

**CITI ISLAMIC INVESTMENT BANK E.C.**

**ANNUAL REPORT**

**31 December 2020**

Commercial registration	:	35731-1 (registered with Central Bank of Bahrain as an Islamic wholesale investment bank)
Ultimate holding company	:	Citigroup Inc., USA
Office	:	Citibank House Al Seef District P.O. Box 548, Manama, Kingdom of Bahrain Telephone 17588588, Fax 17588654
Directors	:	Atiq Ur Rehman (Chairman) Mohammed Jaffer Nini (Deputy Chairman) Omer Emre Karter Naveed Kamal Usman Ahmed (Managing Director, Chief Executive Officer)
Auditors	:	KPMG Fakhro, Bahrain

**ANNUAL REPORT**  
**for the year ended 31 December 2020**

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**REPORT OF THE BOARD OF DIRECTORS**  
**as at 31 December 2020**

US\$ 000's

I have the pleasure to present our annual report including the audited financial statements of Citi Islamic Investment Bank E.C. (the "Bank" or "CIIB") for the year ended 31 December 2020.

**FINANCIAL PERFORMANCE**

The financial highlights of the Bank for the year 2020 are as follows:

	2020 US\$ 000	2019 US\$ 000
Total Income	2,654	2,614
Profit for the year	1,115	1,035
Total Assets	15,051	14,683
Total Equity	14,580	14,396

Net income is slightly higher for the year as compared to the year 2019 mainly as a result of higher revenue received from advisory contracts, our expenses were lower mainly on consultation and audit expenses. In terms of Murabaha deposits, the overall yield environment continued to put pressure on the Bank's spreads and there was a decrease in the placements from an average of US\$ 143 million in 2019 to an average of US\$ 63 million in 2020.

**FINANCIAL INDICATORS**

The key financial indicators of the Bank for the past five years are as follows:

	2020	2019	2018	2017	2016
Return on average equity (ROAE)	7.70%	7.18%	8.50%	3.67%	-2.96%
Return on average assets (ROAA)	7.50%	7.06%	8.36%	3.57%	-2.87%
Cost to income ratio	57.98%	60.39%	50.59%	66.85%	156.51%
Earnings per share (USD\$)	0.112	0.104	0.118	0.048	-0.039

No event has occurred subsequent to 31 December 2020 to date which would have a material effect on the 2020 financial statements.

On behalf of the Board of Directors.  
 Citi Islamic Investment Bank E.C.

Mohammed Jaffer Nini  
 Deputy Chairman

## CORPORATE GOVERNANCE

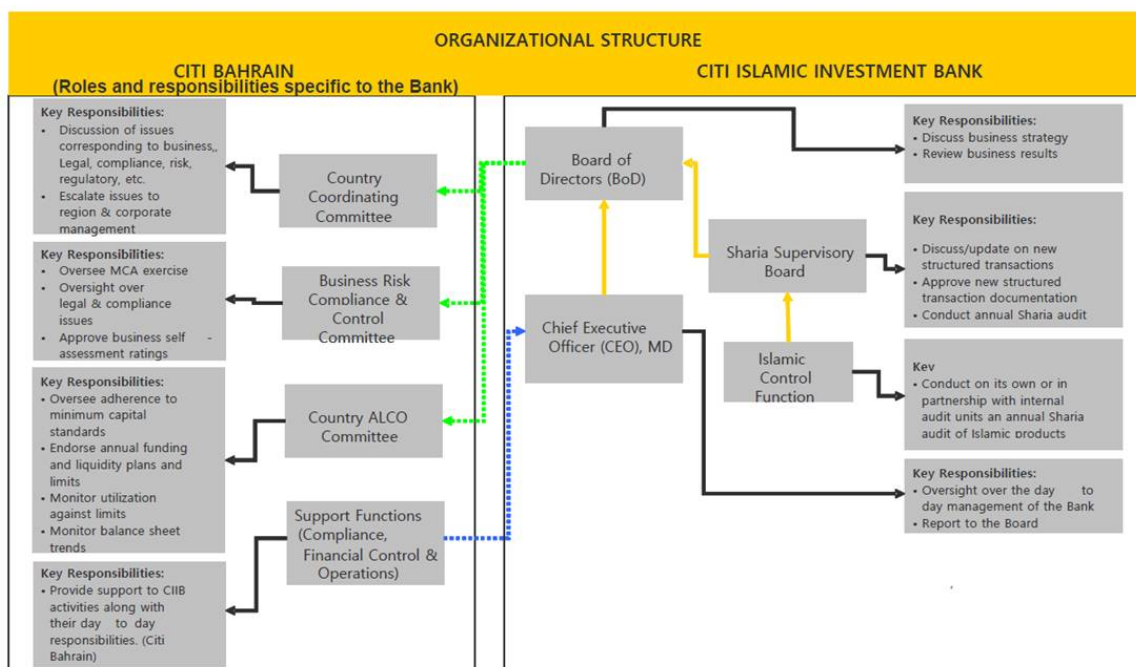
### A) FRAMEWORK

The Bank's Board of Directors comprise five executive directors. The Directors on a regular basis maintain oversight over the activities of the Bank. The nature of the Bank's business is two-fold: offering a Sharia compliant murabaha-based investment product to Islamic Financial Institutions and Corporates and to provide structuring services to other Citigroup entities in respect of markets, capital market and risk management transactions. The Bank at present does not offer, or intend to offer, any asset products.

The Managing Director and the Chief Executive Officer of the Bank is the Citi Country Officer ("CCO") of Citibank, N.A., Bahrain Branch and also chairs the Country Coordinating Committee ("CCC") and the Business Risk Compliance and Control Committee ("BRCC") of Citi Bahrain. Furthermore, the Bank's Sharia Advisory Board conducts meetings on a frequent basis in order to review and approve all Islamic transactions undertaken by the Bank.

### B) ORGANISATION STRUCTURE

The Bank operates under the umbrella of Citi Bahrain and has two employees. Since the scope of activities of the Bank is fairly limited, it utilises services from the various Citi Bahrain departments via Intra Citi Service Agreements.



### C) COMPOSITION OF THE BOARD OF DIRECTORS

The Board of Directors of the Bank consist of the following:

- 1) Mr. Atiq Ur Rehman (Chairman - Executive Director)
- 2) Mr. Mohammed Jaffer Nini (Deputy Chairman - Executive Director)
- 3) Mr. Omer Emre Karter (Board Member - Executive Director)
- 4) Mr. Naveed Kamal (Board Member - Executive Director)
- 5) Mr. Usman Ahmed (Managing Director & Chief Executive Officer - Executive Director)

## CORPORATE GOVERNANCE

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The Board of Directors are appointed for a period of three years subject to re-appointment.

### Profile of the Directors

#### **1. Mr. Atiq Ur Rehman – Chairman – Executive Director**

Profession	:	Banker
Business title	:	Chief Executive Officer, EMEA Emerging Markets
Experience in years	:	37 years
Qualifications	:	MBA
Start of term	:	28 January 2004

Mr. Atiq Rehman was appointed as Citi's Chief Executive Officer for the Middle East in 2009. In 2013, his responsibilities were expanded to include North Africa and in 2015 further expanded to include Sub-Saharan Africa. In 2019 Atiq was appointed as the Chief Executive Officer for EMEA Emerging Markets, covering 29 presence and another 30 non presence countries

Prior to moving to the Middle East, Atiq held several senior positions in the company mostly based out of London. These include: Head of Loan Syndications for Europe, Middle East & Africa (EMEA); Co-Head of Capital Markets in EMEA; Global Head of Emerging Markets Debt Business; Global Co-Head of Loans and Leveraged Finance.

During his 37 year career at Citigroup, Mr. Rehman has worked on some of the most prominent transactions around the world, including ground breaking acquisition financings, several large and high profile corporate restructurings and infrastructure financing transactions both in the Developed and Emerging Markets. More recently he has led the initiative of Citi's re-entry into Saudi Arabia.

Atiq in his current role is closely involved in managing several senior client and regulatory relationships and provides senior leadership in dealing with complex franchise, risk and business issues including involvement in large franchise defining transactions..

#### **2. Mr. Mohammed Jaffer Nini – Deputy Chairman – Executive Director**

Profession	:	Banker
Business title	:	Managing Director, Chief Financial Officer – EMEA Emerging Markets Cluster
Experience in years	:	31 years
Qualifications	:	Fellow Chartered Accountant
Start of term	:	8 April 2012

Mr. Mohammed Jaffer Nini is the Managing Director and Chief Financial Officer of Citi for EMEA Emerging Markets Cluster. He is responsible for Finance function in the region across all businesses and products.

Mr. Nini has been with Citi for last 27 years working in Pakistan, Saudi Arabia, Egypt and the UAE. Before joining Citi, he worked with PwC as an Audit Manager. He is a Fellow member of the Institute of Chartered Accounts of Pakistan.

Mr. Nini was assigned as Deputy Chairman for Citi Islamic Investment Bank effective from 16 June 2014.

## CORPORATE GOVERNANCE

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### 3. Mr. Omer Emre Karter – Board member – Executive Director

Profession	: Banker
Business title	: CEO & Board Member, Citi Turkey
Experience in years	: 25 years
Qualifications	: M.Sc. in Intl Business and Finance – New Hampshire College, Manchester, NH, USA
Start of term	: 14 January 2020

Emre Karter is Chief Executive Officer and Board Member of Citi Turkey.

Prior to his current role, he was the Treasury and Trade Solutions Cluster Head for Middle East, North Africa, based in Dubai, UAE. In this role, Emre Karter was responsible for driving Citi's market-leading Treasury and Trade Solutions. In addition to his responsibilities, he was also Governance Head for Citi's Non-Presence Countries (NPC) in Central Asia and Transcaucasia.

Emre Karter's other previous experience include; managing the Transaction Services business for Russia, CIS, Central and Eastern Europe, Turkey; and several Sales & Coverage roles, where he led origination and execution activities Citi's Multinational, Financial Institutions client segments, based in Turkey.

Emre joined Citi in Turkey in 1996 and held various positions in Corporate Bank as a Banker, followed by an assignment in Brussels coordinating the multinational (GSG) franchise across Central and Eastern Europe, Middle East and Africa.

Emre holds a B.Sc. in Management from Bilkent University and a M.Sc. in International Business and Finance from New Hampshire College.

### 4. Mr. Naveed Kamal – Board member – Executive Director

Profession	: Banker
Business title	: Managing Director – Head of Corporate Banking, Middle East and North Africa (MENA)
Experience in years	: 30 years
Qualifications	: Master of Business Administration
Start of term	: 14 January 2020

Mr. Naveed Kamal is the Chairman, EMEA Emerging Markets Corporate Banking and has been based in Dubai since 2004.

Mr. Kamal was previously Head of Corporate Banking for MENA and responsible for managing relationships with our most important clients in the MENA region having developed the business through several economic cycles.

Mr. Kamal has also managed Citi's Public Sector client relationships across MENA and built up strong partnerships with several governments and GREs in the region

### 5. Mr. Usman Ahmed – Managing Director & Chief Executive Officer – Executive Director

Profession	: Banker
Business title	: Managing Director, CEO Citi Islamic Investment Bank and Head of Citi Bahrain, Kuwait and Qatar
Experience in years	: 27 years
Qualifications	: MBA
Start of term	: 20 September 2015

**CORPORATE GOVERNANCE**

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Mr. Usman Ahmed was appointed as the CEO of Citi Islamic Investment Bank E.C. in September 2015. Mr. Ahmed is concurrently the Head of Citi for Bahrain, Kuwait and Qatar.

Prior to this appointment, Mr. Ahmed was the Managing Director, Head of Corporate and Investment Banking for the Philippines and concurrently the Managing Director, Head of Global Islamic Banking for the Asia Pacific region. Mr. Ahmed was based in Manila from August 2012 to September 2015 and was also as an Executive Director on the Board of Citicorp Capital Philippines, Inc.

Mr. Ahmed was appointed as Managing Director & Chief Operating Officer, Corporate Banking as well as Managing Director, Head of Global Islamic Banking for the Asia Pacific region in August 2011 and was based in Hong Kong till July 2012.

Between April 2008 and July 2011, Mr. Ahmed was the Managing Director and Head of Corporate Banking for Emerging Markets at Barclays Bank, with responsibility for 14 countries across the Middle East, Africa and South Asia.

Mr. Ahmed was the Chief Executive Officer & Managing Director of Global Islamic Banking at Citi, based in Dubai prior to joining Barclays Bank and has also worked with Citi in various other roles, including as a Director in Capital Markets Origination, London and as a Product Manager and Relationship Manager in Bahrain and Pakistan. Mr. Ahmed's total banking experience spans over 20 years, in various roles across the EMEA and Asia Pacific regions.

Mr. Ahmed has also been a Senior Credit Officer at Citi since 2013.

In addition to Citi Islamic Investment Bank, Mr. Ahmed is also a Board Member of the American Chamber of Commerce, Bahrain, the Bahrain International School Association, the Bahrain Institute of Banking & Finance and Injaz Bahrain.

**D) FUNCTIONS OF THE BOARD OF DIRECTORS:**

The Board is responsible for the overall business performance and strategy of the Bank.

The Board establishes the objectives of the Bank, the adoption of strategy and annual review thereof, management structure and responsibilities and the systems and controls framework. It monitors management performance and the implementation of strategy by management, keeps watch over conflicts of interest and prevents abusive related party transactions.

The Board delegates to management the responsibility for the day-to-day management of the Bank in accordance with policies, guidelines and parameters set by the Board.

The Board of Directors is accountable to shareholders for the creation and delivery of strong sustainable financial performance and long-term shareholder value. To achieve this, the Board approves and monitors the Bank's strategy and financial performance, within a framework of sound corporate governance and effective risk management.

The Board of Directors of the Bank has responsibility for:

- 1 Preparation and fair presentation of financial statements in accordance with Financial Accounting Standards for Islamic Financial Institutions issued by Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") and for such internal controls as the Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.
- 2 The Bank's undertaking to operate in accordance with Islamic Sharia rules and principles.
- 3 Complying with the Bahrain Commercial Companies Law 2001, the Central Bank of Bahrain Financial Institutions Law 2006 and applicable regulations of the rulebook issued by the Central Bank of Bahrain.

**CORPORATE GOVERNANCE**

- 4 Making available to the auditors access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation, other matters and additional information required for the purpose of the audit and unrestricted access to persons within the entity from whom it is necessary to obtain audit evidence.

**E) BOARD MEETINGS**

As per the internal policies, the Board members are required to meet at least four times a year.

Summary of meetings of Board of Directors and attendance during the year:

Board Member	24 March 2020	28 June 2020	27 September 2020	6 December 2020	% of attendance
Mr. Atiq Rehman	Yes*	Yes*	Yes*	Yes*	100%
Mr. Mohammed Jaffer Nini	Yes*	Yes*	Yes*	Yes*	100%
Mr. Naveed Kamal	Yes*	Yes*	Yes*	Yes*	100%
Mr. Usman Ahmed	Yes*	Yes*	Yes*	Yes*	100%
Mr. Omer Emre Karter	Yes*	Yes*	Yes*	Yes*	100%
% of attendance	100%	100%	100%	100%	100%

\* Attendance via video / conference call.

**F) CODE OF ETHICS**

The Board has adopted a Code of Ethics for Financial Professionals governing all Citi Islamic Investment Bank employees. A copy of the Code of Ethics is available on Citigroup website.

**G) CODE OF CONDUCT**

The Board has adopted a Code of Conduct, which outlines the laws, rules, regulations and Citi policies that govern the activities of Citi and sets the standards of business behaviour and ethics that apply across Citigroup. The Code of Conduct applies to every director, officer and employee of Citi. All employees, directors and officers are required to read and follow the Code of Conduct. In addition, other persons performing services for Citi may be subject to the Code of Conduct by contract or agreement. A copy of the Code of Conduct is available on Citigroup website at [www.citigroup.com](http://www.citigroup.com).

**H) CHANGES IN THE STRUCTURE OF THE BOARD DURING THE YEAR**

No changes during the year.

**I) SHARIA COMPLIANCE**

Citi's Islamic business has a dedicated Group wide internal Islamic control function and the Bank has a Sharia Supervisory Board ("SSB") to ensure Sharia compliance of its activities on an ongoing basis throughout the year complying with the Sharia Standards of AAOIFI. The Group Islamic control function and the SSB also conduct a Sharia audit every year.

**J) SOCIAL RESPONSIBILITY**

The Bank discharges its social responsibility at a group level in Bahrain. Citi Bahrain operations contributes/ donates to charitable organisations and participates in various community initiatives.

**K) COMMUNICATIONS POLICY**

The disclosure policy applies to all modes of communication to the public including written, oral and electronic communications. These disclosures are made on a timely basis in a manner required by applicable local and international laws and regulatory requirements. Information on new products or any change in existing products will be placed on the Bank's website [www.citibank.com/ciib/](http://www.citibank.com/ciib/) and/ or published in the media. Product details are also shared with customers through brochures and/ or advertisements.



**CORPORATE GOVERNANCE**

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**L) COMPLAINT HANDLING**

The Bank takes disputes and complaints from all customers very seriously. These have the potential for a breakdown in relationships and can adversely affect the Bank's reputation. Left unattended these can also lead to litigation and possible censure by the regulatory authorities. The Bank has a comprehensive policy on handling of external complaints. No complaints were lodged with the Bank during the year.

**M) MATERIAL TRANSACTIONS**

Given the size of the organisation most of the transactions are subject to review and approval by the Board of Directors. For day-to-day operations, the Board has delegated authority to the management/CEO to approve transactions. All transactions are subject to the wider Citigroup policies and approval processes. All non-routine transactions outside the normal course of business shall be subject to approval by the Board of Directors.

**N) COMPLIANCE WITH HC MODULE**

In relation to the corporate governance requirements as specified in the HC module, the Bank has a practice to explain its non-compliance if any to its shareholders at the annual general meeting. Further, the Bank has been exempted by the CBB vide letter dated 3 May 2012 from the requirements under paragraphs 1.2.7, 1.8, 1.9, 3.2, 3.3, 4.2 to 4.4, and 5.1 to 5.5, and vide letter dated 19 March 2012 from paragraphs 1.4.6, 1.4.8 and 1.5.2, subject to an annual re-assessment, whereby the CBB has the right to revoke the exemptions as it sees fit.

**O) REMUNERATION POLICIES**

The Bank's employees are remunerated as per the Citigroup compensation policies. The operations, compliance and other support functions are carried out by Citibank N.A., Bahrain as per a service level agreement between CIIB and Citibank N.A., Bahrain. No remuneration is awarded by the Bank to the Board of Directors of the Bank. The Sharia Supervisory Board is paid attendance fee for the meetings held which is as per the resolution approved by the Board.

Citi Islamic Investment Bank follows Citigroup's remuneration policy which is governed by Citigroup Global remuneration policy.

Citigroup Inc's Global Remuneration Committee which is known as the Personnel and Compensation Committee ("P&C Committee") (is a duly constituted committee of the Board of Directors of the overall US parent company, Citigroup Inc. The P&C Committee draws on considerable experience of the non-executive directors of the Board of Citigroup Inc., and is empowered to draw upon internal and external expertise and advice as it determines appropriate.

In 2010, Citi established a Remuneration Committee for the EMEA region (the "EMEA RemCo") to provide regional oversight. The EMEA RemCo is a sub-committee of the EMEA Governance Committee which:

- Reviews and approves Citi's compensation framework in the EMEA region to ensure that this is in line with business strategy and is consistent with and promotes effective risk management and does not encourage risk taking which exceeds the tolerated level of risk within Citi EMEA.
- Consists of members of Citi EMEA's senior management team and includes members of the Risk, Compliance, Human Resources, Legal, Finance and the CEO. Through the Human Resources and Legal functions, the EMEA RemCo is advised externally by Clifford Chance.

The P&C Committee retains ultimate oversight of Citi's remuneration matters.

## **CORPORATE GOVERNANCE**

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Citi's global compensation principles are developed and approved by the P&C Committee in consultation with management, independent consultants and Citi's senior risk officers. The P&C Committee comprises independent directors who have experience evaluating compensation structures, especially for senior executives. Citi's compensation principles are designed to advance Citi's business strategy by attracting, retaining and motivating the best talent available to execute the strategy, while ensuring, among other things, unnecessary or excessive risk-taking is not encouraged.

### **The Link between Remuneration and Performance**

Citi is committed to responsible compensation practices and structures. Citi seeks to balance the need to compensate its employees fairly and competitively based on their performance, while assuring that their compensation reflects principles of risk management and performance metrics that reward long-term contributions to sustained profitability.

Citi's compensation programmes aim to enhance stockholder value through the practice of responsible finance, facilitate competitiveness by attracting and retaining the best talent, promote meritocracy by recognising employee contributions and manage risk through sound incentive compensation practices.

### **Individual Performance Assessment and Award Determination Process**

Citi has an annual performance management process which operates through the Global Talent and Management System ("GTMS").

The performance assessment is based on individually tailored goals and an assessment against Citi's Core Principles Statements, which incorporates risk management and non-financial performance factors by business area into the performance appraisal process.

Individuals complete a self-appraisal against their individual and Core Principle Statement goals. This is followed by a discussion between the individual and their manager. Managers complete their appraisal of the individual against their goals, and other metrics that may be pertinent to their business and record in GTMS the individual's performance and contribution. A rating is then given based on the performance factors identified for the individual.

Managers must carefully consider the risk metrics pertinent to their business unit when determining individual performance ratings, especially when applying any discretion that results in an individual compensation outcome varying from the level implied by the performance of their business unit.

Identified Staff are subject to an additional independent risk review process under which the control functions (i.e., Compliance, Finance, Risk and Internal Audit and Legal) provide an evaluation of their individual risk behaviors. The independent risk review process is included in the performance evaluation system to inform the performance review conducted by the identified staff's manager.

### **Remuneration of Control Function Employees**

Citi takes several measures to avoid conflicts of interest between the business and Control Functions. They are:

- Employees engaged in control functions have direct reporting lines that are separate from the business and those reporting lines within the control functions are responsible for the reward of those employees both in terms of year end compensation, salary increases and promotion.
- The control functions are allocated a bonus pool separate from the revenue generating businesses and decisions about allocations of those pools are made within the Control Functions themselves.
- Compensation (both salary and variable incentive) for the Control Functions is regularly tested in line with external market data to gauge whether it is in keeping with the market. The level of variable remuneration for Control Function employees is determined by reference to performance against objectives that are set and assessed within their respective functions.

## CORPORATE GOVERNANCE

### Use of Stock as Deferred Variable Compensation

In general, amounts subject to Citi's mandatory deferral policy are deferred into shares or share-linked instruments. Subject to headroom limitations relating to Citi's shareholder approved stock deferral plans, a portion of deferred remuneration may be in the form of deferred cash, Citi stock and/ or phantom units related to Citi's share price.

The Capital Accumulation Program ("CAP") and Citigroup Stock Award Program ("CSAP") are the main programmes under which Citi may make awards of stock to selected employees.

Certain senior executives are subject to stock ownership commitments, further aligning the executives' interests with those of stockholders and other stakeholders.

Deferred stock awards made to identified staff are subject to Performance Based Vesting ("PBV"). The trigger for application of a PBV reduction of a tranche of unvested deferred stock is the emergence of pre-tax losses in the relevant "reference business" of the individual. If there are pre-tax losses in the reference business, a portion of the deferred stock tranche is forfeited, the proportion of which is based on the extent of the losses and prior year net profits.

### Use of Deferred Cash as Deferred Compensation

Identified staff may have a portion of their incentive compensation delivered in the form of deferred cash awards, subject to ("PBV"). PBV for the deferred cash portion of the award is a discretionary feature. If it is determined that a Material Adverse Outcome ("MAO") has occurred and that a given Identified Staff is deemed to have had "significant responsibility" for that MAO, then a discretionary reduction may be made to the unvested portion of the deferred cash award. Determinations of when a MAO has occurred, which (if any) Identified Staff have significant responsibility for the MAO and what reductions to awards will be made, are all based on the facts and circumstances of a given outcome.

The Bank's employees currently do not meet remuneration thresholds that would require deferral or delivery of compensation in shares or share linked instruments. The total value of remuneration awards for the current fiscal year 2020 are as follows:

Total value of remuneration awards for the current fiscal year 2020	Unrestricted	Deferred
<b>Fixed remuneration:</b>		
- Cash-based	USD 273,582	Nil
-Shares and share-linked instruments	Nil	Nil
- Other	USD 108,379	Nil
<b>Variable remuneration:</b>		
- Cash-based	USD 4,602	Nil
-Shares and share-linked instruments	Nil	Nil
- Other	Nil	Nil

Note: Above figures are for the two employees of Citi Islamic Investment Bank E.C. who were existing during the year and as at year end.

**SHARIA SUPERVISORY BOARD REPORT**  
**as at 31 December 2020**

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*In the name of Allah, The Beneficent, The Merciful, Prayers and peace upon the Last Apostle and Messenger, Our Prophet Mohammed, His Comrades and Relatives.*

**To: Citi Islamic Investment Bank Share Holders & Board of Directors**

*Alsalam Alaikum Wa Rahmat Allah Wa Barakatuh*

The Sharia Supervisory Board of Citi Islamic Investment Bank ("CIIB") has reviewed the principles and the contracts relating to the transactions and applications introduced by CIIB during the financial year ended December 2020. We have also conducted our review to form an opinion as to whether CIIB has complied with Sharia Rules and Principles and also with the specific Fatwas, rulings and guidelines issued by us.

We conducted our review which included examining, on a test basis of each type of transaction, the relevant documentation and procedures adopted by CIIB.

CIIB management is responsible for ensuring that the financial institution conducts its business in accordance with Islamic Sharia Rules and Principles. It is our responsibility to form an independent opinion, based on our review of the operations of CIIB and to report to you.

In our opinion, the contracts, transactions and dealings with respect to Murabaha Placement business entered into by CIIB during the year 2020 that we have reviewed are in compliance with the Islamic Sharia Rules and Principles.

We beg Allah the Almighty to grant us all the success and straight-forwardness.

*Wa Alsalam Alaikum Wa Rahmat Allah Wa Barakatuh*

**Dr. Nazih Hammad**  
*President, CIIB Sharia Advisory Board*

**Dr. Mohammed Eid Elgari**  
*Member, CIIB Sharia Advisory Board*

**Dr. Nizam M. Yaquby**  
*Member, CIIB Sharia Advisory Board*

**Mohammed Imad Ali**  
*Islamic Control Function &  
Secretary to CIIB Sharia Advisory Board*

Dated: 11<sup>th</sup> February 2021



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CR No. 6220

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## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF

Citi Islamic Investment Bank E.C.  
Manama, Kingdom of Bahrain

### Report on the audit of the financial statements

#### *Opinion*

We have audited the accompanying financial statements of Citi Islamic Investment Bank E.C. (the "Bank") which comprise the statement of financial position as at 31 December 2020, the statements of income, changes in equity, cash flows and changes in restricted investment accounts for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2020, and results of its operations, changes in owners' equity, its cash flows and changes in restricted investment accounts for the year then ended in accordance with the Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") as modified by the Central Bank of Bahrain (the "CBB").

In our opinion, the Bank has also complied with the Islamic Shariah Principles and Rules as determined by the Shariah Supervisory Board of the Bank during the year ended 31 December 2020.

#### *Basis for opinion*

We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions ("ASIFIs") issued by AAOIFI. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We are independent of the Bank in accordance with AAOIFI's Code of Ethics for Accountants and Auditors of Islamic Financial Institutions, together with the ethical requirements that are relevant to our audit of the financial statements in the Kingdom of Bahrain, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Other information*

The board of directors is responsible for the other information. The other information comprises the annual report but does not include the financial statements and our auditors' report thereon. Prior to the date of this auditors' report, we obtained the board of directors' report and other sections which forms part of the annual report.

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

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

#### *Responsibilities of the board of directors for the financial statements*

The board of directors is responsible for the Bank's undertaking to operate in accordance with Islamic Sharia Rules and Principles as determined by the Bank's Shariah Supervisory Board.

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

*INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS (continued)*  
*Citi Islamic Investment Bank E.C.*

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

*Auditors' responsibilities for the audit of the financial statements*

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

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

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

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

*INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS (continued)*  
*Citi Islamic Investment Bank E.C.*

**Report on Other Regulatory Requirements**

As required by the Commercial Companies Law and Volume 2 of the Rulebook issued by the CBB, we report that:

- a) the Bank has maintained proper accounting records and the financial statements are in agreement therewith;
- b) the financial information contained in the directors' report is consistent with the financial statements;
- c) we are not aware of any violations during the year of the Commercial Companies Law, the CBB and Financial Institutions Law No. 64 of 2006 (as amended), the CBB Rule Book (Volume 2, applicable provisions of Volume 6 and CBB directives) or the terms of the Bank's memorandum and articles of association that would have had a material adverse effect on the business of the Bank or on its financial position; and
- d) satisfactory explanations and information have been provided to us by management in response to all our requests.



KPMG Fakhro  
Partner Registration No. 100  
24 February 2021

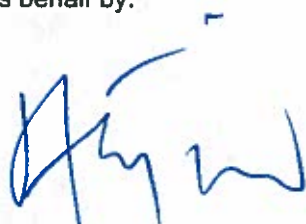



**STATEMENT OF FINANCIAL POSITION**  
**as at 31 December 2020**

US\$ 000's

	Note	2020	2019
<b>ASSETS</b>			
Bank balances		1,462	501
Murabaha receivables	3	12,998	13,622
Other assets	4	591	560
<b>Total assets</b>		<b>15,051</b>	<b>14,683</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Payables and other accrued expenses		471	287
<b>Total liabilities</b>		<b>471</b>	<b>287</b>
<b>Equity</b>			
Share capital	5	10,000	10,000
Statutory reserve		3,577	3,465
Retained earnings		1,003	931
<b>Total equity</b>		<b>14,580</b>	<b>14,396</b>
<b>Total liabilities and equity</b>		<b>15,051</b>	<b>14,683</b>

The financial statements were approved by the Board of Directors on February 24<sup>th</sup>, 2021 and signed on its behalf by:

  
 Atiq Ur Rehman  
 Chairman

  
 Mohammed Jaffer Nini  
 Deputy Chairman

The accompanying notes 1 to 17 form an integral part of these financial statements.



**INCOME STATEMENT****for the year ended 31 December 2020****US\$ 000's**

	Note	2020	2019
<b>INCOME</b>			
Income from advisory services	6	2,437	2,158
Fee from restricted investment accounts		97	126
Income from murabaha contracts		120	330
<b>Total income</b>		<b>2,654</b>	<b>2,614</b>
<b>EXPENSES</b>			
Staff cost	7	383	394
Other expenses	8	1,156	1,185
<b>Total expenses</b>		<b>1,539</b>	<b>1,579</b>
<b>PROFIT FOR THE YEAR</b>		<b>1,115</b>	<b>1,035</b>



Atiq Ur Rehman  
Chairman



Mohammed Jaffer Nini  
Deputy Chairman

The accompanying notes 1 to 17 form an integral part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY**  
**for the year ended 31 December 2020**

US\$ 000's

	Share capital	Statutory reserve	Retained earnings	Total
Balance at 1 January 2020	10,000	3,465	931	14,396
Profit for the year	-	-	1,115	1,115
<b>Total recognised income and expense for the year</b>	-	-	1,115	1,115
Dividends declared for 2019	-	-	(931)	(931)
Transfer to statutory reserve	-	112	(112)	-
<b>As at 31 December 2020</b>	<b>10,000</b>	<b>3,577</b>	<b>1,003</b>	<b>14,580</b>

	Share capital	Statutory reserve	Retained earnings	Total
Balance at 1 January 2019	10,000	3,361	1,092	14,453
Profit for the year	-	-	1,035	1,035
Total recognised income and expense for the year	-	-	1,035	1,035
Dividends declared for 2018	-	-	(1,092)	(1,092)
Transfer to statutory reserve	-	104	(104)	-
As at 31 December 2019	10,000	3,465	931	14,396

The accompanying notes 1 to 17 form an integral part of these financial statements.

**STATEMENT OF CASH FLOWS**  
**for the year ended 31 December 2020**

US\$ 000's

	<b>2020</b>	<b>2019</b>
<b>OPERATING ACTIVITIES</b>		
Receipt of advisory income	2,437	2,100
Receipt of income from murabaha contracts	120	330
Receipt of income from restricted investment accounts	97	126
Payments to employees and suppliers	(597)	(725)
Management fees paid	(789)	(785)
<b>Net cash from operating activities</b>	<b>1,268</b>	<b>1,046</b>
<b>FINANCING ACTIVITIES</b>		
Dividends declared	(931)	(1,092)
<b>Net cash used in financing activities</b>	<b>(931)</b>	<b>(1,092)</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>337</b>	<b>(46)</b>
Cash and cash equivalents at 1 January	14,123	14,169
<b>Cash and cash equivalents at 31 December</b>	<b>14,460</b>	<b>14,123</b>
<b>Cash and cash equivalents comprise:</b>		
Bank balances	1,462	501
Murabaha receivables	12,998	13,622
	<b>14,460</b>	<b>14,123</b>

The accompanying notes 1 to 17 form an integral part of these financial statements.

**STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS**  
**for the year ended 31 December 2020**

US\$ 000's

	<b>2020</b>	2019
As at 1 January	390,663	157,708
Net (withdrawals)/ deposits	(15,041)	229,909
Gross income	2,800	3,172
Bank's income as an agent	97	(126)
<b>As at 31 December</b>	<b>378,519</b>	390,663

The Bank acts as an agent for deposit murabaha transactions for its customers and invests the funds only in commodity murabaha transactions on behalf of its customers.

The accompanying notes 1 to 17 form an integral part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2020**

USD 000's

**1 REPORTING ENTITY**

Citi Islamic Investment Bank E.C. (the "Bank") was incorporated in the Kingdom of Bahrain as an exempt closed shareholding Bank on 29 June 1996. 99.99% of the Bank's shares are owned by Citicorp Banking Corporation, USA and 0.01% of the Bank's shares are owned by Citicorp Global Holding Inc., USA. Citigroup Inc., USA is the ultimate parent for the Bank. The Bank operates as Wholesale Islamic Investment Bank under a licence granted by the Central Bank of Bahrain (the "CBB").

The Bank's principal activities are to undertake and carry out banking and investment activities in compliance with the principles of Islamic Sharia.

The Bank's activities are supervised by a Sharia Supervisory Board (the "Sharia Board") consisting of three members. The role of the Sharia Board is defined in a separate agreement between the Bank and Sharia Board members. The Financial Control and administrative activities of the Bank are carried out by Citibank N.A., Bahrain under intra Citi service agreements between the two parties.

The transactions, balances and results reported in these financial statements are those of Citi Islamic Investment Bank E.C. Bahrain, only and accordingly do not include the results of other Islamic banking activities carried out by Citibank N.A. or any of its affiliates worldwide.

**2 SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies applied in the preparation of the financial statements are set out below. These policies have been applied consistently to all periods presented in the financial statements unless stated otherwise.

**(a) Statement of Compliance**

The financial statements of the Bank have been prepared in accordance with applicable rules and regulations issued by the Central Bank of Bahrain (the "CBB") including the CBB circulars on regulatory concessionary measures in response to Coronavirus (COVID-19) issued during the year. These rules and regulations require the adoption of all Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation of Islamic Financial Institutions (AAOIFI), except for:

- i. Recognition of modification losses on financial assets arising from payment holidays provided to customers impacted by COVID-19 without charging additional profits, in equity instead of the profit or loss account as required by FAS issued by AAOIFI. Any other modification gain or loss on financial assets are recognised in accordance with the requirements of applicable FAS; and
- ii. Recognition of financial assistance received from the government in response to its COVID-19 support measures that meets the government grant requirement, in equity, instead of the profit or loss account as required by the statement on "Accounting implications of the impact of COVID-19 pandemic" issued by AAOIFI to the extent of any modification loss recognised in equity as a result of (i) above. In case this exceeds the modification loss amount, the balance amount is recognised in the profit or loss account. Any other financial assistance is recognised in accordance with the requirements of FAS (refer to Note 9).

The Bank incurred no modification loss and therefore (i) above did not apply to the Bank.

The above framework for basis of preparation of the financial statements is hereinafter referred to as "Financial Accounting Standards as modified by the CBB".

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2020**

USD 000's

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

The modification to accounting policies have been applied retrospectively and did not result in any change to the financial statements reported for the comparative period.

In line with the requirement of AAOIFI and the CBB Rule Book, for matters that are not covered by AAOIFI standards, the Bank uses guidance from the relevant International Financial Reporting Standards.

**(b) Basis of Preparation**

The financial statements are prepared on the historical cost basis. The preparation of financial statements may require the use of certain critical accounting estimates. It also may require management to exercise its judgement in the process of applying the Bank's accounting policies. There were no significant estimates and judgement made in the process of preparation of financial statements for the year ended 31 December 2020.

The Bank classifies its expenses by the nature of expense method.

**(c) New Standards, Amendments and Interpretations Effective from 1 January 2020**

There were no new standards, amendments and interpretations adopted during the year.

**(d) New Standards, Amendments and Interpretations Issued but not yet Effective**

The following new standards and amendments to standards are effective for financial years beginning after 1 January 2021 with an option to early adopt. However, the Bank has not early adopted any of these standards. Adoption of these standards are not expected to have a significant impact on the Bank's financial statements.

- FAS 31 Investment Agency (Al-Wakala Bi Al-Istithmar)
- FAS 33 Investment in Sukuks, shares and similar instruments
- FAS 32 Ijarah
- FAS 38 Wa'ad, Khiyar and Tahawwut

**(e) Functional and Presentation Currency**

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in US dollars, which is the Bank's functional and presentation currency.

**(f) Foreign Currencies**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

**(g) Murabaha Receivables**

Murabaha receivables comprise placements with Citicorp Banking Corporation, Bahrain. Murabaha receivables are stated at amortised cost less impairment allowances, if any. Murabaha receivables are impaired when they are considered to be uncollectible. The deferred income relating to murabaha contracts is netted off against the related receivable for the purpose of presentation in the financial statements.

**(h) Income from Murabaha Contracts**

Income from Murabaha contracts is recognised on a time-apportioned basis over the period of the contract.

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2020**

USD 000's

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)****(i) Restricted Investment Accounts**

Restricted investment accounts represent assets acquired using funds provided by holders of restricted investment accounts and their equivalent and managed by the Bank as an agent. The restricted investment accounts are exclusively designated for investment in specified instruments as directed by the investments account holders. Restricted investment accounts are not included in the Bank's statement of financial position and are considered as funds under management.

**(j) Income from Advisory Services**

Income from advisory services is measured at the fair value of the consideration received and receivable and recognised at a point in time when the service is provided and income is earned. This is usually when the Bank has performed all significant acts in relation to the service, and it is highly probable that the economic benefits from the transaction will flow to the Bank and income can be reliably measured.

**(k) Income from Restricted Investment Accounts**

The Bank's share of fee charged as an agent to restricted investment accounts are normally recognised on the basis of the Bank's entitlement to receive such revenue from the restricted investment accounts, as per agreed contractual terms, except when the Bank elects to waive its entitlement in favour of its customers.

**(l) Statutory Reserve**

In accordance with the requirements of the Commercial Companies Law, a minimum of 10% of the net profit is appropriated to a statutory reserve, until it reaches 50% of the paid-up share capital. This reserve is not normally distributable, except in the circumstances stipulated in the Commercial Companies Law.

**(m) Employee Benefits**

All short term employee benefits are recognised in the income statement. Pensions and other social benefits for Bahraini employees are covered by the General Organisation for Social Insurance scheme, which is a "defined contribution scheme" in nature under IAS 19 'Employee Benefits', and to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis. Contributions by the Bank are recognised as an expense in income statement when they are due.

**(n) Segment Reporting**

The Bank's activities are limited to carrying out banking and investment advisory activities in compliance with the principles of Islamic Sharia. The Bank does not have any reportable segments and the revenue, assets, liabilities and performance is evaluated on an entity basis. Accordingly, no segment information is reported in these financial statements.

**(o) Trade Date Accounting**

All "regular way" purchases and sales of financial assets are recognised on trade date, i.e. the date that the Bank contracts to purchase or deliver the asset. Regular way purchases or sale are purchases or sale of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

**(p) Provisions**

A provision is recognised in the balance sheet when the Bank has a legal or constructive obligation as a result of a past event that can be measured reliably and it is probable that an outflow of economic benefits will be required to settle the obligation.

**(q) Offsetting**

Financial assets and liabilities are offset only when there is a legal or religious enforceable right to set off the recognised amounts and the Bank intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2020**

USD 000's

**3 MURABAHA RECEIVABLES**

	<b>2020</b>	2019
Gross contract value	13,002	13,661
Less: Deferred profits	(4)	(39)
	<b>12,998</b>	13,622

All murabaha receivables are financed through equity. Profit and/ or principal repayment in respect of murabaha receivables are not past due at 31 December 2020.

**4 OTHER ASSETS**

	<b>2020</b>	2019
Prepayments	35	34
Other receivables	556	526
	<b>591</b>	560

**5 SHARE CAPITAL**

	<b>2020</b>	2019
<i>Authorised</i> 20,000,000 shares of US\$ 1 each	20,000	20,000
<i>Subscribed, issued and paid-up</i> 10,000,000 shares of US\$ 1 each	10,000	10,000

Dividends declared for the year amounted to US\$ 1,000,000 (2019: US\$ 931,000).

**6 INCOME FROM ADVISORY SERVICES**

Income from advisory services is earned by the Bank in its capacity as an agent for Sharia compliant structuring and arranging execution of Islamic financing deals. The Bank mainly provides such advisory services in relation to financing deals in which other Citigroup entities originate/ participate. For such deals, advisory income is recognised only on completion of the transaction. The revenue recognition of fees earned from syndication is dependent upon the level of participation of Citigroup in the syndication, the aggregate fees received by Citigroup and the fees received by other participants. The fee earned on each financing transaction is shared between the Bank and other Citibank entities on an agreed proportion by way of a charge as per the service level agreement. The Bank recognises revenue at a point in time only when it is highly probable that it will be entitled to its share of income from participation in each deal. The Bank recognises revenue, net of expenses paid to other Citibank entities as part of syndication.



**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2020**

USD 000's

**7 STAFF COST**

	<b>2020</b>	<b>2019</b>
Salaries and benefits	367	383
Social security costs	16	11
	<b>383</b>	<b>394</b>

**8 OTHER EXPENSES**

	<b>2020</b>	<b>2019</b>
Sharia Board expenses	91	159
Management fees	789	785
Head office charges	149	42
Professional fees	8	64
CBB license fees	34	34
Travel expenses	2	7
Others	85	94
	<b>1,158</b>	<b>1,185</b>

**9 GOVERNMENT GRANTS**

The Government of Kingdom of Bahrain has announced various economic stimulus programmes to support businesses in these challenging times.

During the year, the Bank has received grants towards Bahraini for staff cost of USD 22 thousand from the government as part of its COVID-19 measures which was adjusted against staff cost for the year.

**10 RELATED PARTY TRANSACTIONS**

A significant portion of the Bank's transactions in the normal course of business are with other branches of Citibank N.A. and other companies of Citigroup. All transactions are subject to controls embedded in respective processes in line with the Citigroup policies and procedures.

The significant income, expenses and balances arising from dealing with related parties included in the financial statements are as follows:

	<b>2020</b>	<b>2019</b>
Murabaha receivables	12,998	13,622
Bank balances	1,462	501
Other assets	538	478
Other payables	432	182
Income from advisory services	2,189	1,939
Income from murabaha contracts	120	330
Key management personnel	293	394
Sharia Board expenses	91	159
Management fees	789	785
Head office charges	149	42

No remuneration is being paid to the Board of Directors.

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2020**

USD 000's

**11 ZAKAH**

The Bank is not obliged to pay Zakah. Further, the Bank does not collect or pay Zakah on behalf of its shareholders and investors in restricted investment accounts.

**12 SHARIA SUPERVISORY BOARD**

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

**13 CONCENTRATION OF ASSETS, LIABILITIES AND RESTRICTED INVESTMENT ACCOUNTS**

The concentration of the Bank's credit exposures on financial instruments and the distribution of other assets and liabilities as at 31 December 2020 were as follows:

**(a) Sectoral Classification**  
**31 December 2020**

	<b>Banks and financial institutions</b>	<b>Inter-group</b>	<b>Others</b>	<b>Total</b>
Bank balances	-	1,462	-	1,462
Murabaha receivables	-	12,998	-	12,998
Other assets	6	538	12	556
<b>Total assets</b>	<b>6</b>	<b>14,998</b>	<b>12</b>	<b>15,016</b>
Payables and other accrued expenses	-	431	26	457
<b>Total liabilities</b>	<b>-</b>	<b>431</b>	<b>26</b>	<b>457</b>
<b>Restricted investment accounts</b>	<b>378,518</b>	<b>-</b>	<b>-</b>	<b>378,518</b>

31 December 2019

	<b>Banks and financial institutions</b>	<b>Inter-group</b>	<b>Others</b>	<b>Total</b>
Bank balances	-	501	-	501
Murabaha receivables	-	13,622	-	13,622
Other assets	5	478	77	560
<b>Total assets</b>	<b>5</b>	<b>14,601</b>	<b>77</b>	<b>14,683</b>
Payables and other accrued expenses	-	182	105	287
<b>Total liabilities</b>	<b>-</b>	<b>182</b>	<b>105</b>	<b>287</b>
<b>Restricted investment accounts</b>	<b>390,663</b>	<b>-</b>	<b>-</b>	<b>390,663</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2020**

USD 000's

**13 CONCENTRATION OF ASSETS, LIABILITIES AND RESTRICTED INVESTMENT ACCOUNTS**  
*(continued)*

**(b) Geographical Distribution**

<b>31 December 2020</b>	<b>Middle East</b>	<b>Asia</b>	<b>Europe</b>	<b>Americas</b>	<b>Total</b>
Bank balances	-	-	-	1,462	1,462
Murabaha receivables	-	-	12,998	-	12,998
Other assets	337	-	33	186	556
<b>Total assets</b>	<b>337</b>	<b>-</b>	<b>13,031</b>	<b>1,648</b>	<b>15,016</b>
Payables and other accrued expenses	448	-	9	-	457
<b>Total liabilities</b>	<b>448</b>	<b>-</b>	<b>9</b>	<b>-</b>	<b>457</b>

<b>31 December 2019</b>	<b>Middle East</b>	<b>Asia</b>	<b>Europe</b>	<b>Americas</b>	<b>Total</b>
Bank balances	97	-	-	404	501
Murabaha receivables	13,622	-	-	-	13,622
Other assets	450	-	45	65	560
<b>Total assets</b>	<b>14,169</b>	<b>-</b>	<b>45</b>	<b>469</b>	<b>14,683</b>
Payables and other accrued expenses	252	-	35	-	287
<b>Total liabilities</b>	<b>252</b>	<b>-</b>	<b>35</b>	<b>-</b>	<b>287</b>

**Restricted Investment Accounts**

Middle East

**2020**

**378,663**

**2019**

**390,663**

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2020**

USD 000's

**14 MATURITY PROFILE**

This note presents the expected maturity profile of assets and liabilities of the Bank. The contractual maturity of the assets and liabilities is not significantly different from the profile presented below.

**31 December 2020**

	<b>Within 8 days</b>	<b>9 days to 1 month</b>	<b>Over 1 month to 3 months</b>	<b>Over 3 months to 1 year</b>	<b>Over 1 year</b>	<b>Total</b>
Bank balances	1,462	-	-	-	-	1,462
Murabaha receivables	-	5,000	7,998	-	-	12,998
Other assets	-	522	34	-	-	556
<b>Total assets (a)</b>	<b>1,462</b>	<b>5,522</b>	<b>8,032</b>	<b>-</b>	<b>-</b>	<b>15,016</b>
Payables and other accrued expenses	408	33	16	-	-	457
<b>Total liabilities (b)</b>	<b>408</b>	<b>33</b>	<b>16</b>	<b>-</b>	<b>-</b>	<b>457</b>
<b>Net (a-b)</b>	<b>1,054</b>	<b>5,489</b>	<b>8,016</b>	<b>-</b>	<b>-</b>	<b>14,559</b>

**31 December 2019**

	<b>Within 8 days</b>	<b>9 days to 1 month</b>	<b>Over 1 month to 3 months</b>	<b>Over 3 months to 1 year</b>	<b>Over 1 year</b>	<b>Total</b>
Bank balances	501	-	-	-	-	501
Murabaha receivables	-	5,016	8,606	-	-	13,622
Other assets	-	488	46	26	-	560
<b>Total assets (a)</b>	<b>501</b>	<b>5,504</b>	<b>8,652</b>	<b>26</b>	<b>-</b>	<b>14,683</b>
Payables and other accrued expenses	-	57	148	82	-	287
<b>Total liabilities (b)</b>	<b>-</b>	<b>57</b>	<b>148</b>	<b>82</b>	<b>-</b>	<b>287</b>
<b>Net (a-b)</b>	<b>501</b>	<b>5,447</b>	<b>8,504</b>	<b>(56)</b>	<b>-</b>	<b>14,396</b>

The maturity profile of restricted investment accounts:

**31 December 2020**

	<b>Within 8 days</b>	<b>9 days to 1 month</b>	<b>Over 1 month to 3 months</b>	<b>Over 3 months to 1 year</b>	<b>Total</b>
Restricted investment accounts	352,491	26,028	-	-	378,519

**31 December 2019**

	<b>Within 8 days</b>	<b>9 days to 1 month</b>	<b>Over 1 month to 3 months</b>	<b>Over 3 months to 1 year</b>	<b>Total</b>
Restricted investment accounts	352,646	38,017	-	-	390,663

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2020**

USD 000's

**15 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS**

**OVERVIEW**

Financial instruments consist of financial assets and financial liabilities.

Financial assets of the Bank include bank balances, accrued income on restricted investment accounts and murabaha receivables. Financial liabilities of the Bank include payables and other accrued expenses.

The Bank has the following risks from the use of financial instruments:

- Credit risk
- Liquidity risk
- Market risks
- Operational risk

This note presents information about the Bank's exposure to each of the above risks and the Bank's management of capital.

**RISK MANAGEMENT FRAMEWORK**

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Bank's risk management framework is aligned with Citigroup risk policies and procedures.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Bank's activities.

**CREDIT RISK**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Bank attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, continually assessing the creditworthiness of counterparties and securing exposures by collateral, where appropriate.

**Exposure to Credit Risk**

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	<b>2020</b>	<b>2019</b>
Bank balances	1,462	501
Murabaha receivables	12,998	13,622
Other financial assets	556	560
	<b>15,016</b>	<b>14,683</b>

The Bank's exposure to credit risk on these financial assets is limited as the murabaha receivables and the bank balances are placed with Citigroup entities. During the year, there have been no transfer of exposures between various stages. All the exposures are classified as stage 1 and the expected credit loss is also allocated to stage 1. There are no exposures which are past due as at 31 December 2020 (2019: Nil).

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2020**

USD 000's

**15 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)****LIQUIDITY RISK**

Liquidity risk is the Bank's inability to meet a financial commitment to a customer, creditor, or investor when due, on account of maturity mis-match between assets and liabilities. This risk is dimensioned and continuously monitored through limits on maximum cumulative outflow across various tenors.

The Bank's exposure to liquidity risk is limited as it does not have any significant liabilities. For maturity profile of assets and liabilities refer to note 13.

**MARKET RISK**

Market risk is the risk that changes in market prices, such as foreign exchange rates, profit rates and equity prices will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The Bank does not have a trading portfolio and is therefore not exposed to equity price risk.

The Central Bank of Bahrain introduced Liquidity Coverage Ratio ("LCR") and Net Stable Funding Ratio (NSFR) during 2019.

LCR has been developed to promote short-term resilience of a bank's liquidity risk profile. The LCR requirements aim to ensure that a bank has an adequate stock of unencumbered high quality liquidity assets (HQLA) that consists of assets that can be converted into cash immediately to meet its liquidity needs for a 30 calendar day stressed liquidity period. The stock of unencumbered HQLA should enable the Bank to survive until day 30 of the stress scenario, by which time appropriate corrective actions would have been taken by management to find the necessary solutions to the liquidity crisis.

LCR is computed as a ratio of Stock of HQLA over the net cash outflows over the next 30 calendar days. Effective from 30 June 2019, the Bank is required to maintain LCR greater than 100%. As of 31 December 2020, the Bank's LCR ratio was 3873%.

NSFR is to promote the resilience of banks' liquidity risk profiles and to incentivise a more resilient banking sector over a longer time horizon. The NSFR will require banks to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities. A sustainable funding structure is intended to reduce the likelihood that disruptions to a bank's regular sources of funding will erode its liquidity position in a way that would increase the risk of its failure and potentially lead to broader systemic stress. The NSFR limits overreliance on short-term wholesale funding, encourages better assessment of funding risk across all on-balance sheet and off-balance sheet items, and promotes funding stability.

NSFR as a percentage is calculated as "Available stable funding" divided by "Required stable funding". Effective from 31 December 2019, the Bank is required to maintain NSFR ratio greater than 100%. As of 31 December 2020, the Bank's NSFR ratio was 574%.

**PROFIT RATE RISK**

Profit rate risk arises due to different timing of re-pricing of the Bank's assets and liabilities. The Bank's profit rate risk arises from murabaha receivables and is considered limited due to the short-term nature of murabaha receivables.

**FOREIGN EXCHANGE RISK**

Foreign exchange risk is the risk that the Bank's earning will be affected as a result of fluctuations in currency exchange rates. The Bank's exposure to foreign exchange risk is limited as most of its transactions are in US\$ which is the Bank's functional and presentational currency or in Bahraini dinars which is pegged to US\$.

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2020**

USD 000's

**15 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)**

**OPERATIONAL RISK**

Operational risk is the risk of loss arising from systems and control failures, fraud and human errors, which can result in financial and reputation loss, and legal and regulatory consequences. The Bank manages operational risk through appropriate controls, instituting segregation of duties and internal checks and balances, including internal audit and compliance.

**16 FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair values represent the amount at which an asset could be exchanged or a liability settled, in a transaction between knowledgeable, willing parties in an arm's length transaction. Differences can therefore arise between the book values under the historical cost method and fair value estimates.

The estimated fair values of the financial assets and liabilities are not significantly different from their book values as the items are primarily short-term in nature.

**17 CAPITAL MANAGEMENT**

The Bank's lead regulator, the CBB, sets and monitors capital requirements for the Bank. In implementing the current capital requirements, the CBB requires the Bank to maintain a prescribed ratio of total capital to total risk-weighted assets. The CBB's capital adequacy framework is based on the Basel III accord which became effective 1 January 2015 and IFSB guidelines. The Bank has adopted the standardised approach to credit and market risk management and the basic indicator approach for the operational risk management. The Bank's policy is to maintain sufficient capital to sustain investor and market confidence and to support future development of the business.

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

	<b>2020</b>	<b>2019</b>
Tier 1 Capital	14,580	14,397
Tier 2 Capital	5	7
<b>Total capital base (tier 1 + tier 2)</b>	<b>14,585</b>	<b>14,404</b>
<b>Total risk-weighted assets</b>	<b>11,582</b>	<b>10,169</b>
<b>Total regulatory capital expressed as a percentage of total risk weighted assets</b>	<b>125.92%</b>	<b>141.64%</b>

The Bank has complied with all externally imposed capital requirements throughout the year.

**Supplementary Public Disclosure for the year ended 31 December 2020**  
**Reporting on Financial Impact of COVID-19 (unaudited)**

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As was reported in the Ultimate Parent Company's (Citigroup's) Annual Report on SEC Form 10-K for the year ended 31 December 2020, Citigroup disclosed that in addition to the widespread public health implications, the emergence of the COVID-19 pandemic has had an extraordinary impact on macroeconomic conditions in the U.S. and around the world.

In considering going concern, the Company continues to closely monitor developments related to the outbreak of COVID-19. The potential impacts from COVID-19 remain uncertain, including, among other things, on economic conditions, businesses and consumers.

During the pandemic, the Company has remained well positioned from a capital and liquidity perspective, and has maintained strong business operations.

The directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore, have prepared the financial statements on a going concern basis.