23,181)
	764,516	663,728

Notes to the Consolidated Financial Statements

at 31 December 2020

9 OTHER ASSETS (continued)

9 (a) Goodwill and intangible assets

	2020			2019		
	Goodwill US$ '000	Intangible assets US$ '000	Total US$ '000	Goodwill US$ '000	Intangible assets US$ '000	Total US$ '000
At 1 January	51,360	23,722	75,082	53,325	22,598	75,923
Additions	117	14,603	14,720	705	9,963	10,668
Amortisation charge for the year (note 20)	-	(8,776)	(8,776)	-	(8,486)	(8,486)
Impairment loss for the year	(2,500)	-	(2,500)	-	-	-
Foreign exchange translations	(2,173)	(565)	(2,738)	(2,670)	(353)	(3,023)
At 31 December	46,804	28,984	75,788	51,360	23,722	75,082

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:

	2020 US$ '000	2019 US$ '000
Al Baraka Turk Participation Bank	5,107	9,298
Al Barak Bank Egypt	1,001	914
Jordan Islamic Bank	26,646	26,646
Al Baraka Bank (Pakistan) Limited	14,050	14,502
	46,804	51,360

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

	2020 US$ '000	2019 US$ '000
Murabaha financing	35,787	99,841
Subordinated financing obtained by a subsidiary	283,577	279,428
	319,364	379,269

11. OTHER LIABILITIES

	2020 US$ '000	2019 US$ '000
Payables	614,611	517,130
Cash margins	236,028	224,177
Managers' cheques	102,106	94,500
Current taxation *	80,612	74,885
Deferred taxation *	11,368	6,698
Accrued expenses	99,712	97,931
Charity fund	30,077	36,645
Others	80,646	23,097
Allowance for credit losses on unfunded exposures	86,516	23,137
	1,341,676	1,098,200

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

Notes to the Consolidated Financial Statements
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12 EQUITY OF INVESTMENT ACCOUNTHOLDERS (IAH)

	2020 US$ '000	2019 US$ '000
Equity of investment accountholders *	15,152,840	15,063,854
Profit equalisation reserve (note 12.1)	6,345	7,400
Investment risk reserve (note 12.2)	65,202	77,199
Cumulative changes in fair value attributable to equity of investment accountholders - net (note 12.3)	5,802	7,423
	15,230,189	15,155,876

* Medium term Sukuk

This includes unsecured, sub-ordinated and privately placed unrestricted mudaraba sukuk amounting to US$ 12,883 thousand (2019: US$ 14,667 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:

	2020 US$ '000	2019 US$ '000
Balance at 1 January	7,400	5,320
Amount apportioned from income allocable to equity of investment accountholders	2,423	(962)
Amount used during the year	(2,582)	(21)
Foreign exchange translations	(896)	3,063
Balance at 31 December	6,345	7,400

12.2 Investment risk reserve

The following shows the movement in investment risk reserve:

	2020 US$ '000	2019 US$ '000
Balance at 1 January	77,199	104,005
Amount appropriated to provision (note 22)	(20,201)	(1,771)
Amount apportioned from income allocable to equity of investment accountholders	8,469	(24,616)
Foreign exchange translations	(265)	(419)
Balance at 31 December	65,202	77,199

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

	2020 US$ '000	2019 US$ '000
Balance at 1 January	7,423	8,229
Change in fair values during the year	(1,215)	(274)
Realised gain transferred to consolidated statement of income	(157)	(160)
Deferred taxation effect	521	165
Transfer to shareholders equity	(770)	(537)
Balance at 31 December	5,802	7,423
Attributable to investment in real estate	8,591	11,137
Attributable to equity-type instruments at fair value through equity	(2,789)	(3,714)
	5,802	7,423

Notes to the Consolidated Financial Statements

at 31 December 2020

13 OWNERS' EQUITY

	2020 US$ '000	2019 US$ '000
Share capital		
Authorised: 2,500,000,000 (2019: 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 (2019: 1,242,879,755) shares of US$1 each	**1,242,879**	1,242,879
At end of the year		
1,242,879,755 (2019: 1,242,879,755) shares of US$1 each	**1,242,879**	1,242,879

Treasury shares

	Number of shares ('000)	2020 US$ '000	2019 US$ '000
At 1 January	**8,308**	**8,308**	9,203
Purchase of treasury shares	**24,676**	**9,636**	230
Sale of treasury shares	**(482)**	**(482)**	(1,125)
At 31 December	**35,502**	**17,462**	8,308

The market value of the treasury shares is US$ 8,386 thousand (2019: US$ 2,575 thousand) and it represents 0.7% (2019: 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 2020

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

At 31 December 2019

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

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

Notes to the Consolidated Financial Statements

at 31 December 2020

13 OWNERS' EQUITY (continued)

Additional information on shareholding pattern (continued)

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

At 31 December 2020

Categories:	Number of shares	Number of shareholders	% of total outstanding shares
Less than 1%	104,768,232	1,101	8.43%
1% up to less than 5%	130,193,605	5	10.47%
5% up to less than 10%	87,313,197	1	7.03%
10% up to less than 20%	240,173,054	1	19.32%
20% up to less than 50%	680,431,667	2	54.75%
	1,242,879,755	1,110	100.00%

At 31 December 2019

Categories:	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%

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$ 6,658 thousand (2019: US$ 10,567 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	2020 US$ '000	2019 US$ '000
Banque Al Baraka D'Algerie (BAA)	Algerian Dinar	68,594	57,159
Al Baraka Bank (Pakistan) Limited	Pakistani Rupees	31,499	30,006
Al Baraka Bank Egypt (ABE)	Egyptian Pound	117,960	121,363
Al Baraka Turk Participation Bank (ATPB)	Turkish Lira	392,992	373,936
Al Baraka Bank Limited (ABL)	South African Rand	19,637	18,593
Al Baraka Bank Sudan (ABS)	Sudanese Pound	91,312	85,822
Al Baraka Bank Tunis (ABT)	Tunisian Dinar	28,677	31,437
Al Baraka Bank Syria (ABBS)	Syrian Pound	50,480	33,534
BTI Bank	Moroccan Dirham	(662)	218
		800,489	752,068

Notes to the Consolidated Financial Statements

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13 OWNERS' EQUITY (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 2020 empowered the Executive Management of Al Baraka Banking Group to pay an amount of US$ 1,656 thousand as Zakah on behalf of the shareholders deducted from the retained earnings for the financial year of 2019. The Group has paid and distributed an amount of US$ 1,421 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$ 235 thousands has been allocated to be paid maximum by end of first quarter of 2021.

	2020 US$ '000	2019 US$ '000
Zakah to be paid on behalf of shareholders for the year	**1,656**	2,235
Uses of Zakah:		
Zakah for the poor and needy	**751**	1,007
Zakah for new converts to islam	**20**	58
Scholarships	**650**	800
Total uses	**1,421**	1,865
Remaining Zakah to be paid	**235**	370

g. Proposed Appropriations

	2020 US$ '000	2019 US$ '000
Cash dividend 0% (2019: 2%)	-	24,858
	-	24,858

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$ nil per issued share (2019: cash dividened of US$ 0.02 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 2019 was approved at the Annual General Meeting on 21 March 2020 and was effected in 2020 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.

14. PERPETUAL TIER 1 CAPITAL

On 31 May 2017, the Bank completed an issuance of US$ 400 million Additional Tier 1 Mudaraba Sukuk in compliance with CBB regulations; listed on Irish Stock Exchange. Profit shall be payable subject to and in accordance with terms and conditions on the outstanding nominal amount of the Sukuk at an expected profit of 7.875% per annum, payable on semi-annual basis. These Sukuks are recognised under equity in the consolidated statement of financial position and the corresponding profit payable on those Sukuk are accounted as appropriation of profits. Expenses relating to the issuance have been included in the retained earnings. As per the terms and conditions, the Sukuk holders will not have a right to claim the profit and such event of non-payment of profit will not be considered as event of default.

Notes to the Consolidated Financial Statements

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15 NET INCOME FROM JOINTLY AND SELF FINANCED CONTRACTS AND INVESTMENTS

	2020 US$ '000	2019 US$ '000
Receivables (note 15.1)	924,381	998,512
Mudaraba and Musharaka financing (note 15.2)	180,308	304,126
Investments (note 15.3)	435,390	319,227
Ijarah Muntahia Bittamleek (note 15.4)	104,300	109,305
Others	2,226	914
	1,646,605	1,732,084
Net income from jointly financed contracts and investments	1,285,391	1,391,699
Gross income from self financed contracts and investments	361,214	340,385
	1,646,605	1,732,084
Gross income from self financed contracts and investments	361,214	340,385
Profit paid on short term financing	(96,139)	(123,402)
Net income from self financed contracts and investments	265,075	216,983

15.1 Receivables

	2020 US$ '000	2019 US$ '000
Sales (Murabaha) receivables	889,571	968,863
Salam receivables	16,727	17,215
Istisna'a receivables	18,083	12,434
	924,381	998,512

15.2 Mudaraba and Musharaka financing

	2020 US$ '000	2019 US$ '000
Mudaraba financing	121,292	233,524
Musharaka financing	59,016	70,602
	180,308	304,126

15.3 Investments

	2020 US$ '000	2019 US$ '000
Equity-type instruments at fair value through equity	3,560	4,513
Debt-type instruments at amortised cost	394,642	282,737
Unrealised loss on equity and debt-type instruments at fair value through statement of income	24,705	21,952
Gain (loss) on sale of equity-type instruments at fair value through equity	1,076	(654)
Gain on sale of equity and debt-type instruments at fair value through statement of income	3,664	3,874
(Loss) income from investment in real estate	(609)	556
Income from associates	5,049	5,818
Gain on sale of investment in real estate	3,303	431
	435,390	319,227

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

15.4 Ijarah Muntahia Bittamleek

	2020 US$ '000	2019 US$ '000
Income from Ijarah Muntahia Bittamleek	316,051	304,599
Depreciation on Ijarah Muntahia Bittamleek	(211,751)	(195,294)
	104,300	109,305

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

	2020 US$ '000	2019 US$ '000
Banking fees and commissions	126,555	131,469
Letters of credit	31,181	15,748
Guarantees	24,793	27,869
Acceptances	5,445	6,730
	187,974	181,816

18. OTHER OPERATING INCOME

	2020 US$ '000	2019 US$ '000
Foreign exchange gain*	122,593	88,658
Gain on sale of property and equipment	10,484	7,194
	133,077	95,852

* An amount of US$ 37 million is related to foreign currency revaluation gain from subsidiaries.

19. PROFIT PAID ON LONG TERM FINANCING

	2020 US$ '000	2019 US$ '000
Murabaha financing	4,255	5,540
Subordinated financing obtained by a subsidiary	28,353	28,427
Wakala	1,791	12,990
	34,399	46,957

20. DEPRECIATION AND AMORTISATION

	2020 US$ '000	2019 US$ '000
Property and equipment depreciation (note 8)	30,815	32,037
Intangible assets amortisation (note 9 (a))	8,776	8,486
	39,591	40,523

21. OTHER OPERATING EXPENSES

	2020 US$ '000	2019 US$ '000
General and administration expenses	133,458	114,877
Professional and business expenses	29,145	32,510
Premises related expenses	49,502	54,957
	212,105	202,344

Notes to the Consolidated Financial Statements

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22 NET ALLOWANCE FOR CREDIT LOSSES / IMPAIRMENT

2020	Cash and balances with banks US$ '000 (note 3)	Sales (Murabaha) receivables US$ '000 (note 4.1)	Ijarah receivables US$ '000 (note 4.2)	Salam receivables US$ '000 (note 4.3)	Istisna'a receivables US$ '000 (note 4.4)	Mudaraba financing US$ '000 (note 5.1)	Musharaka financing US$ '000 (note 5.2)	Investments US$ '000 (note 6.2 & 6.3)	Ijarah Muntahia Bittamleek US$ '000 (note 7)	Other assets US$ '000 (note 9)	Other liabilities US$ '000 (note 11)	Total US$ '000
Allowance at 31 December	3,685	519,229	34,452	12,441	4,960	6,831	12,794	14,610	17,787	23,181	23,137	673,107
Charged during the year	52	228,572	22,939	4,547	4,787	7,015	10,346	1,569	8,098	2,399	57,126	347,450
Written back/recovered during the year	-	(52,658)	(3,886)	(985)	(5)	-	(482)	(701)	-	(12)	(2,706)	(61,435)
	52	175,914	19,053	3,562	4,782	7,015	9,864	868	8,098	2,387	54,420	286,015
	3,737	695,143	53,505	16,003	9,742	13,846	22,658	15,478	25,885	25,568	77,557	959,122
Written off during the year	-	(13,185)	-	-	-	-	-	-	-	-	-	(13,185)
Amount appropriated from investment risk reserve (note 12.2)	-	17,400	645	-	1,635	-	341	180	-	-	-	20,201
Foreign exchange translations/others - net	-	(22,448)	(2,175)	(817)	(213)	772	(1,211)	17	(2,035)	(517)	8,959	(19,668)
Allowance at 31 December	3,737	676,910	51,975	15,186	11,164	14,618	21,788	15,675	23,850	25,051	86,516	946,470

During the year, an impairment loss of US$ 4,106 thousand (2019: US$ 155 thousand) was charged against investments and goodwill.

An amount of US$ 7,419 thousand (2019: US$ 6,810 thousand) is related to provision of equity type instrumnets at fair value through equity.

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 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

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22 NET ALLOWANCE FOR CREDIT LOSSES / IMPAIRMENT (continued)

2020	Cash and balances with banks US$ '000 (note 3)	Sales (Murabaha) receivables US$ '000 (note 4.1)	Ijarah receivables US$ '000 (note 4.2)	Salam receivables US$ '000 (note 4.3)	Istisna'a receivables US$ '000 (note 4.4)	Mudaraba financing US$ '000 (note 5.1)	Musharaka financing US$ '000 (note 5.2)	Investments US$ '000 (note 6.2 & 6.3)	Ijarah Muntahia Bittamleek US$ '000 (note 7)	Other assets US$ '000 (note 9)	Other liabilities US$ '000 (note 11)	Total US$ '000
Middle East	3,677	340,437	11,738	-	2,007	14,618	1,439	10,872	-	21,365	78,393	484,546
North Africa	60	30,708	37,555	6,710	977	-	1,210	1,510	23,112	1,847	3,215	106,904
Europe	-	280,487	-	-	-	-	8,431	8	711	756	4,725	295,118
Others	-	25,278	2,682	8,476	8,180	-	10,708	3,285	27	1,083	183	59,902
Total	3,737	676,910	51,975	15,186	11,164	14,618	21,788	15,675	23,850	25,051	86,516	946,470
2019												
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

The fair value of collateral the Group holds relating to non-performing facilities as at 31 December 2020 amounts to US$ 588.7 million (2019: US$ 684.5 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:

	2020	2019
Net income attributable to the equity shareholders of the parent for the year - US$ '000	66,580	105,672
Less: Profit distributed on perpetual tier 1 capital	(31,500)	(31,500)
	35,080	74,172
Number of shares outstanding at the beginning of the year (in thousands)	1,242,879	1,242,879
Treasury shares effect (in thousands)	(32,502)	(8,754)
Weighted average number of shares outstanding at the end of the year (in thousands)	1,210,377	1,234,125
Earnings per share - US cents	2.90	6.01

24. CASH AND CASH EQUIVALENTS

	2020 US$ '000	2019 US$ '000
Balances with central banks excluding mandatory reserve	1,440,939	1,492,404
Balances with other banks	497,408	707,214
Cash and cash in transit	839,830	726,567
	2,778,177	2,926,185

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25. RELATED PARTY TRANSACTIONS

Related parties comprise major shareholders, directors of the Group, entities owned or controlled, jointly controlled or significantly influenced by them, companies affiliated by virtue of shareholding in common with that of the Group and Shari'a supervisory board members.
The income and expenses in respect of related parties were as follows:

	Associated companies US$ '000	Major shareholders US$ '000	Directors and key management personnel US$ '000	Other related parties US$ '000	2020 US$ '000	2019 US$ '000
Net income from jointly financed contracts and investments	2,921	-	20	-	2,941	2,868
Return on equity of investment accountholders	221	2,874	615	-	3,710	1,735
Other fees and commission income	444	-	-	-	444	2,319

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

	2020 US$ '000	2019 US$ '000
Short term benefits	7,415	8,851
Long term benefits	927	1,559

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 2020 amounted to US$ 1.5 million (2019: US$ 1.5 million).

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

	Associated companies US$ '000	Major shareholders US$ '000	Directors and key management personnel US$ '000	Other related parties US$ '000	2020 US$ '000	2019 US$ '000
Assets:						
Receivables	5,779	-	261	-	6,040	2,441
Mudaraba and Musharaka financing	-	-	1,717	-	1,717	1,656
Investments	16,808	-	-	-	16,808	15,783
Ijarah Muntahia Bittamleek	-	-	-	-	-	62
Other assets	156	-	417	-	573	2,154
Liabilities:						
Customer current and other accounts	2,335	8,342	2,371	4	13,052	34,534
Due to banks	-	579	-	-	579	7
Other liabilities	-	-	-	49	49	8
Equity of investment accountholders	8,927	1,777	18,250	-	28,954	24,347
Off-balance sheet equity of investment accountholders	12,371	11,280	1,128	-	24,779	47,366

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

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25. RELATED PARTY TRANSACTIONS (Continued)

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

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

			2019	Transaction
Name of directors	Position	Nationality	Number of shares	Number of shares
Late Saleh Abdulla Kamel	Chairman	Saudi	680,431,667	-
Abdulla Saleh Kamel	Chairman - elected on June 2020	Saudi	338,598	-
Abdulla Ammar Saudi	Vice Chairman	Bahraini	666,350	-
Mohydin Saleh Kamel	Board Member	Saudi	707,976	-
AbdulElah Sabbahi	Board Member	Saudi	225,899	-
Adnan Ahmed Yousif	Board Member (President & Chief Executive)*	Bahraini	362	-
Abdulrahman Shehab	Executive Vice President, Head of Operations and Administration*	Bahraini	339,231	-

* Retired on 31 December 2020

26. COMMITMENTS AND CONTINGENCIES

	2020	2019
	US$ '000	US$ '000
Letters of credit	**645,083**	635,669
Guarantees	**1,832,887**	2,027,755
Acceptances	**104,947**	111,075
Undrawn commitments	**890,708**	874,750
Shari'a compliant promise contracts	**869,261**	84,641
	4,342,886	3,733,890

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.

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27. SEGMENTAL ANALYSIS (Continued)

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

	2020			2019		
Segment	Assets US$ '000	Liabilities US$ '000	IAH US$ '000	Assets US$ '000	Liabilities US$ '000	IAH US$ '000
Middle East	13,891,840	3,430,814	9,130,834	13,147,200	3,183,416	8,602,235
North Africa	2,631,510	1,446,142	899,172	2,711,726	1,412,977	992,650
Europe	9,256,366	4,965,210	3,870,198	8,509,482	3,654,755	4,361,686
Others	2,470,283	955,250	1,329,985	1,890,123	528,317	1,199,305
	28,249,999	10,797,416	15,230,189	26,258,531	8,779,465	15,155,876

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

	2020			2019		
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	557,179	304,659	77,812	491,027	245,515	118,293
North Africa	126,688	62,264	18,339	145,346	77,421	46,888
Europe	325,800	152,825	36,990	242,382	52,028	2,469
Others	130,082	59,682	32,748	88,642	24,275	12,516
	1,139,749	579,430	165,889	967,397	399,239	180,166

28. RISK MANAGEMENT

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

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

a) Liquidity risk

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

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

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28. RISK MANAGEMENT (Continued)

a) Liquidity risk (Continued)

The maturity profile at 31 December 2020 was as follows:

	Up to 1 month US$ '000	1 to 3 months US$ '000	3 to 6 months US$ '000	6 months to 1 year US$ '000	1 to 3 years US$ '000	3 to 5 years US$ '000	5 to 10 years US$ '000	10 to 20 years US$ '000	20 years and above US$ '000	Undated US$ '000	Total US$ '000
Assets											
Cash and balances with banks	4,002,827	11,625	8,709	-	451,964	8,770	-	-	-	877,549	5,361,444
Receivables	1,739,016	1,458,536	1,467,365	1,743,098	2,514,567	2,282,171	650,300	83,788	7,152	-	11,945,993
Mudaraba and Musharaka financing	1,596,182	8,173	81,358	20,771	577,180	373,274	68,310	128,220	1,190	-	2,854,658
Investments	369,294	491,021	615,995	582,046	1,394,276	878,468	538,437	930	2,166	224,556	5,097,189
Ijarah Muntahia Bittamleek	35,586	39,018	79,764	116,590	313,724	288,946	440,493	405,320	28,186	-	1,747,627
Property and equipment	-	-	-	-	-	-	-	-	-	478,572	478,572
Other assets	125,737	30,988	101,532	52,423	196,464	39,907	8,841	1,686	-	206,938	764,516
Total assets	7,868,642	2,039,361	2,354,723	2,514,928	5,448,175	3,871,536	1,706,381	619,944	38,694	1,787,615	28,249,999
Liabilities											
Customer current and other accounts	6,204,996	278,473	224,936	171,399	211,197	159,661	257,682	-	-	-	7,508,344
Due to banks	884,190	391,828	105,265	109,799	136,950	-	-	-	-	-	1,628,032
Long term financing	21,165	15,260	7,081	1,726	10,161	17,977	245,994	-	-	-	319,364
Other liabilities	687,828	95,083	131,838	65,096	22,311	90,328	208	-	-	248,984	1,341,676
Total liabilities	7,798,179	780,644	469,120	348,020	380,619	267,966	503,884	-	-	248,984	10,797,416
Equity of investment accountholders	5,709,229	1,799,658	825,006	1,582,718	2,856,958	860,371	1,504,637	91,612	-	-	15,230,189
Total liabilities and equity of investment accountholders	13,507,408	2,580,302	1,294,126	1,930,738	3,237,577	1,128,337	2,008,521	91,612	-	248,984	26,027,605
Net liquidity gap	(5,638,766)	(540,941)	1,060,597	584,190	2,210,598	2,743,199	(302,140)	528,332	38,694	1,538,631	2,222,394
Cumulative net liquidity gap	(5,638,766)	(6,179,707)	(5,119,110)	(4,534,920)	(2,324,322)	418,877	116,737	645,763	683,763	2,222,394	
Off-balance sheet equity of investment accountholders	79,005	258,075	149,759	681,955	97,501	152,295	116,390	7,695	39,235	-	1,581,910

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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

b) Credit risk

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

Type of credit risk

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

Sales (Murabaha) receivables

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

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28. RISK MANAGEMENT (Continued)

b) Credit risk (Continued)

Salam receivables

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

Istisna'a receivables

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

Mudaraba financing

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

Musharaka financing

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

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

	Maximum exposure	
	2020	2019
	US$ '000	US$ '000
Balances with central banks	4,027,943	3,956,830
Balances with other banks	497,408	707,214
Receivables	11,945,993	10,894,937
Mudaraba and Musharaka financing	2,854,658	3,228,615
Investments	5,097,189	3,872,538
Other assets	426,712	236,564
Total	24,849,903	22,896,698
Commitments and contingencies	4,342,886	3,733,890
	29,192,789	26,630,588

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

	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

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28. RISK MANAGEMENT (Continued)

b) Credit risk (Continued)

Aging analysis of past due but performing Islamic financing contracts

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

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

	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

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.

Notes to the Consolidated Financial Statements

at 31 December 2020

28. RISK MANAGEMENT (Continued)

b) Credit risk (Continued)

Credit Risk Mitigation (Continued)

Collaterals listed hereunder may attract capital relief from capital adequacy requirements as per the Central Bank of Bahrain's stipulations:

1) Hamish Jiddiyyah (Good faith deposit): Subsidiaries take this type of collateral in the transactions for which non-binding promises to perform is given by the customer. If a customer does not honor his promise to perform, the subsidiary has recourse to the deposit.

2) Third party guarantee: The subsidiary should have recourse to the guarantor in case of customer's default. In order to qualify as eligible collateral, the guarantee should be unconditional and irrevocable. The guarantor must be solvent and, if applicable of investment grade rating.

3) Urbon: This is the amount that should be taken from a purchaser or lessee when a contract is established and it is the first line of defense for the subsidiary if the purchaser or lessee breaches the contract.

4) Underlying assets of the lease contract: The underlying asset must be of monetary value and the subsidiary must have legal access to it, own it and sell it to cover the open exposure with the customers in question. The assets have also to be free of any of any kind of encumbrance.

   Any excess amount resulting from the closure of the pledge by the subsidiary should be returned to the customer (pledger). The subsidiary should conduct at least annual evaluation of the pledged assets and keep adequate documentation of this evaluation.

5) Cash deposit free from any legal encumbrance with the subsidiary either in the form of equity of investment accountholders or off-balance sheet equity of investment accountholders.

6) Rated and unrated senior sukuk issued by first class financial institutions or by GCC sovereigns.

Credit Quality

Credit Risk Management at the Group will be based upon the creation and maintenance of a Credit Rating System (CRS) for the non-retail business. All the Group's units are to incorporate into their respective credit policies the CRS as the framework for credit management taking into consideration the methodology requirements of their local central banks, in this respect. The methodology for obligor (issuer) rating will reflect the specifics of the Group's main business and the geographical diversity of its operations. Ratings of countries, governments and financial institutions are carried out in centralised fashion at the Bank in Bahrain whereas rating of corporates is done at the subsidiaries level, unless the exposure to the corporate involves cross-border risk, in which case, that rating will also be at the Bank as part of the credit limit approval.

The CRS at the Bank has also been designed to be comparable to the rating system of major international rating agencies (Moody's, Standard & Poor's, Fitch) in respect of their foreign currency rating of countries, governments and financial institutions.

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

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

Notes to the Consolidated Financial Statements

at 31 December 2020

28 RISK MANAGEMENT (continued)

c) Concentration risk (continued)

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

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

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

	2020			2019		
	Assets US$ '000	Liabilities US$ '000	IAH US$ '000	Assets US$ '000	Liabilities US$ '000	IAH US$ '000
Manufacturing	4,529,603	166,488	403,783	3,973,201	207,022	249,199
Mining and quarrying	178,966	3,630	29,542	87,175	5,623	38,993
Agriculture	176,243	34,575	15,851	159,492	29,803	11,967
Construction and real estate	2,704,963	23,255	20,379	2,834,481	28,612	20,410
Financial	4,304,550	2,065,887	1,735,509	5,246,635	1,524,956	1,933,975
Trade	1,716,019	294,681	214,500	1,752,862	267,965	282,359
Personal and consumer finance	3,069,122	5,620,301	10,143,401	2,641,012	4,657,786	10,540,573
Government	8,634,720	74,731	161,054	6,949,245	85,353	105,790
Other Services	2,935,813	2,513,868	2,506,170	2,614,428	1,972,345	1,972,610
	28,249,999	10,797,416	15,230,189	26,258,531	8,779,465	15,155,876

d) Market risk

Market risk arises from fluctuations in profit rates, equity prices and foreign exchange rates. Under Market Risk Policies currently implemented by management of the Group, have set certain limits on the level of risk that may be accepted. This is monitored by local management at the subsidiary level.

Profit rate risk

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

However, the profit sharing agreements will result in displaced commercial risk when the Group's results do not allow the Group to distribute profits in line with the market rates.

Equity price risk

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The equity price risk exposure arises from the investment portfolio. The Group manages this risk through diversification of investments in terms of geographical distribution and industry concentration.

The Group has total equity portfolio of US$ 335,679 thousand (2019: US$ 383,115 thousand) comprising of equity-type instruments at fair value through equity amounting to US$ 107,971 thousand (2019: US$ 94,443 thousand) and equity-type instruments at fair value through statement of income amounting to US$ 227,708 thousand (2019: US$ 288,672 thousand). Variation of 10% increase or decrease in the portfolio value will not have a significant impact on the Group's consolidated net income or owners' equity.

Notes to the Consolidated Financial Statements

at 31 December 2020

28. RISK MANAGEMENT (Continued)

d) Market risk (Continued)

Foreign exchange risk

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

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

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

	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)
Tunisia 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

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

Notes to the Consolidated Financial Statements

at 31 December 2020

28. RISK MANAGEMENT (Continued)

d) Market risk (Continued)

Foreign currency risk sensitivity analysis

In order to measure its exposures to currency risk, the Group stress tests its exposures following the standard shocks adopted by Derivatives Policy Group in this respect which calculates the effect on assets and income of the Group as a result of appreciation and depreciation in foreign currencies in relation to the reporting currency of the Group. This is done using various percentages based upon the judgment of the management of the Group.

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

At 31 December 2020

Currency	Particular	Exposures in US$ '000	Maximum expected decrease %	Change in net income and owners' equity US$ '000	Maximum expected increase %	Change in net income and owners' equity US$ '000
Algerian Dinar	Net Income	15,197	(15%)	(1,982)	5%	800
	Total owners' equity	191,150	(15%)	(24,933)	5%	10,061
Egyptian Pound	Net Income	74,062	(20%)	(12,344)	5%	3,898
	Total owners' equity	326,924	(20%)	(54,487)	5%	17,207
Turkish Lira	Net Income	36,990	(20%)	(6,165)	5%	1,947
	Total owners' equity	384,930	(20%)	(64,155)	5%	20,259
Sudanese Pound	Net Income	26,630	(100%)	(13,315)	5%	1,402
	Total owners' equity	56,354	(100%)	(28,177)	5%	2,966
S.African Rand	Net Income	2,334	(15%)	(304)	5%	123
	Total owners' equity	55,075	(15%)	(7,184)	5%	2,899
Syrian Pound	Net Income	22,753	(100%)	(11,377)	5%	1,198
	Total owners' equity	53,824	(100%)	(26,912)	5%	2,833
Pakistani Rupees	Net Income	3,783	(10%)	(344)	5%	199
	Total owners' equity	73,614	(10%)	(6,692)	5%	3,874
Tunisian Dinar	Net Income	7,758	(10%)	(705)	5%	408
	Total owners' equity	71,360	(10%)	(6,487)	5%	3,756
Moroccan Dirham	Net (Loss)	(4,616)	(20%)	769	5%	(243)
	Total owners' equity	23,686	(20%)	(3,948)	5%	1,247

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 2020

28 RISK MANAGEMENT (continued)

e) Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk.

Operational Risk Management Framework

The Group guidelines have the following sections: (1) Operational Risk Appetite, (2) Operational Risk Management – Structure and Rules, (3) Risk and Control Assessment, (4) Internal Audit, (5) Operational Risk and Basel II and (6) Operational Risk Capital Requirement.

The Group's Operational Risk Appetite is defined as the level of risk which the Group chooses to accept in its identified risk categories. Operational risk appetite is expressed in terms of both impact (direct loss) and the probability of occurrence.

The Operational Risk framework is subject to periodic Internal Audit.

The Group categorizes operational risk loss events into the following categories:

Infrastructure Risks

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

In order to hedge the subsidiaries from the infrastructure risk as outlined above, every subsidiary must take all the necessary measures indicated in the Business Continuity Plan and/or Disaster Recovery Plan (BCP and DRP) to cater for these risks.

Information Technology Risks

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

Staff risk

The main risks that arises from staff risks are risks due to larceny, fraud, corruption, crime, etc. In order to prevent these risks from occurring, the Group has established Group Human Resources Policies and Code of Conduct which entails constructive ways in dealing with mistakes and frauds. The Group has also established approval control steps in business processes as well as creating separate internal control processes. Further, the Group has established measures of organizational structure in terms of segregation of duties as well as diverse training measures to reduce human errors and frauds, etc.

Business risk

This risk may take on the following forms:

1. Processes without clear definitions, for example, when insufficient time was spent on documenting or updating the already documented processes.
2. Outdated process descriptions in cases where "reality" already strongly differs from the guidelines laid down in the past.
3. The extreme case of a completely missing documentation. To hedge this risk, the Group adopts sound documentation policies of business processes as it is a basic requirement for a well functioning process organization. The process description are up to date and clear; furthermore, it is accessible to all employees.

Capital Adequacy Ratio (CAR) 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 2020 is 15.97% (2019: 16.71%) and the minimum requirement as per Central Bank of Bahrain is 12.5%. The Group NSFR as of 31 December 2020 is 242% and the minimum requirement as per Central Bank of Bahrain is 100%.

Notes to the Consolidated Financial Statements

at 31 December 2020

28 RISK MANAGEMENT (continued)

f) Corporate governance

Board of Directors

The Board of Directors is responsible for approving the Group's overall business strategy, monitoring its operations and taking critical business decisions. In line with international leading practices, the Board has instituted corporate governance measures to ensure that the interests of the shareholders are protected, including the appointment to the Board of four independent non-executive directors as defined in the Rule Book of the CBB.

The Bank is administered by a Board of Directors consisting of not less than five and not more than fifteen members. However, subject to the provisions of the law, the shareholders at an Ordinary General Meeting may determine that the number of directors shall exceed fifteen in certain circumstances. Members of the Board of Directors hold office for a three-year renewable term, although the term of office may be extended at the request of the Board for a period not exceeding six months by resolution of the Bahrain Minister of Industry and Commerce.

There are currently thirteen Directors on the Board, who have varied backgrounds and experience and who individually and collectively exercise independent and objective judgment. Other than the President and Chief Executive, all Directors are non-executive. The posts of Chairman and President and Chief Executive are held by different Directors and each has separate, clearly defined responsibilities.

The Board of Directors meets regularly (usually four times a year) and has a formal schedule of matters reserved to it, considering key aspects of the Group's affairs referred to it for decision. The Board reviews the Group's strategy and financial plans, all proposed material changes to the Group's policies, structure and organisation, reports provided to it on the operations of the Group (with emphasis on organisational development, risk management and information technology development) and the performance of executive management. The Board and its committees are supplied with full and timely information to enable them to discharge their responsibilities. All Directors have access to the advice and services of the secretary, who is responsible for ensuring that the Board procedures and applicable rules and regulations are observed.

The Board of Directors has overall responsibility for the Group's system of internal control and its effectiveness. There are established and ongoing procedures in place for identifying, evaluating and managing significant risks faced by the Group, which are regularly reviewed by the Board. The Group's system of internal control provides for a documented and auditable trail of accountability and applies across its operations, is designed to ensure effective and efficient operation and compliance with all applicable laws and regulations, and seeks to manage risk with a view to avoiding material errors, losses and fraud.

29 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the value representing the estimate of the amount of cash or cash equivalent that would be received for an asset sold or the amount of cash or cash equivalent paid for a liability extinguished or transferred in an orderly transaction between a willing buyer and a willing seller at the measurement date.

Quoted equity type instruments are investments which are fair valued using quoted prices in active markets for identical instruments and unquoted equity type instruments are investments that are fair valued using directly or indirectly observable inputs.

The Group's investments in sukuk held at amortised cost have fair values amounting to US$ 4,671 million (2019: US$ 3,519 million).

Also included under investments are unquoted equity-type instruments at fair value through equity amounting to US$ 57,197 thousand (2019: US$ 53,835 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.

Notes to the Consolidated Financial Statements

at 31 December 2020

30 NSFR REQUIREMENTS AND CALCULATION METHODOLOGY

The Net Stable Funding Ratio ('NSFR') is calculated in accordance with the Liquidity Risk Management Module guidelines, issued by the CBB and is effective from 2019. The minimum NSFR ratio as per CBB is 100%. The Group's consolidated NSFR ratio as of 31 December 2020 is 242%.

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

	Unweighted Values (i.e. before / relevant factors)				
Item	No specified maturity US$ '000	Less than 6 months US$ '000	More than 6 months and less than one year US$ '000	Over one year US$ '000	Total weighted value US$ '000
Available Stable Funding (ASF):					
Capital:					
Regulatory Capital	1,689,009	-	-	235,815	1,924,824
Other Capital Instruments	-	-	-	-	-
Retail deposits and deposits from small business customers:					
Stable deposits	-	3,503,212	240,280	71,549	3,627,867
Less stable deposits	-	6,489,787	1,647,943	745,226	8,069,183
Wholesale funding:					
Operational deposits	-	8,459	-	-	4,230
Other wholesale funding	-	3,622,711	430,177	274,188	1,722,990
Other liabilities:					
NSFR Shari'a-compliant hedging contract liabilities	-	-	-	-	-
All other liabilities not included in the above categories	-	1,056,288	138,355	131,711	131,711
Total ASF	1,689,009	14,680,457	2,456,755	1,458,489	15,480,805
Required Stable Funding (RSF):					
Total NSFR high-quality liquid assets (HQLA)	4,056,321	1,484,825	-	-	41,382
Deposits held at other financial institutions for operational purposes	-	59,295	-	-	29,647
Performing financing and Sukuk/securities:					
Performing financing to financial institutions secured by Level 1 HQLA	-	26,450	-	70,582	73,227
Performing financing to financial institutions secured by non-level 1 HQLA and unsecured performing financing to financial institutions	-	671,037	136,590	137,322	306,272

Notes to the Consolidated Financial Statements

at 31 December 2020

30 NSFR REQUIREMENTS AND CALCULATION METHODOLOGY (continued)

	Unweighted Values (i.e. before / relevant factors)				
Item	No specified maturity US$ '000	Less than 6 months US$ '000	More than 6 months and less than one year US$ '000	Over one year US$ '000	Total weighted value US$ '000
Performing financing to non- financial corporate clients, financing to retail and small business customers, and financing to sovereigns, central banks and PSEs, of which:					
With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines	-	3,219,953	2,180,085	-	2,700,019
Performing residential mortgages, of which:					
With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	1,449,466	942,153
Securities/Sukuk that are not in default and do not qualify as HQLA, including exchange - traded equities	-	12,249	6,023	30,987	35,475
Other assets:					
Physical traded commodities, including gold	-	-	-	-	-
Assets posted as initial margin for Shari'a-compliant hedging contracts contracts and contributions to default funds of CCPs	-	-	-	-	-
NSFR Shari'a-compliant hedging assets	-	-	-	-	-
NSFR Shari'a-compliant hedging contract liabilities before deduction of variation margin posted	-	-	-	-	-
All other assets not included in the above categories	1,968,209	2,518	28,236	112,683	2,089,169
OBS items	3,622,724	-	-	-	181,136
Total RSF	9,647,254	5,476,327	2,350,934	1,801,040	6,398,480
NSFR (%)	18%	268%	105%	81%	242%

31 EARNINGS PROHIITED BY SHARI'A

Earnings realised during the year from transactions that were not permitted by Shari'a amounted to US$ 10 million (2019: US$ 12 million). This amount has been taken to charity.

32 COMPARATIVE FIGURES

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

SUPPLEMENTARY DISCLOSURES TO THE CONSOLIDATED FINANCIAL INFORMATION

at 31 December 2020

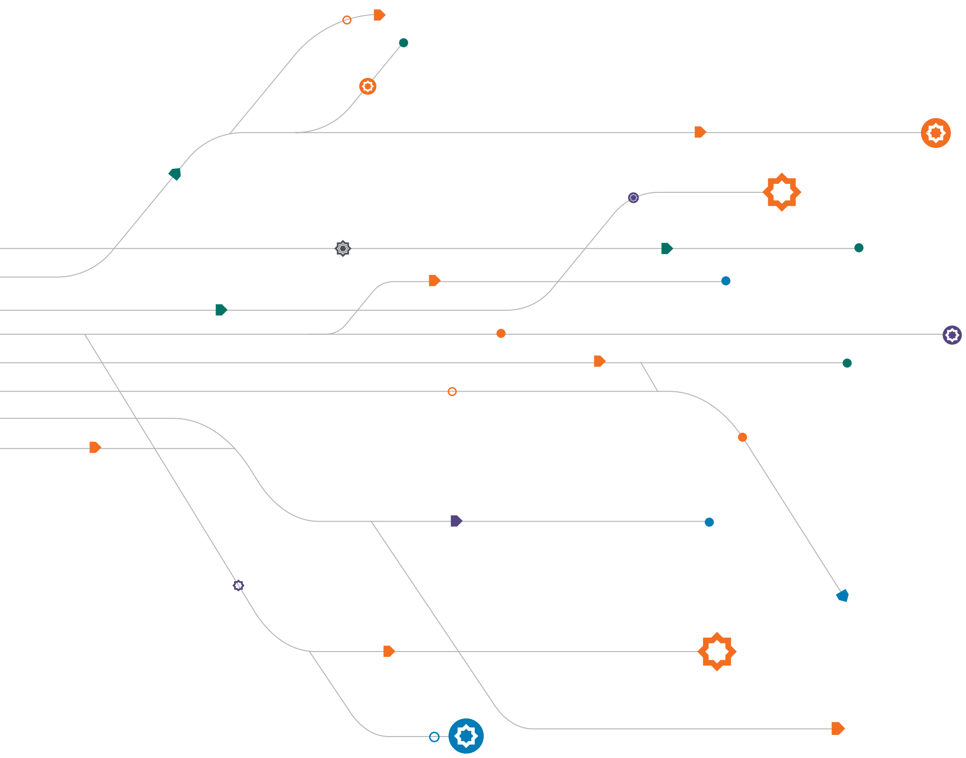
COVID-19 pandemic has spread across various geographies globally, causing disruption to business and economic activities. COVID-19 has brought about uncertainties in the global economic environment. Global equity and commodity markets, in particulars the hydrocarbon sector, experienced significant volatility.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

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

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

A summary of major financial impacts on the Group are given as follows:

	Net Impacts on Group's		
	Consolidated Income Statement US$ '000	Consolidated Statement of Financial Position US$ '000	Consolidated Owner's Equity US$ '000
Modification loss	-	(8,836)	(8,836)
Amortization of modification loss	8,836	8,836	8,836
Government grant	-	-	1,914
Concessionary REPO (matured during the period)	-	79,576	-
Average reduction in reserves	-	10,837	-
ECLs attributable to COVID-19	(146,110)	(146,110)	(146,110)



Additional Public Disclosures
and Regulatory Capital Disclosure

At 31 December 2020 (Unaudited)

Additional Public Disclosures

31 December 2020

Additional Public Disclosures

31 December 2020

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 2020		
	CET 1	AT1	T2
	US$ '000	US$ '000	US$ '000
Tier 1 Capital			
Common Equity Tier 1 (CET1)			
Issued and fully paid up ordinary shares	1,242,880	-	-
Less: Treasury Shares	17,462	-	-
Legal / statutory reserves	182,775	-	-
Share premium	18,084	-	-
Retained earnings	444,022	-	-
Current net income	41,874	-	-
Unrealized gains and losses on available for sale financial instruments	1,887	-	-
Gains and losses resulting from converting foreign currency subsidiaries to the parent currency	(800,486)	-	-
All other reserves	345	-	-
Unrealized gains and losses from fair valuing equities	24,705	-	-
Total CET1 capital before minority interest	1,138,624	-	-
Total minority interest in banking subsidiaries given recognition in CET1 capital	430,535	-	-
Total CET1 capital prior to regulatory adjustments	1,569,159	-	-
Less:			
Goodwill	46,805	-	-
Intangibles other than mortgage servicing rights	28,983	-	-
Deferred tax assets	11,800	-	-
Total Common Equity Tier 1 capital after the regulatory adjustments above (CET1 d)	1,481,571	-	-
Other Capital (AT1 & T 2)			
Instruments issued by parent company		400,000	
Instruments issued by banking subsidiaries to third parties		31,008	92,100
Assets revaluation reserve - property, plant, and equipment		-	31,053
General financing loss provision		-	125,562
Total Available AT1 & T2 Capital		431,008	248,715
Net Available Capital after regulatory adjustments before Applying Haircut		431,008	248,715
Net Available Capital after Applying Haircut	1,481,571	431,008	248,715
Total Tier 1		1,912,579	
Total Capital			2,161,294

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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 2020	
	Risk weighted assets US$ '000	Minimum capital requirements US$ '000
Credit Risk	10,044,976	1,255,622
Market Risk	1,576,238	197,030
Operational Risk	1,934,353	241,794
Total risk weighted exposures	13,555,567	1,694,446
Investment risk reserve (30% only)	19,560	2,445
Profit equalization reserve (30% only)	1,903	238
	13,534,104	1,691,763

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 2020	
Islamic financing contracts	Risk weighted assets US$ '000	Minimum capital requirements US$ '000
Receivables	4,631,692	578,962
Mudaraba and Musharaka financing	1,122,600	140,325
Ijarah Muntahia Bittamleek	715,474	89,434
	6,469,766	808,721

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 2020
Total capital ratio	15.97%
Tier 1 capital ratio	14.13%

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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 2020	
	Tier 1 capital ratio	Total capital ratio
Banque Al Baraka D'Algerie	18.36%	20.07%
Al Baraka Islamic Bank*	23.07%	24.45%
Al Baraka Bank Tunis	29.28%	30.18%
Al Baraka Bank Egypt	29.22%	30.14%
Al Baraka Bank Lebanon	7.90%	9.03%
Jordan Islamic Bank	27.31%	28.36%
Al Baraka Turk Participation Bank	8.71%	10.44%
Al Baraka Bank Limited	22.00%	22.49%
Al Baraka Bank Sudan	9.02%	11.02%
Al Baraka Bank Syria	19.40%	20.49%
BTI Bank	131.30%	131.99%

* These ratios represents the consolidated ratios and Al Baraka Pakistan has tier 1 capital ratio of 13.84% and total capital ratio of 16.98%.

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

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

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

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

	31 December 2020
Nationality/ Incorporation	% holding
Bahraini	26.59%
Saudi	43.27%
Cayman Islands	19.32%
Emirati	6.06%
Others	4.76%

2. RISK MANAGEMENT

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

The Group's risk management has the following objectives:

a. To ensure that key risks facing the Group and its subsidiaries are effectively identified, assessed, controlled, monitored and reported.
b. To Unify Group-wide risk management to enable the Group to produce risk adjusted return on capital.
c. To Create a professional risk management culture throughout the Group with prudent, disciplined approach to risk taking based on comprehensive Group-wide policies, processes and limits.
d. To invest in key technology and systems to support and enhance the effectiveness and efficiency of risk management.
e. To have the right caliber of professionally risk qualified staff and their ongoing training.
f. To ensure strict segregation of duties and reporting lines between business personnel and thouse involved in reviewing and monitoring risks involved in businesses and operations.
g. To maintain clear, up tp date and well documented policies via Group Risk Management Manual by each of the Group's subsidiaries which incorporate the uniform processes and procedures of the Group in addition to the local requirements.
h. To ensure strict compliance with all Shari'a and legal requirements and regulatory directives.

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2. RISK MANAGEMENT (Continued)

a) Liquidity risk

The liquidity management policy at a minimum includes the following:

a. Articulates the Group' liquidity risk appetite and tolerance.

b. Sound process for identifying, measuring, monitoring and controlling liquidity risk.

c. Clear guidance on the composition and role of the asset/liability committee and other departments responsible for managing liquidity.

d. The processes and reports required to ensure monitoring and adherence to liquidity risk management strategies.

e. Liquidity metrics for identifying, measuring and analyzing liquidity risks as appropriate to the business mix, complexity and risk profile of the bank.

f. Establish a framework for the composition of assets.

g. Early Warning Indicators.

h. Funding strategies to achieve sufficient diversification, both of funding sources and composition of liquid assets.

i. Stress testing guidelines to analyze the impact of stress scenarios on its consolidated group-wide liquidity position.

j. Contingency Funding plan that clearly sets out its strategies for addressing liquidity and funding shortfalls.

k. Periodic calculations to determine the extent to which the subsidiary is funding long-term assets with short-term liabilities.

l. Liquidity ratio benchmarks, e.g. parameters for the funding of long-term assets with short-term liabilities to guide liquidity management and the method for computing liquidity indicators.

m. Limits on the degree of concentrations that are deemed acceptable. This should:

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

   ii) Set procedures for the orderly restoration of the liquidity position in the event of loss of funding where such concentrations are unavoidable. In addition, the Group's subsidiaries conduct an impact analysis on its dependency on any such concentrations.

n. Periodic review of the deposit structure. The review should include the volume and trend of various types of deposits offered, maturity distributions of time deposits, profit rate paid on each type of deposit, prevailing market profit rate, limits on large time deposits, public funds, and non-resident deposits.

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 2020
Short term assets to short term liabilities	77%
Liquid assets to total assets	26%

b) Credit risk

General credit policies and guiding principles

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

a) Financing will be extended when the Group can confidently expect that it will be repaid by the customer as agreed. This necessitates a thorough knowledge of the customer and clear understanding of the risks underlying the credit requests.

b) Financing should be extended where there are at least two clear sources of repayments.

c) It is generally preferred that the repayments are from cash generated by the customers' productive and ongoing income or activities.

d) Amounts, profits/other charges and terms under the prevailing market conditions for any proposed financing are to be consistent with the perceived quality of the risk being undertaken.

e) Financing should generally be extended where the Group's seniority as creditors is pari passu or better than any other financing.

f) Financing should be structured appropriately considering the purpose of the credit and the source of repayment.

g) Financing needs to be assessed on a stand alone basis as well as on portfolio basis to assess its impact on the total financing portfolio.

h) Compliance with all applicable local statutory and regulatory directives guidelines should be ensured in all cases.

i) Propriety and ethical standards should be taken into account in all financing decisions.

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2. RISK MANAGEMENT (Continued)

b) Credit risk (continued)

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

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

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

	31 December 2020				
	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	3,035,629	2,574,923	8,910,364	8,775,514	11,945,993
Mudaraba and Musharaka financing	1,366,315	1,237,744	1,488,343	1,325,540	2,854,658
Investments	2,717,324	2,680,315	2,379,865	2,429,593	5,097,189
Ijarah Muntahia Bittamleek	564,885	567,546	1,182,742	1,150,376	1,747,627
Other assets	223,637	160,473	203,075	194,989	426,712
Unfunded Exposure					
Commitments and contingencies	4,342,886	3,970,258	-	-	4,342,886
	12,250,676		14,164,389		26,415,065

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

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

The following table summarises the geographic distribution of gross funded exposure as of 31 December 2020, 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	907,010	717,262	1,134,688	276,669	3,035,629	4,289,737	374,911	3,861,540	384,176	8,910,364	11,945,993
Mudaraba and Musharaka financing	720,537	47,317	407,546	190,915	1,366,315	970,284	18,137	-	499,922	1,488,343	2,854,658
Investments	1,053,051	40,686	1,326,545	297,042	2,717,324	2,231,088	13,686	-	135,091	2,379,865	5,097,189
Ijarah Muntahia Bittamleek	272,645	251,534	39,617	1,089	564,885	1,009,402	160,967	8,659	3,714	1,182,742	1,747,627
Other Assets	93,347	11,213	19,843	99,234	223,637	165,146	5,154	14,068	18,707	203,075	426,712
	3,046,590	1,068,012	2,928,239	864,949	7,907,790	8,665,657	572,855	3,884,267	1,041,610	14,164,389	22,072,179

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2. RISK MANAGEMENT (Continued)

b) Credit risk (continued)

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

The following table summarises the distribution of funded and unfunded exposure by counterparty type, broken down by major types of credit exposures as of 31 December 2020:

	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	333,651	1,087,013	404,153	456,599	2,150,827	2,145,312	24,418	-	-	-	-	-	2,913,049	3,688,924
Claims on International Organizations	-	-	-	-	942	-	-	-	-	-	-	-	942	-
Claims on MDBs	1,395	8,387	-	-	-	-	437	2,556	-	-	-	-	1,832	10,943
Claims on banks	179,447	335,660	458,789	274,662	134,677	18,626	2,833	1,816	-	-	273,725	-	1,049,471	630,764
Claims on corporates	1,492,465	5,347,895	447,793	321,214	50,414	20,527	204,096	358,172	-	-	3,781,797	-	5,976,565	6,047,808
Claims on retail	551,249	1,502,927	-	141,619	-	-	2,983	2,294	-	-	178,388	-	732,620	1,646,840
Mortgage	332,987	494,180	-	-	-	-	330,118	797,522	-	-	100,388	-	763,493	1,291,702
Past due receivables	144,435	134,302	4,697	23,650	-	-	-	20,382	-	-	649	-	149,781	178,334
Equity investment	-	-	-	-	76,434	64,733	-	-	-	-	-	-	76,434	64,733
Investment in funds	-	-	-	-	256,792	11,582	-	-	-	-	-	-	256,792	11,582
Specialized lending	-	-	50,883	270,599	-	-	-	-	-	-	7,939	-	58,822	270,599
Other assets	-	-	-	-	47,238	119,085	-	-	223,637	203,075	-	-	270,875	322,160
Total	3,035,629	8,910,364	1,366,315	1,488,343	2,717,324	2,379,865	564,885	1,182,742	223,637	203,075	4,342,886	-	12,250,676	14,164,389

Large Credit Exposure (PD - 1.3.23 (f))

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

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

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

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

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31 December 2020

2. RISK MANAGEMENT (Continued)

b) Credit risk (continued)

Table -11. Credit quality of Islamic financing contracts by counterparty type (PD-1.3.23(h), 1.3.24 (b))

The following table summarises the total past due, non performing and neither past due nor non performing Islamic financing contracts and ageing of non performing Islamic financing contracts disclosed by counterparty type as of 31 December 2020:

					Ageing of non performing Islamic financing contracts		
	Total US$ '000	Neither past due nor non performing US$ '000	Past due but performing US$ '000	Non performing Islamic financing contracts US$ '000	90 days to 1 year US$ '000	1 year to 3 years US$ '000	Over 3 years US$ '000
Sovereign	2,363,573	2,362,844	729	-	-	-	-
Bank	1,236,012	1,236,012	-	-	-	-	-
Investment Firms	2,660	191	-	2,469	-	2,469	-
Corporates	8,958,965	7,602,047	615,429	741,489	360,867	254,955	125,667
Retail	3,482,845	3,198,165	45,309	239,371	123,082	53,850	62,439
	16,044,055	14,399,259	661,467	983,329	483,949	311,274	188,106

Table -12. Expected Credit Loss (ECL) on stage 3 by counterparty type (PD-1.3.23 (h), 1.3.24 (d))

The following table summarises the total expected credit looses (ECL) on stage 3 disclosed by counterparty type as of 31 December 2020:

	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	38	400	-	-	(112)	326
Investment Firms	-	-	-	-	-	-
Corporates	317,662	186,152	(55,266)	(12,673)	(8,692)	427,183
Retail	98,028	(1,403)	(2,750)	(512)	(3,593)	89,770
	415,728	185,149	(58,016)	(13,185)	(12,397)	517,279

Table -13. Expected credit losses stage 1 and 2 (PD-1.3.23 (h), 1.3.24 (d))

The following table summarises the movement of stage 1 and 2 ECL during the year ended:

	31 December 2020 US$ '000
Opening balance	192,774
Charged during the year	101,147
Foreign exchange translations/ others	4,283
Balance at the end of the year	298,204

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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 2020		
	Past due and non performing Islamic financing contracts US$ '000	Stage 3 ECL US$ '000	Stage 1 and 2 ECL US$ '000
Middle East	410,101	184,134	185,402
North Africa	194,038	65,947	34,418
Europe	951,642	220,792	68,830
Others	89,015	46,406	9,554
	1,644,796	517,279	298,204

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

	31 December 2020
	US$ '000
Renegotiated Islamic financing contracts	676,595

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 2020
	US$ '000
Gross positive fair value of contracts	21,645,467
Netting Benefits	-
Netted Current Credit Exposure	21,645,467
Collateral held:	
Cash	648,630
Others	1,730,667
Real Estate	3,380,576
	5,759,873

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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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 2020	
	Equity position risk US$ '000	Foreign exchange risk US$ '000
Risk weighted exposure (RWE)	-	1,576,238
Capital requirements (12.5%)	-	197,030
Maximum value of RWE	-	1,656,538
Minimum value of RWE	-	1,277,613

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

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

Equity price risk
Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The equity price risk exposure arises from the Group's investment portfolio.

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

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

Table – 18. Investments in Banking Book (PD-1.3.31 (b) (c) & (f))
The following table summarises the total and average gross exposure of equity based financing structures by types of financing contracts and investments as of 31 December 2020:

	Total gross exposure US$ '000	Average gross exposure over the year US$ '000	Publicly held US$ '000	Privately held US$ '000	Capital requirement US$ '000
Sukuk and similar items	4,540,286	4,540,085	3,236,495	1,303,791	99,647
Equity Investment	338,441	351,787	284,244	54,197	42,305
Managed funds	42,326	29,905	7,857	34,469	5,291
	4,921,053	4,921,777	3,528,596	1,392,457	147,243

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31 December 2020

2. RISK MANAGEMENT (Continued)

c) Market risk (continued)

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

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

	31 December 2020 US$ '000
Cumulative realised gains arising from sales or liquidations in the reporting year	3,664
Total unrealized losses recognised in the consolidated statement of financial positions but not through consolidated statement of income	1,076

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		
	2020 US$ '000	2019 US$ '000	2018 US$ '000
Total Gross Income	1,139,749	967,397	987,819

	2020
Indicators of operational risk	
Average Gross income (US$ '000)	1,031,655
Multiplier	12.5
	12,895,688
Eligible Portion for the purpose of the calculation	15%
TOTAL OPERATIONAL RISK WEIGHTED EXPOSURE (US$ '000)	1,934,353

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

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2. RISK MANAGEMENT (Continued)

d) Operational Risk (Continued)

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

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

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

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

3. CORPORATE GOVERNANCE

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

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

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

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

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

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

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

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

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

Additional Public Disclosures

31 December 2020

3. CORPORATE GOVERNANCE (Continued)

Remuneration

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

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

	31 December 2020 US$ '000
Directors remuneration	1,500
Executive Management	
Salary and other remuneration, including meeting allowance	7,058
Fees	357
Bonuses	-
Benefits-in-kind	927
	8,342
Shari'a Committee Members fee and remuneration	249
	10,091

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 2020 financial year. The AGM has approved the reappointment of the external auditor for the year 2020 on 21 March 2020 and the related regulatory approval were taken.

For the year 2020, annual audit and quarterly review services amounted to US$ 389,330, other attestation services amounted to US$ 127,281.

Additional Public Disclosures

31 December 2020

4. EQUITY OF INVESTMENT ACCOUNTHOLDERS

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

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

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

a) Targeted returns;

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

c) Diversified portfolio.

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

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

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

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

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

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

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

	31 December 2020 US$ '000
IAH - Banks	535,625
IAH - Non-banks	14,617,215
Profit equalisation reserve (PER) - Banks	226
Profit equalisation reserve (PER) - Non-banks	6,119
Investment risk reserve (IRR) - Banks	2,326
Investment risk reserve (IRR) - Non-banks	62,876
Cumulative changes in fair value attributable to IAH	5,802
	15,230,189

Additional Public Disclosures

31 December 2020

4. EQUITY OF INVESTMENT ACCOUNTHOLDERS (Continued)

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

	2020 %
Return on average IAH Equity	14.0
Return on average IAH Assets	9.4

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

	31 December 2020 %
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 2020 %
Receivables	77
Mudaraba and Musharaka financing	13
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 2020 %
Sovereign	13
Bank	5
Corporates	56
Retail	26

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 2020

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 2020		
	Opening actual allocation US$ '000	Movement US$ '000	Closing actual allocation US$ '000
Cash and balances with banks	1,337,232	(240,118)	1,097,114
Receivables	8,666,015	244,349	8,910,364
Mudaraba and Musharaka financing	1,022,735	465,608	1,488,343
Investments	2,581,751	(201,886)	2,379,865
Ijarah Muntahia Bittamleek	1,123,281	59,461	1,182,742
Other assets	184,739	(12,978)	171,761
	14,915,753	314,436	15,230,189

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 2020		
Type of Claims	RWA US$ '000	RWA for capital adequacy purposes US$ '000	Capital charges US$ '000
Cash and notes	337	101	13
Claims on Sovereign	428,073	128,422	16,053
Claims on PSEs	2,276	683	85
Claims on MDBs	5,471	1,641	205
Claims on Banks	290,116	87,035	10,879
Claims on Corporates	5,439,792	1,631,938	203,992
Regulatory Retail Portfolio	1,199,471	359,841	44,980
Mortgage	1,175,343	352,603	44,075
Past due facilities	191,966	57,590	7,199
Investment in securities	81,716	24,515	3,064
Holding of Real Estates	255,538	76,661	9,583
Other Assets	444,073	133,222	16,653
	9,514,172	2,854,252	356,781

Additional Public Disclosures

31 December 2020

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))

	2020 US$ '000	2019 US$ '000	2018 US$ '000	2017 US$ '000	2016 US$ '000
The profit available for shareholders before smoothing	**218,816**	147,132	168,003	174,243	222,550
The profit available for IAH before smoothing	**1,066,575**	1,244,567	1,159,241	1,084,420	1,114,019
The profit available for sharing between IAH and shareholders before smoothing	**1,285,391**	1,391,699	1,327,244	1,258,663	1,223,215
The percentage of profit available for shareholders	**1%**	1%	1%	1%	1%
The percentage of profit available for IAH	**6%**	7%	8%	7%	6%
The profit available for shareholders after smoothing	218,816	147,132	147,132	222,550	196,848
The profit available for IAH after smoothing	1,067,630	1,242,487	1,245,253	1,159,326	1,088,366
The profit available for sharing between IAH and shareholders after smoothing	**1,286,446**	1,389,619	1,392,385	1,381,876	1,285,214
The percentage of profit available for shareholders	**1%**	1%	1%	1%	1%
The percentage of profit available for IAH	**6%**	7%	8%	7%	7%
Profit equalisation reserve					
Balance at 1 January	7,400	5,320	6,006	6,091	10,037
Amount apportioned from income allocable to equity of IAH	2,423	(962)	4,240	910	297
Amount used during the year	(2,582)	(21)	(4,792)	(976)	(3,580)
Foreign exchange translations	(896)	3,063	(134)	(19)	(663)
Balance at 31 December	**6,345**	7,400	5,320	6,006	6,091
Investment risk reserve					
Balance at 1 January	77,199	104,005	187,149	176,583	179,238
Amount appropriated to provision	(20,201)	(1,771)	(26,423)	(8,069)	7,324
Amount apportioned from income allocable to equity of IAH	8,469	(24,616)	(47,755)	21,895	1,057
Foreign exchange translations	(265)	(419)	(8,966)	(3,260)	(11,036)
Balance at 31 December	**65,202**	77,199	104,005	187,149	176,583

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

5. OFF-BALANCE SHEET EQUITY OF INVESTMENT ACCOUNTHOLDERS

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

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

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

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

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

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

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

Additional Public Disclosures

31 December 2020

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

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

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

	31 December 2020 %
Receivables	46
Mudaraba and Musharaka financing	41
Ijarah Muntahia Bittamleek	13

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 2020 %
Sovereign	7
Investment Firms	3
Bank	45
Corporates	4
Retail	40

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))

	2020 US$ '000	2019 US$ '000	2018 US$ '000	2017 US$ '000	2016 US$ '000
Return on off-balance sheet equity of IAH net of expenses	37,179	55,601	54,097	42,467	43,826

Regulatory Capital Disclosure

At 31 December 2020

Composition of Capital Disclosure Requirements

	Statement of Financial Position as in published financial statements 31 December 2020 US$ '000	Consolidated PIRI data 31 December 2020 US$ '000	Reference
Assets			
Cash and balances at central banks	5,361,444	5,365,180	
Trading portfolio assets	234,405	234,405	
Murabaha	11,449,177	11,692,766	
Ijarah assets	1,747,628	1,771,469	
Ijarah installment receivables	98,812	100,927	
Mudarabah	1,769,565	1,776,986	
Musharakah	1,085,093	1,099,324	
Salam	210,364	214,462	
Istisna'a	187,640	190,554	
Held to maturity	4,533,588	4,539,280	
Available for sale financial investments	107,970	107,970	
Investment in real estate	176,136	176,136	
Prepayments, accrued income and other assets	688,728	695,204	
Current and deferred tax assets	-	11,800	H
Investments in associates and joint ventures	45,089	45,089	
Goodwill	46,806	46,806	F
Other intangible assets	28,982	28,982	G
Property, Plant and Equipment	478,572	478,572	
Total Assets	**28,249,999**	**28,575,912**	
Liabilities			
Deposits or placement from banks	1,628,032	1,628,032	
Customer accounts	7,508,344	7,508,344	
Accruals, deferred income and other liabilities	1,249,696	1,175,478	
Current and deferred tax liabilities	91,980	91,980	
Long term financing	319,364	319,364	
Total liabilities	**10,797,416**	**10,723,198**	
Equity of Investment Account Holders	**15,230,189**	**15,230,189**	
Shareholders' Equity			
Paid-in share capital	1,225,417	1,225,417	A
Share premium	18,084	18,084	C1
Retained earnings	364,496	364,496	B
Of which related to modification loss and COVID 19 ECL net of government assisstant	-	146,110	N
	-	510,606	
Reserves	(584,428)	(615,484)	C2
Tier 1 Sukuk	400,000	400,000	L
Assets revaluation reserve - property, plant, and equipment	-	31,053	K
Expected credit losses (Stages 1 & 2)	-	125,562	M
Expected credit losses (Stages 1 & 2)	-	400,134	M1
Non controlling interest	798,825	798,825	
NCI - CET1	-	430,535	D
NCI -AT1	-	31,008	I
NCI-T2	-	92,100	J
		245,182	
Total Shareholders' Equity	**2,222,394**	**2,622,525**	
Total Liabilities, URIA and shareholders' equity	**28,249,999**	**28,575,912**	

Regulatory Capital Disclosure

At 31 December 2020

Composition of Capital Disclosure Requirements

		31 December 2020 US$ '000	Reference
Common Equity Tier 1 capital: instruments and reserves			
1	Directly issued qualifying common share capital plus related stock surplus	1,225,417	A
2	Retained earnings	510,606	B+N
3	Accumulated other comprehensive income (and other reserves)	(597,400)	C1+C2
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	430,535	D
6	**Common Equity Tier 1 capital before regulatory adjustments**	**1,569,158**	
Common Equity Tier 1 capital: regulatory adjustments			
7	Prudential valuation adjustments	-	
8	Goodwill (net of related tax liability)	46,806	F
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	28,982	G
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	11,800	H
28	**Total regulatory adjustments to Common equity Tier 1**	**87,588**	
29	**Common Equity Tier 1 capital (CET1)**	**1,481,570**	
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)	31,008	I
35	of which: instruments issued by subsidiaries subject to phase out	-	
36	**Additional Tier 1 capital before regulatory adjustments**	**431,008**	
Additional Tier 1 capital: regulatory adjustments			
44	**Additional Tier 1 capital (AT1)**	**431,008**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**1,912,578**	
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)	123,153	J+K
50	Provisions	125,562	M
51	**Tier 2 capital before regulatory adjustments**	**248,716**	
Tier 2 capital: regulatory adjustments			
58	**Tier 2 capital (T2)**	**248,716**	
59	**Total capital (TC = T1 + T2)**	**2,161,294**	
60	**Total risk weighted assets**	**13,534,102**	
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	10.95%	
62	Tier 1 (as a percentage of risk weighted assets)	14.13%	
63	Total capital (as a percentage of risk weighted assets)	15.97%	
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)	4.4%	
National minima including CCB (if different from Basel 3)			
69	CBB Common Equity Tier 1 minimum ratio	9%	
70	CBB Tier 1 minimum ratio	10.5%	
71	CBB total capital minimum ratio	12.5%	
Amounts below the thresholds for deduction (before risk weighting)			
72	Non-significant investments in the capital of other financials	224	
73	Significant investments in the common stock of financials	2,241	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	62,106	
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)	400,134	M1
77	Cap on inclusion of provisions in Tier 2 under standardised approach	125,562	M

Regulatory Capital Disclosure

At 31 December 2020

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)	1,225	400	6
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

ABG Head Office Management

PRESIDENT AND CHIEF EXECUTIVE
Mr. Adnan Ahmed Yousif
President and Chief Executive

DEPUTY CHIEF EXECUTIVE
Mr. Hamad A. Al Oqab
Deputy Chief Executive - Head of Support
Mr. Mohsin Dashti
First Vice President - Head of Special Projects & Organization Development

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

OPERATIONS & ADMINISTRATION
Mr. Abdulrahman Shehab
Executive Vice President - Head of Operations & Administration
Mr. Ahmed Albalooshi
Senior Vice President - Head of Information Technology
Mr. Ahmed M. AbdulGhaffar
First Vice President - Investors Relations
Ms. Usha Ramesh
Vice President - Corporate Communications & Branding

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

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

CREDIT & RISK MANAGEMENT
Mr. Azhar Aziz Dogar
Senior Vice President - Head of Credit and Risk Management
Mr. Amr Ehab Tantawi
First Vice President
Dr. Hala Radwan
First Vice President

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

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

FINANCE
Mr. Yaser Ismaeel Mudhafar
Senior Vice President - Head of Finance
Mr. Ali asgar Mandasorwala
First Vice President

GROUP COMPLIANCE
Mr. Nader Mahmood
Senior Vice President - Group Head of Compliance & MLRO Management
Ms. Hend Hatem
(Group Money Laundering Reporting Officer MLRO)

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