BANK ALKHAIR

بسم الله الرحمن الرحيم

Contents

Licensed as a wholesale Islamic bank by the Central Bank of Bahrain

His Majesty
King Hamad bin Isa Al Khalifa
The King of the Kingdom of Bahrain

His Royal Highness
Prince Salman bin Hamad Al Khalifa
The Crown Prince, Deputy Supreme Commander & the Prime Minister of the Kingdom of Bahrain

VISION

To be a leading global provider of Shari'ah-compliant financial services

VALUES

- *Integrity • Honesty*
- *Innovation • Transparency*
- *Confidentiality • Professionalism*

Established in 2004 in the Kingdom of Bahrain, Bank Alkhair is a wholesale Islamic bank.

The Bank's primary focus is to provide clients with access to innovative alternative investment opportunities in the MENASAT region. Bank Alkhair offers a select range of investment banking-related products and services, including asset management, private equity, corporate finance, and capital markets advisory.

Bank Alkhair seeks to deliver exceptional value to its shareholders and clients by focusing on innovation, professionalism and integrity. All products and transactions are governed by two essential principles: that they comply fully with the rules of Islamic Shari'ah, and that they are benchmarked against international financial best practices.

Stringent corporate governance standards ensure that the Bank, its directors and employees adopt the highest standards of ethical conduct and adhere to the principles of fairness, transparency, accountability and responsibility in all day-to-day dealings and operations.

Bank Alkhair B.S.C. (c)

5-Year Consolidated Performance Summary

(Amounts in US $ thousands)	**2020**	2019	2018	2017	2016
(Loss) / profit for the year before Zakah and impairment	**(10,488)**	(12,411)	(2,145)	(10,205)	(26,605)
(Loss) / profit for the year	**(8,916)**	(19,707)	(8,380)	(9,839)	(33,034)
Total assets	**391,969**	390,012	470,872	482,242	489,693
Placements with financial institutions	**-**	-	5,056	6,588	8,402
Financing receivables	**782**	-	1,911	8,956	16,075
Investment securities	**63,596**	70,778	73,342	70,644	61,603
Total liabilities	**276,293**	265,648	287,181	292,284	291,617
Due to financial institutions	**264,596**	32,982	47,866	71,342	87,566
Due to customers	**-**	213,909	212,944	167,372	151,034
Equity attributable to the shareholders of the Bank	**41,424**	52,572	75,703	88,247	103,830
Total equity	**115,676**	124,364	183,691	189,958	198,076
Return on average assets (percent)	**-2.3 %**	-4.6 %	-1.8%	-2.0%	-6.2%
Return on average shareholders' equity (percent)	**-7.4 %**	-12.8 %	-4.5%	-5.1%	-15.7%
Cost to income ratio (percent)*	**143.5 %**	150.7 %	120.3%	122.3%	182.6%
Financial leverage (percent)	**638.7%**	469.6 %	344.5%	270.5%	229.8%
Capital adequacy ratio (percent)	**-6.9%**	-6.1 %	-0.4%	1.9%	2.6%

Note: Figures of previous years have been reclassified for comparative purposes.

* Cost excludes impairment and provision for zakah

BOARD OF DIRECTORS

Yousef A. Al-Shelash
Chairman
Non-Executive Director

Majed Al Qasem
Independent Director

Dr. Ahmed Al-Dehailan
Independent Director

Khalid Shaheen
Independent Director

SHARI'AH SUPERVISORY BOARD

Dr. bÎl·Y a2Kl·YYŜŘ ¸l·lj2dzōè

Chairman

Dr. !ƭ adzKèŜl·ƭŘy !ƭvdzǋl·Řl·ƎK

Deputy Chairman

Dr. a2Kl·YYl·Ř 5l·dzŘ .l·ƪl·ǋ

EXECUTIVE MANAGEMENT

Kubra Ali Mirza

Acting Chief Executive Officer

(Until 21 March, 2021)

Samar Vijay Pupala

Chief Financial Officer

(Effective 7 January, 2021)

Fawad Hanif

Chief Financial Officer /
Coordinator – Back Office Function

(Until 31 December, 2020)

The Board remains committed to converting the Bank into a holding company as it is in the best interest of all stakeholders

In the name of Allah, the Beneficent, the Merciful, Prayers and Peace upon the Last Apostle and Messenger, Our Prophet Mohammed, His Companions and Relatives.

On behalf of the Board of Directors, it is my privilege to present the annual report and consolidated financial statements of Bank Alkhair for the year ended 31 December 2020.

The Board has been working on the process of surrendering the license and conversion to a holding company. We have successfully fulfilled most of the requirements of the Central Bank of Bahrain ("CBB") for surrender of license and are working towards the remaining few.

To implement our restructuring plan, we have done all that has been required.

Nevertheless, during 2020, Bank Alkhair exited its investment in the real estate project in Bodrum, Turkey, held through Yalikavak II Cayman and Turquoise Coast Investment Company Cayman. Furthermore, the liquidation process of the Private Equity Fund B.S.C. has been concluded. The Board was able to achieve this despite the recurring lockdowns and restrictions.

The Strategic Acquisition Fund was also put under liquidation and handed over to the liquidator. The liquidation is still in progress, in addition to the liquidation process of AKIIM Sdn Bhd., (formerly Alkhair International Islamic Bank), the Bank's subsidiary in Malaysia, is also underway. Alkhair Gayrimenkul Yatirim Ve Ticaret A.S. (formerly Alkhair Portföy Turkey), the Turkish subsidiary of the Bank, is currently not operational, and will be put under voluntary liquidation.

The Board remains committed to converting the Bank into a holding company as it is in the best interest of all stakeholders.

In closing, on behalf of the Bank's Board of Directors I would like to extend our sincere appreciation to our loyal shareholders for their unwavering support and confidence.

Yousef Abdullah Al-Shelash
Chairman of the Board

18 April, 2021

BUSINESS LINES
INVESTMENT BANKING

In 2020, Bank Alkhair continued its efforts of converting to a Holding Company and the surrender of its banking license in Bahrain. The Bank worked with the relevant regulators in Bahrain, Turkey and Malaysia to address all the processes of converting to a Holding Company.

Majority of the milestones agreed with these regulators in advance of the surrender were achieved during the year:

- Malaysia Operations have completely been wound down, the banking license was surrendered, the company was renamed to AKIIM Sdn Bhd, and was then handed over to the liquidator.
- Turkey operations namely Alkhair Capital has been sold. Financial services license of Alkhair Portfoy was surrendered and the company was renamed as Alkhair Gayrimenkul Yatirim Ve Ticaret A.S. The company has been prepared for liquidation, and is ready to be handed over to liquidator.
- Bank Alkhair exited its investment in the real estate project in Bodrum, Turkey, held through Yalikavak II Cayman and Turquoise Coast Investment Company Cayman
- The liquidation process of the Private Equity Fund B.S.C. has been concluded
- The Strategic Acquisition Fund was also put under liquidation and handed over to the liquidator.

Al Tajamouat for Touristic Projects

Company Sector/Industry: Tourism

Location: Amman, Jordan

Shareholding: 50.63%

Al Tajamouat Mall (Taj Mall), the premier upscale shopping mall and entertainment complex in Amman, Jordan is now fully operational, and has achieved an occupancy rate of 85 Per cent at premium lease rates, with active interest in the remaining space. Its footfall has more than doubled since opening reaching around 5.6 million visitors in 2020.

t’azur Company

Sector/Industry:	Takaful
Location:	Bahrain, Kuwait, Qatar and Oman
Shareholding:	**25.86%**

t’azur is a regional Takaful company established in 2007 following two years of intensive research and development led by Bank Alkhair. t’azur offers both General and Family Takaful products and services. In 2013, t’azur was instrumental in the establishment of Takaful Oman, the first Shari’ah compliant insurance company in the Sultanate. Takaful Oman’s initial public offering raised US$60 million, and was 5.5 times oversubscribed.

SUBSIDIARIES

Malaysia

During 2019, as part of the process of surrendering the license of Bank Alkhair, the banking license for Alkhair International Islamic Bank was surrendered and the company was renamed to AKIIM Sdn Bhd, which was then handed over to the liquidator. Although the company is still wholly owned by BAK but due to handing over to the liquidator, the control of the company was also transferred to the liquidator and accordingly BAK deconsolidated the company and is shown as held for distribution in its financials.

Turkey

Bank Alkhair sold Alkhair Capital and surrendered the licenses of Alkhair Portföy, which was renamed as Alkhair Gayrimenkul Yatirim Ve Ticaret A.S. The company has been prepared for liquidation, and is ready to be handed over to a liquidator.

Al-Tajamouat for Touristic Projects Co. Plc., Jordan

Al-Tajamouat for Touristic Projects Co. Plc. is listed on the Amman Stock Exchange and owns and operates TAJ Mall launched in 2012. Al Tajamouat Mall (Taj Mall), the premier upscale shopping mall and entertainment complex in Amman, Jordan is now fully operational, and has achieved an occupancy rate of 85 Per cent at premium lease rates, with active interest in the remaining space. Its footfall has more than doubled since opening reaching around 5.6 million visitors in 2020.

ASSOCIATE COMPANIES AND AFFILIATES

BFC Group Holdings

BFC Group was acquired by Bank Alkhair in January 2009. Founded in 1917, it is one of the leading foreign exchange and remittance houses in the GCC region. In 2016, the Group was granted a banking license in the United Kingdom. BFC Bank shall cater to customers who require international payment solutions as well as domestic banking products.

t'azur Company

Established in 2007 by Bank Alkhair, t'azur is a Bahrain based Takaful (Shari'ah-compliant) regional insurance group offering a comprehensive range of Takaful products for individuals and businesses.

Its regional presence extends to Kuwait, Qatar and Oman. In 2013, t'azur established Takaful Oman, the first Shari'ah-compliant insurance company in the Sultanate. Its initial public offering raised US$60 million and was 5.5 times oversubscribed.

Independent Logistics and Warehousing Company

In 2019, the Bank acquired 33.33% stake in Independent Logistics and Warehousing Company, a company incorporated in the Hashmiet Kingdom of Jordan, against redemption of Bank's units in Unicorn Global Private Equity Fund I. The company owns and operates warehouses in Amman, Jordan.

Turquoise Coast Investment Company & Yalikavak

Established in 2008, Turquoise Coast, through its Turkish Subsidiary Safir Grup Gayrimenkul Yatirim Insaat Danismanlik Turizm A.S. ("Safir"), started as a 23-acre mixed hospitality and residential real estate development at Bodrum. The luxury project included beachfront apartments and villas, beachfront suites, and hotel guest rooms. Phase one is complete. Phase two, included a 5-star hotel and spa and the second tranche of residences. Phase three consisted of additional residences. Yalikavak was established in 2014, to support the second and third phases of the development project with additional equity financing.

In 2019, Bank Alkhair, as the manager of Turquoise Coast and the owner of Yalikavak, agreed with the 20% of the partner in Safir to demerge Safir. Following the demerger, Turquoise Coast and Yalikavak jointly owned 100% of two of the three demerged entities, Yalikavak I Gayrimenkul Yatirim ve Gelistirme A.S. ("Yalikavak I A.S.") and Yalikavak II Gayrimenkul Yatirim ve Gelistirme A.S. ("Yalikavak I A.S."), who own the phase one and phase three of the Project, while the former Turkish partner obtained the 100% ownership of phase two.

During the year, BAK sold the 100% shares of the new Turkish operating companies Yalikavak I A.S. and Yalikavak II A.S., owned by Turquoise Coast and Yalikavak to Turkish investors. As a result, Turquoise Coast and Yalikavak do not have any investments.

BFC Group Holdings

Sector/Industry: Financial services

Location: Bahrain, Kuwait, Malaysia, India and the UK

Shareholding: **43.54%**

The BFC Group currently operates in the United Kingdom, Malaysia, India, Kuwait and Bahrain through a global network of over 125 retail branches. In addition, through its proprietary EzRemit money transfer service, BFC is present in over 40 countries with over approximately 50,000 correspondent agent locations. The Group also has an extensive global reach of approx. 192 countries through its partnership with MoneyGram, a leading international remittance company.

TURQUOISE COAST INVESTMENT COMPANY

Turquoise Coast Investment Company & Yalikavak

Sector/Industry: Real estate - residential and hospitality

Location: Bodrum, Turkey

Shareholding: **0.86%** of TCIC **100%** of Yalikavak

Turquoise Coast Investment Company (TCIC) was established in 2008 to provide investors with an opportunity to capitalise on the strong demand for vacation homes in Turkey. The Company is developing a 23-acre mixed hospitality and residential real estate development at Bodrum, overlooking the turquoise waters of Koyunbaba Bay. Yalikavak was established in 2014, to support the second and third phases of the development project with additional equity financing. In 2019, Bank Alkhair agreed with its Turkish partner to demerge the project, whereby TCIC owned first and third phases of the project, while the second phase was owned by its former partner. During the year, TCIC sold all its shares in the project to a Turkish investor, and distributed the proceeds to the investors.

FINANCIAL REVIEW

As approved by the shareholders, the Bank is progressing towards surrendering the banking license and converting to a holding company. In this regard, the management is working to curtail its business activities and exit from various investments. We have successfully fulfilled most of the requirements of the Central Bank of Bahrain ("CBB") for surrender of license and are working towards the remaining few

During the year, Bank Alkhair exited its investment in the real estate project in Bodrum, Turkey, held through Yalikavak II Cayman and Turquoise Coast Investment Company Cayman. Furthermore, the liquidation process of the Private Equity Fund B.S.C. has been concluded. The Board was able to achieve this despite the recurring lockdowns and restrictions.

The Strategic Acquisition Fund was also put under liquidation and handed over to the liquidator. The liquidation is still in progress, in addition to the liquidation process of AKIIM Sdn Bhd., (formerly Alkhair International Islamic Bank), the Bank's subsidiary in Malaysia, is also underway. Alkhair Gayrimenkul Yatirim Ve Ticaret A.S. (formerly Alkhair Portfoy Turkey), the Turkish subsidiary of the Bank, is currently not operational, and our lawyers have begun the formal process of liquidation.

The Board remains committed to converting the Bank into a holding company as it is in the best interest of all stakeholders.

In 2020, the Group maintained its controlling stake in Al-Tajamouat for Touristic Project Company with an overall shareholding of 50.63%.

The Bank has a 43.54% stake (2019: 43.54%) in BFC Group Holdings Ltd. ("BFC"), a company incorporated in the United Arab Emirates. BFC is a holding company of a group of money-changers in different jurisdictions. BFC is engaged in buying and selling foreign currencies and travellers cheques, handling business and provision of other exchange house services in both local and foreign currencies.

The Group has a 25.86% stake (2019: 25.86%) in t'azur B.S.C. (c); an unlisted regional takaful company incorporated in the Kingdom of Bahrain. T'azur Company B.S.C (c) has a commitment to provide a Qard Hassan to the extent of the accumulated deficit in the participants' fund of US$38.1 million at 31 December 2020 (31 December 2019: US$41.5 million). The Group's share of the commitment is US$9.8 million (31 December 2019: US$10.7million).

As at 31 December 2020, Bank Alkhair's total assets stood at US$392 million against US$390 million at the end of 2019.

As at 31 December 2020, cash and cash equivalents were US$9.3 million against US$1.3 million at the end of 2019. Investment securities stood at US$63.5 million as compared to US$70.8 million and other assets were US$12.3 million compared to US$10.9 million as at the end of previous year.

Financial Position Analysis

Selected financial position data (US$ millions)	31 December 2020	31 December 2019
Cash and balances with banks	**9.3**	**1.3**
Placements with financial institutions	**-**	**-**
Total cash and cash equivalents	**9.3**	**1.3**
Financing receivable	**0.8**	**-**
Investment securities	**63.5**	**70.8**
Equity-accounted investees	**126.9**	**122.6**
Investment Property	**177.1**	**184.1**
Premises and equipment	**0.03**	**0.1**
Other assets	**12.3**	**10.9**
Due to financial institutions & customers	**264.6**	**246.9**
Other liabilities	**11.7**	**18.7**
Equity attributable to the shareholders of the Bank	**41.4**	**52.6**
Non-controlling interests	**74.2**	**71.8**
Total equity	**115.7**	**124.4**
Total liabilities and equity	**391.9**	**390.0**
Return on average shareholders' equity (per cent)	**-7.43%**	**-12.8%**
Return on average assets (per cent)	**-2.28%**	**-4.6%**
Leverage ratio (per cent)	**638.7%**	**469.6%**

Total Income amounted to US$24.1 million in 2020 compared to US$22.1 million in 2019.

Fee and Asset-based Income

US$ millions	31 December 2020	31 December 2019
Income from investment securities	**-**	1.3
Fees and commission income	**2.9**	0.4
Share of profit of equity-accounted investees	**4.5**	1.2
Sub-total	**7.4**	2.9
Income from non-banking operations	**14.9**	19.1
Other Income	**1.8**	0.1
TOTAL	**24.1**	22.1

For the year ended 31 December 2020, total operating expenses were US$ 34.5 million as compared to US$ 33.4 million for the previous year. During the year, the Bank's net finance expense came in at US$15.5 million against a net finance expense of US$14.9 million for 2019.

Operating Expenses

US$ millions	31 December 2020	31 December 2019
Staff Cost	**1.1**	3.3
Finance expense	**15.5**	14.9
Legal and professional expenses	**1.2**	0.8
Premises cost	**0.2**	0.4
Business Development expenses	**0.1**	0.1
Depreciation	**0.1**	0.1
Expenses from non-banking operations	**10.6**	12.8
Other operating expenses	**5.7**	1.1
Non-staff cost	**33.4**	30.1
Total expenses	**34.5**	33.3
Cost: Income ratio (Per cent)	**143.52%**	150.7%
Period-end headcount*	**62**	95

**Note: Headcount includes full-time employees of Al-Tajamouat for Touristic Project Company.*

RISK MANAGEMENT REVIEW

The prudent taking of risk is an inherent part of Bank Alkhair's business and the Bank's ability to properly identify, anticipate, assess, mitigate and actively manage risk is a core element of its operating philosophy and profitability. The Bank's approach to managing risk involves the establishment of a risk management framework that includes:

- Risk governance arrangements through an independent risk management function
- Risk strategy formulation in support of the Bank's strategy and risk appetite
- Risk management infrastructure and resourcing
- Risk management policies, limits and processes and control

The Bank's risk management and governance framework is intended to provide progressive controls and continuous management commensurate with all risks involved in the Bank's activities.

Risk Governance

Board Risk Management Oversight

The Board of Directors is ultimately responsible for risk management oversight, providing exclusive focus on risk management issues. The Risk Management function, reports functionally and administratively to the Board Audit & Risk Committee. The Board is responsible for approving the Bank's risk management framework, risk strategy, and risk appetite to ensure consistency with the Bank's long- term objectives.

The Board is also responsible for setting and overseeing the Bank's compliance with discretionary authority limits, and approving all policies.

Audit & Risk Committee

The Audit & Risk Committee is appointed by the Board of Directors and consists of three members, two of whom are independent Board members. The Committee assists the Board in fulfilling its oversight responsibilities with respect to integrity of financial reporting and the underlying financial / operational internal controls framework; properly identify, anticipate, assess, mitigate and actively manage the Bank's risks. The Committee oversees the Group Internal Audit, the Risk and Compliance functions, in addition to overseeing the External Audit process.

Shari'ah Supervisory Board

Shari'ah compliance is the ultimate responsibility of the Shari'ah Supervisory Board. The Group's Shari'ah Supervisory Board is vested with the responsibility of issuing binding resolutions, guidelines and pronouncements to ensure that the Group complies with the Shari'ah rules and principles in its transactions, activities and general philosophy.

CAPITAL MANAGEMENT AND ALLOCATION

Bank Alkhair B.S.C. (c) (“the Bank”) is a closed, unlisted company incorporated in the Kingdom of Bahrain and licensed as a Wholesale Islamic Bank by the Central Bank of Bahrain (CBB). It has subsidiaries in Malaysia, Jordan and Turkey and associated undertakings in Jordan and Bahrain. The Bank along with its subsidiaries are together referred to as (“the Group”).

Bank Alkhair is required to comply with the regulatory capital adequacy guidelines promulgated by the CBB, based on the standards established by the Basel Committee on Banking Supervision (the Basel Committee) of the Bank for International Settlements (BIS). In accordance with CBB guidelines, Bank Alkhair must maintain a minimum target capital adequacy ratio of 12.5% on a consolidated basis.

Basis of Consolidation for Accounting and Regulatory Purposes

For the purpose of preparation of consolidated financial statements, the Bank consolidates all subsidiaries which are fully owned or exercises significant control over them. These subsidiaries are consolidated from date of acquisition being the date on which the group obtains control and continues until the control ceases. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. For regulatory purposes the Bank should consolidate all banking and other financial entities which are considered to be subsidiaries of the Bank.

The list of the legal entities that are included within the accounting scope of consolidation but excluded from the regulatory scope of consolidation are as follows:

Entity Name	Total Assets US$ 000's	Total Liabilities US$ 000's	Entity principle activities
Al-Tajamouat for Touristic Projects Co Plc	188,632	42,302	The main activities are in real estate property investment & development and ownership and operation of a shopping mall in Amman.

The Bank and its subsidiaries (together referred to as "the Group") are in the process or restructuring and converting to a holding company as approved by its shareholders. During the year, based on the CBB letter dated May 17, 2020 the bank has exited out of the Bodrum Project in Turkey and completed the liquidation of its Private Equity fund. The liquidation of the Strategic Acquisition Fund has been initiated and it currently with the liquidator. The Bank is not currently carrying out any regulated activities.

Composition of Capital Disclosure

a. Statement of financial position under the regulatory scope of consolidation

The table below shows the reconciliation between the statement of financial position in the published financial statements (accounting statement of financial position) and the regulatory statement of financial position.

	31 December 2020		
	Statement of Financial Position as in published Financial Statements	Statement of Financial Position as per regulatory reporting	Reference
	US$ 000's	US$ 000's	
ASSETS			
Cash and balances with banks	9,298	2,459	
Placements with financial institutions	-	-	
Financing receivables	782	782	
Investment securities	63,596	103,674	
Equity-accounted investees	126,978	126,978	
Of which related to significant investments in financial entities under CET1	-	126,978	G
Investment property	177,059	-	
Other assets	12,340	3,658	
Assets held-for-distribution	1,878	1,834	
Equipment	38	13	
TOTAL ASSETS	**391,969**	**239,398**	
LIABILITIES AND EQUITY			
LIABILITIES			
Due to financial institutions and customers	264,596	231,552	
Other liabilities	11,697	2,493	
Liabilities relating to assets held-for-distribution	-	-	
TOTAL LIABILITIES	**276,293**	**234,045**	
Owners' equity			
Share capital	207,962	207,962	A
Statutory reserve	664	664	D
Investments fair value reserve	179	179	E
Foreign currency translation reserve	(2,470)	(352)	F
Accumulated losses	(164,911)	(203,100)	
Retained earnings	-	(189,202)	B
Current interim cumulative net income / losses	-	(13,898)	C
Equity attributable to shareholders of the Bank	**41,424**	**5,353**	
Non-controlling interests	74,252		
TOTAL EQUITY	**115,676**	**5.353**	
TOTAL LIABILITIES AND EQUITY	**391,969**	**239,398**	

The table below provides a detailed breakdown of the bank's regulatory capital components including all regulatory adjustments. The table also provides reference to the comparison displayed in section a between accounting and regulatory statement of financial positions.

	31 December 2020		
	Components of regulatory Capital ***US$ 000's***	***Amount Subject to pre-2015 treatment*** ***US$ 000's***	***Reference***
Common Equity Tier 1 capital: instruments and reserves			
Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	207,962		A
Retained earnings	(189,202)		B
Current interim cumulative net income / losses	(13,898)		C
Accumulated other comprehensive income (and other reserves)	(1,627)		D+E+F
Common Equity Tier 1 capital before minority interest	**1,986**		
Total minority interest in banking subsidiaries given recognition in CET1 capital	-		
Common Equity Tier 1 capital before regulatory adjustments	**1,986**		
Common Equity Tier 1 capital: regulatory adjustments			
Goodwill (net of related tax liability)	-	-	
Intangibles other than mortgage servicing rights	-		
Non-common equity Invest. in financial entities where ownership is >10% of the issued common share capital	-		
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	(142,084)	142,283	
Amount exceeding the 15% threshold	(199)		
Total regulatory adjustments to Common equity Tier 1	**(142,283)**	**142,283**	G
Common Equity Tier 1 capital (CET1)	**(140,297)**		
Additional Tier 1 capital (AT1)	**-**		
Tier 1 capital (T1 = CET1 + AT1)	**(140,297)**		
Tier 2 capital			
Provisions	-		
Instruments issued by banking subsidiaries to third parties	-		
Tier 2 capital (T2)	**-**		
Total capital (TC = T1 + T2)	**(140,297)**		
Total risk weighted assets	**2,012,734**		

Capital ratios and buffers

Common Equity Tier 1 (as a percentage of risk weighted assets)	-6.97%
Tier 1 (as a percentage of risk weighted assets)	-6.97%
Total capital (as a percentage of risk weighted assets)	-6.97%

National minima including CCB (if different from Basel 3)

CBB Common Equity Tier 1 minimum ratio	6.50%
CBB Tier 1 minimum ratio	8.00%
CBB total capital minimum ratio	10.00%

a. **Statement of financial position under the regulatory scope of consolidation**

	Main features of regulatory capital instruments	
1	**Issuer**	Bank Alkhair B.S.C. (c)
2	**Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)**	NA
3	**Governing law(s) of the instrument**	Kingdom Of Bahrain
	Regulatory treatment	
4	*Transitional CBB rules*	Common Equity Tier 1
5	*Post-transitional CBB rules*	Common Equity Tier 1
6	*Eligible at solo/group/group & solo*	Group & solo
7	*Instrument type (types to be specified by each jurisdiction)*	Equity shares
8	**Amount recognised in regulatory capital (Currency in nil, as of most recent reporting date)**	USD 207 millions
9	**Par value of instrument**	USD 1.00
10	**Accounting classification**	Shareholder's equity
11	**Original date of issuance**	2004
12	**Perpetual or dated**	Perpetual
13	*Original maturity date*	No Maturity
14	**Issuer call subject to prior supervisory approval**	NA
15	*Optional call date, contingent call dates and redemption amount*	NA
16	*Subsequent call dates, if applicable*	NA
	Coupons / dividends	NA
17	*Fixed or floating dividend/coupon*	NA
18	*Coupon rate and any related index*	NA
19	*Existence of a dividend stopper*	NA
20	*Fully discretionary, partially discretionary or mandatory*	Partially discretionary
21	*Existence of step up or other incentive to redeem*	NA
22	*Noncumulative or cumulative*	NA
23	**Convertible or non-convertible**	NA
24	*If convertible, conversion trigger (s)*	NA
25	*If convertible, fully or partially*	NA
26	*If convertible, conversion rate*	NA
27	*If convertible, mandatory or optional conversion*	NA
28	*If convertible, specify instrument type convertible into*	NA
29	*If convertible, specify issuer of instrument it converts into*	NA
30	**Write-down feature**	NA
31	*If write-down, write-down trigger(s)*	NA
32	*If write-down, full or partial*	NA
33	*If write-down, permanent or temporary*	NA
34	*If temporary write-down, description of write-up mechanism*	NA
35	**Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)**	NA
36	**Non-compliant transitioned features**	NA
37	**If yes, specify non-compliant features**	NA

Capital Management

Bank Alkhair's capital adequacy policy is to maintain a strong capital base to support the Bank's financial position. Current and future capital requirements are determined on the basis of business growth expectations for each business line; future sources and uses of funds, including seed capital requirements; and expected sell-down and placement targets, and the Bank's future dividend policy.

The following tables detail the risk-weighted exposures, regulatory capital requirements and regulatory capital ratios for the Bank Alkhair B.S.C. (c) (Group) as at 31 December 2020, 31 December 2019 and 31 December 2018. The figures for the period ending 31 December 2019 are based on the standardised approach for credit risk and market risk, and the basic indicator approach for operational risk. The Bank considers Standard & Poor's, Fitch and Moody's to be External Credit Assessment Institutions (ECAIs) for the risk weighting of balance with banks, placement with financial institutions, financing receivables and investment in Sukuk. If there are two assessments available by eligible ECAIs chosen by the Bank which map into different risk weights, the higher risk weight will be applied. If there are three assessments available by eligible ECAIs chosen by the Bank which map into different risk weights, the assessments corresponding to the two lowest risk weights will be referred to, and the higher of those two risk weights will be selected.

The Bank uses the Standardised Approach for allocating capital for credit risk and consequently uses the same approach for allocating capital for counterparty credit risk. The Bank does not deal with, finance or hold securities on behalf of Highly Leveraged Institutions (HLIs) as defined by the Basel Committee on Banking Supervision (BCBS). The Bank's methodology and approach for establishing and approving counterparty and credit limits is based on an extensive review and analysis of a counterparty's financial condition and performance, trading history, due diligence covering licensing, regulatory oversight and anti-money laundering compliance review tools which are all designed to exclude HLIs.

Bank Alkhair's treasury counterparts are fully licensed and regulated financial institutions. Before establishing limits, all counterparties undergo a thorough credit risk assessment and due diligence review before approval by the Risk Committee.

As part of its collateral management policy, the Bank only accepts collateral in line with Shari'ah requirements, and with a view to minimising risk exposure. The Bank also manages its collateral to minimise collateral concentration risk either by specific issuer, market or instrument.

The Bank's credit policy defines the approach to be used when determining provisions, depending on the number of days outstanding and the credit risk rating. Facilities where repayments of principal and/or profit charges have been outstanding for more than 90 days are classified as non-performing. All facilities graded as non-performing have been provided for. General provisions are assessed and calculated on a portfolio basis if it is determined that a portfolio of facilities is affected by common risk factors that are likely to increase the collective probability of default on those facilities. Specific provisions are calculated on a facility-by-facility basis after incorporating the value of realisable collateral net of any disposal costs.

The Group Risk Management policies and objectives disclosed in the notes to the Consolidated Financial Statements have been effective throughout the reporting period.

In keeping with the directions of the CBB the group has not undertaken any business. It is awaiting approval of the surrender of its License from the CBB. Subsequent to which it will convert to a holding company basis the approval already obtained from its Shareholders and Board of Directors.

Credit Risk-Weighted Exposures

Under the CBB standardised approach, credit risk exposures are assigned to one of fourteen standard portfolios as shown below, risk weighted accordingly.

(US$ millions)	Risk-weighted equivalents			Risk-weightings for 2020
	31 December 2020	31 December 2019	31 December 2018	
Claims on Public sector entities	**-**	-	-	20%
Claims on banks	**0.5**	0.1	3.7	20%-100%
Claims on corporates including Takaful companies & category 3 investment firms	**2.9**	6.6	61.8	20%-800%
Past Due Facilities	**-**	-	-	100%-150%
Investments in securities, funds & sukuk:				
- Investments in listed equities	**-**	-	-	100%
- Investments in unlisted equities	**-**	-	-	150%
-Significant investment in the common shares of financial entities > 10%	**-**	-	-	250%
-Significant investment in the common shares of commercial entities	**-**	13.1	244.0	800%
- Other investment with excess amount over 15%	**1,917.4**	1,886.3	2,188.9	800%
- Investments in unrated funds	**-**	-	-	100%-150%
Real estate holdings	**-**	-	-	100%-400%
Holding of Sukuk Securitizations and Securitisations	**-**	-	-	20%-1,250%
Other assets and specialised financing	**-**	-	-	100%
Credit risk-weighted assets	**1,920.7**	1,906.2	2,478.4	

Minimum Capital Requirements for Islamic Financing Contracts

(US$ millions)	**31 December 2020**		31 December 2019	
	Risk-weighted equivalents	**Minimum capital requirements**	Risk-weighted equivalents	Minimum capital requirements
Murabaha	**-**	**-**	-	-
Sukuks	**-**	**-**	-	-
Quoted Equity Securities	**-**	**-**	-	-
Unquoted Equity Securities	**72.4**	**9.1**	92.3	11.5
Quoted Funds	**-**	**-**	-	-
Unquoted Funds	**31.2**	**3.9**	31.5	3.9

Market Risk-Weighted Exposures

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to adverse changes in profit rates, foreign exchange rates, and equity and commodity prices. Under the CBB standardised approach, market risk exposures are calculated for the five categories shown in the table below. Apart from limited foreign exchange, which is mainly transaction-driven, and long-term foreign currency exposure on private equity investments, the Bank has limited exposure to short-term market risks.

The details of the group's market risk capital charges and the equivalent market risk-weighted exposures as at 31 December 2020, 31 December 2019 and 31 December 2018 are:

(US$ millions)	**31 December 2020**	31 December 2019	31 December 2018
Price risk	**-**	-	-
Equities position risk	**-**	-	-
Sukuk risk	**-**	-	-
Foreign exchange risk	**3.4**	3.9	2.9
Commodities risk	**-**	-	-
Total capital requirement for market risk	**3.4**	3.9	2.9
Multiplier	**12.5**	12.5	12.5
Total Market risk-weighted exposures	**43.2**	49.3	35.9

The details of the Group's maximum and minimum value for each category of the market risk during the years ended 31 December 2020 and 31 December 2019 are:

	31 December 2020		31 December 2019	
(US$ millions)	**Maximum Capital Charge**	**Minimum Capital Charge**	Maximum Capital Charge	Minimum Capital Charge
Price risk	**-**	**-**	-	-
Equities position risk	**-**	**-**	-	-
Sukuk risk	**-**	**-**	-	-
Foreign exchange risk	**3.8**	**3.4**	3.9	2.9
Commodities risk	**-**	**-**	-	-
Total capital requirement for market risk	**3.8**	**3.4**	3.9	2.9
Multiplier	**12.5**	**12.5**	12.5	12.5
Total Market risk-weighted exposures	**47.5**	**42.5**	48.8	36.3

Operational Risk

Operational risk is the risk of unexpected losses resulting from inadequate or failed internal controls or procedures, systems failures, fraud, business interruption, compliance breaches, human error, management failure and or inadequate staffing. The Bank has a policy in place which outlines the Bank's approach in the management of operational risk, including the appointment of departmental Risk Champions, the mapping of key processes; and establishment of Key Risk Indicators (KRI's) used for monitoring operational risks through Risk and Control Self Assessments (RCSAs).

To support a robust internal control environment, the Risk Management function is actively involved in oversight of key control processes including exposure and limit monitoring. In addition, it also independently reviews payment authorisation and control arrangements, Nostro account reconciliations, new product proposals, new counterparty limit proposals, new commodity broker proposals, and key changes in internal processes.

For selected material operational risks where the Bank's capacity to fully mitigate risk is limited, Takaful insurance contracts are used to transfer such risks to third parties. Key risks where Takaful insurance contracts are used include professional indemnity liability, property risks and third party liability.

In keeping with the directions of the CBB the group has not undertaken any business. It is awaiting approval of the surrender of its License from the CBB. Subsequent to which it will convert to a holding company basis the approval already obtained from its Shareholders and Board of Directors.

Operational Risk-Weighted Exposures

For the purposes of calculating regulatory capital for operational risk under CBB capital adequacy regulation, the Bank uses the Basic Indicator Approach where gross income (weighted by an alpha of 15%) is used as a proxy for operational risk capital. The details of Bank Alkhair's operational risk capital charge, and the equivalent operational risk-weighted exposures as at the end of 31 December 2020 is shown below:

(US$ millions)	31 December 2020	31 December 2019	31 December 2018
Gross income	24.1	22.2	54.9
Average gross income for three years	25.4	28.8	38.7
Alpha	15%	15%	15%
Capital charge for operational risk	3.8	4.3	5.8
Multiplier	12.5	12.5	12.5
Total operational risk-weighted exposures	47.6	53.8	72.6

Non-Shari'ah income

The bank charged late fees on some repayments from an investment, these fees were pooled in an account to be used for charity purposes, and the bank charged these fees on 24 transactions incurred between 2009 till 2012. All outstanding amounts were paid as charity during the year 2019 and there is no more outstanding balance as at 31 December 2020.

Risk-Weighted Exposures

Risk-weighted exposures increased by US$ 2.5 million (12%) in 2020, from US$ 2,009.0 million as at 31 December 2019 to US$ 2,011.5 million as at 31 December 2020, as detailed below:

(US$ millions)	**31 December 2020**	31 December 2019	31 December 2018
Credit risk-weighted exposures	**1,920.7**	1,906.2	2,478.4
Operational risk-weighted exposures	**47.6**	54.0	72.6
Market risk-weighted exposures	**43.2**	48.8	35.9
Total risk-weighted exposures	**2,011.5**	2,009.0	2,586.9

Equity price risk

Equity price risk is the risk that the fair value of equities decreases as the result of adverse changes in the levels of equity prices and the value of individual stocks. Equity price risk arises from the Group's investment portfolio. The Group conducts significant investment activity in private equity, mainly in unquoted entities. The Group is currently not doing any fresh investments in keeping with the directions from the central bank and is awaiting approval on the surrender of its license. However, It manages the risk through diversification of its investments in terms of geographical distribution and industry concentration by arranging representation on the Board of Directors within the investee company, wherever possible. Investments are managed within maximum concentration risk limits, approved by the Board of Directors of the Bank.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to adverse changes in foreign exchange rates, for further details, please refer to the financial statements notes.

Group Structure

The Group's financial statements are prepared on a full consolidation basis, with all subsidiaries on which the Group has control being consolidated in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI). For capital adequacy purposes, all subsidiaries are included within the Group structure. However, the CBB's capital adequacy methodology accommodates both full consolidation, risk weighting as well as regulatory adjustment (deductions).

The principal subsidiaries and associates, as well as the treatment for capital adequacy purposes, are as follows:

	Domicile	**Ownership**	**Regulatory treatment**
Subsidiaries			
AKIIM Sdn Bhd (formerly Alkhair International Islamic Bank Malaysia Berhad)	Malaysia	100%	Risk Weighting
Alkhair Gayrimenkul Yatirim Ve Ticaret A.S (Formerly Alkhair Portföy Yönetimi A.Ş.)	Turkey	99.6%	Risk Weighting
Al-Tajamouat for Touristic Projects Co Plc	Jordan	50.6%	Risk Weighting
Associates			
BFC Group Holdings Ltd.	United Arab Emirates	43.54%	Regulatory Adjustment & Risk weighting
t'azur Company B.S.C. (c)	Kingdom of Bahrain	25.86%	Regulatory Adjustment & Risk weighting
Independent Logistics and Warehousing Company	Jordan	33.33%	Risk weighting

Capital Adequacy Ratio

Capital Ratios - Consolidated & Subsidiaries above 5% of Group Regulatory Capital.

(Percent)	**31 December 2020**		31 December 2019		31 December 2018	
	Total Capital Ratio	**Tier 1 Capital Ratio**	Total Capital Ratio	Tier 1 Capital Ratio	Total Capital Ratio	Tier 1 Capital Ratio
Bank Alkhair Group	**-7.0**	**-7.0**	-6.0	-6.0	0.1	-0.3
AKIIM Sdn Bhd (formerly Alkhair International Islamic Bank Malaysia Berhad)	**-**	**-**	-	-	1.1	1.1
Alkhair Capital Saudi Arabia	**-**	**-**	-	-	11.0	11.0
Alkhair Capital Menkul Degerler A.S.	**-**	**-**	-	-	3.6	3.6

Based on the planned asset sales program and operating cash flow projections, the Group expects to improve its risk weighted assets profile and capital adequacy ratio. The Bank's Board of Directors and senior management are actively looking for other long-term options to enhance the capital position of the Bank to meet the amended capital requirements set by the CBB.

The minimum consolidated capital required by Bank Alkhair to maintain compliance at 12.5% is shown in the table below.

(US$ millions)	**31 December 2020**	31 December 2019	31 December 2018
Credit risk	**240.1**	238.3	309.8
Market risk	**5.4**	6.1	4.5
Operational risk	**6.0**	6.8	9.1
Total capital requirements	**251.5**	251.2	323.4

The minimum capital requirements for equity investments of the Group, broken down by appropriate equity groupings, consistent with the methodology, as well as the aggregate amounts and type of equity investments subject to any supervisory transition or grandfathering provisions regarding regulatory capital requirements is shown in the table below:

(US$ millions)	**31 December 2020**	31 December 2019	31 December 2018
Investments in listed equities	**-**	-	-
Investments in unlisted equities	**-**	-	-
Significant investment in the common shares of financial entities > 10%	**-**	-	-
Significant investment in the common shares of commercial entities	**-**	1.6	28.0
Other investment with excess amount over 15%	**239.7**	235.8	273.6
Investments in unlisted real estate companies	**-**	-	-
Investments in unrated funds	**-**	-	-
Total capital requirements	**239.7**	237.4	301.6

RISK MANAGEMENT

Credit Risk

Gross and average credit risk

The table below shows the average gross credit risk exposure of the Bank as at 31 December 2020, classified as per the disclosure in the consolidated financial statements:

Balance sheet items	Funded exposure	Unfunded exposure	Total gross credit exposure	Average gross credit exposure*
(US$ thousands)				
Balances with banks	9,298	-	9,298	5,217
Placements with financial institutions	-	-	-	-
Financing Receivables	782	-	782	156
Investment securities - Sukuk	-	-	-	-
Other assets	3,658	-	3,658	2,680
	13,738	**-**	**13,738**	**8,053**
Commitment to invest	-	-	-	-
Guarantees	-	-	-	-
Total credit risk exposure	**13,738**	**-**	**13,738**	8,053

* Average gross credit exposures have been calculated based on the average of balances outstanding on the period ended 31 December 2020.

Residual maturity breakdown of the whole credit portfolio disclosed in the notes to the consolidated financial statements for the year ended 31 December 2020.

Intra-group transactions

All transactions with related parties have been made on arm's length basis. The following table summarizes the Group's intra-group transactions as follows:

	31 December 2020	31 December 2019
Assets		
Cash and balances with banks	**-**	14,064
Due from financial institutions	**-**	-
Due from non-banks	**-**	2,592
Investment in Subsidiary	**82,856**	113,962
Other Assets	**-**	37,786
Total	**82,856**	165,811

CREDIT RISK MITIGATION

Credit risk mitigation is defined as the utilization of a number of techniques, such as collaterals and guarantees to mitigate the credit risks that the Group is exposed to. The Group's first priority when establishing Islamic financing is to determine the borrower's capacity to repay and not to rely principally on security or collateral.

The credit exposure information presented above represents gross exposures prior to the application of any credit risk mitigation techniques, the Bank's credit risk mainly arises from its investment transactions.

Risk concentration of the maximum exposure to credit risk

Risk Exposure Concentration

Risk concentration arises 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's policies and procedures include guidelines to focus on maintaining a diversified portfolio. In line with regulatory requirements, the bank has a group level Large Exposure Policy which details the Bank's approach in managing concentration risk to sectors, asset classes, single obligors and countries including defining specific limits.

Concentration of risks is managed by counterparty, by geographical region and by industry sector. The maximum credit exposure to any client, or counterparty, or group of closely related counterparties as of 31 December 2020 was US$ 2.5 million, relating to "balances with bank" (2019: US$ 0.6 million related to "Balances with Banks").

Counterparty Credit Risk

A counterparty is defined as an obligor (individual, company, other legal entity), a guarantor of an obligor, or person receiving funds from the Group. It also includes the issuer of a security in case of a security held by the Group, or a party with whom a contract is made by the Group for financial transactions. The measure of exposure reflects the maximum loss that the Group may suffer in case the counterparty fails to fulfil its commitments. Group exposure is defined as the total exposure to all counterparties closely related or connected to each other. Large exposure is any exposure whether direct, indirect or funded by restricted investment accounts to a counterparty or a group of closely related counterparties which is greater than or equal to 10% of the Group's Capital Base. The Group has adopted Standardized Approach to allocate capital for counterparty credit risk.

Connected counterparties includes companies or persons connected with the bank, including, in particular, subsidiaries and associated companies (whether such association is due to control or shareholding or otherwise), Directors and their associates (whether such association is due to control or family links or otherwise), members of the Shari'ah Supervisory Board, management and other staff, and shareholders holding 10% or more of the voting power of the bank.

As a strategy, exposure to connected counterparties may be undertaken only when negotiated and agreed on an arm's length basis. The Bank shall not assume any exposure to its external auditors or members of Shari'ah Supervisory Board. The disclosure relating to related party transactions has been made in the consolidated financial statements. All related Party transactions have been executed at arm's length basis.

Exposures in excess of the 15% limit for the year ended 31 December 2020 are as follows:

Counterparties	Amount of exposures In US$ thousands	% of exposure To capital	
Counterparty # 1	113,666	-81.02%	Investment and Receivable
Counterparty # 2	50,346	-35.89%	Investment and Receivable
Counterparty # 3	42,769	-30.48%	Receivables
Counterparty # 4	20,828	-14.85%	Investment
Counterparty # 5	17,573	-12.53%	Investment
Counterparty # 6	5,523	-3.94%	Investment
Counterparty # 7	2,183	-1.56%	Bank Balances
Counterparty # 8	782	-0.56%	Investment and Receivable
Counterparty # 9	253	-0.18%	Bank Balances
Counterparty # 10	49	-0.03%	Receivables
Counterparty # 11	22	-0.02%	Bank Balances
Counterparty # 12	12	-0.01%	Bank Balances
Counterparty # 13	11	-0.01%	Receivables
Counterparty # 14	9	-0.01%	Bank Balances
Counterparty # 15	6	0.00%	Receivables

Credit quality per class of financial assets

Past due Islamic financing contracts as at 31 December 2020 amounted to Nil and the breakdown by industry and geographic region is shown below:

Industry Classification	Amount as at 31 December 2020 (in US$ millions)	Amount as at 31 December 2019 (in US$ millions)	Geographical classification
Industrial	-	-	Asia
Real Estate and Construction	-	0.78	Europe
Collective provision	-	-	Middle East & Asia
Specific provision	-	(0.78)	Middle East & Asia
Total	**-**	**-**	

Past due and fully impaired Islamic financing contracts as at 31 December 2020 amounted to Nil.

Specific provisions

(US$ thousands)	Specific Provision against			
	Financing Receivable	Other Assets	Equity-accounted investees	Total
At the beginning of the year	782	2,269	14,000	17,051
New Provision made	-	-	-	-
Write off	-	-	-	-
Recoveries / Write backs	(782)	-	-	(782)
Balance at the end of the year	-	2,269	14,000	16,269

Collective provisions

(US$ thousands)	Collective Provision against			
	Financing Receivable	Other Assets	Equity-accounted investees	Total
At the beginning of the year	-	-	-	-
New Provision made	-	-	-	-
Write off	-	-	-	-
Recoveries / Write backs	-	-	-	-
Balance at the end of the year	-	-	-	-

Ageing analysis of past due but not impaired by class of financial assets:

	2020			
	Less than 120 days	**Less than 365 days**	**More than 365 days**	**Total**
Impaired Islamic Financing Receivable	-	-	-	-

	2019			
	Less than 120 days	**Less than 365 days**	**More than 365 days**	**Total**
Impaired Islamic Financing Receivable	-	-	-	-

Past due and non-performing facilities

Past due represents repayments that are not received on the contractual repayment dates. The Group defines non-performing facilities as the facilities that are overdue for period of 90 days or more. These exposures are placed on a non-accrual status with income being recognised to the extent that it is actually received/distributed.

LIQUIDITY RISK MANAGEMENT

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial assets.

The key features of the Group's liquidity methodology are:

– The Group Asset and Liability Committee ("ALCO") is responsible for liquidity monitoring, cash flow planning and general asset liability management.
– In accordance with the Basel recommendations on liquidity management, the Group measures liquidity according to two criteria: "normal business", reflecting day-to-day expectations regarding the funding of the Group; and "crisis scenario", reflecting simulated extreme business circumstances in which the Group's survival may be threatened.

The Group's liquidity policy is to hold sufficient liquid assets to cover its committed statement of financial position requirements, plus its budgeted expenses for the liquidity horizon and its forecast investment commitments over the liquidity horizon

The following are the indicators of the Group's exposure to liquidity risk.

	31 December 2020	31 December 2019
Short term assets (in US$ millions)	10,080	3,967
Short term liabilities (in US$ millions)	238,019	222,959
Liquidity ratios (in %)		
Liquid assets : Total assets	**2.4%**	0.3%
Liquid assets : Total deposits	**3.5%**	0.5%
Liquid assets : Total liabilities	**3.4%**	0.5%
Short term assets: Short term liabilities	**4.2%**	1.8%

PREPAYMENT RISK

Prepayment risk is the risk that the Group will incur a financial loss because its customers and counterparties prepay or request repayment earlier than expected. The Group is not exposed to any significant prepayment risk.

Restricted Investment Accounts

Bank Alkhair offers Restricted Investment Accounts (RIAs) to both financial and non-financial institutions. All RIA offering documents are prepared and issued with input from the business lines and Shari'ah Assurance, Financial Control, Legal and Risk Management departments, to ensure that all investors have sufficient information to consider all risk factors allowing them to make an informed decision. The Bank has clear guidelines and procedures for the development, management and risk mitigation of its RIAs. The Bank has established a robust operational and functional infrastructure to ensure that effective internal control systems are in place, and that RIA holders' interests are protected at all times. The Bank is fully aware of its fiduciary duties and responsibilities in managing RIAs.

Total Income from RIA

(US$ thousands)	**31 December 2020**	31 December 2019	31 December 2018	31 December 2017	31 December 2016	31 December 2015	31 December 2014
Gross Income	**-**	-	**-**	**-**	-	-	-
Wakil Fee	**-**	-	**-**	**-**	-	-	-

Displaced Commercial Risk

The Bank does not have Profit Sharing Investment Accounts (PSIAs) and is not exposed to displaced commercial risk.

Penalties

During the year 2020, the Bank didn't have any penalties due to the Central Bank of Bahrain.

Capital Restrictions and income mobility

Distributing profits by subsidiary to the parent is subject to compliance with applicable local laws and regulations. Such distribution should go through the legal and regulatory channels applicable in relevant jurisdiction. Mobilisation of capital, reserves and equivalent funds out of the subsidiary to the parent is subject to the local rules and regulations. The approval is obtained from CBB by the parent for increasing investment in subsidiaries.

Segregation of duties

The Board is responsible for the adequacy and effectiveness of system of internal controls of the bank which is supported by segregation of duties, enhanced system of internal controls across all aspects of the business as well as strong support functions covering legal, regulatory, governance, reputation, finance, information technology, human resources and strategy.

Risk Management governance originates at Board level, and cascades through to the CEO and businesses, via policies and delegated authorities which ensures Board-level oversight and a clear segregation of duties between those who originate and those who approve risk exposures.

Bank's Financial Performance

For the year ended 31 December 2019, the Bank incurred operating expenses of US$ 33.4 million compared to US$ 36.0 million for the previous year. However, in spite of major cost controlling efforts, the bottom line remained negative with a Net Loss of US$19.7 million. Total Income amounted to US$22.2 million in 2019 compared to US$29.9 million in 2018. Net finance expense increased in 2019 and reached US$14.9 million compared to US$12.7 million in 2018.

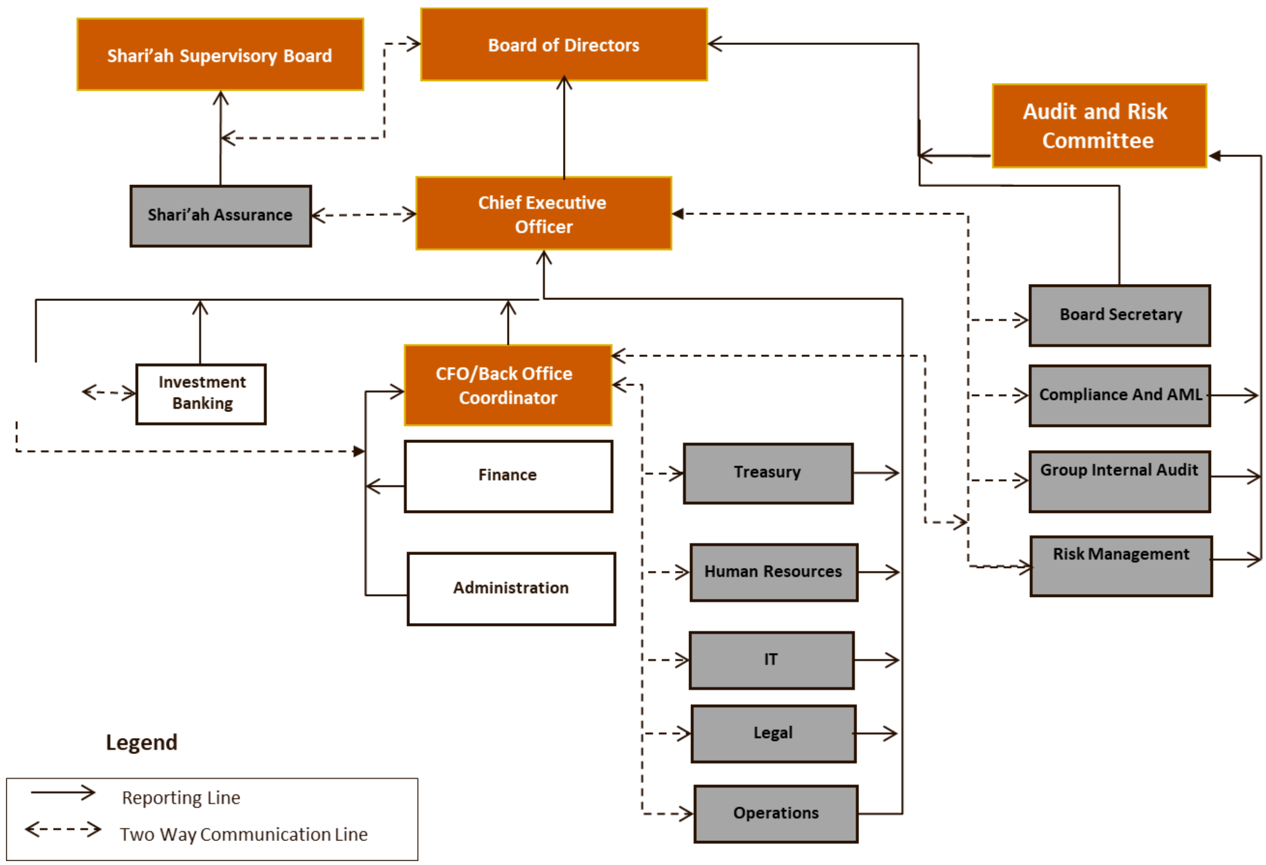
Quantitative indicators of financial performance and position.

	2020	**2019**	**2018**	**2017**	**2016**	**2015**
Return on average shareholders' equity (per cent)	-7.43%	-12.8%	-4.5%	-5.1%	-15.7%	-1.1%
Return on average assets (per cent)	-2.28%	-4.6%	-1.8%	-2.0%	-6.2%	-0.4%
Total operating cost to Income ratio	143.52%	150.7%	120.3%	122.3%	188.1%	129.5%

Overview

As a Bahrain-based bank, Bank Alkhair is subject to the corporate governance standards of the Central Bank of Bahrain (CBB) and the Bahrain Commercial Companies Law. The Bank aspires to the highest standards of ethical conduct based on sound corporate governance. In accordance with its commitment to both meeting legal and regulatory requirements and adhering to international best practices, Bank Alkhair has put in place a comprehensive Corporate Governance framework to maximise operational efficiency and protect all stakeholders' rights. Bank Alkhair regards the guiding principles of its Corporate Governance framework to be fairness, transparency, accountability and responsibility.

Governance and Organisation Structure



Ownership by nationality

Nationality	No. of Shares	No. of Shareholders	Percentage (%)
Saudi Arabian	150,864,544	46	72.54%
Kuwaiti	38,099,800	35	18.32%
Bahraini	5,762,532	30	2.77 %
Cayman Islands	4,576,703	1	2.2 %
Qatari	3,456,006	3	1.66%
Others	5,202,329	56	2.5%
Total	207,961,914	171	100%

Ownership by percentage of equity

Class of Equity	No. of Shares	No. of Shareholders	Percentage (%)
Less than 1%	32,082,281	151	15.43%
1% to less than 5%	120,519,831	15	57.95%
5% to less than 10%	55,359,802	5	26.62%
Total	207,961,914	171	100%

Ownership of directors and senior management

Name	Position	Percentage (%) as of 31 December 2020
Yousef Abdullah Al-Shelash	Chairman	5.55%
Abdullatif Abdullah Al-Shalash	Director	5.18%
Ahmed Saleh Al-Dehailan	Director	4.99%
Majed Al Qassem	Director	4.81%

Ownership above 5%

Name	Percentage (%) as of 31 December 2020
Yousef Abdullah Al-Shelash	5.55%
Sultan Abdulrahman Abalkheel	5.55%
Abdullatif Abdullah Al-Shalash	5.18%
Hethloul Saleh Al-Hethloul	5.18%
Fahad Abdulaziz Al-Sekait	5.18%
MADD Real Estate Investment & Development Company WLL	8.13%

No shares were traded by the Bank's directors during the year.

Board of Directors

Bank Alkhair's Board of Directors is responsible for supervising the management of the Bank's business and its affairs, and protecting and strengthening the Bank's assets in the interest of all shareholders; while overseeing the corporate governance function to ensure the highest standards of transparency and accountability. The Board's responsibilities include:

- Ensuring financial statements are prepared accurately and approving them;
- Regularly reviewing the Bank's processes, risk levels and control framework to ensure the Bank's adherence to the Central Bank of Bahrain's regulations; and promoting and achieving sustainable performance and long-term growth in shareholders' value;
- Approving and overseeing the implementation of the Bank's strategies, objectives and plans;
- Ensuring that the interests of all stakeholders are considered;
- Overseeing the accuracy and compliance of the Bank's corporate governance guidelines with the Central Bank of Bahrain's HC Module, as well as the Code of Corporate Governance; and
- Providing strategic leadership, and setting values and standards for the Bank.

The Board comprises members from diverse backgrounds who combine a broad spectrum of experience and expertise with a reputation for integrity and professionalism. The current Board comprises four members, two of whom are independent non-executive directors. As part of the Bank's Corporate Governance framework, the Bank introduced formal Board procedures, including the induction and training of new members, and continuous development and training of existing members.

The Board, the Board's Committees, and each individual director must undergo a formal performance review and evaluation as required by the Code.

The election and termination of directors are governed by the Bahrain Commercial Companies Law and the Bank's Articles of Association, which require the election of directors by written ballot. The Board term for members is three years. Board members must meet and attend at least 75% of all Board meetings within a calendar year. Biographies of current directors are listed at the end of this Review.

Material transactions that need Board approval

All transactions of the Bank are subject to the limits and guidelines prescribed by the Bank's Discretionary Authority Limits (DAL), and for any type of transactions not covered by the DAL requires approval from the Board of Directors. All credit and investment proposals are subject to Risk Management function and management committees' review. Proposals exceeding certain pre-defined exposure levels require approval of the Board. Similarly, related party transactions require approval of the Board and notification to shareholders in the next shareholders' meeting in line with Article 189 of Bahrain Commercial Companies Law (BCCL). The Corporate Governance charter of the Board specifically restricts the conflicted board member/s from voting on the transactions where any board member has any interest attached to such transaction. All transactions where any board member has any interest are identified and disclosed as required by the applicable rules and regulations.

Board Composition

No. of members	4 non-executive members of which - 2 are independent directors
Committee Membership	Please refer to the Board of Directors' biographies at the end of this review
Minimum no. of meetings per year	4
Quorum	3

There have been no changes in the Board structure during the year.

Board of Directors & Board Committees Meetings in 2020

Due to the Global Pandemic and the fact that the Bank was on the verge of surrendering its license back to the Central Bank of Bahrain, the Board having no business matters to discuss apart from the mandatory approval of quarterly financial statements saw it prudent to have the resolutions passed via circulation until the surrendering of the License.

Board Committees

Bank Alkhair's Board of Directors is assisted by one Board Committee: the Audit and Risk Committee.

Audit and Risk Committee

The Audit and Risk Committee is responsible for assisting the Board in its oversight of statutory affairs relating to accounting and financial reporting; internal control systems; internal and external audits; compliance with Shari'ah and regulatory laws and regulations, overseeing the risk management framework of the Bank, and ensuring including risk governance, risk principles and risk capacity. The Committee regularly reviews major risk exposures and overall risk limits, ensuring that the Bank's management takes adequate steps to monitor and mitigate the Bank's risk exposures.

No. of members	Three non-executive members, two of whom are independent directors including the Chairman of the Committee	
Members of the Committee	• Dr. Ahmed Al Dehailan (Chairman) • Khaled Shaheen • Majed Al Qassem	Independent Independent Non-Executive
Minimum no. of meetings per year	4	
Quorum	2	
The Audit Committee's primary responsibilities include:	• Ensuring the integrity of the Bank's financial statements, financial reporting process and internal control systems; • Approving the appointment of the internal auditor and reviewing the activities of the internal audit function; • Oversee appointment of external auditors and annual independent audit of the Bank's financial statements; • Recommending to the Board the engagement of external auditors for non-audit services and evaluating the external auditors' independence and performance; and • Overseeing the Bank's compliance with legal and regulatory requirements, including the Bank's disclosure controls and procedures and compliance with the Bank's Code of Conduct.	

Shari'ah Supervisory Board

Shari'ah compliance is the cornerstone of Bank Alkhair's operations. A three-scholar Shari'ah Supervisory Board has been established to provide Islamic advice and guidance to ensure that all Bank Alkhair activities comply with Shari'ah. The members of the Shari'ah Supervisory Board are prominent Islamic scholars who are well versed in international financial markets, and have a proven track-record in the implementation of Shari'ah rules and principles in Islamic banks, as well as in product development and Islamic finance structuring techniques.

The Shari'ah Supervisory Board is pro-actively involved in all product development and investment decisions relating to transactions; and all underlying contractual documentation is only finalised after obtaining the approval of the Shari'ah Assurance division under the direct oversight of the Shari'ah Supervisory Board. The Shari'ah Board sets out the Islamic opinions (Fatwas), which are required for approval of the structures of each financial transaction, service or investment product. Biographies of the Shari'ah Supervisory Board members are listed at the end of this review.

Corporate Governance Policies and Procedures

Compensation of the Board of Directors, Shari'ah Supervisory Board and Executive Management

Compensation of the Board of Directors is recommended to the shareholders at the annual general meeting.

The total remuneration of the Board of Directors is in accordance with the CBB and ministry of industry, commerce, and tourism regulations.

The Shari'ah Supervisory Board remuneration does not include sitting fees.

Executive Management members are entitled to fixed remuneration as per their contractual agreements, and any other performance-related incentives/bonuses must be approved by the Board. Details of the aggregate compensation (including benefits) for the Board of Directors and Executive Management for the year ended 31 December 2020 can be found in Note 23 to the Financial Statements.

Sound Remuneration Practices

The CBB issued regulations regarding Sound Remuneration Practices, and the Bank ensures full compliance with all CBB guidelines and ministry of Industry, Commerce, and Tourism laws with regards to compensation.

Continuous Development of the Board and Board Committees

In line with the Bank's Board Induction and Training Policy, Board Members continuously attend seminars and workshops regionally and internationally to fulfil their duties in areas of Governance and Risk Management.

Board Performance Evaluation

Bank Alkhair has a policy in place to govern the annual review mechanism of the Board, the Board's Committees, and each individual director, against specific criteria. Bank Alkhair's Board of Directors has established a mechanism for the annual periodic review of the Board and each of its Committee's performance. The review evaluates the Board as a whole, and each of its Committees in the light of its strategic objectives, and accordingly, each Director, including the Chairman, is subject to self- evaluation.

The Board and Board Committee evaluation is facilitated by the Board Secretary, who reports the results to Board. The Board may elect to hire an external consultant to evaluate the effectiveness of the Board and Board Committees, however, the Board found no requirement to exercise this option during 2020.

Code of Conduct

The Board of Directors has adopted a written code of ethical business conduct, which includes the following;

- Honesty and observance;
- Avoidance of conflicts between personal interests and the interests of the Bank;
- Respecting confidentiality of information obtained during the course of business;
- Maintenance of the Bank's reputation, and avoidance of activities that might reflect adversely on the Bank;
- Integrity in dealing with the Bank's assets;
- Setting high personal standards and adhering to the Code of Conduct; and
- Keeping abreast of current good practices.

The code of conduct is circulated on regular basis to all the staff and Board members and adherence with it is being monitored by Internal Audit and Compliance teams and any issues are highlighted immediately.

Conflict of Interest

Bank Alkhair has a formal Conflict of Interest policy that applies to all directors and employees and which includes a signed undertaking requiring directors to disclose their personal interests annually. The Conflict of Interest policy requires Board members to inform the entire Board of potential conflicts of interest between the Bank's activities and their personal interests, and abstain from voting on matters relating to them in accordance with the relevant provisions of the BCCL or any other Law.

Related Party Transactions

The Bank has an approval process in place for related party transactions. The approval process is reflected in the Bank's Group Code of Conduct and Corporate Governance Policy. In this regard, the Bank has complied with Article 32(3) of the Bank's Articles of Association and Article 189 of the Bahrain Commercial Companies Law (CCL). Details of related party transactions are disclosed in Note 23 of the Financial Statements.

Discretionary Authority Limits

The Bank has a detailed Discretionary Authority Limit policy, which prescribes in detail the approval process for all transactions and processes within the Bank, as well as details the authority of the Board, Board Committees, Shari'ah Board, Management Committees and top Management.

Investor Complaints

In order to strengthen and formalise the Investor complaints mechanism, Bank Alkhair has developed a policy for managing complaints received from investors, along with a formal escalation structure to ensure complaints are dealt with effectively and efficiently. For logging any complaints, the Investor Complaints Guidelines and escalation information is available on the Bank's website.

Whistle-blowing Policy

Bank Alkhair endeavors to operate in a climate of transparency and, in order to strengthen and encourage transparency, has a formal group wide whistleblowing policy in place to facilitate the escalation of employees' concerns and suspicions of criminal or unethical conduct.

Shareholder Communications

Bank Alkhair is dedicated to maintaining an open line of communication with its stakeholders, and ensures transparent and accurate information is disclosed in a professional and timely manner. Communication with shareholders is disseminated through several channels, including the corporate website, the annual report, the annual general meeting, and timely announcements in the local media.

Corporate Social Responsibility

Bank Alkhair is committed to improving the well-being and quality of life of citizens of the Kingdom of Bahrain. During 2020, the Bank provided financial support to needy individuals.

Compliance with Regulatory Guidelines

The Central Bank of Bahrain's (CBB's) High Level Controls Module (HC Module), which focuses on strengthening the corporate governance function of banks, contains rules that must be complied with; and guidance, which may be complied with; or in cases of non-compliance, must be disclosed in the annual report and explained to the CBB. For the year 2019, Bank Alkhair complied with the requirements of the CBB's HC Module, except for the following:

HC-1.4.6 recommends that the Chairman of the Board is an independent director. However, as half the majority of the Board members are independent, the independence of the decision-making process is not compromised. The Bank also has a conflict of interest policy as well as a directors' independence policy in place, which require Board members to declare their personal interests on an annual basis.

HC-1.8.1 recommends that the Board must establish Audit, Remuneration, Nominating and Risk Committees. The Board reviewed the structure of its Committees in FY2019 and decided to cancel the Nomination, Remuneration and Governance Committee ("NRGC") and have its duties performed by the Board until the finalization of our restructuring and conversion into a holding company. This decision was reached due to the fact that the Board has 4 members who are also members of the Audit/Risk Committees and would have been the same Members for the NRGC too.

HC-1.9.1 recommends that at least annually the Board must conduct an evaluation of its performance and the performance of each committee and each individual director. The evaluation of the performances of the Board, its committees and each individual was not done in FY2020 as the Bank was already in the process of restructuring its operations and converting into a holding company.

HC-1.3.3 recommends that the Board must meet frequently to enable it to discharge its responsibilities effectively but in no event less than four times a year. Taking into account the effects of the Global Pandemic, the Bank's scale and complexity and the fact that there were no business matters to discuss apart from the mandatory approval of annual and quarterly financial statements, the Board saw it prudent to have the resolutions passed via circulation until the surrendering of the License.

External Audit Fees and Services

The details of the audit fees charged and non-audit services provided by the Bank's external auditors will be made available to the shareholders as and when requested. Such details will be made available to the Bank's shareholders as per their specific request, provided that these disclosures do not negatively impact the Bank's interest.

REMUNERATION RELATED DISCLOSURES

The Bank's total compensation policy, which includes the variable remuneration policy, sets out its practice on remuneration for directors and senior management and the key factors that were taken into account in establishing the policy.

The key features of the proposed remuneration framework are summarised below.

Remuneration strategy

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

The quality and long-term commitment of all of our employees is fundamental to our success. We therefore aim to attract, retain and motivate the very best people who are committed to maintaining a career with the Bank, and who will perform their role in the long-term interests of shareholders. The Bank's reward package comprises 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 Bank operates within clear parameters of its compensation strategy and policy. All compensation matters, and overall compliance with regulatory requirements, are overseen by the Board of Directors. The

Bank's remuneration policy is reviewed regularly. It was last reviewed in September 2017 and no material changes have been made to date.

The Bank's remuneration policy in particular, considers the role of each employee and has set guidelines depending on whether an employee is a Material Risk Taker and / or an Approved Person in business line, control or support functions. An Approved Person is an employee whose appointment would require prior regulatory approval because of the significance of the role within the Bank and an employee is considered a Material Risk Taker if they head significant business lines and any individuals within their control who have a material impact on the Bank's risk profile. As per the Bank's remuneration policy, the related risks are reviewed regularly and may be amended when required to reflect the impact of changes in remuneration. During 2019, there were no changes to related risk and therefore no changes to remuneration.

In order to ensure alignment between what the Banks pays its people and its business strategy, individual performance is assessed against annual and long-term financial and non-financial objectives summarised in line with our performance management system. This assessment also takes into account adherence to the Bank's values, risk and compliance measures above all, and acting with integrity. Altogether, performance is therefore judged not only on what is achieved over the short- and long- term but also importantly on how it is achieved, as the Board believes the latter contributes to the long- term sustainability of the business.

Board's role and focus

The Board of Directors has oversight of all reward policies for the Bank's employees. The Board is the supervisory and governing body for compensation policy, practices and plans. It is responsible for determining, reviewing and proposing variable remuneration policy for approval by the Board. It is responsible for setting the principles and governance framework for all compensation decisions. The Board 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 and the business plan and risk profile of the Bank. The responsibilities of the Board with regard to the variable compensation policy of the Bank, and as stated in its mandate, include, but are not limited to, the following:

- Approve, monitor and review the remuneration system to ensure the system operates as intended.
- Approve the remuneration policy and amounts for each Approved Person and Material Risk-Taker, as well as the total variable remuneration to be distributed, taking into account total remuneration including salaries, fees, expenses, bonuses and other employee benefits.
- Ensure remuneration is adjusted for all types of risks and that the remuneration system takes into consideration employees that earn the same short-run profit but take different amounts of risk on behalf of the Bank.
- Ensure that for Material Risk Takers, variable remuneration forms a substantial part of their total remuneration.
- Review 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 evaluate practices by which remuneration is paid for potential future revenues whose timing and likelihood remain uncertain. The Board will question pay-outs for income that cannot be realised or whose likelihood of realisation remains uncertain at the time of payment.
- Ensure that for approved persons in risk management, internal audit, operations, financial controls and compliance functions, the mix of fixed and variable remuneration is weighted in favor of fixed remuneration
- Recommend Board member remuneration based on their attendance and performance and in compliance with Article 188 of the Bahrain Commercial Companies Law.
- Ensure appropriate compliance mechanisms are in place to ensure that employees commit themselves to not using personal hedging strategies or remuneration-and liability-related insurance to undermine the risk alignment effects embedded in their remuneration arrangements.

As outlined in the Corporate Governance section of the Annual Report, the Board is satisfied that all non-executive directors are independent.

Scope of application of the remuneration policy

The principles of this remuneration policy apply to all group entities in Bahrain.

Board remuneration

The remuneration of the Board of Directors shall be in accordance with the Bahrain Commercial Companies Law and the Central Bank of Bahrain's regulations.

The 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

The 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 reward is based on 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 Bank's strategic objectives.

The Bank has adopted a Board-approved framework to develop a transparent link between variable remuneration and performance. The framework is designed on the basis that the combination of meeting both satisfactory financial performance and achievement of other non-financial factors, would, all other things being equal, deliver a target bonus pool for the employees, prior to consideration of any allocation to business lines and employees individually. In the framework adopted in determining the variable remuneration pool, the Board aims to balance the distribution of the Bank's profits between shareholders and employees.

The key performance metrics at the Bank 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 quantum of variable remuneration, the Bank has implemented a hybrid model by defining a Top Down (profit based) bonus pool funding for control and support staff and bottom-up (maximum earning opportunity based) pools for Risk Takers. The total bonus pool is capped at a percentage of profit before being assessed for risk. This approach is a starting position and the Board may choose to implement a discretionary award for a given year based on affordability for the Bank and its assessment of the Bank's current and future resource requirements. The bonus pool is then adjusted to take account of risk via the use of risk-adjusted measures (including forward-looking considerations).

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

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

For the overall Bank to have any funding for distribution of t h e bonus pool, thresholds of financial targets have to be achieved. The performance measures ensure that the total variable remuneration is generally considerably contracted where subdued or negative financial performance of the Bank occurs. Furthermore, the target bonus pool as determined above is subject to risk adjustments in line with the risk adjustment and linkage framework.

Remuneration of control functions

The remuneration level of staff in the control and support functions allows the Bank to employ qualified and experienced personnel in these functions. The Bank ensures that the mix of fixed and variable remuneration for control and support function personnel should be weighted in favor of fixed remuneration. The variable remuneration of control functions is based on function-specific objectives and is not to be determined by the individual financial performance of the business area they monitor.

The Bank'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 that are specific to each unit.

Variable compensation for business units

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

Risk assessment framework

The purpose of the risk linkages is to align variable remuneration to the risk profile of the Bank. In its endeavor to do so, the Bank considers both quantitative measures and qualitative measures in the risk assessment process. Both quantitative measures and human judgement play a role in determining risk adjustments. The risk assessment process encompasses the need to ensure that the remuneration policy designed reduces employees' incentives to take excessive and undue risk is symmetrical with risk outcomes and has an appropriate mix of remuneration that is consistent with risk alignment.

The Bank's Board considers whether the variable remuneration policy is in line with the Bank's risk profile and ensures that through the Bank'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 Bank undertakes risk assessment to review financial and operational performance against the business strategy and risk performance prior to distribution of the annual bonus. The Bank ensures that total variable remuneration does not limit its ability to strengthen its capital base.

The bonus pool takes into account the performance of the Bank, which is considered within the context of the Bank's risk management framework. This ensures that the variable pay pool is shaped by risk considerations and Bank-wide notable events. The size of the variable remuneration pool and its allocation within the Bank takes into account the full range of current and potential risks, including:

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

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

Risk adjustments

The Bank has an ex-post risk assessment framework which is a qualitative assessment to back-test actual performance against risk assumptions.

In years where the Bank suffers material losses in the financial performance, the risk adjustment framework would work as follows:

- There would be considerable contraction of the Bank's total variable remuneration.
- At the individual level, poor performance by the Bank would mean individual KPIs are not met and hence employee performance ratings would be lower.
- Reduction in 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 claw-back of previous bonus awards may be considered.

The Board can rationalise and make the following discretionary decisions:

- Increase / reduce the ex-post adjustment.
- Consider additional deferrals or increase in the quantum of share awards.
- Recovery through malus and claw-back arrangements.

Malus and Claw-back framework

The Bank's malus and claw-back provisions allow the Bank's Board of Directors to determine that, if appropriate, unvested elements under the deferred bonus plan can be forfeited / adjusted or the delivered variable compensation could be recovered in certain situations. The intention is to allow the Bank 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 Bank to reduce or cancel the awards of employees whose individual behaviour has had a materially detrimental impact on the Bank during the concerned performance year.

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

The Bank's malus and claw-back provisions allow the Bank's 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 Bank / the employee's business unit to suffer material loss in its financial performance, material misstatement of the Bank's financial statements, material risk management failure or reputational loss or risk due to such employee's actions, negligence, misbehaviour or incompetence during the concerned performance year.
- The employee deliberately misleads the market and / or shareholders in relation to the financial performance of the Bank during the concerned performance year.

Claw-back 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:

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 Bank's share price as per the rules of the Bank's Share Incentive Scheme. Any dividend on these shares is released to the employee along with the shares (i.e. after the retention period).

Element of variable remuneration	CEO, his deputies and other 5 most highly paid business line employees	Other covered staff	Deferral period	Retention	Malus	Claw-back
Upfront cash	40%	50%	Immediate	-	-	Yes
Upfront share awards	-	10%	Immediate	6 months	Yes	Yes
Deferred cash	10%	-	Over 3 years	-	Yes	Yes
Deferred share awards	10%-50%	-	Over 3 years	6 months	Yes	Yes
Future performance awards	0%-40%	40%	Performance linked	6 months	Yes	Yes

The Board, based on its assessment of role profiles and risk taken by an employee, could increase the coverage of employees that would be subject to deferral arrangements.

Deferred compensation
All employees above a certain grade shall be subject to deferral of variable remuneration as follows:

Details of remuneration paid

(a) Board of Directors/ Shari'ah Board
(In US$)

	2020	2019
Sitting Fees	159,000	201,000
Remuneration	Nil	Nil
Others	Nil	Nil

(b) Employee remuneration

2020											
BD 000's	Number of staff	Fixed remuneration		Sign on bonuses	Guaranteed bonuses	Variable remuneration Upfront		Variable remuneration Deferred			
		Salaries & wages	Other Benefits/ Allowances	(Cash/ shares)	(Cash/ shares)	Cash	Shares	Cash	Shares	Others	Total
Approved persons											
- Business lines	2	-	-								**-**
- Control & support	5	195	176								**372**
Other material risk takers											
Other staff	1	23	3								**26**
Other Subsidiaries	-	-	-								
Total	**6**	**218**	**179**								**398**

NB: Cost and number of staff includes staff who left during the year.

2019											
BD 000's	Number of staff	Fixed remuneration		Sign on bonuses	Guaranteed bonuses	Variable remuneration Upfront		Variable remuneration Deferred			
		Salaries & wages	Other Benefits/ Allowances	(Cash/ shares)	(Cash/ shares)	Cash	Shares	Cash	Shares	Others	Total
Approved persons											
- Business lines	2	56	261								**317**
- Control & support	10	373	365								**738**
Other material risk takers											
Other staff	**13**	40	164								**204**
Other Subsidiaries	-	-	-								
Total	**25**	**469**	**790**								**1,259**

(c) Deferred awards

	2020				
	Cash	**Shares**		**Others**	**Total**
	(BHD)	Number	(BHD)	(BHD)	(BHD)
Opening balance	Nil	Nil	Nil	Nil	Nil
Awarded during the period	Nil	Nil	Nil	Nil	Nil
Paid out / released during the period	Nil	Nil	Nil	Nil	Nil
Service, performance and risk adjustments	Nil	Nil	Nil	Nil	Nil
Changes in value of unvested opening awards	Nil	Nil	Nil	Nil	Nil
Closing balance	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**

Deferred awards

	2020				
	Cash	**Shares**		**Others**	**Total**
	(BHD)	Number	(BHD)	(BHD)	(BHD)
Opening balance	Nil	Nil	Nil	Nil	Nil
Awarded during the period	Nil	Nil	Nil	Nil	Nil
Paid out / released during the period	Nil	Nil	Nil	Nil	Nil
Service, performance and risk adjustments	Nil	Nil	Nil	Nil	Nil
Changes in value of unvested opening awards	Nil	Nil	Nil	Nil	Nil
Closing balance	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**

(d) Severance pay

Severance payment was made to 1 Bank Alkhair staff totaling BD98,691 in the year 2020. This is end of service compensation employees receive when they leave bank employment plus additional termination benefit based on length of service.

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.
Deferred share awards	The portion of variable compensation that is awarded and paid in the form of phantom shares on a pro-rata basis over a period of 3 years.
Future performance awards	The portion of variable compensation, which is awarded to select employees. The awards are contingent on the delivery of future performance targets for the Bank as well as service conditions on the part of employees. These could comprise individually or a combination of the following:
	• Phantom Shares, where the employees are compensated in the form of share-linked instruments (phantom shares) as a percentage of fixed salary on achievement of some future performance conditions. • Profit share, where the employees are compensated based on a specified percentage of targeted profit for a transaction. • Carried Interest, where the employees are compensated a specified percentage of fair value gain on investments once it achieves a specified hurdle rate on realisation. • Co-investment, wherein a portion of variable remuneration is awarded in the form of an investment made by the Bank which is cashable by the employee on Bank's exit from the investment. • Sales commission, where the employee is compensated on the basis of a specified percentage of a sales value of an investment on successful exit.

Control Functions

Compliance

Bank Alkhair is committed to meeting the highest levels of ethical standards in all areas of its operations. The Board of Directors was keen to establish a strong and independent Compliance department to assist the Senior Management of the Bank in effectively managing its compliance risk. The Compliance department reports functionally to the Board of Directors, and is responsible for overseeing the Bank's compliance programme. It is responsible solely for compliance-related issues, and functions independently from other business activities, including those where the department's independence and objectivity may be compromised. The Compliance department is responsible for the management of compliance risk at the Group level for the Bank and its subsidiaries, and for ensuring that the Group's policies, procedures and operations are in line with all applicable rules and regulations. It also assists Senior Management in educating staff and increasing awareness regarding compliance issues across the Group.

Anti-Money Laundering (AML)

Bank Alkhair's Anti-Money Laundering function administers the authorisation process by which the Bank's targets are approved as legitimate clients, and thereafter continues to monitor clients to ensure effective compliance with the rules and regulations as stipulated in the Central Bank of Bahrain's Financial Crime Module and international best practices. This has been achieved through the appointment of a designated Money Laundering Reporting Officer and Deputy Money Laundering Reporting Officer; and the development of detailed AML policies and procedures, and comprehensive KYC documentation, to rigorously screen potential investors' identities and source of funds. The Bank has registered and implemented all FATCA required regulations Group-wide.

Shari'ah Assurance

Bank Alkhair's Shari'ah Assurance division works closely with the Shari'ah Supervisory Board in the development and pre-screening of every business proposition, including those of the Bank's subsidiaries and associates. The division also plays a key role in ensuring that the Fatwas of the Shari'ah Supervisory Board are consistently applied, and prepares quarterly Shari'ah audit reports for review by the Bank's Shari'ah Board and Management team.

The Shari'ah Assurance division actively monitors all transactions, and forms an integral part of the investment process from the outset. It is also a member of the Investment and Post-Investment Management Committee and the Risk Committee. The division validates all business propositions against both the Shari'ah Board's resolutions and Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) standards.

All transactions and dealings during the year ended 31 December 2020 were in compliance with the rules and principles of Islamic Shari'ah, except for Taj Mall project, which was not submitted to the Shari'ah Board for approval prior to their execution, and appear later to be having explicitly non-Shari'ah Compliance issues which have not been corrected, notwithstanding various Shari'ah Board resolutions issued requesting resolution of the same.

Zakah is calculated according to the guidelines approved by Shari'ah Supervisory Board and according to AAOIFI Shari'ah standard no. 35, and Accounting standard no. 9. Excluding Alkhair Capital SA from the Zakat pool, as per Saudi Arabia Authority rules and regulations Alkhair Capital is to pay Zakat separately. Number of shares of the Bank (207,962). Zakah per share (0.01669 in US$ cents).

During the year, the Bank has realized no earnings from sources prohibited by Shari'ah rules and principles.

Management

The Board of Directors has delegated authority for the day-to-day management of the Bank's business to the Group Chief Executive Officer, who is supported by a well-qualified and experienced Executive Management team, and three Management Committees. Biographies of the Executive Managers are listed at the end of this Review.

Management Committees

The Board of Directors has established various management-level committees for each entity to ensure appropriate control and oversight of all material risks to the Bank.

Asset and Liability Committee (ALCO)

ALCO is responsible for managing the Bank's Asset, Liability, Liquidity and Capital structure, in compliance with local Regulations and the Bank's Asset and Liability Management ("ALM") Policy, which covers Capital Adequacy, Funding, Liquidity, Profit rate and Market risk within the Bank's risk appetite. The Committee is composed of Heads of key business units including Treasury and Finance, together with control function representation. It oversees all Treasury and Capital Market trading book activities, monitors macroeconomic outlook and market sentiment and regularly reviews business line investment plans to ensure sufficient funding is in place. ALCO ensures the development of a funding strategy to include an appropriate mix of maturities in conjunction with the Bank's Treasury and Capital Markets functions.

Investment and Credit Committee (ICC)

The ICC oversees proprietary and client pre- and post-investment management including recommendation and approval of new investments, due diligence, divestures, strategic investee board level decisions, along with review and monitoring throughout the investment cycle. It is also responsible for the end-to-end credit cycle oversight, including review and approval recommendation of new credits, renewals, settlements, provisioning, and restructuring. It ensures all medium- to long-term exposures are managed within the Bank's strategy and risk appetite.

Management Risk Committee (MRC)

The Management Risk Committee's responsibility is to ensure the Bank develops an appropriate risk framework, including policies, resourcing, information systems, and culture and incentive structures for all business activities in compliance with regulations, the Bank's strategy and risk appetite. The Committee oversees the risk management, compliance and internal controls for all operational activities of the Bank; and reviews and approves risk management policies, processes and procedures.

Professional Biographies

Board of Directors

Yousef A. Al-Shelash

Chairman of the Board of Directors and Founding
Shareholder Chairman of the Board Executive Committee
Non-Executive Director since April 2004

A Saudi national, Mr. Yousef A. Al-Shelash is the Chairman of Dar Al Arkan Real Estate Development Company (Dar Al Arkan) Saudi Arabia. He is also the Chairman of the Strategic Acquisition Fund, Bahrain. Previously, Mr. Al-Shelash served as a member of the Investigation and Attorney General Bureau in Saudi Arabia, as well as a legal advisor to various legal consultancy firms in Saudi Arabia. He obtained an MSc in Law and Legal Proceedings from the Institute of Public Administration Al-Riyadh, and a BSc in Shari'ah from Mohamed Bin Saud Islamic University, Saudi Arabia.

He has received formal training in financial management and evaluation of investment projects, and has also earned diplomas in both Banking and Combating Financial Crimes. Mr. Al-Shelash is one of the pioneers of the real estate development industry in the Kingdom of Saudi Arabia, beginning over two decades ago in the early 1990s. He also initiated the real estate mortgage industry in Saudi Arabia in 1998.

Mr. Al-Shelash holds a directorship in the following companies; Dar Al Arkan Real Estate Development (Saudi Arabia), Saudi Home Loans (Saudi Arabia), Alkhair Capital (Saudi Arabia), Madaraat Development Company

Technology. (Saudi Arabia), Afwaf Investment (Saudi Arabia), Thimar Alarabiya (Saudi Arabia), and Eamar Al Byadir Dev. (Saudi Arabia).

Professional experience: over 20 years

Dr. Ahmed Al-Dehailan

Chairman of the Audit Committee and founding
shareholder Independent director since February 2011

Dr. Ahmed Al-Dehailan served as the Chief Financial Officer and Advisor to the General Manager at Dar Al Arkan. He was also a lecturer at Al Emam Mohamed University in Riyadh. Dr. Al-Dehailan holds board memberships in several other companies including the Saudi Home Loan Company (Director); the Strategic Acquisition Fund Company (Member of the Investment Committee); Bahrain Financing Company (Director), BFC Group Holding Limited and BFC Group Holdings W.L.L. (Director); t'azur, Bahrain (Director); and t'azur, Kuwait (Chairman). Dr. Al-Dehailan holds a Doctoral Degree in Accounting and Finance from Cardiff University, UK.

Professional experience: over 20 years

Majed Al Qasem

Independent Director since June 2013

A Saudi national, Mr. Majed Al Qasem is a Founding Shareholder and Non- executive Independent Director of Dar Al Arkan Real Estate Development Company. He is also a Board Member of Al Buraq Real Estate Company and Namaa Al-Sarah Company; and has spent almost 10 years as a Member of the Investigation & Attorney General Bureau in Saudi Arabia. Mr. Al Qasem holds a Bachelor's Degree in Islamic Studies from Imam Mohammed bin Saud Islamic University, Saudi Arabia.

Professional experience: over 15 years

Khalid Shaheen

Independent director since April 2012

Mr. Khalid Shaheen is currently a Board member and the Chairman of the Audit Committee of National Finance House, and a Board member of BFC Group Holdings in Bahrain. Throughout his career, Mr. Shaheen held various high-level positions in prominent financial institutions in Bahrain, including Bahraini Saudi Bank, Bahrain Development Bank, Shamil Bank and Gulf International Bank. He also held a series of Board and Committee memberships in various organisations in Bahrain's public and private sectors. Mr. Shaheen holds a Bachelor's degree in Business from the University of St. Thomas, Houston, Texas, USA; and he is a Fellow of the Institute of Directors, UK.

Professional experience: over 30 years

Shari'ah Supervisory Board

Dr. Nizam Mohammad Saleh Yaquby
Chairman

Dr. Nizam Mohammad Saleh Yaquby is a well-known Shari'ah Scholar recognised internationally. He sits on the Shari'ah Supervisory Board of many Islamic financial institutions including AAOIFI Shari'ah Board.

Dr. Nizam was awarded his PhD degree from Lahaye University in Holland.

Dr. Mohammad Daud Bakar
Member

Dr. Mohd Daud Bakar is the Chairman of the Amanie Group Kuala Lumpur, Malaysia. He is currently the Chairman of the Shari'ah Advisory Councils at the Central Bank of Malaysia, the Securities Commission of Malaysia. He is the President of International Islamic University and the Chairman of Islamic Religions Council of Federal Territories of Kuala Lumpur, Labuan and Putrajaya.

Dr. Ali Muhyealdin Al-Quradaghi
Deputy Chairman

Dr. Ali Muhyealdin Al-Quradaghi is a Professor and Chairman of the Department of Jurisprudence and its Principles in the Faculty of Shari'ah Law and Islamic Studies at the University of Qatar. He is a member of the Islamic Fiqh Academy, which evolved from the Organisation of Islamic Conference in Jeddah, Saudi Arabia; and also sits on the Shari'ah Supervisory Board for a number of Islamic banks. Dr. Al-Quradaghi holds a PhD in Shari'ah from Al-Azhar University.

Executive Management

Kubra Ali Mirza

Acting Chief Executive Officer
(Until 21 March, 2021)

Mrs. Kubra Ali Mirza was the Acting Group Chief Executive Officer of Bank Alkhair, having previously held the positon of Chief Compliance Officer, MLRO & Board Secretary. Mrs. Kubra Mirza has over 20 years of experience in investment banking, financial regulations, corporate governance, compliance, financial crimes and anti-money laundering. Prior to joining Bank Alkhair, she was the Head of Compliance, MLRO and Board Secretary; Secretary of the Corporate Governance Committee; and Secretary of the Finance & Investment Committee at Venture Capital Bank, Bahrain. Prior to that, she worked for Tatweer Consulting Company, and the Central Bank of Bahrain. She was also a member of several local and international regulatory working groups and task forces.

Mrs. Kubra holds a Bachelor's degree in Accounting and an Executive MBA from the University of Bahrain. She is a certified anti-money laundering specialist and holds a CAMS credential issued by the Association of Certified Anti-Money Laundering Specialists (ACAMS). Mrs. Kubra is also a certified compliance officer and a member of the American Academy of Financial Management.

Fawad Hanif

Group Chief Financial Officer / Coordinator Back Office Functions
(Until 31 December, 2020)

Mr. Fawad Hanif has a wealth of experience and has proved his expertise in a variety of assignments including financial control, fund management and post-investment management. He is affiliated with Bank Alkhair since July 2008 and worked in various positions, the last as Head of Financial Accounting before his appointment as Group CFO.

Fawad is a faculty member of the Institute of Chartered Accountants of Pakistan (FCA) and a Certified Islamic Professional Accountant (CIPA) from the Accounting and Auditing Organization for Islamic Financial Institutions, Bahrain (AAOIFI).

Samar Vijay Pupala

Chief Financial Officer
(Effective 7 January, 2021)

Mr. Samar Vijay Pupala is the Chief Financial Officer of Bank Alkhair. He has a wealth of varied banking and financial services experience in global finance having spent over 25 years working for some of the leading innovative banking and investment institutions in India. He was earlier associated with Arthur Andersen, The Times of India group, Network International and start-ups at ICICI Ventures, ASK Financial and Zaggle.

A seasoned Fintech Leader, Mr. Samar has over 15 years of experience successfully building digital businesses in remittances, payments, mutual funds, equity, taxation and platform sales. He is a Board member of numerous international companies spanning various sectors including banking, insurance, technology and real estate.

Mr. Samar holds a Bachelor of Commerce from Sydenham College of Commerce & Economics, Mumbai, India.

CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

Contents

Consolidated financial statements

SHARI’AH SUPERVISORY BOARD REPORT

To the Shareholders of Bank Alkhair BSC (c)

Asslamo A'laikom WA Rahmatu Allah WA Barakatuh

In compliance with the terms of our letter of appointment, we are required to report as follows:

The Shari'ah Board, through the Shari'ah department, and under its direct supervision, reviewed the principles and the contracts relating to the transactions conducted by Bank Alkhair B.S.C. (c) ("the Bank") and its subsidiaries (together "the Group") during the year ended 31 December 2020. The review was conducted in order to form an opinion as to whether the Group has complied with rules and principles of Islamic Shari'ah and also with the specific fatwa's, rulings and guidelines issued by us.

Based on the Articles of Association of the Bank, the Group's management is responsible for ensuring that the Group conducts its business in accordance with the rules and principles of Shari'ah while the Shari'ah Board's responsibility is to form an independent opinion, based on our review of the operations of the Group, and to report this to you.

We conducted our review through the Shari'ah department and under our supervision which included examining, on a test basis, each type of transaction and the relevant documentation and procedures adopted by the Group. We performed our review so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to give assurance that the Group has not violated any rules and principles of Shari'ah.

In our opinion:

a) The contracts transactions and dealings entered into by the Group during the year ended 31 December 2020 are in compliance with the rules and principles of Shari'ah.

b) The Shari'ah Board emphasis that non-Shari'ah compliance issues related to the investment in Taj Mall project, which were not submitted to the Shari'ah Board for approval before its execution, and appear later to be having explicitly non-Shari'ah Compliance issues and not being corrected yet although a various Shari'ah Board resolution issued requesting solving the same several times.

c) During the year, the Bank has realized no earnings from sources prohibited by Shari'ah..

d) The allocation of profit and charging of losses relating to investment accounts conform to the basis that had been approved by us in accordance with Shari'ah rules and principles.

e) The calculation of Zakah is in compliance with the rules and principles of islamic Shari'ah based on AAOIFI Shari'ah standard no. (35) and Accounting standard no. (9).

We supplicate to Allah the Almighty to grant us success and a straight path.

Wa Assiamo A'laikom Wa Rahmatu Allah Wa Barakatuh.

Sh. Dr. Nizam M. Yacoubi

Dr. Ali M. Al Qaradaghi

Dr. Mohamed Daud Bakar

Sha‘ban 26, 1442 H - 8 April 2021

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Kingdom of Bahrain

Independent auditor's report to the shareholders of Bank Alkhair B.S.C. (c)

Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying consolidated financial statements of Bank Alkhair B.S.C. (c) ("the Bank") and its subsidiaries (together referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the related consolidated statement of income, consolidated statement changes in equity, consolidated statement of cash flows 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, changes in equity, its cash flows for the year then ended in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions "AAOIFI".

Basis for opinion

We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions issued by AAOIFI. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We 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.

Material uncertainties relating to going concern

Without qualifying our opinion, we draw attention to note 2 to the consolidated financial statements which discusses certain matters relating to the Group's liquidity position, accumulated losses and regulatory capital adequacy requirements, implications of these matters for the basis of preparation of the consolidated financial statements and management's action plans to deal with these matters. Our opinion is not modified in respect of this matter.

Other information included in the Group's consolidated financial statements

Other information consists of the information included in the Board of Directors' report and the Shari'a Supervisory Board's 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 that fact. We have nothing to report in this regard.

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Independent auditor's report to the shareholders of Bank Alkhair B.S.C. (c)

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

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 AAOIFI and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 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.

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Independent auditor's report to the shareholders of Bank Alkhair B.S.C. (c)

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

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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 as disclosed in note 35 the Bank's capital adequacy ratio as of 31 December 2020 was below the minimum requirement and note 2 which discusses certain matters relating to the Group's liquidity position, 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, 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 financial position. Satisfactory explanations and information have been provided to us by management in response to all our requests.

d) Except for the matters discussed in the Shari'a Supervisory Board report dated 8 April 2021, we are not aware of any other breaches of the Shari'a rules and principles as determined by the Shari'a Supervisory Board of the Bank.

BDO

Manama, Kingdom of Bahrain
18 April 2021

سامسون كاتوفاتيل
رقم القيد ٢٣٩
BDO
Public Accountants
Reg. No. 239
Samson Kattuvattil

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	*31 December 2020 US$ '000*	*31 December 2019 US$ '000*
ASSETS			
Cash and balances with banks	5	**9,298**	1,265
Financing receivables	6	**782**	-
Investments	7	**63,596**	70,778
Investment in associates	8	**126,978**	122,552
Investment in real estate	9	**177,059**	184,053
Other assets	10	**12,340**	10,947
Assets held-for-distribution	18	**1,878**	315
Equipment		**38**	102
TOTAL ASSETS		**391,969**	390,012
LIABILITIES AND OWNERS' EQUITY			
Liabilities			
Due to financial institutions and customers	11	**264,596**	246,891
Other liabilities	12	**11,697**	18,753
Liabilities relating to assets held-for-distribution	18	**-**	4
Total liabilities		**276,293**	265,648
Owners' equity			
Share capital	13	**207,962**	207,962
Statutory reserve		**664**	664
Fair value reserve		**179**	207
Foreign currency translation reserve		**(2,470)**	(2,726)
Accumulated losses		**(164,911)**	(153,535)
Equity attributable to shareholders of the Bank		**41,424**	52,572
Non-controlling interests		**74,252**	71,792
Total owners' equity		**115,676**	124,364
TOTAL LIABILITIES AND OWNERS' EQUITY		**391,969**	390,012

Yousef Abdullah Al-Shelash
Chairman

Majid Al Qasem
Vice Chairman

The attached notes 1 to 36 form part of these consolidated financial statements

Bank Alkhair B.S.C. (c)

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2020

	Notes	***31 December 2020 US$ '000***	*31 December 2019 US$ '000*
Income from non-banking operations	14	**14,897**	19,145
Finance income		**-**	39
Fees and commission income	15	**2,875**	441
Share of profit from associates - net	8	**4,546**	1,247
Income from investments - net	16	**-**	1,252
Other income		**1,784**	58
Total income		**24,102**	22,182
Expenses of non-banking operations	14	**10,670**	12,830
Finance expense		**15,583**	14,967
Loss from investments - net	16	**5,512**	-
Staff cost		**1,056**	3,340
General and administrative expenses	17	**1,748**	2,199
Depreciation		**18**	62
Foreign exchange loss - net		**3**	8
Total expenses		**34,590**	33,406
Loss for the year before impairment		**(10,488)**	(11,224)
Income / (loss) from assets held for distribution and discontinued operations	18	**1,572**	(1,762)
Net profit on disposal / derecognition of subsidiaries / asset	18	**-**	575
Impairment charge	19	**-**	(7,296)
Net loss for the year		**(8,916)**	(19,707)
Attributable to:			
Shareholders of the Bank		**(11,376)**	(23,182)
Non-controlling interests		**2,460**	3,475
		(8,916)	(19,707)

Yousef Abdullah Al-Shelash
Chairman

Majid Al Qasem
Vice Chairman

Bank Alkhair B.S.C. (c)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to shareholders of the Bank							
	Share capital US$ '000	*Statutory reserve US$ '000*	*Fair value reserve US$ '000*	*Foreign currency translation reserve US$ '000*	*Accumulated losses US$ '000*	*Total US$ '000*	*Non-controlling interests US$ '000*	*Total equity US$ '000*
As at 1 January 2020	207,962	664	207	(2,726)	(153,535)	52,572	71,792	124,364
Net (loss) / profit for the year	-	-	-	-	(11,376)	(11,376)	2,460	(8,916)
Foreign currency translation differences, net	-	-	-	(4)	-	(4)	-	(4)
Share of changes in reserves of associates	-	-	(28)	260	-	232	-	232
As at 31 December 2020	**207,962**	**664**	**179**	**(2,470)**	**(164,911)**	**41,424**	**74,252**	**115,676**
As at 1 January 2019	207,962	664	242	(2,812)	(130,353)	75,703	107,988	183,691
Net (loss) / profit for the year	-	-	-	-	(23,182)	(23,182)	3,475	(19,707)
Foreign currency translation differences, net	-	-	-	(7)	-	(7)	-	(7)
Share of changes in reserves of associates	-	-	(35)	93	-	58	-	58
Adjustment on sale/derecognition of subsidiaries	-	-	-	-	-	-	(39,671)	(39,671)
As at 31 December 2019	207,962	664	207	(2,726)	(153,535)	52,572	71,792	124,364

Bank Alkhair B.S.C. (c)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	31 December 2020 US$ '000	*31 December 2019 US$ '000*
Loss for the year	**(8,916)**	(19,707)
Adjustments for:		
Loss / (income) from investments - net	**5,512**	(220)
Fair value changes in investments	**-**	(1,032)
Share of profit from associates - net	**(4,546)**	(1,551)
Depreciation	**18**	221
Sukuk amortisation	**-**	3
Gain on disposal of investment property	**(850)**	-
Impairment charge	**-**	7,296
Gain on disposal/derecognition of subsidiaries/asset	**-**	(575)
	(8,782)	(15,565)
Changes in:		
Financing receivables	**(782)**	5,705
Other assets	**(1,392)**	(2,373)
Due to financial institutions and customers	**18,592**	(4,235)
Asset held for distribution	**(1,567)**	-
Other liabilities	**(7,056)**	15
	(987)	(16,453)
INVESTING ACTIVITIES		
Sale of equipment - net	**46**	159
Proceeds from sale of investments	**1,968**	38,444
Purchase of investments	**(298)**	(8,692)
Changes in investment property	**7,843**	(264)
Net cash on disposal of subsidiary	**-**	(11,408)
Dividend received	**352**	353
Net cash from investing activities	**9,911**	18,592
FINANCING ACTIVITY		
Repayment of financing liabilities	**(887)**	(9,700)
Net cash used in financing activity	**(887)**	(9,700)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS	**8,037**	(7,561)
Effect of exchange rate changes on cash and cash equivalents	**(4)**	(7)
Cash and cash equivalents at the beginning of the year	**1,265**	8,833
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**9,298**	1,265
Cash and cash equivalents comprise:		
Cash and balances with banks	**9,298**	**1,265**

1 CORPORATE INFORMATION AND ACTIVITIES

a) Incorporation

Bank Alkhair B.S.C. (c) ("the Bank") was incorporated in the Kingdom of Bahrain and registered with the Ministry of Industry, Commerce and Tourism under Commercial Registration No. 53462 on 29 April 2004 and operates under a wholesale Islamic banking license granted by the Central Bank of Bahrain (CBB). The Bank's registered office is at the 15th floor, West Tower Bahrain Financial Harbour, Building No. 1459, Road No. 4626, Manama Sea Front 346, Kingdom of Bahrain.

Shareholders of the Bank at an Extra Ordinary General Meeting held on 22 February 2018 have approved a restructuring which will, inter alia, involve; the surrender of the banking license and the conversion of the Bank into a holding company. The appropriate application was submitted with the CBB and is in process.

b) Activities

The Bank and its subsidiaries (together referred to as "the Group") are in the process or restructing and converting to a holding company as approved by its shareholders. During the year, based on the CBB letter dated May 17, 2020 the bank has exited out of the Bodrum Project in Turkey and completed the liquidation of its Private Equity fund. The liquidation of the StrategicAcquisition Fund has been initiated and it currently with the liquidator. The Bank is not currently carrying out any regulated activities.

2 BASIS OF PREPARATION

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). In line with the requirement of AAOIFI and the CBB Rule Book, for matters that are not covered by FAS, the Group uses guidance from the relevant International Financial Reporting Standards ('IFRS').

Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention except for certain investments and investment in real estate which are carried at fair value. The consolidated financial statements are presented in United States Dollars (US$), being the functional currency of the Group's operations. All financial information presented in US$ has been rounded to the nearest thousands, except when otherwise indicated.

Going concern

As at 31 December 2020, the management has taken a number of initiatives including discussions with creditors who have shown willingness in the past to roll over short term placements, putting together a robust assets sales plan as evidenced by the sale of the Bodrum project in Turkey and particularly the ongoing support from major shareholders who have also in the past provided support when it was needed. The management is also working on the conversion of the Bank into a holding company as approved by the shareholders. The Board of Directors has reviewed these initiatives and is satisfied with the appropriateness of the going concern assumption for preparation of the consolidated financial statements.

Moreover, the accumulated deficit of the Group exceeded 50% of its paid-up capital as at the reporting date. The Bahrain Commercial Companies Law requires that, where the accumulated losses of the Group exceed its share capital by more than 50%, the shareholders should resolve to continue with the operations of the Group. The fact was conveyed to the shareholders during the last annual general meeting of the Bank held on 10 May 2018.

2 BASIS OF PREPARATION (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 are eliminated in full on consolidation.

Subsidiaries are fully consolidated from the date; control is transferred to the Bank and continue to be consolidated until the date that control ceases. Control is achieved where the Bank 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 subsidiaries' net assets is reported as a separate item in the Group's owners' equity. In the consolidated statement of income, non-controlling interest is included in net profit, and shown separately from that of the shareholders.

Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in owners' equity since the date of combination. Losses applicable to the non-controlling interest in excess of the non-controlling interest in subsidiaries' equity are allocated against the interests of the Group except to the extent that the non-controlling interest has a binding obligation and is able to make an additional investment to cover the losses.

Transactions with non-controlling interests are handled in the same way as transactions with external parties. Sale of participations to non-controlling interests result in a gain or loss that is recognised in the consolidated statement of income. Changes in the ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transaction.

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

Subsidiary	*Ownership 2020*	*Ownership 2019*	*Year of Incorporation/ Acquisition*	*Country of Incorporat-ion*	*Principal activity*
Al-Tajamouat for Touristic Projects Co Pie	50.6%	50.6%	2013	Jordan	It was incorporated in January 2004 and its activities are real estate property investment, development, ownership and operation of a shopping mall in Amman.
Alkhair Gayrimenkul Yatirim Ve Ticaret A.S (formerly Alkhair Portfoy Yonetimi A.S.)	99.6%	99.6%	2007	Turkey	The entity was established to provide investment consultancy and asset management. Due to restructuring at group level, financial services license of the entity was surrendered and converted to a real estate and trading company. The Bank is in the process of initiating voluntary liquidation proceedings for the same

2 BASIS OF PREPARATION (continued)

Subsidiary	*Ownership 2020*	*Ownership 2019*	*Year of Incorporation/ Acquisition*	*Country of Incorporat-ion*	*Principal activity*
AKIIM Sdn Bhd - Delete (formerly Alkhair International Islamic Bank Malaysia Berhad)	100%	100%	2004	Malaysia	It was established in 2004 to source investment opportunities in the Far East and monitor the performance of the acquired companies on behalf of the Bank and investors and to establish distribution channels for the Group. In 2007, Alkhair International Islamic Bank Malaysia Berhad was granted an investment banking license by Bank Negara Malaysia to carry out investment banking activity in currencies other than the Malaysian Ringgit. Due to restructuring at group level, in 2019, banking license was surrendered to the regulator (Bank Negara Malaysia) and the entity was converted into Sdn Bhd. The entity has been put on voluntary liquidation and the control has been transferred to liquidator, therefore, the entity has been deconsolidated and classified as held-for-distribution in the financial statements.

The Bank has other special purpose entities (SPE's) holding companies and subsidiaries which are set up to supplement the activities of the Bank and its principal subsidiaries.

Business combination

Business combinations are accounted for using the acquisition method as at the acquisition date i.e. when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in the consolidated statement of income immediately. Transaction costs are expensed as incurred, except if they are related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in consolidated statement of income. Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in consolidated statement of income.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market based value of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

3 SIGNIFICANT ACCOUNTING POLICIES

a) Cash and cash equivalents
Cash and cash equivalents as referred to in the consolidated statement of cash flows comprise cash in hand, balances with banks and placements with financial institutions with an original maturity of three months or less.

b) Placements with financial institutions
These comprise inter-bank placements mainly made using Sharia compliant contracts. Placements are usually for short-term and are stated at their amortised cost.

c) Financing receivables
Financing receivables comprise Sharia compliant financing contracts with fixed or determinable payments. These include financing provided through Murabaha contracts. Financing assets are recognised on the date they are originated and are carried at their amortised cost.

d) Investments
Investments comprise equity-type instruments at fair value through statement of income and debt-type instruments at amortised cost.

Equity-type instruments at fair value through statement of income
These include equity-type investments held for trading purposes and those investments that are designated under this category on initial recognition. Subsequent to acquisition, investments designated at fair value through consolidated statement of income are re-measured at fair value with unrealised gains or losses 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.

e) Investment in associates
Associates are those entities in which the Group has significant influence but no control or joint control over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

On initial recognition of an associate the Group makes an accounting policy choice as to whether the associate shall be equity accounted or designated as at fair value through income statement. The Group makes use of the exemption in FAS 24 - Investment in Associates for venture capital organisation and designates certain of its investment in associates, as 'equity-type instruments at fair value through statement of income'. These investments are managed, evaluated and reported internally on a fair value basis.

If the equity accounting method is chosen for an associate, these are initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investees after the date of acquisition. Distributions received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the investor's proportionate interest in the investees arising from changes in the investee's equity.

When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associates.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Investment in associates (continued)

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate at the date of acquisition is recognised as goodwill, and included within the carrying amount of the investment. When the excess is negative, a bargain purchase gain is recognised immediately in the consolidated statement of income.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in equity is reclassified to the consolidated statement of income where appropriate.

f) 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.

g) Equipment

Equipment includes computers, office equipment, fixtures and fittings. Equipment is recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method to write-off the cost of the assets over their estimated useful lives ranging from 1 to 8 years. The assets residual values and useful lives are reviewed and adjusted if appropriate at each reporting date.

h) Due to financial institutions

These comprise funds from financial institutions received on Sharia compliant contracts. Due to financial institutions are stated at their amortised cost.

i) Due to customers

These comprise funds payable to corporate customers received using Sharia compliant contracts. Due to customers are stated at their amortised cost.

j) Revenue recognition

Revenue is recognised when it is probable that future economic benefits will flow to the Group and the amount of the revenue can be reliably measured. Revenue earned by the Group and gain / loss on assets are recognised on the following basis:

Dividend income

Dividend income is recognised when the Group's right to receive the payment is established.

Gain / (loss) on sale of investments (realised gain / (loss)

Gain / (loss) on sale of investments (realised gain / (loss)) is recognised on trade date at the time of derecognition of the investment securities. The gain or loss is the difference between the carrying value on the trade date and the consideration received or receivable.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Revenue recognition (continued)

Fair value gain / (loss) on investments (unrealised gain or loss)
Fair value gain / (loss) on investments (unrealised gain or loss) is recognised on each measurement date in accordance with the accounting policy for equity-type instruments carried at fair value through income statement (refer note 3 d).

Fees and Commission income
Fees and Commission income represents advisory fees, arrangement fees, management fees and brokerage fees. Fees and Commission income is recognised at the fair value of consideration received or receivable and when the service is provided and income is earned. This is usually when the Group has performed all significant acts in relation to a transaction and it is highly probable that the. economic benefits from the transaction will flow to the Group. Significant acts in relation to a transaction are determined based on the terms for each transaction.

Finance income and expense
Finance income and expense is recognised using effective profit rate.

Income from non-banking operations
This consists of income from Al-Tajamouat for Touristic Projects Company PLC (lease income).

Lease income
Lease income is recognised on straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

Revenue from a contract to provide services
Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract, when the

k) Employees' end of service benefits
Bahraini employees are covered by the Social Insurance Organisation scheme which comprises a defined contribution scheme to which the Group contributes a monthly sum based on a fixed percentage of the salary. The contribution is recognised as an expense in the consolidated statement of income.

The Group provides end of service benefits to its non-Bahraini employees. Entitlement to these benefits is usually based upon the employees' length of service and the completion of a minimum service period. The expected costs of these benefits which comprise a defined benefit scheme are accrued over the period of employment based on the notional amount payable if all employees had left at the statement of financial position date.

l) Earnings prohibited by Sharia
The Group is committed to avoid recognising any income generated from non Islamic sources. Accordingly all non Islamic income is credited to a charity account and these funds are used for charitable purposes.

m) Zakah
The Group is not obliged to pay Zakah on behalf of its shareholders. However, the Group is required to calculate and notify individual shareholders of their pro-rata share of the Zakah payable amount.

n) Provision for 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.

o) Impairment of financial assets
An assessment is made at each consolidated statement of financial position date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss 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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Impairment of financial assets (continued)

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

p) Foreign currency transactions

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in US$ (United States Dollar) which is functional and presentation currency of the Bank.

Foreign currency transactions are translated using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of income. Translation differences on non-monetary items carried at their fair value, such as certain equity securities measured at fair value through equity, are included in investments fair value reserve.

Other group companies

As at the reporting date, the assets and liabilities of subsidiaries, associates and joint venture are translated into the Bank's functional currency at the rate of exchange prevailing at the reporting date, and their statements of income are translated at the average exchange rates for the year. Exchange differences arising on translation are taken directly to a separate reserve in owners' equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to

q) Offsetting of financial instruments

Financial assets and financial liabilities are only offset and the net amounts reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and the Group intends to either settle these on a net basis, or intends to realise the asset and settle the liability simultaneously.

r) Statutory reserve

The Bahrain Commercial Companies Law requires that 10 percent of the annual net profit be appropriated to a statutory reserve which is normally distributable only on dissolution. Appropriations may cease when the reserve reaches 50 percent of the paid up share capital.

s) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

t) Contingent liabilities and contingent assets

Contingent liabilities are not recognised in the consolidated financial statements, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is probable. Contingent assets are not recognised in the consolidated financial statements, but are disclosed when an inflow of economic benefits is probable.

u) Financial guarantees

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Loan commitments are firm commitments to provide credit under pre-specified terms and commitments. Financial guarantee liabilities are recognised initially at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The financial guarantee liability is subsequently carried at the higher of this amortised amount and the present

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

v) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from the contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

w) Leases

Payments under operating lease are recognised in the consolidated statement of income on a straight line basis over the term of the lease. Lease incentives are recognised as an integral part of the total lease expense, over the term of the lease.

x) Sharia supervisory board

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

y) Trade date accounting

All "regular way" purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

z) Judgements and estimates

In the process of applying the Group’s accounting policies, management has used its judgements and made estimates in determining the amounts recognised in the consolidated financial statements. The most significant use of judgements and estimates are as follows:

Classification of investments

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

Special purpose entities

The Group sponsors the formation of Special Purpose Entities ("SPE") primarily for the purpose of allowing clients to hold investments. The Group provides corporate administration, investment management and advisory services to these SPEs, which involve the Group making decisions on behalf of such entities. The Group administers and manages these entities on behalf of its clients, who are by and large third parties and are the economic beneficiaries of the underlying investments. The Group does not consolidate SPEs that it does not have the power to control. In determining whether the Group has the power to control an SPE, judgments are made about the objectives of the SPE’s activities, its exposure to the risks and rewards, as well as about the Group intention and ability to make operational decisions for the SPE and whether the Group derives benefits from such decisions.

Fair valuation of investments

The determination of fair values of unquoted investments requires management to make estimates and assumptions that may affect the reported amount of assets at the date of consolidated financial statements. Investments in funds or similar investment entities are carried at the latest net asset valuation provided by the fund administrator.

Nonetheless, the actual amount that is realised in a future transaction may differ from the current estimate of fair value and may still be outside management estimates, given the inherent uncertainty surrounding valuation of unquoted investments.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

z) Judgements and estimates (continued)

Impairment of financing receivables

Each counterparty exposure is evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a counterparty's financial situation and the net realisable value of any underlying assets/ collaterals. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently evaluated by the Risk Management Department. All individually significant financing receivables are tested for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

Financing receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss in respect of a financing receivables measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective profit rate. Losses are recognised inconsolidated of income and reflected in an allowance account against financing receivable.

Profit on the impaired asset does not continue to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through consolidated statement of income.

Valuation of investment in real estate

The Group obtains valuations performed by external independent property valuers in order to determine the fair value of its investment properties. These valuations are based upon assumptions including future rental income, anticipated maintenance costs and the appropriate discount rate. The independent property valuers also refer to market evidence of transaction prices for similar properties.

Going concern

The Group's management has made an assessment of its 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 consolidated financial statements continue to be prepared on the going concern basis.

4 PROSPECTIVE CHANGES IN ACCOUNTING POLICIES

New standard issued and adopted

The following new standard, amendment to existing standard or interpretation to published standard is mandatory for the

4 PROSPECTIVE CHANGES IN ACCOUNTING POLICIES (continued)

FAS 30 - Impairment, credit losses and onerous commitments

AAOIFI has issued FAS 30 Impairment, Credit Losses and onerous commitments in 2017. FAS 30 replaces FAS 11 Provisions and Reserves and parts of FAS 25 Investment in Sukuk, shares and similar instruments that deals with impairment. The objective of this standard is to establish the principles of accounting and financial reporting for the impairment and credit losses on various Islamic financing, investment and certain other assets of Islamic financial institutions (the institutions), and provisions against onerous commitments enabling in particular the users of financial statements to fairly assess the amounts, timing and uncertainties with regard to the future cash flows associated with such assets and transactions. The standard is effective from the financial periods beginning on or after 1 January 2020, where early adoption is permitted. However based on CBB circular EDBS/KH/C/57/2017 dated 29 November 2017, the CBB required banks to implement FAS 30 with effect from 1 January 2018. However, the Group has sought an extension from CBB until 31 December 2019 in its letter dated 21 January 2019. The Group has performed the assessment of FAS 30 at 31 December 2020 and concluded no significant impact on the consolidated financial statements.

FAS 33 "Investments in Sukuk, Shares and Similar Instruments"

FAS 33 "Investments in Sukuk, Shares and Similar Instruments" was issued on 31 December 2018. FAS 33 (which supersedes earlier FAS 25) sets out the improved principles for classification, recognition, measurement, presentation and disclosure of investment in Sukuk, shares and other similar instruments of investments made by Islamic financial institutions (IFIs / the institutions), in line with Sharia principles. It defines the key types of instruments of Sharia compliant investments and defines the primary accounting treatments commensurate to the characteristics and business model of the institution under which the investments are made, managed and held. The standard will be effective from the financial periods beginning on or after 1 January 2020 with earlier adoption being permitted. The Group has performed the assessment of FAS 33 at 31 December 2020 and concluded no significant impact on the consolidated financial statements.

Standards, amendments and interpretations issued but not yet effective in 2020

The following new/amended accounting standards and interpretations have been issued, but are not mandatory for financial year ended 31 December 2020. They have not been adopted in preparing the consolidated financial statements for the year ended 31 December 2020 and will or may have an effect on the entity's future consolidated financial statements. In all cases, the entity intends to apply these standards from application date as indicated in the table below:

Standard or interpretation	Title	Effective for annual periods beginning on or after
FAS 31	Investment agency (Al-Wakala Bi Al-Istithmar)	01-Jan-20
FAS 34	Financial reporting for sukuk-holders	01-Jan-20
FAS 36	First time adoption of AAOIFI financial accounting standards	01-Jan-20
FAS 32	Ijarah	01-Jan-21
FAS 35	Risk reserves	01-Jan-21
FAS 38	Wa'ad, khiyar and tahawwut	01-Jan-22

Early adoption of amendments or standards in 2020

The Group did not early-adopt any new or amended standards in 2020. There would have been no change in the operational results of the Group for the year ended 31 December 2020 had the Group early adopted any of the above standards applicable to the Group.

5 CASH AND BALANCES WITH BANKS

	2020	*2019*
	US$ '000	*US$ '000*
Cash in hand	**3**	5
Balances with banks	**9,295**	1,260
	9,298	1,265

6 FINANCING RECEIVABLES

	2020	*2019*
	US$ '000	*US$ '000*
Murabaha receivables	**-**	782
Less: Specific impairment allowance	**-**	(782)
Add: Reversal of impairment allowance	782	-
	782	-

Financing receivables comprise due from customers under murabaha financing contract and were fully provided for in the prior year. However, during the year, the impairment allowance has been reversed due to the receipt of funds in the subsequent year.

7 INVESTMENTS

	2020	*2019*
	US$ '000	*US$ '000*
Equity-type instruments:		
At fair value through statement of income		
Equity securities		
- Unquoted	**42,768**	49,807
Total equity securities	**42,768**	49,807
Mutual funds		
- Unquoted	**20,828**	20,971
Total mutual funds	**20,828**	20,971
Total fair value through statement of income	**63,596**	70,778

7 INVESTMENTS (continued)

Movement in equity type investments carried at fair value through income statement is as follows:

	1 January 2020 US$ '000	***Additions during the year US$ '000***	***Disposal during the year US$ '000***	***Gain/(loss) Fair value/ exchange difference US$ '000***	***31 December 2020 US$ '000***
Unquoted equity securities	49,807	298	(1,835)	(5,502)	**42,768**
Unquoted mutual funds	20,971	-	(133)	(10)	**20,828**
	70,778	**298**	**(1,968)**	**(5,512)**	**63,596**

	1 January 2019 US$ '000	*Additions during the year US$ '000*	*Disposal during the year US$ '000*	*Gain/(loss) Fair value/ exchange difference US$ '000*	*31 December 2019 US$ '000*
Quoted equity securities	22,448	-	(23,350)	902	-
Unquoted equity securities	4,975	44,832	(205)	205	49,807
Quoted mutual funds	3,785	2,666	(6,563)	112	-
Unquoted mutual funds	38,489	-	(18,613)	1,095	20,971
	69,697	47,498	(48,731)	2,314	70,778

8 INVESTMENT IN ASSOCIATES

	2020 US$ '000	*2019 US$ '000*
BFC Group Holdings Ltd. (note 8.1)	**113,666**	109,485
T'azur Company B.S.C. (c) (note 8.2)	**7,789**	7,534
Independent Logistics and Warehousing Company (note 8.3)	**5,523**	5,533
	126,978	122,552

Note 8.1

The Group has 43.54% stake (2019: 43.54%) in BFC Group Holdings Ltd. ("BFC"), a company incorporated in the United Arab Emirates. BFC is a holding company of a group of money changers in different jurisdictions. BFC is engaged in buying and selling of foreign currencies and traveler cheques, handling of remittance business and provision of other exchange house services in both local and foreign currencies. The Group has fair valued the investment in associate during the year and concluded that the fair value is not significantly different from the carrying value, hence no impairment loss has been recorded (2019 : USD 8.5 Million).

Note 8.2

The Group has 25.86% (2018: 25.86%) stake in T'azur B.S.C. (c) an unlisted regional takaful company incorporated in the Kingdom of Bahrain. T'azur Company B.S.C (c) has a commitment to provide a qard hassan to the extent of the accumulated deficit in the participants' fund of US$ 38.185 million at 31 December 2020 (31 December 2019: US$ 41.51 million). The Group's share of the commitment is US$ 9.784 million (31 December 2019: US$ 10.73 million).

Note 8.3

The Group acquired 33.33% stake in Independent Logistics and Warehousing Company, a company incorporated in the Hashmiet Kingdom of Jordan. The company owns and operates warehouses in Amman, Jordan.

8 INVESTMENT IN ASSOCIATES (continued)

The movement in associates is as follows:

	2020 US$ '000	2019 US$ '000
1 January	**122,552**	127,440
Share of reserves of associates	**232**	76
Net share of profit from associates	**4,546**	1,247
Addition during the year	**-**	2,642
Dividend received	**(352)**	(353)
Impairment charge	**-**	(8,500)
31 December	**126,978**	122,552

Summarised financial information of associates that have been equity accounted not adjusted for the percentage ownership held by the Group (based on most recent audited financial statements / most recent management accounts):

	2020 US$ '000	2019 US$ '000
Assets	**533,121**	576,650
Liabilities	**251,457**	309,316
Revenue	**132,355**	87,255
Profit for the year	**11,915**	3,076

9 INVESTMENT IN REAL ESTATE

	1 January 2020 US$ '000	Amount capitalised US$ '000	Amount Derecognised US$ '000	Fair value changes US$ '000	31 December 2020 US$ '000
Land and building					
- Jordan	**184,053**	**-**	**(6,994)**	**-**	**177,059**
	184,053	**-**	**(6,994)**	**-**	**177,059**

	1 January 2019 US$ '000	Amount capitalised US$ '000	Amount Derecognised US$ '000	Fair value changes US$ '000	31 December 2019 US$ '000
Land and building					
- Jordan	183,789	264	-	-	184,053
- Kingdom of Saudi Arabia	38,521	-	(38,521)	-	-
	222,310	264	(38,521)	-	184,053

10 OTHER ASSETS

	2020 US$ '000	2019 US$ '000
Rental income receivable	**8,521**	8,138
Accounts receivable	**1,986**	1,291
Prepayments and advances	**135**	1,199
Fees and expenses receivable	**3,403**	1,059
Others	**193**	1,529
	14,238	13,216
Less: Provision for impairment	**(1,898)**	(2,269)
	12,340	10,947

11 DUE TO FINANCIAL INSTITUTIONS AND CUSTOMERS

	2020	*2019*
	US$ '000	*US$ '000*
Due to customers	**231,552**	213,909
Bank financing	**33,044**	32,982
	264,596	246,891

Due to customers included deposits on wakala basis with maturities ranging from 2 to 6 months from a corporate customers carried an average profit rate of 7% per annum. During the third quarter of 2020, the deposits were converted to loan based on a murabaha agreement. Profit rate for murabha loan is 7% per annum and is secured against the Bank's assets.

Bank financing represents a syndicated loan through the Housing Bank for Trade and Finance in Jordan secured by mortgage over the Group's investment property. The profit rate of the syndicated loan equals the prime lending rate of the Jordanian Dinar less an annual margin of 1.97%. “On 19 September 2019, the Group signed an amendment and waiver agreement, based on the agreement, the last payment of the loan has been rescheduled till November 2029 and the interest calculation was not changed. The quarterly installments amounted to USD 824,504 (USD 3,298,017 Annually), in addition to the interest are settled in February, May, August and November of each year. Due to the COVID-19 outbreak, management requested deferring the quarterly payments due in May, August and November 2020 amounting to USD 2,473,513 to be included as a part of the last payment due on 3 November 2029. The interest deferred during this period amounting to USD 1,161,339 was added to the loan’s balance and will be paid as a part of the loan’s final payment. The Housing Bank for Trade and Finance approved management’s request on 6 April 2020.”

12 OTHER LIABILITIES

	2020	*2019*
	US$ '000	*US$ '000*
Advance rental income	**7,448**	8,277
Trade and other payables	**2,907**	8,495
Accruals and other provisions	**518**	771
Staff-related payables	**824**	1,210
	11,697	18,753

13 SHARE CAPITAL

	2020	*2019*
	US$ '000	*US$ '000*
Authorised:		
750,000,000 (2019: 750,000,000) ordinary shares of US$1 each	**750,000**	750,000
Issued and fully paid up:		
186,170,234 (2019: 186,170,234) ordinary shares of US$1 each, issued against cash	**186,170**	186,170
20,371,807 (2019: 20,371,807) ordinary shares of US$1 each, issued in kind	**20,372**	20,372
1,419,873 (2019:1,419,873) ordinary shares of US$1 each, granted to employees	**1,420**	1,420
	207,962	207,962

14 INCOME FROM NON-BANKING OPERATIONS - NET

	2020 US$ '000	2019 US$ '000
Income from Al-Tajamouat for Touristic Projects Co Pie	**14,897**	19,145
Total Income	**14,897**	19,145
Expenses of Al-Tajamouat for Touristic Projects Co Pie	**(10,670)**	(12,830)
Total Expenses	**(10,670)**	(12,830)
Income from non-banking operations - net	**4,227**	6,315

15 FEES AND COMMISSION INCOME

	2020 US$ '000	2019 US$ '000
Management fees	**2,875**	441
	2,875	441

16 INCOME / (LOSS) FROM INVESTMENTS - NET

	2020 US$ '000	2019 US$ '000
(Loss) / income from equity type investment:		
Fair value (loss) / gains on equity type investments - net	**(2,878)**	1,032
(Loss) / gain on sale of equity type investments - net	**(2,634)**	205
Realised gain on sale of sukuk	**-**	15
Dividend income	**-**	-
	(5,512)	1,252

17 GENERAL AND ADMINISTRATIVE EXPENSES

	2020 US$ '000	2019 US$ '000
Legal and professional expenses	**1,217**	834
Premises cost	**243**	389
Business development expenses	**34**	36
Other operating expense	**254**	940
	1,748	2,199

18 DISCONTINUED OPERATIONS AND ASSETS HELD-FOR-DISTRIBUTION

Below are the details of assets held-for-distribution and discontinued operations:

During the prior year the Group sold its total stake of 52.1% in one of its subsidiary, Cleanswift UAE held through Tintoria International Limited.

In the previous year the Group's holding in its subsidiary Alkhair Capital Saudi Arabia ("ACSA") was diluted from 53.33% to 16% due to new capital issue at ACSA.

During the previous year the Banking license for Alkhair International Islamic Bank was surrendered and the company was renamed to AKIIM Sdn Bhd. The company was put under voluntary liquidation and the control was handed over to the liquidator.

Accordingly, the Group has derecognized/deconsolidated the operations and assets and liabilities of the subsidiaries on loss of control. Profit from operations of the subsidiaries till the date of loss of control has been presented as "Discontinued Operations" in the consolidated statement of income.

Financial services license for Alkhair Portfoy Turkey was also surrendered during the prior year and the company was renamed asAlkhair Gayrimenkul Yatirim Ve Ticaret A.S. The company was put under voluntary liquidation. Accordingly, the loss from operations of the subsidiary had been presented as "Discontinued Operation" in the consolidated statement of income and assets and liabilities had been presented as held-for-distribution in the consolidated statement of financial position.

The disposal/derecognitions have the following impact on the consolidated financial statements:

	2020	*2019*
	US$ '000	*US$ '000*
Income:		
Tintoria International Limited	**-**	2,516
Alkhair Capital Saudi Arabia	**-**	5,137
AKIIM Sdn Bhd	**1,643**	249
	1,643	7,902
Expenses:		
Tintoria International Limited	**-**	(2,258)
Alkhair Capital Saudi Arabia	**-**	(4,587)
AKIIM Sdn Bhd	**(71)**	(2,758)
Alkhair Gayrimenkul Yatirim Turkey	**-**	(61)
	(71)	(9,664)
Income / (loss) from discontinued operations	**1,572**	(1,762)

	2020	*2019*
	US$ '000	*US$ '000*
Gross consideration		
Tintoria International Limited	**-**	2,987
Alkhair Capital Saudi Arabia	**-**	42,769
AKIIM Sdn Bhd	**-**	261
	-	46,017
Less: Net assets derecognised		
Tintoria International Limited	**-**	(2,889)
Alkhair Capital Saudi Arabia	**-**	(42,292)
AKIIM Sdn Bhd	**-**	(261)
	-	(45,442)
Net gain on disposal / de-recognistion of subsidiaries	**-**	575

18 DISCONTINUED OPERATIONS AND ASSETS HELD-FOR-DISTRIBUTION (continued)

	2020	*2019*
	US$ '000	*US$ '000*
Gross consideration		
Tintoria International Limited	**-**	2,987
	-	2,987
Less: Cash derecognised		
Tintoria International Limited	**-**	(299)
Alkhair Capital Saudi Arabia	**-**	(13,791)
AKIIM Sdn Bhd	**-**	(273)
Alkhair Gayrimenkul Yatirim Turkey	**-**	(32)
	-	(14,395)
	-	(11,408)

Below are the details of assets and liabilities held-for-distributions as of 31 December 2020.

	Assets	**Liabilities**
	US$ '000	***US$ '000***
AKIIM Sdn Bhd	**1,834**	**-**
Alkhair Gayrimenkul Yatirim Turkey	**44**	**-**
	1,878	**-**

Below are the details of assets and liabilities held-for-distributions as of 31 December 2019.

	Assets	**Liabilities**
	US$ '000	***US$ '000***
AKIIM Sdn Bhd	261	-
Alkhair Gayrimenkul Yatirim Turkey	54	4
	315	4

19 IMPAIRMENT CHARGE

	2020	*2019*
	US$ '000	*US$ '000*
Impairment on financing receivables	**-**	1,204
Impairment loss on investment in an associate	**-**	(8,500)
		(7,296)

20 COMMITMENTS AND CONTINGENCIES

	2020	*2019*
	US$ '000	*US$ '000*
Lease commitments	**159**	66
	159	66

Litigations and claims

The Group has filed a number of legal cases against the former Chief Executive Officer before the Civil and

A number of employment claims have been filed against the Group by former employees. The Group's external legal counsel has confirmed that the Group has strong grounds to successfully defend itself against these claims. No disclosure regarding contingent liabilities arising from the employment claims has been made as the directors of the Group believe that such disclosures may be prejudicial to the Group's legal position.

The Group's share of commitments arising from its associates is disclosed in note 8.

21 FAIR VALUE

The fair value represents the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or requirement to curtail materially the scale of its operation or to undertake a transaction on adverse terms. Generally accepted methods of determining fair value include reference to quoted prices and the use of valuation techniques such as discounted cash flow analysis.

Valuation techniques
Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable,

Investments
The Group measures the fair value of quoted investments using the market bid-prices in an active market for that

If a market for a financial instrument is not active or the instrument is not quoted, the Group establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), discounted cash flow analyses and other valuation models with accepted economic methodologies for pricing financial instruments.

Sensitivity analysis

Unquoted securities and funds - Investment securities carried at fair value through statement of income :

The effect on profit as a result of a change in the fair value of un-quoted equity instruments due to a reasonable possible change (i.e. +/-15%) in the value of individual investments, with all other variables held constant, is US$ 5.8 million (31 December 2016: US$ 6.7 million). The effect of decrease in the value of individual investments is expected to be equal and opposite to the effect of an increase.

Financing receivables
The fair values of financing receivables are principally estimated at their carrying amount less impairment provisions as these are for short term (i.e. less than 12 months). Hence, the present value of expected future cash flows is not expected to be different from their carrying values.

Other financial instruments
Placements with financial institutions, due to financial institutions and due to customers are for short term tenure hence their carrying value is not different from the fair value. Fair value of other financial assets and liabilities are not significantly different from their carrying values due to their short term nature.

Fair value hierarchy
The table below analyses the financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e.as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

31 December 2020	***Level 1***	***Level 2***	***Level 3***	***Total***
	US$ '000	***US$ '000***	***US$ '000***	***US$ '000***
Investments carried at fair value through statement of income	**-**	**20,828**	**42,768**	**63,596**

31 December 2019	*Level 1*	*Level 2*	*Level 3*	*Total*
	US$ '000	*US$ '000*	*US$ '000*	*US$ '000*
Investments carried at fair value through statement of income	-	20,971	49,807	70,778

21 FAIR VALUE (continued)

Movements in level 3 financial instruments

The following table shows the reconciliation of the opening and closing amount of Level 3 financial assets which are recorded at fair value.

	1 January 2020 US$ '000	***Additions / Deletion US$ '000***	***Fair value loss US$ '000***	***31 December 2020 US$ '000***
Investments carried at fair value through statement of income	**49,807**	**(1,537)**	**(5,502)**	**42,768**
	1 January 2019 US$ '000	*Additions / Deletion US$ '000*	*Fair value loss US$ '000*	*31 December 2019 US$ '000*
Investments carried at fair value through statement of income	4,975	44,832	-	49,807

Transfers between level 1, level 2 and level 3

There were no transfers between the levels during the year ended 31 December 2020 and 2019.

The following table shows the impact on fair value of level 3 financial instruments using reasonably possible alternative assumptions.

For investments the Bank adjusted the carrying values ±5% where appropriate, which is considered by the Bank to be within a range of reasonably possible alternatives.

	Rate	***Carrying amount US$ '000***	***Effects of reasonably possible alternative assumptions on carrying amount US$ '000***
31 December 2020			
Investments carried at fair value through statement of income	5%	**42,768**	**2,138**
31 December 2019			
Investments carried at fair value through statement of income	5%	49,807	2,490

22 ASSETS UNDER MANAGEMENT

	2020	2019
	US$ '000	US$ '000
Proprietary	**-**	7,038
Clients	**-**	16,038
	-	23,076

Proprietary assets are included in the consolidated statement of financial position under "investments". Client assets, which represent client investments, are managed in a fiduciary capacity without recourse to the Group and are not included in the consolidated statement of financial position.

23 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include significant shareholders and entities over which the Bank and shareholders exercise significant influence, directors, members of Sharia Supervisory Board, executive management and external auditors of the Group.

Compensation of key management personnel

Key management personnel of the Group comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group. The key management personnel compensation during the year is as follows:

	2020	2019
	US$ '000	US$ '000
Short term employee benefits	**1,281**	2,200
Post-employment benefits	**118**	800
	1,399	3,000

23 RELATED PARTY TRANSACTIONS (continued)

Significant related party transactions and balances included in this consolidated financial statements are as follows·

	31 December 2020				31 December 2019			
	Associates US$ '000	Significant shareholders/ entities in which directors have interest US$ '000	Key management US$ '000	Assets under management and other entities US$ '000	Associates US$ '000	Significant shareholders/ entities in which directors have interest US$ '000	Key management US$ '000	Assets under management and other entities US$ '000
Assets								
Investments	**20,828**	**42,768**	**-**	**-**	20,971	42,769	-	7,037
Investment in associates	**126,978**	**-**	**-**	**-**	122,552	-	-	-
Other assets	**-**	**-**	**-**	**3,418**	59	247	-	1,058
Liabilities								
Due to financial institutions	**-**	**33,044**	**-**	**-**	-	32,982	-	-
Due to customers	**-**	**231,552**	**-**	**-**	-	213,909	-	-
Other liabilities	**22**	**283**	**824**	**-**	41	233	1,084	356

	31 December 2020				31 December 2019			
	Associates US$ '000	Significant shareholders/ entities in which directors have interest US$ '000	Key management US$ '000	Assets under management and other entities US$ '000	Associates US$ '000	Significant shareholders/ entities in which directors have interest US$ '000	Key management US$ '000	Assets under management and other entities US$ '000
Income / (loss) from investments - net	**(5,512)**	**-**	**-**	**-**	1,237	15	-	-
Fees and commission income	**2,875**	**-**	**-**	**-**	441	-	-	-
Net finance cost	**-**	**(15,583)**	**-**	**-**	(15)	(14,884)	-	-
Share of profit from associates - net	**4,546**	**-**	**-**	**-**	1,247	-	-	-
Directors' and Sharia board remuneration and expenses	**-**	**-**	**(159)**	**-**	-	(201)	-	-

24 RISK MANAGEMENT

Risk is an inherent part of the Group's business activities. The Group's risk management and governance framework is intended to provide progressive controls and continuous management of the major risks involved in the Group's activities. Risks are managed by a process of identification, measurement and monitoring, and are subject to risk limits and other controls. The process of risk management is critical to the Group's operations and each business unit within the Group is accountable for the risk exposures relating to their responsibilities. The Group's main risk exposure categories are Credit risk, Market risk, Liquidity risk and Operational.

- Risk identification: The Group's exposure to risk through its business activities, including investment in Private Equity, Brokerage, and Capital Markets, is identified through the Group's risk management infrastructure, which includes prior review of all new activities by Risk management.
- Risk measurement: The Group measures risk using risk management position methodologies which reflect the Group's investment risks, foreign exchange and profit rate exposure risks. The Bank relies on both quantitative and qualitative approaches in quantifying risks.
- Risk monitoring: The Group's risk management policies and procedures incorporate respective limits and the Group's activities. The Bank conducts periodic reporting for ongoing monitoring of its position at both Management and Board level.
- Risk reporting: The Group undertakes reporting of all core risks relevant to its businesses on a consolidated basis. The Board oversees risk managment and transaction approval for the Group.

Group Risk Framework and Governance
The Board of Directors is ultimately accountable for the risk management of the Group. The Board has advocated a wholly integrated risk management process within the Group, in which all business activities are aligned to the risk framework . The Group Risk Framework establishes Group risk management standards, risk processes, structures, and defines the Bank's risk philosophy.

Board of Directors
The Board of Directors is responsible for defining the Group's risk appetite within which it manages its risk exposures and reviews the Group's compliance with delegated risk authorities.

Audit Committee
The Audit Committee is appointed by the Board of Directors and consists of four non-executive Board members. The Audit Committee assists the Board in carrying out its responsibilities with respect to assessing the quality and integrity of financial reporting and oversight of the Internal Audit function.

Sharia Supervisory Board
The Group's Sharia Supervisory Board is vested with the responsibility of ensuring that the Group complies with the Sharia rules and principles in its transactions, activities and general philosophy.

Risk Management
The Board along with the Audit Committee is responsible for designing and implementing the Group's risk framework, including policies, processes and systems. Risk Management is responsible for ensuring that the Group's processes capture all sources of transaction risk and that appropriate limit methodologies are developed for use in the management of business risk.

Investment Monitoring and Reporting
Proprietary investment risks are identified and assessed via extensive due diligence activities conducted by the respective departments. This is supported by Risk Management which undertakes an independent risk assessment of every investment transaction. Post-acquisition investment management is rigorously exercised, mainly via board representation within the investee company, during the life of the investment transaction.

25 CREDIT RISK

The Group has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk
- Operational Risk

The information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the Bank's management of capital is explained in notes below.

Credit Risk Policy Framework

The Bank has a Group Credit Risk Policy framework establishing Group credit risk appetite, credit risk origination, underwriting and administration standards. The credit policy articulates key credit markets, minimum criteria for the granting of credit, minimum requirements on collateral and defines roles and responsibilities for credit risk management. The policy provides a guideline to business units when originating credit business.

Credit Risk Management

Credit risk is the risk that the Group will incur a loss of principal or profit earned because its customers, clients or counterparties fail to discharge their contractual obligations and arises principally from the Group's balances with banks, placements with financial institutions, financing receivables, investments and other receivables.

The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position. There is no significant use of master netting and collateral agreements.

	2020 Maximum exposure *US$ '000*	*2019 Maximum exposure US$ '000*
On balance sheet:		
Balances with banks	**9,295**	1,260
Financing receivables	**782**	-
Other assets	**12,340**	9,857
	22,417	11,117

Risk Exposure Concentration

Risk concentration arises 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's policies and procedures include guidelines to focus on maintaining a diversified portfolio. In line with regulatory requirements, the Bank has a group level Large Exposure Policy which details the Bank's approach in managing concentration risk to sectors, asset classes, single obligors and countries including defining specific limits.

Concentration of risks is managed by counterparty, by geographical region and by industry sector. The maximum credit exposure to any client, or counterparty, or group of closely related counterparties as of 31 December 2020 was US$ 2.5 million relating to "balances with banks" (2019: US$ 0.6 million relating to “Balances with Banks”).

25 CREDIT RISK (continued)

Geographical Exposure Distribution

The analysis by geographical region of the Group's financial assets having credit risk exposure is as follows:

	31 December 2020					
		Other	***North***			***Grand***
	Bahrain	***Middle East***	***America***	***Asia***	***Europe***	***Total***
Type of Assets/Region	***US$ '000***	***US$ '000***	***US$ '000***	***US$ '000***	***US$ '000***	***US$ '000***
Balances with banks	2,456	6,839	-		-	**9,295**
Financing receivables	782	-	-	-	-	**782**
Other assets	3,494	8,711	-	-	-	**12,205**
Grand Total	**6,732**	**15,550**	**-**	**-**	**-**	**22,282**

	31 December 2019					
		Other	*North*			*Grand*
	Bahrain	*Middle East*	*America*	*Asia*	*Europe*	*Total*
Type of Assets/Region	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*
Balances with banks	615	645	-	-	-	1,260
Other assets	953	7,371	-	-	334	8,658
Grand Total	1,568	8,016	-	-	334	9,918

25 CREDIT RISK (continued)

Industry Sector Exposure

The distribution of assets and off-statement of financial position items by industry sector is as follows:

	31 December 2020						
Type of Assets /Industry	***Banking and Finance US$ '000***	***Industrial US$ '000***	***Real Estate and Const-ruction US$ '000***	***Technology US$ '000***	***Funds US$ '000***	***Trade US$ '000***	***Total US$ '000***
Funded:							
Balances with banks	2,456	-	6,839	**-**	**-**	**-**	**9,295**
Financing receivables	782	-	-	**-**	**-**	**-**	**782**
Other Assets	3,494	-	8,711	**-**	**-**	**-**	**12,205**
	6,732	**-**	**15,550**	**-**	**-**	**-**	**22,282**

	31 December 2019						
Type of Assets /Industry	*Banking and Finance US$ '000*	*Industrial US$ '000*	*Real Estate and Const-ruction US$ '000*	*Technology US$ '000*	*Funds US$ '000*	*Trade US$ '000*	*Total US$ '000*
Funded:							
Balances with banks	1,260	-	-	-	-	-	1,260
Other Assets	953	-	7,705	-	-	-	8,658
	2,213	-	7,705	-	-	-	9,918

25 CREDIT RISK (continued)

Collateral and other credit enhancements

The Group utilizes collateral and other credit enhancements mostly on its credit facilities, in line with Shari'a requirements. Before taking any form of collateral the Bank pre-assesses impediments that may restrict accessibility to collateral should the need arise as well as acceptability from a Shari'a perspective. In this respect the Bank will formally agree with the customer at the time of signing the offer letter on the usage, redemption and utilization of collateral when the customer/counterparty defaults. In the past year, the Bank has obtained collateral including shareholders' personal guarantees, cash, real estate, unlisted equity shares and debentures. The Bank's credit policy discourages taking collateral value where there is positive correlation between collateral value and obligor's ability to pay.

Credit quality per class of financial assets

The Group did not apply a standard credit rating to its investment business, as the Group assessed credit quality according to the policies of the respective business areas. Management considers the credit quality of the Group's financial assets to be of standard quality as of 31 December 2020. Following is an analysis of credit quality by class of financial assets:

	Neither past due nor impaired US$ '000	***Past due but not impaired US$ '000***	***Individually impaired US$ '000***	***Impairment/ provision US$ '000***	***Total US$ '000***
Balances with banks	9,295	-	-	-	**9,295**
Financing receivables	782	-	-	-	**782**
Other assets	12,205	-	1,898	(1,898)	**12,205**
Total	**22,282**	**-**	**1,898**	**(1,898)**	**22,282**

	2019				
	Neither past due nor impaired US$ '000	*Past due but not impaired US$ '000*	*Individually impaired US$ '000*	*Impairment/ provision US$ '000*	*Total US$ '000*
Balances with banks	1,260	-	-	-	1,260
Financing receivables	782			(782)	-
Other assets	9,857	-	2,269	(2,269)	9,857
Total	11,899	-	2,269	(3,051)	11,117

25 CREDIT RISK (continued)

Collateral and other credit enhancements (continued)

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

	31 December 2020		*31 December 2019*	
	Gross positive FV of contracts	****Colleteral held***	*Gross positive FV of contracts*	**Colleteral held*
	US$ '000	***US$ '000***	*US$ '000*	*US$ '000*
Balances with banks	**9,295**	**-**	1,260	-
Financing receivables	**782**	**-**	-	-
Other assets	**12,205**	**-**	12,126	-
Total	**22,282**	**-**	**13,386**	**-**

* Collaterals values have been restricted to outstanding exposure of financing facilities.

26 LIQUIDITY RISK MANAGEMENT

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial assets.

The key features of the Group's liquidity methodology are:

The Board is responsible for liquidity monitoring, cash flow planning and general asset liability management.

In accordance with the Basel recommendations on liquidity management, the Group measures liquidity according to two criteria: "normal business", reflecting day-to-day expectations regarding the funding of the Group; and "crisis scenario", reflecting simulated extreme business circumstances in which the Group's survival may be threatened.

The Group's liquidity policy is to hold sufficient liquid assets to cover its committed statement of financial position requirements, plus its budgeted expenses for the liquidity horizon and its forecast investment commitments over the liquidity horizon.

Analysis of financial liabilities

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted repayment obligations.

	Gross un-discounted cash flows				***Carrying value***
	Less than 3 months	***3 to 12 months***	***Over 1 year***	***Total***	
	US$ '000	***US$ '000***	***US$ '000***	***US$ '000***	***US$ '000***
At 31 December 2020					
Due to financial institutions and customers	**-**	**234,024**	**30,572**	**264,596**	**264,596**
Other liabilities	**2,924**	**8,773**	**-**	**11,697**	**11,697**
Total financial liabilities	**2,924**	**242,797**	**30,572**	**276,293**	**276,293**

26 LIQUIDITY RISK MANAGEMENT (continued)

Analysis of financial liabilities (continued)

	Gross un-discounted cash flows				*Carrying value*
	Less than 3 months US$ '000	*3 to 12 months US$ '000*	*Over 1 year US$ '000*	*Total US$ '000*	*US$ '000*
At 31 December 2019					
Due to financial institutions	218,536	7,348	28,311	254,195	246,891
Other liabilities	9,266	8,277	1,210	18,753	18,753
Liabilities relating to assets held-for-distribution	-	4	-	4	4
Total financial liabilities	227,802	15,629	29,521	272,952	265,648

The table below shows the contractual expiry by maturity of the Group's commitments.

	On demand US$ '000	***3 to 12 months US$ '000***	***Over 1 year US$ '000***
At 31 December 2020			
Lease commitments	**-**	**60**	**99**
Total	**#REF!**	**60**	**99**

	On demand US$ '000	*3 to 12 months US$ '000*	*Over 1 year US$ '000*
At 31 December 2019			
Lease commitments	-	66	-
Total	-	66	-

27 MARKET RISK MANAGEMENT

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to adverse changes in market variables such as profit rates, foreign exchange rates, equity prices and commodities. The Group classifies exposures to market risk into either trading or non-trading portfolios. The Group does not currently engage in significant trading activity. Non-trading positions are managed and monitored using sensitivity analysis.

Market Risk: Non-trading

Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect future cash flows or the fair values of the financial instruments. The Group currently has limited exposure to profit rate risk. The Group's assets and liabilities that are exposed to profit rate risk include: placements with financial institutions, financing receivables, investments in sukuks and due to financial and non-financial institutions.

27 MARKET RISK MANAGEMENT (continued)

Profit rate risk (continued)

	2020			2019		
	Balance	**Change in profit rate bps (+/-)**	**Effect on net profit (+/-)**	*Balance*	*Change in profit rate bps (+/-)*	*Effect on net profit (+/-)*
Assets						
Bank balance	**4,914**	200	**98**	-	-	-
Liabilities						
Due to financial institutions and customers	**(264,596)**	200	**(5,292)**	(246,891)	200	(4,938)
Total			**(5,194)**			(4,938)

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to adverse changes in foreign exchange rates.

The table below indicates the currencies to which the Group has significant exposure. The analysis shows the impact of a 20% movement in the currency rate against the United States Dollar, with all other variables held constant on the consolidated statement of income and equity. The effect of decreases in the currency rates is expected to be equal and opposite to the effect of the increases shown.

	2020			2019		
Currency	**Exposure (USD) equivalent)**	**Effect on net profit (+/-)**	**Effect on equity (+/-)**	*Exposure (USD) equivalent)*	*Effect on net profit (+/-)*	*Effect on equity (+/-)*
Kuwaiti Dinar	**9**	**2**	**-**	9	2	-
Turkish Lira	**-**	**-**	**-**	7,954	1,586	5

Equity price risk

Equity price risk is the risk that the fair value of equities decreases as the result of adverse changes in the levels of equity prices and the value of individual stocks. Equity price risk arises from the Group's investment portfolio. The Group conducts significant investment activity in private equity, mainly in unquoted entities. The Group manages this risk through diversification of its investments in terms of geographical distribution and industry concentration by arranging representation on the Board of Directors within the investee company, wherever possible. Investments are managed within maximum concentration risk limits, approved by the Board of Directors of the Bank.

Prepayment risk

Prepayment risk is the risk that the Group will incur a financial loss because its customers and counterparties prepay or request repayment earlier than expected. The Group is not exposed to any significant prepayment risk.

28 OPERATIONAL RISK

Operational risk is the risk of unexpected losses resulting from inadequate or failed internal controls or procedures, systems failures, fraud, business interruption, compliance breaches, human error, management failure or inadequate staffing. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or lead to financial loss.

While operational risks cannot be entirely eliminated, they are managed and mitigated by ensuring that appropriate infrastructure, controls, systems, procedures and trained and competent people are in place throughout the Group.

29 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

	2020							
	Up to 1 month US$ '000	*1 to 3 months US$ '000*	*3 to 6 months US$ '000*	*6 to 12 months US$ '000*	*Total up to 1 year US$ '000*	*1 to 5 years US$ '000*	*5 to 10 years US$ '000*	*Total US$ '000*
ASSETS								
Cash and balances with banks	**3**	**9,295**	**-**	**-**	**9,298**	**-**	**-**	**9,298**
Financing receivables	**782**	**-**	**-**	**-**	**782**	**-**	**-**	**782**
Investments	**-**	**-**	**-**	**20,828**	**20,828**	**42,768**	**-**	**63,596**
Investment in associates	**-**	**-**	**-**	**-**	**-**	**-**	**126,978**	**126,978**
Investment in real estate	**-**	**-**	**-**	**-**	**-**	**-**	**177,059**	**177,059**
Other assets	**-**	**-**	**-**	**12,340**	**12,340**	**-**	**-**	**12,340**
Assets held-for-distribution	**-**	**-**	**-**	**1,878**	**1,878**	**-**	**-**	**1,878**
Equipment	**-**	**-**	**-**	**-**	**-**	**-**	**38**	**38**
Total assets	**785**	**9,295**	**-**	**35,046**	**45,126**	**42,768**	**304,075**	**391,969**
LIABILITIES								
Due to financial institutions and customers		**232,170**	**618**	**1,236**	**234,024**	**13,194**	**17,378**	**264,596**
Other liabilities	**-**	**5,849**	**5,848**	**-**	**11,697**	**-**	**-**	**11,697**
Total liabilities	**-**	**238,019**	**6,466**	**1,236**	**245,721**	**13,194**	**17,378**	**276,293**
Commitments	**5**	**15**	**15**	**30**	**65**	**94**	**-**	**159**
Net liquidity gap	**780**	**(228,739)**	**(6,481)**	**33,780**	**(200,660)**	**29,480**	**286,697**	**115,517**
Net cumulative gap	**780**	**(227,959)**	**(234,440)**	**(200,660)**	**(200,660)**	**(171,180)**	**115,517**	

* There are no items beyond the maturity of 10 years.

29 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

	2019							
	Up to 1 month US$ '000	*1 to 3 months US$ '000*	*3 to 6 months US$ '000*	*6 to 12 months US$ '000*	*Total up to 1 year US$ '000*	*1 to 5 years US$ '000*	*5 to 10 years US$ '000*	*Total US$ '000*
ASSETS								
Cash and balances with banks	-	1,265	-	-	1,265	-	-	1,265
Investments	-	-	20,971	7,038	28,009	42,769	-	70,778
Investment in associates	-	-	-	-	-	-	122,552	122,552
Investment in real estate	-	-	-	-	-	-	184,053	184,053
Other assets	-	2,702	8,245	-	10,947	-	-	10,947
Assets held-for-distribution				315	315			315
Equipment	-	-	-	-	-	-	102	102
Total assets	-	3,967	29,216	7,353	40,536	42,769	306,707	390,012
LIABILITIES								
Due to financial institutions and customers	1,940	213,909	1,940	3,880	221,669	25,222	-	246,891
Other liabilities	215	9,050	8,278	-	17,543	1,210	-	18,753
Liabilities relating to assets held-for-distribution	-	-		4	4			4
Total liabilities	2,155	222,959	10,218	3,884	239,216	26,432	-	265,648
Commitments	-	66	-	-	66	-	-	66
Net liquidity gap	(2,155)	(219,058)	18,998	3,469	(198,746)	16,337	306,707	124,298
Net cumulative gap	(2,155)	(221,213)	(202,215)	(198,746)	(198,746)	(182,409)	124,298	

* There are no items beyond the maturity of 10 years.

30 SEGMENT INFORMATION

Operating segments are reported in accordance with internal reporting provided to Executive Management (the chief operating decision-maker), which is responsible for allocating resources to the reportable segments and assesses its performance. All operating segments used by the Group meet the definition of a reportable segment under FAS 22.

Currently, the Group is organised into business units based on their nature of operations and services and has three reportable operating segments which are as follows:

Investment Banking

The Group's investment banking business is engaged in transaction origination and structuring, investment, placement to third-party investors, restructuring and managing portfolio companies. This segment focuses on stable companies, historically revenue-generating with positive profitability, requiring growth capital or partial exits. The segment focuses on specific sectors and geographies, whilst avoiding start-ups, venture capital, and greenfield investments. The segment targets businesses in the oil & gas services; industrial services; building materials; logistics; and agri-business; specifically in the MENA region including Turkey.

The business manages Al-Tajamouat for Touristic Projects Co. “Taj” which own and operate a shopping mall in Amman. At 31 December 2020, the total assets of Taj are US$ 189 million and the total equity is US$ 146 million. In 2020, Taj reported a net loss of US$ 0.5 million.

Alkhair Capital Menkul Degerler A.S originates Shari'a compliant PE transactions, especially proprietary deals from direct contacts with a wide range of local sources. The Turkey office also provides a post-investment management services (post management until successful exit, advisory for an IPO or trade sale) to co-investors. The company was sold during the year.

The business managed the Bank’s Global Private Equity Fund. It also sources and managed investments on behalf of the Bank’s Strategic Acquisition Fund. During the year, the Global Private Equity Fund has been liquidated. The Strategic Acquistion fund has also been in the process of liquidation.

AKIIM Sdn Bhd - UPDATE (formerly Alkhair International Islamic Bank Malaysia Berhad)

Alkhair International Islamic Bank Malaysia Berhad was established in 2004 to source investment opportunities in the Far East and monitor the performance of the acquired companies on behalf of the Bank and investors and to establish distribution channels for the Group. Banking license was surrendered during the period and entity was put on voluntary liquidation.

Information regarding the results of each reportable segment is included below. Inter-segment pricing is determined on an arm's length basis. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

30 SEGMENT INFORMATION (continued)

	For the year ended 31 December 2020				
	Investment Banking	***AKIIM Sdn Bhd***	***Alkhair Capital Saudi Arabia***	***Inter-company***	***Total***
	US$ '000	***US$ '000***	***US$ '000***	***US$ '000***	***US$ '000***
Net finance expense	(15,583)	-	-	**-**	**(15,583)**
Loss from investments - net	(5,512)	-	-	**-**	**(5,512)**
Fees and commission income	2,875	-	-	**-**	**2,875**
Share of profit from associates - net	4,546	-	-	**-**	**4,546**
Income from non-banking operations	14,897	-	-	**-**	**14,897**
Foreign exchange loss - net	(3)	-	-	**-**	**(3)**
Other income	1,784	-	-	**-**	**1,784**
Total income	**3,004**	**-**	**-**	**-**	**3,004**
Total operating expenses	(13,492)	-	-	**-**	**(13,492)**
Income / (loss) from assets held for distribution and discontinued operations	-	1,572	-	**-**	**1,572**
Income / (loss) from assets held for sale and discontinued operations	-	-	-	**-**	**-**
(Loss) / profit for the year	**(10,488)**	**1,572**	**-**	**-**	**(8,916)**
Investment in associates	**126,978**	**-**	**-**	**-**	**126,978**
					-
Segment assets	**390,091**	**1,878**	**-**	**-**	**391,969**
Segment liabilities	**276,293**	**-**	**-**	**-**	**276,293**

	For the year ended 31 December 2019				
	Investment Banking	AKIIM Sdn Bhd	Alkhair Capital Saudi Arabia	*Inter-company*	*Total*
	US$ '000	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*
Net finance expense	(14,928)	-	-	-	(14,928)
Income from investments	1,252	-	-	-	1,252
Fees and commission income	441	-	-	-	441
Share of profit loss from associates - net	1,247	-	-	-	1,247
Income from non-banking operations	19,145	-	-	-	19,145
Foreign exchange loss - net	(8)	-	-	-	(8)
Other income	58	-	-	-	58
Total income	7,207	-	-	-	7,207
Total operating expenses	(18,431)	-	-	-	(18,431)
Income / (loss) from assets held for sale and discontinued operations	197	(2,509)	550	-	(1,762)
Net Loss on disposal of subsidiary	575	-	-	-	575
Charge of impairment	(7,296)	-	-	-	(7,296)
(Loss) / profit for the year	(17,748)	(2,509)	550	-	(19,707)
Investment in associates	122,552	-	-	-	122,552
Segment assets	389,739	273	-	-	390,012
Segment liabilities	265,636	12	-	-	265,648

30 SEGMENT INFORMATION (continued)

Geographic segment information:

The Group operates in four geographic markets: Bahrain, Other Middle East, Asia Pacific and Europe. The following tables show the distribution of the Group's total income and non-current assets by geographical segments:

	For the year ended 31 December 2020				
	Bahrain US$ '000	***Other Middle East US$ '000***	***Asia Pacific US$ '000***	***Europe US$ '000***	***Total US$ '000***
Total (loss) / income	**(10,790)**	**15,633**	**-**	**-**	**4,843**
Net (loss) / profit for the year	**(13,898)**	**4,982**	**-**	**-**	**(8,916)**
Non-current assets *	**13**	**25**	**-**		**38**

	For the year ended 31 December 2019				
	Bahrain US$ '000	*Other Middle East US$ '000*	*Asia Pacific US$ '000*	*Europe US$ '000*	*Total US$ '000*
Total income	(11,938)	19,145	-	85	7,292
Net (loss) / profit for the year	(24,214)	7,076	(2,509)	(60)	(19,707)
Non-current assets *	18	184,137	-	-	184,155

* includes equipment and investment in real estate.

31 SHARIA SUPERVISORY BOARD

The Bank's Sharia Supervisory Board consists of five Islamic scholars who review that the Bank is compliant with general Sharia principles and specific fatwas, rulings and guidelines issued. Their review includes examination of evidence relating to the documentation and procedures adopted by the Bank to ensure that its activities are conducted in accordance with Islamic Sharia principles.

32 EARNINGS AND EXPENSES PROHIBITED BY SHARIA

The Group did not receive any significant income or incur significant expenses that were prohibited by the Sharia.

33 SOCIAL RESPONSIBILITIES

The Group discharges its social responsibilities through donations to good faith charity funds.

34 ZAKAH

The Bank is not obliged to pay Zakah. Payment of Zakah is the responsibility of the shareholders of the Bank. Zakah payable by shareholders on their holdings in the Bank is calculated on the basis of a method prescribed by the Bank's Sharia Supervisory Board. Zakah payable by the shareholders in respect of the year ended 31 December 2020 was US$ 0.01669 per share (2019: US$ 0.00656 per share).

35 CAPITAL MANAGEMENT

The Group is regulated by the Central Bank of Bahrain (CBB) which sets and monitors capital requirements for the Group as a whole. CBB required the Group to maintain a prescribed ratio of total capital (net of prudential deductions) to total risk-weighted assets (determined according to specified requirements to reflect the varying levels of risk attached to assets and off-balance sheet exposures).

The primary objectives of the Group's capital management policies are to ensure that the Group complies with externally imposed capital requirements and that the Group maintaining capital ratios in order to support its business and to maximise shareholders' value. The Group does not have any significant restrictions on its ability to access or use its assets and settle its liabilities other than any restrictions that may result from the supervisory frameworks within which the banking subsidiaries operate.

The Bank's capital adequacy ratio, is calculated in accordance with the capital adequacy rules set by the regulator. The Group's regulatory capital is analysed into two tiers:

Tier 1 capital
Tier 1 capital includes CET1 and AT1.

CET1 comprise of ordinary share capital that meet the classification as common shares for regulatory purposes, disclosed reserves including share premium, general reserves, legal/statutory reserve, common shares issued by consolidated banking subsidiaries of the Bank and held by third parties, retained earnings after regulatory adjustments relating to goodwill and items that are included in equity which are treated differently for capital adequacy purposes.

AT1 comprise of instruments that meet the criteria for inclusion in AT1, instruments issued by consolidated banking subsidiaries of the Bank held by third parties which meet the criteria of AT1, and regulatory adjustments applied in calculation of AT1.

Tier 2 capital
It includes instruments issued by the Bank that meet the criteria for inclusion in Tier 2 capital, stock surplus resulting from issue of Tier 2 capital, instruments issued by consolidated banking subsidiaries of the Bank held by third parties that meet the criteria for inclusion in Tier 2, general provisions held against unidentified losses on financing and qualify for inclusion within regulatory adjustments applied in the calculation of Tier 2 capital.

The regulatory adjustments are subject to limits prescribed by the CBB requirements. These deductions would be effective in a phased manner through transitional arrangements from 2015 to 2018. The regulations prescribe higher risk weights for certain exposures that exceed materiality thresholds. These regulatory adjustments required for certain items such as goodwill on mortgage service right, deferred tax assets, cash flow hedge reserve, gain on sale of related securitization transactions, defined benefit pension fund assets and liabilities, investment in own shares and reciprocal cross holdings in the capital of Banking and financial entities, investment in the capital of banking and financial entities that are outside the scope of regulatory consolidation and where the Bank does not own more than 10% of issued common shares capital of the entity and significant investments in the capital of banking and financial entities that are outside the scope of regulatory consolidation.

35 CAPITAL MANAGEMENT (continued)

The Bank's regulatory capital position at 31 December is as follows:

	Unaudited 2020 US$ '000	*Unaudited 2019 US$ '000*
Total risk-weighted exposures	**2,012,734**	1,992,063
CET1 capital	**(140,297)**	(121,427)
Tier 1 capital	**-**	-
Total Capital	**(140,297)**	(121,427)
% **of Total Risk Weighted Exposures (CAR)**		
CET1 capital adequacy ratio	**-6.97%**	-6.10%
Tier1 capital adequacy ratio	**0.00%**	0.00%
Total capital adequacy ratio	**-6.97%**	-6.10%

The capital adequacy ratio as at 31 December 2020 was below the minimum regulatory capital requirement of 12.5%.

Shareholders of the Bank at an Extraordinary General Meeting held on 22 February 2018 have approved a restructuring which will, inter alia, involve; the surrender of the banking license and the conversion of the Bank into a holding company. The application for conversion has been submitted with the CBB and is in process.

36 COMPARATIVES

Certain prior year amounts have been regrouped to agree with current year presentations. Such regrouping does not affect the previously reported loss or total equity.

37 SUBSEQUENT EVENTS

There have been no events subsequent to 31 December 2020 that would significantly impact the amounts reported in the consolidated financial statements as at 31 December 2020.