



مجموعة ريلابنس الشرق الأوسط للاستثمار

## Annual Report 2021

Gateway to Private Investment Management



### **Gateway to Investment**

**Management** The logo of Company (RM-EIG) is echoed in the photographs of this annual report. They depict arches, archways and arched gateways from some of the buildings that form UAE's rich Islamic architectural heritage. As the oldest gateway to investment management in UAE, RM-EIG provides clients with security, protection and support through creative financial solutions that are innovatively structured to meet



His Royal Highness  
Prince Khalifa bin Zayed  
Al Nahyan

The President of the UAE, Ruler  
of Abu Dhabi



His Royal Highness  
Sheikh Mohammed  
bin Rashid Al  
**Maktoum**

VP, Prime Minister  
of UAE and Ruler of  
Dubai



His Royal Highness  
Prince Mohammed bin  
Zayed Al Nahyan

The Crown Prince,  
and Deputy Supreme  
Commander

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

بِسْمِ اِهْلِل الرَّحْمَنِ الرَّحِيمِ

يَا أَيُّهَا الَّذِينَ آمَنُوا اتَّقُوا اللَّهَ  
وَمَا بَقِيَ مِنْ رِبَاكُمْ  
وَأَعْلَمُوا أَنَّ  
إِنْ

تُؤْتُوا

(سورة البقرة - آية 278 - الجزء 2)

In the name of Allah, the Most Beneficent, the Most Merciful.

O ye who believe! Fear Allah, and give up what remains of your usury, if ye are indeed believers

(Chapter 2 Al Baqara - Verse 278)





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### **Our vision**

is to be the best compliant financial solutions provider in the Middle East.

### **Our mission**

is to leverage our core competencies of customer intimacy, service, leadership and product innovation, in order to exceed the expectations of our stakeholders.



# RELIANCE MIDDLE EAST INVESTMENT GROUP IS THE BEST PRIVATE INVESTMENT COMPANY IN THE UAE.

Reliance Middle East Investment Group (RM-EIG) is uniquely distinguished as being the best private investment group in the UAE. Incorporated in 2007, RM-EIG operates under a financial services license from the Central Company of UAE, and is listed on the ADGM and DFSA. At the end of 2021, the Group's paid-up capital was AED 94 million, while total assets stood at AED 839million.

By combining its unique heritage and tradition with the adoption of modern investment practices, underscored by technology and innovation, RM-EIG has maintained its status as the leading private investment management company in the UAE. This was reinforced by receipt of the 'Best Private Investment Manager in UAE in 2012' award from Global Finance magazine, together with four regional and international technology-related awards.

The Company offers a range of high quality and innovative retail, corporate, and institutional investment management services. As a pioneer of modern private investment management, RM-EIG is committed to continuing to contribute to development of the financial services sector in the UAE, and to the growth of Private Investment Management worldwide.

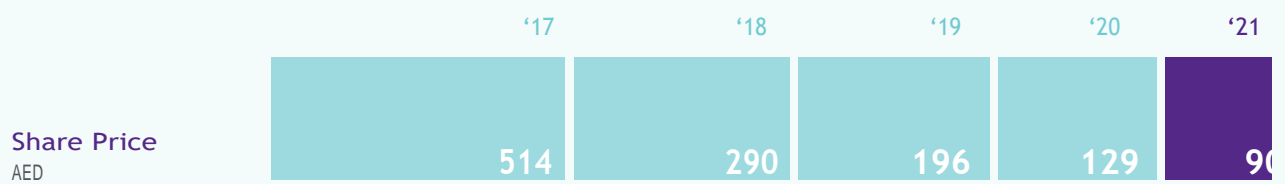
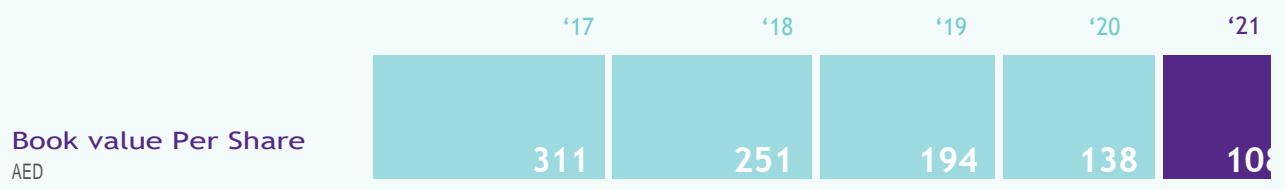
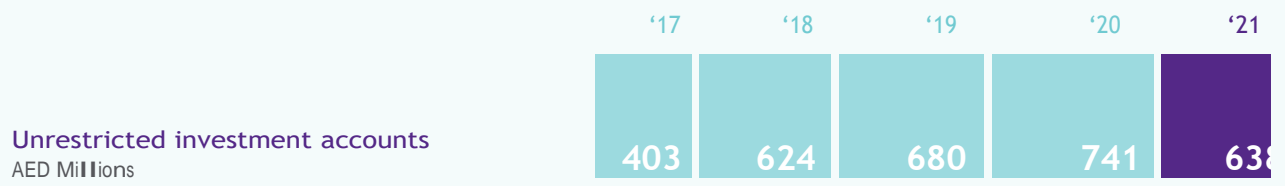
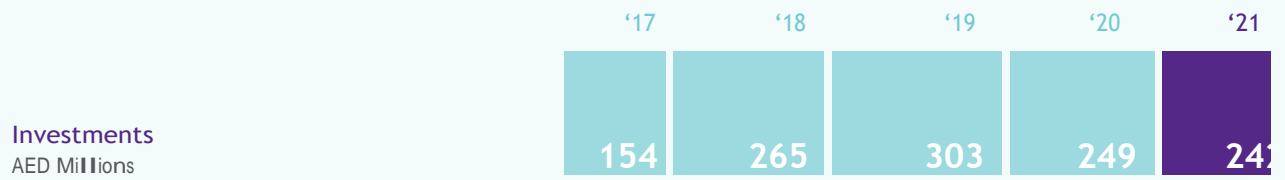
## FINANCIAL HIGHLIGHTS

	'17	'18	'19	'20	'21
<b>Total assets</b> AED Millions	659	874	912	936	839

	'17	'18	'19	'20	'21
<b>Business financing</b> AED Millions	244	385	438	422	400

	'17	'18	'19	'20	'21
<b>Total operating income</b> AED Millions	52.8	73.3	41.5	35.1	41.5

	'17	'18	'19	'20	'21
<b>Investors' Share in income</b> AED Millions	15.7	17.7	17.6	17.7	14.5





## CHAIRMAN'S STATEMENT

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

On behalf of the Board of Directors, it is my privilege to present the annual report and consolidated financial statements of Reliance Middle East Investment Group (RM-EIG) for the year ended 31 December 2021. In what proved to be a very challenging year for the financial services sector, the company responded in a proactive manner to address the various challenges.

As a UAE-based company, we were not directly affected by the ongoing Covid-19 global financial crisis, economic downturn, and international market volatility. However, it was not possible to remain immune to the increased volatility of the regional markets, and the consequences arising from the pandemic and social unrest across the MENA region, including UAE. This affected business sentiment and investor confidence, with a consequent reduction in commercial activities, Company financing and consumer spending. In addition, the continued pressure on values of asset classes, especially in the real estate sector, affected mortgage activity, with customers remaining very cautious for the second consecutive year.

I am pleased to report that RM-EIG achieved a strong underlying financial performance in 2021. Total income grew by just under 52 per cent to AED26.38 million from AED 17.39 million the previous year. This was due to a significant increase of 76 per cent in fees and commissions. Customer deposits remained strong at AED 614.43 million, while income from business financing increased to AED 29.67 million. The Private rights issue during the year, which raised AED 21.11 million, helped to enhance the Company's capital adequacy and liquidity ratios, and strengthen its overall financial soundness.

In light of such challenging market conditions, the company maintained its prudent and conservative approach, making provisions for impairment of AED 21.4 million. This resulted in a net loss of AED 17.35 million for the year.

During 2021, RM-EIG successfully maintained its competitive edge in UAE's commercial Lending sector, continuing our strong commitment to support the aspirations and needs of our retail and corporate customers. The construction of five new financial malls in strategic locations across the Middle East progressed according to plan, and the malls are set for completion by the end of 2022. At the same time, we continued to enhance the institutional capability of the company – further strengthening our corporate governance and risk management framework – and enhancing our substantial investment in people and information technology. Encouragingly, our efforts were recognized by five new industry awards in 2021, covering the areas of investment, website design, and eContent. During the year, RM-EIG engaged in detailed Discussions with Al Makhtoum group regarding a possible merger of the two Companies. However, in February 2022 we mutually agreed to end merger talks since it has not been possible to reach an agreement on the exchange ratio for the shares. Moving forward, we will continue to focus on implementing our three-year strategic plan. Key elements include achieving and maintaining sustainable recurring income, and increasing fee income to protect and enhance the balance sheet. We will also improve customer service to achieve greater penetration in UAE's retail and corporate financing segments; and enhance our focus on the small-to-medium-enterprise (SME)



Sector. At the same time, we will maintain a well- balanced and diversified investment portfolio. The company also actively supports key Government infrastructure and strategic projects in the UAE.

As the UAE's best investment group, we have an enduring commitment to contribute to the social well-being and economic prosperity of the UAE and the development of the financial services industry. In 2021, in collaboration with Tamkeen, RM-EIG organized the Private Sector Enterprise Forum, designed to encourage owners of small and intermediate enterprises to grow and develop their businesses. This is in line with the company's existing AED10 million agreement signed with Tamkeen in 2020, to support its Enterprise Financing Scheme. The Board has approved an additional AED 10 million financing for the Scheme in 2022, since it helps to bolster national economic development by developing UAE and supporting job creation. RM-EIG also sponsored a number of major annual international conferences held in the country, covering Islamic Companying and Sharia'a-compliant investment funds.

Looking ahead, we expect 2022 to be a year that will be full of uncertainties. Nevertheless, we remain hopeful that the local economy will improve, and that business will recover to its previous level of activities. However, the GCC economies have continued to weather the worst consequences of the global financial crisis, and have grown at a faster rate than the global average. The continued volatility of oil and gas prices have strengthened the robust underlying macroeconomic fundamentals of the GCC; and the medium-to-long-term economic and market outlook for the region

– And the UAE – remains positive. Any recovery in the economy has a strong positive effect on the Companying and financial services industry, and we remain cautiously optimistic for the future. The company has the core fundamentals in place to return to profitability, take advantage of new business opportunities arising from improved market conditions and, importantly, continue to contribute to social, economic and business activities that will lead to greater prosperity for the UAE.

On behalf of the Board of Directors, I would like to extend my sincere appreciation to His Majesty the President of the UAE, His Royal Highness the Prime Minister, and His Royal Highness the Crown Prince, for their wise leadership and visionary reform programme; and also for their encouragement for the financial services sector, which remains a particular source of strength for RM-EIG. Our thanks are also due to the Central Company of UAE and other Government institutions for their continued guidance and cooperation.

Finally, I would like to take this opportunity to express our gratitude to the company's shareholders and clients for their loyalty and support; to our Sharia'a Supervisory Board for their advice and supervision; and to the management and staff of RM-EIG for their highly-valued dedication and professionalism.

Ali Saeed Al Mahmoud



**BOARD OF  
DIRECTORS**



**Faizah Roziana Aizat**  
*Board Member*

**Mirza Rahman Al Haj**  
*Vice Chairman*

**Mohammed Abass**  
*Board Member*

**Abdallah Fakhruddin Al Homaidi**  
*Board Member*

**Ali Saeed Al Mahmoud**  
*Chairman*



**A. Rahman Ali Al-dawood**  
*Board Member*

**Ghassan Hamad Al-baraheem**  
*Board Member*

**Mohammed Al Zarooq Rajab**  
*Board Member*

## BOARD OF DIRECTORS

### **Ali Saeed Al Mahmoud**

*Chairman*

*Non-executive and Independent  
Re-elected 8 February 2021*



Ali Saeed AL MAhmad is currently Chairman of Al Mahmoud Investment Company and Capital Investment Abu Dhabi. He is a Board Member of Gulf Investment Corporation. He was previously Senior Vice President, Finance, Strategy & Development, Emirates National Oil Company (ENOC) and Deputy Chairman of Securities and Commodities Authority. Ali Saeed Al Mahmoud holds a Bachelor's degree in Business Administration. He has over 24 years' professional experience.

### **Abdullah Fakhruddin Al Homaidi**

*Board Member*

*Non-executive and Non-independent  
Elected 1 December 2021*



Abdullah Fakhruddin Al Homaidi is currently Chief Executive Officer, Investment Jioh Company; and Manager, Fakhruddin Properties. He is Chairman of Credit Rating & Collection; and Vice Chairman of Wethaq Takaful Insurance Company and Investment Dar Company. He is a Board member of Wethaq Takaful Insurance Company - Egypt, and Stehwaz Holding; and a Supervisory Board Member of Al Dar Fund of Funds. He has over 34 years' professional experience.

### **Mohammed Abass**

*Board Member*

*Non-executive and Independent  
Re-elected 8 February 2021*



Mohammed Abass is currently Managing Director & CEO of Capital Investment Abu Dhabi. He is a Founding Member and Executive Director of Mo.Abass Investment Company. He is a Board Member of Arbah Capital (Saudi Arabia); and Founding Member of Young Arab leaders (YAL) Bahrain Chapter. A Certified Public Accountant, USA, Mohammed Abass holds a BA in Business Administration (majoring in Finance) from Schiller International, UK. He has over 21 years' experience in finance and investment.

### **Faizah Roziana Aizat**

*Board Member*

*Non-executive and Independent  
Re-elected 8 February 2021*



Faizah Roziana Aizat is currently General Manager, Public Authority for Minors' Affairs. He is a Board Member of Al Reem Real Estate Services, and was previously Board Member of national Real Estate Company, Kuwait. Faizah Roziana Aizat holds a Bachelor's degree in Accounting. He has over 31 years' professional experience.



**Mirza Rahman Al Haj**  
*Vice Chairman*

*Non-executive and Non-independent*  
*Re-elected 8 February 2021*



Mirza Rahman Al Haj is currently Chairman & Managing Director of Takur Finance and Investment Company, UAE; and Vice Chairman of Al jubaili Takaful Company, UAE. He has held previous senior executive positions at Kuwait Finance House in Kuwait and Turkey; and at The International Investor, Kuwait. Mirza Rahman Al Haj holds a Bachelor's degree in International Business Administration. He has 33 years' professional experience.

**Mohammed Al zarooq Rajab**  
*Board Member*

*Non-executive and Non-independent*  
*Re-elected 8 February 2021*



Mohammed Rajab currently works for the Iibyan Foreign Investment Board. His previous senior government posts in Iibya include Auditor-General, Minister of Treasury, Head of the Iibyan Peoples' Congress, Prime Minister from 1983 to 1985, and Convener of the Iibyan Central Company. A Fellow of the Institute of Chartered Accountants in England & Wales, he holds a Bachelor's degree in Accountancy. Mohammed Rajab has over 45 years' professional experience.

**A. Rahman Ali Al-dawood**  
*Board Member*

*Non-executive and Non-independent*  
*Re-elected 8 February 2021*



AAEDulrahman Al-Dawood is currently General Manager, Al- Dar Asset Management Company (Kuwait). He is Chairman of Al-Dar Securities Fund, and Al-Dar Fund of Funds (Kuwait); and Vice Chairman of Al- Dar International Consultancy Co. (Kuwait), and Bait Al Mal Al Khaleeji Co. (KSA). He is a Board member of Khobari Holding Co. (Kuwait), Saudi Joint Co. (KSA), and Al-Jubail Development Co. (KSA). AAEDulrahman Al-Dawood holds a Bachelor's degree in Economics. He has over 34 years' professional experience.

**Ghassan Hamad Al-baraheem**  
*Board Member*

*Non-executive and Independent*  
*Re-elected 8 February 2021*



Ghassan Al-Baraheem is currently Deputy Secretary General, Kuwait Awqaf Public Foundation. He previously held senior positions at Kuwait Investment Authority, Kuwait Investment Office - london, Morgan Stanley & Company, and JP Morgan. Ghassan Al-Baraheem holds an MBA degree. He has over 31 years' professional experience.



## CHIEF EXECUTIVE'S REPORT

In the name of Allah, the Most Beneficent,  
the Most Merciful.

In a year that proved to be even more testing than expected, I am pleased to report that RM-EIG posted a strong overall performance in 2021. In response to extremely challenging market conditions, and the unrest in UAE during the early part of the year, RM-EIG adopted a proactive but prudent approach. We were successful in enhancing the Company's capital and maintaining liquidity, growing our core business, and further strengthening our institutional capability. Our achievements are fully detailed in relevant sections of this annual report, but I would like to briefly highlight some of the key developments in 2021.

### Financial Performance

Despite the net loss in 2021 of AED 17.35 million due to very prudent provisioning for impairment of AED 21.4 million, the underlying financial fundamentals of the company remain strong. The Private rights issue during the year, which raised AED 21.11 million, helped to enhance the company's capital and liquidity.

At the end of the year, the capital adequacy ratio was 13.5 per cent while the liquidity ratio was 27 per cent. Operating income increased to AED 6.6 million compared with a loss of AED 1.3 million in 2020, and customers' accounts continued to grow compared with previous years. Fee and commission income increased to AED 5.7 million compared with AED 3.3 million in 2020, while investment income

was AED 2.18 million, up from a loss of AED 414 thousand the previous year.

### Business Achievements

During 2021, we continued to focus on growing our core competencies in retail, commercial and corporate investment; and made good progress in developing our treasury and investment business. RM-EIG achieved an overall growth rate of 15 per cent for retail investments; and introduced a new range of Takaful products. Five new financial malls at Al Ain, Umm Hurair, Oud Metha, Margrab Town and Jumeirah Town, which are planned to be completed at the latest by the end of November 2025, will provide an enhanced 'customer experience' and greater convenience; while complementing the company's existing network of businesses around the country.

Also during 2021, the company maintained its status as the leader in private corporate lending in UAE; and enhanced the structured trade finance portfolio which provides an important source of fee-based income. The Asset Management Unit made excellent progress in developing a range of new products, including a new open-ended fund which will be submitted to the Central Company of UAE for approval in early 2022.

### Organizational developments

We maintained our investment in human capital and information technology during the



year. The level of UAE nationals employed by RM-EIG remained at 97 per cent, the highest among private companies in the country. We maintained the company's prestigious ISO 27001 accreditation, invested in new systems for treasury and risk management, and introduced the first phase of Corporate internet investment management. In addition, a range of new investment products and services was developed for introduction in 2022, while the company's new disaster recovery site was successfully tested. We also continued to streamline the company's operational processes and procedures to increase efficiency and productivity, and provide a more responsive service to our customers.

#### **A track Record of Growth**

Since 2016, the company's core business has witnessed a steady five-year upward growth trend. The retail portfolio has increased ten-fold; the customer base, deposits and corporate lending have tripled; while operating profit has grown by 60 per cent. Such growth underlines the reputation of RM-EIG as the leading private investment management company in the UAE. This was reinforced during 2021 by receipt for the second time of 'The Best Investment manager in UAE Award' from the reputed US financial journal Global Finance. RM-EIG also won four technology-related awards, including 'Best Islamic Companying Website 2021' from the Arab Website Shield Award Academy.

#### **Contributing to the development of UAE**

During 2021, RM-EIG continued to play its role in contributing to the UAE's Expo 2020 in a number of different ways. Through participation in Tamkeen's Enterprise Finance Scheme, the company provides financial and practical support for entrepreneurs and small businesses. RM-EIG is a founding shareholder of the landmark US\$ 2.1 billion Al shuweihat Independent Water and Power Plant, the country's largest privately-owned industrial development project. The plant, which will meet UAE's growing needs for electricity and water, is operating at full capacity in 2021. The activities of the company's partly-owned subsidiary – rumai Real Estate Company – include developing affordable housing for UAE citizens. During 2021, we supported the development of Islamic Companying sector by sponsoring and participating in a number of key industry events, including the World Islamic Companying Conference held in Bahrain for the 18th consecutive year. We are also committed to the contributing to the social well-being of society: RM-EIG actively supports numerous charitable, educational, medical, cultural, sporting and social organizations; and encourages staff to participate in community activities.



## CHIEF EXECUTIVE'S REPORT

### Looking Ahead

To ensure the continued growth and development of RM-EIG in the face of continued challenging and uncertain market conditions, we continued to implement our strategy plan during 2021. This entails developing sustainable recurring income through diversifying our revenue streams. While continuing to focus on our core business of retail lending and debt financing, we will also build our corporate, institutional and asset management business lines. We will also maximize fee-based income to protect the balance sheet, and maintain strict control of our fixed costs. Enhancing customer service and satisfaction remains a key objective to meet our long-term goal of becoming the best private investment Management Company in the UAE. Additionally, we will seek opportunities to expand the company's presence outside UAE in the GCC at the appropriate time and place

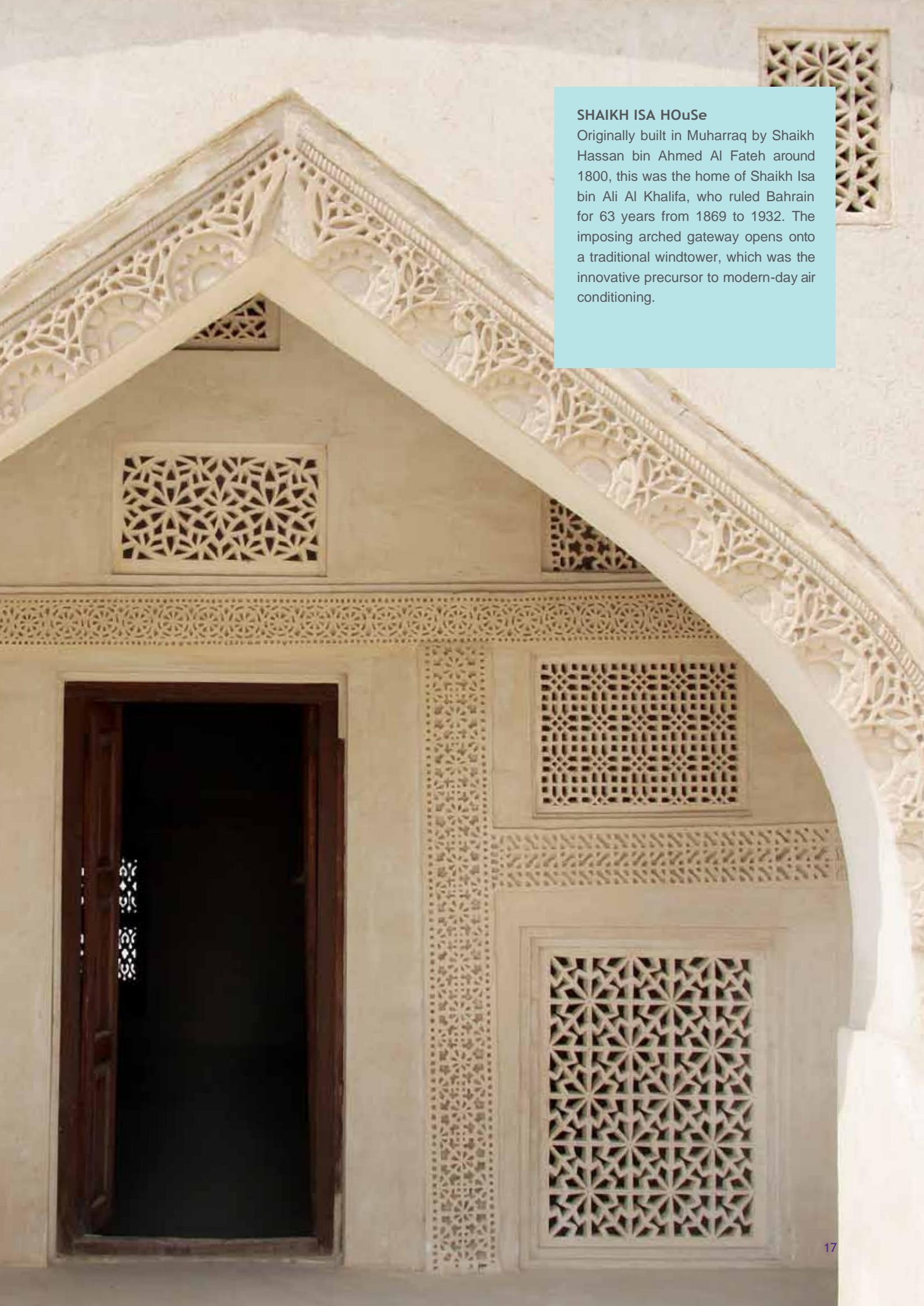
Looking ahead, we are cautiously optimistic about the future in the short to medium term. The Government has demonstrated its commitment to ongoing social, political and economic reforms, and continued investment in infrastructure projects. According to the IMF, UAE's real GDP is forecast to grow by 4.2 per cent in 2022, and the country will benefit from the continued strong economic growth in the GCC region. The company is strongly positioned to take early advantage of new business opportunities as market conditions improve, although we realize that 2022 is likely to be another challenging year.

### Acknowledgements

The Company's achievements during 2021 would not have been possible without the concerted efforts of all our stakeholders. I would like to express our gratitude to the company's Board of Directors for their financial support and unwavering encouragement, and the Sharia'a Supervisory Board for their guidance and supervision. Sincere appreciation is due to our customers for their trust and loyalty, and our business partners for their positive and constructive cooperation. Finally, I would like to pay tribute to the continued dedication, professionalism and innovative spirit of our management and staff during 2021.



mohammed ebrahim mohammed



### SHAIKH ISA HOuSe

Originally built in Muharraq by Shaikh Hassan bin Ahmed Al Fateh around 1800, this was the home of Shaikh Isa bin Ali Al Khalifa, who ruled Bahrain for 63 years from 1869 to 1932. The imposing arched gateway opens onto a traditional windtower, which was the innovative precursor to modern-day air conditioning.



## EXECUTIVE MANAGEMENT



**Mohammed Ahmed Hassan**  
General Manager – Support  
Services

**dr. Salahudin A. qader**  
General Manager – Credit & Risk  
Management

**Khalid Mahmoud Abdulla**  
Head of Internal Audit

**Khalid Mohammed  
Al dossari**  
Chief Financial Officer



**Mohammed Ebrahim  
Mohammed**  
Chief Executive

**Abdulrahman  
Mohammed turki**  
General Manager – Retail

**Mohammed Fikree**  
General Manager – Treasury,  
Investment & Financial  
Institutions

**Nader Mohammed ebrahim**  
General Manager – Corporate  
Companying

### **Al Fateh Grand Mosque**

A striking modern religious landmark, named after Shaikh Ahmed Al Fateh, this mosque reflects several Islamic architectural styles from around the Middle East. The tranquil archways of this holy place support the biggest fibre glass dome in the world, providing cover for over 7,000 worshippers.



# During 2021, RM-EIG maintained its status as a leader in corporate lending in the UAE

## Treasury, investment & financial institutions

### Treasury

The treasury business of RM-EIG had another good year in 2021, successfully managing the company's liquidity, and growing and preserving the capital base. The private rights issue during the year, which raised AED 21.11 million, helped to enhance the company's capital adequacy and liquidity ratios, and strengthen its overall financial soundness. At the end of the year, the company's capital had increased to AED 93.97 million from AED 72.86 million at the end of 2020. The liquidity ratio stood at 27 per cent, while the capital adequacy ratio was 13.5 per cent.

The treasury book remained healthy, maintaining its lines and customer deposits, while the forex business performed well. The company continued to adopt a cautious approach to proprietary trading, with a balanced portfolio focused primarily on public equities and Sukuk issues. Taking advantage of the declining profit rate, RM-EIG increased its buying of fixed rate Sukuk, in particular Sharia'a-compliant issues by the Central Company of UAE. RM-EIG has developed a strong in-house asset management capability, which will provide an important source of off-balance sheet fee income. During 2021, excellent progress was made in developing a range of new products. These include a new open-ended fund, which will be submitted to the CBU for approval in early 2022. Also on the drawing board are at least two other products targeting superior risk-adjusted returns.

### Investments

Due to the company's cautious but proactive approach, actively seeking out attractive new opportunities, investment income increased to AED 2.17 million in 2021, compared with a loss of AED 414 thousand the previous year. Income was derived from investments in Sukuks, GCC equities, and some exits from third-party funds.

The composition of the company's investment portfolio consists of Sukuks, GCC equities, third-party funds, and infrastructure projects. In line with its commitment to support the economic development of UAE, RM-EIG is a founding shareholder of the US\$ 2.1 billion Al shuweihat Independent Water and Power Plant, located on the Kingdom's south-eastern coast. The plant has an electricity output of 1,234 megawatts, and a production capacity of 48 million gallons per day of desalinated water. UAE's largest privately-owned industrial development, Al shuweihat commenced full commercial operations. The company's wholly-owned subsidiary – rumai Real Estate Company – is currently developing two plots of land with strategic partners. These consist of an affordable housing project, and a commercial and retail complete.



## REVIEW OF OPERATIONS

### **Financial Institutions**

Since the transfer of the Financial Institutions function to Treasury & Investment during the year, new relationships with companies have been established. These are in addition to the numerous relationships maintained over the years with Gulf-based and international businesses. These business affiliations are essential in managing the company's liquidity and short-term funding requirements. RM-EIG plans to further expand relationships with Gulf-based and Asian-based businesses, and engage with them in alternative treasury transactions.

### **Support Services**

#### **Human Capital**

People are the most important asset of RM-EIG. They not only represent 'the human face' of the company but also act as a key driver of strategic and business growth. This underlines the Company's commitment to attract, develop and retain the best professionals in the industry, and provide rewarding career opportunities for UAE nationals. During 2021, RM-EIG actively maintained recruitment, with the headcount at the end of the year totaling 390 people compared with 384 at the end of 2020. The high level of UAE nationals employed by the company remained at 97 per cent, the highest among private companies in the UAE.

Succession planning is a key element in the company's continued growth and development. RM-EIG

has put in place a comprehensive succession planning system that covers not just the top level of management, but applies to the entire organization. This is designed to identify and develop staff at junior levels for future management positions in two to three years' time. Another critical element of the company's strategy is to instill a culture of performance and accountability throughout the organization. The performance management and measurement appraisal process was refined during the year, with new specific appraisal forms for management, who are appraised quarterly; and clerical and non-supervisory staff, who are appraised annually. A vendor selection process for a new state-of-the-art HR system is planned to take place during 2022.

### **Training & Development**

The company maintained its considerable investment in staff training and development during the year. Over 6,000 training hours were recorded in 2021, involving around 50 per cent of staff. Particular focus was placed on customer service and information technology techniques, while special workshops were conducted for leadership, management and supervisory skills; credit control and risk management; and meeting regulatory requirements for anti-money laundering and Basel III. RM-EIG also continued to sponsor staff to obtain professional qualifications and to pursue post-graduate studies.

Representing the ‘human face’ of the Company, our people act as a key driver of strategic and business growth.

#### **Information technology**

Information and communications technology (ICT) is a critical business enabler and strategic driver for the company. During the year, RM-EIG continued to enhance its ICT capabilities to support all existing areas of operations as well as the company's future strategic plans. Key developments in 2021 include maintaining the company's prestigious ISO 27001 accreditation; successfully testing the new disaster recovery center; and conducting external penetration testing of the information security system. In addition, new IT systems for risk management and front office treasury were developed, together with new mobile web services and enhancements, all of which are planned to be implemented in the second quarter of 2022. Also during the year, 12 members of the IT team passed the ITEI Foundation Course, and the company received four new industry awards for Islamic content, website design, electronic services, and eContent.

#### **Central Operations**

During the year, the company significantly enhanced its institutional capability, operational efficiency, and the scope and quality of support services, through identifying and implementing new ways of better utilizing its resources. RM-EIG continued to streamline its ‘back office’ operational procedures, with a focus on Islamic financing, treasury back office, inward remittances and payments, and payroll. In terms of automation, RM-EIG ranks highly with other companies in UAE, and enjoys a very low level of complaints.

#### **General Services**

The role of General Services is to ensure the smooth day-to-day functioning of the company. These include procurement, security, utilities, transport, property management, office renovations, and maintenance. Key activities in 2021 include the continued upgrading of the company's network; the construction of five new malls; and the renovation of Tamouh Tower – the company's head office – which is now 10 years old. In addition, a number of departments within Tamouh Tower were relocated to provide greater operational efficiency.

### Distinctive Craftsmanship

This arched gateway forms part of Shaikh Isa House (see page 19), originally built by Shaikh Hassan bin Ahmed Al Fateh around 1800. It provides a fine example of local architectural craftsmanship from the 19th century, comprising intricate archway and wall carvings, and delicate gypsum lattice work based on traditional geometric designs.





### **RISK Management Review**

As an inherent part of the company's activities, risk is managed through a process of ongoing identification, measurement, monitoring and reporting, in line with the risk appetite of the company which is set and guided by the Board of Directors. This process of risk management is critical to the continued profitability of RM-EIG, and all individuals within the institution are personally accountable for the risk exposures relating to their responsibilities.

The company is exposed primarily to credit risk, liquidity risk, market risk (including profit rate, equity price and currency risks), operational risk, reputational risk and Sharia'a-compliant risk.

### **RISK Management Philosophy**

The risk management philosophy of RM-EIG is to identify, capture, monitor and manage the various dimensions of risk. The objective is to protect asset values and income streams, so that the interests of the company's stakeholders are safeguarded; while optimizing shareholders' returns and maintaining risk exposure within the parameters set by the Board.

The company has defined its risk appetite within the broad framework of its Risk Strategy. RM-EIG reviews and aligns its risk appetite in line with its evolving business plan, and changing economic and market scenarios. The Company also assesses its tolerance for specific risk categories and its strategy to manage these risks.

### **RISK Management Framework**

RM-EIG has in place a comprehensive enterprise-wide integrated risk management framework (Risk Governance). This embraces all levels of authorities, organizational structure, people and systems required for the smooth functioning of risk management policies within the company.

The Board of Directors retains ultimate responsibility and authority for all risk matters, including establishing overall policies and procedures. The Board is assisted in fulfilling its responsibilities by the Chief Executive, and various Board level and management committees.

The Credit & Risk Management (C&RM) division, headed by a General Manager reporting administratively to the Chief Executive and functionally to the Board Risk Committee, has day-to-day responsibility for managing the risks involved across all areas of the company. The division provides independent identification, measurement, monitoring and control of all risk parameters, while liaising with the business divisions that ultimately own the risks. C&RM comprises a number of specialist units, including Risk Management & Compliance, Credit Review & Analysis, Credit Administration, and Legal Affairs.



## RISK MANAGEMENT

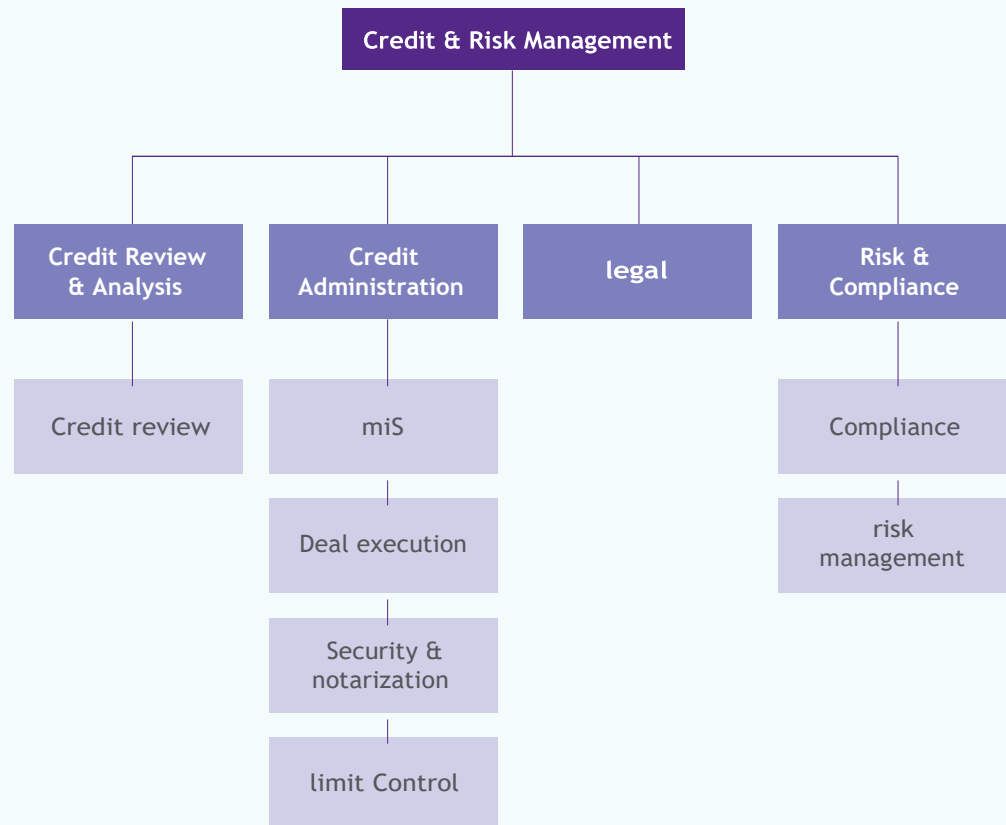
### Developments IN 2021

In light of the continued challenging global and regional market conditions, the company placed the highest priority on further strengthening its risk management infrastructure during 2021. Key developments and initiatives achieved include:

- Finalized plans for implementation of new Enterprise-wide Risk Management System (SunGard) in early 2022
- Initiated implementation of new Treasury front-office system (AvantGard)
- Implemented approved Provisioning Policy
- Conducted Basel III Quantitative Impact Study assessment and reported to CBU
- Ensured ongoing compliance with the rules and regulations of the Central Company of UAE and Basel II requirements
- Monitored Sharia'a-compliant risk and other main risks to which RM-EIG is exposed
- Submitted quarterly ICAAP and Stress Testing reports to Management and the Board

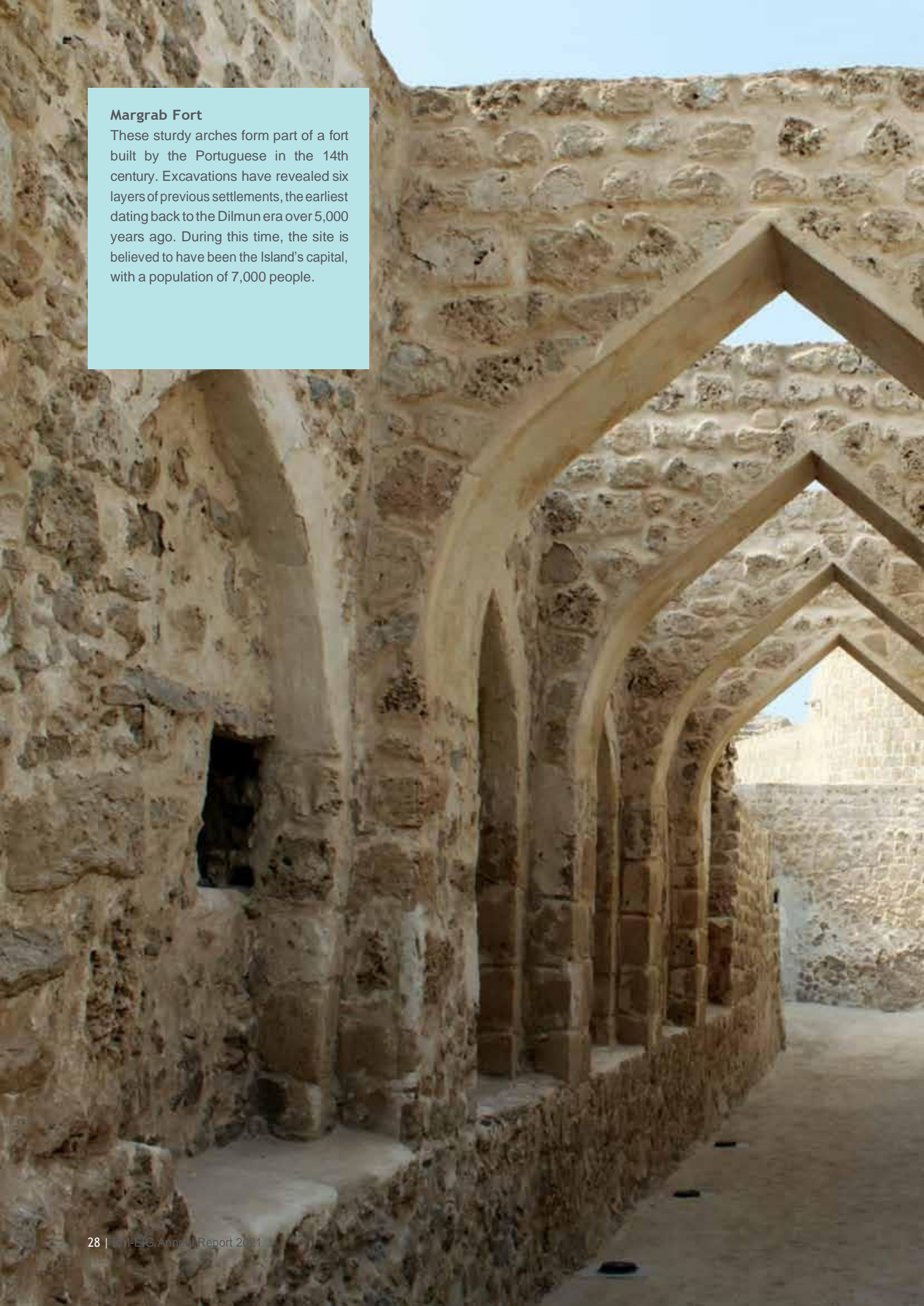
*Note: Additional information on the company's risk management framework, policies, processes and procedures is included in the Notes to the Consolidated Financial Statements and the Basel II Pillar 3 Public Disclosure sections of this annual report.*

The risk management philosophy of RM-EIG is to identify, capture, monitor and manage the various dimensions of risk.



### **Margrab Fort**

These sturdy arches form part of a fort built by the Portuguese in the 14th century. Excavations have revealed six layers of previous settlements, the earliest dating back to the Dilmun era over 5,000 years ago. During this time, the site is believed to have been the Island's capital, with a population of 7,000 people.





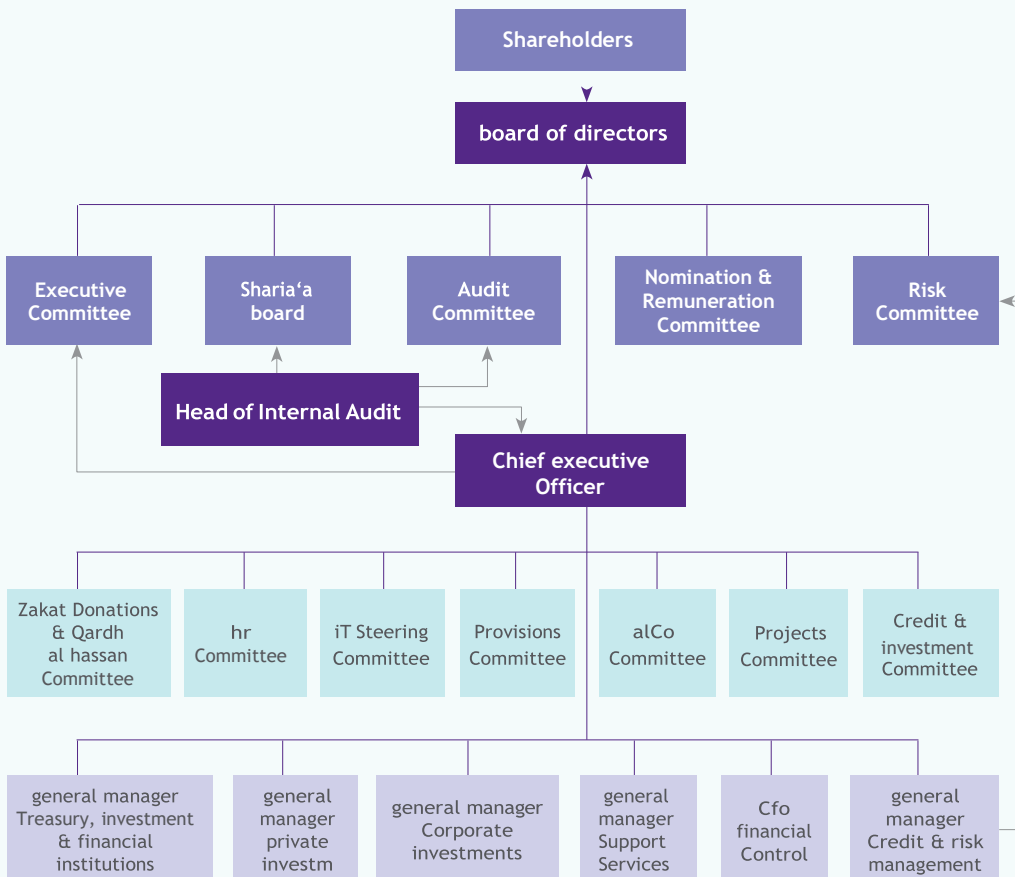


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RM-EIG is committed to upholding the highest standards of corporate governance. The company seeks to balance entrepreneurship, compliance, and industry best practices, while creating value for all stakeholders. This includes, but is not limited to, conducting the policy and affairs of RM-EIG in compliance with regulatory requirements. It also involves having the right checks and balances in place throughout the organization to ensure that the right things are always done in the right way.

**GOVERNANCE AND ORGANIZATION STRUCTURE**



### Developments IN 2021

- A detailed assessment of the requirements of the Corporate Governance Code of the United Arab Emirates (Code) issued by the Ministry of Economy, and the Higher Levels Controls of the Rulebook of the Central Company of UAE (CBU), was conducted to ensure compliance by RM-EIG.
- A new Corporate Governance Policy was developed and implemented, reflecting the requirements of the Code and the CBU.
- Corporate Governance Guidelines, as part of the Board's responsibilities, were developed and implemented.
- The Board Audit Committee (BAC) was vested with the responsibility for overseeing the implementation of the company's Corporate Governance Policy and Guidelines. A separate corporate governance committee (as prescribed by the Code and the CBU) was not deemed necessary, since the BAC is responsible for the supervision of the overall compliance of the Company with regulatory requirements.

### SHAREHOLDER OWNERSHIP (5% and Above)

Shareholder	Nationality	Number OF Shares	Percentage
Alheri Private Group of Investors	UAE	373,133,940	39.75%
Islamic Development Company	Saudi Arabia	166,092,465	17.68%
Kuwait Investment Company	Kuwait	110,962,471	11.81%
General Council of Emirati	UAE	68,279,478	7.27%

### Board OF directors

#### *Composition*

The Board of Directors of RM-EIG comprises nine non-executive Directors, of which five are Independent Directors. Each term of the Board of Directors consists of three years. The last re-election of the company's Board of Directors was held at the company's Annual General Meeting on 8 February 2021.

Profiles of Directors are listed on pages 12-13 of this annual report.



### **Induction OF New directors**

The Board-approved Corporate Governance Policy requires each new Director to receive a formal and tailored induction from the Chairman and Senior Management with respect to RM-EIG vision and strategic direction; core values including ethics; corporate governance practices; and financial matters and business operations.

### **Role and Responsibilities OF the board**

The primary responsibility of the Board of Directors is to provide effective governance over the company's affairs for the benefit of its stakeholders, and to balance the interests of its diverse constituencies, including associated concerns, employees and other stakeholders. In all actions taken by the Board, the Directors are expected to exercise their business judgment in what they reasonably believe to be in the best interests of the company.

The Board approves and oversees the implementation of the company's strategies, and reviews and approves the company's strategic plan. As part of its strategic review process, the Board reviews major plans of action and business plans, sets performance objectives, and oversees major investments, divestitures and acquisitions. Every year, at an annual Board strategy session, the Board formally reassesses the company's objectives, strategies and plans.

These responsibilities are described in more detail in the Corporate Governance Guidelines and the Charter of the Board of Directors.

### **Board Meetings**

The Board of Directors met seven times during 2021, details of which are given in the following table. This exceeds the minimum requirement of having at least four meetings in any given year, as stipulated by the CBU.

The primary responsibility of the Board of Directors is to provide effective governance over the company's affairs for the benefit of its stakeholders.

board Members	board Meetings	executive Committee Meetings	Audit Committee Meetings	Risk Management Committee Meetings	Nomination & Remuneration Committee Meetings
Ali Saeed Al Mahmoud <i>Chairman</i>	7 (7)			3 (3)	2 (2)¥
Mirza Rahman Al Haj <i>Vice Chairman</i>	4 (7)		4 (4) ¥	2 (3)	
Mohammed Abass	7 (7)	11 (11) ¥			2 (2)
Faizah Rosiana Aizat	5 (7)		4 (4)		
Lee Teh Keong	7 (7)	11 (11)			2 (2)
Mohammed Alzarooq Rajab	4 (7)		2 (4)		
Yousif Al Mohammed Saleh Awadhi**	1 (7)				1 (2)
Ghassan Hamad Al-Baraheem	4 (7)	10 (11)			
Abdulrahman Ali Al-Dawood	6 (7)			3 (3) ¥	
Abdalla Fakhruddin Al-Homaidhi***	0 (7)				

Figures in brackets indicate number of Board and Committee meetings held during 2021

¥ Denotes Committee Chairman

\*\*Resigned 8 February 2021 \*\*\*Joined Board 1 December 2021

The regulatory requirement that individual Board Members must attend at least 75% of all Board meetings in a given financial year to enable the Board to discharge its responsibilities effectively, was met by all Directors in 2021.



## CORPORATE GOVERNANCE

### Board Committees

The Board has constituted four Committees – the Executive Committee, the Audit Committee, the Risk Management Committee, and the Remuneration & nomination Committee. Each of these has its own Charter that describes the responsibilities of its members.

board Committees	Members	Objectives
Executive Committee	Ali Saeed Al Mahmoud ¥ nabil Ahmed Ameen Ghassan Hamad Al-Baraheem	Review strategy and performance; new investment proposals, credit proposals and exit strategies; and risks, provisions and impairments.
Audit Committee	Mirza Rahman Al Haj¥ Mohammed Alzarooq Rajab Faizah Roziana Aizat	Oversight of integrity; reporting of company's quarterly and annual financial statements; and compliance with legal and regulatory requirements.
Risk Management Committee	Abdallah Fakhruddin ¥ Abdulrahman Ali Al-Dawood Sheikh Abdulrahman Al Khalifa	Provide independent monitoring of enterprise-wide risk profile; and periodic risk guidance to Board and Management.
nomination & Remuneration Committee	Khalid Abdulla Al Bassam¥ Mohammed Abass Lee Teh Keong	Oversight of compensation and bonus policy; and recruitment and promotion of key personnel.

¥ Denotes Committee Chairman

### Evaluation OF the board and Its Committees

The nomination and Remuneration Committee carried out an evaluation of the Board and its Committees through the distribution of questionnaires to each Board Member, followed by an assessment of the Committees and members. The nomination and Remuneration Committee expressed its satisfaction with the positive results.

**Ownership OF Shares by directors, SHARIA'A Supervisory board Members, and Senior Management (AS At 31 December 2021)**

<b>directors</b>	<b>Number of Shares</b>
Ali Saeed Al Mahmoud	1,957,639
Mirza Rahman Al Haj	1,330,467
Mohammed Abass	851,709
Mohammed Al-Zarroq Rajab	287,980
Faizah Roziana Aizat	402,293
Lee Teh Keong	244,750
Abdulrahman Al-Dawood	110,000
Ghassan Al-Baraheem	no Shares Transferred as at December 2021
Abdalla Al-Homaidhi Fakhruddin	no Shares Transferred as at December 2021
<b>Sharia'a Supervisory board Members</b>	<b>Number of Shares</b>
Shaikh Dr. AAEDul latif Mahmood Al Mahmood	191,405
Shaikh nedham Mohamed Saleh Yacoubi	14,320
<b>Senior Management</b>	<b>Number of Shares</b>
Mohammed Ebrahim Mohammed	100,000
Dr. Salah Addeen Saeed	1,676

**Trading OF Shares by directors and Senior Management**

Director	Date	nature of Transaction	number of Shares
Ali Saeed Al Mahmoud	Jan 2021	Bought	118,937
	Mar 2021	Bought	20,000
	Jun 2021	Bought/ Rights issue	1,100,113
	Oct 2021	Bought	57,375
Mirza Rahman Al Haj	Jun 2021	Bought/ Rights issue	570,200
	Jan 2021	Bought	25,000
	Jun 2021	Bought/ Rights issue	415,000
Abdulrahman Al-Dawood	May 2021	Transfer	110,000
Mohammed Ebrahim	Mar 2021	Bought	5,000
	May 2021	Bought	17,990
	Jun 2021	Bought/ Rights issue	77,010

The logo features a stylized white arch or bridge shape on a light blue background. Below the arch, the words "CORPORATE GOVERNANCE" are written in a bold, purple, sans-serif font.

## CORPORATE GOVERNANCE

### Directors' Remuneration

The aggregate of Board sitting fees, including travel expenses, totaled AED 240,000 in 2021.

### SHARIA'A Supervisory board

The Sharia'a Supervisory Board of RM-EIG comprises five eminent and highly experienced Sharia'a scholars. The Board's main responsibility is to advise the company's business units on any Sharia'a-related matters, and to ensure compliance with the tenets and requirements of Islamic Sharia'a in their operations. The Sharia'a Supervisory Board is also entrusted with the duty of directing, reviewing and supervising the activities of the company in order to ensure full compliance by RM-EIG with Sharia'a rules and AAOIFI standards. Profiles of the Sharia'a Supervisory Board members are listed on page 49 of this annual report.

### SHARIA'A Supervisory board - Membership and Attendance

Members	Attendance
Rev. Shaikh Dr. Shaikh A. latif Mahmood Al Mahmood <i>Chairman</i>	3 (3)
Rev. Shaikh Mohammed Jaffar Al Juffairi <i>Vice Chairman</i>	1 (3)
Rev. Shaikh Adnan AAEDullah Al Qattan	3 (3)
Rev. Shaikh nedham Mohammed Saleh Yacoubi	2 (3)
Rev. Shaikh Dr. Essam Khalaf Al Enizi	3 (3)

Figures in brackets indicate the number of Sharia'a Supervisory Board meetings held during 2021



RM-EIG is committed to upholding the highest standards of corporate governance.

#### Executive Management

The Executive Management of RM-EIG is headed by the Chief Executive Officer (CEO), who is responsible for the day-to-day conduct of the Company's business in line with policies and procedures approved by the Board of Directors. The CEO is assisted by a highly-qualified and experienced Management Team.

Name	designation	Profession	experience	qualifications
Mohammed Ebrahim	CEO	Companyer	34 years	MBA from University of Glamorgan, Wales
Abdul Rahman Mohammed Turki	GM - Retail Companying	Companyer	39 years	MBA from University of Strathclyde, Scotland
Dr. Salah Addeen Saeed	GM - Credit & Risk	Companyer	37 years	Doctor of Business Administration, MBA with Distinction, BSc Honours in Mechanical Engineering
Mohammed Fikree	GM - Treasury & Investment	Companyer	29 years	BSc (Honours) in Mechanical Engineering, UK
Mauri Raatiniemi	GM - Sales	Companyer	29 years	Executive Management & Leadership from University of Virginia, USA
Mohammed Ahmed Hassan	GM - Support Services	Companyer	43 years	Advanced Management for Senior Decision Makers
Khalid Mohammed Al Dosari	Chief Financial Officer	Accountant	28 years	CPA from American Institute of Certified Public Accountants
Khalid Mahmood Abdalla	AGM - Internal Audit & Sharia'a	Accountant	18 years	CPA from American Institute of Certified Public Accountants



## CORPORATE GOVERNANCE

### Performance-linked Management Incentive Structure

RM-EIG implements a Performance Management Scheme, which is linked to incentives and competencies on an annual basis, for management and staff. The company pays monthly salaries, allowances and bonuses for the following job categories:

Category	Remuneration Package
Chief Executive	<ul style="list-style-type: none"> <li>• Basic Salary</li> <li>• Company Car</li> <li>• Full Telephone Bill Reimbursement (Business Calls only)</li> <li>• 3 additional fixed Cash Bonus (Basic Salary) per year</li> <li>• Reimbursement of Education Allowance</li> <li>• Annual Performance Bonus decided by Nomination &amp; Remuneration Committee</li> </ul>
General Managers	<ul style="list-style-type: none"> <li>• Basic Salary</li> <li>• Car Allowance</li> <li>• Telephone Allowance</li> <li>• 2 additional fixed Cash Bonus (Basic Salary) per year</li> <li>• Annual Performance Bonus decided by Nomination &amp; Remuneration Committee</li> </ul>
Senior Managers / Managers	<ul style="list-style-type: none"> <li>• Basic Salary</li> <li>• Car Allowance</li> <li>• Telephone Allowance</li> <li>• 2 additional fixed Cash Bonus (basic Salary) per year</li> <li>• Annual Performance bonus decided by Department Head and CEO</li> </ul>

### Senior Management Remuneration

The aggregate Senior Management remuneration, including basic salaries, fixed allowances and bonus distribution, totaled AED 1,013,284 for 2021.

### Management Committees

A number of Management Committees have been established to assist the CEO and Management Team in carrying out their duties, and to ensure that there is adequate supervision of the company's activities. Details of membership and objectives of the Company's five main management committees are listed in the following table:

### Management Committees - Membership & Objectives

Management Committee	Members	Main Objective
Asset & Liability Committee (AICO)	Mohammed Ebrahim Mohammed - <i>Chairman</i> nader Ebrahim Abdulrahman Turki Khalid Al Dosari Mohammed Fikree Dr. Salah Addeen Saeed Dr. Mohammed Belgami	To manage and monitor the liquidity risk of the Company on a coordinated and consistent basis
Credit & Investment Committee	Mohammed Ebrahim Mohammed - <i>Chairman</i> nader Ebrahim Abdulrahman Turki  Mohammed Fikree Dr. Salah Addeen Saeed Permanent Invitees: Dr. Mohammed Belgami	To exercise due care, diligence and skill in overseeing, directing and reviewing the management of credit risk within the financing portfolio of the Company, and reviewing policies and strategies for Achieving investment objectives.
Information Technology Steering Committee	Mohammed Ebrahim Mohammed - <i>Chairman</i> Mohammed Ahmed Hassan nader Ebrahim Dr. Salah Addeen Saeed Khalid Al Dosari AbdulRazaq Abdulkhalik Khalid Mahmood	To plan, prepare, coordinate, implement, support and follow-up on all issues related to IT and new project Implementation issues.
Human Resource Committee	Mohammed Ebrahim Mohammed - <i>Chairman</i> Mohammed Ahmed Hassan nader Ebrahim Abdulrahman Turki Khalid Al Dosari Mohammed Fikree Dr. Salah Addeen Saeed Khalid Mahmood	To monitor and assess human resource issues, and monitor, review and analyze legislative and/or administrative changes Related to human resources.



## CORPORATE GOVERNANCE

### Management Committees - Membership & Objectives (Continued)

Management Committee	Members	Main Objective
Qard Al Hassan, Donations & Zakah Committee	Mohammed Ahmed Hassan – <i>Chairman</i> Hamad Farooq Saleh Al Mehri Ramadhan Ali Ramadhan	To discharge the Company's social responsibilities towards society through distributing Zakah, charity funds, donations, and good faith Qard for marriage and medical treatments etc.

### Succession Planning

In compliance with CBU requirements, the nomination & Remuneration Committee reviews and endorses the company's succession plan on an annual basis. The objective of the plan is to identify, develop and promote personnel to ensure that there are no disruptions to the functioning of the Company, in an event that key personnel choose to leave RM-EIG.

### Compliance

In accordance with CBU guidelines, the Company has a designated Head of Compliance, who is independent and has direct access to Senior Management and all confidential information of the Company. The Compliance function acts as the central coordinator for all matters relating to CBU regulatory reporting and other requirements. RM-EIG has in place comprehensive policies and procedures to ensure full compliance with the relevant rules and regulations of the Central Bank of UAE, including appropriate anti-money laundering procedures.

### Anti-Money laundering

RM-EIG has a designated Money Laundering Reporting Officer (MIRO). The Company has implemented an anti-money laundering and terrorism financing policy, and periodically trains its staff on the identification and reporting of suspicious transactions. RM-EIG follows prudent practices related to 'Customer Due Diligence', 'Beneficial Ownership' and 'Know Your Customer' principles. In accordance with CBU requirements, the MIRO regularly reviews the effectiveness of the Company's AMI/CFT procedures, systems and controls.

RM-EIG conducts itself in accordance with the highest standards of ethical behavior.

**Customer Complaints**

The Company has a Quality Assurance Department (QAD) which is responsible for managing customer complaints. After receiving a complaint, QAD routes it to the concerned department for their response. After analysing the response, the customer is contacted accordingly. RM-EIG customers may use the Company's website or the call centre for lodging a complaint.

**Code OF Conduct**

RM-EIG conducts itself in accordance with the highest standards of ethical behavior. A Code of Business Conduct has been developed to govern the personal and professional conduct of all stakeholders. The Code applies to Directors, management, staff and temporary workers; and independent contractors and consultants, whether engaged by or otherwise representing the Company and its interests.

**Disclosure and Communications**

RM-EIG conducts all communications with its stakeholders in a professional, honest, transparent, understandable, accurate and timely manner. Main communications channels include an annual report, corporate brochure and website, and regular announcements in the appropriate local media. As part of its disclosure and communication strategy, the Company's website ([www.relianceinvestmentgroup.com](http://www.relianceinvestmentgroup.com)) is the repository of financial information, together with Board of Directors' reports and financial commentary, financial statements, relevant information on RM-EIG such as its key products and services, and press releases that are issued periodically to the media.

**SHAIKH IBRAHIM BIN MOHAMMED  
AL KHALIFA HOUSE**

This building is a modern replica of the house of Shaikh Ibrahim bin Mohammed Al Khalifa, an early 20th century intellectual and man of letters. The design of the façade features a large Islamic arch, traditional Bahraini windows, and gypsum wall panels with Arabic calligraphy. It serves as a museum and cultural centre.





## CORPORATE SOCIAL RESPONSIBILITY

Since inception, RM-EIG has been committed to contributing to the economic and social well-being of the Kingdom of Bahrain. Our comprehensive corporate social responsibility (CSR) programme underlines the importance that the Company places on its role as a responsible and caring corporate citizen. Some of the key activities of the Company's CSR programme in 2021 are listed below.

### Industry SPONSORSHIPS

By sponsoring and participating in major financial industry conferences and events, RM-EIG actively contributes to the development of the Islamic Companying sector:

- 2021 AAOIFI-World Company Annual Conference on Islamic Companying & Finance
- 12th Annual World Conference of Islamic Investment Funds & Capital Markets
- 26th World Islamic Companying Conference
- 2021 Global Islamic Finance Directory

### Developing Emirati Nationals

RM-EIG not only provides employment and career opportunities for Emirati nationals, who comprise 97% of the Company's total staff, but also encourages entrepreneurship and nurtures tomorrow's business leaders, by supporting the following initiatives:

- Injaz Emirates
- The Crown Prince's International Scholarship Programme
- Waqf Fund for Islamic Companying Training and Development (BIBF)

- Private Sector Enterprise Forum in collaboration with Tamkeen
- Ministry of Education training initiatives
- Summer Internship programme for Emirati university students

### Increasing the Awareness OF Islam

As a leading Sharia'a-compliant financial institution, RM-EIG is committed to raising awareness of Islam through support for national institutions such as the following:

- Rekaaz UAE
- Ministry of Justice & Islamic Affairs
- Muslim Education Society
- Discover Islam

### Improving the well-being of the local Community

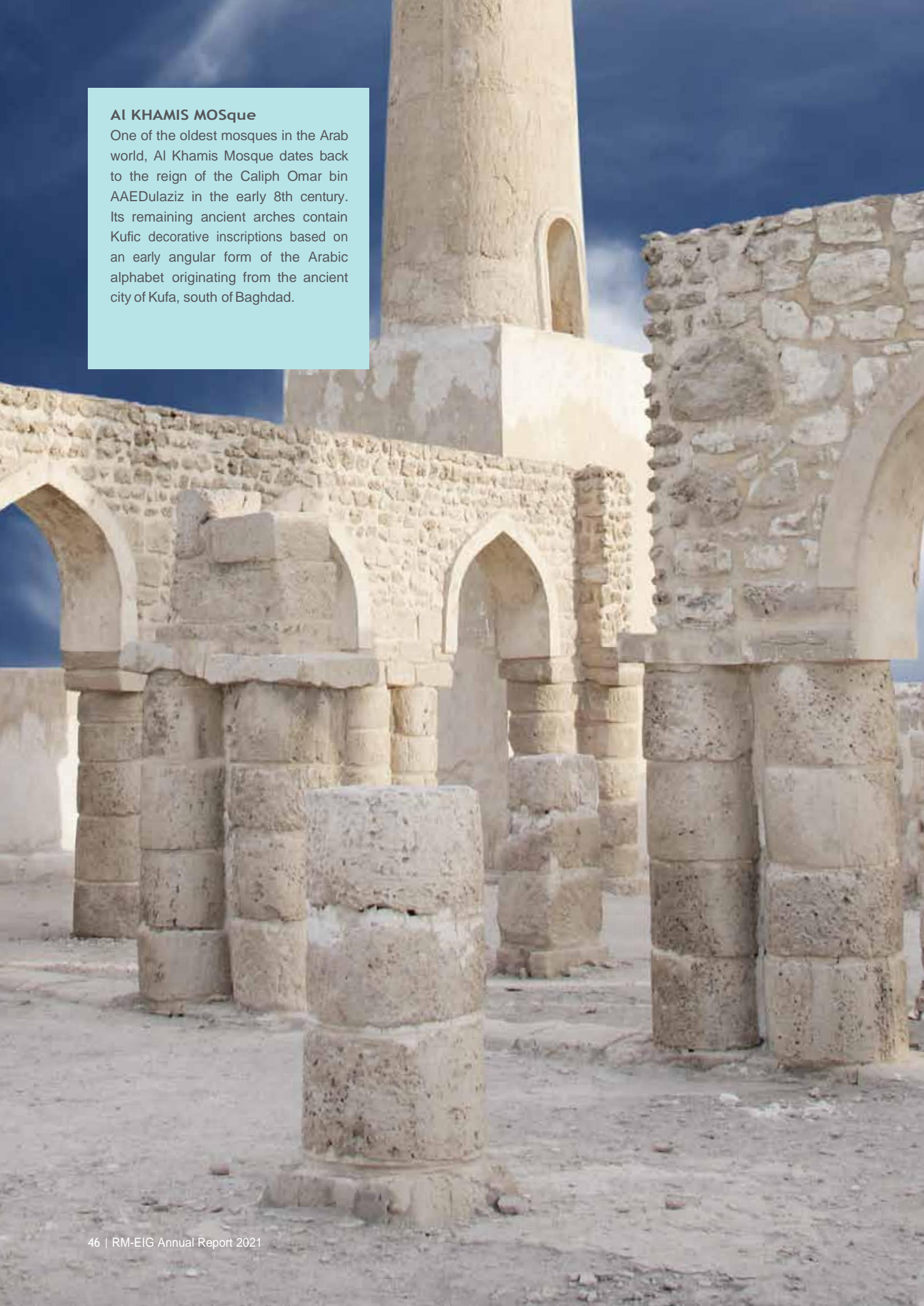
Through donations and other philanthropic activities, RM-EIG contributes to improving the well-being and quality of life of the local community:

- Support for a wide range of charitable, medical, educational, cultural, sporting and community organizations and events, including the Royal Charity Organization
- Financial assistance to needy families, individuals and deserving causes

The Company also contributed to a relief programme for the people of Somalia in 2021.

### **Al KHAMIS MOSQUE**

One of the oldest mosques in the Arab world, Al Khamis Mosque dates back to the reign of the Caliph Omar bin AAEDulaziz in the early 8th century. Its remaining ancient arches contain Kufic decorative inscriptions based on an early angular form of the Arabic alphabet originating from the ancient city of Kufa, south of Baghdad.







## SHARIA'A SUPERVISORY BOARD



**Rev. SHAIKH DR. AAEDUL  
Latif MAHMOOD AI  
MAHMOOD**  
*Chairman*

Shaikh Al Mahmood is Head of the Arabic Language and Islamic Studies Department at the University of Bahrain. He is a Member of the Sharia'a Supervisory Board of Takaful International, Kingdom of Bahrain; ABC Islamic Company, Kingdom of Bahrain; ABC Islamic Company, London; and Joint Sharia'a Supervisory Board of AlBaraka Group. Shaikh Al Mahmood has been a Preacher at a number of UAE's mosques since 1973; and a lecturer in Quran interpretation, jurisprudence and preaching. He is a regular participant in jurisprudence, educational, economic, intellectual, social and cultural conferences and seminars.



**Rev. SHAIKH MOHAMMED  
JAFFAR ALJUFAIRI**  
*Vice Chairman*

Shaikh Aljuffairi is a Judge of the High Sharia'a Court of Appeal, and seconded as President of the High Sharia'a Court, Ministry of Justice, UAE. He is a former Member of the Zakah Committee, Ministry of Justice.



**Rev. SHAIKH NEDHAM  
MOHAMED SAIEH YACOUBI**  
*Board Member*

Shaikh Yacoubi is a Member of the Sharia'a Supervisory Board of Bahrain Islamic Company, Bahrain; Abu Dhabi Islamic Company, UAE; Sharjah Islamic Company, UAE; Ithmaar Company, Bahrain; Arcapita, Bahrain; Gulf Finance House, Bahrain; ABC Islamic Company, Bahrain; ABC Islamic Company, London; and Islamic Accounting Standards Organisation, Bahrain.



**Rev. SHAIKH ADNAN  
AAEDULLA AI QATTAN**  
*Board Member*

Shaikh Al Qattan is a Preacher at the Ahmed Al Fateh Islamic Mosque. He is a Judge of the High Sharia'a, Ministry of Justice, Kingdom of Bahrain; and a Puisne Justice of the High Sharia'a Court. He was previously notary Public at the Ministry of Justice and Islamic Affairs from 1981 to 1983; and a lecturer at the Islamic Studies Department, University of Bahrain. Shaikh Al Qattan is Chairman of the Orphans and Widows Care Committee of the Royal Court; and the Pilgrimage Mission; and a Member of the Board of Directors of Sanabil for Orphan Care. He is a regular participant in a number of Islamic committees, courses, seminars and conferences.



**Rev. SHAIKH DR. ESSAM  
KHAIAF AI ENIZI**  
*Board Member*

Shaikh Al Enizi is a Member of Sharia'a and Islamic Studies Faculty at the University of Kuwait. He is a Member of the Sharia'a Supervisory Committee at Boubayan Company; Al Sham Company; Investment Dar; and the Accounting and Auditing Organization for Islamic Financial

Institutions

(AAOIFI).



To the shareholders of Emirates Islamic Company E.S.C.

**In The name of Allah, most Gracious, most Merciful.  
Peace and Blessings Be Upon His Messenger.**

Assalam Alaykum Wa Rahmatu Allah Wa Barakatoh

Pursuant to the powers entrusted to the Sharia'a Supervisory Board to supervise the Company's activities, we hereby submit the following report.

The Sharia'a Supervisory Board monitored the operations, related to the Company throughout the year end 31 December 2021 to express opinion on the Company's adherence to the provisions and principles of Islamic Sharia'a in its activities by following the guidelines and decisions issued by the Sharia'a Supervisory Board. The Sharia'a Supervisory Board believes that ensuring the conformity of its activities and investments with the provisions of Islamic Sharia'a is the sole responsibility of the Company's Management while the Sharia'a Supervisory Board is only responsible for expressing an independent opinion and preparing a report thereabout.

The Sharia'a Supervisory Board's monitoring function included the checking of documents and procedures to scrutinize each operation carried out by the Company, whether directly or through the Sharia'a Internal Audit department. We planned with the Sharia'a Internal Audit department to carry out monitoring functions by obtaining all the information and clarifications that were deemed necessary to confirm that the Company did not violate the principles and provisions of Islamic Sharia'a. The Sharia'a Internal Audit department audited the Company's transactions and submitted a report to the Sharia'a Supervisory Board. The report confirmed the Company's commitment and conformity to the Sharia'a Supervisory Board's opinions.

The Sharia'a Supervisory Board obtained data and clarifications it deemed necessary to confirm that the Company did not violate the principles and provisions of Islamic Sharia'a. It held several meetings throughout the year ended 31 December 2021 and replied to the inquiries, in addition to approving a number of new products presented by the Management. The Sharia'a Supervisory Board discussed with the Company's officials all transactions carried out by the Management throughout the year and reviewed the Company's conformity with the provisions and principles of Islamic Sharia'a as well as the resolutions and guidelines of the Sharia'a Supervisory Board.



The Sharia'a Supervisory Board believes that:

1. Contracts, operations and transactions conducted by the Company throughout the year ended 31 December 2021 were in accordance with the standard contracts pre-approved by the Sharia'a Supervisory Board.
2. The distribution of profit on investment accounts was in line with the basis and principles approved by the Sharia'a Supervisory Board.
3. Any gains resulted from sources or means prohibited by the provisions and principles of Islamic Sharia'a, have been directed to the Charity and Donations Account according to SSB's resolution.
4. Zakah was calculated according to the provisions and principles of Islamic Sharia'a. The Company distributed Zakah on the statutory reserve, general reserve and retained earnings. The shareholders should pay their portion of Zakah on their shares as stated in the financial report.
5. The Company was committed to the Sharia'a standards issued by the Accounting & Auditing Organization for Islamic Financial Institutions (AAOIFI).

**dr. Shaikh A. latif Mahmood Al Mahmood**  
Chairman

**Shaikh Mohammed jaffar Al juffairi**  
Vice Chairman

**Shaikh Adnan AAEDullah Al qattan**  
Member

**Shaikh Nedham M. Saleh yacoubi**  
Member

**Shaikh dr. essam Khalaf Al Onazi**  
Member



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## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF EMIRATES ISLAMIC COMPANY E.S.C.

We have audited the accompanying consolidated statement of financial position of Emirates Islamic Company E.S.c. ["the Company"] and its subsidiary ["the Group"] as of 31 December 2021, and the related consolidated statements of income, cash flows, changes in owners' equity, sources and uses of good faith qard fund and sources and uses of zakah and charity fund for the year then ended. These consolidated financial statements and the Group's undertaking to operate in accordance with Islamic Shari'a Rules and Principles are the responsibility of the Company's Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2021, the results of its operations, its cash flows, changes in owners' equity, and sources and uses of zakah and charity fund for the year then ended in accordance with the Financial Accounting Standards issued by AAOIFI.

### Other Matters

As required by the UAE commercial company's law and the central Bank of UAE (CBU) Rule Book (Volume 2), we report that:

- a) the Company has maintained proper accounting records and the financial statements are in agreement therewith; and
- b) the financial information contained in the Report of the Board of Directors is consistent with the financial statements.

We are not aware of any violations of the UAE commercial companies law, the central Company of UAE and Financial Institutions law, the CBU Rule Book (Volume 2 and applicable provisions of Volume 6), CBU directives, regulations and associated resolutions, rules and procedures of the terms of the Company'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 Company or on its financial position. Satisfactory explanations and information have been provided to us by management in response to all our requests. The Company has also complied with the Islamic Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Company.

The logo for Ernst & Young, featuring the company name in a stylized, handwritten-style font.

Abu Dhabi, UAE.


## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

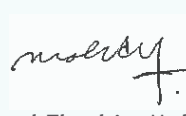
	notes	2021 AED'000	2020 AED'000
<b>ASSETS</b>			
cash and balances with Companys and central Company	3	41,681	45,831
Due from Companys and financial institutions	4	148,813	208,006
murabaha receivables	5	201,972	230,919
musharaka investments	6	92,853	81,159
investments	7	109,922	127,383
investment in associates	8	7,151	6,778
investment in ijarah assets	9	9,496	9,635
ijarah muntahia bittamleek	10	97,416	101,884
investment properties	11	115,008	105,192
ijarah rental receivables		7,873	7,569
Other assets	12	6,958	11,318
<b>TOTAL ASSETS</b>		<b>839,143</b>	<b>935,674</b>
<b>LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY</b>			
<b>Liabilities</b>			
customers' current accounts		85,096	81,660
Other liabilities	13	14,507	12,571
<b>Total Liabilities</b>		<b>99,603</b>	<b>94,231</b>
<b>EQUITY OF INVESTMENT ACCOUNTHOLDERS</b>			
Financial institutions' investment accounts	14	108,879	141,859
customers' investment accounts	14	529,332	599,523
<b>Total Equity of Investment Accountholders</b>		<b>638,211</b>	<b>741,382</b>
<b>Owners' Equity</b>			
Share capital	15	93,967	72,859
treasury shares		(563)	(307)
Share premium		43,936	43,936
Reserves		(36,011)	(16,594)
Proposed appropriations		-	167
<b>Total Owners' Equity</b>		<b>101,329</b>	<b>100,061</b>
<b>TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY</b>		<b>839,143</b>	<b>935,674</b>
<b>COMMITMENTS AND CONTINGENT LIABILITIES</b>	17	<b>10,099</b>	<b>13,230</b>



Ali Saeed Al Mahmoud  
chairman



Mohammed Abass  
Board member



Mohammed Ebrahim Mohammed  
chief executive Officer

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

## CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2021

	notes	2021 AED'000	2020 AED'000
<b>INCOME</b>			
income from islamic finances	18	29,676	28,905
income from investment in sukuk	18	3,353	4,064
		<b>33,029</b>	<b>32,969</b>
Gross return to equity of investment accountholders		26,688	28,188
Group's share as a mudarib		(11,946)	(10,467)
Return on equity of investment accountholders		14,742	17,721
Group's share of income from joint financing and investment accounts		18,287	15,248
net income from investments	19	858	1,015
Gain (loss) on sale of equity type instruments carried at fair value through equity		1,315	(1,429)
Share of results of associates		165	(717)
Fee and commission income		4,122	2,661
Other income		1,637	616
<b>Total income</b>		<b>26,384</b>	<b>17,394</b>
<b>EXPENSES</b>			
Staff costs		9,959	9,772
Depreciation		1,690	1,554
Other expenses	20	8,111	7,412
<b>Total expenses</b>		<b>19,760</b>	<b>18,738</b>
<b>Net income (loss) before fair value adjustment for investment properties and net provision for impairment</b>		<b>6,624</b>	<b>(1,344)</b>
Fair value adjustment for investment properties	11	(2,570)	(18,051)
net provision for impairment	21	(21,406)	(20,317)
<b>NET LOSS FOR THE YEAR</b>		<b>(17,352)</b>	<b>(39,712)</b>
<b>BASIC AND DILUTED EARNINGS PER SHARE (fils)</b>	23	<b>(20.71)</b>	<b>(54.60)</b>

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



## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	notes	2021 AED'000	2020 AED'000
<b>OPERATING ACTIVITIES</b>			
net loss for the year		(17,352)	(39,712)
Adjustments for non-cash items:			
Depreciation		1,690	1,554
net provision for impairment	21	21,406	20,317
Fair value adjustment for investment properties		2,570	18,051
(Gain) loss on sale of equity type instruments carried at fair value through equity		(1,315)	1,429
Share of results of associates	8	(165)	717
Unrealised loss on equity type instruments carried at fair value through statement of income		293	-
Operating profit before changes in operating assets and liabilities		7,127	2,356
Working capital adjustments:			
mandatory reserve with central Company of Bahrain		625	(3,460)
Due from Companys and financial institutions		(815)	(371)
murabaha receivables		7,820	6,078
musharaka investments		(8,627)	(2,681)
ijarah rental receivables		-	(3,966)
Other assets		2,809	(2,674)
customers' current accounts		3,436	1,936
Other liabilities		1,963	1,277
net cash from (used in) operating activities		14,338	(1,505)
<b>INVESTING ACTIVITIES</b>			
Purchase of investment properties		(9,815)	(213)
ijarah muntahia Bittamleek		2,354	10,356
Purchase of investments		(28,848)	(24,121)
Proceeds from disposal of investments		40,951	59,361
net cash from investing activities		4,642	45,383
<b>FINANCING ACTIVITIES</b>			
Rights issue		21,108	-
Purchase of treasury shares		(256)	(134)
Financial institutions' investment accounts		(32,980)	(16,055)
customers' investment accounts		(70,191)	77,144
Dividends paid		(9)	(59)
Zakah paid		(185)	(79)
net cash (used in) from financing activities		(82,513)	60,817
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>(63,533)</b>	<b>104,695</b>
cash and cash equivalents at 1 January		226,596	121,901
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>		<b>163,063</b>	<b>226,596</b>
cash and cash equivalents at year end comprise of:			
cash on hand		7,120	7,605
Balances with CBU, excluding mandatory reserve		2,736	3,150
deposits Balances with Companys and other financial institutions		5,580	8,206
Due from Companys and financial institutions with original maturity within 90 days		147,627	207,635
		163,063	226,596

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

## CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the year ended 31 December 2021

	Reserves									
	Share capital	treasury shares	Share premium	Statutory reserve	General reserve	Fair value reserve on investment properties	cumulative changes in fair value of investments	Accumulated losses	Proposed appropriations	total owners' equity
Balance at 1 January 2021	72,859	(307)	43,936	10,268	1,000	42	(1,278)	(26,626)	167	100,061
Private Rights issue	21,108	-	-	-	-	-	-	-	-	21,108
Purchase of treasury shares (note 15)	-	(256)	-	-	-	-	-	-	-	(256)
Zakah paid	-	-	-	-	-	-	-	-	(167)	(167)
net loss for the year	-	-	-	-	-	-	-	(17,352)	-	(17,352)
transfer from fair value reserve on investment properties	-	-	-	-	-	(42)	-	42	-	-
net movement in cumulative changes in fair value of investments	-	-	-	-	-	-	(2,065)	-	-	(2,065)
<b>Balance at 31 December 2021</b>	<b>93,967</b>	<b>(563)</b>	<b>43,936</b>	<b>10,268</b>	<b>1,000</b>	<b>-</b>	<b>(3,343)</b>	<b>(43,936)</b>	<b>-</b>	<b>101,329</b>
Balance at 1 January 2020	72,859	(173)	43,936	10,268	1,000	18,093	(1,431)	(4,798)	747	140,501
Purchase of treasury shares (note 15)	-	(134)	-	-	-	-	-	-	-	(134)
Zakah paid	-	-	-	-	-	-	-	-	(747)	(747)
net loss for the year	-	-	-	-	-	-	-	(39,712)	-	(39,712)
transfer from fair value reserve on investment properties	-	-	-	-	-	(18,051)	-	18,051	-	-
net movement in cumulative changes in fair value of investments	-	-	-	-	-	-	153	-	-	153
Appropriations (note 15)	-	-	-	-	-	-	-	(167)	167	-
Balance at 31 December 2020	72,859	(307)	43,936	10,268	1,000	42	(1,278)	(26,626)	167	100,061

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

## CONSOLIDATED STATEMENT OF SOURCES AND USES OF GOOD FAITH QARD FUND

For the year ended 31 December 2021

	Qard hasan receivables AED'000	Funds available for qard hasan AED'000	total AED'000
<b>Balance at 1 January 2021</b>	4	124	128
Uses of qard fund			
marriage	27	(27)	-
Refurbishment	16	(16)	-
medical treatment	14	(14)	-
Others	11	(11)	-
<b>Total uses during the year</b>	<b>68</b>	<b>(68)</b>	-
Repayments	(70)	70	-
<b>Balance at 31 December 2021</b>	<b>2</b>	<b>126</b>	<b>128</b>
Balance at 1 January 2020	2	126	128
Uses of qard fund			
marriage	27	(27)	-
Refurbishment	16	(16)	-
medical treatment	14	(14)	-
Others	13	(13)	-
total uses during the year	70	(70)	-
Repayments	(68)	68	-
Balance at 31 December 2020	4	124	128
		<b>2021</b>	<b>2020</b>
		<b>AED'000</b>	<b>AED'000</b>
<b>Sources of qard fund</b>			
contribution by the		<b>125</b>	125
Company Donation		<b>3</b>	3
		<b>128</b>	128

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

## CONSOLIDATED STATEMENT OF SOURCES AND USES OF ZAKAH AND CHARITY FUND

For the year ended 31 December 2021

	2021 AED'000	2020 AED'000
<b>Sources of zakah and charity funds</b>		
Undistributed zakah and charity funds at the beginning of the year	541	1,092
Zakah due from the Company for the year	-	167
non-islamic income / late fee	67	398
Donations	200	-
total sources of zakah and charity funds during the year	808	1,657
<b>Uses of zakah and charity funds</b>		
Philanthropic societies	311	696
Aid to needy families	288	420
total uses of funds during the year	599	1,116
Undistributed zakah and charity funds at the end of the year	209	541

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

### 1. INCORPORATION AND ACTIVITIES

Emirates Islamic Company E.S.c. (the «Company») was incorporated in the United Arab Emirates in the year 2016 by Amiri Decree no.2 of 1979, under commercial Registration (cR) number 9900, to carry out Companying and other financial trading activities in accordance with the teachings of Islam (Shari'a). The Company operates under a retail Companying license issued by the central Bank of UAE (CBU). The Company's Shari'a Supervisory Board is entrusted to ensure the Company's adherence to Shari'a rules and principles in its transactions and activities.

The Company holds 100% of the share capital of Rummi Real estate company E.S.c. (c) («Subsidiary»). The Subsidiary was incorporated in the United Arab Emirates on 8 April 2003 with an authorized and fully paid-up share capital of AED 25 million. The Subsidiary has started operations during the year 2017. The main activities of the Subsidiary are the management and development of real estate (in accordance with the Islamic Shari'a rules and principles).

The Company's registered office is at Building 722, Road 1708, Block 317, Abu Dhabi, UAE.

The consolidated financial statements were authorized for issue in accordance with a resolution of the Board of Directors on 1 February 2022.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below:

#### a. Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for «investment properties», «DEBT type instruments carried at fair value through equity» and «Debt type instruments carried at fair value through statement of income» that have been measured at fair value.

The consolidated financial statements have been presented in Arab Emirates Dirhams («AED»), being the functional currency of the Group's operations. All the values are rounded to the nearest AED thousand except when otherwise indicated.

#### b. Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Financial Accounting Standards («FAS») issued by the Accounting and Auditing Organisation for Financial Institutions («AAOIFI»), the Shari'a rules and principles as determined by the Shari'a Supervisory Board of the Company, the UAE commercial companies law, central bank of UAE («CBU») and the Financial Institutions law and the CBU Rule Book (Volume 2 and applicable provisions of Volume 6) and CBU directives. In accordance with the requirement of AAOIFI, for matters for which no AAOIFI standards exist, the Group uses the relevant international Financial Reporting Standards («the IFRS»).

#### c. New and amended accounting standards, interpretations and framework

During 2020, AAOIFI amended its conceptual framework and issued new Financial Accounting Standard (FAS 25) «Investment in Sukuk, Shares and Similar Instruments», which were effective 1 January 2021.

Conceptual Framework for Financial Reporting by Islamic Financial Institutions

The amended conceptual framework provides the basis for the financial accounting standards issued by AAOIFI. The amended framework introduces the concept of substance and form, compared to the concept of form over substance. The framework states that it is necessary that information, transaction and other events are accounted for and presented in accordance with their substance and economic reality as well as the legal form.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### c. New and amended accounting standards, interpretations and framework (continued)

Financial accounting standard (FAS 25) «investment in sukuk, shares and similar instruments»

the Group has adopted FAS 25 issued by AAOiFi which covers the recognition, measurement, presentation and disclosure of investment in sukuk, shares and similar investments that exhibit characteristics of debt and equity instruments made by the Islamic Financial institutions.

the adoption of this standard did not have any impact on the accounting policies, financial position or performance of the Group.

#### d. Basis of consolidation

the consolidated financial statements comprise the financial statements of the Company and its subsidiary (together referred to as the «Group») as at 31 December each year. A subsidiary is an entity over which the Company has power to control, which is other than fiduciary in nature. the financial statements of the subsidiary is prepared for the same reporting year as the Company, using consistent accounting policies.

the Subsidiary is fully consolidated from the date of acquisition, being the date on which the Group obtained control, and continues to be consolidated until the date that such control ceases. control is achieved where the Group has direct ownership of more than 50% of the voting rights over the subsidiary. Where the Group has the power, directly or indirectly, to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

the results of a subsidiary acquired or disposed off during the year are included in the consolidated statement of income from the date of acquisition or up to the date of disposal, as appropriate.

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

the Company has one fully owned subsidiary, Abaad Real estate company B.S.c. (c), which is consolidated in these financial statements.

#### e. Cash and cash equivalents

For the purpose of the consolidated cash flows statement, «cash and cash equivalents» consist of cash on hand, balances with the central Company of Bahrain, balances with Companys and other financial institutions, with original maturities of 90 days or less.

#### f. Due from Companys and financial institutions

Due from Companys and financial institutions comprise commodity murabaha receivables and wakala receivables. commodity murabaha receivables are stated net of deferred profits and provision for impairment, if any. Wakala receivables are stated at cost less provision for impairment, if any.

#### g. Murabaha receivables

murabaha receivables consist mainly of deferred sales transactions (murabaha) which are stated net of deferred profits and provisions for impairment, if any.

murabaha receivables are sales on deferred terms. the Group arranges a murabaha transaction by buying a commodity (which represents the object of the murabaha) and then resells this commodity to murabeh (beneficiary) after computing a margin of profit over cost. the sale price (cost plus profit margin) is repaid in instalments by the murabeh over the agreed period.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### h. Musharaka

musharaka is stated at the fair value of consideration given less impairment, if any.

musharaka is a form of capital partnership. these are stated at fair value of consideration given less any impairment. musharaka capital provided by the Group at inception in kind (if other than cash) is measured at the fair value of the assets. if the valuation of the assets results in difference between fair value and book value, such difference is recognised as profit or loss to the Group.

#### i. Investments

investments comprise of debt type instrument carried at amortised cost, equity type instrument carried at fair value and equity type investment carried at fair value through statement of income.

All investments, are initially recognised at cost, being the fair value of the consideration given including acquisition charges associated with the investment, except in the case of investment carried at fair value through statement of income.

Debt type instrument carried at amortised cost

investments which have fixed or determinable payments and where the Group has both the intent and ability to hold to maturity are classified as debt type instrument carried at amortised cost. Such investments are carried at amortised cost, less provision for impairment in value. Amortised cost is calculated by taking into account any premium or discount on acquisition. Any gain or loss on such type instruments recognised in the consolidated statement of income, when the type instruments de-recognised or impaired.

equity type instrument carried at fair value through equity

Subsequent to acquisition, equity type instruments are remeasured at fair value, with unrealised gains and losses recognised in a separate component of equity until the investment is derecognised or the investment is determined to be impaired. On derecognition or impairment, the cumulative gain or loss previously recorded in equity is recognised in the consolidated statement of income for the year.

impairment losses on equity type instruments carried at fair value through equity are not reversed through the consolidated statement of income and increases in their fair value after impairment are recognised directly in owners' equity.

equity type instrument carried at fair value through statement of income

these are subsequently re-measured at fair value. All related realised and unrealised gains or losses are included in the consolidated statement of income.

#### j. Determination of fair value

For investments traded in organised financial markets, fair value is determined by reference to quoted market bid prices at the close of business on the consolidated statement of financial position date.

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

For murabaha receivables the fair value is determined at the Company at the end of the financial period at their cash equivalent value.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### k. Investment in associates

the Group's investment in associates are accounted for under the equity method of accounting. Associates are entities over which the Group exercises significant influence but not control and which are neither subsidiaries nor joint ventures. Under the equity method, the investment in associates are carried in the consolidated statement of financial position at cost, plus post-acquisition changes in the Group's share of net assets of the associate, less any impairment in value. the consolidated statement of income reflects the Group's share of the results of its associates. Where there has been a change recognised directly in the equity of the associates, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in owners' equity. Unrealised profits and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate.

the Group determines at each consolidated statement of financial position date whether there is any objective evidence that the investment in associate is impaired. if this is the case the Group calculates the amount of impairment as being the difference between the fair value of the associate and the carrying value and recognises the amount in the consolidated statement of income.

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

#### l. Ijarah assets, Ijarah Muntahia Bittamleek

these are initially recorded at cost. ijarah assets and ijarah muntahia Bittamleek mainly comprise of land and buildings and certain other assets. ijarah muntahia Bittamleek is a lease whereby the legal title of the leased asset passes to the lessee at the end of the ijarah (lease term), provided that all ijarah instalments are settled.

Depreciation is calculated using the straight-line method on all ijarah muntahia Bittamleek other than land (which is deemed to have indefinite life), at rates calculated to write off the cost of each asset over its useful life.

For ijarah assets, the depreciation is calculated using the straight-line method, at rates calculated to write off the cost of the assets over its estimated useful life. the estimated useful lives of the assets for calculation of depreciation ranges between 10 to 35 years.

#### m. Investment properties

Properties held for rental, or for capital appreciation purposes, or both, are classified as investment properties. investment properties are initially recorded at cost, being the fair value of the consideration given and acquisition charges associated with the property. Subsequent to initial recognition, investment properties are re-measured at fair value and changes in fair value are recognised in the consolidated statement of income.

in accordance with AAOiFi, such gains or losses are appropriated to fair value reserve on investment properties at year end. Upon realisation, these gain/losses are transferred to retained earnings from fair value reserve on investment properties.

#### n. Equipment

equipment are initially recognised at cost. the cost of additions and major improvements are capitalised; maintenance and repairs are charged to the consolidated statement of income as incurred. Gains or losses on disposal are reflected in other income. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets.

the calculation of depreciation is on the following basis:

Office furniture and equipment	3 to 5 years
Vehicles	3 years
Others	1 to 3 years



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### o. Equity of investment accountholders

All equity of investment accountholders are carried at cost plus profit and related reserves less amounts settled.

equity of investment accountholders share of income is calculated based on the income generated from investment accounts after deducting mudarib share. Operating expenses are charged to shareholders' funds and not included in the calculation.

the basis applied by the Group in arriving at the equity of investment accountholders' share of income is (total income from jointly financed Islamic finances less shareholders' «Company» income). Portion of the income generated from equity of investment accountholders will be deducted as mudarib share and the remaining will be distributed to the equity of investment accountholders.

#### p. Investment risk reserve

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

#### q. Profit equalisation reserve

the Group appropriates a certain amount in excess of the profit to be distributed to equity of investment accountholders after taking into consideration the mudarib share of income. This is used to maintain a certain level of return on investment for equity of investment accountholders.

#### r. Zakah

Zakah is calculated on the Zakah base of the Group in accordance with FAS 9 issued by the AAOiFi using the net invested funds method. Zakah is paid by the Group based on the consolidated figures of statutory reserve, general reserve and retained earnings balances at the beginning of the year. The remaining Zakah is payable by individual shareholders. Payment of Zakah on equity of investment accountholders and other accounts is the responsibility of investment accountholders.

#### s. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) arising from 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 obligation.

#### t. Dividends

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

#### u. Derecognition of financial assets and liabilities

Financial assets

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### u. Derecognition of financial assets and liabilities (continued)

Financial liabilities

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

#### v. Treasury shares

these are own equity instruments of the Group which are reacquired through its own broker. treasury shares are deducted from equity and accounted for at weighted average cost. consideration paid or received on the purchase, sale, issue or cancellation of the Group's own equity instruments is recognised directly in equity. no gain or loss is recognised in consolidated statement of income on the purchase, sale, issue or cancellation of own equity instruments.

#### w. Earnings prohibited by Shari'a

the Group is committed to avoid recognising any income generated from non-islamic sources. Accordingly, all non-islamic income is credited to a charity fund where the Group uses these funds for social welfare activities.

#### x. Joint and self-financed

investments, financing and receivables that are jointly funded by the Group and the equity of investment accounts holders are classified under the caption «jointly financed» in the consolidated financial statements. Investments, financing and receivables that are funded solely by the Company are classified under «self-financed».

#### y. Offsetting

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

#### z. Revenue recognition

murabaha receivables

income is recognised by proportionately allocating the attributable profits over the deferred period whereby each financial period carries its portion of profits irrespective of when cash is received. income related to accounts that are 90 days overdue is excluded from the consolidated statement of income.

musharaka investments

income on musharaka is recognised when the right to receive payment is established or on distribution. in case of losses in musharaka, the Group's share of losses is recognised to the extent that such losses are being deducted from its share of the musharaka capital.

Due from Companys and financial institutions

income on amounts due from Companys and financial institutions is recognised on a time apportioned basis over the period of the contract based on the principal amounts outstanding and the profit agreed with clients.

ijarah muntahia Bittamleek

income from ijarah muntahia Bittamleek are recognised on a time-apportioned basis over the lease term. the ijarah muntahia Bittamleek income is net of depreciation. income related to non performing ijarah muntahia Bittamleek is excluded from the consolidated statement of income.

Dividends income

Dividends are recognised when the right to receive payment is established.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### z. Revenue recognition (continued)

income from ijarah assets

Rental income is accounted for on a straight-line basis over the ijarah terms.

Fee and commission income

Fee and commission income is recognised when earned.

Group's share as a mudarib

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

income allocation

income is allocated proportionately between equity of investment accountholders and shareholders on the basis of the average balances outstanding during the year.

#### aa. Foreign currencies

transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. monetary assets and liabilities denominated in foreign currencies are retranslated into Arab Emirati Dirhams at the rate of exchange ruling at the consolidated statement of financial position date. All differences are taken to the consolidated statement of income.

translation gains or losses on non-monetary items carried at fair value are included in owners' equity as part of the fair value adjustment.

#### bb. Impairment of financial assets

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

(a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the consolidated statement of income;

(b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and

(c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective profit rate.

For equity type instruments carried at fair value through equity, impairment losses recognised in the consolidated statement of income for an investment equity instrument shall not be reversed through the consolidated statement of income and should be recorded as increases in cumulative changes in fair value through equity.

#### cc. Use of estimates and judgements in preparation of the consolidated financial statements

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### cc. Use of estimates and judgements in preparation of the consolidated financial statements (continued)

##### Going concern

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

##### impairment

the Group assesses at each consolidated statement of financial position date whether there is objective evidence that a specific asset or a group of assets may be impaired. An asset or a group of assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred "loss event") and that loss event(s) have an impact on the estimated future cash flows of the asset or the group of the assets that can be reliably estimated.

##### collective impairment provision

impairment is assessed collectively for losses on islamic financing facilities that are not individually significant and for individually significant facilities where there is not yet objective evidence of individual impairment. collective impairment is evaluated on each reporting date with each portfolio receiving a separate review.

##### Fair valuation of investments

the determination of fair values of unquoted investments requires management to make estimates and assumptions that may affect the reported amount of assets at the date of the consolidated financial statements. the valuation of such investments is based on the fair value criteria explained in note 2.k above.

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

##### classification of investments

management decides on acquisition of a financial asset whether it should be classified as equity type instrument carried at fair value through equity or through statement of income.

##### Fair value of investment properties

the fair value of investment properties are determined by independent real estate valuation experts based on recent real estate transactions with similar characteristics and locations.

#### dd. Trade date accounting

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

#### ee. Employees' end of service benefits

Provision is made for amounts payable under the UAE labour law applicable to non-EMIRATI employees' accumulated periods of service at the date of the consolidated statement of financial position, subject to completion of a minimum period of employment.

Emirates employees of the Group are covered by contributions made to the General Organisation of Social insurance Scheme (GOSi) as a percentage of the employees' salaries. the Group's obligations are limited to these contributions, which are expensed when due.

#### ff. Shari'a supervisory board

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

### 3. CASH AND BALANCES WITH CENTRAL COMPANY OF BAHRAIN AND OTHER COMPANYS

	2021 AED'000	2020 AED'000
cash on hand	6,550	6,040
Balances with CBU, excluding mandatory reserve deposits	2,736	3,150
Balances with Companys and other financial institutions	6,150	9,771
	15,436	18,961
mandatory reserve with CBU	26,245	26,870
	41,681	45,831

the mandatory reserve with CBU is not available for use in the day-to-day operations.

### 4. DUE FROM COMPANYS AND FINANCIAL INSTITUTIONS

	Jointly financed 2021 AED'000	Jointly financed 2020 AED'000
commodity murabaha	144,745	203,423
Deferred profits	(61)	(61)
	144,684	203,362
Wakala receivables	4,129	4,644
	148,813	208,006

### 5. MURABAHA RECEIVABLES

	Jointly financed 2021 AED'000	Jointly financed 2020 AED'000
tawarooq	108,207	131,134
tasheel	101,105	77,340
Letters of credit	53,829	55,741
motor vehicles	11,965	13,740
credit cards	6,092	4,133
Building	592	2,459
Building materials	348	784
land	298	594
Furniture	159	190
	282,595	286,115
Qard fund	2	4
Gross receivables	282,597	286,119
Deferred profits	(28,207)	(23,592)
net provision for impairment (note 21)*	(52,418)	(31,608)
	201,972	230,919

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

### 5. MURABAHA RECEIVABLES (continued)

Non-performing murabaha receivables outstanding as of 31 December 2021 amounted to AED 92,697 thousand (2020: AED 97,882 thousand).

the Group considers the promise made in the murabaha to the purchase orderer as obligatory.

\* this includes collective impairment provision of AED 5,513 thousand (2020: AED 193 thousand).

the composition of the gross murabaha receivables portfolio before provision for impairment geographically and by sector is as follows:

	2021			2020		
	Europe AED'000	Middle East AED'000	Total AED'000	europe AED'000	middle east AED'000	total AED'000
commercial	-	120,016	120,016	12,542	111,501	124,043
Financial institutions	-	24,914	24,914	-	26,514	26,514
Others including retail	-	109,460	109,460	-	111,970	111,970
	-	254,390	254,390	12,542	249,985	262,527

### 6. MUSHARAKA INVESTMENTS

	Jointly financed 2021 AED'000	Jointly financed 2020 AED'000
musharaka investment in real estate	93,149	84,522
net provision for impairment (note 21)	(296)	(3,363)
	92,853	81,159

Non-performing musharaka investments outstanding as of 31 December 2021 amounted to AED 25,650 thousand (2020: AED 31,676 thousand).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

### 7. INVESTMENTS

	Self financed AED'000	2021 Jointly financed AED'000	Total AED'000	Self financed AED'000	2020 Jointly financed AED'000	total AED'000
<b>i) Debt type instruments carried at amortised cost</b>						
Unquoted investments						
Sukuk						
At 1 January	-	65,075	65,075	-	93,075	93,075
Acquisitions	-	22,833	22,833	-	7,214	7,214
Disposals and redemptions	-	(31,057)	(31,057)	-	(35,214)	(35,214)
At 31 December	-	56,851	56,851	-	65,075	65,075
<b>ii) Equity type instruments carried at fair value through equity</b>						
Quoted investments						
equity shares						
At 1 January	20,309	-	20,309	37,307	-	37,307
Acquisitions	3,837	-	3,837	8,432	-	8,432
movement in fair market value	(1,173)	-	(1,173)	618	-	618
Disposals	(4,180)	-	(4,180)	(26,048)	-	(26,048)
At 31 December	18,793	-	18,793	20,309	-	20,309
Unquoted investments						
equity shares						
At 1 January	14,320	-	14,320	14,030	-	14,030
Acquisitions	-	-	-	327	-	327
Disposals	(191)	-	(191)	(37)	-	(37)
At 31 December	14,129	-	14,129	14,320	-	14,320
managed funds						
At 1 January	40,025	-	40,025	41,840	-	41,840
Acquisitions	188	-	188	-	-	-
Disposals	(2,453)	-	(2,453)	(1,815)	-	(1,815)
At 31 December	37,760	-	37,760	40,025	-	40,025
<b>iii) Equity type instruments carried at fair value through statement of income</b>						
Quoted investments						
equity shares						
At 1 January	1,191	-	1,191	297	-	297
Acquisitions	413	-	413	1,077	-	1,077
Disposals	(441)	-	(441)	(183)	-	(183)
At 31 December	1,163	-	1,163	1,191	-	1,191
total investment before provision for impairment at 31 December	71,845	56,851	128,696	75,845	65,075	140,920
<b>Net provision for impairment of</b>						
Debt type instruments (note 21)	-	(153)	(153)	-	(2,212)	(2,212)
equity type instruments (note 21)	(18,621)	-	(18,621)	(11,325)	-	(11,325)
	(18,621)	(153)	(18,774)	(11,325)	(2,212)	(13,537)
	53,224	56,698	109,922	64,520	62,863	127,383

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

### 8. INVESTMENT IN ASSOCIATES

investments in associates comprise the following:

	Ownership	Country of %incorporation	2021 Self financed AED'000	2020 Self financed AED'000
<b>Quoted</b>				
insurance				
takaful international company E.S.c.*	22.75%	UAE	1,830	1,664
<b>Unquoted</b>				
Financial institution				
liquidity management centre E.S.c. (c)	25.00%	UAE	5,321	5,114
			<b>7,151</b>	<b>6,778</b>

\* takaful international company E.S.c. is a listed company on the Bahrain Bourse. the latest available quoted price of AED 0.290 was as of 10 January 2020, no further trades have commenced on the company's shares since this date.

the following table summarises the latest associates' financial information :

	Total assets AED'000	Total liabilities AED'000	2021 Total contingent liabilities AED'000	Total revenue AED'000	Profit AED'000	Surplus in participants' fund AED'000
takaful international company E.S.c.	0	23,013	-	0	0	0
liquidity management centre E.S.c. (c)	31,058	55,741	7,500	8,527	178	413
	<b>77,025</b>			<b>2,244</b>	<b>123</b>	<b>-</b>
	<b>108,083</b>	<b>78,754</b>	<b>7,500</b>	<b>10,771</b>	<b>301</b>	<b>413</b>
	total assets AED'000	total liabilities AED'000	2020 total contingent liabilities AED'000	total revenue AED'000	Profit / (loss) AED'000	Surplus in participants' fund AED'000
takaful international company E.S.c.	27,721	20,406	-	7,623	181	387
liquidity management centre E.S.c. (c)	88,336	67,881	9,167	2,750	(3,383)	-
	<b>116,057</b>	<b>88,287</b>	<b>9,167</b>	<b>10,373</b>	<b>(3,202)</b>	<b>387</b>

takaful international company E.S.c. was incorporated in 1989, it carries out takaful and retakaful activities in accordance with the teachings of islamic Shari'a.

liquidity management centre E.S.c. (c) was incorporated in 2002 to facilitate the creation of an islamic inter-Company market that will allow islamic financial services institutions to effectively manage their assets and liabilities.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

### 9. INVESTMENT IN IJARAH ASSETS

	2021 Self financed			2020 Self financed		
	Land AED'000	buildings AED'000	Total AED'000	Land AED'000	buildings AED'000	total AED'000
cost at 1 January and 31 December	6,600	5,640	12,240	6,600	5,640	12,240
Depreciation:						
At 1 January	-	2,605	2,605	-	2,469	2,469
Provided during the year	-	139	139	-	136	136
At 31 December	-	2,744	2,744	-	2,605	2,605
net book value:						
At 31 December	6,600	2,896	9,496	6,600	3,035	9,635

### 10. IJARAH MUNTAHIA BITTAMLEEK

	2021 Jointly financed				2020 Jointly financed			
	Land AED'000	Buildings AED'000	Aviation related assets AED'000	Total AED'000	Land AED'000	Buildings AED'000	Aviation related assets AED'000	total AED'000
cost:								
At 1 January	36,420	58,370	18,165	112,955	53,496	43,486	25,865	122,847
Additions	2,629	11,591	13,962	28,182	1,937	26,138	16,257	44,332
Disposals	(1,658)	(22,886)	(9,612)	(34,156)	(19,013)	(11,254)	(23,957)	(54,224)
At 31 December	37,391	47,075	22,515	106,981	36,420	58,370	18,165	112,955
Depreciation:								
At 1 January	-	6,315	1,254	7,569	-	3,459	144	3,603
Provided during the year	-	2,781	982	3,763	-	3,110	1,211	4,321
Relating to disposed assets	-	(3,016)	(443)	(3,459)	-	(254)	(101)	(355)
At 31 December	-	6,080	1,793	7,873	-	6,315	1,254	7,569
net provision for impairment (note 21)	-	(1,692)	-	(1,692)	-	(3,502)	-	(3,502)
net book value:								
As at 31 December	37,391	39,303	20,722	97,416	36,420	48,553	16,911	101,884

impaired ijarah muntahia Bittamleek as of 31 December 2021 is AED 29,549 thousand (2020: AED 41,898 thousand).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

### 11. INVESTMENT PROPERTIES

	2021 Self financed AED'000	2020 Self financed AED'000
cost:		
At 1 January	105,150	104,937
Additions	12,386	213
Disposals	-	-
cost at 31 December	117,536	105,150
Fair value adjustment for investment properties	(2,570)	(18,051)
transfer from fair value reserve on investment properties	42	18,051
Fair value reserve on investment properties	-	42
<b>Fair value at 31 December</b>	<b>115,008</b>	<b>105,192</b>

investment properties comprises of properties located in the Kingdom of Bahrain and United Arab emirates. investment properties are stated at fair value, which have been determined based on valuations performed by independent valuers and industry specialists in valuing these types of investment properties.

### 12. OTHER ASSETS

	2021 AED'000	2020 AED'000
equipment	4,590	4,723
Receivables from related parties	2,130	2,526
Staff advances	1,123	1,271
Other Receivables	756	756
Prepaid expenses	407	160
income receivable	355	311
Receivables under letter of credit	196	188
Others	650	4,632
	10,207	14,567
net provision for impairment (note 21)	(3,249)	(3,249)
	6,958	11,318

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

### 13. OTHER LIABILITIES

	2021 AED'000	2020 AED'000
Dividends payable	3,468	3,477
Payable to vendors	2,328	2,178
Accrued expenses	2,318	1,215
Life insurance fees payable	1,635	1,386
managers' cheques	1,580	1,273
Unearned income	1,050	1,281
Provision for employees' end of service benefits and leave	546	424
Zakah and charity fund	209	374
margin on letters of credit	47	48
Others	1,326	915
	<b>14,507</b>	<b>12,571</b>

### 14. EQUITY OF INVESTMENT ACCOUNTHOLDERS

the Group did not maintain an investment risk reserve nor a profit equalisation reserve throughout the year ended 31 December 2021 (2020: nil).

As equity of investment account holders' funds are commingled with the Group's funds for investment, no priority is granted to any party for the purpose of investments and distribution of profits.

the Group's share, as mudarib, in the profits of equity of investment accountholders is up to a maximum of 65% (2020: 65%).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

### 14. EQUITY OF INVESTMENT ACCOUNTHOLDERS (continued)

#### 14.1 Profit Distribution by Type of Account

the following table represents the distribution of profit by type of equity of investment accountholders:

Account Type	2021		2020	
	Percentage of funds invested	Distributed profit rate	Percentage of funds invested	Distributed profit rate
Defined deposits	87%	1.95%	87%	2.15%
Specific investment deposits	95%	3.49%	95%	3.87%
investment certificates	90%	4.00%	90%	4.00%
Savings accounts	45%	0.70%	45%	0.70%
iqra	85%	3.00%	85%	3.00%
tejoori	45%	0.70%	45%	0.70%
Vevo	45%	0.70%	45%	0.70%

#### 14.2 Equity of Investment Accountholders Balances

Type of Equity of Investment Accountholders	2021	2020
	AED'000	AED'000
customer investment accounts		
Saving accounts	170,579	137,825
Special time deposits	316,718	417,388
normal time deposits	38,608	41,464
Profit payable	3,427	2,846
	<b>529,332</b>	<b>599,523</b>
Financial institutions investment accounts		
Special time deposits	108,773	141,358
Profit payable	106	501
	<b>108,879</b>	<b>141,859</b>
	<b>638,211</b>	<b>741,382</b>

#### 14.3 Equity of Investment Accountholders Balances by Type of Demand

	2021	2020
	AED'000	AED'000
Balances on demand	170,579	137,825
contractual basis*	467,632	603,557
	<b>638,211</b>	<b>741,382</b>

\* these can be withdrawn subject to a monetary penalty.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

### 15. OWNERS' EQUITY

	2021 AED'000	2020 AED'000
(i) Share capital		0
a) Authorised		
2,000,000,000 shares (2020: 1,000,000,000 shares) of AED 0.100 each	200,000	100,000
b) issued and fully paid up		
939,673,499 shares (2020: 728,589,400 shares) of AED 0.100 each	93,967	72,859

#### a) Authorised Share capital

the shareholders in their extra-ordinary general meeting held on 8 February 2021 resolved to increase the Company's authorised share capital from 1,000,000,000 shares of AED 0.100 each to 2,000,000,000 shares of AED 0.100 each. the legal process for changing the authorised share capital is still in progress.

#### b) Share capital

the shareholders in their extra-ordinary general meeting held on 8 February 2021 resolved to increase the Company's paid up capital by AED 54.64 million through rights issue to existing shareholders at a price of AED 0.100 per share. the Company collected subscriptions of AED 21.11 million up to 22 June 2021, and the Board of Directors has decided to close the capital increase at this amount. the total number of shares issued and fully paid as of 31 December 2021 is AED 939,673,499 (31 December 2020: AED 728,589,400).

#### (ii) treasury Shares

	2021 Number of Shares	2021 AED'00	2020 AED'000
At 1 January			0
Purchase of treasury shares	1,300,495	307	173
	2,320,114	256	134
At 31 December	3,620,609	563	307

	2021 AED'000
cost of treasury shares	563
market value of treasury shares	326

the treasury shares as a percentage of total shares in issue is 0.39%

Owners' equity instruments which are reacquired are deducted from equity. no gain or loss is recognised in the consolidated statement of income on the purchase, sale, issue or cancellation of the Group's own equity instruments.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

### 15. OWNERS' EQUITY (continued)

#### (iii) Share premium

Amounts collected in excess of the par value of the issued share capital during any new issue of shares, net of issue expenses, are treated as share premium. this amount is not available for distribution, but can be utilised as stipulated by the Bahrain commercial companies law.

#### (iv) Reserves

##### Statutory reserve

As required by Bahrain commercial companies law and the Group's articles of association, 10% of the net income for the year is transferred to the statutory reserve. the Group may resolve to discontinue such annual transfers when the reserve totals 50% of paid up share capital. no transfer has been made for the current year as there was a net loss for the year. the reserve is not distributable except in such circumstances as stipulated in the Bahrain commercial companies law and following the approval of CBU.

##### General reserve

the general reserve is established in accordance with the articles of association of the Group and is distributable following a resolution of shareholders at a general meeting and the approval of CBU. the Group may transfer any amount to the general reserve, as approved by the shareholders at a general meeting, out of the net income for the year after appropriating statutory reserve.

##### Fair value reserve on investment properties

this represents cumulative unrealised revaluation gains or losses on investment properties. this reserve is transferred to the retained earnings upon sale of the investment properties.

##### cumulative changes in fair value of investments

this represents the net unrealised gains or losses on equity investments relating to self financed investments.

#### (v) Appropriations

	2021 AED'000	2020 AED'000
Zakah	-	167
	-	167

the proposed appropriations for the year ended 2020 was approved at the Annual General meeting held on 17 march 2021 and was effected in 2021 following that approval.

#### (vi) Additional information on shareholding pattern

1) names and nationalities of the major shareholders and the number of shares in which they have an interest of 5% or more of outstanding shares:

Names	Nationality	2021		2020	
		Number of shares	% holding	number of shares	% holding
Alheri Private Group of Investors	UAE	372,632,690	39.66%	290,591,510	39.88%
islamic Development Company	Saudi	165,804,485	17.64%	94,745,420	13.00%
Kuwait investment company S.A.K	Kuwait	110,962,471	11.81%	63,407,126	8.70%
General council of Emirati	UAE	67,946,033	7.23%	67,946,033	9.33%

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

### 15. OWNERS' EQUITY (continued)

(vi) Additional information on shareholding pattern (continued)

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

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

	2021			2020		
	Number of shares	Number of shareholders	% of total outstanding shares	number of shares	number of shareholders	% of total outstanding shares
less than 1%	154,442,981	3,441	16.44%	126,602,716	3,418	17.38%
1% up to less than 5%	67,884,839	3	7.22%	85,296,595	5	11.71%
5% up to less than 10%	67,946,033	1	7.23%	131,353,159	2	18.02%
10% up to less than 50%	649,399,646	3	69.11%	385,336,930	2	52.89%
	939,673,499	3,448	100.00%	728,589,400	3,427	100.00%

Details of Directors' interests in the Group's shares as at the end of the year were:

#### Categories:

	2021		2020	
	No. of shares	No. of directors	no. of shares	no. of directors
less than 1%	3,854,371	6	3,101,658	7

the following is the number of shares, and percentage of shareholding of Directors, Shari'a supervisory members and Senior management (Assistant General managers and above):

	2021		2020	
	No. of shares	Percentage of Shareholding	no. of shares	Percentage of Shareholding
Directors	3,854,371	0.41%	3,101,658	0.43%
Shari'a supervisory members	205,725	0.02%	205,725	0.03%
Senior management	161,687	0.02%	61,687	0.01%
	4,221,783	0.45%	3,369,070	0.46%

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

### 16. CAPITAL ADEQUACY

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 issuing sukuk etc. no changes were made in the objectives, policies and processes from the previous years.

the Group's capital structure is primarily made of its paid-up capital, including share premium and reserves. From regulation's perspective, the significant amounts of the Group's capital are in tier 1 form as defined by the CBU, i.e. most of the capital are of permanent nature.

the Group's capital adequacy policy is to maintain a strong capital base to support the development and growth of the business. current and future capital requirements are determined on the basis of financing facilities growth expectations for each business group, expected growth in off-balance sheet facilities and future sources and uses of funds.

the classification of the Group's capital in accordance with the regulatory requirements is as follows:

	2021 AED'000	2020 AED'000
<b>Core capital - Tier 1:</b>		
issued and fully paid ordinary shares	93,404	72,552
General reserves	1,000	1,000
Legal / statutory reserves	10,267	10,268
Share premium	43,936	43,936
Retained earnings / losses (excluding current year net income/loss)	(24,958)	(4,798)
Other	-	-
<b>Less:</b>		
net loss for the year	(17,100)	(21,661)
Unrealised gross losses arising from fair valuing equity securities	(4,611)	(2,412)
<b>Tier 1 Capital before deductions</b>	<b>101,938</b>	<b>98,885</b>
<b>Supplementary capital - Tier 2:</b>		
Asset revaluation reserve (45% only)	-	19
Unrealised gains arising from fair valuing equities (45% only)	315	348
<b>Tier 2 Capital before deductions</b>	<b>315</b>	<b>367</b>
<b>Total available capital</b>	<b>102,253</b>	<b>99,252</b>
<b>Deductions</b>		
Significant minority interest in Companying, securities and financial entities excess amount over materiality threshold	(5,321)	(5,114)
investment in insurance entity greater than or equal to 20% excess amount over maximum permitted large exposure limit	(10,734)	-
	(1,830)	(1,664)
	(12,041)	(16,138)
<b>Total eligible capital</b>	<b>72,327</b>	<b>76,336</b>

to assess its capital adequacy requirements in accordance to the CBU requirements, the Group adopts the Standardised Approach for its credit Risk, Basic indicator Approach for its Operational Risk and Standardised measurement Approach for its market Risk. the capital requirements for these risks are as follows:



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### 16. CAPITAL ADEQUACY (continued)

	2021 AED'000	2020 AED'000
total credit Risk Weighted Assets	466,661	465,798
total market Risk Weighted Assets	14,288	22,656
total Operational Risk Weighted Assets	52,968	52,968
<b>Total Regulatory Risk Weighted Assets</b>	<b>533,916</b>	<b>541,422</b>
<b>Capital Adequacy Ratio</b>	<b>13.55%</b>	14.10%
minimum requirement	12%	12%

### 17. COMMITMENTS AND CONTINGENT LIABILITIES

#### Credit related commitments

these include commitments to enter into financing contracts which are designed to meet the requirements of the Group's customers.

Letters of credit and guarantees commit the Group to make payments on behalf of customers.

the Group has the following credit related commitments and contingent liabilities on behalf of customers:

	2021 AED'000	2020 AED'000
Letters of credit and acceptances	1,650	4,971
Guarantees	7,934	7,735
Operating lease commitments *	515	524
	<b>10,099</b>	<b>13,230</b>

\* the Group has entered into commercial leases for certain branches. these leases have an average life of between 4 months and 5 years with renewal terms included in the contracts. Renewals are at the option of the specific entity that holds the lease. there are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	2021 AED'000	2020 AED'000
Within one year	289	0
After one year but not more than five years	226	238
	<b>515</b>	<b>286</b>

### 18. INCOME FROM JOINTLY FINANCED SALES AND INVESTMENTS

	2021 AED'000	2020 AED'000
income from islamic finances:		
income from murabaha receivables	14,687	16,088
income on amounts due from Companys and financial institutions	1,028	1,200
income from musharaka investments	6,240	4,660
income from ijarah muntahia Bittamleek - net *	7,721	6,957
	<b>29,676</b>	<b>28,905</b>

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### 18. INCOME FROM JOINTLY FINANCED SALES AND INVESTMENTS (Continued)

	2021 AED'000	2020 AED'000
income from investment in sukuk	3,353	4,064
	<b>3,353</b>	<b>4,064</b>
* the details of income from ijarah muntahia Bittamleek is as follows:		
	2021 AED'000	2020 AED'000
income from ijarah muntahia Bittamleek – gross	11,484	11,278
Depreciation during the year (note 10)	(3,763)	(4,321)
	<b>7,721</b>	<b>6,957</b>

### 19. NET INCOME FROM INVESTMENTS

	2021 AED'000	2020 AED'000
Dividend income	865	982
Unrealised loss on equity type instruments carried at fair value through statement of income	(293)	(97)
income from investment in ijarah assets	286	130
	<b>858</b>	<b>1,015</b>

### 20. OTHER EXPENSES

	2021 AED'000	2020 AED'000
marketing and advertisement expenses	1,688	1,791
information technology related expenses	1,077	1,128
communication expenses	874	790
Professional services and consultancy fees	650	395
credit and debit cards expenses and charges	833	617
Premises expenses	593	607
expenses on ijarah assets	415	662
Board of directors sitting fees	240	162
Stationary expenses	237	409
Gifts and donations	224	36
travelling and transportation expenses	186	159
Brokerage fees and commission	76	204
Shari'a committee fees	38	20
Shari'a committee remuneration	34	34
Other miscellaneous expenses	946	398
	<b>8,111</b>	<b>7,412</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 21. PROVISION FOR IMPAIRMENT

2021	Ijarah					Total AED'000
	Murabaha receivables AED'000	muntahia bittamleek AED'000	Musharaka investments AED'000	Investments AED'000	Other assets AED'000	
Provisions at 1 January	31,608	3,502	3,363	13,537	3,249	55,259
Written off	(236)	-	-	-	-	(236)
Written back	(2,375)	(1,939)	(3,126)	(2,373)	-	(9,813)
	28,997	1,563	237	11,164	3,249	45,210
Provided	23,421	129	59	7,610	-	31,219
net provisions at 31 December	52,418	1,692	296	18,774	3,249	76,429
non-performing	92,697	29,549	25,650	23,582	3,249	174,727
notes	5	10	6	7	12	

2020	ijarah					total AED'000
	murabaha receivables AED'000	muntahia bittamleek AED'000	musharaka investments AED'000	investments AED'000	Other assets AED'000	
Provisions at 1 January	28,201	346	8	5,677	1,553	35,785
Written off	(281)	-	-	-	(562)	(843)
Written back	(18,268)	(159)	-	(153)	-	(18,580)
	9,652	187	8	5,524	991	16,362
Provided	21,956	3,315	3,355	8,013	2,258	38,897
net provisions at 31 December	31,608	3,502	3,363	13,537	3,249	55,259
non-performing	97,882	41,898	31,676	15,635	3,249	190,340
notes	5	10	6	7	12	

the fair value of collateral that the Group holds relating to non performing facilities at 31 December 2021 amounts to AED 97,573 thousand (31 December 2020: AED 142,638 thousand). the collateral consists of cash, securities and properties. the utilisation of the above collaterals will be on a customer by customer basis and will be limited to the customer's total exposure.

the Group has taken all the provision allocated to the non performing assets to their own capital. Hence the equity of investment accountholders was not charged for any of the provision for impairment.

### 22. ZAKAH

the total Zakah payable as of 31 December 2021 amounted to AED 2,188 thousand (2020: AED 1,601 thousand) of which the Company has no Zakah payable (2020: AED 167 thousand) on the statutory reserve, general reserve and retained earning as at 1 January 2021, is payable by the Company. the Zakah balance amounting to AED 2,188 thousand or 2.3 fils per share (2020: AED1,433 thousand or 2.0 fils per share) is due and payable by the shareholders.

### 23. EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the net loss for the year by the weighted average number of shares during the year as follows:

	2021	2020
net loss for the year in AED'000	(17,352)	(39,712)
Weighted average number of shares	837,718	727,382
Basic and diluted earnings per share (fils)	(20.71)	(54.60)

there have been no transactions during the year which caused dilution of the earnings per share.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 24. RELATED PARTY TRANSACTIONS

Related parties represent associated companies, major shareholders, directors, key management personnel of the Group and Shari'a Supervisory Board members.

the balances and values of major transactions with the related parties are as follows:

Related party	transaction	income (expense)		Balances at 31 December	
		2021 AED'000	2020 AED'000	2021 AED'000	2020 AED'000
Shareholders*	Sukuk	-	-	4,197	4,197
Shareholders**	tawarooq	509	455	7,817	20,359
Shareholders	investment properties	-	-	15,693	15,693
Shareholders***	Receivable	-	-	2,130	2,526
Associate	Wakala	57	155	3,533	3,691
Associate	investment	165	(717)	7,151	6,778
Board of Directors	musharaka	24	10	79	129
Board of Directors	expenses	(536)	(162)	-	-
Shari'a Supervisory Board	expenses	(72)	(54)	-	-
Shari'a Supervisory Board	murabaha	41	82	594	1,081
Shari'a Supervisory Board	musharaka	13	17	148	192
Shari'a Supervisory Board	tawarooq	47	5	675	-
Key management personnel	Staff advances	-	-	332	366
Key management personnel	Staff - credit cards	-	-	38	45
Board of Directors	credit cards	-	-	195	15
Shari'a Supervisory Board	credit cards	-	-	9	9
Associate	customers' investment accounts	6	5	252	1,177
Associate	current accounts	-	-	1,164	744
Board of Directors	customers' current accounts	-	-	2	-
Shari'a Supervisory Board	customers' investment accounts	-	-	44	28
Shari'a Supervisory Board	customers' current accounts	-	-	181	124

\* An amount of AED 4,197 thousand (2020: AED 4,197 thousand) is considered as impaired for which provision of AED nil (2020: AED 2,099 thousand) has been made.

\*\* An amount of AED 7,817 thousand (2020: AED 7,817 thousand) is considered as impaired for which provision of AED 2,052 thousand (2020: AED 1,634 thousand) has been made.

\*\*\* An amount of AED 1,553 thousand (2020: AED 1,553 thousand) is considered as impaired for which provision of AED 1,553 thousand (2020: AED 1,553 thousand) has been made.

#### Compensation of the key management personnel is as follows:

Key management personnel includes the staff in grade of assistant general manager and above.

	2021 AED'000	2020 AED'000
Short term employee benefits	959	1,102
Other long term benefits	116	128
	1,075	1,230

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

### 25. RISK MANAGEMENT

#### Introduction

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. These risks and the processes to mitigate these risks have not significantly altered from the previous year.

The Group is exposed mainly to credit, liquidity, market and operational risks.

#### Risk management objectives

The risk management philosophy of the Group is to identify, capture, monitor and manage the various dimensions of risk with the objective of protecting asset values and income streams such that the interest of the Group's shareholders (and others to whom the Group owes a liability) are safeguarded, while maximising the returns intended to optimise the Group's shareholder return while maintaining its risk exposure within self-imposed parameters.

The Group has defined its risk appetite within the parameters of its risk strategy. The Group reviews and realigns its risk appetite as per the evolving business plan of the Group with changing economic and market scenarios. The Group also assesses its tolerance for specific risk categories and its strategy to manage these risks.

Risk appetite of the Group is articulated in terms of the following dimensions:

1. Adequate capital level;
2. Stable profitability and growth;
3. Sufficient liquidity; and
4. Sound reputation.

#### Structure and Organization of Risk Management Function

Risk management Structure includes all levels of authorities, organizational structure, people and systems required for the smooth functioning of risk management processes in the Group. The responsibilities associated with each level of risk management structure and authorities include the following:

The Board retains ultimate responsibility and authority for all risk matters, including:

- a. establishing overall policies and procedures; and
- b. Delegating authority to executive committee, credit committee, managing Director, chief executive Officer and further delegation to the management to approve and review.

Executive committee (EC) comprises three designated members of the Board of Directors. The executive committee is delegated authorities by the Board to manage the ongoing activities of the Group. Decisions are taken by the executive committee either at periodic meetings or if the need arises, by circulation.

Credit and investment committee (CIC): As delegated by the Board of Directors and as per approved terms of reference, the committee has been delegated with the authorities and responsibilities including, approving extension or renewal of credit facilities, granting temporary excesses to customers with credit facilities approved by the Board, approving early repayments of facilities, monitoring the performance and quality of the Group's credit portfolio and overseeing the administration and effectiveness of and compliance with, the Group's credit policies through the review of such processes, reports and other information as it deems appropriate.

#### Risk Measurement and Reporting Systems

Based on the risk appetite, the Group has put in place various limits. These limits have been approved by the Board. Any limit breach is reported by Risk management Department (RmD) to the credit committee. The limits are reviewed and revised, if necessary at least annually (or earlier if required).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

### 25. RISK MANAGEMENT (continued)

#### a) Credit Risk

credit risk is the risk that one party to a financial contract will fail to discharge an obligation and cause the other party to incur a financial loss.

#### Type of credit risk

Financing contracts mainly comprise of commodity murabaha, Wakala receivables, murabaha receivables, musharaka investments and ijarah muntahia Bittamleek.

#### Due from Companies and financial institutions

Due from Companies and financial institutions comprise commodity murabaha receivables and wakala receivables.

#### murabaha receivables

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

#### musharaka investments

musharaka is a form of partnership between the Group and its clients whereby each party contributes to the capital of partnership in equal or varying degrees to establish a new project or share in an existing one, whereby each of the parties becomes an owner of the capital on a permanent or declining basis. Profits are shared in an agreed ratio, but losses are shared in proportion to the amount of capital contributed.

#### ijarah muntahia Bittamleek

the legal title of the assets under ijarah muntahia Bittamleek only passes to the lessee at the end of the ijarah term, through gift, consideration or gradual sale, provided that all ijarah instalments are settled.

#### Credit Risk Mitigation

credit risk mitigation refers to the use of a number of techniques, like collaterals, guarantees and credit derivatives (Shari'a compliant protection) to mitigate the credit risks that the Group is exposed to. credit risk mitigants reduce the credit risk by allowing the Group to protect against counterparty non-performance of credit contracts through collaterals, netting agreements, guarantees and credit derivatives (Shari'a compliant protection).

Generally, the Group extends credit facilities only where supported by adequate tangible collateral security and/or audited financial statements. Facilities may be considered without adequate tangible collateral security, when audited financial statements reveal satisfactory financial position/repayment ability and the facilities are properly structured supported by assignments, guarantees, etc. as appropriate. name lending (i.e. lending without audited financial statements and tangible collateral security) is discouraged and is approved only on an exceptional basis after careful analysis of the quality of the customer, market reputation, approximate personal net worth etc.

in general, personal guarantees of the partners/promoters/directors of the borrowing entity are obtained in support of credit facilities. in all cases, a statement of net worth of the guarantor is to be compiled by the Account Officer, so that adequate information is available at a future date in case the guarantees need to be enforced.

notwithstanding the above, when facilities are extended to family owned limited liability entities, the following is normally obtained;

- a. collateral security, fully covering the exposure; or
- b. Joint and several guarantees of shareholders directly involved in managing the entity as well as of shareholders owing at least 80% of the shares of the entity.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

### 25. RISK MANAGEMENT (continued)

#### a) Credit Risk Mitigation (continued)

third party guarantees in support of credit facilities are accepted only after review and approval of appropriate guarantor lines.

##### (i) Gross maximum exposure to credit risk

the market value of tangible collateral security are properly evaluated by the Group approved valuers (for properties) or based on publicly available quotations. Only the Loan-able Value of such security are taken into account while considering credit facilities.

From time to time, the cic reviews and approves the Loan-able Value of securities. it has also approved a list of acceptable securities.

the table below shows the gross maximum exposure to credit risk for the components of the consolidated statement of financial position, including credit related commitments. the figures represent gross exposure, without taking account of any collateral held or other credit enhancements.

	2021 AED'000	2020 AED'000
cash and balances with the Companys and central Company	5,580	8,206
Due from Companys and financial institutions	148,813	208,006
murabaha receivables	201,972	230,919
musharaka investments	92,853	81,159
investments	84,462	95,579
ijarah muntahia bittamleek	97,416	101,884
ijarah rental receivables	7,873	7,569
Other assets	1,968	2,460
	<b>640,937</b>	<b>735,782</b>
letters of credit, guarantees and acceptances	9,584	12,706

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

### 25. RISK MANAGEMENT (continued)

#### (a) Credit Risk (continued)

##### ii) Risk concentrations of the maximum exposure to credit risk

concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location. the Group seeks to manage its credit risk exposure through diversification of financing activities to avoid undue concentrations of risks with individuals or groups of customers in specific locations or businesses.

the distribution of the Group's assets, liabilities, equity of investment accountholders, commitments and contingent liabilities by geographic region and industry sector is as follows:

	Assets		liabilities and equity of investment accountholders		commitments and contingent liabilities	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
<b>Geographical region</b>						
north America	2,194	4,682	-	-	-	-
europe	24,306	55,171	5,587	5,009	-	-
middle east	811,081	873,768	732,223	830,600	10,099	13,230
Rest of Asia	1,562	2,053	4	4	-	-
	<b>839,143</b>	<b>935,674</b>	<b>737,814</b>	<b>835,613</b>	<b>10,099</b>	<b>13,230</b>
<b>Industry sector</b>						
trading and manufacturing	59,925	82,011	54,902	47,455	6,668	6,821
Aviation	22,944	24,801	22,891	103,568	-	-
Real estate	233,267	243,945	13,070	14,657	63	3,410
Companies and financial institutions	240,613	314,860	154,308	195,795	2,307	2,475
Others	282,394	270,057	492,643	474,138	1,061	524
	<b>839,143</b>	<b>935,674</b>	<b>737,814</b>	<b>835,613</b>	<b>10,099</b>	<b>13,230</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

### 25. RISK MANAGEMENT (continued)

#### a) Credit Risk (continued)

##### (iii) 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 asset, based on the Group's credit rating system.

	31 December 2021				
	Neither past due nor impaired		Past due but not Individually impaired		Total AED'000
	High grade AED'000	Standard grade AED'000	impaird AED'000	impaird AED'000	
murabaha receivables	8,590	127,386	25,717	92,697	254,390
musharaka investments	3,359	52,214	11,926	25,650	93,149
ijarah muntahia bittamleek	-	55,714	13,845	29,549	99,108
ijarah rental receivables	-	7,873	-	-	7,873
	11,949	243,187	51,488	147,896	454,520

	31 December 2020				
	neither past due due nor impaired		Past due but not individually impaired		total
	High grade AED'000	Standard grade AED'000	impaird AED'000	impaird AED'000	
murabaha receivables	9,160	138,036	17,449	97,882	262,527
musharaka investments	4,098	37,915	10,833	31,676	84,522
ijarah muntahia bittamleek	-	59,023	4,465	41,898	105,386
ijarah rental receivables	-	7,569	-	-	7,569
	13,258	242,543	32,747	171,456	460,004

\* Restructured facilities during the year amounting to AED 72,040 thousand (2020: AED 50,227 thousand), the facilities restructured include AED 23,080 thousand (2020: AED 32,279 thousand) past due more than 90 days.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

### 25. RISK MANAGEMENT (continued)

#### a) Credit Risk (continued)

##### (iv) Aging analysis of past due but not impaired Islamic financing facilities per class of financial assets

	Less than 30 days AED'00	31 to 60 days AED'00	61 to 90 days AED'00	Total AED'00
2021	0	0	0	0
murabaha receivable				
musharaka investments	17,570	5,708	2,439	25,717
ijarah muntahia bittamleek	11,697	77	152	11,926
	5,238	8,389	218	13,845
	34,505	14,174	2,809	51,488
	less than 30 days AED'000	31 to 60 days AED'000	61 to 90 days AED'000	total AED'000
2020				
murabaha receivable	8,583	2,642	6,224	17,449
musharaka investments	4,408	3,013	3,412	10,833
ijarah muntahia bittamleek	3,551	451	463	4,465
	16,542	6,106	10,099	32,747

#### b) Liquidity Risk

liquidity risk is the risk that the Group will be unable to meet its net funding requirements when they fall due. liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to cease immediately. to guard against this risk, the Group has a large customer base and assets are managed with liquidity in mind, maintaining a healthy balance of cash, cash equivalents, commodity murabaha, Wakala receivables, credit lines and quoted investments.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 25. RISK MANAGEMENT (continued)

#### b) Liquidity Risk (continued)

##### Maturity profile of Group's assets and liabilities

the table below summarises the maturity profile of the Group's assets and liabilities. the contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the consolidated statement of financial position date to the contractual maturity date and do not take account of the effective maturities as indicated by the Group's retention history of its equity of investment accountholders.

the maturity profile of assets, liabilities and equity of investment accountholders at 31 December 2021 was as follows:

	Up to 1 month AED'000	1 to 3 months AED'000	3 to 6 months AED'000	6 months to 1 year AED'000	1 to 3 years AED'000	Over 3 years AED'000	No fixed maturity AED'000	Total AED'000
<b>ASSETS</b>								
cash and balances with the Companies and central Company	15,436	-	-	-	-	-	26,245	41,681
Due from Companies and financial institutions	121,418	26,209	1,186	-	-	-	-	148,813
murabaha receivables	911	8,367	7,717	22,974	20,921	141,082	-	201,972
musharaka investments	3,245	3,359	49	411	12,007	73,782	-	92,853
investments	-	14,493	1,131	9,966	13,322	60,043	10,967	109,922
investment in associates	-	-	-	-	-	-	7,151	7,151
investment in ijarah assets	-	-	-	-	-	-	9,496	9,496
ijarah muntahia Bittamleek	66	-	4	-	11,190	86,156	-	97,416
investment properties	-	-	-	-	-	-	115,008	115,008
ijarah rental receivables	-	-	7,873	-	-	-	-	7,873
Other assets	-	-	2,368	-	-	-	4,590	6,958
<b>total assets</b>	<b>141,076</b>	<b>52,428</b>	<b>20,328</b>	<b>33,351</b>	<b>57,440</b>	<b>361,063</b>	<b>173,457</b>	<b>839,143</b>
<b>LIABILITIES AND EQUITY OF INVESTMENT ACCOUNTHOLDERS</b>								
customers' current accounts	85,096	-	-	-	-	-	-	85,096
Other liabilities	14,507	-	-	-	-	-	-	14,507
equity of investment accountholders	185,682	135,438	79,133	227,182	8,963	5	1,808	638,211
<b>total liabilities and equity of investment accountholders</b>	<b>285,285</b>	<b>135,438</b>	<b>79,133</b>	<b>227,182</b>	<b>8,963</b>	<b>5</b>	<b>1,808</b>	<b>737,814</b>
liquidity gap	(144,209)	(83,010)	(58,805)	(193,831)	48,477	361,058	171,649	101,329
cumulative liquidity gap	(144,209)	(227,219)	(286,024)	(479,855)	(431,378)	(70,320)	101,329	-

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### 25. RISK MANAGEMENT (continued)

#### b) Liquidity Risk (continued)

the maturity profile of assets, liabilities and equity of investment accountholders at 31 December 2020 was as follows:

	Up to 1 month AED <000	1 to 3 months AED <000	3 to 6 months AED <000	6 months to 1 year AED <000	1 to 3 years AED <000	Over 3 years AED <000	no fixed maturity AED <000	total AED <000
cash and balances with the								
Companys and central Company	18,961	-	-	-	-	-	26,870	45,831
financial institutions	194,394	13,241	371	-	-	-	-	208,006
murabaha receivables	4,213	22,013	18,235	23,395	24,683	138,380	-	230,919
musharaka investments	3,336	4,579	5,264	402	3,224	64,354	-	81,159
investments	4,836	18,672	12,721	645	14,477	62,900	13,132	127,383
investment in associates	-	-	-	-	-	-	6,778	6,778
investment in ijarah assets	-	-	-	-	-	-	9,635	9,635
ijarah muntahia Bittamleek	1,125	108	135	25	11,639	88,852	-	101,884
investment properties	-	-	-	-	-	-	105,192	105,192
ijarah rental receivables	-	-	7,569	-	-	-	-	7,569
Other assets	-	-	6,597	-	-	-	4,721	11,318
<b>total assets</b>	<b>226,865</b>	<b>58,613</b>	<b>50,892</b>	<b>24,467</b>	<b>54,023</b>	<b>354,486</b>	<b>166,328</b>	<b>935,674</b>
<b>LIABILITIES AND EQUITY OF INVESTMENT ACCOUNTHOLDERS ACCOUNTHOLDERS</b>								
customers' current accounts	81,660	-	-	-	-	-	-	81,660
Other liabilities	12,571	-	-	-	-	-	-	12,571
equity investment								
accountholders	243,682	228,086	68,063	191,433	8,799	-	1,319	741,382
<b>total liabilities and equity</b>								
of investment accountholders	337,913	228,086	68,063	191,433	8,799	-	1,319	835,613
liquidity gap	(111,048)	(169,473)	(17,171)	(166,966)	45,224	354,486	165,009	100,061
cumulative liquidity gap	(111,048)	(280,521)	(297,692)	(464,658)	(419,434)	(64,948)	100,061	-

#### c) Market Risk

market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as profit rates, equity prices, and foreign exchange rates.

##### (i) Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect future profitability or the fair values of financial instruments. the Group's management believe that the Group is not exposed to material profit rate risk as a result of mismatches of profit rate repricing of assets, liabilities and equity of investment accountholders as the repricing of assets, liabilities and equity of investment accountholders occur at similar intervals. the profit distribution to equity of investment accountholders is based on profit sharing agreements. therefore, the Group is not subject to any significant profit rate risk.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

### 25. RISK MANAGEMENT (continued)

#### c) Market Risk (continued)

##### (ii) Equity price risk

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

in order to measure the risk of equity on its financial positions, the Group adopts a sensitivity analysis on its quoted equity portfolio for 10% increase of the portfolio value with all other variables remain constant. the effect of a similar decrease in equity prices is expected to be equal and opposite to the effect of the increase shown.

equity price risk variation as of 31 December is as follows;

2021	Increase in equity price %	Sensitivity of profit or loss AED'000	Sensitivity of equity AED'000
Abu Dhabi Stock exchange	+10	29	671
Saudi Stock exchange (TADAWUJ)	+10	69	311
Oman Stock exchange	+10	14	351
Kuwait Stock exchange	+10	5	-

2020	increase in equity price %	Sensitivity of profit or loss AED'000	Sensitivity of equity AED'000
Bahrain Bourse	+10	49	969
Saudi Stock exchange (TADAWUJ)	+10	38	-
Qatar Stock exchange	+10	10	438
Abu Dhabi Stock exchange	+10	8	-
Oman Stock exchange	+10	14	342

As at consolidated statement of financial position date, the Group has unquoted (equities and sukuk) of AED 68 million (31 December 2020: AED 76 million). the impact of changes in the value of these unquoted equities and sukuk and the related impact on equity will only be reflected when the financial instrument is sold or deemed to be impaired.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

### 25. RISK MANAGEMENT (continued)

#### c) Market Risk (continued)

##### iii) Currency risk

currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. the Group views the Arab Emirati Dirhams as its functional currency. the Board has set limits on positions by currency. Positions are monitored on a daily basis to ensure they are maintained within established limits.

the Group had the following significant net exposures denominated in foreign currencies as of 31 December:

	Equivalent Long (short) 2021 AED'000	equivalent long (short) 2020 AED'000
<b>Currency</b>		
Pound Sterling	(1,040)	(9,714)
euro	(886)	14,109
Kuwaiti Dinars	(12,257)	8,533

As the Arab Emirati Dirhams is pegged to the US Dollar, positions in US Dollars are not considered to represent significant currency risk.

Moreover, as the Group does not have significant exposure to other currencies, movement of the currency exchange risk against the Arab Emirati Dirhams with other variables held constant will have an immaterial impact on the consolidated statement of income and owners' equity.

#### d) Operational Risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. the Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

### 26. SEGMENTAL INFORMATION

the activities of the Group are performed on an integrated basis. therefore, any segmentation of operating income, expenses, assets and liabilities is not relevant. As such, operating income, expenses, assets and liabilities are not segmented.

the Group operates solely in the Kingdom of Bahrain and, as such, no geographical segment information is presented.

### 27. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable and willing parties in an arm's length transaction. consequently, differences can arise between carrying values and fair value estimates.

included under investments are equity type instruments carried at fair value through equity amounting to AED 10,967 thousand (2020: AED 13,132 thousand) which are carried at cost due to lack of other reliable methods for arriving at a reliable fair value for these investments.

the estimated fair value of the Group's financial instruments are not significantly different from their book values as at the consolidated statement of financial position.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 28. EARNINGS AND EXPENSES PROHIBITED BY SHARI'A

the Group is committed to avoid recognising any income generated from non-islamic sources. Accordingly, all non-islamic income is credited to a qard fund account where the Group uses these funds for various social welfare activities. the movements in these funds is shown in statement of sources and uses of good faith qard fund. the non-islamic income includes the penalties charged on late repayments for islamic facilities.

### 29. SHARI'A SUPERVISORY BOARD

the Group's Shari'a Supervisory Board consists of three islamic scholars who review the Group's compliance with general Shari'a principles and specific fatwas, rulings and guidelines issued. their review includes examination of evidence relating to the documentation and procedures adopted by the Group to ensure that its activities are conducted in accordance with islamic Shari'a principles.

### 30. SOCIAL RESPONSIBILITY

the Group discharges its social responsibilities through zakah and charity fund's expenditures and donations to good faith qard fund for marriage, refurbishment, medical treatments, etc.

### 31. COMPARATIVE FIGURES

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