Annual General Meeting and Extraordinary General Meeting Booklet

23 March 2022

Kingdom of Bahrain

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Bank ABC
P.O. Box 5698, Manama, Kingdom of Bahrain (CR: 10299)

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CONTENT

Agenda

Agenda of the Ordinary General Meeting

1. To approve the minutes of the past AGM of the Bank dated 21 March 2021.
2. To consider and acknowledge the Report of the Auditors concerning the Consolidated Financial Statements for the financial year ended 31 December 2021.
3. To discuss and approve the Report of the Board of Directors about the activities of the Bank for the financial year ended 31 December 2021.
4. To discuss and approve the Consolidated Financial Statements for the financial year ended 31 December 2021.
5. To approve the recommendation of the Board of Directors for the appropriation of profits for the financial year ended 31 December 2021 as follows:

   5.1 The transfer of US$9.96 million to the legal reserve.

   5.2 Cash payment of 1% dividend or US$0.01 cent for each outstanding share (net of treasury shares) for approximately a total of US$31 million. The Cum-Dividend Date is 24 March 2022, Ex-Dividend Date is 27 March 2022, Record Date is 28 March 2022, Payment Date is 11 April 2022.

   5.3 Transfer of the remaining balance of approximately US$58.67 million to the retained earnings.
6. To discuss and approve the Corporate Governance Report for the year 2021, as per the Central Bank of Bahrain requirements.
7. Update on the remuneration of the Members of the Board of Directors for the year 2021.
8. To absolve the Directors from liability for the financial year ended 31 December 2021.
9. Subject to the approval of the Central Bank of Bahrain, to re-appoint Messrs Ernst & Young as auditors of the Bank for the financial year ending 31 December 2022, and to authorise the Board of Directors to fix their remuneration.
10. To ratify the appointment of Ms. Huda Al Mousa (Kuwait Investment Authority's representative) to the Board of Directors of the Bank.
11. To elect Members for the Board of Directors on its Fourteenth Term for a new three-year term.
12. Update on related party transactions pursuant to Article 189 (c) of the Commercial Companies Law and as set out in note 27 of the Consolidated Financial Statements for the financial year ended 31 December 2021.
13. Any other business under article 207 of the Commercial Companies Law.

Agenda of the Extraordinary General Meeting

1. Amending of the Articles of Association of Bank ABC

   1.1 to approve the amendment of Articles 39 (a) and 42 (c) of the Articles of Association of Bank ABC, subject to the approval of the Ministry of Industry, Commerce and Tourism and the Central Bank of Bahrain to read as follows:

   Article 39 (a)

   Invitations to attend the ordinary and extraordinary general meetings shall be sent to shareholders together with an agenda at least twenty-one (21) days before the date of any such meeting.

   Article 42 (c)

   General meetings shall generally be held physically. General meetings shall also be held by electronic means, and participation in such meetings can be in person with the possibility of remote attendance, except in cases where the general meeting is held completely remotely and voting in the general meeting shall be electronically, taking into account the conditions and requirements issued by the Ministry of Industry, Commerce and Tourism in this regard, or voting shall be in the manner determined by the chairman of the meeting, unless the general meeting includes items which require some particular form of voting.

   1.2 to authorise and empower the Group Chief Executive Officer of Bank ABC or his delegates to take the necessary action, to effect the amendment of Articles 39 (a) and 42 (c) of the Articles of Association of Bank ABC.

2. Completion of the AT1 Capital Securities Issuance (Central Bank of Libya will abstain from voting on this item)

   2.1 to approve the issuance of convertible perpetual tier 1 capital securities in accordance with CA-2.1 (regulatory capital) of the Capital Adequacy Module of Volume 1 of the CBB Rulebook ("Capital Securities") of up to three hundred and ninety million United States Dollars (USD390,000,000) that will be fully subscribed by the Central Bank of Libya, and authorise the Board of Directors of Bank ABC to take the necessary decisions regarding the profit/interest/coupon rate and issuance value, in addition to carrying out the procedures and requirements in this regard, subject to Central Bank of Bahrain's approval.

2.2 to approve: (a) the waiver of the shareholders' pre-emptive rights to subscribe to the Capital Securities pursuant to Article 150 of Law No. 21 of 2001 promulgating the commercial companies law, as amended ("Companies Law"); and (b) in the event that the Capital Securities are to be converted into shares of the Bank pursuant to the terms of such Capital Securities, the waiver of the pre-emptive rights under Article 128 of the Companies Law to subscribe to such shares and to approve the issuance of such shares to the subscribers of the Capital Securities.

2.3 to approve, empower and authorise the Group Chief Executive Officer of Bank ABC (or his delegates) to:

(a) take necessary actions related to the issuance of the Capital Securities on behalf of Bank ABC; and

(b) to negotiate, approve and sign in the name of Bank ABC whenever requisite or expedient in any such documents required to issue or authorise the issuance including signing and/or notarising (as applicable) any documents relating to any issuance including but not limited to

(i) agency agreement;

(ii) subscription agreement; and

(iii) global certificate,

and/or any powers of attorney and any documents whatsoever and generally to do each and every such act, matter or thing as required to achieve all the above.

3. Increase the Authorised Capital

3.1 to approve the increase in the authorised capital of Bank ABC from three billion five hundred million United States Dollars ("USD" or "Dollar(s)") (USD3,500,000,000) to USD4,500,000,000, subject to the approval of the Central Bank of Bahrain.

3.2 to authorise and empower the Group Chief Executive Officer of Bank ABC or his delegates to take the necessary action, to effect the amendment of the Memorandum and Articles of Association to increase the authorised capital, subject to the approval of the Central Bank of Bahrain.

Important notice to shareholders

- Shareholders whose names are registered in the Bank's share register on the date of the meetings are entitled to attend the AGM/EGM or to appoint a proxy to attend and vote on the Shareholder's behalf, provided that such proxy is not the chairman, a director, or an employee of the Bank.
- If a Shareholder is an institutional shareholder, the representative attending the meetings must submit a letter of authorisation from the institutional shareholder, signed by an authorised signatory of the company. The proxy must be sealed by the institutional Shareholder's stamp.
- Shareholders and proxy holders attending the virtual AGM/EGM are required to register through (http://agm.bank-abc.com), at least **24 hours before the meetings.**
- Proxy forms can be obtained from the Bank's website www.bank-abc.com, Bahrain Bourse's website: www.bahrainbourse.com, or from Bank ABC Head Office in Diplomatic Area in Manama.
- Proxy forms should be submitted at least **24 hours prior to the meetings** to Bank ABC's registrar, Kfin Technologies W.L.L. PO Box 514, Manama, Bahrain, or by email to ShareholderRelations@bank-abc.com. Proxy forms submitted after the deadline will be considered void and will not be accepted.
- The documents relating to the meetings can be obtained from the Bank's website: www.bank-abc.com and Bahrain Bourse's website: www.bahrainbourse.com.
- For any inquiries, you may contact the Shareholders Relations on +973 17543 222 or email ShareholderRelations@bank-abc.com.

Annual General Meeting

Minutes of the previous meeting

(Arabic only)

محضر اجتماع الجمعية العامة العادية
للمؤسسة العربية المصرفية (ش.م.ب)
البحرين ٢١ مارس ٢٠٢١م

عقدت الجمعية العامة لمساهمي المؤسسة العربية المصرفية (ش.م.ب) اجتماعها السنوي العادي **الكترونيا عبر منصة الاجتماعات الافتراضية زوم** في **يوم الاحد الموافق ٢١ مارس ٢٠٢١م** عند تمام الساعة **الثانية عشرة والربع ظهرا** في المقر الرئيسي للمؤسسة بمملكة البحرين وذلك للنظر في **جدول أعمالها** التالي: -

(١) التصديق على **محضر الاجتماع السابق** للجمعية العامة العادية الذي عقد بتاريخ ١٩ إبريل ٢٠٢٠م.

(٢) مناقشة **تقرير مجلس الإدارة** عن نشاط البنك خلال السنة المالية المنتهية في ٢٠٢٠/١٢/٣١م والتصديق عليه.

(٣) الاستماع إلى **تقرير السادة مراقبي الحسابات** عن القوائم المالية الموحدة للسنة المالية المنتهية في ٢٠٢٠/١٢/٣١م.

(٤) مناقشة **البيانات المالية** للسنة المنتهية في ٢٠٢٠/١٢/٣١م والمصادقة عليها.

(٥) مناقشة **وتخويل مجلس الإدارة بالاقتراض عن طريق إصدار سندات قرض** وتحديد متطلبات وشروط الاقتراض والشروط الخاصة بالإصدار، بعد أخذ موافقة السادة مصرف البحرين المركزي.

(٦) الموافقة على **مكافأة أعضاء مجلس الإدارة بمبلغ ١,٢١٢,٥٠٠ دولار أمريكي** عن عام ٢٠٢٠م، بعد أخذ موافقة السادة وزارة الصناعة والتجارة والسياحة.

(٧) الموافقة على **اعتماد سياسة مكافآت أعضاء مجلس إدارة البنك،** بعد أخذ موافقة الجمعية العامة غير العادية على تعديل أحكام المادة ٢٨ من النظام الأساسي للبنك، وموافقة السادة وزارة التجارة والصناعة والسياحة على هذا التعديل.

(٨) مناقشة **تقرير حوكمة الشركات لسنة ٢٠٢٠م** والتزام البنك بمتطلبات مصرف البحرين المركزي والمصادقة عليه.

(٩) إبراء **ذمة أعضاء مجلس الإدارة** عن تصرفاتهم خلال السنة المالية المنتهية في ٢٠٢٠/١٢/٣١م.

(١٠) النظر في **إعادة تعيين السادة (أرنست ويونغ) كمدققين لحسابات البنك** للسنة المنتهية في ٣١ ديسمبر ٢٠٢١م بعد أخذ موافقة السادة مصرف البحرين المركزي وتخويل مجلس الإدارة بتحديد أتعابهم.

(١١) إطلاع الجمعية العامة على **المعاملات مع الأطراف ذات العلاقة** حسب المادة ١٨٩(ج) من قانون الشركات التجارية وكما هو وارد في الإيضاح رقم ٢٧ من القوائم المالية الموحدة للسنة المالية المنتهية في ٢٠٢٠/١٢/٣١م.

(١٢) **ما يستجد من أعمال طبقاً** لنص **المادة ٢٠٧** من قانون الشركات التجارية.

عملا بأحكام **المادة ٤٢/أ** من النظام الأساسي للمؤسسة، تولى **رئاسة الاجتماع السيد/ الصديق عمر الكبير بصفته رئيسا لمجلس الإدارة**، كما تم تكليف السيد/ **عبد الخالق شايب** بمهام **أمانة سر الجمعية** بناء على اقتراح من السيد رئيس الجمعية وموافقة الجمعية وذلك في حضور كل من: -

السيد محمد عبدالرضا سليم	نائب رئيس مجلس الإدارة
السيد د. فاروق عبد الباقي العقدة	عضو مجلس الإدارة
السيد د. أنور علي المضف	" " "
السيد علي سعد الاشهب	" " "
السيد بشير أبو القاسم عمر	" " "
السيد د. طارق يوسف المقريف	" " "
السيد خالد عبد العزيز حسون	" " "
السيد د. يوسف عبد الله العوضي	" " "
السيد د. خالد سعيد كعوان	الرئيس التنفيذي للمجموعة
السيد صائل الوعري	نائب الرئيس التنفيذي للمجموعة

السيد عيسى المتوج	عن **مصرف البحرين المركزي**
السيدة فاطمة عبد الرحمن	" " " "
السيدة علياء عمران	" " " "
السيد حسين محمد	" " " "
السيدة ندى ناصر الذوادي	عن **وزارة الصناعة والتجارة والسياحة**
السيدة ليلى عادل راستي	عن **بورصة البحرين**

السيد عيسى الجودر السادة **أرنست ويونغ** (مدققي الحسابات)

السيد كاظم ميرشانت " " " "

السيد هاني الشيخ عن **مسجلي الأسهم** كفين تيكنولوجيز(البحرين) ذ.م.م

بعد أن **رحب السيد رئيس الجمعية** بالأصالة عن نفسه ونيابة عن مجلس الإدارة والمؤسسة بالسادة المساهمين ومندوبي الجهات الرسمية وبقية السيدات والسادة الحضور، شاكرا لهم حسن تلبية الدعوة ... تم التأكد من **توافر النصاب القانوني** لصحة الاجتماع بحضور عدد من السادة المساهمين الممثلين أصالة أو نيابة **بنسبة** بلغت ٩٥,١٦٪ من رأس المال المدفوع.

شرعت الجمعية العامة على إثر ذلك في **مداولة بنود جدول أعمالها،** حيث انتهت منه إلى اتخاذ جملة القرارات والإجراءات التالية: -

البند الأول :- التصديق على محضر الاجتماع السابق للجمعية العامة العادية الذي عقد بتاريخ ١٩ إبريل ٢٠٢٠م.

أفادت الجمعية العامة العادية باطلاعها على محضر اجتماعها السابق والذي عقد بتاريخ ١٩ أبريل ٢٠٢٠م بحسب الوارد في كتيب الجمعية الموزع على السادة المساهمين، حيث **أخذت علما بمحتوياته وصادقت عليه** كما تم تقديمه.

البند الثاني :- مناقشة تقرير مجلس الإدارة عن نشاط البنك خلال السنة المالية المنتهية في ٢٠٢٠/١٢/٣١م والتصديق عليه.

أفادت الجمعية العامة **باطلاعها** على تقرير مجلس الإدارة عن نشاط مجموعة المؤسسة خلال السنة المالية المنتهية في ٢٠٢٠/١٢/٣١م بحسب الوارد في كتيب الجمعية الموزع على السادة المساهمين، حيث **أخذت علما بمحتوياته وصادقت عليه.**

البند الثالث :- الاستماع إلى تقرير السادة مراقبي الحسابات عن القوائم المالية الموحدة للسنة المالية المنتهية في ٢٠٢٠/١٢/٣١م.

استمعت الجمعية العامة لتقرير السادة مراقبي الحسابات (السادة ارنست ويونغ) عن نشاط مجموعة المؤسسة خلال السنة المالية المنتهية في ٢٠٢٠/١٢/٣١م، حيث **أخذت علما بمحتوياته.**

البند الرابع :- مناقشة البيانات المالية للسنة المنتهية في ٢٠٢٠/١٢/٣١م والمصادقة عليها.

طلب السيد رئيس الجمعية من الرئيس التنفيذي للمجموعة **عرض البيانات المالية** للسنة المنتهية في ٣١ ديسمبر ٢٠٢٠م **(أ)** ليفتح بعدها **باب النقاش** أمام السادة المساهمين **(ب)**.

أ- **<u>عرض الرئيس التنفيذي</u>: -**

١- **استهل** الرئيس التنفيذي للمجموعة عرضه حول البيانات المالية للسنة المالية المنتهية في ٣١ ديسمبر ٢٠٢٠م مذكّراً أن المؤسسة عندما أنهت عام ٢٠١٩م بنتائج طيبة كانت مستبشرة وهي تستقبل عام ٢٠٢٠م متوقعةً أن يستمر تميز أداء المؤسسة في أسواقها المختلفة في ضوء أوضاع الأسواق وقتها، الا أن عام ٢٠٢٠م خالف كل التوقعات حينما شهد تضافر عدة **عوامل رئيسية** أفرزتها جائحة كورونا وتداعياتها غير المسبوقة، حيث غيرت من معالم تلك الأوضاع وألقت بظلالها على العالم...حيث كان **عاملها الأول** متمثلاً في **التحديات التشغيلية**، والعامل **الثاني** تجسد في تحديات **المحافظة على السيولة**، و**الثالث** التعامل **مع مخاطر الائتمان** و**أخيرا**، التعايش مع **تقلبات العملة وانحسار أسعار الفائدة**... حيث أثرت هذه العوامل جميعها على أداء المؤسسة بشكل كبير في عام ٢٠٢٠م.

٢- أفاد الرئيس التنفيذي للمجموعة أنه وعلى الرغم من أن وحدات المجموعة من إدارات وفروع وشركات تابعة في أسواق عملها كانت قد جارت أهدافها من الدخل التشغيلي مقارنة بالموازنة بشكل طيب (لا سيما في قطاعي الخزانة والجملة في البحرين وفرع نيويورك الذي شهد قفزة في أدائه خلال عام ٢٠٢٠م)، الا أن **مخصصات خسائر الائتمان التي بلغت ٣٢٩ مليون دولار أمريكي** (مقابل ٨٢ مليون دولار أمريكي للسنة المالية ٢٠١٩)، منها **١٨٣ مليون دولار أمريكي كانت نتيجة عمليات احتيال كبرى لم تكن متوقعة**... في حين عادت قيمة الخسائر المتبقية والبالغة ١٤٦ مليون دولار أمريكي إلى الجائحة والطبيعة التطلعية للمعيار الدولي لإعداد التقارير المالية رقم ٩ (الذي يأخذ في الاعتبار بيئة الاقتصاد الكلي)، حيث أدت تكلفة الخسائر الائتمانية المتوقعة إلى تحقيق **خسائر صافية قدرها ٨٩ مليون دولار أمريكي**، مقارنة مع أرباح صافية بلغت ١٩٤ مليون دولار أمريكي مسجلة عن الفترة نفسها من العام الماضي... مشيرا الى أنه لو جنبت المؤسسة حالات الاحتيال الفردية التي كانت ضحيتها خلال السنة، **فقد كان يمكن لها تحقيق صافي ربح قدره ٩٤ مليون دولار أمريكي.**

٣- أما على صعيد **التحديات التشغيلية**، أوضح الرئيس التنفيذي للمجموعة للسادة المساهمين أن المؤسسة **قامت بتشكيل غرفة عمليات** لمجابهة التداعيات **المتوقعة لأزمة فيروس كورونا على الصعيد الانساني**، والتي ضمت تحت مظلتها **فرق عمل** للتعامل مع الجانب التشغيلي، والمالي، وأخيرا تداعيات الأزمة على عملاء المؤسسة... لافتا ان تلك الفرق عملت على مدار الساعة لضمان حسن سير العمل وانتظام الموظفين بالبحرين والمجموعة...مؤكداً أن أولوية المؤسسة خلال هذه الجائحة كانت (وما زالت) سلامة موظفيها والمحافظة على سير العمل في اطاره المعتاد، وذلك من خلال اتخاذ تدابير احترازية عديدة، واحكام اجراءات التباعد الاجتماعي، والعمل على تذليل العقبات لعمل الموظفين عن بعد فضلا عن التعامل في الوقت نفسه مع كل ما يفرضه هذا التباعد من تحديات في مجال أمن المعلومات وتهديدات اختراق الأنظمة التي تتعامل معها المؤسسة بحرفية وبما يتفق مع أحدث التعليمات الرقابية الرائدة في سياق تحديات فيروس كورونا بالذات.

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٤- فيما يتعلق **بالسيولة**، أفاد الرئيس التنفيذي للمجموعة أن الحفاظ على الحد المطلوب للمستويات الرقابية للسيولة وتجاوزها بنسب مريحة ظل الهم الشاغل في ظل تداعيات الجائحة المستمرة، حيث أدى وضع السوق إلى شح في الدولار الأمريكي في بداية الأزمة، أعقبه زيادة في **تكلفة التمويل (Cost of Funding)...** وعلى الرغم من ذلك، حافظت المؤسسة على استقرار **حجم الودائع** عند مبلغ وقدره ٢١,٣ مليار دولار أمريكي، مقابل ٢١ مليار دولار أمريكي في نهاية العام ٢٠١٩م، مع تجاوز معايير السيولة الرقابية لدى المؤسسة الحدود الدنيا المطلوبة بهوامش مريحة طيلة الأزمة... مشيرا إلى أن الجهود مستمرة في تنويع وتحسين جودة قاعدة الودائع لدى بنك ABC، وأيضا المحافظة على **مستويات كفاية رأس المال** على قوتها: حقوق الملكية الرئيسية من المستوى ١ بنسبة ١٦,٢٪، نسبة الفئة الأولى من رأس المال ١٦,٦٪، والنسبة الكلية لكفاية رأس المال ١٧,٥٪، مع تغطية كافية أعلى من الحد الأدنى المفروض من الجهات الرقابية.

٥- أما فيما يتعلق بالتعامل مع **مخاطر الائتمان** نتيجة لتفشي جائحة فيروس كورونا، أفاد الرئيس التنفيذي للمجموعة أن المؤسسة عملت على مراجعة محفظة المدينين ونسبة التعرض للمخاطر ذات الصلة بها عبر جميع الوحدات في المجموعة، حيث تم إجراء تحسينات على إدارة تركيز محفظتنا والحدود القصوى لإقراض الفرد لتعزيز قدراتنا الائتمانية وتحسين التخفيف من مخاطر الائتمان لدينا، كما تمت مراجعة مدى تقبل المجموعة للمخاطر، وتم إجراء التغييرات لتعكس الوضع الطبيعي الجديد الناشئ عن الجائحة... لافتا الى أن المؤسسة تظل بعيدة عن القطاعات الأكثر تضررا جراء الجائحة مثل قطاعات الطيران والضيافة والسياحة وغيرها.

٦- أفاد الرئيس التنفيذي للمجموعة أنه على الرغم من التحديات التي فرضتها جائحة كورونا من تقلبات لأسعار العملة وانحسار أسعار الفائدة الا أن أداء **الخزينة والأسواق المالية** للمجموعة كان قوياً، حيث استفاد من أسعار الفائدة المنخفضة والتقلبات الحادة في الأسواق المالية. أما على صعيد **أسواق رأس المال**، فقد استطاعت المؤسسة في الفترة الأخيرة ترتيب عمليات مميزة من خلال القروض المشتركة وأسواق رأس مال الدين لصالح عملاء هامين سواء من الحكومات أو قطاع البنوك على الرغم من حالة عدم اليقين التي مازالت تداعياتها مستمرة بسبب جائحة كورونا والتي فاقمها انخفاض أسعار النفط وانكماش في حجم السيولة المتاحة.

٧- بالمقابل، أفاد الرئيس التنفيذي للمجموعة أن جائحة كورونا **سارعت من وتيرة التحول الرقمي في المؤسسة**، لا سيما وأن جزء من خطة المؤسسة للتوسع الرقمي لخلق منظومة رقمية متكاملة يعتمد بالأساس على توسيع قاعدة العملاء في المؤسسة من خلال بنك "الى" ودعم ذلك من خلال توفير حلول مدفوعات رقمية متقدمة بالاستفادة من شركة الخدمات العربية المالية والتي تملك رخصة من مصرف البحرين المركزي لتوفير نقاط دفع الكتروني بحصة سوقية شهدت تطورا ملحوظا خلال السنة. ومن ناحية أخرى وتماشياً مع الأهداف الاستراتيجية للمؤسسة لرقمنة العمليات بشكل كامل من أجل تحقيق الكفاءة وخفض التكاليف، أوضح الرئيس التنفيذي للمجموعة أن المؤسسة قد شرعت في

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عملية رقمنة التحاق العملاء في قطاعي الخزينة والمؤسسات المالية للنزول بالوقت المخصص لالتحاق العملاء بالمؤسسة عند فتح الحسابات من ٦٠ يوم في المتوسط الى يوم واحد فقط، حيث تعمل المؤسسة الآن على استكمال الموافقات الرقابية بهذا الخصوص.

-٨ وفي ضوء استراتيجية بنك ABC في السعي لتحقيق نمو خارجي، وبعد بذل العناية الواجبة المكثفة والمفاوضات في عام ٢٠٢٠م، أوضح الرئيس التنفيذي للمجموعة ان البنك أبرم **اتفاقية للاستحواذ على بنك بلوم مصر** في يناير ٢٠٢١م ومن المتوقع انتهاء الإجراءات في الربع الثاني من عام ٢٠٢١م... مشيرا الى أن منصة بلوم ستعمل على تمكين المؤسسة من مضاعفة حجمها في السوق المصرية بمقدار ثلاث مرات، مما يزيد حصتها السوقية في واحدة من أكثر مناطق الشرق الأوسط وشمال إفريقيا الواعدة.

-٩ وفي مؤشر مهم على ترحيب السوق بمتانة البنك وكفاءة إدارة أعماله، بالرغم مما واجهه من صعوبات وتحديات في أسواقه الرئيسية خلال سنة ٢٠٢٠م جراء تداعيات جائحة كورونا، أفاد الرئيس التنفيذي للمجموعة أن **وكالة ستاندرد آند بورز** أكدت على **تصنيف المؤسسة الائتماني عند -BBB وإبقاء النظرة المستقبلية عند "نظرة مستقرة"**، مما يعكس قوة المركز المالي للبنك ومرونتنا وقدرتنا على مواجهة الظروف الصعبة في الأسواق الرئيسية. كما صنّفت **كابيتال انتلجنس** التصنيف الائتماني طويل الأجل للمجموعة **عند +BBB** مع نظرة مستقبلية مستقرة، بعد إقرارها بجودة أصول البنك وقوة السيولة. من ناحية أخرى عملت **فيتش على تخفيض تصنيف بنك ABC من -BBB إلى +BB**، وهو تخفيض فني ضروري بعد أن ارتفع تصنيف المؤسسة بمقدار ٣ درجات فوق التصنيف السيادي للبحرين، والذي تم تخفيضه من -BB إلى +B . ومع ذلك، قامت فيتش أيضاً بمراجعة النظرة المستقبلية لتصنيفنا وغيرتها من "سلبية" إلى "مستقرة" مستشهدة بإطار متين لمواجهة المخاطر، وكفاية رأس مال، والسيولة السليمة، والتمويل المستقر، والإدارة ذات الخبرة والكفاءة.

-١٠ أما فيما يختص **باستجابة المؤسسة لتداعيات أزمة كورونا في ٢٠٢٠م،** أفاد الرئيس التنفيذي للمجموعة أنه تم مراجعة النفقات بشكل منتظم في أعقاب الضغوطات التي فرضتها تداعيات جائحة كورونا، حيث ساهمت الإجراءات التي تم اتخاذها المؤسسة فور ظهور الجائحة (والتي تراوحت بين تجميد التوظيف – باستثناء تلك ذات الطبيعة الضرورية – والزيادات على الرواتب، والترقيات الوظيفية، وصولاً الى حصر استحقاقات المكافآت السنوية للموظفين وخفض أي تكاليف أخرى غير ضرورية) في **توفير ٨٥ مليون دولار أمريكي** من النفقات مقارنة بالموازنة.

ب- **نقاش المساهمين: -**

فتح **باب النقاش** أمام السادة المساهمين، حيث **طرحت مجموعة من الاسئلة والمقترحات** تناولت في أهمها الاستثمارات المحتفظ بها لغرض غير المتاجرة وتمثيل أقلية المساهمين في عضوية مجلس الإدارة، وأسباب عدم فرص ذكر أسماء المساهمين في محضر

الجمعية، والمقاييس البيئية والاجتماعية والحوكمة ومدى التزام المؤسسة بها، بالإضافة الى حالة الاحتيال التي تعرضت لها المؤسسة وذلك كما يلي: -

١- **تساءل أحد السادة المساهمين** عن **الاستثمارات المحتفظ بها لغرض غير المتاجرة** (والوارد ذكرها في الإيضاح رقم ٨ من القوائم المالية الموحدة للسنة المالية المنتهية في ٢٠٢٠/١٢/٣١م) وتحديدا بخصوص المقصود بسندات دين غير ذات قيمة استثمارية، و لماذا زادت قيمة الاستثمار بها و بنسبة ٥٧٪ و التي تشكل نسبته ٣٦٪ من الإجمالي و ما حجم المخاطر المرتبط بها والضمانات لهذه السندات، **أجاب** الرئيس التنفيذي للمجموعة أنه فيما يتعلق بقطاع الخزانة الرئيسي والذي مقره البحرين فأن الحد الأدنى لتصنيف سندات الدين في المؤسسة هو A، حيث أن ٨٠٪ منها يتركز في السوق الخليجية ويتم شرائها من السوق لأغراض الاستثمار دون أي ضمانات وذلك لصالح شركات تخضع للموافقات الائتمانية المعتادة... لافتا الى أنه نظرا للظروف التي فرضتها جائحة كورونا والتي أدت الى انحسار محفظة القروض كان من الطبيعي زيادة الاستثمارات في محفظة السندات لزيادة ربحية المؤسسة من خلال أدوات أخرى.

٢- **أعاد** أحد المساهمين تكرار **طلب سابق حول أن يُمثل أقلية المساهمين في عضوية مجلس الإدارة** ليكون لهم صوت داخل المجلس، حيث أفاد الرئيس التنفيذي للمجموعة بأن هذا الطلب تم تقديمه في اجتماع الجمعية العامة السابقة... حيث أوضح أنه تم الرد عليه بشكل وافي واثباته في محضر الجمعية السابقة.

٣- سجل المساهم علي جعفر علي عبد الله طريف، حامل رقم ٨١٠١١١٥٢٧ بعدد أسهم يبلغ ٦٠٣٠ وبنسبة مساهمة تبلغ ٠٪ اعتراضه على محضر الجمعية السابق... مكرراً **طلب سابق رفع للجمعية العامة السنة الماضية** لتثبيت أسمه في مناقشات الجمعية في محضرها مستشهدا هذه المرة بنص المادة ٢٠٨ من قانون الشركات البحريني... حيث **رد** الرئيس التنفيذي للمجموعة بأن هذه النقطة لا جديد فيها وتم الرد عليها باعتبارات وافيه في الصفحة ١٤ من كتيب الجمعية في محضر الجمعية السابقة... لافتا الى أن المؤسسة موقفها لم يتغير، خصوصا وأنها تتبع سياسة داخلية موثقة لكتابة المحاضر منذ يونيو ٢٠١٥م تلتزم بها الشركات والوحدات التابعة (وذلك حتى قبل أن يثير المساهم موضوع كتابة الأسماء)، وهي سياسة روعي في اعدادها أفضل قواعد كتابة المحاضر المتعارف عليها في الأسواق العالمية تقوم على عدم ذكر الأسماء في المحاضر... مشددا أن الجديد هذا العام هو اشارة المساهم لنص المادة ٢٠٨ من قانون الشركات البحريني والتي وفق نص المادة لا تشترط ذكر أسماء المساهمين أو تلزم المؤسسة بذلك.

هذا وقد علقت ممثلة **وزارة الصناعة والتجارة والسياحة على المادة ٢٠٨ من قانون الشركات البحريني** بأنه لا مانع من ذكر أسماء المساهمين المتدخلين في محاضر الجمعية العامة كلما طلب المساهم اثبات ذلك كما هو الحال بالنسبة للمساهم علي جعفر علي عبد الله طريف، حيث اثبت اسمه في هذا المحضر مع الأسئلة التي أوردها والتي أجاب عليها الرئيس التنفيذي للمجموعة على النحو الآتي: -

AE

- فيما يتعلق بمدى التزام المؤسسة **بدليل معايير الإفصاح البيئي والاجتماعي والحوكمة (الاستدامة)** لتقارير للشركات المدرجة الصادر من بورصة البحرين، أوضح الرئيس التنفيذي للمجموعة أنه قبل الشروع في الافصاح من الضرورة أن يكون للمؤسسة سياسية للتعامل مع هذه المعايير... لافتا الى أن هناك فهم مشترك حول الإفصاح الاجتماعي وفي اطار الحوكمة، لكن العقبة تكمن في قضايا البيئة وعلى رأس ذلك التغيرات المناخية... والتي من بينها مدى سرعة استجابة مؤسسات التمويل العالمية والمصارف للمطالبات بترشيد تمويل مشروعات الوقود الأحفوري والفحم لتقليص الانبعاثات والحفاظ على البيئة... مشيرا الى أن وقف التمويل لهذه القطاعات يحتاج إلى خطة زمنية لمساعدة عملائنا على الإلتزام بالمعايير الجديدة، لا سيما في منطقة الخليج القائم اقتصادها على النفط... على الرغم من ذلك عملت المؤسسة على مراجعة سياستها لتقبل للمخاطر، وتم إجراء تغييرات عليها لزيادة التركيز بشكل أكبر على إدارة مخاطر المؤسسة لتشمل المعايير البيئية والاجتماعية.. حيث اختتم بأن دليل معايير الإفصاح البيئي والاجتماعي والحوكمة (الاستدامة) اختياري ولا يوجد حتى الآن معايير ملزمة للإفصاح صادرة بهذا الصدد من الجهات الرقابية وان كان مصرف البحرين المركزي وجه مجموعة من الأسئلة للمصارف لمعرفة أراءها وتوجهاتها حيال التغير المناخي وقضايا الاستدامة، استعدادا لاستحداث سياسات مناسبة للتعامل مع هذا التحدي.

- **أما بشأن انكشاف المؤسسة على مجموعة ان ام سي الصحية الإمارتية** وعن أسباب عدم امكانية المؤسسة رصد التجاوزات في الشركة على الرغم من أن شركة مادي ووترز الأمريكية نشرت تقريراً انتقدت فيه أداء مجموعة ان ام سي، لافتةً الى وجود شبهة تضخم في أرصدتها النقدية، وما هي الإجراءات لتفادي مثل هذه الحالات مستقبلاً، **أوضح** الرئيس التنفيذي للمجموعة أن مجموعة ان ام سي الصحية تعتبر من أهم الشركات العاملة في قطاع الصحة في الامارات، حيث تمتلك مجموعة مستشفيات رائدة ذات حصة سوقية مهمة... فضلا عن أن الشركة هي الوحيدة في المنطقة المدرجة على مؤشر فايننشال تايمز للأوراق المالية ١٠٠ (FTSE 100) في لندن مع ما يتطلبه ذلك من افصاح شامل... لافتا الى أنه في ديسمبر ٢٠١٩م نفت شركة "إن إم سي" اتهامات ومزاعم تقرير مادي ووترز مباشرة بعد خروجه... ليتكشف بعد ذلك بشهور عدة مسلسل المديونيات غير المعلنة ليصل إجمالي ديون مجموعة إن إم سي إلى ٦,٦ مليار دولار في مارس ٢٠٢٠م مقابل ديون مسجلة لم تتجاوز ١,٢ بليون دولار أمريكي، مما دفع مادي ووترز ذاتها الى ابداء دهشتها من حجم المديونية. من جهة أخرى، أفاد الرئيس التنفيذي للمجموعة ان حادثة الغش هذه طالت أيضا بنوك دولية واقليمية وان المؤسسة عملت على بلورة استراتيجية للتعامل مع السوق الاماراتية تتطلب، من بين جملة أمور أخرى، فرض شروط إضافية على الإقراض كلما زادت مؤشرات المخاطر التي رصدت في مديونية ان ام سي... مطمئناً أن المؤسسة عملت على اجراء سيناريوهات اختبارات ضغط مكثفة على محفظة القروض وتبقى مرتاحة لنتائجها.

- وبخصوص عدم التطرق الى **نسبة تغطية السيولة وارتفاع كل من الكفاءة التشغيلية وتكلفة المخاطر في المجموعة**، أجاب الرئيس التنفيذي للمجموعة أن عدم ذكر نسبة تغطية السيولة سببه أن النسبة المطلوبة بحسب مصرف البحرين المركزي هي ١٠٠٪ ونسبة تغطية السيولة في المجموعة هي ٣٢٩٪، حيث ظلت النسبة على هذه الوتيرة لمدة ثلاثة أعوام، مما يؤكد على متانة السيولة التي تتمتع بها المؤسسة.

  أما فيما يتعلق **بالكفاءة التشغيلية**، أفاد الرئيس التنفيذي للمجموعة أن نسبة الدخل مقارنة بالنفقات (دون أخذ استثمارات التحول الرقمي في الحسبان) هي ٥٧٪ وذلك في عام لم تحقق فيه المؤسسة ارباح مما أثر على الكفاءة التشغيلية... لافتا الى أن هذه النسبة تظل معقولة بالنظر لطبيعة عمل المجموعة جراء افتقارها لسوق محلية في البحرين في قطاع التجزئة، مما ينعكس بشكل مباشر على ارتفاع نسبة النفقات مقارنة بالدخل إذا ما قورنت المؤسسة ببنوك أخرى لديها وجود محلي طبيعي.

  أما بالنسبة **لتكلفة المخاطر**، أوضح الرئيس التنفيذي للمجموعة ان النسبة (بعد استبعاد حالات الغش) هي ٨٨ نقطة أساس (بارتفاع قدره ٤٨ نقطة أساس)، تعتبر نسبة جيدة لو قورنت المؤسسة ببنوك أخرى.

وفي النهاية، **شكر السادة المساهمون الإدارة التنفيذية** للمؤسسة متمنين لهم دوام التوفيق.

وبعد هذه النقاشات والمداولات **صادقت الجمعية العامة** على البيانات المالية عن السنة المالية المنتهية في ٣١ ديسمبر ٢٠٢٠م كما **تم تقديمها**.

البند الخامس :- <u>مناقشة وتخويل مجلس الإدارة بالاقتراض عن طريق إصدار سندات قرض وتحديد متطلبات وشروط الاقتراض والشروط الخاصة بالإصدار، بعد أخذ موافقة السادة مصرف البحرين المركزي.</u>

طلب السيد رئيس الجمعية من الرئيس التنفيذي للمجموعة **عرض المقترح الخاص بالاقتراض عن طريق إصدار سندات قرض (أ)** ليفتح بعدها **باب النقاش** أمام السادة المساهمين **(ب)**.

أ- <u>عرض الرئيس التنفيذي: -</u>

١- **استهل** الرئيس التنفيذي للمجموعة عرضه بالإشارة الى أن ادراج البند الخامس في جدول أعمال الجمعية جاء لأسباب قانونية بحتة بناءً على طلب من المستشار القانوني الخارجي للمؤسسة، حيث أن الذهاب للسوق لإصدار سندات قرض يتطلب وجود رأي قانوني والذي يجب أن يكون غير مصحوب بتحفظات unqualified legal opinion ... لافتا الى أن المؤسسة لديها برنامجين للتمويل بالجملة، وهما برنامج السندات الأوروبية متوسطة الأجل (Euro- medium term notes) بقيمة ٢,٥ مليار دولار أمريكي، وبرنامج

إصـدار شـهادات الإيـداع بقيمـة ٥٠٠ مليـون دولار أمريكـي... لافتـا أن برنـامج إصـدار شهادات الإيداع شهد منذ طرحه في عام ٢٠١٨م طلباً قوياً من المستثمرين على الشهادات الصادرة في إطار البرنامج مع معدل تجديد مرتفع واستغلال تام خلال الفترات الرئيسية خـلال عـام ٢٠٢٠ وأنـه اسـتجابة لطلـب المسـتثمرين القـوي، وكجـزء مـن اسـتراتيجية المؤسسة للتمويل لعام ٢٠٢١، وافق مجلس الإدارة في فترة سابقة علـى ادخـال تعـديلات علـى برنامج إصدار شهادات الإيداع والتي تتطلب اعتمادها من قبل مسـاهمي المؤسسـة، مثل زيادة المبلغ الأساسي الإجمالي لشهادات الإيداع المستحقة بموجب البرنامج إلـى حـد أقصى وقدره ٢،٠٠٠،٠٠٠،٠٠٠ دولار أمريكي (بارتفـاع عـن ٥٠٠,٠٠٠,٠٠٠ دولار أمريكي)، وكذلك زيادة مدة شهادات الإيداع الصادرة فـي إطـار البرنـامج لـثلاث سـنوات (بارتفاع من سنة واحدة).

٢- أوضح الرئيس التنفيذي للمجموعة أنه نظراً لأن الإصدار بموجب برنامج إصدار شهادات الإيداع ذا طبيعة مستمرة مع معدل تجديد مرتفع، وأن الإصـدار بموجـب برنـامج سـندات اليورو المتوسطة الأجل يظل مصدراً محتملاً للتمويل الطارئ، فإنه يتوجب علـى مجلـس الإدارة من الآن فصاعداً الاقتـراح علـى المسـاهمين فـي اجتمـاع الجمعيـة العامـة أن يـتم اعتماد قرارات مجلس الإدارة من قبل المساهمين بشكل سنوي... مختتما أنـه يمكـن لبنـك ABC النظر في إصدار الأوراق المالية من فئة رأس المـال الأولـى (AT1 Securities) تصـل قيمتهـا الإجماليـة إلـى ٥٠٠,٠٠٠,٠٠٠ دولار أمريكـي إذا تـم اعتبـار الشـروط التجارية مجزية لبنك ABC... مختتما أن المقترح هو تخويـل مجلـس الإدارة بـالاقتراض عن طريق إصدار سندات قرض وتحديد متطلبات وشروط الاقتراض والشروط الخاصـة بالإصدار، بعد أخذ موافقة السادة مصرف البحرين المركزي.

وإثر عرض الرئيس التنفيذي للمجموعة: -

"قررت الجمعية العامة الموافقة على تخويل مجلس الإدارة بالاقتراض عن طريق إصدار سندات قرض وتحديد متطلبات وشروط الاقتراض والشروط الخاصة بالإصدار، بعد أخذ موافقة السادة مصرف البحرين المركزي."

البند السادس :- الموافقـة علـى مكافـأة أعضـاء مجلـس الإدارة بمبلـغ ١,٢١٢,٥٠٠ دولار أمريكي عن عام ٢٠٢٠م، بعد أخذ موافقة السادة وزارة الصناعة والتجارة والسياحة.

١- **طلب** السيد رئيس الجمعية من السـادة المسـاهمين **الموافقـة علـى مكافـأة أعضـاء مجلـس الإدارة بمبلغ ١,٢١٢,٥٠٠ دولار أمريكي عن عـام ٢٠٢٠م**، بعد أخـذ موافقـة السـادة وزارة الصناعة والتجارة والسياحة، حيث **سجل مساهمين اثنين اعتراضـهما (من بينهمـا المساهم المذكور في الفقرة ب (٣) مـن البنـد الرابـع)** علـى هـذه المكافـأة (التـي تتطلـب موافقة وزارة الصناعة والتجارة والسياحة) في سنة تكبدت فيهـا المؤسسـة خسـائر جـراء تداعيات أزمة كورونا مقترحين حجبها تماشيا مع توجه مصارف أخرى في المنطقة.

AE

٢- في هذا الصدد، أبدى الرئيس التنفيذي للمجموعة تفهمه لموقف قِلّة من السادة المساهمين حيال مقترح صرف **مكافأة أعضاء مجلس الإدارة إذا ما قيست بتوزيع جزء من الأرباح في سنة لم تتحقق المؤسسة شيئا منها ... موضّحا أن توصية المؤسسة يجب أن ينظر فيها في ضوء مقترح تعديل المادة ٢٨ من النظام الأساسي للبنك** (والوارد في الصفحات ١٥٧- ١٥٩ من كتيب الجمعية)... حيث أفاد أن المادة ١٨٨ من قانون الشركات التجارية البحريني تنص على عدم جواز تقدير مجموع هذه المكافآت بأكثر من ١٠٪ من صافي الأرباح وأنه يجوز للجمعية العامة أن تقرر صرف مكافأة سنوية لرئيس وأعضاء مجلس الإدارة في السنوات التي لا تحقق فيها الشركة أرباحاً أو السنوات التي لا توزع فيها أرباحاً على المساهمين شريطة أخذ موافقة وزارة الصناعة والتجارة والسياحة، مذكّرا بأن المؤسسة ومنذ ٢٠١١م لم توصي لاجتماع الجمعية العامة العادية بتوزيع أي حصة من الأرباح على الرغم من تحقيقها ما يكفي من الأرباح لتوزيع حصة من الأرباح بحسب نص المادة ١٨٨، ذلك أن المؤسسة عملت في عام ٢٠١١ على صياغة سياسة لمكافآت أعضاء مجلس الإدارة تم اعتمادها من مجلس الادارة في ضوء المراجعة الشاملة التي قام به أحد الاستشاريين الدوليين لإيجاد طريقة مثلى لمكافأة أعضاء مجلس الإدارة وفق أفضل التطبيقات المعمول بها في حينه خارج نطاق المادة ١٨٨ من قانون الشركات ولكن بما يتفق مع قواعد الحوكمة الصادرة عن الوزارة.

٣- أوضح الرئيس التنفيذي للمجموعة أن مكافأة أعضاء مجلس الإدارة وفق سياسة واضحة يعتبر ذو أهمية قصوى لاستقطاب واستبقاء وتحفيز أعضاء مجلس إدارة على درجة من المهارة والخبرة بما يتماشى مع تعقيدات أعمال المجموعة في أسواقها التي تنشط فيها، لا سيما مع الأدوار المنوطة بأعضاء مجلس الإدارة المستقلين والمتطلبات الرقابية التي تقضي بأن يشغل ثلث أعضاء مجلس إدارة المؤسسة المصرفية المعنية أعضاء مستقلين وأن يكونوا على رأس لجان مجلس الإدارة المختلفة.

٤- اشار الرئيس التنفيذي للمجموعة الى أن **ميثاق حوكمة الشركات البحريني يتضمن أحكاماً خاصة بالمكافآت،** حيث تنص هذه الأحكام على أن تلتزم المصارف بمكافأة أعضاء مجلس الإدارة على نحو عادل وبمسؤولية، وأنه من الضروري أن تكون المكافآت الممنوحة لأعضاء مجلس الإدارة كافية بالقدر المطلوب لاستقطاب الأشخاص الذين لديهم الكفاءة اللازمة لإدارة البنك بنجاح... متسائلاً حول كيفية التوفيق بين كفاية وعدالة المكافآت بالنسبة لأعضاء مجلس الإدارة اذا ما أرادت المؤسسة استقطاب نخبة من المستقلين بالذات وتعويضهم بشكل عادل في سنة عمل فيها مجلس الإدارة بجد وصبر وان كانت المؤسسة لم تحقق أي أرباح.

٥- أوضح الرئيس التنفيذي للمجموعة أن أفضل التطبيقات في مجال حوكمة الشركات العالمية فيما يتعلق بمكافآت أعضاء مجلس الإدارة في عدد من الأسواق المالية الرائدة ترتكز على مكافأة مجلس الإدارة على أساس أجر ثابت. قياسا على هذه التطبيقات العالمية، فان سياسة مكافآت أعضاء مجلس الإدارة التي تم اعتمادها من قبل مجلس الإدارة في عام ٢٠١١م تتكون بالأساس من أجر ثابت يجمع بين أتعاب شهرية، ورسوم حضور، ومخصصات لتغطية تكاليف السفر والإقامة... لافتا أن المؤسسة ظلت تعمل بهذه السياسة حتى اللحظة التي طلب فيها أحد المساهمين في اجتماع الجمعية السابقة

تخصيص بند منفصل على جدول الأعمال لمكافآت مجلس الادارة، معتبراً أنه من اختصاص الجمعية العامة النظر في جميع المسائل المتعلقة بالمكافآت العائدة لمجلس الإدارة أيا كان مصدرها، حيث تمت المصادقة على المكافأة السنوية لأعضاء مجلس الإدارة من قبل الجمعية العامة بعد ان تم ادراجها، كما تمت مخاطبة وزارة الصناعة والتجارة و السياحة لأخذ اعتمادها على المكافأة على أن يتم النظر بالتعاون معها في **تقديم تصور للسادة المساهمين في الاجتماع القادم** لتلافي القيود التي يفرضها قانون الشركات التجارية البحريني في المادة ١٨٨ منه للسماح بدفع أتعاب نقدية ثابتة لأعضاء مجلس الإدارة مقدماً في صورة مبالغ مقطوعة.

٦- أفاد الرئيس التنفيذي للمجموعة أن المؤسسة عملت على بلورة **سياسة مكافآت لأعضاء مجلس الإدارة** (والواردة في الصفحة ١٣٢ من كتيب الجمعية) أُعدت لاعتمادها في اجتماع الجمعية العامة العادية وفقاً لأحكام المادة رقم ٢٨ (ب) من النظام الأساسي للبنك (بعد أن يتم تعديلها من قبل الجمعية العامة غير العادية في وقت لاحق اليوم)، استناداً على مقترح من مجلس إدارة بنك ABC... مشيرا أن المطروح هو أن تُعتمد سياسة المكافآت للسماح بأن يتقاضى أعضاء مجلس الإدارة أجرًا ثابتًا يتكون من أجر شهري نقدي ("الأتعاب") ورسوم الحضور التي تدفع لأعضاء مجلس الإدارة لحضور اجتماعات مجلس الإدارة واللجان المنبثقة عنه ("رسوم الحضور") ومخصص لتغطية تكاليف السفر والإقامة أثناء حضور اجتماعات مجلس الإدارة واللجان المنبثقة عنه ("المخصصات")، وذلك لتمكين المؤسسة من استقطاب أعضاء مجلس إدارة بالجودة المناسبة والاحتفاظ بهم وتحفيزهم لإدارة المؤسسة بنجاح، كما نوه الرئيس التنفيذي للمجموعة أن دفع أي حصة ربح متغيرة سنوية يظل ممكنًا في المستقبل إذا اعتبر أعضاء مجلس الإدارة بأنها معقولة وتتم بمسؤولية، وفي مثل هذه الحالة، تظل هذه الحصص خاضعة (بالطبع) للموافقة المسبقة للمساهمين في اجتماعات الجمعية العامة (ووزارة الصناعة والتجارة والسياحة، إذا لزم الأمر بحسب أحكام المادة ١٨٨)... مختتما أن السياسة المعروضة أمام السادة المساهمين في كتيب الجمعية لبت حاجة المؤسسة من جهة وكذلك استجابت لملاحظات وزارة الصناعة والتجارة من جهة أخرى، الأمر الذي أسهم في الوصول إلى صيغة حديثة وفعالة تضمن للمؤسسة فرصة استقطاب أعضاء مجلس إدارة على درجة عالية من المهارة بما يتناسب مع تعقيدات نشاط المؤسسة.

وإثر عرض الرئيس التنفيذي للمجموعة: -

"**قررت الجمعية العامة** الموافقة على مكافأة أعضاء مجلس الإدارة بملغ ١,٢١٢,٥٠٠ دولار أمريكي عن عام ٢٠٢٠م، بعد أخذ موافقة السادة وزارة الصناعة والتجارة والسياحة."

البند السابع :- **الموافقة على اعتماد سياسة مكافآت أعضاء مجلس إدارة البنك، بعد أخذ موافقة الجمعية العامة غير العادية على تعديل أحكام المادة ٢٨ من النظام الأساسي للبنك، وموافقة السادة وزارة التجارة والصناعة والسياحة على هذا التعديل.**

في ضوء **ما استعرضه الرئيس التنفيذي في البند السابق** بهذا الخصوص: -

"**قررت الجمعية العامة** الموافقة على اعتماد سياسة مكافآت أعضاء مجلس إدارة البنك بتفاصيلها المعروضة في الصفحات ١٣٢-١٣٤ من كتيب الجمعية، بعد أخذ موافقة الجمعية العامة غير العادية على تعديل أحكام المادة ٢٨ من النظام الأساسي للبنك، وموافقة السادة وزارة التجارة والصناعة والسياحة على هذا التعديل."

البند الثامن :- <u>مناقشة تقرير حوكمة الشركات لسنة ٢٠٢٠م والتزام البنك بمتطلبات مصرف البحرين المركزي والمصادقة عليه.</u>

١- **طلب السيد رئيس مجلس الإدارة** من أمين سر الجمعية إطلاع الجمعية العامة على ملخص بنظام الحكم المؤسسي بالمؤسسة العربية المصرفية ومدى التزام المؤسسة بأحكامه، حيث قام أمين سر الجمعية باطلاع السادة أعضاء الجمعية العامة **بالجهود** المبذولة من المؤسسة للامتثال لأفضل مبادئ الحكم المؤسسي المعتمدة عالميا، بما في ذلك القواعد النافذة بمملكة البحرين في هذا الخصوص، مؤكدا أن المؤسسة العربية المصرفية تتبع أفضل إرشادات الحكم المؤسسي ومبادئ الممارسات المعتمدة عالميا ولديها نظام للحكم المؤسسي يوفر إطارا يتسم بالفعالية والشفافية في ممارسة الرقابة الداخلية على نحو منصف.

٢- **أضاف** أمين سر الجمعية بأن المؤسسة تحرص على الافصاح عن المعلومات الهامة بدقة ووضوح إلى المساهمين وأصحاب المصالح المعنيين عن طريق عدة قنوات تشمل الموقع الالكتروني الذي يتم تحديثه بصورة منتظمة مع إصدارها لتقارير سنوية ونصف سنوية وفصلية بشأن الأرباح والأداء المالي.

٣- أما على صعيد **أهم التغييرات الأخيرة** التي تمت خلال العام ٢٠٢٠م في هذا الشأن أفاد أمين سر الجمعية بما يلي: -

- في ٢٩ ديسمبر ٢٠١٩م، أخطر مصرف البحرين المركزي المصارف المرخصة تحت مظلته (بما في ذلك بنك ABC) بأنه جرى تعديل في كتيب الضوابط الرفيعة المستوى من دليل قواعد مصرف البحرين المركزي (الذي يتضمن متطلبات حوكمة الشركات بمصرف البحرين المركزي) لينص على أنه إذا أكمل عضو مجلس الإدارة المستقل ثلاث دورات متتالية في مجلس إدارة أحد البنوك الخاضعة لرقابة مصرف البحرين المركزي، فلن يتم تصنيف هذا العضو كعضو مجلس إدارة مستقل (في حال أعيد تعيينه). عليه، تم تعديل ميثاق الحكم المؤسسي في فبراير ٢٠٢٠م ليعكس هذه القاعدة المستحدثة.

- بالإضافة إلى ذلك، تم تعديل ميثاق لجنة المخاطر في فبراير ٢٠٢٠م ليعكس عدداً من التغييرات على صلاحيات لجنة المخاطر، على النحو الموصى به من قبل لجنة المخاطر، والتي تعكس بشكل أساسي التغييرات الأخيرة في كتيب الضوابط الرفيعة المستوى من دليل قواعد مصرف البحرين المركزي والتغييرات التنظيمية لبنك

ABC، حيث تنص على سبيل المثال أنه يجب أن يترأس عضو مجلس ادارة مستقل لجنة المخاطر وأن يكون غالبية أعضائها مستقلين عن أنشطة المخاطرة اليومية. في يوليو ٢٠٢٠م، أنشأ بنك ABC لجنة امتثال منفصلة عن لجنة تدقيق.

- وفي ديسمبر ٢٠٢٠م وافق بنك ABC على ميثاق لجنة الامتثال. تم تعديل ميثاق الحكم المؤسسي ليعكس إنشاء لجنة الامتثال، كما تم إجراء تغييرات على ميثاق لجنة التدقيق بالمجموعة لإزالة أي إشارة إلى مهام الامتثال.

- أيضاً، في ديسمبر ٢٠٢٠م ، وكجزء من جهود بنك ABC المستمرة لتحديث ميثاق الحكم المؤسسي، حدد بنك ABC، من بين أمور أخرى، ثلاث مجالات رئيسية في الميثاق حيث قد يكون من الضروري إجراء تغييرات على ميثاق الحكم المؤسسي لعكسها. شملت هذه المجالات تعيين مسؤول حوكمة الشركات، والمسؤولية الاجتماعية للشركات، وضوابط العضوية فيما يتعلق برئاسة لجنة التدقيق. لذلك، تم تعديل ميثاق الحكم المؤسسي ليعكس هذه المجالات الثلاثة.

٤- **وفي الختام** احال أمين سر الجمعية السادة المساهمين الكرام الى تقرير المؤسسة للحكم المؤسسي الموجود ضمن وثائق الجمعية العامة والذي تم توزيعه ويمكن الرجوع اليه في الصفحة ١٣٦ من الكتيب.

٥- وفي **رد لاستفسارات من المساهم المذكور في الفقرة ب (٣) من البند الرابع** حول **ضرورة أن يكون هناك أعضاء مستقلين** في مجلس الإدارة ولجانه المختلفة **ومدى التزام المؤسسة بمتطلبات الإفصاح عن المكافآت وفق نص المادة ١٨٨** في صيغتها المعدلة من قانون الشركات التجارية البحريني، بالإضافة إلى **فرص تنويع عضوية مجلس الإدارة للجنسين،** أجاب الرئيس التنفيذي للمجموعة – **فيما يتعلق بتمثيل المستقلين في عضوية مجلس ادارة المؤسسة –** أن تقرير الحكم المؤسسي في كتيب الجمعية يشمل افصاح كامل عن أعضاء مجلس الإدارة المستقلين وهم أربعة ويمكن الرجوع للتقرير في الصفحة ١٣٦ من الكتيب.

أما عن **متطلبات الإفصاح عن المكافآت وفق نص المادة ١٨٨،** أفاد الرئيس التنفيذي للمجموعة أن نطاق تطبيق المادة هو محل خلاف، حيث أن جمعية مصارف البحرين توصلت الى قرار من مجلس اداراتها (تم تعميمه على كافة المصارف العاملة ومرخص لها من قبل مصرف البحرين المركزي) فيما يختص بنطاق تطبيق المادة ١٨٨ المشار اليها، خلص الى عدم انطباق الإفصاح المشار اليه في المادة ١٨٨ على المصارف بوجه خاص لاعتبارات كثيرة، أساسها خضوع المصارف لرقابة مصرف البحرين المركزي الذي شرع تفصيلا لأغراض تنظيم الافصاح على هذه المكافآت، وبالتالي تنطبق عليها تلك القواعد الخاصة والمتعلقة بالإفصاح عن المكافآت المنصوص عليها في الدليل الارشادي الصادر من مصرف البحرين المركزي... مشيرا الى أن المؤسسة كعضو في جمعية مصارف البحرين عليها احترام الارادة الجماعية، لا سيما وان السادة وزارة التجارة والصناعة والسياحة لم يصروا على الإفصاح كما هو مشار اليه في أحكام المادة ١٨٨ لإتاحة فرصة لتدارس الرأي المخالف للوصول الى قرار نهائي بهذا الشأن.

وفيما يختص بطلب سابق للمساهم حول **فرص تنويع عضوية مجلس الإدارة للجنسين،** أفاد الرئيس التنفيذي للمجموعة أنه ليس هناك متطلب رقابي يتعلق بالتنوع سواء من حيث الجنس، أو بمعناه الأشمل الذي يتضمن التنوع من حيث العرق أو غيره... لافتا الى أنه مع ذلك عملت المؤسسة على بلورة استراتيجية عن التنوع منذ العام ٢٠١٨م لدفع أجندة تمثيل المرأة في المؤسسة، حيث أن التمثيل المطلوب يجب أن يكون على مستوى مجلس الإدارة والادارة التنفيذية والمناصب العليا الأخرى، وان التحدي الماثل يظل في انحسار فرص المرأة لشغل المناصب القيادية... موضحا أن التعامل مع هذه المسألة يمكن أن يكون من خلال طريقين، الأول هو وضع أهداف زمنية ونسب محددة للوصول للتمثيل المطلوب وفق محددات واضحة دون اعتبار للظروف المحيطة، أما الطريق الآخر هو زيادة نسبة التمثيل بشكل جزافي غير مدروس دون أن يعني ذلك تبني حقيقي لأجندة التنوع بما يخدم دور المرأة لتقلد المناصب القيادية في المؤسسة، موضحا أن المؤسسة سلكت منهجا قائم على احداث تغيير حقيقي، اذ احتفلت في ٨ مارس باليوم العالمي للمرأة من خلال تنظيمها لحلقة نقاش شارك فيها قياديين في المؤسسة من الجنسين وحضرها عدد كبير من موظفي المجموعة لتناول قضايا التنوع في المؤسسة وسبل دفعها لإحداث تغيير ملموس، كما تم استحداث جائزة للتنوع منحت لأحدى زميلاتنا تقديرا لجهودها أثناء فترة الجائحة... مختتماً أن المؤسسة ترى أن تبني نهج متأني ومدروس من شأنه أن يكون أكثر فاعلية لتعزيز أجندة التنوع.

البند التاسع :- **<u>ابراء ذمة أعضاء مجلس الإدارة عن تصرفاتهم خلال السنة المالية المنتهية في ٢٠٢٠/١٢/٣١م.</u>**

قررت الجمعية العامة إبراء ذمة أعضاء مجلس الإدارة عن تصرفاتهم خلال السنة المالية المنتهية في ٢٠٢٠/١٢/٣١م.

البند العاشر **<u>النظر في إعادة تعيين السادة ارنست ويونغ كمدققين لحسابات البنك للسنة المالية المنتهية في ٣١ ديسمبر ٢٠٢١م، بعد اخذ موافقة السادة مصرف البحرين المركزي وتخويل مجلس الإدارة بتحديد أتعابهم.</u>**

قررت الجمعية العامة إعادة تعيين السادة (ارنست ويونغ) كمدققين لحسابات المؤسسة للسنة المالية المنتهية في ٢٠٢١/١٢/٣١م مع تخويل مجلس الإدارة الحق في تحديد أتعابهم، وذلك بعد ملاحظتها عدم ممانعة مصرف البحرين المركزي في هذا التعيين.

البند الحادي عشر :- **<u>اطلاع الجمعية العامة على المعاملات مع الاطراف ذات العلاقة حسب المادة ١٨٩ (ج) من قانون الشركات التجارية وكما هو وارد في الايضاح رقم ٢٧ من القوائم المالية الموحدة للسنة المالية المنتهية في ٢٠٢٠/١٢/٣١م.</u>**

AE

طلب السيد رئيس مجلس الإدارة من الجمعية العامة الإفادة باطلاعها على الايضاح رقم ٢٧ من القوائم المالية الموحدة للسنة المالية المنتهية في ٢٠٢٠/١٢/٣١م (ص ١١٤ من كتيب الجمعية العامة) كما تم توزيعها على السادة المساهمين قبل اجتماع الجمعية العامة.

حيث **افادت الجمعية العامة باطلاعها** على الايضاح رقم ٢٧ من القوائم المالية الموحدة للسنة المالية المنتهية في ٢٠٢٠/١٢/٣١م.

البند الثاني عشر :- ما يستجد من أعمال طبقا لنص المادة ٢٠٧ من قانون الشركات التجارية.

سجلت الجمعية العامة **عدم وجود** أي بنود مستجدة طبقا لنص المادة ٢٠٧م من قانون الشركات التجارية.

وفي ختام أعمال الجمعية العامة العادية، أعرب السادة المساهمون عن شكرهم لمجلس الإدارة وكبار المساهمين، مجددين ثقتهم في مسيرة المؤسسة، كما سجل السيد رئيس الجمعية شكره الجزيل لصاحب الجلالة **الملك حمد بن عيسى آل خليفة** ملك مملكة البحرين **وصاحب السمو الملكي الأمير سلمان بن حمد بن عيسى آل خليفة** ولي العهد رئيس الوزراء نائب القائد الاعلى على دعمهم الدائم للمؤسسة، متمنيا لهم بالأخص نجاح جهودهم الطبية بالتعاون مع شعب المملكة المتحضر في التصدي لجائحة كورونا...كما خص بشكره أيضا **سعادة الشيخ سلمان بن خليفة آل خليفة** وزير المالية و**سعادة السيد زايد بن راشد الزياني** وزير الصناعة والتجارة والسياحة في مملكة البحرين و**سعادة السيد رشيد المعراج** محافظ مصرف البحرين المركزي على دعمه الدائم للمؤسسة **وسعادة الشيخ خليفة بن ابراهيم آل خليفة الرئيس التنفيذي** لبورصة البحرين.

وبانتهاء النظر في بنود جدول الأعمال، **رفعت** الجلسة والساعة تشير إلى **الثانية وخمس دقائق ظهرا**.

عبد الخالق شايب
أمين سر الجمعية العامة

محضر اجتماع الجمعية العامة غير العادية
للمؤسسة العربية المصرفية (ش.م.ب)
البحرين ٢١ مارس ٢٠٢١م

عقدت الجمعية العامة لمساهمي المؤسسة العربية المصرفية (ش.م.ب) اجتماع الجمعية غير العادي **الكترونيا عبر منصة الاجتماعات الافتراضية زوم** في **يوم الاحد الموافق ٢١ مارس ٢٠٢١م** عند تمام **الساعة الثانية وخمس دقائق ظهرا** في المقر الرئيسي للمؤسسة بمملكة البحرين وذلك للنظر في **جدول أعمالها** التالي:

(١) الموافقة على تعديل المادة ٢٨ من النظام الأساسي لبنك ABC، بعد أخذ موافقة السادة وزارة التجارة والصناعة والسياحة والسادة مصرف البحرين المركزي على النحو التالي:

المادة ٢٨

(أ) "تحدد الجمعية العامة المكافآت المتغيرة لأعضاء مجلس الإدارة، ولا يجوز تقدير مجموع هذه المكافآت بأكثر من ١٠٪ من الربح الصافي بعد استنزال الاستهلاكات والاحتياطات وتوزيع ربح لا يقل عن ٥٪ من رأس المال على المساهمين أو أية نسبة أعلى ينص عليها هذا النظام الأساسي.

(ب) على الرغم من أحكام الفقرة (أ)، يجوز تعويض أعضاء مجلس الإدارة (وفق سياسة تعتمدها الجمعية العامة من وقت إلى آخر) وذلك في شكل مبالغ مقطوعة تجمع بين أتعاب، وتكاليف حضور، وبدلات على النحو الذي تحدده هذه السياسة، على أن يتم خصم هذه المبالغ المقطوعة سنويًا من حساب المصروفات لتمكين المؤسسة من استقطاب أعضاء مجلس إدارة بالجودة المناسبة والاحتفاظ بهم وتحفيزهم لإدارة المؤسسة بنجاح".

(٢) تفويض وتخويل مجلس الإدارة أو من يفوضه لاتخاذ الإجراءات اللازمة لتعديل المادة ٢٨ من النظام الأساسي لبنك ABC.

(٣) تفويض الرئيس التنفيذي للمجموعة بالتوقيع نيابة عن بنك ABC أمام كاتب العدل لتوثيق هذه التعديلات في مملكة البحرين وكذلك التقدم بكافة الطلبات للسادة مصرف البحرين المركزي ووزارة الصناعة والتجارة والسياحة وبورصة البحرين وغيرها من الجهات الرسمية بمملكة البحرين لاستكمال التعديلات أو غيرها من المتطلبات ذات العلاقة.

(٤) ما يستجد من أعمال طبقًا لنص المادة ٢٠٧ من قانون الشركات التجارية.

عملا بأحكام **المادة ٤٢/أ** من النظام الأساسي للمؤسسة، تولى **رئاسة الاجتماع السيد/ الصديق عمر الكبير بصفته رئيسا لمجلس الإدارة**، كما تم تكليف السيد/ **عبد الخالق شايب** بمهام **أمانة سر الجمعية** بناء على اقتراح من السيد رئيس الجمعية وموافقة الجمعية وذلك في حضور كل من: -

السيد محمد عبدالرضا سليم	نائب رئيس مجلس الإدارة
السيد د. فاروق عبد الباقي العقدة	عضو مجلس الإدارة
السيد د. أنور علي المضف	" " "
السيد علي سعد الاشهب	" " "
السيد بشير أبو القاسم عمر	" " "
السيد د. طارق يوسف المقريف	" " "
السيد خالد عبد العزيز حسون	" " "
السيد د. يوسف عبدالله العوضي	" " "
السيد د. خالد سعيد كعوان	الرئيس التنفيذي للمجموعة
السيد صائل الوعري	نائب الرئيس التنفيذي للمجموعة
السيد عيسى المتوج	عن **مصرف البحرين المركزي**
السيدة فاطمة عبد الرحمن	" " " "
السيدة علياء عمران	" " " "
السيدة حسين محمد	" " " "
السيدة ندى ناصر الذوادي	عن **وزارة الصناعة والتجارة والسياحة**
السيدة ليلى عادل راستي	عن **بورصة البحرين**
السيد عيسى الجودر	السادة **أرنست و يونغ** (مدققي الحسابات)
السيد كاظم ميرشانت	" " " "
السيد هاني الشيخ	عن **مسجلي الأسهم** كفين تيكنولوجيز(البحرين) ذ.م.م

بعد أن **رحب السيد رئيس الجمعية** بالأصالة عن نفسه ونيابة عن مجلس الإدارة والمؤسسة بالسادة المساهمين ومندوبي الجهات الرسمية وبقية السيدات والسادة الحضور، شاكرا لهم حسن تلبية الدعوة ... تم التأكد من **توافر النصاب القانوني** لصحة الاجتماع بحضور عدد من المساهمين الممثلين أصالة أو نيابة **بنسبة** ٩٥,١٦ **%** من رأس المال المدفوع.

شـرعت الجمعية العامة على إثر ذلك في **مداولة بنود جدول أعمالها،** حيث انتهت منه إلى اتخاذ جملة القرارات والإجراءات التالية: -

البند الأول :- الموافقة على تعديل المادة ٢٨ من النظام الأســاســي لبنك ABC، بعد أخذ موافقة السادة وزارة التجارة والصناعة والسياحة والسادة مصرف البحرين المركزي على النحو التالي:

المادة ٢٨

(أ) **تحدد الجمعية العامة المكافآت المتغيرة لأعضــاء مجلس الإدارة، ولا يجوز تقدير مجموع هذه المكافآت بأكثر من ١٠٪ من الربح الصــافي بعد اســتنزال الاســتهلاكات والاحتياطات وتوزيع ربح لا يقل عن ٥٪ من رأس المال على المســاهمين أو أية نســبة أعلى ينص عليها هذا النظام الأساسي.**

(ب) **على الرغم من أحكام الفقرة (أ)، يجوز تعويض أعضــاء مجلس الإدارة (وفق ســياســة تعتمدها الجمعية العامة من وقت إلى آخر) وذلك في شـكل مبالغ مقطوعة تجمع بين أتعاب، وتكاليف حضـور، وبدلات على النحو الذي تحدده هذه الســياســة، على أن يتم خصــم هذه المبالغ المقطوعة سـنويًا من حسـاب المصـروفات لتمكين المؤسـسـة من اســتقطاب أعضــاء مجلس إدارة بالجودة المناســبة والاحتفاظ بهم وتحفيزهم لإدارة المؤسسة بنجاح".**

تسائل أحد المساهمين (قبل الموافقة على تعديل المادة ٢٨ من النظام الأساسي لبنك ABC)عما إذا كان تعديل المادة يعني أن تجمع مكافآت أعضــاء مجلس الإدارة بين **الأجر الثابت وحصــة الربح الســنوية المتغيرة،** حيث **أجاب الرئيس التنفيذي للمجموعة** أن المقترح من تعديل المادة ٢٨ من النظام الأساسي وفق السياسة التي اعتمدتها الجمعية العامة أن يتم تعويض أعضاء مجلس الإدارة في شـكل مبالغ مقطوعة تجمع بين أتعاب، وتكاليف حضـور، وبدلات ... لافتا أن المؤسـسـة قد حققت في السابق ما يكفي من الأرباح لتوزيع حصة أرباح متغيرة سنوية، إلا أن مجلس الإدارة لم يوصي حينها لاجتماع الجمعية العامة العادية بتوزيع أي حصة أرباح متغيرة، ومع ذلك، يظل دفع أي حصة ربح متغيرة سنوية بحسب نص المادة ٢٨ (أ) ممكنًا في المستقبل (سواء بشكل مستقل أو بجانب الأجر الثابت) إذا اعتبر أعضــاء مجلس الإدارة بأنها معقولة وتتم بمسـؤولية. وفي مثل هذه الحالة، تظل هذه الحصـص خاضـعة (بالطبع) للموافقة المسـبقة للمســاهمين في اجتماعات الجمعية العامة (ووزارة الصناعة والتجارة والسياحة، إذا لزم الأمر).

وإثر النقاش والمداولة: -

"قررت الجمعية العامة غير العادية الموافقة على تعديل المادة ٢٨ من النظام الأســاســي للبنك، بعد أخذ موافقة السـادة وزارة التجارة والصـناعة والسـياحة والسـادة مصـرف البحرين المركزي، وذلك على النحو التالي: -

المادة ٢٨

(أ) تحدد الجمعية العامة المكافآت المتغيرة لأعضـــــاء مجلس الإدارة، ولا يجوز تقدير مجموع هذه المكافآت بأكثر من ١٠٪ من الربح الصـــافي بعد اســتنزال الاســتهلاكات والاحتياطات وتوزيع ربح لا يقل عن ٥٪ من رأس المال على المساهمين أو أية نسبة أعلى ينص عليها هذا النظام الأساسي.

(ب) على الرغم من أحكام الفقرة (أ)، يجوز تعويض أعضــاء مجلس الإدارة (وفق سياســة تعتمدها الجمعية العامة من وقت إلى آخر) وذلك في شـــكل مبالغ مقطوعة تجمع بين أتعاب، وتكاليف حضــور، وبدلات على النحو الذي تحدده هذه الســياســة، على أن يتم خصــم هذه المبالغ المقطوعة ســنويًا من حســاب المصــروفات لتمكين المؤســســة من اســتقطاب أعضـــاء مجلس إدارة بالجودة المناســـبة والاحتفاظ بهم وتحفيزهم لإدارة المؤسسة بنجاح".

البند الثاني :- **تفويض وتخويل مجلس الإدارة أو من يفوضه لاتخاذ الإجراءات اللازمة لتعديل المادة ٢٨ من النظام الأساسي لبنك ABC.**

"**قررت الجمعية العامة غير العادية** الموافقة على تفويض وتخويل مجلس الإدارة أو من يفوضـــه لاتخاذ الإجراءات اللازمة لتعديل المادة ٢٨ من النظام الأساسي لبنك ABC."

البند الثالث :- **تفويض الرئيس التنفيذى للمجموعة بالتوقيع نيابة عن بنك ABC أمام كاتب العدل لتوثيق هذه التعديلات فى مملكة البحرين وكذلك التقدم بكافة الطلبات للســادة مصــرف البحرين المركزى ووزارة الصــناعة والتجارة والســياحة وبورصــة البحرين وغيرها من الجهات الرســمية بمملكة البحرين لاســتكمال التعديلات أو غيرها من المتطلبات ذات العلاقة ABC.**

"**قررت الجمعية العامة غير العادية** الموافقة على تفويض الرئيس التنفيذي للمجموعة بالتوقيع نيابة عن بنك ABC أمام كاتب العدل لتوثيق هذه التعديلات في مملكة البحرين وكذلك التقدم بكافة الطلبات للسادة مصرف البحرين المركزي ووزارة الصناعة والتجارة والسياحة وبورصة البحرين وغيرها من الجهات الرسمية بمملكة البحرين لاستكمال التعديلات أو غيرها من المتطلبات ذات العلاقة."

البند الرابع :- **ما يستجد من أعمال طبقا لنص المادة ٢٠٧م من قانون الشركات التجارية.**

سجلت الجمعية العامة **عدم وجود** أي بنود مستجدة طبقا لنص المادة ٢٠٧م من قانون الشركات التجارية.

وفي ختام أعمال الجمعية العامة غير العادية، أعرب السادة المساهمون عن شكرهم لمجلس الإدارة وكبار المساهمين، مجددين ثقتهم في مسيرة المؤسسة، كما سجل السيد رئيس الجمعية شكره الجزيل لصاحب الجلالة **الملك حمد بن عيسى آل خليفة** ملك مملكة البحرين **وصاحب السمو الملكي الأمير سلمان بن حمد بن عيسى آل خليفة** ولي العهد رئيس الوزراء نائب القائد الاعلى على دعمهم الدائم للمؤسسة، متمنيا لهم بالأخص نجاح جهودهم الطبية بالتعاون مع شعب المملكة المتحضر في التصدي لجائحة كورونا...كما خص بشكره أيضا **سعادة الشيخ سلمان بن خليفة آل خليفة** وزير المالية و**سعادة السيد زايد بن راشد الزياني** وزير الصناعة والتجارة والسياحة في مملكة البحرين و**سعادة السيد رشيد المعراج** محافظ مصرف البحرين المركزي على دعمه الدائم للمؤسسة **وسعادة الشيخ خليفة بن ابراهيم آل خليفة الرئيس التنفيذي** لبورصة البحرين.

وبانتهاء النظر في بنود جدول الأعمال، تُلي **محضر الجمعية الذي أقره السادة المساهمون، لترفع** الجلسة والساعة تشير إلى **الساعة الثانية وخمس وعشرون دقيقة ظهرا.**

عبد الخالق شايب
أمين سر الجمعية العامة

Directors' Report

Directors' Report

On behalf of the Directors of the Bank ABC Group, it is my pleasure to submit the Directors' report for 2021 to the shareholders. It highlights the Bank's achievements and consolidated financial performance during this year and outlines the strategic direction for year 2022.

2021 has been a historic year, full of exceptional achievements for Bank ABC. Overcoming the continued disruptions across our industry and markets, the Group successfully delivered on our commitments to our shareholders, and customers, making significant progress toward our strategic ambitions by expanding in our core markets and accelerating our digital transformation journey.

Throughout 2021, while social and travel restrictions continued to impact the banking industry in Bahrain and around the world, economic activity started picking up from the recession of 2020. Global trade rebounded sharply but remained weighted by supply chain bottlenecks. As we progressed through 2021 and into 2022, accommodative monetary policy conditions and economic support measures have continued, which have contributed to surging inflation coupled with abundant liquidity. In response, many emerging markets have already been forced to raise interest rates, and the US Fed has begun tapering its asset purchases prior to anticipated interest rate hikes in 2022, with this approach being mirrored by other developed market central banks. In our core GCC markets, although the recovery was initially slow owing to depressed oil prices, a significant improvement in outlook was observed as prices rose, although its benefits are yet to be felt in larger economies due to the constraints related to the Omicron variant.

In the face of these continuing market challenges, the Bank ABC Group delivered remarkable performance with more normalised levels of cost of risk. We refocused our strategic priorities on accelerating our digital agenda, widening the capabilities and footprint of our digital mobile-only bank ila and future-proofing our wholesale bank. We successfully completed the historic acquisition of BLOM Bank Egypt, expanding in a core market with some of the best fundamental growth prospects in the region. Our emphasis on organisational resilience in the post pandemic era continued unabated, as we strengthened the Group's operational, risk and financial management disciplines, while we also improved governance, commitments to sustainability and received great recognition for the Group's achievements across multiple activities and markets.

Delivering solid results

We are extremely proud of our financial performance during 2021 in the face of market headwinds. This has seen the Group deliver exemplary results after a very challenging 2020, which was marred by higher provision levels due to regional fraud events. We resumed our growth trajectory through the execution and acceleration of our strategy, demonstrating its robustness and the resilience of the Bank as a whole.

We delivered net profit attributable to shareholders of US$100 million, with cost of risk reverting towards pre-pandemic levels. Consequently, earnings per share for 2021 stood at US$0.03, with a cash dividend of US$0.01 (31% of profits) being recommended by the Board.

Delivering on our strategic objectives

Whilst the challenges posed by the pandemic remain, we continue to make steady progress towards our long-term goals. We refocused our priorities and refreshed our objectives, accelerating execution on our pillars of **'Inorganic growth', 'Digital Transformation', 'Wholesale Banking' and 'Organisational Resilience'**.

Inorganic growth - Acquisition of BLOM Bank Egypt

One of the most significant events of 2021 was the completion on 11 August of our acquisition of a 99.5% stake in BLOM Bank Egypt. This not only represents a key moment in our journey of business expansion, but also demonstrates the Group's sound strategic planning, efficiency and commercial acumen. The acquisition provides Bank ABC with accretive earnings in a constrained economic environment, whilst also diversifying our income sources. With a population of over 100 million people, Egypt remains a relatively underbanked market in the MENA region, with strong industry fundamentals. With the merger of BLOM Bank and our existing ABC Egypt franchise, we will create an exceptional strategic platform to deepen our market share in Egypt and capitalise on the considerable opportunities for future growth.

Digital Transformation: "Building the bank of the future"

Recognising the increase in demand for digital banking and payments fuelled by the COVID-19 crisis, we prioritised our digitisation programme, resulting in the launch of a fully digital client onboarding for Corporates and Financial Institutions and a new Supply Chain Finance platform. In addition, our digital mobile-only proposition, ila, continued to shine brightly, gaining momentum towards its upcoming launch into other MENA markets, with significant groundwork already in place to launch in Jordan in Q2 2022.

In a first of its kind pilot, the Bank, in collaboration with various stakeholders and under the leadership of the Central Bank of Bahrain, facilitated seamless cross-border payments using our API interface together with JP Morgan's blockchain platform technology. This was tested using US Dollar; moving forward this technology will allow us to expand our existing offering and introduce more currencies.

Innovation remains the driving force of all our initiatives, as can be seen from the multiple initiatives undertaken and the awards that Bank ABC has received as outlined below.

Wholesale Banking

While we take major leaps in our Wholesale banking digital transformation programme, the Bank is also continuing our corporate client growth aspirations, albeit modifying our risk appetite for a post-COVID landscape. We remain a client-centric internationally networked bank and will focus on providing exceptional levels of customer service as our digital capabilities further develop and enhance our value proposition.

Organisational Resilience

During 2021, with pandemic conditions still prevalent, the Group maintained its emphasis on promoting a culture of operational resilience through its business continuity, agile and remote work-force planning. Effective credit, market and operational risk management policies and procedures were further tightened, while the longstanding strength of Bank ABC's capital and liquidity ratios was maintained . Contingency planning continued actively to ensure an effective response to any disruptions to our customers, and that the soundness of our business and balance sheet will be preserved.

Governance

Governance is another key strength of Bank ABC, and 2021 witnessed another historic milestone for the Bank.

In line with our Diversity & Inclusion agenda, and fostering greater equality and representation across the Bank, the Group appointed its first ever female Board Member, Ms. Huda Al Mousa. She represents the Kuwait Investment Authority and brings a wealth of knowledge and experience to Bank ABC's Board of Directors. We also welcomed Ms. Bayone Sisombat, an independent non-executive director on the Board of ABC SA.

Commitment to sustainability

Our Environmental, Social and Governance (ESG) initiatives continue to build in scale and scope, as we work to develop a platform that positions the Group at the forefront of the evolving sustainable banking landscape. Led by our Group CEO, together with senior management from across the Group including key international units, a working group has been established to drive a comprehensive approach for the Bank's ESG activities.

Following the steps already taken on ESG including its inclusion in the Bank's risk appetite in 2020, the Group is currently developing a more progressive ESG strategy to guide the approach going forward. This is being driven by a deep institutional commitment to environmental stewardship aligned with the goals and objectives of the international community embodied in the Paris Agreement and the UN Sustainable Development Goals.

Bank ABC has therefore committed to a net zero target by 2030 for emissions from our scope 1 and 2 activities. For scope 3 activities we have adopted a robust approach to the identification, assessment, management and reporting of climate change-related risks, having already codified the climate change risk profile of the Bank's lending portfolio and completed the individual assessments of our largest counterparties.

Awards and recognition

As a result of our exceptional strategic progress and achievements during this year, the Bank was recognised for a number of prestigious awards, including 'Best Innovation Lab', 'Best Consumer Digital Bank' and 'Best Digital Banking App' for ila, at the Global Finance Innovators Awards; 'Best Bank in Trade Finance Bahrain' at the GTR Leaders in Trade Awards; and 'Most Innovative Digital Onboarding Roll-out' at the ISBi Global Fintech Innovation Awards. We also won the Global Finance, Best Bank for Treasury and Cash Management, Bahrain & Tunisia and the Fastest Growing Cash Management Bank in MENA by Global Banking & Finance Review. We are also proud to be listed among the 'Top 50 Banks in the Middle East' by Forbes Middle East.

Outlook 2022

We have much to be proud of as we enter 2022 with great confidence and ambition. Our strong performance, diverse achievements and clear strategic direction provide a robust foundation for our future growth. Whilst we remain prudent, we are well placed to benefit from the opportunities that will arise as business sentiments improve.

On behalf of the Board, I wish to express our sincere thanks to our home regulator, the Central Bank of Bahrain, as well as to our principal shareholders, the Central Bank of Libya and the Kuwait Investment Authority for their continued support.

I am also grateful to our management for their prudent and proactive oversight during 2021, and to our hard-working employees across the Group, whose dedicated efforts have served to overcome the unprecedented challenges and deliver a highly successful year.

Board of directors' remuneration details:

The aggregate remuneration paid to Board members in 2021 amounted to US$1,382,000 (2020: US$1,479,240), which is paid in accordance with the Directors' Remuneration Policy adopted by the Annual General Meeting on 21 March 2021 as follows:

	Fixed remunerations				
Name	Remunerations of the chairman and BOD	Total allowance for attending Board and committee meetings	Retainer	Others (Allowances)	**Total**
First: Independent Directors:					
Dr. Anwar Al Mudhaf	-	21,000	145,000	-	**166,000**
Mr. Bashir Omer	-	22,500	140,000	-	**162,500**
Dr. Farouk El Okdah	-	12,000	120,000	-	**132,000**
Dr. Yousef Al Awadi	-	24,000	155,000	-	**179,000**
Second: Non-Executive Directors:					
Mr. Saddek Omar El Kaber	-	10,500	150,000	-	**160,500**
Mr. Mohammad Saleem	-	16,500	140,000		**156,500**
Mr. Ali Al Ashhab	-	18,000	115,000	-	**133,000**
Mr. Khaled Al Hassoun	-	10,500	65,000	-	**75,500**
Dr. Tarik Yousef	-	21,000	135,000	-	**156,000**
Ms. Huda Al Mousa	-	6,000	55,000	-	**61,000**
Total	**-**	**162,000**	**1,220,000**	**-**	**1,382,000**

Note:

The aggregate remuneration paid to the members of the Remuneration Committee with respect to their membership of such committee for the year 2021 was US$20,000, which sum is included in the Retainer fee (2020: US$20,000).

No Director owned or traded Bank ABC shares in 2021.

Executive management remuneration details:

Executive management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration for 2021	Aggregate Amount
Remunerations of top 6 executives, including CEO and Head of Finance & Administration	6,210,217	175,789	-	6,386,006

Note: All amounts stated are in US Dollar

Saddek Omar El Kaber
Chairman

Auditors' Report

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ARAB BANKING CORPORATION (B.S.C.)

Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of Arab Banking Corporation (B.S.C.) ("the Bank") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2021 and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), as modified by the Central Bank of Bahrain ("CBB").

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Kingdom of Bahrain, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ARAB BANKING CORPORATION (B.S.C.) (continued)

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

Key audit matters (continued)

<u>Impairment provision for loans and advances</u>

Description of key audit matter	*How the key audit matter was addressed in the audit*
The process for estimating the impairment provision on loans and advances in accordance with IFRS 9 Financial instruments (IFRS 9) is a significant and complex area. IFRS 9 requires use of expected credit loss ("ECL") models for the purposes of calculating impairment loss. The ECL model requires the Group to exercise significant judgement using subjective assumptions when determining both the timing and the amounts of ECL for loans and advances. The Covid-19 global pandemic has significantly impacted management's determination of ECL due to the fact that it has required application of significant judgements resulting in higher uncertainty of ECL estimates as well as forward-looking macroeconomic inputs. This may result in material changes to the estimates of ECL for Stage 1 and 2 in future periods.	Our approach included testing the controls associated with the relevant processes for estimating ECL and performing substantive procedures on such estimates. Our procedures, among others, focused on following: ● We assessed: - the compliance of Group's IFRS 9 based impairment provisioning policy including the significant increase in credit risk criteria with the requirements of IFRS 9 and regulatory guidelines issued with respect to Covid-19; - the Group's ECL modelling techniques and methodology against the requirements of IFRS 9 incorporating consideration of Covid-19 impacts; - the basis of determination of any management overlays applied by the Group to incorporate the effects of the Covid-19 global pandemic on its modelled ECL outcome; - the theoretical soundness and tested the mathematical integrity of the models.

Building a better working world

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ARAB BANKING CORPORATION (B.S.C.) (continued)

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

Key audit matters (continued)

Impairment provision for loans and advances (continued)

Description of key audit matter	*How the key audit matter was addressed in the audit*
In order to capture the future uncertainties and related impacts arising due to effects of uneven global economic recovery which were not captured by the modelled ECL, the Group has applied their expert judgement with respect to: a) use of appropriate macroeconomics factors; and b) determination of significant increase in credit risk and consequent staging of customers with special emphasis on customers severely affected by Covid-19. Because of the complexity of the requirements under IFRS 9, the significance of the judgements applied, the high degree of estimation uncertainty arising due to Covid-19 and the Group's exposure to loans and advances forming a major portion of the Group's assets, the audit of ECL is a key area of focus.	● We obtained an understanding of the design and tested the operating effectiveness of relevant controls over the ECL models, including approvals for any changes to the models, ongoing monitoring / validation, model governance and mathematical accuracy. We have also tested the completeness and accuracy of the data used and evaluated the reasonableness of the management assumptions. ● We understood and assessed the significant modelling assumptions for exposures as well as overlays incorporating the consideration of Covid-19 impacts with a focus on: - Key modelling assumptions adopted by the Group; and - Basis for and data used to determine overlays.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ARAB BANKING CORPORATION (B.S.C.) (continued)

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

Key audit matters (continued)

<u>*Impairment provision for loans and advances (continued)*</u>

Description of key audit matter	*How the key audit matter was addressed in the audit*
As at 31 December 2021, the Group's gross loans and advances amounted to US$ 17,459 million and the related ECL amounted to US$ 691 million, comprising US$ 198 million of ECL against Stage 1 and 2 exposures and US$ 493 million against exposures classified under Stage 3. The basis of calculation of ECL is presented in the summary of significant accounting policies and note 24 to the consolidated financial statements. Refer to the significant accounting judgements, estimates and assumptions, disclosures of loans and advances and credit risk in notes 4, 9 and 24 to the consolidated financial statements.	● For a sample of exposures, we performed procedures to evaluate: - Appropriateness of exposure at default, probability of default and loss given default (including collateral values used) in the calculation of ECL; - Timely identification of exposures with a significant increase in credit risk and appropriateness of the Group's staging keeping in view the long term effects of Covid-19 on customers severely affected by it; and - The ECL calculation. ● For forward looking information used by the Group's management in its ECL calculations, we held discussions with management and checked internal approvals by management for the economic outlook used for purposes of calculating ECL; ● We considered the adequacy of the disclosures in the consolidated financial statements in relation to impairment of loans and advances as required under IFRS as modified by the CBB. We also involved our specialists in performing the above procedures.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ARAB BANKING CORPORATION (B.S.C.) (continued)

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

Other information included in the Group's 2021 annual report
Other information consists of the information included in the Group's 2021 annual report, other than the consolidated financial statements and our auditor's report thereon. The Board of Directors is responsible for the other information. Prior to the date of this auditors' report, we obtained the Directors report which forms part of the annual report, and the remaining sections of the annual report are expected to be made available to us after that date.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available 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 on the other information obtained prior to the date of the auditor's report, 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.

Responsibilities of the Board of Directors for the consolidated financial statements
The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as modified by the CBB and for such internal control as the Board of Directors determines is necessary to enable the preparation of the 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 ISAs 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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ARAB BANKING CORPORATION (B.S.C.) (continued)

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

Auditor's responsibilities for the audit of the consolidated financial statements (continued)
As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ARAB BANKING CORPORATION (B.S.C.) (continued)

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

As required by the Bahrain Commercial Companies Law and (Volume 1) of the Central Bank of Bahrain (CBB) Rule Book, 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 Directors report is consistent with the consolidated financial statements;

c) 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 1 and applicable provisions of Volume 6) and CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse or the terms of the Bank's memorandum and articles of association during the year ended 31 December 2021 that might have had a material adverse effect on the business of the Bank or on its consolidated financial position; and

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ARAB BANKING CORPORATION (B.S.C.) (continued)

Report on Other Legal and Regulatory Requirements (continued)

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

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

Ernst + Young

Partner's registration no: 244
13 February 2022
Manama, Kingdom of Bahrain

Consolidated Financial Statement

31 December 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

All figures in US$ Million

	Note	***2021***	*2020*
ASSETS			
Liquid funds	6	**2,626**	1,752
Trading securities	7	**902**	171
Placements with banks and other financial institutions		**3,031**	1,803
Securities bought under repurchase agreements	26	**698**	1,823
Non-trading investments	8	**8,350**	6,696
Loans and advances	9	**16,768**	15,656
Other assets	11	**2,213**	2,305
Premises and equipment		**309**	201
TOTAL ASSETS		**34,897**	30,407
LIABILITIES			
Deposits from customers		**20,734**	17,173
Deposits from banks		**4,388**	3,596
Certificates of deposit		**725**	494
Securities sold under repurchase agreements	26	**2,011**	1,151
Taxation	12	**79**	80
Other liabilities	13	**1,514**	1,974
Borrowings	14	**1,211**	1,795
Total liabilities		**30,662**	26,263
EQUITY			
Share capital	15	**3,110**	3,110
Treasury shares		**(6)**	(6)
Statutory reserve		**530**	520
Retained earnings		**1,055**	965
Other reserves		**(817)**	(822)
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT		**3,872**	3,767
Non-controlling interests		**363**	377
Total equity		**4,235**	4,144
TOTAL LIABILITIES AND EQUITY		**34,897**	30,407

The consolidated financial statements were authorised for issue by the Board of Directors on 13 February 2022 and signed on their behalf by the Chairman, Deputy Chairman and the Group Chief Executive Officer.

Saddek El Kaber Chairman	Mohammad Abdulredha Saleem Deputy Chairman	Khaled Kawan Group Chief Executive Officer

The attached notes 1 to 35 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

All figures in US$ Million

	Note	***2021***	*2020*
OPERATING INCOME			
Interest and similar income	16	**1,256**	1,175
Interest and similar expense	17	**(664)**	(659)
Net interest income		**592**	516
Other operating income	18	**262**	130
Total operating income		**854**	646
OPERATING EXPENSES			
Staff		**347**	291
Premises and equipment		**49**	43
Other		**173**	152
Total operating expenses		**569**	486
NET OPERATING PROFIT BEFORE CREDIT LOSS EXPENSE AND TAXATION		**285**	160
Credit loss expense	10	**(106)**	(329)
PROFIT (LOSS) BEFORE TAXATION		**179**	(169)
Taxation on foreign operations	12	**(51)**	94
PROFIT (LOSS) FOR THE YEAR		**128**	(75)
Profit attributable to non-controlling interests		**(28)**	(14)
PROFIT (LOSS) ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT		**100**	(89)
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE (EXPRESSED IN US$)	31	**0.03**	(0.03)

Saddek El Kaber	Mohammad Abdulredha Saleem	Khaled Kawan
Chairman	Deputy Chairman	Group Chief Executive Officer

The attached notes 1 to 35 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

All figures in US$ Million

	Note	*2021*	*2020*
PROFIT (LOSS) FOR THE YEAR		**128**	(75)
Other comprehensive income:			
Other comprehensive income (loss) that will be reclassified (or recycled) to profit or loss in subsequent periods:			
Foreign currency translation:			
Unrealised loss on exchange translation in foreign subsidiaries		**(69)**	(234)
Debt instruments at FVOCI:			
Net change in fair value during the year	15 (e)	**43**	(22)
		(26)	(256)
Other comprehensive income (loss) that will not be reclassified (or recycled) to profit or loss in subsequent periods:			
Net change in pension fund reserve		**10**	(8)
		10	(8)
Other comprehensive loss for the year		**(16)**	(264)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		**112**	(339)
Attributable to:			
Shareholders of the parent		**105**	(267)
Non-controlling interests		**7**	(72)
		112	(339)

The attached notes 1 to 35 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

All figures in US$ Million

	Note	***2021***	*2020*
OPERATING ACTIVITIES			
Profit (loss) for the year		**128**	(75)
Adjustments for:			
Credit loss expense	10	**106**	329
Depreciation and amortisation		**53**	45
Gain on disposal of non-trading debt investments - net	18	**(23)**	(20)
Changes in operating assets and liabilities:			
Treasury bills and other eligible bills		**(40)**	217
Trading securities		**(769)**	236
Placements with banks and other financial institutions		**(1,236)**	215
Securities bought under repurchase agreements		**1,071**	(673)
Loans and advances		**(1,467)**	(733)
Other assets		**31**	(710)
Deposits from customers		**3,694**	1,560
Deposits from banks		**905**	45
Securities sold under repurchase agreements		**880**	145
Other liabilities		**(436)**	673
Exchange rate changes and non-cash movements		**246**	(288)
Net cash from operating activities		**3,143**	966
INVESTING ACTIVITIES			
Purchase of non-trading investments		**(5,888)**	(5,867)
Sale and redemption of non-trading investments		**4,298**	5,294
Purchase of premises and equipment		**(75)**	(42)
Sale of premises and equipment		**8**	14
Investment in subsidiaries - net		**(13)**	20
Purchase of a subsidiary net of cash and cash equivalents acquired	34	**(285)**	-
Net cash used in investing activities		**(1,955)**	(581)
FINANCING ACTIVITIES			
Issue of certificates of deposit		**430**	120
Repayment of certificates of deposit		**(196)**	(19)
Issue of borrowings		**940**	231
Repayment of borrowings		**(1,521)**	(377)
Repurchase of borrowings		-	(126)
Dividend paid to non-controlling interests		**(14)**	(8)
Net cash used in financing activities		**(361)**	(179)
Net change in cash and cash equivalents		**827**	206
Effect of exchange rate changes on cash and cash equivalents		**7**	(111)
Cash and cash equivalents at beginning of the year		**1,752**	1,657
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	6	**2,586**	1,752

The attached notes 1 to 35 form part of these consolidated financial statements.

Arab Banking Corporation (B.S.C.)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

All figures in US$ Million

	Equity attributable to the shareholders of the parent									*Non-controlling interests*	*Total equity*
					Other reserves						
	Share capital	*Treasury shares*	*Statutory reserve*	*Retained earnings**	*General reserve*	*Foreign exchange translation adjustments*	*Cumulative changes in fair value*	*Pension fund reserve*	*Total*		
At 31 December 2019	3,110	(6)	520	1,051	100	(754)	42	(32)	4,031	458	4,489
(Loss) profit for the year	-	-	-	(89)	-	-	-	-	(89)	14	(75)
Other comprehensive loss for the year	-	-	-	-	-	(148)	(22)	(8)	(178)	(86)	(264)
Total comprehensive loss for the year	-	-	-	(89)	-	(148)	(22)	(8)	(267)	(72)	(339)
Dividend	-	-	-	-	-	-	-	-	-	(8)	(8)
Other equity movements in subsidiaries	-	-	-	3	-	-	-	-	3	(1)	2
At 31 December 2020	3,110	(6)	520	965	100	(902)	20	(40)	3,767	377	4,144
Profit for the year	-	-	-	100	-	-	-	-	100	28	128
Other comprehensive (loss) income for the year	-	-	-	-	-	(48)	43	10	5	(21)	(16)
Total comprehensive income (loss) for the year	-	-	-	100	-	(48)	43	10	105	7	112
Transfers during the year	-	-	10	(10)	-	-	-	-	-	-	-
Dividend	-	-	-	-	-	-	-	-	-	(14)	(14)
Acquisition of a subsidiary (note 34)	-	-	-	-	-	-	-	-	-	2	2
Other equity movements in subsidiaries	-	-	-	-	-	-	-	-	-	(9)	(9)
At 31 December 2021	**3,110**	**(6)**	**530**	**1,055**	**100**	**(950)**	**63**	**(30)**	**3,872**	**363**	**4,235**

* Retained earnings include non-distributable reserves arising from consolidation of subsidiaries amounting to US$ 510 million (2020: US$ 482 million).

The attached notes 1 to 35 form part of these consolidated financial statements.

1 INCORPORATION AND ACTIVITIES

Arab Banking Corporation (B.S.C.) ['the Bank'] is incorporated in the Kingdom of Bahrain by an Amiri decree and operates under a conventional wholesale banking licence issued by the Central Bank of Bahrain [CBB]. The Bank is a Bahraini Shareholding Company with limited liability and is listed on the Bahrain Bourse. The Central Bank of Libya is the ultimate parent of the Bank and its subsidiaries (together 'the Group').

The Bank's registered office is at ABC Tower, Diplomatic Area, P.O. Box 5698, Manama, Kingdom of Bahrain. The Bank is registered under commercial registration number 10299 issued by the Ministry of Industry, Commerce and Tourism, Kingdom of Bahrain.

The Group is a leading provider of Trade Finance, Treasury, Project & Structured Finance, Syndications, Corporate & Institutional Banking, Islamic Banking services and the digital, mobile-only banking space named "ila Bank" within retail consumer banking services. Retail banking services are only provided in the MENA region.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with applicable rules and regulations issued by the CBB including CBB circulars on regulatory concessionary measures in response to novel coronavirus ("COVID-19"). These rules and regulations, in particular CBB circular OG/226/2020 dated 21 June 2020, require the adoption of all International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), except for:

(a) recognition of modification losses on financial assets arising from payment holidays provided to customers impacted by COVID-19 without charging additional interest, in equity instead of profit or loss as required by IFRS 9 'Financial Instruments' (IFRS 9). Any other modification gain or loss on financial assets are recognised in accordance with the requirements of IFRS 9; and

(b) recognition of financial assistance received from the government and/or regulators in response to its COVID-19 support measures that meets the government grant requirement, in equity, instead of profit or loss. This will only be to the extent of any modification loss recorded in equity as a result of 2.1(a) above, and the balance amount to be recognised in profit or loss. Any other financial assistance is recognised in accordance with the requirements of IAS 20 'Accounting for Government Grants and Disclosure of Government Assistance' (IAS 20).

The above framework for basis of preparation of the annual consolidated financial statements of the Group is hereinafter referred to as 'IFRS as modified by the CBB'.

The Group provided payment holidays on financing exposures amounting to US$ 396 million (2020: US$ 894 million) which did not result in any modification loss. The Group also received US$ Nil (2020: US$ 4 million) representing amount of financial assistance from Government of the Kingdom of Bahrain which was recorded as a deduction from related expenses in the consolidated statement of profit or loss.

2.2 Accounting convention

The consolidated financial statements are prepared under the historical cost convention, as modified by the measurement at fair value of derivatives and certain debt and equity financial assets. In addition, as more fully discussed below, assets and liabilities that are hedged items in fair value hedges, and are otherwise carried at cost, are adjusted to record changes in fair values attributable to the risk being hedged.

The Group's consolidated financial statements are presented in United States Dollars (US$), which is also the Bank's functional currency. All values are rounded to the nearest million (US$ million), except when otherwise indicated.

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at 31 December 2021. Control is achieved when the Bank has:

- Power over the investee (i.e. existing rights that give ability to direct the relevant activities of the investee);

2 BASIS OF PREPARATION (continued)

2.3 Basis of consolidation (continued)

- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to influence those returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Bank loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interests and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value at the date of loss of control.

3 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

3.1 Standards effective for the year

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in previous year, except for the adoption of the following new and amended standards and interpretations, applicable to the Group, and which are effective for annual periods beginning on or after 1 January 2021:

Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7

The Group has adopted amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (IBOR reform phase 2) on its effective date of 1 January 2021. In accordance with the transition provisions, the amendments have been adopted retrospectively to hedging relationships and financial instruments. Comparative amounts have not been restated, and there was no impact on the current period opening reserves amounts on adoption.

Hedge relationship

The IBOR reform phase 2 amendments address issues arising during interest rate benchmark reform (IBOR reform), including specifying when the 'phase 1' amendments will cease to apply, when hedge designations and documentation should be updated, and when hedges of the alternative benchmark rate or alternative reference rate (ARR) as the hedged risk are permitted.

For the year ended 31 December 2021, the Group has adopted the following hedge accounting reliefs provided by IBOR reform phase 2 of the amendments:

3 NEW AND AMENDED STANDARDS AND INTERPRETATIONS (continued)

3.1 Standards effective for the year (continued)

Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7 (continued)

Hedge designation
When the phase 1 amendments cease to apply, the Group will amend its hedge designation to reflect changes which are required by IBOR reform, but only to make one or more of these changes:

a) designating an ARR (contractually or non-contractually specified) as a hedged risk;
b) amending the description of the hedged item, including the description of the designated portion of the cash flows or fair value being hedged; or
c) amending the description of the hedging instrument. The Group will update its hedge documentation to reflect this change in designation by the end of the reporting period in which the changes are made. These amendments to the hedge documentation do not require the Group to discontinue its hedge relationships. The Group has not made any amendments to its hedge documentation in the reporting period relating to IBOR reform.

Retrospective effectiveness test
When the phase 1 retrospective effectiveness relief ceases to apply, on a hedge-by-hedge basis, the Group could reset to zero the cumulative fair value changes of the hedged item and hedging instrument for the purposes of retrospective hedge effectiveness test. However, this does not affect the amounts of hedge ineffectiveness reported in the consolidated statement of profit or loss. During the period, the Group has not reset to zero the cumulative fair value changes of the hedged item and hedging instrument in any of its hedges.

Risk components
The Group is permitted to designate an ARR as a non-contractually specified risk component, even if it is not separately identifiable at the date when it is designated, provided that the Group reasonably expects that it will meet the requirements within 24 months of the first designation and the risk component is reliably measurable. The 24-month period applies separately to each ARR which the Group might designate. During the year, the Group has not designated any risk components of ARR in any hedge relationships.

Amendments to IFRS 16 Covid-19 Related Rent Concessions beyond 30 June 2021
On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases (IFRS 16). The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. Earlier application is permitted. This amendment had no impact on the consolidated financial statements of the Group.

3.2 New and amended standards and interpretations issued but not yet effective
New and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

Classification of Liabilities as Current or Non-current - Amendments to IAS 1
Amendments to IAS 37 – Onerous Contracts: — Cost of Fulfilling a Contract
Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IFRS 3 – Reference to the Conceptual Framework
Definition of Accounting Estimates - Amendments to IAS 8
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
Annual improvements 2018-2020 cycle

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Liquid funds
Liquid funds comprise of cash, nostro balances, balances with central banks and treasury bills and other eligible bills. Liquid funds are initially measured at their fair value and subsequently remeasured at amortised cost, less provision for impairment.

4.2 Cash and cash equivalents
Cash and cash equivalents referred to in the consolidated statement of cash flows comprise of cash and non-restricted balances with central banks, deposits with central banks, treasury bills and other eligible bills with original maturities of three months or less.

4.3 Trading securities
Trading securities are initially recorded at fair value. Subsequent to initial measurement, gains and losses arising from changes in fair values are included in the consolidated statement of profit or loss in the period in which they arise. Interest earned and dividends received are included in 'Interest and similar income' and 'Other operating income' respectively, in the consolidated statement of profit or loss.

4.4 Placements with banks and other financial institutions
Placements with banks and other financial institutions are initially measured at fair value and subsequently remeasured at amortised cost, net of any amounts written off and provision for impairment.

4.5 Investments in associates
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. Investments in associates are accounted for under the equity method of accounting.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date.

4.6 Premises and equipment
Premises and equipment are stated at cost, less accumulated depreciation and provision for impairment in value, if any. Freehold land is not depreciated. Depreciation on other premises and equipment is provided on a straight-line basis over their estimated useful lives ranging from 3 to 30 years.

4.7 Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Leases - Group as a lessee

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term. The right-of-use assets are also subject to impairment. The Group discloses right of use assets under other assets.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group discloses lease liabilities under other liabilities.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

4.9 Collateral repossessed

Any repossessed assets are held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Group’s policy.

4.10 Repurchase and reverse repurchase agreements

Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) are not derecognised. The counterparty liability for amounts received under these agreements are shown as securities sold under repurchase agreements in the consolidated statement of financial position. The difference between sale and repurchase price is treated as interest expense and is accrued over the life of the agreement using the effective interest rate. Assets purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the consolidated statement of financial position, as the Group does not obtain control over the assets. The difference between purchase and resale price is treated as interest income using the effective yield method.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.11 Employee pension and other end of service benefits

Costs relating to employee pension and other end of service benefits are generally accrued in accordance with actuarial valuations based on prevailing regulations applicable in each location.

4.12 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset. Refer to note 2.1 for additional details relating to government grants received during the year.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

4.13 Recognition of income and expenses

4.13.1 The effective interest rate (EIR) method

Under IFRS 9 Financial instruments (IFRS 9), interest income is recorded using the EIR method for all financial assets measured at amortised cost, interest rate derivatives for which hedge accounting is applied and the related amortisation/recycling effect of hedge accounting. Interest income on interest bearing financial assets measured at fair value through other comprehensive income (FVOCI) under IFRS 9 is also recorded using the EIR method. Interest expense is also calculated using the EIR method for all financial liabilities held at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial asset or liability.

The EIR (and therefore, the amortised cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Group recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, the EIR calculation also takes into account the effect of potentially different interest rates that may be charged at various stages of the financial asset's expected life, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations of fixed rate financial assets' or liabilities' cash flows are revised for reasons other than credit risk, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset or liability on the balance sheet with a corresponding increase or decrease in interest revenue/expense calculated using the effective interest method.

For floating-rate financial instruments, periodic re-estimation of cash flows to reflect the movements in the market rates of interest also alters the effective interest rate, but when instruments were initially recognised at an amount equal to the principal, re-estimating the future interest payments does not significantly affect the carrying amount of the asset or the liability.

The Group adopted IBOR reform Phase 2 from its effective date, which allows as a practical expedient for changes to the basis for determining contractual cash flows to be treated as changes to a floating rate of interest, provided certain conditions are met. The conditions include that the change is necessary as a direct consequence of IBOR reform and that the transition takes place on an economically equivalent basis.

4.13.2 Interest and similar income/expense

Net interest income comprises interest income and interest expense calculated using the effective interest method.

The Group calculates interest income on financial assets, other than those considered credit-impaired, by applying the EIR to the gross carrying amount of the financial asset.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.13 Recognition of income and expenses (continued)

4.13.2 Interest and similar income/expense (continued)
When a financial asset becomes credit-impaired (therefore regarded as 'Stage 3'), the Group suspends the recognition of interest income of the financial asset. If the financial asset cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis.

For purchased or originated credit-impaired (POCI) financial assets, the Bank calculates interest income by calculating the credit-adjusted EIR and applying that rate to the amortised cost of the financial asset. The credit-adjusted EIR is the interest rate that, at initial recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI financial asset.

4.13.3 Fee and commission income
The Group earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for providing the services.

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. When the Group provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

Performance obligations satisfied over time include asset management and other services, where the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. The Group's fee and commission income from services where performance obligations are satisfied over time include the following:

Asset management fees
These fees are earned for the provision of asset management services, which include portfolio diversification and rebalancing, typically over defined periods. These services represent a single performance obligation comprised of a series of distinct services which are substantially the same, being provided continuously over the contract period. Asset management fees consist of management and performance fees that are considered variable consideration.

Management fees are invoiced quarterly and determined based on a fixed percentage of the net asset value of the funds under management at the end of the quarter. The fees are allocated to each quarter because they relate specifically to services provided for a quarter, and are distinct from the services provided in other quarters. The fees generally crystallise at the end of each quarter and are not subject to a clawback. Consequently, revenue from management fees is generally recognised at the end of each quarter.

Loan commitment and other fees
These are fixed annual fees paid by customers for loan and other credit facilities with the Group, but where it is unlikely that a specific lending arrangement will be entered into with the customer and the loan commitment is not measured at fair value. The Group promises to provide a loan facility for a specified period. As the benefit of the services is transferred to the customer evenly over the period of entitlement, the fees are recognised as revenue on a straight-line basis.

4.13.4 Net trading income
Net trading income includes all gains and losses from changes in fair value and the related interest income or expense and dividends, for financial assets held for trading.

4.14 Treasury shares
Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised as share premium.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.15 Financial instruments

4.15.1 Date of recognition
Financial assets and liabilities, with the exception of loans and advances to customers, deposits to customers and banks, are initially recognised on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Group recognises deposits from customers and banks when funds are received by the Group.

4.15.2 Initial measurement
The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in notes 4.16 and 4.17.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss (FVTPL), transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Immediately after initial recognition, an expected credit loss (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognised in the consolidated statement of profit or loss when an asset is newly originated. When the fair value of financial assets and liabilities at initial recognition differs from the transaction price, the Group accounts for the Day 1 profit or loss, as described below.

4.15.3 Day 1 profit or loss
When the transaction price of the instrument differs from the fair value at origination, the difference is treated as follows:

(a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses data only from observable markets, the difference is recognised as a day 1 gain or loss.

(b) In all other cases, the difference is deferred and the timing of recognition of deferred day 1 profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or when the instrument is derecognised.

4.16 Financial assets

4.16.1 Debt type instruments - classification and subsequent measurement
The classification requirements for financial assets is as below.

Classification and subsequent measurement of debt instruments depend on:

(i) the Group's business model for managing the asset; and

(ii) the cash flow characteristics of the asset i.e. solely payments of principal and interest (SPPI) test.

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent SPPI, and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any ECL allowance recognised and measured. Interest income from these financial assets is included in 'Interest and similar income' using the EIR method.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.16 Financial assets (continued)

4.16.1 Debt type instruments - classification and subsequent measurement (continued)

- Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent SPPI, and that are not designated at FVTPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through other comprehensive income (OCI), except for the recognition of expected credit losses or writebacks, interest income and foreign exchange gains and losses. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'Other operating income' as 'Gain or loss on disposal of non-trading debt investments'. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate (EIR) method.

- Fair value through profit or loss (FVTPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. The Group may also designate a financial asset at FVTPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised and presented in the consolidated statement of profit or loss within 'Other operating income' as 'Income from trading book' in the year in which it arises. Interest income from these financial assets is included in 'Interest and similar income' using the EIR method.

4.16.2 Business model

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'held for trading' business model and measured at FVTPL. The business model assessment is not carried out on an instrument-by-instrument basis but at the aggregate portfolio level and is based on observable factors such as:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- How the asset's and business model performance is evaluated and reported to key management personnel and Group Asset and Liability Committee (GALCO);
- How risks are assessed and managed; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account.

Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

4.16.3 SPPI test

The Group assesses the contractual terms of financial asset to identify whether they meet the SPPI test.

Principal for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.16 Financial assets (continued)

4.16.3 SPPI test (continued)
Interest is the consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- the currency in which the financial asset is denominated, and the period for which the interest rate is set;
- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements).

Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

4.16.4 Reclassification
The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the year.

4.16.5 Equity type instruments - classification and subsequent measurement
Equity instruments are instruments that meet the definition of equity from the issuer’s perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer’s net assets.

Upon initial recognition, the Group elects to irrevocably designate certain equity investments at FVOCI which are held for purposes other than held for trading. When this election is used, fair value gains and losses are recognised in other comprehensive income and are not subsequently reclassified to consolidated profit or loss, including on disposal. Equity investments at FVOCI are not subject to impairment assessment. All other equity investments which the Group has not irrevocably elected at initial recognition or transition, to classify at FVOCI, are recognised at FVTPL.

Gains and losses on equity investments at FVTPL are included in the 'Other operating income' as 'Income from trading book' line in the consolidated statement of profit or loss.

Dividends are recognised in the consolidated statement of profit or loss under 'Other operating income' when the Group’s right to receive payments is established.

4.16.6 Modified or forbearance of loans
The Group sometimes makes concessions or modifications to the original terms of loans as a response to the borrower’s financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Group considers a loan forborne when such concessions or modifications are provided as a result of the borrower’s present or expected financial difficulties and the Group would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.16 Financial assets (continued)

4.16.6 Modified or forbearance of loans (continued)

- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Group derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new EIR for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the customer being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

In order for the loan to be reclassified out of the forborne category, the customer has to meet all of the following criteria:

- All of its facilities has to be considered performing;
- Regular payments of more than an insignificant amount of principal or interest have been made during most of the period when asset has been classified as forborne; and
- The customer does not have any contract that is more than 30 days past due.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in consolidated profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets).

Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Group's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis or based on SICR criteria. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off or is transferred back to Stage 2.

4.16.7 Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Group transfers substantially all the risks and rewards of ownership, or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

The Group enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if the Group:

(i) Has no obligation to make payments unless it collects equivalent amounts from the assets;

(ii) Is prohibited from selling or pledging the assets; and

(iii) Has an obligation to remit any cash it collects from the assets without material delay.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.16 Financial assets (continued)

4.16.7 Derecognition other than on a modification (continued)
Collateral (shares and bonds) furnished by the Group under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

4.16.8 Derecognition of financial instruments in the context of IBOR reform
As explained in note 4.16.6 and 4.17.2, the Group derecognises financial assets and financial liabilities if there has been a substantial modification of their terms and conditions. In the context of IBOR reform, certain financial instruments have already been amended or will be amended during 2022 and 2023 as they transition from IBORs to ARRs. In addition to the interest rate of a financial instrument changing, there may be other changes made to the terms of the financial instrument at the time of transition.

For financial instruments measured at amortised cost, the Group first applies the practical expedient as described in note 4.13, to reflect the change in the referenced interest rate from an IBOR to a ARR. Second, for any changes not covered by the practical expedient, the Group applies judgement to assess whether the changes are substantial and if they are, the financial instrument is derecognised and a new financial instrument is recognised. If the changes are not substantial, the Group adjusts the gross carrying amount of the financial instrument by the present value of the changes not covered by the practical expedient, discounted using the revised EIR.

4.17 Financial liabilities

4.17.1 Classification and subsequent measurement
Financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities at FVTPL: this classification is applied to derivatives and financial liabilities held for trading. Gains or losses on financial liabilities designated at FVTPL are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of the issuer, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially in profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the issuer are also presented in consolidated profit or loss;

- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Group recognises any expense incurred on the financial liability; and

- Financial guarantee contracts and loan commitments.

4.17.2 Derecognition
Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original EIR, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.18 Financial instruments measured using amortised cost measurement and lease receivables

IBOR reform phase 2 requires that, for financial instruments measured using amortised cost measurement (i.e. financial instruments classified as amortised cost and debt financial assets classified as FVOCI), changes to the basis for determining the contractual cash flows required by IBOR reform are reflected by adjusting their effective interest rate. No immediate gain or loss is recognised. A similar practical expedient exists for lease liabilities (see below). These expedients are only applicable to changes that are required by IBOR reform, which is the case if, and only if, the change is necessary as a direct consequence of IBOR reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

Where some or all of a change in the basis for determining the contractual cash flows of a financial asset and liability does not meet the above criteria, the above practical expedient is first applied to the changes required by IBOR reform, including updating the instrument's effective interest rate. Any additional changes are accounted for in the normal way i.e. assessed for modification or derecognition, with the resulting modification gain / loss recognised immediately in profit or loss where the instrument is not derecognised.

For lease liabilities where there is a change to the basis for determining the contractual cash flows, as a practical expedient the lease liability is remeasured by discounting the revised lease payments using a discount rate that reflects the change in the interest rate where the change is required by IBOR reform. If lease modifications are made in addition to those required by IBOR reform, the normal requirements of IFRS 16 are applied to the entire lease modification, including those changes required by IBOR reform.

4.19 Impairment

The Group assesses on a forward-looking basis, the expected credit loss (ECL) associated with its debt instruments carried at amortised cost and FVOCI and against the exposure arising from loan commitments and financial guarantee contracts. The Group recognises an ECL for such losses on origination and reassess the expected losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

To calculate ECL, the Group estimates the risk of a default occurring on the financial instrument during its expected life. ECLs are estimated based on the present value of all cash shortfalls over the remaining expected life of the financial asset, i.e., the difference between: the contractual cash flows that are due to the Group under the contract, and the cash flows that the Group expects to receive, discounted at the effective interest rate of the loan or an approximation thereof.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.19 Impairment (continued)

Measurement of ECL (continued)

- undrawn loan commitments: estimates the expected portion of the loan commitment that are drawn down over the expected life of the loan commitment; and calculates the present value of cash shortfalls between the contractual cash flows that are due to the entity if the holder of the loan commitment draws down that expected portion of the loan and the cash flows that the entity expects to receive if that expected portion of the loan is drawn down; and

- financial guarantee contracts: estimates the ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the guarantor expects to receive from the holder, the debtor or any other party. If a loan is fully guaranteed, the ECL estimate for the financial guarantee contract would be the same as the estimated cash shortfall estimate for the loan subject to the guarantee.

For the purposes of calculation of ECL, the Group categorises its FVOCI debt securities, loans and advances and loan commitments and financial guarantee contracts into Stage 1, Stage 2, Stage 3 and POCI, based on the applied impairment methodology, as described below:

- Stage 1 – Performing: when financial assets are first recognised, the Group recognises an allowance based up to 12-month ECL.

- Stage 2 – Significant increase in credit risk: when a financial asset shows a significant increase in credit risk, the Group records an allowance for the lifetime ECL.

- Stage 3 – Impaired: the Group recognises the lifetime ECL for these financial assets.

- Purchased or originated credit impaired ('POCI'): when financial assets are purchased or are originated at a deep discount or are credit-impaired on initial recognition. These are subject to lifetime ECLs. POCI includes non-performing loans and advances acquired through the acquisition of the Blom Bank Egypt S.A.E. ("Blom Egypt") that are recorded at fair value and therefore do not carry an allowance for ECL at the time of initial recognition as it is already incorporated in the calculation of effective interest rate on initial recognition. It also includes recognition of previously written off loans of the Group where the expectation of recovery has improved.

For the purposes of categorisation into above stages, the Group has established a policy to perform an assessment at the end of each reporting period of whether credit risk has increased significantly since initial recognition by considering the change in the risk of default occurring over the remaining life of the financial instrument.

The Group records impairment for FVOCI debt securities, depending on whether they are classified as Stage 1, 2, or 3, as explained above. However, ECL does not reduce the carrying amount of these financial assets in the consolidated statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the asset were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss.

No impairment is recorded on equity instruments.

Stage 1
The Group measures loss allowances at an amount up to 12-month ECL for Stage 1 customers. All financial assets are classified as Stage 1 on initial recognition date, unless the new loan is deemed to be POCI. Subsequently on each reporting date the Group classifies following as Stage 1:

- debt type assets that are determined to have low credit risk at the reporting date; and

- on which credit risk has not increased significantly since their initial recognition.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.19 Impairment (continued)

Stage 1 (continued)
The Group applies low credit risk expedient and considers following types of debts as 'low credit risk (LCR)':

- All local currency sovereign exposures funded in local currency;
- All local currency exposures to the Government of Bahrain or the CBB; and
- All exposures with external rating A- or above.

Stage 2
IFRS 9 requires financial assets to be classified in Stage 2 when their credit risk has increased significantly since their initial recognition. For these assets, a loss allowance needs to be recognised based on their lifetime ECLs.

The Group considers whether there has been a significant increase in credit risk of an asset by comparing the rating migration upon initial recognition of the asset against the risk of a default occurring on the asset as at the end of each reporting period. In each case, this assessment is based on forward-looking assessment, in order to recognise the probability of higher losses associated with more negative economic outlooks. In addition, a significant increase in credit risk is assumed if the borrower falls more than 30 days past due in making its contractual payments, or if the Group expects to grant the borrower forbearance or facility has been restructured owing to credit related reasons, or the facility is placed on the Group's list of accounts requiring close monitoring. Further, any facility having an internal credit risk rating of 8 are also subject to stage 2 ECL calculation.

It is the Group's policy to evaluate additional available reasonable and supportive forward-looking information as further additional drivers.

For revolving facilities such as credit cards and overdrafts, the Group measures ECLs by determining the period over which it expects to be exposed to credit risk, taking into account the credit risk management actions that it expects to take once the credit risk has increased and that serve to mitigate losses.

Stage 3
Financial assets are included in Stage 3 when there is objective evidence that the loan is credit impaired. At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue for 90 days or more is considered impaired.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.19 Impairment (continued)

Stage 3 (continued)
In making an assessment of whether an investment in sovereign debt is credit-impaired, the Group considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Other than originated credit-impaired loans, loans are transferred out of Stage 3 if they no longer meet the criteria of credit-impaired after a cooling-off period of 12 months.

Purchased or originated credit impaired ('POCI')
For POCI financial assets, the Group only recognises the lifetime ECL and any cumulative changes since initial recognition are recorded in the ECL allowance. There are no migration from POCI to other Stages.

Forward looking information
The Group incorporates forward-looking information in the measurement of ECLs.

The Group considers forward-looking information such as macroeconomic factors (e.g., GDP growth, oil prices, country's equity indices and unemployment rates) and economic forecasts. To evaluate a range of possible outcomes, the Group formulates three scenarios: a base case, an upward and a downward scenario. The base case scenario represents the more likely outcome from Moody's macro-economic models. For each scenario, the Group derives an ECL and apply a probability weighted approach to determine the impairment allowance.

The Group also uses published external information from International Monetary Fund (IMF).

Presentation of allowance for ECL in the statement of financial position
Loss allowances for ECL are presented in the consolidated statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: as a provision under other liabilities; and
- debt instruments measured at FVOCI: no loss allowance is recognised in the consolidated statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the cumulative changes in fair value reserve.

Limitation of estimation techniques
The models applied by the Group may not always capture all characteristics of the market at a point in time as they cannot be recalibrated at the same pace as changes in market conditions. Interim adjustments are expected to be made until the base models are validated. Although the Group uses data that is as current as possible, models used to calculate ECLs are based on data that is up to date except for certain macro-economic factors for which the data is updated once it is available.

Experienced credit adjustment
The Group's ECL allowance methodology requires the Group to use its experienced credit judgement to incorporate the estimated impact of factors not captured in the modelled ECL results, in all reporting periods. Refer note 24.4.1 for additional details.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.20 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. The expense relating to any provision is presented in the consolidated statement of profit or loss net of any reimbursement.

4.21 Financial guarantee contracts and loan commitments

The Group issues financial guarantees, letters of credit and loan commitments.

Financial guarantees are initially recognised in the consolidated financial statements at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the consolidated statement of profit or loss, and an ECL provision.

The premium received is recognised in the consolidated statement of profit or loss in 'Other operating income' on a straight line basis over the life of the guarantee.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the consolidated statement of financial position.

An ECL is calculated and recorded for these in a similar manner as for debt type financial instruments as explained in note 4.19.

4.22 Derivatives and hedging activities

The Group has adopted IFRS 9 on its effective date of 1 January 2018 and applies the same for hedge accounting.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e., the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
- It is settled at a future date.

The Group enters into derivative transactions with various counterparties. These include interest rate swaps, futures, credit default swaps, cross-currency swaps, forward foreign exchange contracts and options on interest rates, foreign currencies and equities. Derivatives are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

All derivatives are measured at FVTPL except for when the derivative is designated and qualifies as a hedging instrument, and if so, the nature of the item being hedged determines the method of recognising the resulting gain or loss. The Group designates certain derivatives as either:

(a) Hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges);
(b) Hedges of highly probable future cash flows attributable to a recognised asset or liability (cash flow hedges); or
(c) Hedges of a net investment in a foreign operation (net investment hedges).

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.22 Derivatives and hedging activities (continued)

The Group documents, at the inception of the hedge, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the consolidated statement of profit or loss, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest rate method is used is amortised to profit or loss over the period to maturity and recorded as net interest income.

(b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated statement of profit or loss.

Amounts accumulated in equity are recycled to the consolidated statement of profit or loss in the periods when the hedged item affects profit or loss. They are recorded in the income or expense lines in which the revenue or expense associated with the related hedged item is reported.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised in the periods when the hedged item affects profit or loss. When a forecast transaction is no longer expected to occur (for example, the recognised hedged asset is disposed of), the cumulative gain or loss previously recognised in other comprehensive income is immediately reclassified to the consolidated statement of profit or loss.

(c) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised directly in other comprehensive income; the gain or loss relating to the ineffective portion is recognised immediately in the consolidated statement of profit or loss. Gains and losses accumulated in equity are included in the consolidated statement of profit or loss when the foreign operation is disposed of as part of the gain or loss on the disposal.

(d) IBOR reform phase 1 and 2 impacts on hedge accounting

The Group applies temporary reliefs to hedging relationships directly affected by IBOR reform during the year before the replacement of an existing interest rate benchmark with an alternative benchmark rate (ARR). A hedging relationship is affected if IBOR reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

IBOR reform phase 1 requires that for hedging relationships affected by IBOR reform, the Group must assume that for the purpose of assessing expected future hedge effectiveness, the interest rate is not altered as a result of IBOR reform.

The reliefs cease to apply once certain conditions are met. These include when the uncertainty arising from IBOR reform is no longer present with respect to the timing and amount of the benchmark-based cash flows of the hedged item, if the hedging relationship is discontinued or once amounts in the cash flow hedge reserve have been

The Group has adopted IBOR reform phase 2 which provides temporary reliefs that allow the Group's hedging relationships to continue upon the replacement of an existing interest rate benchmark with an ARR. The reliefs require the Group to amend the hedge designations and hedge documentation and are set out in note 3.1.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.22 Derivatives and hedging activities (continued)

(d) IBOR reform phase 1 and 2 impacts on hedge accounting (continued)

Under one of the reliefs under IBOR reform phase 2, the Group may elect for individual ARRs designated as hedging the fair value or cash flows of the hedged item for changes due to a non-contractually specified component of interest rate risk, to be deemed as meeting the IFRS 9 requirement to be separately identifiable. The separately identifiable requirement and the related relief is described in note 3.1. For each ARR to which the relief has been applied, the Group judges that both the volume and market liquidity of financial instruments that reference the ARR and are priced using the ARR will increase during the 24- month period with the result that the hedged ARR risk component will become separately identifiable in the change in fair value or cash flows of the hedged item.

4.23 Fair value measurement

The Group measures financial instruments at fair value at each reporting date.

Fair value is 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interests.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 valuation: Directly observable quotes for the same instrument.
- Level 2 valuation: Directly observable proxies for the same instrument accessible at valuation date.
- Level 3 valuation: Derived proxies (interpolation of proxies) for similar instruments that have not been observed.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

4.24 Taxation on foreign operations

There is no tax on corporate income of the Bank in the Kingdom of Bahrain. Taxation on foreign operations is provided for in accordance with the fiscal regulations applicable in each location. No provision is made for any liability that may arise in the event of distribution of the reserves of subsidiaries. A substantial portion of such reserves is required to be retained to meet local regulatory requirements.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.24 Taxation on foreign operations (continued)

Current tax
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax
Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

In assessing the recoverability of deferred tax assets, the Group relies on forecasts used for its budgeting purposes and in other management reports.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.24 Taxation on foreign operations (continued)

Deferred tax (continued)
The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

4.25 Foreign currencies

Transactions and balances
Transactions in foreign currencies are initially recorded at the spot rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities in foreign currencies are translated into functional currency at the rates of exchange ruling at the reporting date. Any gains or losses are taken to the consolidated statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

Group companies
As at the reporting date, the assets and liabilities of foreign operations are translated into the Bank's functional currency at rates of exchange ruling at the reporting date. Income and expense items are translated at average exchange rates for the year. Exchange differences arising on translation are recorded in the consolidated statement of comprehensive income under unrealised gain or loss on exchange translation in foreign subsidiaries. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of profit or loss.

4.26 Trade and settlement 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, except for loans and advances to customers, deposits to customers and banks.

4.27 Fiduciary assets
Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and, accordingly, are not included in the consolidated statement of financial position.

4.28 Offsetting
Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and the Group intends to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

4.29 Borrowings
Issued financial instruments (or their components) are classified as liabilities under 'Borrowings', where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.29 Borrowings (continued)

Borrowings are initially measured at fair value plus transaction costs. After initial measurement, the borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate.

4.30 Write-off

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to consolidated statement of profit and loss.

4.31 Collateral valuation

To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/financial guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the Group’s consolidated statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a periodic basis. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

To the extent possible, the Group uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using internal valuation techniques as appropriate. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, or based on housing price indices.

4.32 Business combination and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree’s identifiable net assets. Acquisition-related costs are expensed as incurred and included in relevant line items in the consolidated statement of profit or loss.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.32 Business combination and goodwill (continued)

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill has been allocated to a cash-generating unit (CGU) and part of the business within that unit is disposed of, the goodwill associated with the disposed business operation is included in the carrying amount of the business operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

4.33 Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Group's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Group's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the consolidated financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

Going concern

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

Measurement of the expected credit loss allowance (ECL)

The measurement of the ECL for financial assets subject to credit risk measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions, credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses), estimation of the amount and timing of the future cash flows and collateral values. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculation are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Internal credit rating model, which assigns probability of defaults (PDs) to the individual ratings;
- Determining criteria for significant increase in credit risk (SICR);
- Choosing appropriate models and assumptions for the measurement of ECL;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as GDP, oil prices, equity indices, unemployment levels and collateral values, and the effect on PD, exposure at default (EAD) and loss given default (LGD);
- Selection and relative weightings of forward-looking scenarios to derive the economic inputs into the ECL models;
- Establishing groups of similar financial assets for the purposes of measuring ECL; and
- Determining relevant period of exposure with respect to the revolving credit facilities and facilities undergoing restructuring at the time of the reporting date.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.33 Significant accounting judgements, estimates and assumptions (continued)

Measurement of the expected credit loss allowance (ECL) (continued)
As a result of the impact of COVID-19, the Group has considered providing its customers with extensions / forbearance in payment schedules. These were assessed on a case by case basis and in line with local regulatory guidelines in each jurisdiction. Further, forbearances granted were approved by appropriate governance and local regulatory guidelines and appropriate management judgement were applied for staging and ECL purposes.

Classification of financial assets
Classification of financial assets in the appropriate category depends upon the business model and SPPI test. Determining the appropriate business model and assessing whether the cash flows generated by the financial asset meet the SPPI test is complex and requires significant judgements by management.

The Group applies judgement while carrying out SPPI test and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

Fair value of financial instruments
Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish fair values. Refer to note 23 for further disclosures.

4.34 Corresponding figures
Certain of the prior year's figures have been re-classified to conform to the presentation adopted in the current year. Such reclassifications do not affect previously reported net profit and total comprehensive income for the year or shareholder's equity.

All figures in US$ Million

5 CLASSIFICATION OF FINANCIAL INSTRUMENTS

As at 31 December, financial instruments have been classified as follows:

At 31 December 2021	***FVTPL***	***FVOCI***	***Amortised cost***	***Total***
ASSETS				
Liquid funds	**-**	**-**	**2,626**	**2,626**
Trading securities	**902**	**-**	**-**	**902**
Placements with banks and other financial institutions	**-**	**-**	**3,031**	**3,031**
Securities bought under repurchase agreements	**-**	**-**	**698**	**698**
Non-trading investments	**-**	**6,667**	**1,683**	**8,350**
Loans and advances	**152**	**466**	**16,150**	**16,768**
Other assets	**666**	**-**	**1,336**	**2,002**
	1,720	**7,133**	**25,524**	**34,377**

	FVTPL	***FVOCI***	***Amortised cost***	***Total***
LIABILITIES				
Deposits from customers	-	**-**	**20,734**	**20,734**
Deposits from banks	-	**-**	**4,388**	**4,388**
Certificates of deposit	-	**-**	**725**	**725**
Securities sold under repurchase agreements	-	**-**	**2,011**	**2,011**
Other liabilities	**693**	**-**	**759**	**1,452**
Borrowings	-	**-**	**1,211**	**1,211**
	693	**-**	**29,828**	**30,521**

At 31 December 2020	*FVTPL*	*FVOCI*	*Amortised cost*	*Total*
ASSETS				
Liquid funds	-	-	1,752	1,752
Trading securities	171	-	-	171
Placements with banks and other financial institutions	-	-	1,803	1,803
Securities bought under repurchase agreements	-	-	1,823	1,823
Non-trading investments	-	5,484	1,212	6,696
Loans and advances	65	513	15,078	15,656
Other assets	983	-	1,239	2,222
	1,219	5,997	22,907	30,123

	FVTPL	*FVOCI*	*Amortised cost*	*Total*
LIABILITIES				
Deposits from customers	-	-	17,173	17,173
Deposits from banks	-	-	3,596	3,596
Certificates of deposit	-	-	494	494
Securities sold under repurchase agreements	-	-	1,151	1,151
Other liabilities	1,037	-	880	1,917
Borrowings	-	-	1,795	1,795
	1,037	-	25,089	26,126

All figures in US$ Million

6 LIQUID FUNDS

	2021	*2020*
Cash on hand	**46**	29
Balances due from banks	**632**	470
Deposits with central banks	**1,908**	1,253
Cash and cash equivalents	**2,586**	1,752
Treasury bills and other eligible bills with original maturities of more than three months	**40**	-
	2,626	1,752
ECL allowances	-	-
	2,626	1,752

7 TRADING SECURITIES

	2021	*2020*
Debt instruments	**884**	154
Equity instruments	**18**	17
	902	171

8 NON-TRADING INVESTMENTS

	2021	*2020*
Debt securities		
At amortised cost	**1,683**	1,213
At FVOCI	**6,755**	5,574
	8,438	6,787
ECL allowances	**(105)**	(100)
Debt securities - net	**8,333**	6,687
Equity securities		
At FVOCI	**17**	9
	8,350	6,696

The external ratings distribution of non-trading debt investments are given below:

	2021	*2020*
AAA rated debt securities	**690**	333
AA to A rated debt securities	**2,783**	2,595
Other investment grade debt securities	**1,320**	1,240
Other non-investment grade debt securities	**3,438**	2,417
Unrated debt securities	**207**	202
	8,438	6,787
ECL allowances	**(105)**	(100)
	8,333	6,687

All figures in US$ Million

8 NON-TRADING INVESTMENTS (continued)

Following are the stage wise break-up of debt securities as at 31 December 2021 and 31 December 2020:

	2021			
	Stage 1	***Stage 2***	***Stage 3***	***Total***
Debt securities, gross	**8,349**	**-**	**89**	**8,438**
ECL allowances	**(19)**	**-**	**(86)**	**(105)**
	8,330	**-**	**3**	**8,333**

	2020			
	Stage 1	*Stage 2*	*Stage 3*	*Total*
Debt securities, gross	6,698	-	89	6,787
ECL allowances	(15)	-	(85)	(100)
	6,683	-	4	6,687

An analysis of movement in the ECL allowances during the years ended 31 December 2021 and 31 December 2020 are as follows:

	2021			
	Stage 1	***Stage 2***	***Stage 3***	***Total***
As at 1 January	**15**	**-**	**85**	**100**
Additions	**4**	**-**	**1**	**5**
Recoveries / write back	**-**	**-**	**-**	**-**
Charge for the year - net	**4**	**-**	**1**	**5**
Exchange adjustments and other movements	**-**	**-**	**-**	**-**
As at 31 December	**19**	**-**	**86**	**105**

	2020			
	Stage 1	*Stage 2*	*Stage 3*	*Total*
As at 1 January	13	4	74	91
Additions	-	-	11	11
Recoveries / write back	(2)	-	-	(2)
Charge for the year - net	(2)	-	11	9
Exchange adjustments and other movements	4	(4)	-	-
As at 31 December	15	-	85	100

No interest income was received during the year on impaired investments classified under Stage 3 (2020: nil).

All figures in US$ Million

9 LOANS AND ADVANCES

Below is the classification of loans and advances by measurement:

	2021				
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
At FVTPL					
- Wholesale	**152**	-	-	-	**152**
At FVOCI					
- Wholesale	**469**	-	-	-	**469**
At Amortised cost					
- Wholesale	**14,516**	**761**	**566**	-	**15,843**
- Retail	**902**	**60**	**32**	**1**	**995**
	16,039	**821**	**598**	**1**	**17,459**
ECL allowances	**(109)**	**(89)**	**(493)**	-	**(691)**
	15,930	**732**	**105**	**1**	**16,768**

	2020				
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	*Total*
At FVTPL					
- Wholesale	65	-	-	-	65
At FVOCI					
- Wholesale	513	-	-	-	513
At Amortised cost					
- Wholesale	13,508	825	828	-	15,161
- Retail	696	55	36	-	787
	14,782	880	864	-	16,526
ECL allowances	(67)	(95)	(708)	-	(870)
	14,715	785	156	-	15,656

Below is the classification of loans and advances by industrial sector:

	Gross loans		***ECL allowances***		***Net loans***	
	2021	*2020*	***2021***	*2020*	***2021***	*2020*
Financial services	**3,649**	3,528	**19**	26	**3,630**	3,502
Government	**648**	659	**5**	4	**643**	655
Other services	**1,528**	1,044	**255**	239	**1,273**	805
Manufacturing	**2,891**	2,365	**104**	120	**2,787**	2,245
Agriculture, fishing and forestry	**1,259**	1,112	**18**	23	**1,241**	1,089
Construction	**1,447**	1,594	**75**	116	**1,372**	1,478
Utilities	**854**	884	**18**	9	**836**	875
Energy	**1,001**	939	**8**	18	**993**	921
Distribution	**903**	958	**17**	2	**886**	956
Personal /consumer finance	**999**	885	**49**	36	**950**	849
Transport	**624**	829	**23**	35	**601**	794
Commercial real estate financing	**551**	554	**4**	21	**547**	533
Technology, media and telecommunications	**371**	301	**37**	30	**334**	271
Trade	**427**	495	**43**	176	**384**	319
Retailers	**172**	253	**4**	3	**168**	250
Mining and quarrying	**93**	120	**12**	11	**81**	109
Residential mortgage	**42**	6	-	1	**42**	5
	17,459	16,526	**691**	870	**16,768**	15,656

All figures in US$ Million

9 LOANS AND ADVANCES (continued)

An analysis of movement in the ECL allowances during the years ended 31 December 2021 and 31 December 2020 are as follows:

	2021				
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
As at 1 January	**67**	**95**	**708**	-	**870**
Transfers to stage 1	**1**	**(1)**	-	-	-
Transfers to stage 2	**(1)**	**1**	-	-	-
Transfers to stage 3	-	**(2)**	**2**	-	-
Net transfers between stages	-	**(2)**	**2**	-	-
Additions	**41**	**(2)**	**123**	-	**162**
Recoveries / write back	-	-	**(77)**	-	**(77)**
Charge for the year - net	**41**	**(2)**	**46**	-	**85**
Amounts written-off	-	**(2)**	**(253)**	-	**(255)**
Amounts derecognised	-	**(3)**	**(13)**	-	**(16)**
Exchange adjustments and other movements	**1**	**3**	**3**	-	**7**
As at 31 December	**109**	**89**	**493**	-	**691**

	2020				
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	*Total*
As at 1 January	58	67	492	-	617
Transfers to stage 1	1	(1)	-	-	-
Transfers to stage 2	(1)	2	(1)	-	-
Transfers to stage 3	(1)	(3)	4	-	-
Net transfers between stages	(1)	(2)	3	-	-
Additions	14	32	307	-	353
Recoveries / write back	-	-	(49)	-	(49)
Charge for the year - net	14	32	258	-	304
Amounts written-off	-	(1)	(25)	-	(26)
Exchange adjustments and other movements	(4)	(1)	(20)	-	(25)
As at 31 December	67	95	708	-	870

The fair value of collateral that the Group holds relating to loans and advances individually determined to be impaired and classified under Stage 3 at 31 December 2021 amounts to US$ 89 million (2020: US$ 110 million).

At 31 December 2021, interest in suspense on past due loans under Stage 3 amounts to US$ 86 million (2020: US$ 136 million).

All figures in US$ Million

10 CREDIT LOSS EXPENSE

	2021				
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
Non-trading debt investments (note 8)	**4**	**-**	**1**	**-**	**5**
Loans and advances (note 9)	**41**	**(2)**	**46**	**-**	**85**
Credit commitments and contingent items (note 21)	**-**	**(1)**	**16**	**-**	**15**
Other financial assets	**1**	**-**	**-**	**-**	**1**
	46	**(3)**	**63**	**-**	**106**

	2020				
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	*Total*
Non-trading debt investments (note 8)	(2)	-	11	-	9
Loans and advances (note 9)	14	32	258	-	304
Credit commitments and contingent items (note 21)	-	-	13	-	13
Other financial assets	-	-	3	-	3
	12	32	285	-	329

11 OTHER ASSETS

	2021	*2020*
Interest receivable	**309**	284
Goodwill (note 34)	**96**	-
Right-of-use assets	**79**	57
Trade receivables	**333**	230
Positive fair value of derivatives (note 20)	**666**	982
Assets acquired on debt settlement	**42**	45
Deferred tax assets	**212**	222
Bank owned life insurance	**40**	40
Margin dealing accounts	**82**	36
Staff loans	**45**	29
Advances and prepayments	**99**	84
Investments in associates	**36**	26
IT Projects work in progress	**58**	53
Others	**116**	217
	2,213	2,305

The negative fair value of derivatives amounting to US$ 693 million (2020: US$ 1,037 million) is included in other liabilities (note 13). Details of derivatives are given in note 20.

No impairment loss on goodwill was recognised during the year ended 31 December 2021.

Below are the carrying amounts of the Group's right-of-use assets and movements during the year:

	Right-of-use assets	
	2021	*2020*
As at 1 January	**57**	64
Add: New/terminated leases - net	**2**	3
Less: Amortisation	**(10)**	(7)
Add: Acquired through business combination	**31**	-
Others (including foreign exchange movements)	**(1)**	(3)
As at 31 December	**79**	57

All figures in US$ Million

12 TAXATION ON FOREIGN OPERATIONS

Determining the Group's taxation charge for the year involves a degree of estimation and judgement.

	2021	*2020*
Consolidated statement of financial position		
Current tax liability	**22**	22
Deferred tax liability	**57**	58
	79	80
Consolidated statement of profit or loss		
Current tax on foreign operations	**52**	12
Deferred tax on foreign operations	**(1)**	(106)
	51	(94)
Analysis of tax charge		
At Bahrain (income tax rate of nil)	-	-
On profits of subsidiaries operating in other jurisdictions	**66**	9
Credit arising from tax treatment of hedging currency movements	**(15)**	(103)
Income tax expense reported in the consolidated statement of profit or loss	**51**	(94)

The effective tax rates on the profit of subsidiaries in MENA was 42% (2020: 32%) and United Kingdom was 14% (2020: 4%) as against the actual tax rates of 19% to 38% (2020: 19% to 38%) in MENA and 19% (2020: 19%) in United Kingdom.

In the Bank's Brazilian subsidiary, the effective tax rate on normalised earnings was 38% (2020: 23%) as against the actual tax rate of 45% (2020: 45%), after taking into account the tax credit for the year of US$15 million arising from the tax treatment of hedging currency movements (2020: tax credit of US$ 103 million) on a certain transaction.

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

13 OTHER LIABILITIES

	2021	*2020*
Interest payable	**270**	243
Lease liabilities	**81**	60
Negative fair value of derivatives (note 20)	**693**	1,037
Employee related payables	**108**	100
Margin deposits including cash collateral	**46**	42
Deferred income	**18**	20
ECL allowances for credit commitments and contingent items (note 21)	**62**	57
Accrued charges and other payables	**236**	415
	1,514	1,974

The positive fair value of derivatives amounting to US$ 666 million (2020: US$ 983 million) is included in other assets (note 11). Details of derivatives are given in note 20.

Below are the carrying amounts of the Group's lease liabilities and movements :

All figures in US$ Million

13 OTHER LIABILITIES (continued)

	Lease liabilities	
	2021	*2020*
As at 1 January	**60**	69
Add: New/terminated leases - net	**2**	11
Add: Acquired through business combination	**31**	-
Add: Interest expense	**2**	2
Less: Repayments	**(13)**	(16)
Others (including foreign exchange movements)	**(1)**	(6)
As at 31 December	**81**	60

14 BORROWINGS

In the ordinary course of business, the Bank and certain subsidiaries raise term financing through various capital markets at commercial rates.

Total obligations outstanding at 31 December 2021

Aggregate maturities	**Currency**	**Rate of interest %**	***Parent bank***	***Subsidiaries***	***Total***
2023	US$	*LIBOR + 1.20%*	**-**	**175**	**175**
2027*	US$	*SOFR +2%*	**470**	**-**	**470**
2028*	US$	*SOFR +2%*	**470**	**-**	**470**
2022-2027	TND	*10.00-11.50%*	**-**	**11**	**11**
Perpetual**	BRL	*3.55%*	**-**	**85**	**85**
			940	**271**	**1,211**

Total obligations outstanding at 31 December 2020

Aggregate maturities	Currency	Rate of interest %	*Parent bank*	*Subsidiaries*	*Total*
2021	US$	*LIBOR + 1.80%*	92	-	92
2021	EUR	*LIBOR + 1.10%*	-	92	92
2022*	US$	*LIBOR + 2.25%*	1,330	-	1,330
2023	US$	*Libor + 1.20%*	-	175	175
2021-2025	TND	*10.00-11.50%*	-	14	14
Perpetual**	BRL	*3.55%*	-	92	92
			1,422	373	1,795

During 2020, the Bank repurchased US$ 126 million of its subordinated term loan borrowings closer to its maturity date. The resultant net gain on the repurchase was nil.

* During the year, the Bank revised the terms and conditions of this borrowing and entered into a new arrangement with maturity extended to as reflected above. No gain or loss was recognised on derecognition of the old borrowing.

** Perpetual
This instrument issued by a subsidiary qualifies as Additional Tier 1 ("AT1") capital for the purpose of capital adequacy calculation as disclosed in note 32. The outstanding AT1 as at 31 December 2021 amounts to US$ 85 million (2020: US$ 92 million).

All figures in US$ Million

15 EQUITY

a) Share capital

	2021	*2020*
Authorised – 3,500 million shares of US$ 1 each (2020: 3,500 million shares of US$ 1 each)	**3,500**	3,500
Issued, subscribed and fully paid – 3,110 million shares of US$ 1 each (2020: 3,110 million shares of US$ 1 each)	**3,110**	3,110

b) Treasury shares

The Group owns 13,675,672 treasury shares (2020: 15,884,355 shares) for a cash consideration of US$ 6 million (2020: US$ 6 million).

c) Statutory reserve

As required by the Articles of Association of the Bank and the Bahrain Commercial Companies Law, 10% of the profit for the year is transferred to the statutory reserve. Such annual transfers will cease when the reserve totals 50% of the paid up share capital. The reserve is not available except in such circumstances as stipulated in the Bahrain Commercial Companies Law and following the approval of the Central Bank of Bahrain.

d) General reserve

The general reserve underlines the shareholders' commitment to enhance the strong equity base of the Bank. There are no restrictions on the distribution of this reserve.

e) Cumulative changes in fair value

	2021	*2020*
At 1 January	**20**	42
Net movement in fair value during the year	**43**	(22)
At 31 December	**63**	20

16 INTEREST AND SIMILAR INCOME

	2021	*2020*
Loans and advances	**785**	812
Securities and investments	**341**	262
Placements with banks and other financial institutions	**123**	92
Others	**7**	9
	1,256	1,175

17 INTEREST AND SIMILAR EXPENSE

	2021	*2020*
Deposits from banks	**145**	167
Deposits from customers	**454**	421
Borrowings	**44**	63
Certificates of deposit and others	**21**	8
	664	659

All figures in US$ Million

18 OTHER OPERATING INCOME

	2021	*2020*
Fee and commission income - net*	**166**	146
Bureau processing income	**25**	25
Income from trading book - net	**(7)**	(36)
Gain on dealing in foreign currencies - net	**42**	60
Gain on disposal of non-trading debt investments - net	**23**	20
Other - net	**28**	18
	277	233
Loss on hedging foreign currency movements**	**(15)**	(103)
	262	130

*Included in the fee and commission income is US$ 14 million (2020: US$ 13 million) of fee income relating to funds under management.

**Loss on hedging foreign currency movements relate to a transaction which has an offsetting impact on the tax expense for the year.

19 GROUP INFORMATION

19.1 Information about subsidiaries

The principal subsidiaries, all of which have 31 December as their year-end, are as follows:

`	*Principal activities*	*Country of incorporation*	*Interest of Arab Banking Corporation (B.S.C.)*	
			2021	*2020*
			%	%
ABC International Bank Plc	*Banking*	*United Kingdom*	**100.0**	100.0
ABC SA	*Banking*	*France*	**100.0**	100.0
ABC Islamic Bank (E.C.)	*Banking*	*Bahrain*	**100.0**	100.0
Arab Banking Corporation (ABC) - Jordan	*Banking*	*Jordan*	**87.0**	87.0
Banco ABC Brasil S.A.	*Banking*	*Brazil*	**61.8**	61.0
ABC Algeria	*Banking*	*Algeria*	**88.9**	88.9
Arab Banking Corporation - Egypt [S.A.E.]	*Banking*	*Egypt*	**99.8**	99.8
ABC Tunisie	*Banking*	*Tunisia*	**100.0**	100.0
Arab Financial Services Company B.S.C. (c)	*Credit card and Fintech services*	*Bahrain*	**60.3**	60.3
Blom Bank - Egypt [S.A.E] (note 34)	*Banking*	*Egypt*	**99.5**	-

19.2 Significant restrictions

The Group does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from supervisory frameworks within which banking subsidiaries operate. The supervisory frameworks require banking subsidiaries to keep certain levels of regulatory capital and liquid assets, limit their exposure to other parts of the Group and comply with other ratios. In certain jurisdictions, distribution of reserves is subject to prior supervisory approval.

19.3 Material partly-owned subsidiaries

Financial information of a subsidiary that has material non-controlling interests is provided below:

Banco ABC Brasil S.A.

	2021	*2020*
Proportion of equity interest held by non-controlling interests (%)	**38.2%**	39.0%
Dividends paid to non-controlling interests	**14**	8

All figures in US$ Million

19 GROUP INFORMATION (continued)

19.3 Material partly-owned subsidiaries (continued)

The summarised financial information of this subsidiary is provided below. This information is based on amounts before inter-company eliminations.

	2021	*2020*
Summarised statement of profit or loss:		
Interest and similar income	**504**	473
Interest and similar expense	**(330)**	(330)
Other operating income	**92**	(30)
Credit loss expense	**(37)**	(59)
Operating expenses	**(110)**	(96)
Profit (loss) before tax	**119**	(42)
Taxation *	**(14)**	113
Profit for the year	**105**	71
Profit attributable to non-controlling interests	**40**	28
Total comprehensive income	**50**	(143)
Total comprehensive income attributable to non-controlling interests	**19**	(56)

* This includes tax credit of US$ 15 million (2020: US$ 103 million) relating to hedging of currency movements as explained in note 12.

Summarised statement of financial position:		
Total assets	**7,717**	7,735
Total liabilities	**6,872**	6,902
Total equity	**845**	833
Equity attributable to non-controlling interests	**322**	325
Summarised cash flow information:		
Operating activities	**31**	362
Investing activities	**66**	(153)
Financing activities	**(56)**	(167)
Net increase in cash and cash equivalents	**41**	42

20 DERIVATIVES AND HEDGING

In the ordinary course of business the Group enters into various types of transactions that involve derivative financial instruments.

The table below shows the positive and negative fair values of derivative financial instruments. The notional amount is that of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year end and are not indicative of either market or credit risk.

All figures in US$ Million

20 DERIVATIVES AND HEDGING (continued)

	2021			2020		
	Positive fair value	***Negative fair value***	***Notional amount***	*Positive fair value*	*Negative fair value*	*Notional amount*
Derivatives held for trading						
Interest rate swaps	**142**	**147**	**8,204**	298	238	8,602
Currency swaps	**2**	**1**	**241**	10	21	342
Forward foreign exchange contracts	**80**	**21**	**5,811**	56	43	5,630
Options*	**414**	**373**	**26,108**	608	556	7,086
Futures	**17**	**64**	**3,386**	10	16	5,722
	655	**606**	**43,750**	982	874	27,382
Derivatives held as hedges						
Interest rate swaps	**7**	**87**	**3,377**	1	157	4,188
Currency swaps	**-**	**-**	**160**	-	-	63
Forward foreign exchange contracts	**4**	**-**	**352**	-	6	360
	11	**87**	**3,889**	1	163	4,611
	666	**693**	**47,639**	983	1,037	31,993
Risk weighted equivalents (credit and market risk)			**1,376**			1,895

Derivatives are carried at fair value using valuation techniques based on observable market inputs.

* This includes options for which the Group has a back-to-back cover available.

Derivatives held as hedges include fair value hedges which are predominantly used to hedge fair value changes arising from interest rate fluctuations in debt instruments at FVOCI and/or amortised cost and subordinated loan of a subsidiary.

For the year ended 31 December 2021, net impact from ineffectiveness from hedges amounts to Nil (2020: Nil) comprising net loss of US$ 76 million (2020: net loss of US$ 101 million) on hedging instruments offsetting the total gain on hedged items attributable to the hedged risk amounted to US$ 76 million (2020: gain of US$ 101 million).

The Group uses deposits which are accounted for as hedges of net investment in foreign operations. As at 31 December 2021, the Group had deposits amounting to US$ 685 million (2020: US$ 675 million) which were designated as net investment hedges.

Derivatives held or issued for trading purposes

Most of the Group’s derivative trading activities relate to sales, positioning and arbitrage. Sales activities involve offering products to customers. Positioning involves managing market risk positions with the expectation of profiting from favourable movements in prices, rates or indices. Arbitrage involves identifying and profiting from price differentials between markets or products. Also included under this heading are any derivatives which do not meet IFRS 9 hedging requirements.

Derivative related credit risk

Credit risk in respect of derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations and is limited to the positive fair value of instruments that are favourable to the Group. The majority of the Group’s derivative contracts are entered into with other financial institutions and there is no significant concentration of credit risk in respect of contracts with positive fair value with any individual counterparty at the date of the consolidated statement of financial position.

All figures in US$ Million

20 DERIVATIVES AND HEDGING (continued)

Derivatives held or issued for hedging purposes

The Group has adopted a comprehensive system for the measurement and management of risk. Part of the risk management process involves managing the Group's exposure to fluctuations in foreign exchange rates (currency risk) and interest rates through asset and liability management activities. It is the Group's policy to reduce its exposure to currency and interest rate risks to acceptable levels as determined by the Board of Directors. The Board has established levels of currency risk by setting limits on currency position exposures. Positions are monitored on an ongoing basis and hedging strategies used to ensure positions are maintained within established limits. The Board has established levels of interest rate risk by setting limits on the interest rate gaps for stipulated periods. Interest rate gaps are reviewed on an ongoing basis and hedging strategies used to reduce the interest rate gaps to within the limits established by the Board of Directors.

As part of its asset and liability management the Group uses derivatives for hedging purposes in order to reduce its exposure to currency and interest rate risks. This is achieved by hedging specific financial instruments, forecasted transactions as well as strategic hedging against overall statement of financial position exposures. For interest rate risk this is carried out by monitoring the duration of assets and liabilities using simulations to estimate the level of interest rate risk and entering into interest rate swaps and futures to hedge a proportion of the interest rate exposure, where appropriate. Since strategic hedging does not qualify for special hedge accounting related derivatives are accounted for as trading instruments.

The Group uses forward foreign exchange contracts, currency options, currency swaps to hedge against specifically identified currency risks. In addition, the Group uses interest rate swaps and interest rate futures to hedge against the interest rate risk arising from specifically identified loans and securities bearing fixed interest rates. In all such cases the hedging relationship and objective, including details of the hedged item and hedging instrument, are formally documented and the transactions are accounted for as hedges.

The Group applies hedge accounting in two separate hedging strategies, as follows:

Interest rate risk on fixed rate debt type instruments (fair value hedge)

The Group holds a portfolio of long-term variable and fixed rate loans / securities / deposits and therefore is exposed to changes in fair value due to movements in market interest rates. The Group manages this interest rate risk exposure by entering into pay fixed / receive floating interest rate swaps.

Only the interest rate risk element is hedged and therefore other risks, such as credit risk, are managed but not hedged by the Group. The interest rate risk component is determined as the change in fair value of the long-term variable / fixed rate loans and securities arising solely from changes in the benchmark rate of interest. Such changes are usually the largest component of the overall change in fair value. The Group primarily designates the benchmark rate as the hedged risk and, accordingly, enters into interest rate swaps whereby the fixed legs represent the economic risks of the hedged items. This strategy is designated as a fair value hedge and its effectiveness is assessed by critical terms matching and measured by comparing changes in the fair value of the loans attributable to changes in the benchmark rate of interest with changes in the fair value of the interest rate swaps.

The Group establishes the hedging ratio by matching the notional of the derivatives with the principal of the portfolio being hedged. Possible sources of ineffectiveness are as follows:

(i) differences between the expected and actual volume of prepayments, as the Group hedges to the expected repayment date taking into account expected prepayments based on past experience;
(ii) hedging derivatives with a non-zero fair value at the date of initial designation as a hedging instrument; and
(iii) counterparty credit risk which impacts the fair value of uncollateralised interest rate swaps but not the hedged items.

Net investment in foreign operation (net investment hedge)

The Group has an investment in a foreign operation which is consolidated in its financial statements. The foreign exchange rate exposure arising from this investment is hedged through the use of deposits. These deposits are designated as net investment hedges to hedge the equity of the subsidiaries. The Group establishes the hedging ratio by matching the deposits with the net assets of the foreign operation.

All figures in US$ Million

20 DERIVATIVES AND HEDGING (continued)

The following table sets out the maturity profile of the trading and hedging instruments used in the Group's trading and non-dynamic hedging strategies:

	Within 1 month	*1 - 3 months*	*3 - 6 months*	*6 - 12 months*	*1 - 5 years*	*5-10 years*	*Over 10 years*	*Total*
Notional								
2021	**22,337**	**2,604**	**2,205**	**4,764**	**10,491**	**5,066**	**172**	**47,639**
2020	5,981	5,863	1,914	4,485	8,141	5,492	117	31,993

Hedge ineffectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. For hedges of exposures to fluctuations in foreign exchange rates, the Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The Group therefore performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Group uses quantitative hedge effectiveness testing using the dollar offset method to assess effectiveness.

In hedges of foreign currency exposures, ineffectiveness may arise if the timing of the cash flows changes from what was originally estimated, or if there are changes in the credit risk of the Bank or the derivative counterparty.

Hedge ineffectiveness only arises to the extent the hedging instruments exceed in nominal terms the risk exposure from the foreign operations. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in OCI, while any gains or losses relating to the ineffective portion are recognised in the consolidated statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the consolidated statement of profit or loss.

The ineffectiveness during 2021 or 2020 in relation to the interest rate swaps is however not significant to the Group.

21 CREDIT COMMITMENTS AND CONTINGENT ITEMS

Credit commitments and contingent items include commitments to extend credit, standby letters of credit, acceptances and guarantees, which are structured to meet the various requirements of customers.

At the reporting date, the principal outstanding and the risk weighted equivalents were as follows:

	2021	*2020*
Short-term self-liquidating trade and transaction-related contingent items	**2,575**	2,148
Direct credit substitutes and guarantees	**2,777**	3,041
Undrawn loans and other commitments	**2,383**	1,865
	7,735	7,054
Credit exposure after applying credit conversion factor	**3,143**	3,021
Risk weighted equivalents	**2,562**	2,619

All figures in US$ Million

21 CREDIT COMMITMENTS AND CONTINGENT ITEMS (continued)

The table below shows the contractual expiry by maturity of the Group's credit commitments and contingent items:

	2021	2020
On demand	**1,319**	1,342
1 - 6 months	**1,913**	1,817
6 - 12 months	**1,804**	1,143
1 - 5 years	**2,615**	2,710
Over 5 years	**84**	42
	7,735	7,054

Exposure (after applying credit conversion factor) and ECL by stage

			2021		
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
Credit commitments and contingencies	**2,941**	**127**	**75**	**-**	**3,143**
ECL allowances	**12**	**9**	**41**	**-**	**62**

			2020		
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	*Total*
Credit commitments and contingencies	2,758	202	61	-	3,021
ECL allowances	12	13	32	-	57

An analysis of changes in the ECL allowances are as follows:

			2021		
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
As at 1 January	**12**	**13**	**32**	**-**	**57**
Transfers to stage 1	**2**	**(2)**	**-**	**-**	**-**
Net transfers between stages	**2**	**(2)**	**-**	**-**	**-**
Additions	**-**	**(1)**	**16**	**-**	**15**
Recoveries / write back	**-**	**-**	**-**	**-**	**-**
Charge for the year - net	**-**	**(1)**	**16**	**-**	**15**
Exchange adjustments and other movements	**(2)**	**(1)**	**(7)**	**-**	**(10)**
As at 31 December	**12**	**9**	**41**	**-**	**62**

All figures in US$ Million

21 CREDIT COMMITMENTS AND CONTINGENT ITEMS (continued)

	2020				
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	*Total*
As at 1 January	14	13	11	-	38
Additions	-	-	13	-	13
Recoveries / write back	-	-	-	-	-
Charge for the year - net	-	-	13	-	13
Exchange adjustments and other movements	(2)	-	8	-	6
As at 31 December	12	13	32	-	57

The Group expects that not all of the contingent liabilities or commitments will be drawn before expiry of the commitments.

The Group is engaged in litigation in various jurisdictions. The litigation involves claims by and against the Group which have arisen in the ordinary course of business. The Directors of the Bank, after reviewing the claims pending against Group companies and based on the advice of relevant professional legal advisors, are satisfied that the outcome of these claims will not have a material adverse effect on the financial position of the Group.

22 SIGNIFICANT NET FOREIGN CURRENCY EXPOSURES

Significant net foreign currency exposures, arising mainly from investments in subsidiaries, are as follows:

	2021		*2020*	
Long (short)	***Currency***	***US$ equivalent***	*Currency*	*US$ equivalent*
Brazilian Real	**2,920**	**524**	2,611	503
Pound Sterling	**21**	**29**	6	8
Egyptian Pound	**8,458**	**538**	1,724	110
Jordanian Dinar	**104**	**147**	104	146
Algerian Dinar	**22,340**	**161**	20,692	156
Tunisian Dinar	**124**	**43**	89	33
Euro	**37**	**42**	52	64
Bahraini Dinar	**(17)**	**(44)**	3	8
Omani Riyal	**21**	**55**	40	104

All figures in US$ Million

23 FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table provides the fair value measurement hierarchy of the Group's financial assets and financial liabilities.

23.1 31 December 2021

Quantitative disclosure of fair value measurement hierarchy for assets as at 31 December 2021:

Financial assets measured at fair value (net of ECL) :

	Level 1	***Level 2***	***Total***
Trading securities	**902**	**-**	**902**
Non-trading investments	**5,905**	**762**	**6,667**
Loans and advances	**-**	**618**	**618**
Derivatives held for trading	**396**	**259**	**655**
Derivatives held as hedges	**-**	**11**	**11**

Quantitative disclosure of fair value measurement hierarchy for liabilities as at 31 December 2021:

Financial liabilities measured at fair value:

	Level 1	***Level 2***	***Total***
Derivatives held for trading	**403**	**203**	**606**
Derivatives held as hedges	**-**	**87**	**87**

Fair values of financial instruments not carried at fair value

Except for the following, the fair value of financial instruments which are not carried at fair value are not materially different from their carrying value.

	Carrying value	***Fair value***
Financial assets		
Non-trading investments at amortised cost - gross (level 1 and level 2)	**1,683**	**1,684**
Financial liabilities		
Borrowings - perpetual (level 1)	**85**	**87**

23.2 31 December 2020

Quantitative disclosure of fair value measurement hierarchy for assets as at 31 December 2020:

Financial assets measured at fair value (net of ECL):

	Level 1	*Level 2*	*Total*
Trading securities	171	-	171
Non-trading investments	5,229	255	5,484
Loans and advances	-	578	578
Derivatives held for trading	349	633	982
Derivatives held as hedges	-	1	1

All figures in US$ Million

23 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

23.2 31 December 2020 (continued)

Quantitative disclosure of fair value measurement hierarchy for liabilities as at 31 December 2020:

Financial liabilities measured at fair value:

	Level 1	*Level 2*	*Total*
Derivatives held for trading	309	565	874
Derivatives held as hedges	-	163	163

Fair values of financial instruments not carried at fair value

Except for the following, the fair value of financial instruments which are not carried at fair value are not materially different from their carrying value.

	Carrying value	*Fair value*
Financial assets		
Non-trading investments at amortised cost - gross (level 1 and level 2)	1,212	1,213
Financial liabilities		
Borrowings - perpetual (level 1)	92	93

Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Transfers between level 1 and level 2

There were no transfers between level 1 and level 2 during the year ended 31 December 2021 (31 December 2020: none).

24 RISK MANAGEMENT

24.1 Introduction

Risk is inherent in the Group's activities and is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The Group is exposed to credit risk, liquidity risk, operational risk, market risk, legal risk and strategic risk as well as other forms of risk inherent in its financial operations.

The Group continues to invest to strengthen its comprehensive and robust risk management infrastructure. This includes risk identification processes under credit, market and operational risk spectrums, risk measurement models and rating systems as well as a strong business process to monitor and control these risks.

24.2 Risk management structure

Executive Management is responsible for implementing the Group's Risk Strategy/Appetite and Policy Guidelines set by the Board Risk Committee (BRC), including the identification and evaluation on a continuous basis of all material risks to the business and the design and implementation of appropriate internal controls to mitigate them. This is done through the Board Committees, Senior Management Committees, the Credit & Risk Group, Compliance and Balance Sheet Management Group functions at Head Office.

Within the broader governance framework, the Board Committees carry out the main responsibility for best practice of risk management and oversight. The BRC oversees the establishment of the risk appetite framework, risk capacity and risk appetite statement. The BRC is also responsible for coordinating with other board committees for monitoring compliance with the requirements of the regulatory authorities in various countries in which the Group operates. BRC is supported by two management level committees – Group Risk Committee (GRC) and Group Asset Liability Committee (GALCO). The Board Compliance Committee is supported by Group Compliance Oversight Committee (GCOC).

The Board Audit Committee is responsible to the Board for ensuring that the Group maintains an effective system of financial, accounting and risk management controls and for monitoring compliance with the requirements of the regulatory authorities in various countries in which the Group operates.

The GRC defines, develops and monitors the Group’s overarching risk management framework considering the Group’s strategy and business plans. The GRC is responsible for initiating, discussions and monitoring of key regulations, both local and international, as applicable to the businesses and geographies in which the Group operates. The GRC is assisted by specialised sub-committees to manage Credit Risk (Group Credit Committee), Operational Risk (Group Operational Risk Committee), Model Risk (Group Risk Governance and Analytics Committee) and Operational Resilience (Group Operational Resilience Committee).

The GALCO is responsible for defining Asset and Liability management policy, which includes capital, liquidity & funding and market risk in line with the risk appetite framework. GALCO monitors the Group’s capital, liquidity, funding and market risks, and the Group’s risk profile in the context of economic outlook and market developments. GALCO is assisted by technical sub-committees for Capital & Liquidity Management.

The GCOC has the oversight responsibilities relating to maintaining and enforcing a strong and sustainable compliance culture and is responsible for establishing the operating framework and the processes to support a permanent and an effective compliance function.

The above management structure, supported by teams of risk & credit analysts, and compliance officers, provide a coherent infrastructure to carry credit, risk, balance sheet management and compliance functions in a seamless manner.

Each subsidiary is responsible for managing its own risks and has its own Board Risk Committee and Management Committees with responsibilities generally analogous to the Group Committees.

All figures in US$ Million

24 RISK MANAGEMENT (continued)

24.3 Risk mitigation techniques

24.3.1 Risk mitigation

As part of its overall risk management, the Group uses derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risks, credit risks, and exposures arising from forecast transactions.

Group Treasury and Financial Markets (GTFM) regularly enters into hedge transactions to manage market risks within its portfolios that are within its delegated authority, and each hedging strategy is approved by appropriate level of committee within the Group. Also, if a hedge becomes ineffective, the Group may decide to accept the risk (and profit or loss volatility) rather than ‘enter into a new hedge relationship’.

The Group actively uses collateral to reduce its credit risk (see below for details).

24.3.2 Excessive credit risk concentration

Concentration risk arises when the quantum of exposure to a single obligor or obligor group through ownership, control or interconnectedness is judged to be excessive. Risk concentration can also occur across economic activity, geographic areas or bank products. High levels of concentration in the event of a negative event e.g. changes in economic, political or other conditions may cause the Group to suffer higher than expected losses.

In order to avoid excessive concentrations of risk, the Group policies and standards include specific guidelines for country, industry, product and obligor limits aimed at maintaining a diversified portfolio. Where a concentration of risk is identified, action is taken to reduce or mitigate the concentration as appropriate.

24.4 Credit risk

Credit risk occurs when the Group’s obligors fail to discharge contractual obligation between it and the Group as expected causing the Group to incur a financial loss. The Group controls credit risk by setting limits on the amount of risk it is willing to accept for an individual obligor within the limit framework described in more detail above under the heading Excessive credit risk concentration. The credit limit assigned to an obligor is based on its risk rating, the collateral posted in support of the facility and the facility maturity. Credit limits are approved at credit committees within a delegated authority framework.

Credit risk is managed by the Group Credit Committee (“GCC”), which is the main credit risk decision-making forum of the Group. GCC has the following roles and responsibilities:

- Review and decision credit proposals in line with its delegated authorities.
- Review and approve Internal Risk Ratings (IRR) and any overrides as applicable.
- Review and approve credit impairment provisions
- Credit portfolio reviews
- Review of credit resources and infrastructure

The first level of protection against undue credit risk is through country, industry single obligor and other risk threshold limits, together with customer credit limits, set by the BRC and the GCC and allocated between the Bank and its banking subsidiaries. Credit exposure to individual customers or customer groups is then controlled through a tiered hierarchy of delegated approval authorities based on the risk rating of the customer under the Group's internal credit rating system. Where unsecured facilities sought are considered to be beyond prudential limits, the Group's policies require collateral to mitigate the credit risk in the form of cash, securities, legal charges over the customer's assets or third-party guarantees. The Group also employs Risk Adjusted Return on Capital (RAROC) as a measure to evaluate the risk/reward relationship at the transaction approval stage.

All figures in US$ Million

24 RISK MANAGEMENT (continued)

24.4 Credit risk (continued)

24.4.1 Credit risk assessment and mitigation

Exposure at default (EAD)

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation. EAD for unfunded facilities is calculated by multiplying the outstanding exposure with the credit conversion factor (CCF) ranging from 20% to 100%.

To calculate the EAD for a Stage 1 loan, the Group assesses the possible default events and the cash flows following within 12 months for the calculation of the 12 months ECL. For Stage 2, Stage 3 and POCI, the EAD is considered for events over the lifetime of the instruments.

Internal Risk Rating (IRR) and the Probability of Default (PD) estimation process

The Group assigns an IRR to each obligor which maps to the Group's assessment of PD for the obligor. The IRR scale is aligned to that of the international rating agencies (see below). An obligor's IRR is reviewed at least annually.

The Group uses internal rating models tailored to the various categories of counterparties that take into account an obligor's financial standing, geographic location, its industry plus additional relevant information added through selective qualitative inputs to derive the IRR.

The credit grades are calibrated such that the risk of default increases exponentially as the credit quality weakens.

Credit Risk Rating Scale

The Group's rating method comprises 20 rating levels covering Stages 1 & 2 (1 to 8) and three default classes covering Stage 3 (9 to 11). The master scale maps the internal risk rating (IRR) to a percentage point which indicates a probability of default. The strongest credits are rated '1' as the credit quality weakens so the IRR increases in value. Obligors with an IRR of 4- or better are investment grade, whilst IRR of 5+ or weaker are non-investment grade.

Rating models and process is subject to periodic validation and recalibration in order to ensure that the PD accurately reflects current market default experience

The Group's internal credit rating grades along with the respective TTC PDs are as below:

Internal rating grades	Internal rating grade description	PD range (%)
01 to 04-	Superior	>= 0.00% to <0.49%
05+ to 05-	Satisfactory	>= 0.49% to <1.52%
06+ to 06-	Satisfactory	>= 1.52% to <5.02%
07+ to 07-	Marginal	>= 5.02% to <17.32%
08	Watchlist	>= 17.32%

The PDs obtained as above are then adjusted for IFRS 9 ECL calculations to incorporate forward looking information. This is repeated for each economic scenario as appropriate.

Loss given default (LGD)

The credit risk mitigation assessment is based on a standardised LGD framework. The Group uses models to calculate the LGD values based on the collateral type and value, obligor rating, economic scenarios, seniority of tranche, industry and country of the borrower, etc.

The Group segments its retail lending products into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g., product type, wider range of collateral types) as well as borrower characteristics.

All figures in US$ Million

24 RISK MANAGEMENT (continued)

24.4 Credit risk (continued)

24.4.1 Credit risk assessment and mitigation (continued)

Definition of default and cure

The Group considers a contract to be in default, if the terms of that contract have not been met. If the contractual repayments on a facility are 90 days past due the facility is moved to Stage 3 and specific ECL is recorded.

The 90 days past due is rebutted only if there is reasonable and supportive information demonstrating that this does not meet the impairment definition requirements. For example, this may include:

- Non-payment was an administrative oversight or technical fault instead of resulting from the obligor's financial difficulty (or) the management at the Group has strong evidence, that there is no dispute regarding payments and the obligor is likely to pay its outstanding amount, without any loss to the Group .
- For direct loan to the government or the contractors directly working for a government entity and the repayment of the loan is contingent on payment from government entity even though all prerequisite conditions for the payment have been complied with.

As a part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- Principal and/or interest and / or fees are past due for more than 90 days after the last billing date and/or scheduled payment date, ignoring technical defaults and / or data errors. However, the Group can rebut 90 days past due assumption on case-by-case basis, as detailed above;
- Any account put on non-accrual status i.e. interest suspended;
- A loan is classified as "Substandard", "Doubtful" or "Loss";
- A covenant breach not waived by the Group;
- Bankruptcy, liquidation, administration, insolvency or similar proceedings have been filed by or against the customer;
- Other cases based on the assessment of the Group;
- Cross default of the borrower; and
- Credit Committee suggests an asset or exposure to be impaired.

The above criteria have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the PD, EAD and LGD throughout the Group's expected loss calculations.

It is the Group's policy to consider a facility as 'cured' when none of the criteria that caused the initial default have been present for at least 12 consecutive months and the existing contract is not in default.

The Bank employs 'cooling-off' periods when moving a cured account from Stage 3 (12 month) to Stage 2 (6 months) to Stage 1. In cases, where the financial assets are originated or purchased at deep discount which reflects the incurred credit loss, the financial asset is classified under POCI and is not eligible for transfers to other stages.

Credit risk grading and PD estimation process

The following are additional considerations for each type of portfolio held by the Group:

Wholesale portfolio

The wholesale portfolio includes obligors across sovereigns, banks, corporates, non-bank financial institutions and small and medium enterprises (SME) sub-sectors.

All figures in US$ Million

24 RISK MANAGEMENT (continued)

24.4 Credit risk (continued)

24.4.1 Credit risk assessment and mitigation (continued)

Credit risk grading and PD estimation process (continued)

Wholesale portfolio (continued)
At the request of the obligor the Bank's first line of defense generates a paper to be considered at a business acceptance committee to confirm the facility is in line with the Bank's strategy and meets the Bank's profitability criteria. If approved at the business acceptance committee, a credit application form (CAF), is presented to the second line of defense which confirms that the request is factually correct and in line with the Bank's policies and standards relating to the risk being underwritten. The credit risk units of the Group validate the IRR being proposed. The CAF is then presented to a credit committee appropriate to the geography, product, IRR and amount requested for approval.

At a minimum the CAF contains the following information:

- Description of the facility request, the amount, its structure/risk mitigation, its purpose, terms and conditions, source of repayment and a commentary outlining the risks and mitigants to the repayment of the
- Profitability analysis.
- Identification of the model inputs for expected credit loss (ECL) calculation namely, IRR, LGD of the facility through consideration and analysis of:
  • Historical and forecast financial information.
  • Any available relevant economic, sectorial, market, regulatory, reputational, or financial information on the obligor from third parties.
  • Collateral assessment.

Relationship managers in the first line of defence are responsible for day-to-day management of existing credit exposures, and for periodic review of the client and associated risks.

The centralised credit unit in the second line of defence is responsible for:

- Independent credit review of the clients;
- Monitoring and maintaining oversight of the credit portfolio through client reviews, portfolio management information (MI) and key risk indicators (KRIs); and
- Supporting the GCC with reference to its roles and responsibilities.

Retail portfolio
The Group runs its retail lending via a series of product programs which are approved by the relevant credit committees. The Group uses the 'roll rate' methodology for ongoing assessment of the ECL across the retail portfolio. The roll rate methodology uses statistical analysis of historical data on delinquency levels to estimate the amount of ECL that might reasonably be incurred. Management overlays are applied to ensure that the estimate of ECL is appropriate given the prevailing economic conditions at the reporting date.

Treasury portfolio
For debt securities in the non-trading portfolio, external rating agency credit grades are used unless the Bank has a different view on the IRR. These published credit ratings are continuously monitored and updated. The external ratings are mapped to the Group's internal ratings scale and the PD's associated with each grade are used for the ECL computation.

All figures in US$ Million

24 RISK MANAGEMENT (continued)

24.4 Credit risk (continued)

24.4.1 Credit risk assessment and mitigation (continued)

Significant increase in credit risk (SICR)

Obligors or specific facilities (or financial instruments) that have experienced an SICR since initial recognition are moved to Stage 2. The Group monitors its portfolio to determine if an SICR event has occurred. The monitoring is undertaken in two ways:

- Through the annual and ad-hoc thematic review process and the regrading of the IRR and staging as appropriate;
- Mechanical observation of past due (see below) or notch movement of the IRR from inception to date; and
- Other qualitative factors such as obligors assigned to close monitoring, restructured / forbearance facilities, etc.

Further, the Group has used the low credit risk (LCR) expedient which includes all exposures meeting following criteria:

- All local currency sovereign exposures funded in local currency;
- All local currency exposures to the government of the Kingdom of Bahrain or Central Bank of Bahrain; and
- All exposures with external rating A- or above.

A backstop is applied, and the financial instrument is considered to have experienced SICR if the borrower is more than 30 days past due on its contractual payments. During 2020, the CBB provided certain reliefs which were subsequently extended till June 2022, due to COVID-19, by increasing the number of days to 74 days for the backstop criteria, however, the Group did not apply the relaxed criteria by the CBB.

ECL measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition or where the credit risk has not significantly increased since initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group.
- If a SICR since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Please refer above for a description of how the Group determines when a SICR has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.

The following diagram summarises the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

Change in credit quality since initial recognition

Stage 1	**Stage 2**	**Stage 3**
(Initial recognition)	Significant increase in credit risk (since initial recognition)	(Default or credit-impaired assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

24 RISK MANAGEMENT (continued)

24.4 Credit risk (continued)

24.4.1 Credit risk assessment and mitigation (continued)

Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The ECL is measured on either a 12-month (12m) or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of PD, EAD and LGD, defined as follows:

The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default" above), either over the next 12 months (12m PD), or over the remaining lifetime (Lifetime PD) of the obligation.

EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim, availability of collateral or other credit support, geography and industry. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD and LGD for each future month and for each individual exposure. The three components (PD, LGD and EAD) are multiplied together and the projected PD is adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The Lifetime PD is developed by applying the forward looking information on 12-month PD over the maturity of the loan. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band.

For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12 month or lifetime basis.

For revolving products, the exposure at default is predicted by taking current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type.

For secured products, this is primarily based on collateral values after applying approved haircuts depending on the collateral type. Further, the Group has applied LGD floors with respect to the fully secured portion of the portfolio depending on the collateral type.

For unsecured products, LGD's are computed based on models which take into account several factors such as country, industry, PD, etc. which consider the recoveries made post default.

All figures in US$ Million

24 RISK MANAGEMENT (continued)

24.4 Credit risk (continued)

24.4.1 Credit risk assessment and mitigation (continued)

Measuring ECL – Explanation of inputs, assumptions and estimation techniques (continued)

Forward-looking economic information is also included in determining the 12-month and lifetime PD and LGD. These assumptions vary by country of exposure. Refer to note 4 and below for an explanation of forward-looking information and its inclusion in ECL calculations.

The assumptions underlying the ECL calculation – such as how the maturity profile of the PDs and how collateral values change, etc., are monitored and reviewed on a quarterly basis. The calculation of ECL involves significant accounting judgements, estimates and assumptions. These are set out in note 4.19 and note 4.33. There have been no significant changes in the ECL methodology during the year.

Assessment and calculation of ECL during Covid-19

Considering the current scenario, the Group has applied overlays on the ECL estimates based on internal stress testing analysis (alongside significant judgements). While estimating the overlays, considerations were given to uneven global recovery post pandemic, the pace of vaccine roll out across different countries and uncertainties around new COVID-19 variants.

The Group's models have been constructed and calibrated using historical trends and correlations as well as forward looking economic scenarios. The severity of the current macro-economic projections and the added complexity caused by the various support schemes and regulatory guidance across the main regions in which the Group operates could not be reliably modelled for the time being. As a consequence, the existing models may generate results that are either overly conservative or overly optimistic depending on the specific portfolio / segment. As a result, post-model adjustments are needed. Given model changes take a significant amount of time to develop and test and the data limitation issues noted above, the Group expects that post model adjustments will be applied for the foreseeable future.

Additional information and sensitivity analysis in respect of the inputs to the ECL model under multiple economic scenarios is provided under economic variable assumptions below:

Economic variable assumptions

An overview of the approach to estimating ECLs is set out above and in note 4.19. To ensure completeness and accuracy, the Group obtains the data used from third party sources (e.g. Moody's and IMF). The Group's Credit Risk Department verifies the accuracy of inputs to the Group's ECL models including determining the weights attributable to the multiple scenarios.

The most significant assumptions affecting the ECL allowance are as follows:

(i) GDP, given the significant impact on companies' performance and collateral valuations;

(ii) Oil price, given its impact on the region's economies in which the Bank and the majority of the Group's subsidiaries are domiciled and operated; and

(iii) Equity index, given its impact on the economy where the majority of the Group's exposures are lying.

All figures in US$ Million

24 RISK MANAGEMENT (continued)

24.4 Credit risk (continued)

24.4.1 Credit risk assessment and mitigation (continued)

Economic variable assumptions (continued)

The following table sets out the key macroeconomic variables of ECL calculation and weightages used for scenarios showing increase /decrease in comparison to 2021 as base year (2020 as base year for assumptions used in 2020):

Assumptions used in 2021

Key macroeconomic variables used	**ECL scenario and assigned weightage**	**2022**	**2023**	**2024**	**2025**	**2026**
	Base (40%)	[1.7%, 5.2%]	[4.1%, 10.3%]	[6.5%, 15.3%]	[9%, 20.5%]	[10.6%, 25.9%]
GDP growth rate	Upside (30%)	[3.7%, 12.4%]	[6.4%, 19.1%]	[9.2%, 21.3%]	[11.3%, 23.5%]	[12.7%, 28.5%]
	Downside (30%)	[- 11.0%, 0.2%]	[- 13.9%, 5.1%]	[- 11.7%, 10.9%]	[- 8.4%, 16.9%]	[- 4.8%, 22.7%]
	Base (40%)	-19.4%	-21.6%	-20.0%	-16.9%	-14.1%
Oil price	Upside (30%)	-15.5%	-14.4%	-13.4%	-10.1%	-6.7%
	Downside (30%)	-52.4%	-38.1%	-34.0%	-28.3%	-24.1%
	Base (40%)	[- 9.3%, 3.9%]	[- 11%, 6.6%]	[- 7.2%, 11.4%]	[- 1.9%, 17%]	[2.8%, 22.4%]
Equity index*	Upside (30%)	[2.1%, 17.1%]	[3.1%, 20.0%]	[6.5%, 25.3%]	[9.6%, 28.7%]	[11.8%, 34.5%]
	Downside (30%)	[- 37.89%, -17.4%]	[- 26.1%, -10.6%]	[- 22.0%, -4.0%]	[- 15.7%, 1%]	[- 10.2%, 8.1%]

Assumptions used in 2020

Key macroeconomic variables used	ECL scenario and assigned weightage	2021	2022	2023	2024	2025
	Base (40%)	[-3.8%, 7.3%]	[-0.5%, 14.1%]]	[2.5%, 17.6%]	[5.2%, 24.7%]	[7.4%, 32.2%]
GDP growth rate	Upside (30%)	[3.8%, 11.7%]	[7.3%, 20.3%]	[9.4%, 21.6%]	[11.7%, 27.7%]	[13.4%, 35.3%]
	Downside (30%)	[- 16.2%, -0.4%]	[- 19.6%, 5.9%]	[- 17.3%, 13.5%]	[- 13.9%, 21.4%]	[- 10.8%, 29.3%]
	Base (40%)	8.5%	26.5%	31.2%	34.5%	39.7%
Oil price	Upside (30%)	19.2%	38.9%	43.8%	47.3%	52.8%
	Downside (30%)	-45.2%	-32.4%	-3.4%	8.1%	18.4%
	Base (40%)	[- 18%, 40.3%]	[- 8.3%, 50.0%]	[- 2.7%, 55.0%]	[0.5%, 64.5%]	[2.0%, 75.7%]
Equity index*	Upside (30%)	[- 10.3%, 51.6%]	[- 0.6%, 57.8%]	[3.8%, 66.9%]	[4.7%, 76.1%]	[5.6%, 87.9%]
	Downside (30%)	[- 39.1%, -0.1%]	[- 23.4%, 22.4%]	[- 12.8%, 42.0%]	[- 4.6%, 52.6%]	[- 0.9%, 60.5%]

* GDP and equity index is represented as range as they cover the indices of multiple countries the Bank operates in.

The above macroeconomic variables are selected based on the regression analysis between the macroeconomic variables and the PD. These economic variables and their associated impact on the PD and LGD vary by country and industry. Forecasts of these economic variables (for all scenarios) are provided by Moody's on a quarterly basis and provide the best estimate view of the economy over future years.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Group's different geographies to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

All figures in US$ Million

24 RISK MANAGEMENT (continued)

24.4 Credit risk (continued)

24.4.1 Credit risk assessment and mitigation (continued)

Economic variable assumptions (continued)

Sensitivity analysis

Based on the above significant assumptions and changes in each economic variable by +5% and -5% while keeping other key variables constant will result in a change in the ECL (stage 1 and 2) in the range of decrease by -11.3% (2020: decrease by 9.7%) to an increase by 13.9% (2020: increase by 7.8%.)

24.4.2 Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The Group's concentration of risk is managed by geographical region and by industry sector. The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position, including credit commitments and contingent items. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

	Gross maximum exposure	
	2021	*2020*
Liquid funds	**2,580**	1,723
Trading debt securities	**884**	154
Placements with banks and other financial institutions	**3,031**	1,803
Securities bought under repurchase agreements	**698**	1,823
Non-trading debt investments	**8,333**	6,687
Loans and advances	**16,768**	15,656
Other credit exposures	**2,002**	2,222
	34,296	30,068
Credit commitments and contingent items (note 21)	**7,735**	7,054
Total	**42,031**	37,122

Where financial instruments are recorded at fair value the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

24.4.3 Risk concentration of the maximum exposure to credit risk

The Group's assets (before taking into account any cash collateral held or other credit enhancements) can be analysed by the following geographical regions:

	Assets				
	2021				
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
Western Europe	**3,235**	**180**	**1**	**-**	**3,416**
Arab World	**15,950**	**373**	**70**	**1**	**16,394**
Asia	**1,179**	**-**	**-**	**-**	**1,179**
North America	**3,779**	**69**	**-**	**-**	**3,848**
Latin America	**7,735**	**117**	**38**	**-**	**7,890**
Other	**1,568**	**1**	**-**	**-**	**1,569**
Total	**33,446**	**740**	**109**	**1**	**34,296**

All figures in US$ Million

24 RISK MANAGEMENT (continued)

24.4 Credit risk (continued)

24.4.3 Risk concentration of the maximum exposure to credit risk (continued)

	Assets				
	2020				
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	*Total*
Western Europe	2,647	237	1	-	2,885
Arab World	13,388	436	104	-	13,928
Asia	1,272	-	-	-	1,272
North America	2,620	16	-	-	2,636
Latin America	7,664	94	51	-	7,809
Other	1,532	2	4	-	1,538
Total	29,123	785	160	-	30,068

The Group's liabilities and equity can be analysed by the following geographical regions:

	Liabilities and equity	
	2021	*2020*
Western Europe	**2,060**	2,047
Arab World	**24,422**	20,790
Asia	**357**	340
North America	**1,147**	877
Latin America	**5,635**	5,673
Other	**1,276**	680
Total	**34,897**	30,407

The Group's commitments and contingencies can be analysed by the following geographical regions:

	Credit commitments and contingent items				
	2021				
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
Western Europe	**916**	**54**	**3**	**-**	**973**
Arab World	**3,284**	**52**	**21**	**-**	**3,357**
Asia	**129**	**1**	**4**	**-**	**134**
North America	**845**	**2**	-	**-**	**847**
Latin America	**2,243**	**5**	**6**	**-**	**2,254**
Other	**167**	**3**	-	**-**	**170**
Total	**7,584**	**117**	**34**	**-**	**7,735**

	Credit commitments and contingent items				
	2020				
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	*Total*
Western Europe	697	138	3	-	838
Arab World	2,384	131	12	-	2,527
Asia	266	3	9	-	278
North America	699	82	7	-	788
Latin America	2,242	7	-	-	2,249
Other	366	8	-	-	374
Total	6,654	369	31	-	7,054

All figures in US$ Million

24 RISK MANAGEMENT (continued)

24.4 Credit risk (continued)

24.4.3 Risk concentration of the maximum exposure to credit risk (continued)

An industry sector analysis of the Group's financial assets (after taking risk transfer into account), before taking into account cash collateral held or other credit enhancements, is as follows:

	Gross maximum exposure				
	2021				
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
Financial services	**11,550**	**19**	**1**	**-**	**11,570**
Government	**5,905**	**-**	**-**	**-**	**5,905**
Other services	**4,536**	**44**	**31**	**-**	**4,611**
Manufacturing	**2,741**	**110**	**23**	**-**	**2,874**
Agriculture, fishing and forestry	**1,283**	**13**	**2**	**-**	**1,298**
Construction	**1,245**	**219**	**12**	**-**	**1,476**
Utilities	**1,169**	**-**	**-**	**-**	**1,169**
Energy	**1,122**	**22**	**-**	**-**	**1,144**
Distribution	**891**	**8**	**1**	**-**	**900**
Personal /consumer finance	**804**	**59**	**6**	**1**	**870**
Transport	**587**	**13**	**11**	**-**	**611**
Commercial real estate financing	**517**	**59**	**-**	**-**	**576**
Technology, media and telecommunications	**473**	**-**	**18**	**-**	**491**
Trade	**299**	**121**	**1**	**-**	**421**
Retailers	**245**	**37**	**-**	**-**	**282**
Mining and quarrying	**75**	**16**	**3**	**-**	**94**
Residential mortgage	**4**	**-**	**-**	**-**	**4**
Total	**33,446**	**740**	**109**	**1**	**34,296**

	Gross maximum exposure				
	2020				
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	*Total*
Financial services	11,074	50	3	-	11,127
Government	4,819	-	-	-	4,819
Other services	2,446	4	65	-	2,515
Manufacturing	2,199	121	42	-	2,362
Agriculture, fishing and forestry	1,126	22	1	-	1,149
Construction	1,294	195	4	-	1,493
Utilities	1,044	-	-	-	1,044
Energy	1,097	28	-	-	1,125
Distribution	954	8	-	-	962
Personal /consumer finance	879	64	3	-	946
Transport	768	31	14	-	813
Commercial real estate financing	528	68	5	-	601
Technology, media and telecommunications	417	-	-	-	417
Trade	203	116	5	-	324
Retailers	192	61	-	-	253
Mining and quarrying	78	17	18	-	113
Residential mortgage	5	-	-	-	5
Total	29,123	785	160	-	30,068

All figures in US$ Million

24 RISK MANAGEMENT (continued)

24.4 Credit risk (continued)

24.4.3 Risk concentration of the maximum exposure to credit risk (continued)

An industry sector analysis of the Group's financial assets, after taking into account cash collateral held or other credit enhancements, is as follows:

	Net maximum exposure	
	2021	*2020*
Financial services	**10,339**	8,827
Government	**5,814**	4,709
Other services	**4,419**	2,510
Manufacturing	**2,822**	2,321
Agriculture, fishing and forestry	**1,291**	1,149
Construction	**1,430**	1,488
Utilities	**1,168**	1,044
Energy	**1,144**	1,100
Distribution	**892**	962
Personal /consumer finance	**869**	946
Transport	**610**	813
Commercial real estate financing	**576**	601
Technology, media and telecommunications	**490**	417
Trade	**418**	318
Retailers	**281**	253
Mining and quarrying	**94**	113
Total	**32,657**	27,571

An industry sector analysis of the Group's credit commitments and contingent items, before taking into account cash collateral held or other credit enhancements, is as follows:

	Gross maximum exposure				
	2021				
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
Financial services	**2,645**	**49**	**-**	**-**	**2,694**
Government	**57**	**-**	**-**	**-**	**57**
Other services	**698**	**1**	**2**	**-**	**701**
Manufacturing	**941**	**37**	**3**	**-**	**981**
Agriculture, fishing and forestry	**154**	**-**	**-**	**-**	**154**
Construction	**980**	**6**	**16**	**-**	**1,002**
Utilities	**802**	**3**	**4**	**-**	**809**
Energy	**234**	**-**	**1**	**-**	**235**
Distribution	**101**	**1**	**-**	**-**	**102**
Personal /consumer finance	**84**	**-**	**-**	**-**	**84**
Transport	**412**	**13**	**6**	**-**	**431**
Commercial real estate financing	**51**	**-**	**-**	**-**	**51**
Technology, media and telecommunications	**142**	**-**	**2**	**-**	**144**
Trade	**118**	**5**	**-**	**-**	**123**
Retailers	**139**	**2**	**-**	**-**	**141**
Mining and quarrying	**26**	**-**	**-**	**-**	**26**
Total	**7,584**	**117**	**34**	**-**	**7,735**

All figures in US$ Million

24 RISK MANAGEMENT (continued)

24.4 Credit risk (continued)

24.4.3 Risk concentration of the maximum exposure to credit risk (continued)

	Gross maximum exposure				
	2020				
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	*Total*
Financial services	2,091	30	-	-	2,121
Government	79	-	-	-	79
Other services	447	6	14	-	467
Manufacturing	1,039	175	-	-	1,214
Agriculture, fishing and forestry	153	-	-	-	153
Construction	579	67	10	-	656
Utilities	853	22	-	-	875
Energy	392	24	-	-	416
Distribution	157	3	-	-	160
Personal /consumer finance	103	-	-	-	103
Transport	236	-	7	-	243
Commercial real estate financing	86	-	-	-	86
Technology, media and telecommunications	182	10	-	-	192
Trade	57	13	-	-	70
Retailers	183	19	-	-	202
Mining and quarrying	17	-	-	-	17
Total	6,654	369	31	-	7,054

An industry sector analysis of the Group's credit commitments and contingent items, after taking into account cash collateral held or other credit enhancements, is as follows:

	Net maximum exposure	
	2021	*2020*
Financial services	**2,550**	2,033
Government	**50**	72
Other services	**694**	460
Manufacturing	**974**	1,203
Agriculture, fishing and forestry	**152**	153
Construction	**974**	649
Utilities	**804**	875
Energy	**233**	405
Distribution	**100**	150
Personal /consumer finance	**84**	103
Transport	**424**	243
Commercial real estate financing	**51**	86
Technology, media and telecommunications	**143**	192
Trade	**114**	64
Retailers	**141**	202
Mining and quarrying	**26**	17
Total	**7,514**	6,907

All figures in US$ Million

24 RISK MANAGEMENT (continued)

24.4 Credit risk (continued)

24.4.4 Credit quality per class of financial assets

The credit quality of financial assets is managed by the Group using internal credit ratings. The table below shows the credit quality by class of financial asset, based on the Group's credit rating system.

31 December 2021	***Neither past due nor impaired***				
	High grade	***Standard grade***	***Past due but not impaired***	***Past due and individually impaired***	***Total***
Liquid funds	**2,117**	**463**	**-**	**-**	**2,580**
Trading debt securities	**538**	**346**	**-**	**-**	**884**
Placements with banks and other financial institutions	**813**	**2,218**	**-**	**-**	**3,031**
Securities bought under repurchase agreements	**-**	**698**	**-**	**-**	**698**
Non-trading debt investments	**4,713**	**3,617**	**-**	**3**	**8,333**
Loans and advances	**3,672**	**12,926**	**64**	**106**	**16,768**
Other credit exposures	**1,761**	**240**	**-**	**1**	**2,002**
	13,614	**20,508**	**64**	**110**	**34,296**

31 December 2020	*Neither past due nor impaired*				
	High grade	*Standard grade*	*Past due but not impaired*	*Past due and individually impaired*	*Total*
Liquid funds	1,355	368	-	-	1,723
Trading debt securities	-	154	-	-	154
Placements with banks and other financial institutions	938	865	-	-	1,803
Securities bought under repurchase agreements	100	1,723	-	-	1,823
Non-trading debt investments	4,101	2,582	-	4	6,687
Loans and advances	3,962	11,461	77	156	15,656
Other credit exposures	2,011	211	-	-	2,222
	12,467	17,364	77	160	30,068

All figures in US$ Million

24 RISK MANAGEMENT (continued)

24.4 Credit risk (continued)

24.4.4 Credit quality per class of financial assets (continued)

The table below shows the credit quality by class of financial asset net ECL, based on internal credit ratings.

31 December 2021

	Liquid funds	*Trading debt securities*	*Placements with banks and other financial institutions*	*Securities bought under repurchase agreements*	*Non-trading debt investments*	*Loans and advances*
Stage 1 (12-month ECL)						
Rating grades 1 to 4-	**2,117**	**538**	**813**	**-**	**4,713**	**3,672**
Rating grades 5+ to 5-	**237**	**332**	**293**	**79**	**1,066**	**6,788**
Rating grades 6+ to 6-	**225**	**14**	**1,899**	**619**	**2,506**	**5,440**
Rating grade 7+ to 7-	**-**	**-**	**19**	**-**	**45**	**30**
Carrying amount (net)	**2,579**	**884**	**3,024**	**698**	**8,330**	**15,930**
Stage 2 (Lifetime ECL but not credit-impaired)						
Rating grades 1 to 4-	**-**	**-**	**-**	**-**	**-**	**-**
Rating grades 5+ to 5-	**-**	**-**	**-**	**-**	**-**	**43**
Rating grades 6+ to 6-	**1**	**-**	**7**	**-**	**-**	**221**
Rating grade 7+ to 7-	**-**	**-**	**-**	**-**	**-**	**201**
Rating grade 8	**-**	**-**	**-**	**-**		**267**
Carrying amount (net)	**1**	**-**	**7**	**-**	**-**	**732**
Stage 3 (Lifetime ECL and credit-impaired)						
Rating grades 9 to 11	**-**	**-**	**-**	**-**	**3**	**105**
Carrying amount (net)	**-**	**-**	**-**	**-**	**3**	**105**
POCI	**-**	**-**	**-**	**-**	**-**	**1**
Total	**2,580**	**884**	**3,031**	**698**	**8,333**	**16,768**

Other credit exposures are not internally rated, hence, not included in the above table.

All figures in US$ Million

24 RISK MANAGEMENT (continued)

24.4 Credit risk (continued)

24.4.4 Credit quality per class of financial assets (continued)

31 December 2020

	Liquid funds	*Trading debt securities*	*Placements with banks and other financial institutions*	*Securities bought under repurchase agreements*	*Non-trading debt investments*	*Loans and advances*
Stage 1 (12-month ECL)						
Rating grades 1 to 4-	1,355	-	938	100	4,090	3,914
Rating grades 5+ to 5-	178	154	137	1,073	1,107	6,228
Rating grades 6+ to 6-	189	-	728	650	1,486	4,454
Rating grade 7+ to 7-	1	-	-	-	-	119
Carrying amount (net)	1,723	154	1,803	1,823	6,683	14,715
Stage 2 (Lifetime ECL but not credit-impaired)						
Rating grades 1 to 4-	-	-	-	-	-	-
Rating grades 5+ to 5-	-	-	-	-	-	87
Rating grades 6+ to 6-	-	-	-	-	-	268
Rating grade 7+ to 7-	-	-	-	-	-	279
Rating grade 8	-	-	-	-	-	151
Carrying amount (net)	-	-	-	-	-	785
Stage 3 (Lifetime ECL and credit-impaired)						
Rating grades 9 to 11	-	-	-	-	4	156
Carrying amount (net)	-	-	-	-	4	156
POCI	-	-	-	-	-	-
Total	1,723	154	1,803	1,823	6,687	15,656

Other credit exposures are not internally rated, hence, not included in the above table.

All figures in US$ Million

24 RISK MANAGEMENT (continued)

24.4 Credit risk (continued)

24.4.4 Credit quality per class of financial assets (continued)

It is the Group's policy to maintain accurate and consistent risk ratings across the credit portfolio through a risk rating system. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of credit risk. All internal ratings are tailored to the various categories and are derived in accordance with the Group's credit policy. The attributable risk ratings are assessed and updated regularly. Each risk rating class has grades equivalent to Moody's, S&P, Fitch and CI rating agencies.

24.4.5 Carrying amount per class of financial assets whose terms have been renegotiated as at year-end

	2021	*2020*
Loans and advances*	**527**	650

* This includes loans deferrals granted on account of COVID-19 amounting to US$ 108 million (2020: US$ 156 million).

24.4.6 Overview of modified or forborne loans

From a risk management point of view, once an asset is forborne or modified, the Group’s Remedial Loan Unit (RLU) continues to monitor the exposure until it is completely and ultimately derecognised.

The gross carrying value of financial assets modified during the year amounted to US$ nil with a corresponding ECL of US$ nil (2020: gross carrying amount of US$ nil with a corresponding ECL of US$ nil).

Due to the current COVID-19 scenario, central banks of various jurisdictions, where the Group operates, either required or recommended the Group to voluntarily provide payment deferrals or other forms of customer support. Accordingly, the Group provided obligors seeking forbearance in the form of a deferral of repayments or interest as a result of the impact of COVID-19 in line with local regulatory guidelines in each jurisdiction. The staging and ECL estimation for such customers and any associated reporting are also done in line with regulatory guidance. The CBB also issued several circulars with respect to COVID-19 outbreak to banks in the Kingdom of Bahrain with respect to deferral of repayments of principal and interest due for affected sectors, pursuant to which the Group has assessed the deferral requests received on a case-by-case basis in compliance with the CBB circulars. As the Group has not granted any interest waiver requests, no modification loss has been recognised during the years ended 31 December 2021 and 2020. Further, forbearances granted were approved by appropriate governance and local regulatory guidelines were applied for staging and ECL purposes.

The Group provided forbearances to its customers with a corresponding outstanding of US$ 396 million as on 31 December 2021 (2020: US$ 894 million).

24.4.7 Collateral and other credit enhancements

The amount and type of collateral depends on an assessment of the credit risk of the counterparty. The types of collateral mainly include cash, guarantees from banks, movable and immovable assets.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses. The Group also makes use of master netting agreements with counterparties.

All figures in US$ Million

24 RISK MANAGEMENT (continued)

24.4 Credit risk (continued)

24.4.7 Collateral and other credit enhancements (continued)

Credit exposure loan to value ratios of real estate portfolio
The real estate credit exposure of the Group amounts to US$1,428 million (2020: US$1,440 million). The average loan to value ratios for this exposure is 49% (2020 average: 52%).

24.4.8 Maximum exposure to credit risk – Financial instruments not subject to impairment

The following table contains an analysis of the maximum credit risk exposure from financial assets not subject to impairment (i.e. FVTPL):

	Maximum exposure to credit risk	
	2021	*2020*
Trading securities		
- Debt Securities	**884**	154
Trading derivatives	**655**	982
Hedging derivatives	**11**	1
Financial assets designated at FVTPL		
- Loans and advances to customers	**152**	65

24.5 Settlement risk

Settlement risk is the risk of loss due to the failure of a counterparty to honour its obligations to deliver cash, securities or other assets as contractually agreed. For certain types of transactions, the Group mitigates this risk through a settlement agent to ensure that a trade is settled only when both parties fulfil their settlement obligations. Settlement approvals form a part of credit approval and limit monitoring procedure.

24.6 Market risk

Market risk is the risk that the Group's earnings or capital, or its ability to support business strategy, will be impacted by the change in market rates or prices related to interest rates, equity prices, credit spreads, foreign exchange rates, and commodity prices.

The Group has established risk management policies and limits within which exposure to market risk is monitored and measured by the Risk Management Department (RMD) with strategic oversight exercised by GALCO. The RMD's Market Risk (MR) unit is responsible for developing and implementing market risk policy, risk measuring/monitoring methodology and product limits prior to GALCO approval. The unit also has the responsibility to measure and report market risk against limits throughout the Group.

The Group manages market risk by classifying into two types: a) trading market risk; and b) investment market risk. Trading market risk arises primarily from positions held in the trading books from market-making to support client activities. This involves the management of client originated exposures in interest rates, equities, corporate and sovereign debt, foreign exchange rates, commodities and derivatives of these asset classes, such as forwards, futures, options and swaps. Trading market risk may also arise from positions originated by the Bank subject to the market risk appetite and limits defined by the GALCO and BRC.

Investment market risk arises from market factors affecting securities held in high quality liquid assets (HQLA) portfolio and liquid marketable securities which are held under its FVOCI portfolio and where the impact of the changes in fair value due to market factors is through FVOCI.

The trading and investment market risks are managed by MR using a full suite of market risk limits including Value at Risk, sensitivity limits on key market parameters, notional limits on the size of investment portfolios, stop-loss limits and also stress testing to monitor the impact of significant market moves. These limits are monitored by MR and reported daily to business lines and management.

All figures in US$ Million

24 RISK MANAGEMENT (continued)

24.7 Interest rate risk in the banking book

Interest rate risk in the banking book refers to current or prospective risk to the Group's capital and earnings arising from adverse movements in interest rates that affect future profitability or the fair values of financial instruments . The Group is exposed to interest rate risk as a result of mismatches of interest rate re pricing of assets and liabilities. This risk is minimized as the Group's rate sensitive assets and liabilities are mostly floating rate, where the duration risk is lower. The Group has set risk limits for both earnings at risk (EAR) and economic value of equity (EVE) for interest rate risk in the banking book (IRRBB). In general, the Group uses matched currency funding and translates fixed rate instruments to floating rate to better manage the duration in the asset book.

The sensitivity of the consolidated statement of profit or loss is the effect of the assumed changes in interest rates on the net interest income for one year, based on financial assets and financial liabilities held at 31 December, including the effect of hedging instruments. The sensitivity of equity is calculated by revaluing fixed rate FVOCI financial assets, including the effect of any associated hedges and swaps. Substantially all the FVOCI non-trading securities held by the Group are floating rate assets. Hence, the sensitivity to changes in equity due to interest rate changes is minimal.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's consolidated statement of profit or loss.

	2021			
	Increase in basis points	***Sensitivity consolidated statement of profit or loss***	***Decrease in basis points***	***Sensitivity consolidated statement of profit or loss***
US Dollar	25	**4**	25	**-**
Euro	25	**-**	25	**-**
Pound Sterling	25	**1**	25	**(1)**
Brazilian Real	25	**2**	25	**(2)**
Others	25	**1**	25	**(1)**

	2020			
	Increase in basis points	*Sensitivity consolidated statement of profit or loss*	*Decrease in basis points*	*Sensitivity consolidated statement of profit or loss*
US Dollar	25	3	25	-
Euro	25	1	25	-
Pound Sterling	25	1	25	(1)
Brazilian Real	25	2	25	(2)
Others	25	-	25	-

Managing interest rate benchmark reform and associated risks

The IBOR reforms exposes the Group to risks including risks relating to interest rate basis, pricing, operations and information system.

The Group has, in accordance with the recommendations issued by the regulatory authorities in the United States of America (USA) and United Kingdom (UK), ensured readiness to enter into new contracts referencing the Alternative Reference Rates (ARRs) that are replacing LIBOR in loans, deposits and derivatives including hedge transactions. The Bank has updated core banking systems across its network to support LIBOR transition prioritizing three key interest rate methodologies which are anticipated to be the methodologies adopted in the majority of new contracts. The Group has compiled an inventory of existing LIBOR referencing deals on its books and engaged through its client facing RMs in a deal-by-deal contract review to plan for the remediation and transition of these existing contracts to ARRs over the course of next 18 months. The Group established a project team and a steering committee to manage the transition from LIBOR to recommended ARRs such as SONIA and SOFR.

All figures in US$ Million

24 RISK MANAGEMENT (continued)

24.7 Interest rate risk in the banking book (continued)

Managing interest rate benchmark reform and associated risks (continued)

On 5 March 2021 the administrator of LIBOR, the ICE Benchmark Administration, announced that publication of overnight, one-month, three-month, six-month, and 12-month USD LIBOR will cease immediately following the LIBOR publication on 30 June 2023, and that publication of all other currency and tenor variants of LIBOR will cease immediately following the LIBOR publication on 31 December 2021.

On 29 September 2021, the Financial Conduct Authority (FCA) in the UK announced that it will compel the ICE Benchmark Administration to continue to publish one-month, three-month, and six-month Sterling LIBOR and Japanese Yen LIBOR after 31 December 2021, using a "synthetic" methodology that is not based on panel bank contributions. The FCA has indicated that it may also require the ICE Benchmark Administration to publish one-month, three-month, and six-month USD LIBOR after 30 June 2023, using a similar synthetic methodology. These synthetic GBP LIBORs, synthetic JPY LIBORs, and synthetic USD LIBORs are expected to be published for a limited period of time and would not be used in new contracts.

The Group applies temporary reliefs available under phase 1 and 2 amendments which enable its hedge accounting to continue during the period of uncertainty, before the replacement of an existing interest rate benchmark with an ARR. These are explained in note 4.

The Group's substantial part of the financial instruments are subject to IBOR reforms at 31 December 2021 and have not yet transitioned out of the current IBOR to ARR.

24.8 Currency risk

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

The table below indicates the currencies to which the Group had significant exposure at 31 December 2021 and 31 December 2020 on its monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the US$, with all other variables held constant on the consolidated statement of profit or loss (due to the fair value of currency sensitive trading and non-trading monetary assets and liabilities) and equity (due to the change in fair value of currency swaps and forward foreign exchange contracts used as fair value hedges) and the effect of the impact of foreign currency movements on the structural positions of the Bank in its subsidiaries. A negative amount in the table reflects a potential net reduction in the consolidated statement of profit or loss or equity, while a positive amount reflects a potential net increase.

	2021			*2020*		
	Change in currency rate in %	***Effect on profit before tax***	***Effect on equity***	*Change in currency rate in %*	*Effect on profit before tax*	*Effect on equity*
Currency						
Brazilian Real	+/- 5%	**-**	**+/-26**	+/- 5%	-	+/-25
Pound Sterling	+/- 5%	**+/-1**	**-**	+/- 5%	+/-1	-
Egyptian Pound	+/- 5%	**-**	**+/-27**	+/- 5%	-	+/-5
Jordanian Dinar	+/- 5%	**+/-3**	**+/-10**	+/- 5%	+/-2	+/-9
Algerian Dinar	+/- 5%	**-**	**+/-8**	+/- 5%	-	+/-8
Tunisian Dinar	+/- 5%	**-**	**+/-1**	+/- 5%	-	+/-2
Bahrain Dinar	+/- 5%	**+/-2**	**-**	+/- 5%	-	-
Omani Riyal	+/- 5%	**+/-3**	**-**	+/- 5%	+/-5	-

24.9 Equity price risk

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

All figures in US$ Million

24 RISK MANAGEMENT (continued)

24.9 Equity price risk (continued)

The effect on equity (as a result of a change in the fair value of trading equity instruments and equity instruments held at FVOCI) due to a reasonably possible change in equity indices or the net asset values, with all other variables held constant, is as follows:

	2021		*2020*	
	Change in		*Change in*	
	% Change in equity price	***Effect on consolidated statement of profit or loss/ equity***	*% Change in equity price*	*Effect on consolidated statement of profit or loss/ equity*
Trading equities	**+/- 5%**	**+/-1**	+/- 5%	+/-1
Equity securities at FVOCI	**+/- 5%**	**+/-1**	+/- 5%	-

24.10 Operational risk

Operational Risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems including internal frauds, or from external events including external frauds risk.

The Group adheres to the three lines of defence model for the management of operational risk. The business (first line of defence) is supported by independent Operational Risk Management Departments reporting to the local Chief Risk Officers or local Heads of Risk (second line of defence). The management of Operational Risk is subject to independent review by Internal Audit (third line of defence).

The Group Operational Risk Committee (GORCO), as a sub-committee of GRC assists with the management of Operational Risks across the Group to ensure that the Operational Risk Policy as approved by the BRC, is implemented and monitored across the Group.

The GORCO:

- Defines the policy for the management of Operational Risks and recommends for approval by the GRC and BRC.
- Advises the GRC and the BRC with establishing, approving and periodically reviewing the tolerance for Operational Risks at the Group.
- Monitors and reviews the Operational Risk losses across various Group businesses and its subsidiaries.
- Defines the various components of the Operational Risk Management Framework at the Group and oversees the implementation of the framework across the Group.
- Oversees the actions taken to maintain losses are in line with the Operational Risk Appetite.

The implementation of the Operational Risk Management Framework is governed by the GORCO. Local Operational Risk Committees oversee the implementation of the Operational Risk Management Framework and the management of Operational Risk across all subsidiaries and branches of the Group. The Group Operational Risk Management Department at Head Office is responsible for the development of the group-wide methodology, quality control and system support.

The Group has implemented the following for the management of Operational Risks:

- Operational Risk Appetite, as part of the Group Risk Appetite Statement;
- Standardized Operational Risk Taxonomy
- Incident management;
- Risk & Control Self-Assessments;
- Issue and Action management; and
- Key Risk and Performance Indicators.

All figures in US$ Million

24 RISK MANAGEMENT (continued)

24.10 Operational risk (continued)

All loss events and relevant incidents are captured in a group-wide incident database. The threshold for reporting loss events is US$ 50 gross. The Group has implemented a group-wide Governance, Risk and Compliance solution, GRC platform. This group-wide solution is being used by Audit, Risk and Compliance.

A wide range of management information reports have been tailored to meet the needs of different stakeholders, these also provide information on the Operational Risk profile of the Bank and its subsidiaries.

Operational risk appetite

The Group has its Operational Risk appetite in the Board Approved Group Risk Appetite Statement in terms of absolute gross loss amounts due to Operational Risk incidents. In addition a set of Early Warning Indicators are used to monitor different sub risk categories related to operational risk.

Timeframes have been defined within which action plans must be prepared for the treatment of control weaknesses rated 'Critical', Significant' or 'Moderate'

In line with the Board-led Group Risk Appetite Statement, Operational Risk tolerance is set and monitored by the Board Risk Committee.

24.10.1 Operational resilience

Operational resilience is the ability of the Bank to carry out its mission or business despite the occurrence of operational stress or disruption, protecting its customers, shareholders and ultimately the integrity of the financial system. The operational resilience framework includes a set of techniques that allow people, processes and informational systems to adapt to changing patterns, respond to and recover from factors that may hinder the Bank from functioning.

The Bank adheres to the three lines of defense model for the management of operational resilience risk. The business (first line of defence) is supported by an independent Cyber and IT Risk Management Departments (second line of defence). The management of operational resilience risk is subject to independent review by Internal Audit (third line of defence).

The Group Operational Resilience Committee ("GORC") assists GRC with the oversight of the Bank's Operational resilience framework, by such it oversees:

- Information security, including Cyber security
- Information Technology
- Business Continuity, Disaster Recovery and Crisis Management
- Bank's compliance with Privacy laws (Personal Data Protection)
- Outsourcing and Vendor Management (External dependencies)

The GORC reviews and recommends to GRC, the Bank's business resilience for each area it oversees.

All figures in US$ Million

24 RISK MANAGEMENT (continued)

24.11 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress conditions. To mitigate this risk, the Group seeks to fund its assets from diversified funding sources. In order to mitigate the liquidity risk, in addition to its core deposit base, maintains an adequate pool of high-quality liquid assets (HQLA) that can be monetized within a short timeframe to meet potential outflows arising from stress. The Group monitors its future cash flows and liquidity daily. This incorporates an assessment of expected cash flows and the availability of high-grade collateral which could be used to secure additional funding if required.

The Group maintains a highly liquid balance sheet with positive asset-liability mismatches. As such, the Group is generally in a position of surplus liquidity, its principal sources of liquidity being its deposit base, liquidity derived from its operations and interbank borrowings. The Liquidity Survival Horizon (LSH) represents the number of days the Group can survive the combined contractual outflow of deposits and loan drawdowns, under severe but plausible stress scenarios.

The Group is also required to comply with the liquidity requirements as stipulated by its regulator, the CBB. These requirements relate to maintaining a minimum of 100% liquidity coverage ratio (LCR) and net stable funding ratio (NSFR). LCR is calculated as a ratio of its stock of HQLA and net outflows over the next 30 calendar days. NSFR is calculated as a ratio of 'available stable funding' to 'required stable funding'. As at 31 December 2021, the Group's LCR and NSFR were at 228% (2020: 324%) and 128% (2020: 122%) respectively.

In addition, the internal liquidity/maturity profile is generated to summarize the actual liquidity gaps versus the revised gaps based on internal assumptions.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2021 based on contractual undiscounted repayment obligations. See the next table for the expected maturities of these liabilities. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Group expects that many customers will not request repayment on the earliest date the Group could be required to pay and the table does not reflect the expected cash flows indicated by the Group's deposit retention history.

All figures in US$ Million

24 RISK MANAGEMENT (continued)

24.11 Liquidity risk (continued)

At 31 December 2021

	Within 1 month	*1 - 3 months*	*3 - 6 months*	*6 - 12 months*	*1 - 5 years*	*5-10 years*	*Over 10 years and undated*	*Total*
Financial liabilities								
Deposits from customers	**6,974**	**4,383**	**1,783**	**3,402**	**4,582**	**140**	**73**	**21,337**
Deposits from banks	**2,589**	**793**	**416**	**456**	**400**	**2**	**-**	**4,656**
Certificates of deposits	**260**	**49**	**56**	**84**	**378**	**1**	**-**	**828**
Securities sold under repurchase agreements	**607**	**352**	**140**	**226**	**703**	**-**	**-**	**2,028**
Interest payable and other liabilities	**270**	**-**	**-**	**-**	**-**	**-**	**1,182**	**1,452**
Borrowings	**-**	**-**	**38**	**75**	**296**	**941**	**93**	**1,443**
Total non-derivative undiscounted financial liabilities on statement of financial position	**10,700**	**5,577**	**2,433**	**4,243**	**6,359**	**1,084**	**1,348**	**31,744**
ITEMS OFF STATEMENT OF FINANCIAL POSITION								
Gross settled foreign currency derivatives	**3,216**	**1,489**	**1,293**	**3,757**	**4,398**	**329**	**52**	**14,533**
Guarantees	**2,546**	**-**	**-**	**-**	**-**	**-**	**-**	**2,546**

At 31 December 2020

	Within 1 month	*1 - 3 months*	*3 - 6 months*	*6 - 12 months*	*1 - 5 years*	*5-10 years*	*Over 10 years and undated*	*Total*
Financial liabilities								
Deposits from customers	5,274	4,866	1,548	2,559	3,189	90	132	17,658
Deposits from banks	1,255	1,028	437	755	146	-	-	3,621
Certificates of deposits	189	188	73	15	32	-	-	497
Securities sold under repurchase agreements	704	400	-	50	-	-	-	1,154
Interest payable and other liabilities	243	-	-	-	-	-	1,674	1,917
Borrowings	-	95	57	118	1,713	1	92	2,076
Total non-derivative undiscounted financial liabilities on statement of financial position	7,665	6,577	2,115	3,497	5,080	91	1,898	26,923
ITEMS OFF STATEMENT OF FINANCIAL POSITION								
Gross settled foreign currency derivatives	3,442	2,891	909	2,964	3,040	25	-	13,271
Guarantees	2,460	-	-	-	-	-	-	2,460

All figures in US$ Million

24 RISK MANAGEMENT (continued)

24.11 Liquidity risk (continued)

The maturity analysis of assets and liabilities analysed according to when they are expected to be recovered or settled or when they could be realised.

At 31 December 2021	*Within 1 month*	*1 -3 months*	*3 - 6 months*	*6 - 12 months*	*Total within 12 months*	*1 - 5 years*	*5-10 years*	*10 - 20 years*	*Over 20 years*	*Undated*	*Total over 12 months*	*Total*
ASSETS												
Liquid funds	2,586	-	-	-	2,586	40	-	-	-	-	40	2,626
Trading securities	31	554	3	76	664	90	107	19	4	18	238	902
Placements with banks and other financial institutions	2,520	384	47	80	3,031	-	-	-	-	-	-	3,031
Securities bought under repurchase agreements	344	111	100	143	698							698
Non-trading investments	558	837	434	642	2,471	4,440	1,270	144	8	17	5,879	8,350
Loans and advances	2,308	3,359	2,198	2,539	10,404	5,272	1,001	90	1	-	6,364	16,768
Others	-	-	-	-	-	-	-	-	-	2,522	2,522	2,522
Total assets	8,347	5,245	2,782	3,480	19,854	9,842	2,378	253	13	2,557	15,043	34,897
LIABILITIES, SHAREHOLDERS' EQUITY AND NON-CONTROLLING INTERESTS												
Deposits from customers	5,591	3,187	1,678	2,961	13,417	7,169	98	49	1	-	7,317	20,734
Deposits from banks	1,754	562	413	452	3,181	1,205	2	-	-	-	1,207	4,388
Certificates of deposit	260	46	50	74	430	294	1	-	-	-	295	725
Securities sold under repurchase agreements	606	351	139	224	1,320	691	-	-	-	-	691	2,011
Borrowings	-	-	1	2	3	182	941	-	-	85	1,208	1,211
Others	-	-	-	-	-	-	-	-	-	1,593	1,593	1,593
Shareholders' equity and non-controlling interests	-	-	-	-	-	-	-	-	-	4,235	4,235	4,235
Total liabilities, shareholders' equity and non-controlling interests	8,211	4,146	2,281	3,713	18,351	9,541	1,042	49	1	5,913	16,546	34,897
Net liquidity gap	136	1,099	501	(233)	1,503	301	1,336	204	12	(3,356)	(1,503)	-
Cumulative net liquidity gap	136	1,235	1,736	1,503		1,804	3,140	3,344	3,356	-		

Within 1 month are primarily liquid securities that can be sold under repurchase agreements. Deposits are continuously replaced with other new deposits or rollover from the same or different counterparties, based on available lines of credit.

All figures in US$ Million

24 RISK MANAGEMENT (continued)

24.11 Liquidity risk (continued)

At 31 December 2020	*Within 1 month*	*1 -3 months*	*3 - 6 months*	*6 - 12 months*	*Total within 12 months*	*1 - 5 years*	*5-10 years*	*10 - 20 years*	*Over 20 years*	*Undated*	*Total over 12 months*	*Total*
ASSETS												
Liquid funds	1,752	-	-	-	1,752	-	-	-	-	-	-	1,752
Trading securities	-	62	21	3	86	31	18	19	-	17	85	171
Placements with banks and other financial institutions	1,672	108	20	3	1,803	-	-	-	-	-	-	1,803
Securities bought under repurchase agreements	1,468	181	128	46	1,823	-	-	-	-	-	-	1,823
Non-trading investments	286	310	545	602	1,743	3,274	1,548	105	17	9	4,953	6,696
Loans and advances	3,283	2,271	1,873	2,349	9,776	5,136	672	71	1	-	5,880	15,656
Others	-	-	-	-	-	-	-	-	-	2,506	2,506	2,506
Total assets	8,461	2,932	2,587	3,003	16,983	8,441	2,238	195	18	2,532	13,424	30,407
LIABILITIES, SHAREHOLDERS' EQUITY AND NON-CONTROLLING INTERESTS												
Deposits from customers	3,952	3,351	1,491	2,475	11,269	5,750	79	75	-	-	5,904	17,173
Deposits from banks	1,148	599	391	744	2,882	714	-	-	-	-	714	3,596
Certificates of deposit	189	188	73	15	465	29	-	-	-	-	29	494
Securities sold under repurchase agreements	703	400	-	48	1,151	-	-	-	-	-	-	1,151
Borrowings	-	92	1	94	187	1,447	69	-	-	92	1,608	1,795
Others	-	-	-	-	-	-	-	-	-	2,054	2,054	2,054
Shareholders' equity and non-controlling interests	-	-	-	-	-	-	-	-	-	4,144	4,144	4,144
Total liabilities, shareholders' equity and non-controlling interests	5,992	4,630	1,956	3,376	15,954	7,940	148	75	-	6,290	14,453	30,407
Net liquidity gap	2,469	(1,698)	631	(373)	1,029	501	2,090	120	18	(3,758)	(1,029)	-
Cumulative net liquidity gap	2,469	771	1,402	1,029		1,530	3,620	3,740	3,758	-		

All figures in US$ Million

25 OPERATING SEGMENTS

For management purposes, the Group is organised into five operating segments which are based on business units and their activities. The Group has accordingly been structured to place its activities under the distinct divisions which are as follows:

- **MENA subsidiaries** cover retail, corporate and treasury activities of subsidiaries in North Africa and Levant;
- **International wholesale banking** encompasses corporate and structured finance, trade finance, Islamic banking services and syndications;
- **Group treasury** comprises treasury activities of Bahrain Head Office, New York and London;
- **ABC Brasil** primarily reflects the commercial banking and treasury activities of the Brazilian subsidiary Banco ABC Brasil S.A., focusing on the corporate and middle market segments in Brazil and its related holding Company; and
- **Other** includes activities of Arab Financial Services Company B.S.C. (c) and ila Bank.

	2021					
	MENA subsidiaries	*International wholesale banking*	*Group treasury*	*ABC Brasil*	*Other*	*Total*
Net interest income	**165**	**181**	**68**	**174**	**4**	**592**
Other operating income	**41**	**71**	**38**	**91**	**21**	**262**
Total operating income	**206**	**252**	**106**	**265**	**25**	**854**
Total operating expenses	**(121)**	**(114)**	**(23)**	**(110)**	**(74)**	**(442)**
Net operating profit (loss) before credit loss expense, taxation and unallocated operating expenses	**85**	**138**	**83**	**155**	**(49)**	**412**
Credit loss expense	**(32)**	**(36)**	**-**	**(37)**	**(1)**	**(106)**
Profit (loss) before taxation and unallocated operating expenses	**53**	**102**	**83**	**118**	**(50)**	**306**
Taxation expense on foreign operations	**(27)**	**(5)**	**(1)**	**(18)**	**-**	**(51)**
Unallocated operating expenses						**(127)**
Profit for the year						**128**
Operating assets as at 31 December 2021	**6,827**	**9,124**	**10,886**	**7,740**	**320**	**34,897**
Operating liabilities as at 31 December 2021	**5,971**	**-**	**17,635**	**6,779**	**277**	**30,662**

All figures in US$ Million

25 OPERATING SEGMENTS (continued)

	2020					
	MENA subsidiaries	*International wholesale banking*	*Group treasury*	*ABC Brasil*	*Other*	*Total*
Net interest income	121	166	70	143	16	516
Other operating income	41	53	47	(32)	21	130
Total operating income	162	219	117	111	37	646
Total operating expenses	(98)	(101)	(22)	(96)	(68)	(385)
Net operating profit / (loss) before credit loss expense, taxation and unallocated operating expenses	64	118	95	15	(31)	261
Credit loss expense	(24)	(244)	-	(59)	(2)	(329)
Profit (loss) before taxation and unallocated operating expenses	40	(126)	95	(44)	(33)	(68)
Taxation (expense) credit on foreign operations	(16)	(1)	-	111	-	94
Unallocated operating expenses						(101)
Loss for the year						(75)
Operating assets as at 31 December 2020	3,648	8,542	10,310	7,745	162	30,407
Operating liabilities as at 31 December 2020	3,053	-	16,309	6,739	162	26,263

Geographical information

The Group operates in six geographic markets: Middle East and North Africa, Western Europe, Asia, North America, Latin America and others. The following table show the external total operating income of the major units within the Group, based on the country of domicile of the entity for the years ended 31 December 2021 and 2020:

2021	***Bahrain***	***Europe***	***Brasil***	***Other***	***Total***
Total operating income	**207**	**118**	**265**	**264**	**854**
2020					
Total operating income	234	93	113	206	646

There were no revenues derived from transactions with a single external customer that amounted to 10% or more of the Group's revenue (2020: none).

All figures in US$ Million

26 REPURCHASE AND RESALE AGREEMENTS

Proceeds from assets sold under repurchase agreements at the year-end amounted to US$ 2,011 million (2020: US$ 1,151 million). The carrying value of securities sold under repurchase agreements at the year-end amounted to US$ 2,035 million (2020: US$ 1,257 million).

Amounts paid for assets purchased under resale agreements at the year-end amounted to US$ 698 million (2020: US$ 1,823 million), net of ECL allowance, and relate to customer product and treasury activities. The market value of the securities purchased under resale agreements at the year-end amounted to US$ 698 million (2020: US$ 1,957 million).

27 TRANSACTIONS WITH RELATED PARTIES

Related parties represent the ultimate parent, major shareholders, associates, directors and key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

The year-end balances in respect of related parties included in the consolidated financial statements are as follows:

	Ultimate parent	***Major shareholder***	***Directors***	***2021***	*2020*
Deposits from customers	**3,560**	**700**	**9**	**4,269**	3,982
Borrowings	**1,115**	**-**	**-**	**1,115**	1,330
Short-term self-liquidating trade and transaction-related contingent items	**347**	**-**	**-**	**347**	171

The income and expenses in respect of related parties included in the consolidated financial statements are as follows:

	2021	*2020*
Commission income	**12**	6
Interest expense	**49**	93

Compensation of the key management personnel is as follows:

	2021	*2020*
Short term employee benefits	**17**	12
Post employment benefits	**4**	5
	21	17

28 FIDUCIARY ASSETS

Funds under management at the year-end amounted to US$ 18,240 million (2020: US$ 16,579 million). These assets are held in a fiduciary capacity and are not included in the consolidated statement of financial position.

29 ISLAMIC DEPOSITS AND ASSETS

Deposits from customers, banks and borrowings include Islamic deposits of US$ 2,395 million (2020: US$ 2,243 million). Loans and advances, non-trading investments and placements include Islamic assets of US$ 887 million (2020: US$ 1,122 million), US$ 864 million (2020: US$ 842 million) and US$ 19 million (2020: US $53 million).

All figures in US$ Million

30 ASSETS PLEDGED AS SECURITY

At the reporting date, in addition to the items mentioned in note 26, assets amounting to US$ 302 million (2020: US$ 407 million) have been pledged as security for borrowings and other banking operations.

31 BASIC AND DILUTED EARNINGS PER SHARE AND PROPOSED DIVIDENDS AND TRANSFERS

31.1 Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the parent for the year by the weighted average number of shares during the year. Diluted EPS is calculated by dividing the profit attributable to shareholders of the parent by the weighted average number of shares outstanding during the year plus the weighted average number of shares that would be issued on conversion of all the dilutive potential shares into shares.

The Group's earnings for the year (before proposed dividends) are as follows:

	2021	*2020*
Profit (loss) attributable to the shareholders of the parent	**100**	(89)
Weighted average number of shares outstanding during the year (millions) for basic EPS	**3,086**	3,086
Basic and diluted earnings (loss) per share (US$)	**0.03**	(0.03)

31.2 Proposed dividends and transfers

	2021	*2020*
Proposed cash dividend for 2021 of US$ 0.01 per share (2020: nil per share)	**31**	-

32 CAPITAL ADEQUACY

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 maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

The risk asset ratio calculations as at 31 December 2021 are based on standardised measurement methodology and in accordance with the CBB Basel III guidelines.

CAPITAL BASE		***2021***	*2020*
CET 1	[a]	**3,977**	3,971
AT 1		**82**	84
Total Tier 1 capital	[b]	**4,059**	4,055
Tier 2		**265**	230
Total capital base	[c]	**4,324**	4,285

All figures in US$ Million

32 CAPITAL ADEQUACY (continued)

RISK WEIGHTED EXPOSURES

		2021	*2020*
Credit risk weighted assets and off balance sheet items		**23,017**	21,350
Market risk weighted assets and off balance sheet items		**974**	1,501
Operational risk weighted assets		**1,604**	1,632
Total risk weighted assets	[d]	**25,595**	24,483
CET 1 ratio	[a/d*100]	**15.5%**	16.2%
Tier 1 ratio	[b/d*100]	**15.9%**	16.6%
Risk asset ratio	[c/d*100]	**16.9%**	17.5%
Minimum requirement for Risk asset ratio		**12.5%**	12.5%

The Group's capital base primarily comprises:

(a) Tier 1 capital: share capital, treasury shares, reserves, retained earnings, non controlling interests, profit for the year and cumulative changes in fair value;

(b) Additional Tier 1 Capital: eligible portion of a perpetual financial instrument issued by the Bank's subsidiary; and

(c) Tier 2 capital: eligible non controlling interests and expected credit losses.

The Group has complied with all the capital adequacy requirements as set by the Central Bank of Bahrain.

33 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	1 January 2021	***Cash flow, net***	***Foreign exchange movement***	***31 December 2021***
Certificates of deposit	**494**	**234**	**(3)**	**725**
Borrowings	**1,795**	**(581)**	**(3)**	**1,211**
Total liabilities from financing activities	**2,289**	**(347)**	**(6)**	**1,936**

	1 January 2020	*Cash flow, net*	*Foreign exchange movement*	*31 December 2020*
Certificates of deposit	399	101	(6)	494
Borrowings	2,080	(272)	(13)	1,795
Total liabilities from financing activities	2,479	(171)	(19)	2,289

All figures in US$ Million

34 BUSINESS COMBINATION ON ACQUISTION

34.1 Acquisition of BLOM Bank Egypt

On 15 January 2021, the Bank entered into a sale and purchase agreement with BLOM Bank SAL, Lebanon, to acquire its 99.5% (including stake bought through mandatory tender offer) stake of BLOM Bank Egypt [S.A.E] (Blom Bank Egypt) at a proposed cash consideration valuing the Blom Bank Egypt's 100% ownership at EGP 6,700 million. As part of the agreement, there were various conditions for the completion of acquisition. These conditions included, among others, various regulatory approvals in the Kingdom of Bahrain, Egypt and Lebanon and completion of authorised capital increase of Blom Bank Egypt. All the regulatory approvals and relevant completion conditions were fulfilled and the Group completed the acquisition transaction during 2021.

The transaction has been accounted for using the acquisition method under IFRS 3 – Business Combinations (IFRS 3). The Group's subsidiaries in Egypt namely Arab Banking Corporation Egypt [S.A.E] and Blom Bank Egypt will continue operating as separate entities until the legal merger is completed which is expected to conclude during the first half of 2022 and is subject to regulatory approvals.

For the purpose of consolidated financial statements for 2021, the Bank has accounted for this acquisition using provisional fair values of the acquired assets and assumed liabilities as at the acquisition date. Adjustment to the provisional values will be finalised within twelve months of the date of acquisition as allowed by IFRS 3.

a) Purchase consideration

	Cash flow on acquisition
Net cash acquired with the subsidiary	**141**
Cash paid	**(426)**
	(285)

b) Acquisition related costs

During 2021, the Group incurred acquisition related costs on account of fees to third parties for legal, valuation and transaction services as well as costs of third party consultants working on the acquisition amounting to US$ 12 million (2020: US$ nil).

c) Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts (provisional fair values) of assets acquired and liabilities assumed at the date of acquisition.

	Provisional fair values at acquisition date
ASSETS	
Liquid funds	**141**
Trading securities	**2**
Placements with banks and other financial institutions	**897**
Securities bought under repurchase agreements	**46**
Non-trading investments	**1,078**
Loans and advances	**739**
Other assets	**56**
Premises and equipment	**90**
TOTAL ASSETS	**3,049**

All figures in US$ Million

34 BUSINESS COMBINATION ON ACQUISTION (continued)

34.1 Acquisition of BLOM Bank Egypt (continued)

c) Identifiable assets acquired and liabilities assumed (continued)

	Provisional fair values at acquisition date
LIABILITIES	
Deposits from customers	**2,262**
Deposits from banks	**5**
Certificates of deposit	**372**
Securities sold under repurchase agreements	**19**
Other liabilities	**58**
Borrowings	**3**
Total liabilities	**2,719**
Total identifiable net asset (at provisional fair values) as at acquisition date	**330**
Provisional goodwill arising from the acquisition recorded under other assets	**96**
Total purchase consideration	**426**

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favourable terms of the lease relative to market terms. The Group elected to value the non-controlling interest using its proportionate share of the Blom Bank Egypt’s identifiable net assets and was calculated at US$ 2 million.

(d) Acquired Receivables

For each class of acquired receivables, the fair value, gross contractual amounts receivable and the best estimate of the contractual cash flows not expected to be collected are as follows:

	Provisional fair value of the acquired receivables	***Gross contractual amount receivable***	***Contractual cash flows not expected to be collected***
Liquid funds	**141**	**141**	-
Trading securities	**2**	**2**	-
Placements with banks and other financial institutions	**897**	**897**	-
Securities bought under repurchase agreements	**46**	**46**	-
Non-trading investments	**1,078**	**1,079**	(1)
Loans and advances	**739**	**839**	(100)
Other financial assets	**47**	**49**	(2)
Total	**2,950**	**3,053**	**(103)**

In addition, non-receivable assets and liabilities were subject to provisional fair value adjustments, such as premises and equipment.

All figures in US$ Million

34 BUSINESS COMBINATION ON ACQUISTION (continued)

34.1 Acquisition of BLOM Bank Egypt (continued)

e) Goodwill

Goodwill calculated based on a provisional purchase price allocation has been included in the consolidated financial statements. Subsequent adjustments during the measurement period will occur as the Group completes its estimation of fair values of assets acquired and liabilities assumed. The accounting for the fair value of the acquired Blom Bank Egypt financial assets and liabilities is provisional due to the inherent complexity and judgement associated with identifying intangible assets, and determining the fair value of identified intangible assets and on-balance sheet items. The goodwill is primarily attributable to the expected future earnings of the acquired business and synergies created. Further goodwill is not allocated to the cash generating units.

f) Impact on Group's results

From the date of acquisition until 31 December 2021, Blom Bank Egypt contributed operating income of US$ 49 million and a net profit before taxation of US$ 19 million to the Group's results. If the acquisition had occurred on 1 January 2021, management estimates that operating income and net profit before taxation for the year would be US$ 119 million and US$ 43 million, respectively.

35 SUBSEQUENT EVENTS

There were no subsequent events through 13 February 2022, the date the consolidated financial statements were approved by the Board of Directors.

Group Financial Review

Group Financial Review

Bank ABC delivered outstanding results during 2021, rebounding from a challenging 2020 to deliver a net profit of US$100 million as a result of a strong performance across our core markets, supported by a pick-up in overall activity and much lower impairment charges.

In a strategic milestone for the Bank, we successfully completed the acquisition of BLOM Bank Egypt S.A.E., a leading bank in Egypt, with a national presence through 41 branches. Its incorporation with our existing Bank ABC franchise will unlock the potential of this critical regional market to support future growth and profitability for the Group.

Statement of profit or loss

The Group reported a net profit of US$100 million in 2021, with cost of risk retracing towards pre-pandemic levels. This result marks a robust turnaround from 2020, which was impacted by abnormally elevated impairment charges (ECL) related to regional fraud cases, leading to a net loss of US$89 million. This resulted in earnings per share for the year of US$0.03, compared to US$-0.03 for the previous year.

The Group's return to profitability this year demonstrates the resilience and strength in our home market and across our footprint. We accelerated our strategic transformation to build our 'bank of the future', bolstered our international operations through the strategic acquisition of a 99.5% stake in BLOM Bank Egypt (BBE), and enhanced our digital proposition through a range of key partnerships and initiatives.

Net interest income for the year was US$592 million, an increase of 15% compared to US$516 million in 2020, after absorbing the impact of declining interest rates and FX depreciation. Non-interest income jumped by 102% to US$262 million from US$130 million the previous year, mainly due to last year's income being affected by significantly higher hedging in Banco ABC Brasil.

Meanwhile, the Group's total operating income was US$854 million for the full year, a rise of 32% from US$646 million in 2020. On an underlying basis, total operating income was US$879 million for the year, an increase of 17% over US$749 million for the same period last year. This result reflected the strong recovery across most of our markets and business lines, and to some extent consolidation of BBE recently.

Operating expenses totalled US$569 million for 2021, rising by 17% from US$486 million as a result of the integration of BBE together with related acquisition expenses and with our businesses returning to normal level of activity. 2021 saw the Group's cost trajectory return to normal levels, through an unrelenting focus on cost discipline and continued investments in the Group's digital transformation and strategic initiatives.

Credit loss expenses for the year stood at US$106 million, compared with the previous year's US$329 million. Profit before taxation and income attributable to non-controlling interests was US$179 million, a turnaround from a loss of US$169 million in 2020. Taxation on operations outside Bahrain was a charge of US$51 million (2020: credit of US$94 million), resulting in the full year net profit attributable to the shareholders of the parent of US$100 million.

Sources and uses of funds

Notwithstanding the challenging conditions of the year, the Group's overall asset portfolio quality remains solid and our underwriting standards are sound.

Equity attributable to the shareholders of the parent at the end of the period was US$3,872 million, an increase of 2.8% from the US$3,767 million reported at end of 2020.

The Group's asset profile is predominantly made up of loans, securities, and placements. The loans and advances portfolio stood at US$16,768 million, 7.1% higher than the US$15,656 million posted at year-end 2020, after including the US$0.8 billion of loans and advances of BBE. Non-trading investments increased by US$1,654 million to US$8,350 million, money market placements by US$1,228 million to US$3,031 million and liquid funds by US$874 million to US$2,626 million.

Deposits from customers increased by US$3,561 million to US$20,734 million, including US$2.6 billion of BBE deposits, underscoring the confidence of our clients despite challenging economic conditions. Deposits from banks, certificates of deposit and repos totalled US$7,124 million (2020: US$5,241 million), while borrowings totalled US$1,211 million (2020: US$1,795 million).

Total assets of the Group at the end of the year stood at US$34,897 million, 14.8% higher than at US$30,407 million as at year-end 2020, primarily as a result of the inclusion of US$3 billion of BBE assets. Average assets for the year were US$32,165 million (2020: US$29,976 million) and average liabilities, including non-controlling interests, were US$28,336 million (2020: US$26,255 million).

Credit commitments, contingent items and derivatives

The notional value of the Group's consolidated off-balance sheet items stood at US$55,374 million (2020: US$39,047 million), comprising credit commitments and contingencies of US$7,736 million (2020: US$7,054 million) and derivatives of US$47,639 million (2020: US$31,993 million). The credit risk-weighted asset equivalent of these off-balance sheet items was US$3,009 million (2020: US$3,056 million).

The Group uses a range of derivative products for the purposes of hedging and servicing customer-related requirements, as well as for short-term trading purposes. The total market risk-weighted equivalent of the exposures under these categories at the end of 2021 was US$929 million (2020: US$1,458 million). No significant credit derivative trading activities were undertaken during the year.

Geographical and maturity distribution of the balance sheet

Bank ABC Group has well diversified assets, primarily across the Arab world, the Americas and Western Europe. The Group's liabilities and equity are predominantly in the Arab world (70%; vs. 68% in 2020), followed by Latin America (16%; vs. 19% in 2020), chiefly in our Brazilian subsidiary, Banco ABC Brasil.

	Financial assets		Liabilities & equity		Loans & advances	
(%)	**2021**	2020	**2021**	2020	**2021**	2020
Arab world	**48**	46	**70**	68	**43**	47
Western Europe	**10**	10	**6**	7	**12**	11
Asia	**3**	4	**1**	1	**2**	2
North America	**11**	9	**3**	3	**7**	5
Latin America	**23**	26	**16**	19	**29**	29
Others	**5**	5	**4**	2	**7**	6
	100	100	**100**	100	**100**	100

An analysis of the maturity profile of financial assets according to when they are expected to be recovered or settled, or when they could be realised, shows that at the end of 2021, 57% (2020: 57%) had a maturity of one year or less. Loans and advances maturing within one year amounted to 62% (2020: 62%). The proportion of liabilities maturing within one year was 53 % (2020: 52%).

	Financial assets		Liabilities & equity	
(%)	**2021**	2020	**2021**	2020
Within 1 month	**24**	28	**23**	20
1-3 months	**15**	10	**12**	15
3-6 months	**8**	9	**7**	7
6-12 months	**10**	10	**11**	11
Over 1 year	**36**	36	**30**	27
Undated	**7**	7	**17**	20
	100	100	**100**	100

Distribution of credit exposure

ABC Group's credit exposure (defined as the gross credit risk to which the Group is potentially exposed) as of 31 December 2021 is given below:

	Funded exposure		Credit commitments & contingent items		Derivatives*	
(US$ millions)	**2021**	2020	**2021**	2020	**2021**	2020
Customer type						
Banks	**5,497**	5,954	**1,974**	1,557	**341**	314
Non-banks	**16,496**	15,757	**5,367**	5,295	**193**	195
Sovereign	**10,360**	6,189	**395**	202	**9**	7
	32,353	27,900	**7,736**	7,054	**543**	516
Risk rating						
1 = Exceptional	**976**	1,144	**980**	462	**-**	-
2 = Excellent	**4,580**	2,664	**172**	292	**26**	8
3 = Superior	**3,179**	3,455	**250**	227	**380**	357
4 = Good	**3,165**	3,227	**872**	1,029	**66**	17
5 = Satisfactory	**8,841**	8,957	**3,161**	3,118	**45**	73
6 = Adequate	**10,941**	7,786	**2,073**	1,611	**26**	60
7 = Marginal	**388**	405	**90**	127	**-**	-
8 = Special Mention	**175**	102	**61**	157	**-**	-
9 = Substandard	**61**	151	**44**	14	**-**	1
10 = Doubtful	**47**	7	**33**	17	**-**	-
11 = Loss	**-**	2	**-**	-	**-**	-
	32,353	27,900	**7,736**	7,054	**543**	516

* Derivative exposures are computed as the cost of replacing derivative contracts represented by mark-to-market values where they are positive, and an estimate of the potential change in market values reflecting the volatilities that affect them.

Classified exposures and impairment provisions

The total of all impaired loans as at the end of 2021 was US$598 million (2020: US$864 million). ECL allowances including stage 3 provisions at the end of 2021 stood at US$691 million (2020: US$870 million).

The total of all impaired securities as at the end of 2021 was US$89 million (2020: US$89 million). ECL allowances, including stage 3 provisions, at the end of 2021 stood at US$105 million (2020: US$100 million).

The ageing analysis of impaired loans and securities is as follows:

Impaired loans

(US$ millions)	**Principal**	**Provisions**	**Net book value**
Less than 3 months	6	2	4
3 months to 1 year	29	15	14
1 to 3 years	441	365	76
Over 3 years	122	111	12
Total	598	493	106

Impaired securities

(US$ millions)	**Principal**	**Provisions**	**Net book value**
Less than 3 months	-	-	-
3 months to 1 year	-	-	-
1 to 3 years	15	12	3
Over 3 years	74	74	-
Total	89	86	3

Note: Impaired loans and off-balance sheet credits are formally defined as those in default on contractual repayments of principal or on payment of interest in excess of 90 days. In practice, however, all credits that give rise to reasonable doubt as to timely collection, whether or not they are in default as so defined, are treated as non-performing and specific provisions made, if required. Such credits are immediately placed on non-accrual status and related interest income reversed. Any release of the accumulated unpaid interest thereafter is made only as permitted by International Financial Reporting Standards.

Group capital structure and capital adequacy ratios

Bank ABC's balance sheet remains strong with capital and liquidity ratios well above the regulatory requirements. LCR and NSFR stood at 228% and 128% respectively as at year-end 2021, while liquid assets to deposits ratio maintained a healthy level at 52.5%.

The Group's capital base of US$4,324 million comprises Tier 1 capital of US$4,059 million (2020: US$4,055 million) and Tier 2 capital of US$265 million (2020: US$230 million).

The consolidated capital adequacy ratio (CAR) as at 31 December 2021, calculated in accordance with the prevailing Basel III rules, was 16.9% (2020: 17.5%), well above the 12.5% minimum set by the Central Bank of Bahrain. The CAR comprised predominantly Tier 1 ratio of 15.9% (2020: 16.6%), well above the 10.5% minimum set by the Central Bank of Bahrain.

All ABC Group subsidiaries meet the capital adequacy requirements of their respective regulatory authorities.

Factors affecting historical and/or future performance

During 2021, Bank ABC maintained focus on our strategic priorities to successfully deliver on stakeholder commitments and achieve significant strategic progress, overcoming continued disruptions across the industry and markets.

Under an uneven yet accelerating economic recovery across our markets and around the world, spurred by the global vaccination campaign, Bank ABC sustained an agile approach to ensure continued resilience.

Throughout the year, the Bank maintained a strong balance sheet, excellent liquidity, and delivered solid results, with a clear focus on strategic priorities. We further bolstered our presence in the MENA's most promising market, Egypt, through the acquisition of BLOM Bank Egypt and are well on our way to take our award-winning digital banking proposition ila to other markets in the region.

We enter 2022 building on this momentum, with a positive outlook for most of our core markets. Based on the Bank's positive performance during the year, both strategically and financially, we are ideally positioned to capitalise on opportunities and deliver further growth and value creation for our shareholders in 2022 and beyond.

Regional macroeconomic conditions

On the back of large-scale COVID-19 vaccine rollouts around the world, including very successful vaccine campaigns across the GCC, the IMF has updated it global projections to show a stronger recovery of 5.4% in 2021, from an adjusted contraction of 3.1% in 2020.

The IMF has estimated healthy growth next year at nearly 5%, albeit with downside risks. Country performances will vary widely, with advanced economies projected to continue their positive trend, while emerging markets and developing economies will be more divergent.

Our core GCC markets should see accelerating recoveries and reduced fiscal deficits, bolstered by higher oil prices, successful vaccination programmes and a return to pre-pandemic mobility patterns.

Despite the expected volatility, shareholders should take confidence in the Bank's prudent approach, sector and client stress-testing, and strength of our balance sheet, which will help us to proceed with confidence through the post-pandemic recovery period.

Inflation and supply chain pressures

The lockdown-induced slowdown in economic activity and prices in 2020 resulted in persistent price pressures, via disrupted supply chains and soaring food, commodity and energy prices. During 2021, global trade rebounded sharply but remains weighted by supply chain disruptions, which have contributed to surging inflation.

The impact on inflation rates is most apparent in advanced economies, but also in Brazil and Turkey. These pressures also look to be rising in Egypt, Tunisia and Algeria but have remained comparatively contained in the GCC to date. In the year ahead, inflationary burden should relax, as the base effects from soaring energy prices and supply chain disruption eases.

Energy prices

Global energy had a strong recovery in 2021, in line with the accelerating rebound in trade and economic activity during the year. With OPEC supply cuts having cleared previously elevated crude stocks, oil prices surged to average US$71/barrel for the year and closed the year at US$79.20/barrel, with strong momentum heading into 2022.

The consensus forecasts for 2022 see Brent Crude averaging US$75/barrel, though recent supply issues from OPEC+ coupled with tensions in Eastern Europe and the Middle East may push the average price higher for the year. This bodes well for our core oil exporting countries but adds further pressure to our energy importers, such as Tunisia and Turkey.

Volatility of financial markets and currencies

Volatility was always expected as we approached Fed tapering, but markets are also unsettled by the uncertain growth and inflation story, as well as surging energy prices and crackdowns in China.

The GCC equity market index closed 2021 with a gain of 34.9%, marking the biggest gains since 2008, with Abu Dhabi's ADX posting the world's largest gain for the year, with growth of 68.2%.

The Dollar Index ended 2021 with a gain of nearly 7% against a basket of global currencies, as investors bet the U.S. Federal Reserve will raise rates earlier than most other major economies amid surging inflation driven by COVID-19 stimulus initiatives. Emerging market currencies remain generally weaker against the US Dollar.

Managing risk attached to FX is a fundamental part of the Bank's risk management approach, which is supported by a healthy balance sheet, a conservative framework of limits and tight controls.

Low interest rates expected to rise in 2022

Interest rates remained at historic lows during 2021, resulting in continued low net interest income for Bank ABC for the year. The Group's lending and marketable securities holdings are based predominantly on floating and short-term interest rates, which generally helps to insulate them from interest rate swings.

However, to tackle rising inflation, most major central banks will continue to tighten monetary policy in 2022, and the GCC's central banks will follow the Fed's policy rate hikes. With projections of multiple interest rate hikes in the year ahead, coupled with the Fed's accelerated pace of quantitative tightening, we see the US Dollar strengthening against most global currencies.

Corporate Governance

Corporate Governance

(All figures stated in US dollars unless otherwise indicated)

Arab Banking Corporation B.S.C. ("Bank ABC") follows internationally-recognised best practice principles and guidelines, having in place a corporate governance system that provides an effective and transparent control framework that is fair and accountable.

The Central Bank of Bahrain ("CBB") licenses Bank ABC as a conventional wholesale bank. Incorporated in 1980 as a Bahrain joint stock company, Bank ABC has an authorised capital of US$3.5 billion and a paid-up capital of US$3.11 billion as at 31 December 2021 (31 December 2020: US$3.11 billion).

Bank ABC communicates all relevant information to stakeholders punctually and clearly through a variety of channels, including a well-maintained website. In particular, it reports its profits on an annual, semi-annual and quarterly basis.

At least the last five years' consolidated financial statements are available on the Bank ABC corporate website.

Shareholders

Bank ABC's shares have been listed on the Bahrain Bourse since 1990. The Central Bank of Libya ("CBL"), one of Bank ABC's founding shareholders, owns a majority of the shares. The CBL increased its shareholding to 59.37% in 2010 by participating in that year's capital increase and acquiring the Abu Dhabi Investment Authority's 17.72% shareholding. The Kuwait Investment Authority, another of Bank ABC's founding shareholder, continues to own 29.69% of the shares. Each of the foregoing shareholders is either a governmental entity or is (directly or indirectly) owned by a governmental entity in its jurisdiction of establishment. International and regional investors hold the remaining shares of Bank ABC.

The following table shows the ownership structure of Bank ABC as at 31 December 2021:

Name of Shareholder	Percentage Shareholding	Nationality
Central Bank of Libya	59.37%	Libyan
Kuwait Investment Authority	29.69%	Kuwaiti
Other shareholders with less than 5% holdings	10.94%	Various
Total	**100%**	

The following table shows the distribution of shareholdings as at 31 December 2021 and 31 December 2020.

	2021			2020		
% of shares held	**No. of shares**	**No. of shareholders**	**% of total outstanding shares**	No. of shares	No. of shareholders	% of total outstanding shares
less than 1%	**128,344,432**	**1320**	**4.1**	128,344,432	1296	4.1
1% up to less than 5%	**211,976,668**	**3**	**6.8**	211,976,668	3	6.8
5% up to less than 10%	**-**	**-**	**-**	-	-	-
10% up to less than 20%	**-**	**-**	**-**	-	-	-
20% up to less than 50%	**923,289,191**	**1**	**29.7**	923,289,191	1	29.7
50% and above	**1,846,389,709**	**1**	**59.4**	1,846,389,709	1	59.4
Total	**3,110,000,000**	**1325**	**100**	3,110,000,000	1301	100

Bank ABC's Corporate Governance Charter

In 2010, the CBB substantially updated its corporate governance requirements (particularly the CBB Rulebook's High Level Controls module) for financial institutions, which are incorporated in Bahrain (the "CBB Corporate Governance Requirements"). Such regulatory requirements largely correspond with the Corporate Governance Code of Bahrain of 2010, which the Ministry of Industry and Commerce of Bahrain issued for the first time in March 2010 (and was later amended on 19th March 2018 when the Ministry of Industry and Commerce of Bahrain issued the Decree No. (19) for 2018 concerning the issuance of the Corporate Governance Code (the Code"), The Code is applicable to all joint stock companies incorporated in Bahrain, including joint stock companies licensed by the Central Bank of Bahrain. The Board of Directors adopted the Bank ABC Corporate Governance Charter in December 2010 (the "Corporate Governance Charter"), which substantially reflects the CBB Corporate Governance Requirements and the Code as they have evolved.

Bank ABC reviews on a regular basis the Corporate Governance Charter and, whenever required, makes the necessary and appropriate amendments. The Corporate Governance Charter is displayed on the Bank ABC corporate website and deals with a number of corporate governance related matters, including:

- the role and responsibilities of the Board and its committees;
- the responsibilities of Directors to Bank ABC and the shareholders;
- the appointment, training and evaluation of the Board;
- remuneration of the Board and of Bank ABC employees;
- Bank ABC's management structure;
- communications with shareholders and the disclosure of information to relevant stakeholders; and
- the detailed mandates of each of the committees of the Board.

Recent Corporate Governance Changes

In 2021, there were no significant changes to the Corporate Governance Charter. However, there were some changes to the Group Audit Charter, Group Compliance Charter, and Group Risk Committee Charter.

The Group Risk Committee Charter was amended in May 2021 so as to reflect a number of changes to the Board Risk Committee mandate, as recommended by the Board Risk Committee, which mainly aligns the term of office of the members to coincide with the Board and enable the Group Risk Committee to conduct its meetings by the way of telephone, video conference etc.

Additionally, in November 2021, and as part of the annual review of the Group Audit Committee Charter, the Board Audit Committee Charter was updated to reflect the internal requirement of presenting the main outstanding legal cases to the Board Audit Committee semiannually as recommended by the Board Audit Committee.

Also, in December 2021, the Board Compliance Committee Charter was updated to provide that the secretary of the committee shall be appointed by the Board Compliance Committee.

Compliance with CBB Corporate Governance Requirements and the Code

Bank ABC was compliant with the CBB Corporate Governance Requirements and the Code as at 31 December 2021, save that the Chairman of the Board was not an independent Director, and the Corporate Governance Committee was comprised of less than three independent Directors (although the majority of Directors were independent) which is contrary to the non-mandatory guidance included in the CBB Corporate Governance Requirements and the Code.

BOARD OF DIRECTORS

Responsibilities of the Board

Bank ABC has previously adopted both a corporate governance charter for the Board and charters for the various Board committees (the "Bank ABC Board Mandates"). The Bank ABC Board Mandates are displayed on the Bank ABC corporate website. The Board of Directors is responsible for the overall direction, supervision and control of the Bank ABC Group. In particular, the Board's responsibilities include (but are not limited to):

a) those responsibilities assigned to the Board by the Articles of Association of Bank ABC;
b) establishing Bank ABC's objectives;
c) Bank ABC's overall business performance;
d) monitoring management performance;
e) the adoption and annual review of strategy;
f) monitoring the implementation of strategy by management;
g) causing financial statements to be prepared which accurately disclose Bank ABC's financial position;
h) convening and preparing the agenda for shareholder meetings;
i) monitoring conflicts of interest and preventing abusive related-party transactions;
j) assuring equitable treatment of shareholders, including minority shareholders;
k) the adoption and review of management structure and responsibilities;
l) the adoption and review of the systems and controls framework; and
m) overseeing the design and operation of the remuneration systems of the Bank ABC Group and ensuring that such systems are not primarily controlled by the executive management of the Bank ABC Group.

The Board meets regularly to consider key aspects of the Group's affairs, strategy and operations.

The Board exercises its responsibilities for best practice management and risk oversight mainly through the Board Risk Committee, which oversees the definition of risk/reward guidelines, risk appetite, risk tolerance standards and risk policies.

The Board is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal controls as the Board determines are necessary to enable the preparation of the consolidated financial statements that are free from any material misstatement, whether due to fraud or error.

Appointment of Directors

The shareholders appoint the Board for a term of three years, with the current term of the Board commencing on 24th March 2019 and terminating in March 2022. At the 2021 year end, there were nine Directors on the Board, with diverse and relevant skills, who worked well together as a team. Collectively, they exercised independent and objective judgement in meeting their responsibilities.

In accordance with Bank ABC's Articles of Association, a shareholder or group of shareholders holding 25% or more of the share capital may nominate Directors proportionate to their respective shareholdings. Other Directors are elected.

In accordance with the Bank ABC Board Mandates, each proposal for the election or re-election of a Director shall be accompanied by a recommendation of the Board, and a summary of the advice of the Remuneration Committee (see the description of role of the Remuneration Committee in this report).

The Board also has the power under Bank ABC's Articles of Association to appoint new directors and fill any Board vacancies that may arise, subject to such appointments being subsequently ratified by shareholders.

When a new Director is inducted, the Chairman, or Bank ABC's Legal Counsel or Compliance Officer, or other individual delegated by the Chairman, reviews the Board's role and duties with that person. In particular, they describe the legal and regulatory requirements of the Bank ABC Board Mandates, the Code and the CBB Corporate Governance Requirements. The Chairman of the Board (or other individual delegated by the Chairman of the Board) ensures that each new Director is provided with a comprehensive induction pack providing requisite materials to ensure his contribution to the Board from the beginning of his term.

Bank ABC has a written appointment agreement with each Director. This describes the Director's powers, duties, responsibilities and accountabilities, as well as other matters relating to his appointment including his term, the time commitment envisaged, the Board committee assignments (if any), Directors' remuneration and expense reimbursement entitlement, and Directors' access to independent professional advice when needed.

Biographies of the Board of Directors are included in appendix 1.

Assessment of the Board

The Bank ABC Board Mandates require that the Board evaluates its own performance each year, as well as the performance of each Board committee and individual Director. This evaluation includes:

a) assessing how the Board operates;
b) evaluating the performance of each Board committee in light of its specific purposes and responsibilities, which shall include reviews of the self-evaluations undertaken by each Board committee;
c) reviewing each Director's work, his attendance at Board and Board committee meetings, and his constructive involvement in discussions and decision making;
d) reviewing the Board's current composition against its desired composition in order to maintain an appropriate balance of skills and experience, and to ensure planned and progressive refreshing of the Board; and
e) recommendations for new Directors to replace long-standing Directors, or those Directors whose contribution to Bank ABC or its Board committees (such as the Group Audit Committee) is not adequate.

The Board has conducted an evaluation and self-assessment of its performance, and the performance of each Board committee and each individual Director in relation to the financial year ended on 31 December 2021.

Independence of Directors

The Bank ABC Board Mandates include detailed criteria to determine whether a Director should be classified as independent or not. The Bank ABC independence criteria are at least as restrictive as the formal criteria specified in the CBB Corporate Governance Requirements.

Bank ABC had four independent, non-executive Directors and five non-independent, non-executive Directors as at 31 December 2021. The CBB Corporate Governance Requirements require that at least a one-third of Bank ABC's Board of Directors is independent and also require that certain Board committees (including the Group Audit Committee, the Remuneration Committee, Group Compliance Committee, and Board Risk Committee) be comprised of a certain number of Directors, a certain proportion of independent Directors and/or that such Board committees be chaired by an independent Director. Bank ABC is now fully compliant with such requirements. The CBB Corporate Governance Requirements also state that it is preferable for the Chairman of the Board to be an independent Director, whereas the Chairman of the Board is, in fact, classified as a non-executive, non-independent Director.

As a rule, Directors do not have any direct or indirect material interest in any contract of significance with Bank ABC, or any of its subsidiaries, or any material conflicts of interest. This remained the case in 2021.

The Bank ABC Board Mandates require that any transaction that causes a Director to have a material conflict of interest must be unanimously approved by the Board (other than the relevant Director). Each Director is required to inform the entire Board of any actual, or potential, conflicts of interest in their activities with, or commitments to, other organisations as they arise, and to abstain from voting on these matters. Disclosures shall include all material facts.

Each Director has a legal duty of loyalty to Bank ABC, and can be personally sued by Bank ABC or shareholders for any violation.

Compensation & interests of Directors

The remuneration structure for the Board of Directors is determined in accordance with directors' remuneration policy (the **"Remuneration Policy"**) of Bank ABC. The Remuneration Policy is adopted by the Annual General Meeting on 21 March 2021 in accordance with Article 28 (b) of the Articles of Association of Bank ABC, based on a proposal of the Board of Directors of Bank ABC. The Remuneration Policy is intended to remain in force until 2025.

The objective of the Remuneration Policy, amongst others, is for Bank ABC to be able to (at all times) to attract, retain, and motivate Directors of skills and expertise commensurate with the complexity and diversification of its global business and be able at the same time to provide value to such Directors in return of their value to Bank ABC.

The remuneration structure for the Board of Directors is composed of a flat fee (the **"Flat Fee"**), which is easy to manage, but also competitive enough to motivate Directors' behavior and attract and retain the quality needed to run Bank ABC successfully. Such Flat Fee is composed of a monthly cash retainer (the **"Retainer"**); attendance fees payable to Directors attending different Board and Board Committee meetings (**"Attendance Fees"**); and allowances to cover travelling, accommodation and subsistence costs incurred in connection with attending Board and Board Committee meetings (**"Allowances"**).

The aggregate remuneration paid to Board members in 2021 amounted to US$1,382,000 (2020: US$1,479,240), which was divided between the three elements as follows:

	Fixed remunerations				
Name	Remunerations of the chairman and BOD	Total allowance for attending Board and committee meetings	Retainer	Others (Allowances)	**Total**
First: Independent Directors:					
Dr. Anwar Al Mudhaf	-	21,000	145,000	-	**166,000**
Mr. Bashir Omer	-	22,500	140,000	-	**162,500**
Dr. Farouk El Okdah	-	12,000	120,000	-	**132,000**
Dr. Yousef Al Awadi	-	24,000	155,000	-	**179,000**
Second: Non-Executive Directors:					
Mr. Saddek Omar El Kaber	-	10,500	150,000	-	**160,500**
Mr. Mohammad Saleem	-	16,500	140,000		**156,500**
Mr. Ali Al Ashhab	-	18,000	115,000	-	**133,000**
Mr. Khaled Al Hassoun	-	10,500	65,000	-	**75,500**
Dr. Tarik Yousef	-	21,000	135,000	-	**156,000**
Ms. Huda Al Mousa	-	6,000	55,000	-	**61,000**
Total	**-**	**162,000**	**1,220,000**	**-**	**1,382,000**

Note:

The aggregate remuneration paid to the members of the Remuneration Committee with respect to their membership of such committee for the year 2021 was US$20,000, which sum is included in the Retainer fee (2020: US$20,000).

No Director owned or traded Bank ABC shares in 2021.

Board Committees

The Board and its committees are supplied with full and timely information to enable them to discharge their responsibilities. In this respect, the Board, its committees and all Directors have access to senior management, external consultants and advisors. The Board Secretary is responsible for ensuring that the Board procedures, and applicable rules and regulations, are observed.

The Board has delegated specific responsibilities to a number of Board committees. Each such committee has its own formal written charter, which is set out in full in the Corporate Governance Charter. The main Board committees are:

- The **Board Risk Committee**, which is responsible for the review and approval of the Group's Credit and Risk Policies. The Committee reviews and makes recommendations to the Board regarding the annual risk strategy/appetite, within which business strategy, objectives and targets are formulated. The Committee delegates authority to senior management to conduct day-to-day business within the prescribed policy and strategy parameters, while ensuring that processes and controls are adequate to manage the Group's Risk Policies and Strategy. The Board Risk Committee meets not less than three times a year.
- The **Corporate Governance Committee**, which assists the Board in shaping and monitoring the Group's Corporate Governance policies and practices, reviewing and assessing the adequacy of these policies and practices, and evaluating the Group's compliance with them. The Corporate Governance Committee meets not less than once a year.
- The **Group Audit Committee**, which is responsible to the Board for the integrity and effectiveness of the Group's system of financial and internal controls. This Committee also recommends the appointment, compensation and oversight of the external auditors, as well as the appointment of the Group Chief Internal Auditor. The Group Audit Committee meets not less than four times a year.
- The **Remuneration Committee**, which is responsible for the formulation of the Group's executive and staff remuneration policy, as well as senior management appointments, ensuring that Bank ABC's remuneration levels remain competitive so it can attract, develop and retain the skilled staff needed to meet its strategic objectives. The Committee also ensures that the remuneration policy and philosophy of Bank ABC and the ABC Group are aligned with Bank ABC's long-term business strategy, business objectives, risk appetite, values and long-term interests, while recognising the interests of relevant stakeholders. The Remuneration Committee meets not less than twice per year.
- The **Group Compliance Committee**, which is responsible to the Board for monitoring compliance of the Group in the various countries in which the Group operates. The Committee also assists the Board in discharging its governance and oversight responsibilities for the Compliance risk management framework of Bank ABC and of Bank ABC's compliance with applicable laws and regulations on a group wide basis. The Group Compliance Committee meets not less than four times a year.

The Board has also delegated specific responsibilities for reviewing and overseeing the implementation of the strategy for Bank ABC and the Bank ABC Group to an ad-hoc Board Strategy Committee which shall meet as required to be effective.

As at 31 December 2021, the members of each of the Board committees were as set out in the following table:

Board Committee	Member Name	Member Position	Classification of Director
The Board Risk Committee	Mr. Bashir Omer	Chairman	Independent
	Mr. Mohammad Saleem	Member	Non-Independent
	Dr. Anwar Al Mudhaf	Member	Independent
	Dr. Yousef Al Awadi	Member	Independent
	Mr. Ali Al Ashhab	Member	Non-Independent
The Corporate Governance Committee	Dr. Farouk El Okdah	Chairman	Independent
	Mr. Mohammad Saleem	Member	Non-Independent
	Dr. Tarik Yousef	Member	Non-Independent
	Dr. Yousef Al Awadi	Member	Independent
The Group Audit Committee	Dr. Yousef Al Awadi	Chairman	Independent
	Dr. Anwar Al Mudhaf	Member	Independent
	Mr. Bashir Omer	Member	Independent
	Dr. Tarik Yousef	Member	Non-Independent
	Ms. Huda Al Mousa	Member	Non-Independent
The Remuneration Committee	Dr. Anwar Al Mudhaf	Chairman	Independent
	Mr. Ali Al Ashhab	Member	Non-Independent
	Mr. Bashir Omer	Member	Independent
The Group Compliance Committee	Dr. Yousef Al Awadi	Chairman	Independent
	Dr. Anwar Al Mudhaf	Member	Independent
	Mr. Bashir Omer	Member	Independent
	Dr. Tarik Yousef	Member	Non-Independent
	Ms. Huda Al Mousa	Member	Non-Independent

Attendance of Directors

The details of Directors' 2021 attendance at Board and Board committee meetings are set out in the following table:

Board Members	Board Meetings	The Board Risk Committee	The Corporate Governance Committee	The Group Audit Committee	The Remu-neration Committee	The Compliance Committee
Mr. Saddek Omar El Kaber Chairman Non-Independent	8(8)	N/A	N/A	N/A	N/A	N/A
Mr. Mohammad Saleem Deputy Chairman Non-Independent	6(8)	4(6)	6(7)	N/A	N/A	N/A
Mr. Ali Al Ashhab Director Non-Independent	8(8)	6(6)	N/A	N/A	1(4)[1]	N/A
Dr. Anwar Al Mudhaf Director Independent	8(8)	4(6)	N/A	6(6)	4(4)	2(6)
Mr. Bashir Omer Director Independent	8(8)	6(6)	N/A	6(6)	4(4)	6(6)
Dr. Farouk El Okdah Director Independent	7(8)	N/A	6(7)	N/A	N/A	N/A
Mr. Khaled Al Hassoun Director Non-Independent	3(8)[2]	N/A	N/A	5(6)[3]	2(4)[4]	2(6)[5]
Dr. Tarik Yousef Director Non-Independent	8(8)	N/A	7(7)	6(6)	N/A	6(6)
Dr. Yousef Al Awadi Director Independent	8(8)	6(6)	7(7)	6(6)	N/A	6(6)
Ms. Huda Al Mousa Director Non-Independent	5(8)[6]	N/A	N/A	1(6)[7]	N/A	2(6)[8]

Figures in brackets indicate the maximum number of meetings during the period of membership. "N/A" indicates that a Director was not a member of the relevant Board committee during 2021.

1 Appointed to the Remuneration Committee on 21 November 2021
2 Retired from the Board on 23 May 2021
3 Retired from the Audit Committee on 23 May 2021
4 Retired from the Remuneration Committee on 23 May 2021
5 Retired from the Compliance Committee on 23 May 2021
6 Appointed to the Board on 23 May 2021
7 Appointed to the Audit Committee on 21 November 2021
8 Appointed to the Compliance Committee on 21 November 2021

Meeting dates during 2021:

The Board and its committees meet as frequently as is necessary for them to discharge their respective responsibilities, but the Board meets no less than four times a year. The Group Audit Committee meets no less than four times a year, the Remuneration Committee meets no less than twice a year, the Board Risk Committee meets no less than three times a year, the Corporate Governance Committee meet no less than once a year, and the Group Compliance Committee meets no less than four times a year.

The Board Strategy Committee meets as required to be effective. In 2021, no meeting of the Board Strategy Committee was held. However, the Board had a dedicated session on strategy during 2021.

The details of the dates of the Board and Board committee meetings in 2021 are set out below:

	Dates of Meetings
Board	07 February 2021 21 March 2021 23 May 2021 25 July 2021 04 November 2021 20 November 2021 21 November 2021 20 December 2021
The Board Risk Committee	28 January 2021 07 April 2021 26 May 2021 23 June 2021 15 September 2021 10 November 2021
The Corporate Governance Committee	07 February 2021 18 March 2021 20 May 2021 25 July 2021 18 August 2021 18 November 2021 19 December 2021
The Group Audit Committee	31 January 2021 08 April 2021 24 June 2021 16 September 2021 11 November 2021 15 December 2021
The Remuneration Committee	06 February 2021 20 May 2021 18 November 2021 19 December 2021
The Group Compliance Committee	31 January 2021 08 April 2021 24 June 2021 16 September 2021 11 November 2021 15 December 2021

INTERNAL CONTROLS

The Board of Directors is responsible for establishing and reviewing the Group's system of internal control. The Board receives minutes and reports from the Board Risk Committee ("BRC") and the Group Audit Committee, identifying any significant issues relating to the adequacy of the Group's risk management policies and procedures, as well as reports and recommendations from the Corporate Governance Committee and the Remuneration Committee. The Board then decides what action to take.

Management informs the Board regularly about how the Group is performing versus budget, identifying major business issues and examining the impact of the external business and economic environment.

Day-to-day responsibility for internal control rests with management. The key elements of the process for identifying, evaluating and managing the significant risks faced by the Group can be summarised as:

- a well-defined management structure - with clear authorities and delegation of responsibilities, documented procedures and authority levels - to ensure that all material risks are properly assessed and controlled
- internal control policies that require management to identify major risks, and to monitor the effectiveness of internal control procedures in controlling them and reporting on them
- a robust compliance function including, but not limited to, anti-money laundering and anti-insider trading policies
- an internal audit function, exercised through Group Audit, which reports to the Group Audit Committee on the effectiveness of key internal controls in relation to the major risks faced by the Group, and conducts reviews of the efficacy of management oversight in regard to delegated responsibilities, as part of its regular audits of Group departments and business units
- a comprehensive planning and budgeting process that delivers detailed annual financial forecasts and targets for Board approval, and
- a Group Risk Management function, comprising overarching Head Office risk management committees and a dedicated risk management support group.

Management structure

The Group Chief Executive Officer, supported by Head Office management, is responsible for managing the day-to-day operations of Bank ABC. There is a clear segregation of duties in the management structure at Bank ABC.

Senior managers did not hold or trade any shares in Bank ABC during 2021.

The management organisation chart is included in appendix 2.

COMPLIANCE

Bank ABC is committed to maintaining the highest standards of ethical and professional conduct, including complying with all applicable rules and regulations. The Group Compliance Officer (GCO), together with local Heads of Compliance and Money Laundering Reporting Officers (MLROs), support the Board and Senior Management in effectively managing the compliance risks faced by the Bank. The GCO reports directly to the Group Board Compliance Committee (BCC) and the Group Chief Executive Officer (Group CEO).

The Group Compliance Oversight Committee (GCOC) is a Senior Management committee overseeing compliance risk management across the Bank. This year it has expanded its remit to oversee matters related to business reputational risk while also adding additional focus around conduct related issues. To support the GCOC, Compliance and Financial Crime Committees (CFCCs) are established in each business unit group-wide. Chaired by the heads of the local units, the CFCCs meet on at least a quarterly basis.

Reflecting the increasing requirements and expectations of regulators, correspondent banks and stakeholders, the Bank continues to invest significantly in managing compliance risks through enhancements in systems and Compliance Function capacity and capability.

The Bank's SWIFT message screening alert management is centralized within the Group Transaction Monitoring Unit (TMU). Other key activities such as the management of screening lists, changes to good guys, ongoing fine tuning of screening algorithms and system change management are also handled centrally at Head Office as part of our global compliance model. We will continue to expand and leverage this model to take advantage of the specialized skillsets and resources available at Head Office.

The Bank continues to review and finetune its financial crime compliance systems. As part of this commitment a third-party review of the Bank's screening systems was conducted during the year. The systems were deemed effective and recommendations to further enhance efficiency were implemented.

The Bank is committed to ensuring that all staff are aware of and equipped to discharge their compliance related responsibilities and to this end the Bank continues to invest in its group-wide training program. In collaboration with external industry leading vendors e-learning training is provided to new joiners and refresher courses to all staff in areas critical for compliance risk management such as conduct, financial crime and anti-bribery and corruption. To provide more in-depth knowledge to relevant stakeholders, the Bank also provides roles-based training to relevant staff.

Compliance issues are tracked via the Bank's Governance, Risk, Compliance (GRC) system. GRC is an integrated tool with operational risk and audit, providing the Bank with a holistic risk management governance capability.

EXTERNAL AUDITORS

1. In 2021, the Bank ABC Group paid its external auditors US$1,414,612 in audit fees on a global basis.
2. Non-audit services were specifically pre-approved by the Audit Committee and provided by the external auditors including, but not limited to, anti money laundering reviews, prudential information reports reviews, quarterly reviews and tax related services amount to US$128,034 on a global basis.
3. Ernst & Young have expressed their willingness to continue as the auditors of the Group for the year ending 31 December 2022. Bank ABC's management, based on evaluation of services provided by its external auditors, has recommended the appointment of Ernst & Young and a resolution proposing their reappointment will be presented at the annual general meeting to be held in March 2022.

POLICY ON THE EMPLOYMENT OF RELATIVES AND APPROVED PERSONS

Bank ABC has a Board approved Policy on Employment of Relatives and Connected Persons. This Policy aims to ensure that Bank ABC has transparency in relation to the employment of relatives and Connected Persons in order to prevent actual, or perceived, conflicts of interest.

The Policy sets out that no relatives or near relatives of any Bank ABC employee, Executive or Board Member may enter into employment with Bank ABC. Exceptional approvals may be granted by an independent panel following a full and fair selection process.

REMUNERATION POLICIES OF BANK ABC IN COMPLIANCE WITH THE REQUIREMENTS OF THE CBB

Senior management and staff receive compensation based on several fixed elements, covering: salary, allowances and benefits, as well as variable, performance-related elements.

In January 2014, the Central Bank of Bahrain (CBB) issued new rules relating to the remuneration of approved persons and material risk-takers and others, which were subsequently amended later during 2014 (the "CBB Sound Remuneration Practices"). Bank ABC has implemented remuneration policies and procedures to cover both Bank ABC and Bank ABC Islamic, which are compliant with the CBB Remuneration Rules.

Bank ABC reviewed its remuneration practices and redesigned its variable compensation scheme in order to be fully compliant with the CBB's requirements. Key changes to Bank ABC's remuneration systems and governance processes were made to comply with the CBB regulations and included:

i. Ensuring the risk framework is extensive and captured in decisions around variable pay, including confirming risk-adjustments to any bonus pool.
ii. Separating control functions from the Group bonus pool and ensuring they are measured independently from the businesses they oversee.
iii. Introducing an equity-linked vehicle in which to deliver the appropriate amount of variable remuneration for covered persons.
iv. Introducing deferral arrangements that defer the appropriate amount of variable remuneration for the Group Chief Executive Officer (GCEO), deputies, top five most highly-paid business line employees, material risk takers and approved persons.
v. Introducing clawback and malus policies that apply to variable remuneration.

While maintaining the same Variable Compensation Scheme (VCS) and bonus multiples tables, further changes to the Employees' Performance Management System were introduced in early 2016 to encourage behaviours that will help fulfil the Group's strategic goals. Variable pay now depends on a more extensive matrix of factors, rather than just the income generated. These added factors facilitate measuring the quality of the income rather than just its magnitude. In addition, other non-financial factors have also been added as part of the performance matrix.

The Remuneration Committee (RemCo) reviews and approves Bank ABC's remuneration policy structure on an annual basis. Where rules on compensation exist in other jurisdictions in which Bank ABC operates, Bank ABC's Group policy is to take necessary steps to comply with local market regulations that are applicable to our foreign subsidiaries and branches. Where no rules are applicable, ABC adopts best local market practices.

A distinct and separate bonus pool has been created to reinforce the safeguarding role and independence of staff in Control Functions, and is measured by the impact and quality of their safeguarding role. These measures are based on department-specific objectives and targets, which are independent of company financial performance.

Bank ABC conducts business within a set of overarching goals and limits that, together, define its risk appetite and tolerance. This is approved by the Board Risk Committee as part of the Group Risk Strategy, which complements the budgets and strategic plans proposed by the business. The Bank's bonus pool is subject to potential adjustments based on the review of the RemCo, in the respect of the approved risk appetite, risk tolerance and risk policies during the fiscal year.

Variable compensation and performance management are linked. Performance expectations are clearly articulated for revenue-generating, support and control functions. Individual bonus payments reflect Group, business unit and individual performance.

Bank ABC has adopted a remuneration deferral policy in line with the CBB Sound Remuneration Practices. This defers a required amount of the variable remuneration for the GCEO, deputies, top five most highly-paid business line employees, defined material risk takers and approved persons.

Bank ABC has also adopted a malus policy, which allows any form of deferred variable remuneration to be reduced or cancelled in specific and exceptional circumstances. Exceptional circumstances are defined as material events. They may include a material restatement of the Bank's financial statements, the discovery of significant failures in risk management or exposure to material financial losses at Group, business unit or individual level. In respect of unvested awards, and depending on each specific circumstance, malus may be applied to either that portion of unvested awards linked to the performance year in question or the total outstanding set of unvested awards.

A clawback policy has been introduced to allow Bank ABC to recover part, or all, of the awards already paid to an employee or former employee if a material event is discovered. Clawback provisions may be enforced upon the discovery of an employee's, or former employee's, accountability or responsibility for, or direct implication in, material events that may bring the Bank into serious disrepute. Additionally, they may be enforced in the event of individual criminal or other substantial misconduct.

The design of the Bank's reward structure aligns pay outcomes with prudent risk management and sound governance practices. The mix of an individual employee's pay, allowances and variable compensation is dictated by the nature of the role he/she holds. Variable pay for the relevant employees is delivered using a blend of cash and equity-linked instruments. It may be paid up-front in cash or deferred in accordance with the Bank's deferral policy. With Board approval, the variable pay multiples may be reviewed from time to time to ensure competitiveness with the market.

The remuneration disclosures have been reviewed and approved by the RemCo, which has confirmed they are aligned to the CBB rulebook requirements.

Bank ABC takes risk seriously. Reward practices embed and reinforce the Bank's desired risk culture, and risk behaviours directly impact variable pay, based on the following principles:

i. Financial performance is not the sole measure of performance; both quantitative and qualitative approaches are used to measure risk; bonus pools are adjusted for all types of risk, both tangible and intangible, reflecting both Group and business unit performance.

ii. Bonuses can be diminished (or nil) in light of excessive risk taking at Group, business or individual level.

iii. Bonus pools reflect the cost of capital required, and liquidity risk assumed, in the conduct of business.

In addition, Bank ABC has a process for assessing the performance of senior management against a set of pre-agreed audit, risk & compliance (ARC) objectives, which are cascaded down in the organisation. Their pay is linked to long-term profitability and sustainable value.

Pay principles

The following 'pay principles' apply at Bank ABC and govern all current and future remuneration decisions. These principles have been approved by the RemCo.

Summary

Principle	Theme
Principle 1	We pay for performance
Principle 2	We take risk seriously
Principle 3	We think long-term
Principle 4	Pay decisions are governed effectively
Principle 5	Clear and simple
Principle 6	Competitive, sustainable and affordable

Principle 1 | We pay for performance

Approach

- Performance expectations are clearly articulated for revenue-generating, support and control functions.
- Pay and performance management are linked.
- Bank ABC rewards performance that delivers its strategy, and that delivers the behaviours, cultures and ways of working that underpin doing business with the Bank.

Delivery

- Group and / or business unit underperformance can result in no bonus pool.
- Bonuses can be diminished (or nil) in light of poor Group, business unit or individual performance.
- Individual bonus payments reflect Group, business unit and individual performance.
- Group and business units are expected to meet demanding but achievable performance targets.
- Low performance ratings for any employee can result in no bonus.
- High performing business units may pay bonuses, even if the Group underperforms.
- Bank ABC differentiates high performance from average or low performance.
- Bonuses can be paid for non-profitable business units in start-up or turn-around phases.
- Bonus calculations reflect a measure of the appropriate behaviours which support doing business with Bank ABC.
- Control functions are measured on the impact and quality of their safeguarding role.
- Pay for employees engaged in control functions promotes impartiality and objectivity – it ensures that all employees at Bank ABC take risk seriously.
- Bonuses can be paid to control function employees who exercise their roles effectively, even in light of poor Group or business unit performance.

Principle 2 | We take risk seriously

Approach

- Reward practices embed and reinforce Bank ABC's desired risk culture.
- Risk behaviours directly impact variable pay.

Delivery

- Financial performance is not the sole measure of performance.
- Bonuses can be diminished (or nil) in light of excessive risk taking at Group, business or individual level.
- Bonus pools reflect the cost of capital required, and liquidity risk assumed, in the conduct of business.
- Bonus pools are adjusted for all types of risk, both tangible and intangible, which are reflected in both Group and business unit performance.
- Both quantitative and qualitative approaches are used to measure risk.
- Pay for material risk takers is significantly weighted towards variable pay.
- Material risk takers' performance is rewarded using a mix of cash and equity (or an equity-linked vehicle) to reflect their influence on the Bank's risk profile.
- Risk behaviours of material risk takers have a direct impact on variable pay outcomes.

Principle 3 | We think long-term

Approach

- Pay is linked to long-term profitability and sustainable value.

Delivery

- Deferral mechanisms are used for approved persons / material risk takers.
- Deferral mechanisms include an equity-linked vehicle.
- 60% of variable pay for GCEO and the most highly-paid employees is deferred for three years.
- 40% of variable pay for material risk takers and approved persons (paid over BHD100,000) is deferred for three years.
- No form of guaranteed variable remuneration can be granted, except in exceptional circumstances, for a period of no more than one year following hire.
- Unvested deferred bonuses can be recovered in light of discovering past failures in risk management, or policy breaches, that led to the award originally being granted.
- Participation in deferral is reviewed on an annual basis, subject to meeting the minimum requirements under the CBB rules.

Principle 4 | Pay decisions are governed effectively

Approach

- Variable pay schemes are owned and monitored by the RemCo.
- The RemCo oversees remuneration practices across the Bank.

Delivery

- The RemCo oversees the design and delivery of variable pay across the Bank.
- The RemCo reviews and approves the Bank's remuneration policy on an annual basis.
- The GCEO and senior management do not directly own or control remuneration systems.
- The RemCo reviews and approves bonus pools and payouts across the Bank, and reviews and approves the pay proposals for material risk takers and approved persons.
- Risk and Compliance provide information to the RemCo before it determines the bonus pool and Group performance.
- HR controls remuneration policies, while line managers have suitable discretion to apply them.
- HR develops compliance and monitoring practices to actively track global compliance with Group remuneration policy.

Principle 5 | Clear and simple

Approach

- Reward communications are clear, user-friendly and written in plain language.
- The aims and objectives of the new VCS are clear and transparent.

Delivery

- Clearly communicate what is meant by malus and clawback, and the instances in which these provisions could be applied.
- Open and easy access to the variable pay policy, plan rules and relevant communications.

Principle 6 | Competitive, sustainable and affordable

Approach

- The VCS helps to attract and retain high-calibre talent.
- The VCS structure can be maintained over the long term, and its total cost is always affordable to the Bank.

Delivery

- Bonus pools vary year-on-year, based on Group performance, external market conditions, the internal climate and affordability.
- Individual pay opportunities are driven by the external market and internal positioning.

Application of pay principles

Bank ABC will remunerate covered employees to attract, retain and motivate sufficient talent to safeguard the interests of the Bank and its shareholders, while ensuring the Bank avoids paying more than necessary. The remuneration systems fairly reward performance delivered within the risk appetite of the Bank, over an appropriate time horizon, to align with risk.

Variable remuneration is paid according to the scheme on the below categorisation:

- **Approved persons in business lines:** For the GCEO and the five most highly-paid business line employees, variable pay in 2019 was paid as 40% upfront cash, 10% in deferred cash and 50% in a deferred equity-linked vehicle. For the others in the same category, the pay split was 50% upfront cash, 10% upfront equity-linked vehicle, 40% deferred equity-linked vehicle.
- **Approved persons in control functions:** The variable pay for employees in this category was paid as 50% upfront cash, 10% upfront equity-linked vehicle, 40% deferred equity-linked vehicle.
- **Other material risk takers:** The variable pay for employees in this category was paid as 50% upfront cash, 10% upfront equity-linked vehicle, 40% deferred equity-linked vehicle.
- **Other staff of Bahrain operations:** The variable pay was paid fully in cash up front.

Remuneration arrangements are structured to promote sound risk behaviours. Their performance is measured against a range of financial and non-financial factors related to risk. Employees categorised as approved persons in control functions have their remuneration measured independently of the business that they oversee, so ensuring sufficient independence and authority. All variable pay is subject to malus and clawback.

Ratification of the Appointment of New Director

Ratification of the Appointment of New Director

The Board of Directors of Arab Banking Corporation (B.S.C.) (the **"Bank ABC"**) wishes to provide Shareholders with information regarding the ratification of the appointment of a new director at the annual ordinary general meeting (the **"AGM"**) to be held on 23 March 2022.

Ms. Huda Al Mousa

MBA degree in Business Management, Georgetown University.

Director of General Reserve - Asset Department at the Kuwait Investment Authority (KIA), which she joined in 2018. Ms. Huda Al Mousa is a Committee Member at State of Kuwait Debt Management Committee since 2018, and on the Board of Directors at Kuwait Credit Bank since 2019. She previously was on the board of directors at Kuwait Airways (2018-2020).

Ms. Huda joined the Board of Bank ABC in July 2021 and has more than 15 years of experience in banking, investment, and finance.

Recommendation of the Board of Directors

The Board of Directors of Bank ABC recommends to Shareholders that the appointment of Ms. Huda Al Mousa as a director of Bank ABC pursuant to Articles 19 and 20 of the Company's Articles of Association respectively be ratified by Shareholders.

Election of the members of the Board of Directors for the 14th Term

Election of the members of the Board of Directors for the 14th Term

To	**:**	**The Shareholders of Bank ABC**
Date	**:**	**March 2022**
Re	**:**	**Election of the members of the Board of Directors for the 14th Term**

1. On 16 January 2022, the Board of Directors of the Arab Banking Corporation ("Bank ABC") announced the call for nominations for election or re-election to the Board of Directors for its 14th term for a new three-year (2022-2025) term pursuant to Article 19(a) of the Articles of Association of the Bank.
2. Nominations for election or re-election to the Board of Directors in the Kingdom of Bahrain require a prior written approval from the Central Bank of Bahrain, which requires nominees to submit Application for Approved Person Status "Form 3" and include in their applications certified copies of the relevant documents. Accordingly, on 23 February 2022, the prior approval was obtained from the Central Bank of Bahrain in accordance with all relevant applicable regulations. The candidates' names and summary of their CVs were also posted on the Bank ABC's website on 1 March 2022 and on the Bahrain Bourse website on 1 March 2022, simultaneously with the publication of the general meeting agenda in line with the date of posting the invitation for the Bank ABC's General Assembly meeting.
3. Accordingly, the principal shareholders have submitted the following nominations for appointment to the Board of Directors for the upcoming term:
   - **(a)** **The Central Bank of Libya** (CBL) nominated Mr. Saddek Omar El Kaber, Dr. Tarik Yousef, and Mr. Ashraf Mukhtar.
   - **(b)** **The Kuwait Investment Authority** nominated Ms. Huda Al Mousa, and Mr. Mohammad Abdulredha Saleem.
   - **(c)** **As for the nomineess of private shareholders** subscribing to the Bank ABC's shares, Dr. Farouk El Okdah, Mr. Khalil Nooruddin, Mr. Abdullah Al Humaidhi, and Dr. Ibrahim El Danfour were nominated for election to the Board of Directors.

4. Pursuant to HC-4.4.1 of the Central Bank of Bahrain Rulebook, all listed companies undertaking board of directors' elections must comply with the board nomination requirements stipulated in HC 4.4 (Board Nominations to Shareholders), which requires that each proposal by the board to the shareholders for election or re-election of a director must include, amongst other things, a recommendation from the board and a summary of the advice of Bank ABC's Corporate Governance Committee. In this regard, Bank ABC would like to notify its shareholders of the following:

(a) The Corporate Governance Committee Recommendation:

1. Regarding the conditions for nominations to the Board of Directors of Bank ABC, the call for nominations for election or re-election to the Board of Directors was announced on 16 January 2022, which included, inter alia, the term to be served and conditions for nomination...etc. The candidates' names and CVs were posted, as mentioned in paragraph 2 above, on Bank ABC's website and on the Bahrain Bourse website.
2. With regard to the independence of directors, each of the nominees classified as independent director are new candidates, except for Dr. Farouk El Okdah, who is proposed to continue office on the Board of Directors for a third term, after it is proven to the Board of Directors that he is fit to continue office and the importance of his contribution to its activities. The four candidates nominated were approved by the Central Bank of Bahrain, as they have met the criteria set out in Section 4.1.1 (c) of Bank ABC's Corporate Governance Charter, in particular the definition of Independent Director set out in Appendix A of the Corporate Governance Charter.
3. The requirements referred to in HC-4.4.1 of the CBB Rulebook have already been complied with during the current term of office of the Board, and in particular, through the measures which were adopted by the Corporate Governance Committee during its meeting of 10 February 2022 and also subsequently through the information disclosed in Form 3 by the nominees (which included more details about their professional qualifications, other directorship held, and particulars of other positions held by each one of them…etc.). Moreover, no other information was revealed to prompt us to reconsider this conclusions and results.

4. Accordingly, the Corporate Governance Committee recommended to the Board of Directors in its meeting held on 10 February 2022 the approval of the names of the candidates to the Board of Directors for the upcoming term, whose names are listed in paragraph (b) below.

(b) The Board of Directors Recommendation:

The Board of Directors resolved to approve the recommendation of the Corporate Governance Committee at its meeting held on 13th of February 2022 regarding the approval of the names of candidates for the Board of Directors for the upcoming term, whose names are listed below. It shall be noted that the number of candidates running for election to the Board of Directors to occupy nine seats does not exceed the number of the seats of the Board. This issue is not tabled before the General Assembly to approve the election of the candidates for the Board's 14th term, namely:

1. Mr. Saddek Omar El Kaber
2. Dr. Tarik Yousef
3. Mr. Ashraf Mukhtar
4. Ms. Huda Al Mousa
5. Mr. Mohammad Abdulredha Saleem
6. Mr. Abdullah Al Humaidhi
7. Mr. Khalil Nooruddin
8. Dr. Farouk El Okdah
9. Dr. Ibrahim El Danfour

The Extraordinary General Meeting

Amending of the Articles of Association of Bank ABC

Amending of the Articles of Association of Bank ABC

To	**:**	**The Shareholders of Bank ABC**
Date	**:**	**March 2022**
Re	**:**	**Proposed changes to Bank ABC's Articles of Association**

1. Background

1.1 In 2018, the Bahrain Commercial Companies Law (the **"CCL"**) has introduced a number of changes to the provisions of CCL. One of these changes provides that the invitation to the general meeting of the company shall be made at least 21 days before the meeting (instead of 15 days) (the **"Invitation Notice Period"**). Since then, Bank ABC has observed the Invitation Notice Period.

1.2 Bank ABC's Articles of Association (the **"Bank ABC Articles"**) will, therefore, have to be amended to reflect the Invitation Notice Period (as amended under the CCL) as opposed to the old 15 days' notice period currently prescribed for under Bank ABC Articles.

1.3 Additionally, the Ministry of Industry, Commerce and Tourism (**"MOIC"**) issued the Decree No. (63) for 2021 (the **"Resolution"**) related to virtual meetings and regulating electronic voting at the AGM of joint stock companies. The Resolution was issued on 27 April 2021 and came into force on the 28 April 2021.

1.4 Article 3 of the Resolution states that in order for a company to use virtual voting, its articles of association need to permit the same. This requires Bank ABC to amend its Articles to allow for electronic voting in the future, should it be deemed appropriate.

1.5 Amending Bank ABC Articles to reflect the Invitation Notice Period and the Resolution requires the Board of Directors to convene an Extraordinary General Meeting (an **"EGM"**) to obtain the shareholders' approval to make the proposed changes.

2. Proposed changes to the Articles

2.1 With regard to the Invitation Notice Period, it is proposed that Article 39 (a) of Bank ABC Articles be amended as follows, subject to the approval of MOIC and the Central Bank of Bahrain (the **"CBB"**):

Article 39 (a)

Invitations to attend the ordinary and extraordinary general meetings shall be sent to shareholders together with an agenda at least twenty-one (21) days before the date of any such meeting.

2.2 With regard to permitting the electronic voting, it is proposed that Article 42 (c) of Bank ABC Articles be amended as follows, subject to the approval of MOIC and the CBB:

Article 42 (c)

General Meeting shall generally be held physically. General Meeting shall also be held by electronic means, and participation in the meetings can be in person with the possibility of remote attendance, except in cases where the General Meeting is held completely remotely and voting in the General Meeting shall be electronically, taking into account the conditions and requirements issued by the MOIC in this regard, or voting shall be in the manner determined by the chairman of the meeting unless the General Meeting includes items which require some particular form of voting.

3. Conclusion

In light of the above, the Board of Directors recommends that Articles 39 (a) and 42 (c) of Bank ABC's Articles of Association be amended to read as follows:

Article 39 (a)

Invitations to attend the ordinary and extraordinary general meetings shall be sent to shareholders together with an agenda at least twenty-one (21) days before the date of any such meeting.

Article 42 (c)

General meetings shall generally be held physically. General meetings shall also be held by electronic means, and participation in such meetings can be in person with the possibility of remote attendance, except in cases where the general meeting is held completely remotely and voting in the general meeting shall be electronically, taking into account the conditions and requirements issued by the Ministry of Industry, Commerce and Tourism in this regard, or voting shall be in the manner determined by the chairman of the meeting, unless the general meeting includes items which require some particular form of voting.

Completion of the AT1 Capital Securities Issuance

Completion of the AT1 Capital Securities Issuance

To	**:**	**The Shareholders of Bank ABC**
Date	**:**	**March 2022**
Re	**:**	**Issuance of convertible perpetual Tier 1 capital securities**

1. Background

1.1 At the Annual General Meeting held on 21 March 2021, Bank ABC obtained the shareholders' approval for the issuance of Basel III compliant Additional Tier 1 capital securities of up to US$500,000,000 (five hundred million), in one or more tranches (the **"Shareholders Resolution"**).

1.2 The Shareholders Resolution further approved the Board of Directors to determine the terms and conditions of the Additional Tier 1 capital securities and the commercial terms of such issuance.

1.3 At the Board Meetings held on 25 July 2021 and 22 November 2021, the Board of Directors, using its delegated powers under the Shareholders Resolution, approved the issuance of US$390,000,000 (three hundred and ninety million) Additional Tier 1 4.75% perpetual non-call six years capital securities (the **"AT1 Securities"**) to be fully subscribed by the Central Bank of Libya.

1.4 Consistent with market practice and applicable laws, the terms and conditions of the AT1 Securities include a feature that allows the AT1 Securities to be converted into ordinary shares of Bank ABC in circumstances where Bank ABC might cease to remain a going concern (the "**Loss Absorption Conversion Feature**"). In the event that the Loss Absorption Conversion Feature is triggered Bank ABC will issue shares to the subscribers of the AT1 Securities.

1.5 The documentation for the AT1 Securities is in agreed form and the Central Bank of Bahrain (the **"CBB"**) has confirmed its non-objection to it, clearing the issuance of the AT1 Securities.

1.6 To complete the issuance of the AT1 Securities, Bank ABC requires the shareholders:

(1) to approve the issuance of convertible perpetual tier 1 capital securities in accordance with CA-2.1 (regulatory capital) of the Capital Adequacy Module of Volume 1 of the CBB Rulebook (**"Capital Securities"**) of up to three hundred and ninety million United States Dollars (USD390,000,000) that will be fully subscribed by the Central Bank of Libya, and authorise the Board of Directors of

Bank ABC to take the necessary decisions regarding the profit/interest/coupon rate and issuance value, in addition to carrying out the procedures and requirements in this regard, subject to Central Bank of Bahrain's approval;

(2) to approve: (a) the waiver of the shareholders' pre-emptive rights to subscribe to the Capital Securities pursuant to Article 150 of Law No. 21 of 2001 promulgating the commercial companies law, as amended (**"Companies Law"**); and (b) in the event that the Capital Securities are to be converted into shares of the Bank pursuant to the terms of such Capital Securities, the waiver of the pre-emptive rights under Article 128 of the Companies Law to subscribe to such shares and to approve the issuance of such shares to the subscribers of the Capital Securities.

(3) to approve, empower and authorise the Group Chief Executive Officer of Bank ABC (or his delegates) to:

(a) take necessary actions related to the issuance of the Capital Securities on behalf of Bank ABC; and

(b) to negotiate, approve and sign in the name of Bank ABC whenever requisite or expedient in any such documents required to issue or authorise the issuance including signing and/or notarising (as applicable) any documents relating to any issuance including but not limited to

(i) agency agreement;

(ii) subscription agreement; and

(iii) global certificate,

and/or any powers of attorney and any documents whatsoever and generally to do each and every such act, matter or thing as required to achieve all the above.

2. Recommendation

The Board of Directors deem the issuance of the Capital Securities to be advisable and in the best interest of the Bank and the approval of the shareholders' is hereby respectfully requested.

Increase the Authorised Capital

Increase the Authorised Capital

To	**:**	**The Shareholders of Bank ABC**
Date	**:**	**March 2022**
Re	**:**	**Increase the Authorised Share Capital of Bank ABC to US$4,500,000,000**

1. Background

1.1 At the Extraordinary General Meeting held on 28 January 2010, the Shareholders approved an increase in Bank ABC's authorised share capital from US$2,500,000,000 (two billion five hundred million) to US$3,500,000,000 (three billion five hundred million).

1.2 Bank ABC's issued and fully paid-up capital currently stands at US$3,110,000,000 (three billion one hundred and ten million) leaving additional capacity of US$390,000,000 (three hundred and ninety million) of authorised but unpaid share capital (the **"Existing Buffer"**).

1.3 The proposed issuance of US$390,000,000 (three hundred and ninety million) Additional Tier 1 4.75% perpetual non-call six years capital securities (the **"AT1 Securities"**) will include a feature converting the AT1 Securities into ordinary shares at the point of non-viability (the **"Potential AT1 Securities Conversion"**). In accordance with applicable laws, the Existing Buffer will be maintained solely for the purpose of the Potential AT1 Securities Conversion during the tenor of the AT1 Securities.

1.4 To support future business growth, Bank ABC may consider the issuance of Additional Tier 1 securities or other forms of capital. Furthermore, as part of Bank ABC's detailed Recovery and Resolution Plan, Bank ABC includes a number of mitigating actions to support it in the event of a prolonged period of severe stress. One of these actions is to raise up to US$1,000,000,000 (one billion) additional capital by way of a rights issue or the issuance of Additional Tier 1 securities which may include the conversion to ordinary shares at the point of non-viability.

1.5 Given that Bank ABC's Existing Buffer will be fully allocated upon completion of the issuance of the AT1 Securities, it is proposed that the authorised share capital be increased by US$1,000,000,000 (one billion) to US$4,500,000,000 (four billion five hundred million) to support future growth and also enable flexibility of action as envisioned within Bank ABC's Recovery and Resolution Plan.

2. **Recommendation**

2.1 The Board of Directors deem the increase in the authorised share capital of the Bank to be advisable and in the best interest of the Bank.

2.2 The shareholders are respectfully requested:

(a) to approve the increase in the authorised capital of Bank ABC from three billion five hundred million United States Dollars ("USD" or "Dollar(s)") (USD3,500,000,000) to USD4,500,000,000, subject to the approval of the Central Bank of Bahrain.

(b) to authorise and empower the Group Chief Executive Officer of Bank ABC or his delegates to take the necessary action, to effect the amendment of the Memorandum and Articles of Association to increase the authorised capital, subject to the approval of the Central Bank of Bahrain.

Appendices

Appendix 1:
Board of Directors Biographies

Board of Directors Biographies

Mr. Saddek Omar El Kaber
Chairman
‡ >|<

MBA and MS in Public Accounting, University of Hartford, Connecticut, USA.

Governor of the Central Bank of Libya and Chairman of ABC International Bank plc, U.K. Previously, Mr. El Kaber was the Deputy Chief Executive Officer of ABC International Bank plc, U.K., and Chairman and General Manager of UMMA Bank, Libya. Mr. El Kaber has held past key positions in a number of banks and financial institutions including being the Deputy Chairman of the Board of Arab Banking Corporation- Algeria, Country Manager and CEO of Arab Banking Corporation-Tunisia and a Director of Arab Financial Services Company B.S.C.(c). He joined the Board of Arab Banking Corporation (B.S.C.) in December 2011. He has more than 35 years of experience in international finance and banking.

Mr. Mohammad Abdulredha Saleem
Deputy Chairman
RC GC ‡ >|<

Mr. Saleem holds a Bachelor of Business Administration in Finance from Kuwait University in 1985.

He has gained professional experience from his service over 33 years at Kuwait Investment Authority since 1986 where he held various positions including the Treasury Department Manager from 2006 to date. He has been a member of Warba Bank's Board of Directors since March 2016 to date. He currently holds the position of Vice Chairman in the Arab Banking Corporation. He served previously in the State of Kuwait as Chairman and Board Member of audit and investment committees. He has been a Chairman or a member of the board of directors in a number of companies such as Generations Fund Holding Company, Kuwait Investment Company, the Egyptian Kuwaiti Real Estate Development Company, Gulf Custody Company, Kuwait Real Estate Holding Company, Kuwait Flour Mill & Bakeries Company. He also participated in many theoretical and practical courses at leading banks and global financial institutions in areas of portfolios management, investment, and capital markets.

Ms. Huda Al Mousa
Director
AC CC ‡ >|<

MBA degree in Business Management, Georgetown University.

Director of General Reserve Asset Department at the Kuwait Investment Authority (KIA), which she joined in 2018. Ms. Huda Al Mousa also serves on the Board of Directors at Kuwait Credit Bank since 2019. She previously was on the Board of Directors at Kuwait Airways (2018-2020). She also serves as a Committee Member in the State of Kuwait Debt Management Committee and various other State level committees. Ms. Al Mousa joined the Board of Bank ABC in 2021 and has more than 15 years of experience in banking, asset management, and finance.

Dr. Anwar Ali Al Mudhaf
Director
AC RemCo RC CC ‡ §

PhD in Finance, Peter F. Drucker Graduate School of Management, Claremont Graduate University, California, USA.

Former Chairman and CEO of Al-Razzi Holding Company; Chairman of Banco ABC Brasil S.A.; Chairman of Ahli United Bank-Kuwait; Chairman of Sama Educational Company; Director of the Board of Governors of the Oxford Institute for Energy Studies. Dr. Al Mudhaf has formerly served as a Lecturer in Corporate Finance, Investment Management and Financial Institutions at Kuwait University; Chairman of the International Bank of Asia in Hong Kong; Director of the Board of Directors of the Public Institution for Social Security (PIFSS); Advisor to the Finance and Economic Affairs Committee at Kuwait's Parliament; Member of the Economic Task Force dealing with the implications of the 2008 Global Financial Crisis on Kuwait; Vice Chairman in Al Mal Investment Company; and a Director of Al Ahli Bank in Kuwait; and Member of the Board of Directors of the Public Authority for Applied Education. Dr. Al Mudhaf joined Arab Banking Corporation in 1999 and has more than 21 years of experience in banking and finance.

Dr. Yousef Abdullah Al Awadi KBE
Director

AC GC RC CC ‡ §

BA Economics, American University of Beirut, Lebanon; Post Graduate Diploma in Financial Planning, Arab Planning Institute, Kuwait; MA and PhD Economics, University of Colorado, USA.

Chief Executive Officer of YAA Consultancy, Kuwait. Previously he was the Chief Executive Officer of Gulf Bank, Kuwait, and President and CEO of the Kuwait Investment Office, London. Dr. Al Awadi is also a Director of ABC International Bank plc, UK, Chairman of Arab Banking Corporation Egypt, and a Director of Fidelity International Funds. Dr. Al Awadi has formerly served as a member of the International Advisory Board of Goldman Sachs and the Higher Planning Council in Kuwait, in addition to board directorships of many public and private sector entities regionally and internationally. In January 2005 Dr. Al Awadi was awarded the Honorary Knight Commander of the Most Excellent Order of the British Empire KBE. He joined the Board of Arab Banking Corporation (B.S.C.) in 2010 and has more than 40 years of experience in banking, international finance and investment management.

Dr. Tarik Yousef
Director

AC GC CC ‡ >|<

PhD in Economics, Harvard University, USA.

Senior Fellow in the Global Economy & Development Program at the Brookings Institution since 2006. Member of the Board of Directors of the Central Bank of Libya since 2012. Former Chief Executive Officer of Silatech between 2011 and 2015 and the Founding Dean of the Dubai School of Government between 2006 and 2010. Dr. Yousef worked at Georgetown University in Washington DC between 1998 and 2006 as Professor of Economics in the Edmund Walsh School of Foreign Service and Sheikh Al-Sabah Chair of Arab Studies at the Centre for Contemporary Arab Studies. His policy experience includes working as Economist in the Middle East and African Departments of the International Monetary Fund, Visiting Senior Economist in the Office of the Chief Economist of the Middle East and North Africa Region of the World Bank between 2002 and 2005 and Senior Advisor for the Millennium Project at the UN between 2004- 2005. Dr. Yousef joined the Board of Arab Banking Corporation (B.S.C.) in 2015. He has 20 years of experience in the finance and business fields.

Mr. Bashir Omer
Director
AC RC RemCo CC ‡ §

BA in Accounting, Benghazi University, Libya, MBA in Financial Management, University of Hull, U.K.

General Manager of the Libyan Long Term Investment Portfolio, Libya. Mr. Omer is also the Deputy Chairman of Arab Banking Corporation Jordan and Board Member of Pak Libya Holding Co. Previously he served on the Boards of the Libyan Foreign Bank and the Libyan Foreign Investment Co. Mr. Omer joined the Board of Arab Banking Corporation (B.S.C.) in 2014. He has more than 25 years of experience in banking, investment and finance.

Mr. Ali Al Ashhab
Director
RC RemCo ‡ >|<

MSc in Economics, The Higher Education Academy – Tripoli, Libya.

Director of the Financial Markets Department, Member of the Investment Committee at the Central Bank of Libya, and Member of the Steering Committee of the Banking system upgrade project. Previously, Mr. Al Ashhab held key positions at the Central Bank of Libya including being the Deputy Director of Investments in the Financial Markets Department, Portfolio Manager in the Reserves Department, and Assistant Head of Division in the Banking Operations Department. Mr. Al Ashhab has been with the Central Bank of Libya since 1996, and his 24 years' experience is primarily in the financial market; money and capital markets.

Dr. Farouk El Okdah
Director
GC ‡ §

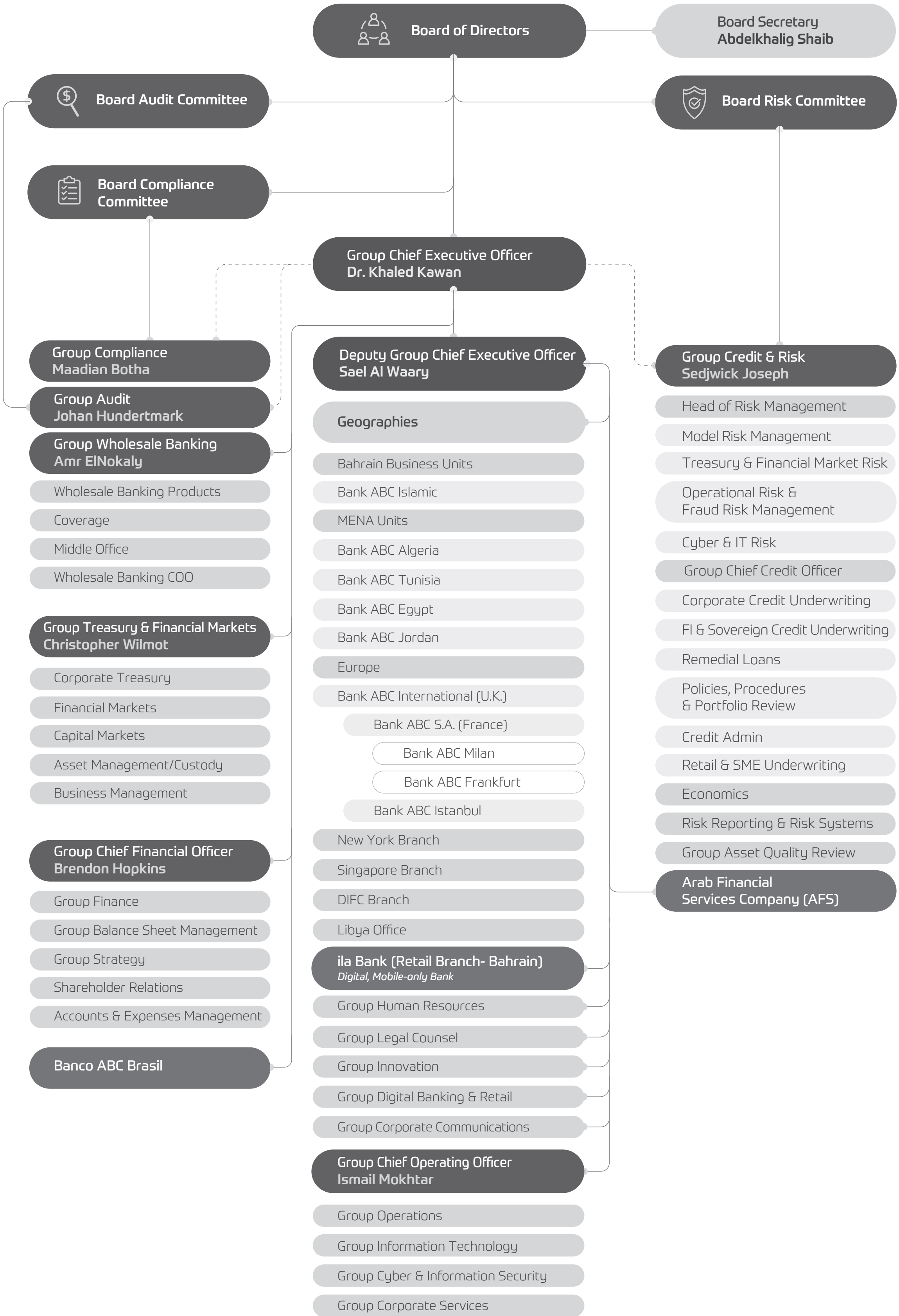
PhD in Business and Applied Economics, Wharton School, University of Pennsylvania; MBA in Finance, Wharton School, University of Pennsylvania; Master of Accounting with Honors, Cairo University; BA in Accounting, Ain Shams University, Egypt.

Former Governor and Chairman of the Central Bank of Egypt and former Chairman and CEO of the National Bank of Egypt. Dr. El Okdah was also former Vice President of Bank of New York (US). He is the Non-Executive Chairman of the National Bank of Egypt (UK) Limited, former Non-Executive Chairman of the Union de Banques Arabe et Francaises (UBAF) and former Member of the Board of Directors of Egypt Air, Egypt. Dr. El Okdah joined the Board of Arab Banking Corporation (B.S.C.) in 2014. He has more than 35 years of experience in banking and finance.

AC	Member of the Audit Committee
GC	Member of the Corporate Governance Committee
RemCo	Member of the Remuneration Committee
RC	Member of the Risk Committee
CC	Member of the Compliance Committee
‡	Non-Executive
§	Independent
>|<	Non-independent

Appendix 2:
Management Organisation Chart

Bank ABC Group Organisational Chart



Appendix 3:
Code of Conduct

Bank ABC Code of Conduct

1. ABOUT THE CODE

1.1 Introduction

Bank ABC (the "Bank", "Group" or "ABC") is committed to maintaining the highest standards of ethical and professional conduct.

This Code sets out the minimum standards of behavior that are expected across the Group from our employees, directors, senior management and contract and temporary workers (herein referred to as "employees").

This Code is supported by policies and standards that you are also expected to read and understand. It should also be read in conjunction with any supporting procedures and your employment contract.

Where local laws or regulations applicable to your Unit set stricter requirements than those detailed in this Code, you must follow them.

If you have any questions about the Code, seek advice from your line manager or Unit Head of Compliance.

1.2 Our Values

You should display behaviors that reflect our Values in your day to day activities performed on behalf of the Bank. Our Values are:

Client Centric

We are committed to knowing our clients and developing long-term relationships with them, making sure we provide them with superb services.

- Focused on building client relationships at every level
- Responding quickly to our clients, recognizing the importance of speed in today's world
- Maintaining continuous and open dialogue to identify client needs
- Identifying and delivering insights and tailored solutions

Collaborative

We work together as one team across our international network providing a superior client experience.

- Harnessing our international network footprint
- Focused on a cohesive team working across boundaries
- Putting our client's needs for cross-border service before our individual targets
- Finding new ways to conduct our business and streamline operations

Consistent

We are trusted to deliver every time in the right way, demonstrating integrity to all our stakeholders.

- Services are delivered to a high operational standard
- Reputation placed before short-term revenues
- Relentless focus on compliance with regulations and ensuring a sustainable business
- We consistently deliver on our promises to clients and to colleagues

1.3 Your Responsibilities

We rely on your personal integrity to protect our reputation.

Your responsibilities under this Code are to:

- Understand and comply with the Code
- Act fairly, honestly and with integrity when performing your duties on behalf of the Bank
- Avoid conflicts of interest
- Comply with all applicable laws and regulations
- Adhere to our policies, standards and procedures
- Observe your limits of authority when acting on behalf of the Bank
- Cooperate with any investigations, examination, litigation or inquiry related to our business
- Complete mandatory training when required
- Report any legal or regulatory proceeding that involves you personally
- Report any concerns of misconduct

Managers have a greater level of responsibility. As a manager you should also:

- Lead by example
- Promote equal opportunity and not favor or victimize any colleagues
- Help employees with ethical queries or direct them to someone who can help
- Encourage employees to report misconduct
- Protect employees from any form of retaliation if they report misconduct in good faith

We promote a culture of personal responsibility and transparency which requires you to report and discuss any actual or pending incident or risk event that you are aware of with your line manager, who may be required to further escalate the information as per the Escalation Standard.

1.4 Compliance with the Code

On joining and annually thereafter, you must acknowledge in writing or electronically that you have read and understood your obligations under the Code and the supporting policies and standards, and that you agree to comply with them.

If a situation arises where you find that you have breached this Code or any supporting policies or standards you should immediately consult your line manager and Unit Head of Compliance who will deal with the matter in a sympathetic manner and help to ensure that the breach is remedied effectively.

However, a willful breach or any failure to disclose a known breach of the Code or any supporting policies or standards could result in consequences for you and/or the Bank and may result in disciplinary action including dismissal, or in some circumstances, criminal prosecution.

1.5 Ethical Decision Making

Not every situation can be covered in the Code and our policies, standards and procedures. Here are some basic questions you can apply to help you make ethical decisions:

- Is it legal and in keeping with the spirit of the law?
- Is it consistent with our Code?
- Am I making an informed decision?
- Do I need to consult others?
- Who else could be affected by the decision?
- Could it reflect negatively on me or the Bank?
- How would it look in the media?
- Would I be embarrassed if others knew I had made this decision?
- Does it feel right?

2. OUR PEOPLE

2.1 Introduction

We recognize that our employees are our most valuable asset and essential for the success of our business. We aim to provide a safe working environment in which you are treated fairly and with respect.

2.2 Performance Management

We develop, support and embed a culture of high performance where relevant objectives are agreed, reviewed and assessed; where exceeding objectives is recognised; and where development is supported.

2.3 Equal Opportunities

We offer equal treatment to all job applicants and employees. We will not discriminate on the grounds of race, religion, color, nationality, ethnic or national origin, gender, marital status, disability or any other basis.

Discrimination, harassment, violence or bullying of any kind will not be tolerated.

It is each employee's responsibility to report any behavior that violates this Code. We take all reports seriously.

2.4 Fitness for Duty

You are responsible for ensuring you are fit and able to perform your duties when you report for work.

The use of alcohol or illegal drugs on our premises or during working hours is prohibited.

Showing signs of intoxication or consumption of illegal drugs may result in disciplinary action including termination of employment.

2.5 Safe Workplace

You have a personal responsibility while at work to take reasonable care of your own and others' health and safety.

In particular:

- Adhere to your local Fire, Health and Safety Procedures
- Ensure you understand the risks present in the daily work environment and take all reasonable precautions to prevent workplace accidents and injuries
- Immediately report any unsafe work conditions, serious accidents or 'near misses' to your line manager
- Know what to do in the event of an emergency
- Complete Health and Safety training as assigned by the Bank
- Participate in fire drills and building evacuation exercises

3. OUR CLIENTS AND THE MARKETPLACE

3.1 Introduction

The trust of our clients and the marketplace is the cornerstone of our success.

3.2 Treating Clients Fairly

Treating clients in a fair, ethical and non-discriminatory manner, throughout the life cycle of the relationship, is an integral part of our working culture. This helps to build long-term relationships with our clients.

Always make sure:

- Communications with our clients are clear, fair and not misleading
- Only to sell approved products and services that are suitable for a client
- To handle client complaints sensitively, professionally and efficiently

Never take advantage of our clients through:

- Manipulation
- Concealment
- Abuse of privileged information
- Misrepresentation of material facts
- Any other unfair practice

3.3 Insider Trading

Insider trading undermines the integrity of the financial system by creating an unfair advantage. As an employee, you may have access to non-public material information ("Inside Information") about the Bank, our clients or other companies that we do business with. Inside Information, if it were known to the public, is likely to affect the market price of a company's securities, or affect the decision of a reasonable investor to buy or sell a company's securities.

It is a criminal offence to communicate unpublished price sensitive information to anyone who is not authorised to have it, or to act on such information.

In particular do not:

- Trade securities for your own account or any account over which you exercise control when you have Inside Information relating to those securities
- Cause anyone else to trade securities by tipping them off or passing on Inside Information relating to those securities

3.4 Confidentiality

All information that you obtain through your employment with us should be considered private and confidential and for internal use only unless clearly stated otherwise by the Information Owner in writing.

You must not disclose Bank, client or any other parties' information unless you are authorised to do so or required by law. This obligation applies even after you have left employment with the Bank.

You should use the information obtained through your employment with us only to perform your duties with the Bank. You should not use confidential information obtained while employed with previous employers.

3.5 Supplier Relationships

You must ensure that all suppliers and contractors are treated fairly and that their selection is based on price, quality of service and level of exposure to outsourcing risk. There should be no personal favoritism.

Always follow our Outsourcing Standard and your local Procurement Procedures when dealing with suppliers and contractors.

3.6 Conduct with Competitors

Any information gathered on the marketplace and our competitors must be obtained only through legal and ethical channels.

You must not engage an employee of a competitor to gain proprietary information.

3.7 Public Communication

Only designated spokespersons are permitted to issue statements on behalf of the Bank. Refer to the Media Policy for more guidance.

3.8 Political Neutrality

We are politically neutral. If you wish to participate in political activities such as campaigning or making political donations, do so in your own personal capacity and not as a representative of the Bank. Such activities should not be undertaken on our premises, using the Bank's equipment or during working hours.

4. FINANCIAL CRIME

4.1 Introduction

We are committed to promoting the highest ethical and professional standards and strive to prevent the Bank from being used, intentionally or unintentionally, for financial crime.

We adhere to applicable laws, regulations and international standards. This includes the financial crime regulations issued by the Central Bank of Bahrain and by local regulators of those jurisdictions in which we operate. We also adhere to the recommendations of the Financial Action Task Force (FATF).

Financial crime includes, among others:

- Money Laundering
- Terrorist Financing
- Breach of Sanctions
- Fraud
- Bribery and Corruption
- Tax Evasion

4.2 Your Responsibilities in Combating Financial Crime

You are required to:

- Act with due care and diligence in your job role, preventing the Bank from being used as a conduit for financial crime activity
- Understand and comply with our Financial Crime Policy, Standards and Procedures
- Understand how to identify red flags indicating that a client may be seeking to engage in a relationship or transaction for other than a lawful purpose or with the proceeds of illegal activity
- Ensure sufficient customer due diligence has been conducted for new and existing client relationships, in line with the Bank's policies, standards and procedures
- Attend Financial Crime training as your job requires and achieve required pass rates
- Understand and follow applicable Sanctions restrictions and the Sanctions Policy
- Report suspicious activity immediately to your Unit MLRO
- Not "tip off" a client if you have a suspicion or if you are reporting that suspicion.

4.3 Bribery and Corruption

We take a zero-tolerance approach to bribery and corruption. This includes giving or receiving gifts, entertainment, facilitation payments or anything else of value if it is intended to obtain, or appears to give, an improper business advantage.

In many of the jurisdictions in which we operate or do business, it is a criminal offence to offer, promise, give, request, or accept a bribe, and significant penalties can be imposed if found guilty.

All gifts, entertainment and hospitality given or received with a nominal or actual value of USD100 or above should be reported in accordance with the Anti-Bribery and Corruption Standard.

4.4 Fraud

Fraud is an unlawful act – either an act or the omission of an act – that is performed by using intentionally and personally, unfair means, and sometimes even lawful means, in order to obtain, directly or indirectly, an undue tangible or intangible advantage, or a consent, or in order to escape an obligation of any nature, for its own benefit or for the benefit of a third party.

Fraud, whether attempted or realised, is unacceptable to the Bank and its employees because it is unlawful, dishonest and threatens the Bank's reputation.

You are required to immediately report any fraud event (suspected, attempted or realised) to your Unit Head of Fraud Risk or through the available whistleblowing channels (refer to the 'Raising Concerns' section of this document).

4.5 Expenses

You are responsible for the accurate and timely reporting of expenses. All expenditures must be business related and approved in accordance with the Business Travel Standard and Business Entertainment Standard. Further, you must not use your business credit card for any purpose other than appropriate business expenses.

4.6 Charities and Non-Profit Organisations

When getting involved with a charity or non-profit organisation, remember to:

- Make sure it does not interfere with your responsibilities at the Bank
- Not solicit clients, suppliers or other employees for contributions or other participation

At times we may be asked by clients or suppliers to make a contribution to a charity or non-profit organisation. All contributions must be pre-approved by the Unit Head of Compliance to ensure they do not contravene any local laws or regulations and the Donations Policy.

5. DATA PRIVACY AND PROTECTION

5.1 Introduction

We build trust by collecting, storing, and using personal data responsibly and ethically as per the relevant data protection laws and best practices. The protection of personal data is our responsibility and extends to all third parties that process personal data on our behalf.

5.2 Principles of Data Privacy and Protection

All employees are required to familiarise themselves with the Personal Data Protection Policy, and ensure personal data is:

- Processed lawfully, fairly and in a transparent manner in relation to the individuals
- Processed in accordance with the purposes that it was originally identified for
- Collected only to what is necessary in relation to the purposes for which it is processed
- Correct, accurate and rectified where necessary
- Kept for no longer than is necessary for the purposes for which it is processed
- Appropriately secured and protected to preserve its Confidentiality and Integrity

5.3 Personal Data Breaches

You are required to immediately report any personal data breaches (suspected, attempted or realised) to your Local Data Protection Coordinator.

6. PROTECTING OUR ASSETS

6.1 Introduction

You are responsible for safeguarding the Bank's assets against theft, loss, waste or abuse. They should be used for our legitimate business only.

Our assets include:

- Office furnishings, equipment and supplies
- Software, information systems and support systems either on premises or on The Cloud
- Records and data (including backup and portable media) whether stored electronically or in paper form
- Cash and securities
- Loans and other claims on clients and third parties
- Intellectual property
- Client relationships

6.2 Information Security

Information and information systems are vital to our business and operations. Incidents involving the loss of confidentiality, integrity or availability of information can be costly and damaging to our reputation.

We may monitor, review and disclose data that you create, store, send or receive on our systems (including approved cloud-based solutions). You should not have any expectation of personal privacy when you use our systems or infrastructure.

You must adhere to our Information Security Policy. In particular, you must not:

- Use unapproved services, tools, software or cloud-based solutions to perform your job or share information with external parties or unauthorised internal personnel

- Send confidential information outside our network without using an approved encryption or security program
- Send confidential or non-public information to your personal email account
- Copy information stored on Bank assets to external media or public cloud sites
- Share business information with external parties using unapproved communication channels
- Violate software licensing agreements or intellectual property rights
- Use the Bank's computer and network resources to commit illegal activities or use them in a manner that could be embarrassing or harmful to the Bank or detrimental to its reputation or interests
- Share your username and password with anyone or have possession of anyone else's username and password
- Try to get access to or scan systems, shared folders or network areas you are not entitled to
- Make unauthorised changes on the functionality or configuration of assets under your management or control
- Leave sensitive information unattended, including your company laptop and authorised mobile devices
- Disclose or discuss sensitive matters or proprietary or confidential information in public places, including the Internet (e.g. public email, file sharing sites, social media, etc.).
- Access approved IT services, including cloud-based solutions, from unmanaged computers or portable devices.

6.3 Intellectual Property

We own all rights, title and interest in all intellectual property that you develop during your employment with us.

Intellectual property includes strategy papers, business plans, internal policies, standards and procedures, improvements, ideas, processes or work related to the Bank.

6.4 Record Keeping

You are responsible for keeping accurate and complete records in accordance with relevant laws and regulations.

7. CONFLICT OF INTEREST

7.1 Introduction

It is important you avoid situations where personal interests conflict, or appear to conflict, with the interests of the Bank or our clients.

A conflict of interest exists, or may be perceived to exist, where a personal circumstance impairs professional judgment or the ability to act in the best interest of the Bank or our clients.

7.2 Avoiding Conflicts

It is difficult to identify every situation where a conflict, or perception of a conflict, may arise. You should use good judgment and seek advice from the Unit Head of Compliance if you are unsure of the proper course of action.

Typical conflicts that may arise are:

- An outside business interest
- Hiring or working with relatives, near relatives or Connected Persons (as defined in the Employment of Relatives and Connected Persons Standard)
- Dealing on your own account or using your position in the Bank to gain an unfair advantage
- Acting for the Bank in a transaction or business relationship that involves yourself, your relatives or other people or organisations where you or your relatives have a significant personal connection or financial interest

You have a responsibility to identify and disclose any conflicts or potential conflicts of interest to your Division Head, Head of HR and Head of Compliance.

7.3 Personal Finances

Conduct your own financial affairs responsibly, with integrity and in compliance with the law, to avoid situations that could reflect unfavorably on the Bank.

In general, you may not:

- Participate in personal transactions with colleagues, clients or suppliers, including investment activities (unless part of a Bank sponsored investment plan)
- Borrow from or lend money to your colleagues, clients or suppliers (except nominal amounts e.g. for lunch)

8. SOCIAL MEDIA GUIDELINES FOR STAFF

All employees are required to familiarise themselves with the Media Policy, and display utmost caution while interacting with the media and external parties regarding all matters related to the Bank and its business.

You are required to follow the below guidelines:

- Do not share confidential information: Do not post anything confidential about the Bank or any information that is not shared by the Bank in the public domain on your personal accounts or any social media platform. You may re-share the Bank's official news and posts on your personal accounts.
- Do not speak on behalf of Bank ABC: Only official spokespeople may speak on behalf of the Bank.
- Do not open any new social media accounts on behalf of the Bank or any of its units, for internal or external audiences, without obtaining prior written consent from Group Corporate Communications.
- Treat your audiences with respect: Do not post hate, violent, threat or racist comments that you wouldn't make at the workplace.

- Think about the repercussions of what you say: Using your public voice to tarnish or malign the reputation of the Bank and that of its stakeholders may negatively impact the business of the organization you work for.
- Personal views: When posting personal views about a subject relevant to the Bank or that of its competitors, make it clear that these views are your own.
- Association: Bear in mind that as an employee of Bank ABC you are associated with the Bank. Please ensure that your social media image is consistent with how you wish to present yourself with clients and colleagues.

9. RELATIONS WITH REGULATORS AND AUDITORS

It is our aim to achieve excellence in compliance when meeting all relevant regulatory obligations. Maintaining a strong and positive relationship with the regulators and other government organisations is essential for ensuring the continued success of our business.

You must be completely open, candid, co-operative and prompt with regulators and external and internal auditors, keeping them fully informed about matters which should reasonably be disclosed to them.

You must:

- Refer all enquiries received from regulators to your Unit Head of Compliance
- Do not contact the regulators unless authorised to do so by your Head of Compliance[1]

10. RAISING CONCERNS

We are committed to integrity, honesty and transparency in everything we do.

You are often the first person to realise that your co-workers are participating in activities that are inappropriate or contrary to the Bank's policies, standards and procedures.

If you are aware or suspect violations to the Code of Conduct, our policies, standards and procedures, applicable laws or regulations, you are obliged to promptly report such violations using the resources described below.

We treat all reports confidentially, fairly and in a timely manner. As long as you make the report in good faith you will be protected from suffering any detriment, loss of employment or victimization.

You can raise your concerns through the Bank's Hotline, email address or mailing address as mentioned in the Group Employee Whistleblowing Policy:

Hotline: +973 1754 3710

Email: gco-wb@bank-abc.com

Mail: Group Head of Compliance, Bank ABC, P.O. Box 5698, Manama, Bahrain

If you do not receive a satisfactory response you may report your concern to the Group Chief Auditor:

Telephone: +973 1754 3350

Email: ga-wb@bank-abc.com

[1] This does not prejudice your rights under the Group Employee Whistleblowing Policy