

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

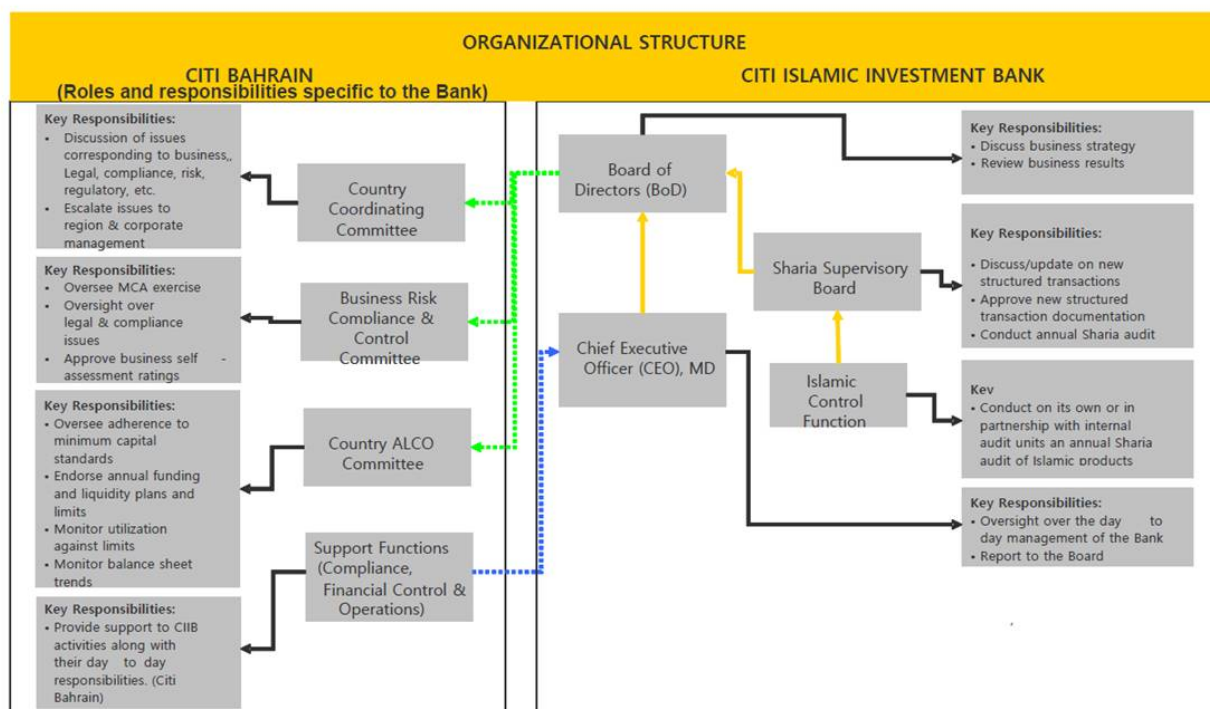
A) FRAMEWORK

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

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.

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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

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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.

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- 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) NEW MEMBERS

Once a BM is inducted, his/her appointment is ratified by the Shareholders in the AGM. Since all CIIB BMs are employees of a Citigroup Inc., owned entity, their resignation, retirement and termination is governed by Citi policies

Since all the CIIB Board Members are Citigroup employees, Citigroup's EMEA Nomination Committee decides on the induction of a Board Member after a review of the profile, experience, competency and a need for an applicant to join the CIIB of Board of Directors. The Membership of the EMEA Nomination Committee comprise of the EMEA CEO, Chief Administrative Officer, senior member of Legal, senior member of Compliance and senior member of Human Resources.

The new Board Member is briefed on the Code of Conduct and his/her role and responsibilities by the Corporate Secretary. Each new member is explained that under the Company Law he is personally accountable to the bank and the shareholders if he violates his legal duty of loyalty to the bank, and that he can be personally sued by CIIB or the shareholders for such violations. CIIBs BM is briefed on his/her fiduciary responsibilities to the bank's stakeholders, notifying the Chairman any possible conflict of interest during their term as a BM, and all other covenants are recorded in the BM appointment duly executed by the new BM. During the term of Board membership, each BM undergo a series of trainings each year to keep them up to date on the necessary knowledge and skills required to perform their duties most effectively.

F) BOARD MEETINGS

As per the internal polices, 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.

G) 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.

H) 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,

CORPORATE GOVERNANCE

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.

I) CHANGES IN THE STRUCTURE OF THE BOARD DURING THE YEAR

No changes during the year.

J) 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.

K) 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.

L) 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/ and/ or published in the media. Product details are also shared with customers through brochures and/ or advertisements.

M) 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.

N) 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.

O) 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.

P) 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

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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.

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.

CORPORATE GOVERNANCE

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.

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
Fixed remuneration:		
- Cash-based	USD 273,582	Nil
-Shares and share-linked instruments	Nil	Nil
- Other	USD 108,379	Nil
Variable remuneration:		
- 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

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: 11th 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.



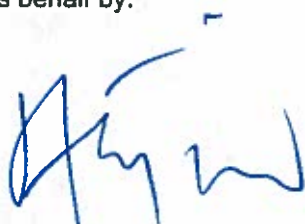
KPMG Fakhro
Partner Registration No. 100
24 February 2021

STATEMENT OF FINANCIAL POSITION
as at 31 December 2020

US\$ 000's

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

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

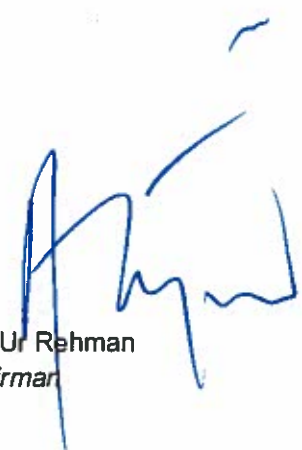

 Atiq Ur Rehman
 Chairman


 Mohammed Jaffer Nini
 Deputy Chairman

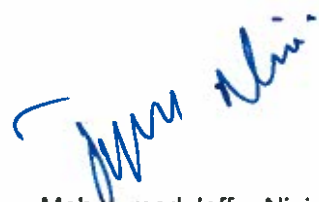
The accompanying notes 1 to 17 form an integral part of these financial statements.

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

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



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
Total recognised income and expense for the year	-	-	1,115	1,115
Dividends declared for 2019	-	-	(931)	(931)
Transfer to statutory reserve	-	112	(112)	-
As at 31 December 2020	10,000	3,577	1,003	14,580

	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

	2020	2019
OPERATING ACTIVITIES		
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)
Net cash from operating activities	1,268	1,046
FINANCING ACTIVITIES		
Dividends declared	(931)	(1,092)
Net cash used in financing activities	(931)	(1,092)
Net increase/ (decrease) in cash and cash equivalents	337	(46)
Cash and cash equivalents at 1 January	14,123	14,169
Cash and cash equivalents at 31 December	14,460	14,123
Cash and cash equivalents comprise:		
Bank balances	1,462	501
Murabaha receivables	12,998	13,622
	14,460	14,123

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

	2020	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)
As at 31 December	378,519	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

	2020	2019
Gross contract value	13,002	13,661
Less: Deferred profits	(4)	(39)
	12,998	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

	2020	2019
Prepayments	35	34
Other receivables	556	526
	591	560

5 SHARE CAPITAL

	2020	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

	2020	2019
Salaries and benefits	367	383
Social security costs	16	11
	383	394

8 OTHER EXPENSES

	2020	2019
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
	1,158	1,185

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:

	2020	2019
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

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

31 December 2019

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

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

31 December 2020

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

31 December 2019

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

Restricted Investment Accounts

Middle East

2020	2019
378,663	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

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

31 December 2019

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

The maturity profile of restricted investment accounts:

31 December 2020

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

31 December 2019

	Within 8 days	9 days to 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Total
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:

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

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:

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

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)

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.

RISK AND CAPITAL MANAGEMENT DISCLOSURES

**FOR THE YEAR ENDED
31 December 2020**

These disclosures have been prepared in accordance with the Public Disclosure Module ("PD"), Section PD-1.3: Disclosures in Annual Reports, CBB Rule Book, Volume II for Islamic Banks. To avoid any duplication, information required under PD module but already disclosed in other sections of annual report has not been reproduced. These disclosures are part of the annual report for the year ended 31 December 2020 and should be read in conjunction with the financial statements for the year ended 31 December 2020 and other sections of the annual report.

RISK AND CAPITAL MANAGEMENT DISCLOSURES**for the year ended 31 December 2020****USD 000's****1. EXECUTIVE SUMMARY**

The Central Bank of Bahrain's (CBB) Basel 3 guidelines outlining the capital adequacy framework for banks incorporated in the Kingdom of Bahrain. Banks are required to maintain minimum capital adequacy ratio of 12.5% on a consolidated basis [i.e. CET1 – 6.5%, AT1-1.5%, Tier 2 – 2% and CCB – 2.5%] and a capital adequacy ratio of 8% on a solo basis [i.e. CET1 – 4.5%, AT1 – 1.5% and Tier 2 – 2%]. These disclosures have been prepared in accordance with the CBB requirements outlined in the Public Disclosure Module ("PD"), Section PD-1.3: Disclosures in Annual Reports, CBB Rule Book, Volume II for Islamic Banks. Section PD-1.3 reflects the requirements of Basel 2 - Pillar 3 and the Islamic Financial Services Board's ("IFSB") recommended disclosures for Islamic banks on their web site along with the audited financial statements.

The PD Module requires disclosure of the Bank's exposure to risks on its banking and trading book. As the Bank does not have a trading book all its disclosures are limited to the risks faced on its banking book.

The Bank has adopted the Standardised Approach for Credit and Market Risk and the Basic Indicator Approach for Operational Risk to determine the capital requirement. This section contains a description of the Bank's risk management and capital adequacy policies and practices including detailed quantitative information on risk components and capital adequacy.

The nature of CIIB's business is mainly focused on offering a Sharia compliant Murabaha-based deposit product to Financial Institutions and Corporates and to provide structuring services to other Citigroup entities in respect of capital market, cash management and market services transactions. The Bank at present does not offer, or intend to offer, any asset products. All policies and procedures have been designed to cover risks arising from these products of the Bank.

As at 31 December 2020, the Bank's total risk weighted assets amounted to US\$ 11,582; Tier 1 Capital amounted to US\$ 14,580 and Tier 2 capital US\$ 5. Accordingly, CET1, Tier 1 and Total Capital Adequacy Ratios were 125.88% and 125.92% respectively. These ratios exceed the minimum capital requirements under the CBB's Basel 3 framework.

2. RISK FRAMEWORK

The Bank operates under the One-Citi model. The Board of Directors and the Sharia Supervisory Board (SSB) maintain the Board level oversight of the Bank's activities. The Bank is represented on the main country level management committees (Country Coordinating Committee, Business Risk Compliance and Control Committee) of Citi Bahrain by its Managing Director to ensure oversight of the Bank's transactions and activities. The Bank has been exempted by Central Bank of Bahrain from the requirements of forming Audit Committee, Nomination, and Remuneration Committee.

The Sharia Supervisory Board (SSB) of the Bank along with the Group Internal Control Function is responsible for approval and oversight of all Islamic transactions undertaken at the Group level. The SSB is further assisted by the Group Internal Control Function which conducts annual Sharia Audits over all the Islamic products and transactions undertaken by the Bank.

CIIB has a dedicated CEO to oversee all Islamic business activity. The operations, compliance, financial control, risk management and other support functions are managed by Citi Bahrain staff through Inter-Citi Service Agreements with the Bank (under the one-Citi approach).

As per the CBB capital adequacy framework, the Bank is exposed to the following risks:

- Credit and counterparty risk
- Market risk (limited to forex risk in the banking book)
- Operational risk
- Liquidity risk
- Profit rate risk in the banking book

RISK AND CAPITAL MANAGEMENT DISCLOSURES**for the year ended 31 December 2020****USD 000's***2. Risk Framework (continued)***(a) Credit and Counterparty Risk**

Transactions booked in CIIB entity has no or very limited third party credit risk. All Murabaha placements of the Bank are on a short term basis (maturing within 3 months) and are placed only with Citigroup entities.

All the new Islamic products introduced by the Bank are approved by the New Product Approval Committee (NPAC) of Citigroup. Moreover, Islamic financing/product structures are discussed in the Board meetings to discuss the risks involved in them.

There are no loans extended or other asset products offered by the Bank to its customers. Moreover, the off balance sheet exposures where the Bank acts as an agent between a purchaser (restricted investment account) and a seller (a Citi entity) do not expose the Bank to any type of credit risk.

Structuring and advising on capital market transactions don't expose the entity to credit risk as CIIB doesn't carry any underwriting activity.

Quarterly updates on the current credit exposures of the Bank are reported to the Business Risk Compliance and Control Committee ("BRCC") and the Country Coordinating Committee ("CCC").

Overall, the Bank considers that its policies and procedures constitute a reasonable approach to managing the credit risk in the activities it is engaged in.

(b) Foreign Exchange Risk

The Bank has no on-balance sheet exposures to foreign exchange risk as all of its transactions are denominated in US\$ which is the Bank's functional currency and the bank currently has no trading Book. The inter-bank Murabaha transactions do not expose the Bank to any commodity price risk.

Moreover, the FX risk in the off balance sheet exposures is borne by the purchaser and the seller of the contract, and the Bank does not incur any market risk in these transactions since it undertakes the role of an agent.

(c) Operational Risk

The on-balance sheet activities of the Bank are limited in volume. However, as a part of its asset management activities, where the Bank acts as an agent between a purchaser and a seller, the Bank is exposed to operational risk in the event of any negligence on its part.

Citi Bahrain's Risk Management Function is headed by the Operation Risk Manager (ORM). Along with its risk management related responsibilities, the Risk Management function is also responsible for coordinating the Management Control Assessment (MCA) exercise at the country level which includes the Bank's operations. As part of the MCA, all processes and activities undertaken by the various departments at Citi Bahrain are identified. The processes and activities relating to the Bank are also documented as part of the Citi Bahrain MCA. Furthermore, the relevant risks and controls are identified and tested on a quarterly basis through the operational risk management system "CitiRisk".

The individual departments undertake tests to assess the effectiveness of the existing controls. Any issues arising from these tests are escalated to the BRCC and the summary results are discussed in the CCC.

The Managing Director of the Bank chairs these committees, hence fulfilling the oversight role over the operational risk management framework encompassing the Bank.

Furthermore, corrective actions agreed on all issues identified are discussed and tracked in the CCC meeting. Major business issues are also escalated to the regional management committees.

RISK AND CAPITAL MANAGEMENT DISCLOSURES**for the year ended 31 December 2020****USD 000's****2. Risk Framework (continued)****(c) Operational Risk (continued)**

The operational risk is supplemented by the Internal Control Function. The Internal Control Function conducts annual Sharia audits in order to ensure the Bank's adherence to the CBB Rulebook for Islamic Financial Institutions, Sharia and AAOIFI standards as well as Fatwas issued by the Sharia Advisory Board.

The management assesses the effectiveness of the Bank's internal control annually. Based on this assessment, management believes that, as of December 31, 2020, the bank's internal control over financial reporting was effective. In addition, there were no changes in the Bank's internal control over financial reporting during the fiscal year ended December 31, 2020 that materially affected, or are reasonably likely to materially affect, the Bank's internal control over financial reporting.

The Internal Audit (IA) which is the group audit team responsible for global reviews covers the Bank based on the frequency derived from the global risk based approach. During the year, the Internal Audit performed audit over certain functions of the Bank.

(d) Liquidity Risk

Based on the financial statements as at 31 December 2020, the bank does not have any liquidity Risk as documented in ALCO. The Bank also does not have any equity from investment account holders on its statement of financial position. If the Bank receives a deposit from customers, the Bank place it in short term inter-bank Murabaha with Citigroup entities. The Bank matches the tenor of its Murabaha receivables with the deposits received in order to avoid a short term liquidity mismatch.

The Bank follows the global liquidity management policy of Citibank which provides the overall guidelines for liquidity management. Refer Note 14 for the maturity profile of assets, liabilities and restricted investment accounts.

Following are the key liquidity ratios as at 31 December 2020:

Description**Ratio**

Short Term Assets : Total Assets

1.00 : 1.00

Short Term Assets : Short Term Liabilities

32.86 : 1.00

(e) Profit Rate Risk in Banking Book

Currently the Bank does not have any profit bearing liabilities and therefore does not face the risk of mismatch between the rate of return earned on assets and liabilities.

(f) Compliance Risk

The Compliance Function at Citi Bahrain is the designated compliance function for the country and covers the Bank's compliance activities. The Compliance Function has established a "Regulatory Risk Matrix" which constitutes the rules and regulations pertaining to all businesses operating under the umbrella of Citi Bahrain. This includes the Bank as well (local regulatory requirements and global policy compliance requirements).

The MCA is intended to encompass all the businesses and control activities in Citi Bahrain including the Bank. The MCA includes the Regulatory Risk Matrix which identifies the key local regulatory requirements as well as global policy compliance requirements pertaining to Citi Bahrain. As part of the MCA process, the Bank has identified procedures for every department to conduct tests in order to ensure adherence to all rules and regulations. These tests are conducted by the business and support units on a quarterly basis. The results of these tests are reviewed by the Enterprise Risk Manager on an ad-hoc basis, who in turn reports to the BRCC.

RISK AND CAPITAL MANAGEMENT DISCLOSURES
for the year ended 31 December 2020

USD 000's

2. Risk Framework (continued)

All material compliance issues identified during these tests are escalated to the BRCC. A member of the Bank's team is also represented on the BRCC. The BRCC is headed by the Citi Country Officer who is also the Managing Director of the Bank, hence fulfilling the Bank's oversight role over its management of compliance risk.

(g) Displaced Commercial Risk

Displaced Commercial Risk refers to the market pressure to pay returns that exceeds the rate that has been earned on the assets financed by the liabilities, when the return on assets is under performing as compared with competitor's rates. Currently the Bank is not exposed to any displaced commercial risk that may arise from its restricted investment accounts as it only acts as an agent for its customers.

(h) Restricted Investment Accounts (RIA)

The Bank structures its RIA products to offer its customers an opportunity to choose from a wide range of returns, maturity periods, sectors, asset classes and risk levels.

All RIA offering documents ("Offering Document") are drafted and issued with input from the Bank's Investment Banking, Sharia, Financial Control, Legal and Risk Management Departments to ensure that the investors have sufficient information to make an informed decision after considering all relevant risk factors.

The Board of Directors is responsible for providing clear guidelines for the development, management and risk mitigation of its RIA investments and to ensure that there exist sound management and internal control systems to ensure that the interests of the investment account holders are protected at all times.

The Bank is aware of its fiduciary responsibilities in management of the RIA investments and has clear policies on discharge of these responsibilities. The Bank's objectives regarding its fiduciary responsibilities to the RIA investors and their funds, includes the following:

- Ensuring that the investment structure, Offering Documents and the investment itself are fully compliant with Islamic Sharia principles and the CBB regulations;
- Appropriately advising Investors, as part of the RIA Offering Document, of all the relevant and known risk factors and making it clear that the investment risk is to be borne by the Investor before accepting the investment funds;
- Ensuring that the funds are invested strictly in accordance with the provisions outlined in the Offering Documents;
- Distributing the capital and profits to the Investor in a just and equitable manner as agent; and
- In all matters related to the RIA, and the investment, act with the same level of care, good faith and diligence as the Bank would apply in managing its own investments.

Historical returns over the past five years:

Product	Launch date	Annualised returns					Status
		2020	2019	2018	2017	2016	
Deposit Murabaha	1996	0.71%	2.02%	0.91%	0.91%	0.43%	Active

The movement in the Restricted Investment Accounts is disclosed on page 18.

RISK AND CAPITAL MANAGEMENT DISCLOSURES
for the year ended 31 December 2020

USD 000's

3. CAPITAL STRUCTURE AND CAPITAL ADEQUACY

The Bank is comfortably placed in terms of regulatory capital adequacy and the current regulatory Capital Adequacy Ratio (CAR) is 125.93% as opposed to the minimum CBB requirement of 12.5%.

The Bank's paid up capital consists only of ordinary equity shares and does not have any other type of capital instruments.

The Bank's Tier 1 capital comprise share capital, retained earnings and eligible reserves. Retained profits are included in Tier 1 pursuant to an external audit.

The Bank's Tier 2 capital comprise expected credit loss provision.

The capital of the Bank is currently not subject to any regulatory adjustments/ deductions.

(a) Capital structure, minimum capital requirement and capital adequacy:
Tier 1

Issued and fully paid ordinary shares

Statutory reserves

Retained earnings

Total Tier 1 capital (A)

Tier 2 (Expected credit loss provision)

Total eligible capital (B)

Amount	
	10,000
	3,577
	1,003
	14,580
	5
	14,585

Claims on Banks

Claims on Corporates

Other assets

Credit risk exposures

Market risk exposures

Operational risk exposures

Total risk weighted exposures (C)

Total capital adequacy ratio (B/C)

Tier 1 capital adequacy ratio (A/C)

Risk weighted exposure	Capital requirement @ 12.5%
7,501	938
18	2
35	4
7,554	944
-	-
4,028	504
11,582	1,448
125.93%	
125.88%	

RISK AND CAPITAL MANAGEMENT DISCLOSURES
for the year ended 31 December 2020

USD 000's

3. Capital Structure and Capital Adequacy (continued)
(b) Credit risk weighted assets

The exposure to credit risk for the Bank is from the following:

	Gross credit exposure	Risk weight	Credit risk weighted assets	Average gross credit exposures during the year *
Claims on Banks with Citigroup	15,003	50%	7,501	19,661
Claims on Banks	-	100%	-	-
Claims on Corporates (Unrated)	18	100%	18	18
Claims on Sovereigns	-	0%	-	15
Other assets	35	100%	35	38
Total gross credit risk exposures	15,056		7,554	19,732

* These have been computed based on a quarterly average.

The claims on banks with Citigroup comprise of Murabaha receivables, cash and bank balances and other receivables. The Bank uses the rating provided by External Credit Assessment Institutions (ECAI) to ascertain the risk weight of the assets. As per the rating provided by Standard & Poor's rating services, Citigroup falls in the bucket of A+ to A- based on which a risk weight of 50% is used to arrive at the credit risk weighted assets. For short term receivables from third parties the bank used rating from Standard & Poor's and MOODY's.

None of the exposures are either past due, impaired or restructured. The exposures are not backed by collaterals and hence no benefits for credit risk mitigation is applicable.

The Bank does not have any unfunded exposures.

Refer Note 13 for the geographical and sectoral concentration and Note 14 for the maturity profile of assets, liabilities and restricted investment accounts in the financial statements.

Large exposure limits

The Bank has significant exposure to Citigroup entities (as a Group) as mentioned below.

Type of exposure	Amount of exposure	% of capital base
Direct exposure	14,998	102.87%
Restricted investment accounts	378,519	2,596.15%
Combined exposure	393,517	2,698.02%

However, these exposures qualify as exempt exposures as they are in the nature of short term inter-bank exposures and hence no regulatory capital deduction is considered necessary.

(c) Operational risk weighted assets

The operational risk weighted assets are computed as per the guidelines of the CBB which are as follows:
 [Average gross income (excluding extraordinary and exceptional income) for the past 3 years x 15% x 12.5].

RISK AND CAPITAL MANAGEMENT DISCLOSURES**for the year ended 31 December 2020****USD 000's****3. Capital Structure and Capital Adequacy (continued)**

Particulars	Amount
Average gross income (A)	2,148
Alpha (B)	15%
(C) = (A) * (B)	322
Risk weighted exposures ((C) * 12.5)	4,028

The Bank did not have any non-sharia complaint income/ sharia violations/ material legal contingencies during the year 2020.

(d) Capital management and allocation

The Bank's capital management framework is intended to ensure that there is sufficient capital to support the underlying risks of the Bank's business activities and to maintain a well-capitalised status under regulatory requirements. The allocation of capital between specific operations and activities is primarily driven by regulatory requirements. The Bank's capital management policy seeks to maximise return on risk adjusted while satisfying all the regulatory requirements.

4. COMPOSITION OF CAPITAL DISCLOSURE**Step1 : Balance sheet under the regulatory scope of consolidation**

This step is not applicable to the Bank since the scope of regulatory and accounting is identical and the bank is a standalone entity.

Step 2: Reconciliation of published financial balance sheet to regulatory reporting As at 31 December 2020

USD '000s	Statement of financial position in published financial statements USD'000s	Statement of financial position as per regulatory reporting USD'000s	Reference
Assets			
Bank balances	1,462	-	
of which Cash and balances at central bank	-	1,462	
Murabaha receivables	12,998	-	
of which placements with banks and similar financial institution	-	13,003	
Other assets	591	590	
Total assets	15,051	15,055	
Payables and other accrued expenses	471	-	
of which other liabilities	-	471	
Total Liabilities	471	471	
Equity Investment			
Share capital	10,000	10,000	A
Statutory reserve *	3,577	3,465	B1
Retained earnings *	1,003	-	B2
of which Net profit/ (loss) for the current period *	-	1,114	
of which retained earnings/ (losses) brought forward		-	
Expected credit losses (Stages 1 & 2) **	-	5	C
Total shareholder's equity*	14,580	14,584	

RISK AND CAPITAL MANAGEMENT DISCLOSURES**for the year ended 31 December 2020****USD 000's****4. COMPOSITON OF CAPITAL DISCLOSURE (continued)****Note (*)**: In the financial statements 10% of the net profit for the year transferred to statutory reserve**Note (**)**: Expected credit loss on Murabaha receivables of USD 5 thousands being presented net in the statement of financial position**Step 3: Composition of Capital Disclosure Template as at 31 December 2020**

Composition of Capital and mapping to regulatory reports		Component of regulatory capital	Reference numbers of balance sheet under the regulatory scope of consolidation from step 2
Common Equity Tier 1 capital: instruments and reserves			
1	Directly issued qualifying common share capital plus related stock surplus	10,000	A
2	Retained earnings	1,003	B2
3	Accumulated other comprehensive income (and other reserves)	3,577	B1
4	<i>Not Applicable</i>		
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-	
6	Common Equity Tier 1 capital before regulatory adjustments	14,580	
Common Equity Tier 1 capital: regulatory adjustments			
7	Prudential valuation adjustments	-	
8	Goodwill (net of related tax liability)	-	
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	-	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
11	Cash-flow hedge reserve	-	
12	Shortfall of provisions to expected losses	-	
13	Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)	-	
14	<i>Not applicable</i>		
15	Defined-benefit pension fund net assets	-	
16	Investments in own shares	-	
17	Reciprocal cross-holdings in common equity	-	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	

RISK AND CAPITAL MANAGEMENT DISCLOSURES**for the year ended 31 December 2020****USD 000's****4. COMPOSITON OF CAPITAL DISCLOSURE (continued)**

Composition of Capital and mapping to regulatory reports		Component of regulatory capital	Reference numbers of balance sheet under the regulatory scope of consolidation from step 2
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-	
20	Mortgage servicing rights (amount above 10% threshold)	-	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
22	Amount exceeding the 15% threshold	-	
23	of which: significant investments in the common stock of financials	-	
24	of which: mortgage servicing rights	-	
25	of which: deferred tax assets arising from temporary differences	-	
26	CBB specific regulatory adjustments	-	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	
28	Total regulatory adjustments to Common equity Tier 1	-	
29	Common Equity Tier 1 capital (CET1)	14,580	
Additional Tier 1 capital: instruments			
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	-	
31	of which: classified as equity under applicable accounting standards	-	
32	of which: classified as liabilities under applicable accounting standards	-	
33	<i>Directly issued capital instruments subject to phase out from Additional Tier 1</i>	-	
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-	
35	<i>of which: instruments issued by subsidiaries subject to phase out</i>	-	
36	Additional Tier 1 capital before regulatory adjustments	-	

RISK AND CAPITAL MANAGEMENT DISCLOSURES**for the year ended 31 December 2020****USD 000's****4. COMPOSITON OF CAPITAL DISCLOSURE (continued)**

Composition of Capital and mapping to regulatory reports		Component of regulatory capital	Reference numbers of balance sheet under the regulatory scope of consolidation from step 2
Additional Tier 1 capital: regulatory adjustments			
37	Investments in own Additional Tier 1 instruments	-	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-	
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
41	CBB specific regulatory adjustments	-	
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
43	Total regulatory adjustments to Additional Tier 1 capital	-	
44	Additional Tier 1 capital (AT1)	-	
45	Tier 1 capital (T1 = CET1 + AT1)	14,580	
Tier 2 capital: instruments and provisions			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	-	
47	<i>Directly issued capital instruments subject to phase out from Tier 2</i>	-	
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-	
49	<i>of which: instruments issued by subsidiaries subject to phase out</i>	-	
50	Provisions	5	C
51	Tier 2 capital before regulatory adjustments	5	

RISK AND CAPITAL MANAGEMENT DISCLOSURES**for the year ended 31 December 2020****USD 000's****4. COMPOSITON OF CAPITAL DISCLOSURE (continued)**

Composition of Capital and mapping to regulatory reports		Component of regulatory capital	Reference numbers of balance sheet under the regulatory scope of consolidation from step 2
Tier 2 capital: regulatory adjustments			
52	Investments in own Tier 2 instruments	-	
53	Reciprocal cross-holdings in Tier 2 instruments	-	
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-	
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
56	CBB specific regulatory adjustments	-	
57	Total regulatory adjustments to Tier 2 capital	-	
58	Tier 2 capital (T2)	5	
59	Total capital (TC = T1 + T2)	14,585	
60	Total risk weighted assets	11,582	
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	125.88%	
62	Tier 1 (as a percentage of risk weighted assets)	125.88%	
63	Total capital (as a percentage of risk weighted assets)	125.93%	
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus D-SIB buffer requirement, expressed as a percentage of risk weighted assets)	9%	
65	of which: capital conservation buffer requirement	2.5%	
66	of which: bank specific countercyclical buffer requirement	N/A	
67	of which: D-SIB buffer requirement	N/A	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	125.88%	

RISK AND CAPITAL MANAGEMENT DISCLOSURES**for the year ended 31 December 2020****USD 000's****4. COMPOSITON OF CAPITAL DISCLOSURE (continued)**

Composition of Capital and mapping to regulatory reports		Component of regulatory capital	Reference numbers of balance sheet under the regulatory scope of consolidation from step 2
National minima including CCB (where different from Basel III)			
69	CBB Common Equity Tier 1 minimum ratio	9.0%	
70	CBB Tier 1 minimum ratio	10.5%	
71	CBB total capital minimum ratio	12.5%	
Amounts below the thresholds for deduction (before risk weighting)			
72	Non-significant investments in the capital of other financials	-	
73	Significant investments in the common stock of financials	-	
74	Mortgage servicing rights (net of related tax liability)	-	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	-	
Applicable caps on the inclusion of provisions in Tier 2			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	-	
77	Cap on inclusion of provisions in Tier 2 under standardised approach	-	
78	N/A	-	
79	N/A	-	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2019 and 1 Jan 2023)			
80	Current cap on CET1 instruments subject to phase out arrangements	-	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	
82	Current cap on AT1 instruments subject to phase out arrangements	-	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	
84	Current cap on T2 instruments subject to phase out arrangements	-	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and	-	

RISK AND CAPITAL MANAGEMENT DISCLOSURES**for the year ended 31 December 2020****USD 000's****5. DISCLOSURE TEMPLATE FOR MAIN FEATURE OF REGULATORY CAPITAL INSTRUMENTS**

1	Issuer	Citi Islamic Investment bank E.C.
2	Unique identifier (Bahrain Bourse ticker)	NA
3	Governing law of the instrument	All applicable laws and regulations of the Kingdom of Bahrain
	<i>Regulatory treatment</i>	
4	Transitional CBB rules	Common Equity Tier 1
5	Post-transitional CBB rules	Common Equity Tier 1
6	Eligible at solo/group/group & solo	Group & Solo
7	Instrument Type	Common Equity shares
8	Amount recognized in regulatory capital (currency in Millions, as of most recent reporting date)	USD 10 million
9	Par Value of instrument	USD 1 per share
10	Accounting classification	Shareholders' equity
11	Original date of issuance	1996
12	Perpetual or dated	NA
13	Original maturity date	NA
14	Issuer call subject to prior supervisory approval	NA
15	Optional call date, contingent call dates and redemption amount	NA
16	Subsequent call dates, if applicable	NA
	<i>Coupons / dividends</i>	Dividends
17	Fixed or floating dividend/coupon	Dividend is declared by shareholders in the AGM
18	Coupon rate and any related index	NA
19	Existence of a dividend stopper	NA
20	Fully discretionary, partially discretionary or mandatory	Refer to 17 above
21	Existence of step up or other incentive to redeem	NA
22	Noncumulative or cumulative	NA
23	Convertible or non-convertible	NA
24	If convertible, conversion trigger (s)	NA
25	If convertible, fully or partially	NA
26	If convertible, conversion rate	NA
27	If convertible, mandatory or optional conversion	NA
28	If convertible, specify instrument type convertible into	NA
29	If convertible, specify issuer of instrument it converts into	NA
30	Write-down feature	NA
31	If write-down, write-down trigger(s)	NA
32	If write-down, full or partial	NA
33	If write-down, permanent or temporary	NA
34	If temporary write-down, description of write-up mechanism	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	NA
36	Non-compliant transitioned features	NA
37	If yes, specify non-compliant features	NA