Accelerating Opportunities Strengthening Resilience

Annual Report 2022

AJYAD CAPITAL

Contents

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Principal bankers and professional advisors

Principal Bankers
Al Salam Bank - Bahrain B.S.C., Kingdom of Bahrain
Ithmaar Bank B.S.C. (c), Kingdom of Bahrain
Bahrain Islamic Bank B.S.C., Kingdom of Bahrain

External Auditors
KPMG Fakhro, Kingdom of Bahrain

External Legal Counsel
Elham Ali Hasan & Associates, Kingdom of Bahrain
Zu'bi & Partners, Kingdom of Bahrain
Zeenat Al Mansoori & Associates, Kingdom of Bahrain

At Ajyad Capital, we have fostered strong relationships with international institutions that share our values and approach to investment. This extensive network of partnerships across geographies and asset classes, which form part of our investment strategy, is valuable in offering our clients high quality and diversified opportunities.

Corporate Profile

Ajyad Capital values integrity, transparency, and competence, all while being a disciplined manager in delivering investment solutions to clients.

Ajyad Capital B.S.C. (c) is an international Shari'ah compliant investment management firm founded in 2003. The firm boasts a strong shareholder base comprised of high-net-worth individuals, business houses and institutions spanning the GCC countries and has been involved in executing investments worth more than US$ 3.4 billion. Through its wide network of international strategic partners and top-tier investment specialists, Ajyad Capital provides clients with a diverse range of alternative investments products.

Headquartered in the Kingdom of Bahrain and licensed by the Central Bank of Bahrain as an Islamic Investment Business Firm - Category 1, Ajyad Capital is committed to positively impact clients, the marketplace, and the community.

We value integrity, transparency, and professional excellence, while being a disciplined manager and delivering returns to our stakeholders. We strive to generate strong risk-adjusted returns by combining a robust fundamental approach with the broad investment experience of the management team. The firm harbors a culture that embraces innovation and encourages teamwork with integrated decision-making.

_ VISION

We aspire to be pre-eminent providers of alternative Shari'ah investments that support economic growth and contribute to improve quality of life.

_ MISSION

To provide well informed and innovative Shari'ah investment solutions with attractive risk-adjusted returns.

_ VALUES

- To positively impact our clients, the marketplace and our community
- To be professional and respectful in our actions towards our clients, partners and each other
- To be honest and transparent
- To continually pursue knowledge
- To be motivated and fulfilled by our work

Financial Highlights

Total Assets	US$ 38.4m
Total value of Investments	US$ 30.3m
Shareholders' Equity	US$ 35.4m
Liquid Assets / Total Assets	33%

Investment Sectors

01

Real Estate

Our strategy focuses on direct equity investments in income producing properties within the developed markets of North America & Europe. Our investment team works closely with international managers & operators to deliver stable distribution and attractive risk-adjusted total returns.

02

Private Equity

Our private equity strategies are sector focused with direct equity investment in technology and technology enabled services. We work closely with our partners leveraging on their expertise to invest in businesses with growth potential.

03

Private Debt

Ajyad Capital targets high performing Private Debt opportunities in developed markets and geographies within the Real Estate Credit sector to provide investors with attractive returns.

The Firm's strategic partnerships and proven strategy offer unique risk adjusted returns to satisfy various investor appetites and is an ideal avenue for portfolio diversification through alternative investments. Our focus is on utilizing our exclusive relationships to attain competitive and above average yields that meet or surpass market standards.

Board of Directors Report

Saeed Abdul Jalil Al Faheem
Chairman

The Firm remains committed to upholding a high level of corporate governance, with the global standard best practices acting as a building block for its corporate governance framework.

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the annual report of Ajyad Capital B.S.C. (c) (the "Firm") for the year ended 31 December 2022.

Following the Board elections that were held in 2022, I would like to take this opportunity to welcome the Firm's newly appointed Board of Directors. I am confident that this new Board, which comprises a majority of independent directors from various industries and backgrounds, embodies skills, experience and a wealth of knowledge that will be of invaluable benefit to the Firm and contribute to its tireless endeavours for future success.

During the year 2022, the Board of Directors approved the Firm's revised strategy. Accordingly, the Firm will now focus on products across three (3) verticals; real estate, private equity and private debt. The Board and management believe that these verticals are representative of current market demand and circumstances and, in particular, the outlook and goals of its key investors. The Firm ended the year with the confidence that entering the year 2023 with this strategy will play an integral role in turning the Firm to profitability.

The Board of Directors also continued their oversight of the Firm's performance and corporate governance practices throughout the year. The Firm remains committed to upholding a high level of corporate governance, with the global standard best practices acting as a building block for its corporate governance framework. Nonetheless the Board of Directors, through a combination of the Firm's internal and external audit functions, keeps a close eye on the Firm's internal controls and work flows to ensure that the Firm not only adheres to its corporate governance framework but is constantly reviewing and improving its practices.

I would like to take this opportunity to thank the Shari'ah Supervisory Board, management and staff for their consistent performance and dedication during the year.

I would also like to express our appreciation to you, the Shareholders, for your unwavering patience and confidence in the efforts being expended to turn the Firm around. Last but not least, on behalf of the Board of Directors and Shareholders, I express our utmost gratitude to the Government of the Kingdom of Bahrain and its wise leadership: His Majesty King Hamad Bin Isa Al Khalifa, His Royal Highness Prince Salman Bin Hamad Al Khalifa, the Crown Prince, Deputy Supreme Commander and Prime Minister and in particular, the CBB and Ministry of Industry, Commerce and Tourism without whose continued support, understanding and invaluable guidance the Firm's achievements would not have been possible.

I leave you with wishes for a year of good health and prosperity with the hopes of sharing more positive developments at the end of 2023 and in the years to come.

Board of Directors Report
(Continued)

Remuneration of members of the Board of Directors and the Executive Management for the fiscal year ended 31 December 2022.

Board of Directors' remuneration details
For the year ended 31 December 2022 - US$ 000'S

Name	Fixed remunerations					Variable remunerations					End-of-service award	Aggregate Amount (Does not include expense allowance)	Expenses Allowance
	Remunerations of the chairman and BOD	Total allowance for attending Board and committee meetings	Salaries	Others*	Total	Remunerations of the chairman and BOD	Bonus	Incentive plans	Others**	Total			
First: Independent Directors:													
1- Fareed Bader	-	1	-	-	1	-	-	-	-	-	-	-	-
2- Eshaq Ebrahim Eshaq	-	4	-	-	4	-	-	-	-	-	-	-	-
3- Abdulaziz Al-Terki	-	8	-	-	8	-	-	-	-	-	-	-	-
4- Ahmed Saedan	-	6	-	-	6	-	-	-	-	-	-	-	-
5- Hasan Al Fardan	-	5	-	-	5	-	-	-	-	-	-	-	-
6- Waleed Al Saghyir	-	3	-	-	3	-	-	-	-	-	-	-	-
Second: Non-Executive Directors:													
1- Saeed A J Al Faheem	-	4	-	-	4	-	-	-	-	-	-	-	-
2- Khalid Al Faheem	-	2	-	-	2	-	-	-	-	-	-	-	-
Third: Executive Directors:													
1- Mohamed Al Faheem	-	3	-	-	3	-	-	-	-	-	-	-	-
Total	**-**	**36**	**-**	**-**	**36**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
The Firm does not have any Executive Directors.													

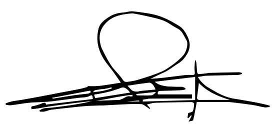
Other remunerations:

** It includes in-kind benefits – specific amount - remuneration for technical, administrative and advisory works (if any).*

*** It includes the board member's share of the profits - Granted shares (if any).*

Executive management remuneration details:

Executive Management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration for 2022	Aggregate Amount
*Remunerations for executives, including CEO and Senior Financial Officer.	1,229	-	-	1,229
*6 Senior Executive Management of the Firm.				



Saeed AJ Al Fahim
Chairman

Corporate Governance

The Board of Directors is responsible for the overall governance of the Firm through continuous review and adherence to international best practice and standards. The Board determines the Firm's strategy, provides direction to the Executive Management, ensures that the control framework is functioning in accordance with best practice and monitors Executive Management's performance

Board of Directors

The Board meets regularly throughout the year in order to control strategic, financial, operational, internal control and compliance issues.

As at 31 December 2022, the Board of Directors was comprised of seven (7) Directors.

Board of Directors

H.E. Mr. Saeed A J Al Faheem
Chairman

Dr. Abdulaziz Al-Terki
Vice Chairman

Mr. Eshaq Ebrahim Eshaq
Board Member

Mr. Mohammed Al Faheem
Board Member

Mr. Ahmad Saedan
Board Member

Mr. Hasan Al Fardan
Board Member

Mr. Waleed Al Saghyir
Board Member

1. H.E. Mr. Saeed A J Al Faheem
Chairman

Non-Independent and Non-Executive Director

- Year of first appointment: 2004.
- 42+ years of business experience.
- Honorary Chairman: Al Fahim Group, UAE.
- Chairman: Mubarak & Brothers Property & Financial Investment LLC, UAE.
- Chairman: German Emirati Joint Council for Industry and Commerce (AHK), UAE.
- President of Sh. Khalifa Excellence Award (SKEA), UAE.

Educational qualifications

- Bachelor of Business Administration, Bowling Green University, USA.
- Honorary Doctorate in Business Administration, Shendi University, Sudan.

2. Dr. Abdulaziz Al-Terki
Vice Chairman and Chairman of Board Audit Committee

Independent Director

- Year of first appointment: 2018.
- 26+ years of business experience.
- Chief Economic Research Officer: Burgan Bank Group, Kuwait.
- Advisor: The Supreme Counsel of Planning and Development, Ministry of Finance, Ministry of Oil, Kuwait.
- Member: Kuwait Economic Society, Kuwait.
- Founding Member: Kuwait Strategic Planning Society, Kuwait.

Educational qualifications

- Bachelor of Business Administration, University of Northern Colorado, USA.
- Master of Information Studies, Kuwait University, Kuwait.
- PhD in Management, American University, UK.

3. Mr. Eshaq Ebrahim Eshaq
Board Member

Independent Director

- Year of first appointment: 2017.
- 11+ years of business experience.
- Vice Chairman: Union Gulf Investment Company B.S.C. (c).
- Vice Chairman: Eshaq Investment Company W.L.L.
- Chairman: African & Eastern (Bahrain) W.L.L.
- Board Memebr: Bahrain Airport Services B.S.C. (c).

Educational qualifications

- Bachelor of Science in Business Administration with a specialisation in Finance, American University, USA.

4. Mr. Mohammed Al Faheem
Board Member

Executive Director

- Year of first appointment: 2022.
- 21+ years of business experience.
- Group Head of Business Development: Al Fahim Group, UAE.
- Board Member: Makhazen Investments, UAE.
- Board Member: Rmal Hospitality, UAE.
- Board Member: Eshara Water, UAE.

Educational qualifications

- Bachelor of Science in Business Studies, Bath Spa University, UK.
- Master of Business Administration, IMD Laussane, Switzerland.

5. Mr. Ahmad Saedan
Board Member

Independent Director

- Year of first appointment: 2022.
- 20+ years of business experience.
- Vice Chairman: Gulf Real Estate Company, KSA.
- Chairman: Al Olaya Real Estate Company, KSA.
- Board Member: Emirates Industrial Cities Company, UAE.
- Board Member: Al Saedan Real Estate Company, KSA.

Educational qualifications

- Master of Business Administration, London Business School, UK.
- Bachelor of Finance, King Fahd University of Petroleum and Minerals, KSA.
- Diploma in Personal Financial Planning, Institute of Banking (in cooperation with Dalhousie University in Canada), KSA.

6. Mr. Hasan Al Fardan
Board Member

Independent Director

- Year of first appointment: 2022.
- 12+ years of business experience.
- Chief Executive Officer: Al Fardan Exchange, UAE.
- Chief Executive Officer: Al Fardan Group, UAE.
- Vice Chairman: GSCS Group of Companies, UAE.
- Chairman of Fintech Committee: FERG, UAE.

Educational qualifications

- Bachelor of Business Administration, The American International University in London, UK.
- Master of Real Estate Finance and Investment, Henley Business School, University of Reading, UK.

7. Mr. Waleed Al Saghyir
Board Member

Independent Director

- Year of first appointment: 2022.
- 28+ years of business experience.
- Chairman: Qudurat Alarabia Holding Company, KSA.
- Board Member: Minwal Electro-Mechanic Company, KSA.
- Chairman: Maskan Al Arabia Company, KSA.
- Board Member: Blominvest, KSA.

Educational qualifications

- Bachelor of Business Administration, King Saud University, KSA.
- Master of Business Administration, American University of Beirut, Lebanon.

Board of Directors
(Continued)

Board Terms and Start Date of Current Term

All the current members of the Board of Directors were appointed on 30 March 2022. They hold their office for a term of three (3) years.

Induction, Orientation and Training of New Directors

The Chairman of the Board ensures that each newly appointed director receives a formal and tailored induction to ensure his contribution to the Board from the beginning of his term. The induction process includes:

a. Meetings with senior management;
b. Visits to the Firm's facilities;
c. Presentations regarding strategic plans;
d. Significant financial, accounting and risk management issues;
e. Compliance programmes;
f. Meetings with internal and external auditors and legal counsel (as required); and
g. Familiarisation with Corporate Governance Guidelines.

Written Code of Ethics and Business Conduct

The Firm has documented a Code of Conduct, including a code applicable to the Directors.

The Firm also maintains a board-approved policy on the employment of relatives of employees, including but not limited to Approved Persons, which prohibits the employment of relatives up to the second degree of kinship with exceptions only being made in extraordinary circumstances at the CEO's discretion.

The aforementioned documents are available with the management and can be provided to the shareholders on request.

Firm's Code of Ethical Business Conduct

The Board establishes corporate values for itself, senior management, and employees. These values have been communicated throughout the Firm, so that the Board and senior management and staff understand their accountabilities to the various stakeholders and fulfill their fiduciary responsibilities to them.

Firm's ethics dictate that a Board Member should:

1. Not enter competition with the Firm;
2. Not demand or accept substantial gifts for himself or his associates;
3. Not take advantage of business opportunities to which the Firm is entitled for himself or his associates;
4. Report to the Board any conflict of interest in their activities with, and commitments to other organisations. In any case, all Board Members declare in writing all of their other interest in other enterprises or activities (whether as a shareholder, manager, or other form of participation) to the Board (or the Board Audit Committee) on an annual basis;
5. Absent themselves from any discussions or decision-making that involves a subject where they are incapable of providing objective advice, or which involves a subject or proposed transaction where a conflict of interest exists; and
6. Ensure, collectively with the Board, that systems are in place to ensure that necessary client confidentiality is maintained and the privacy of the organisation itself is not violated, and that clients' rights and assets are properly safeguarded.

During 2022, there have not been any cases of conflict of interest in the Firm.

Election System of Directors

The new members are inducted to the Board of Directors through a nomination process on a three-year renewable term. With the exception of the board members appointed as representatives of Alfahim, new members are nominated by the Board, and then later approved by the General Assembly Meeting of the Firm. The Central Bank of Bahrain then approves the nominations for their term.

Monitoring Compliance to and Enforcement of Code of Conduct

The matters covered in the Code of Conduct are of the utmost importance to the Firm, its stakeholders and its business partners and are essential to the Firm's ability to conduct its business in accordance with its stated values. The Firm clearly communicates to all of its employees that they are expected to adhere to these rules in carrying out their duties for the Firm.

The Board, through independent evaluators (i.e. Internal Auditor) and Senior Management, continuously monitor adherence to the set Code of Conduct and take appropriate action against any employee whose actions are found to violate these policies or any other policies of the Firm. Disciplinary actions may include immediate termination of employment or business relationship at the Firm's sole discretion. Employees are prohibited from participating in or concealing criminal activity or illegal behavior. Any incidence of non-compliance will be presented to the Board as soon as possible.

Material Transactions that Require Board Approval

They include all transactions above the threshold determined (as per the discretionary transaction limits) in the nature of non-capital business expenditure, capital expenditure, investment due diligence, investment acquisition and disposal, and marabaha/wakala placement and rollover.

Assessment of Directors

The Board of Directors, its committees and individual directors annually assess their effectiveness and contributions.

Conflict of Interest

Annual Disclaimers of potential conflict of interest have been circulated to the Board of Directors and senior management. Should any conflict of interest arise, the concerned member of the Board of Directors or senior management will declare his interest in the matter under discussion and will absent himself from any vote on the matter.

Corporate Governance
(Continued)

The Board of Directors

The Board of Directors are required to meet at least four times a year, either in person, or via teleconference or video conference. The Board met four (4) times during the year and the following table shows the dates and attendance details:

BOARD MEETINGS

Date & location of meeting	Names of Directors present	Names of Directors who joined by phone /video link	Names of Directors not present
17-02-2022 Held by Teleconference	-	1. Saeed AJ Al Faheem 2. Fareed Bader 3. Khaled Al Faheem 4. Eshaq Ebrahim Eshaq 5. Abdulaziz Al-Terki	1. Ahmed Bugshan
13-06-2022 Held by Teleconference	-	1. Saeed AJ Al Faheem 2. Abdulaziz Al-Terki 3. Eshaq Ebrahim Eshaq 4. Mohammed Al Faheem 5. Ahmad Saedan 6. Hasan Al Fardan 7. Waleed Al Saghyir	-
21-09-2022 Held by Teleconference	-	1. Saeed AJ Al Faheem 2. Abdulaziz Al-Terki 3. Eshaq Ebrahim Eshaq 4. Mohammed Al Faheem 5. Ahmad Saedan 6. Hasan Al Fardan 7. Waleed Al Saghyir	-
28-11-2022 Manama, Kingdom of Bahrain	1. Saeed AJ Al Faheem 2. Abdulaziz Al-Terki 3. Mohammed Al Faheem 4. Ahmad Saedan 5. Waleed Al Saghyir	-	1. Eshaq Ebrahim Eshaq 2. Hasan Al Fardan

Corporate Governance
(Continued)

Compliance with CBB's High-Level Controls Module requirements

The Firm regularly monitors compliance with the provisions of the High-Level Controls (HC) Module of the Rulebook issued by the Central Bank of Bahrain relating to the roles and responsibilities of the Board of Directors, Board Committees, Disclosure Requirements and Management Strategy. The Comply or Explain Principle Report was revised to include CBB's amendments during 2022 and accordingly, the Firm has complied with the HC module requirements except for the following:

Reference	HC Module Provisions / Term	Requirement	Complied With? (Yes/No)	Explanation
HC-1:		THE BOARD		
HC-1.1.1	**P**	PRINCIPLE 1 - All Bahraini investment firm licensees must be headed by an effective, collegial and informed Board of Directors ('the Board').		
HC-1.4		Decision Making Process		
HC-1.4.4	**R**	Individual board members must attend at least 75% of all Board meetings in a given financial year to enable the Board to discharge its responsibilities effectively (see table below). Voting and attendance proxies for board meetings are prohibited at all times.	No	One director did not meet this requirement for 2022 Director in question was a member of the newly appointed Board of Directors who formally began their term as of 30 March 2022. As a result, the new Board only met three (3) times this year and the Directoer missed one meeting due to a last-minute family emergency. The Director is also a member of the Board Audit Committee and has attended all Committee meetings held since his appointment.
HC-1.5		Independence of Judgment		
HC-1.5.7	**G**	The chairman of the Board should be an independent director so that there will be an appropriate balance of power and greater capacity of the Board for independent decision making.	No	The Chairman represents Alfahim who owns more than 5% of shares in the Firm's capital.
HC-1:		APPROVED PERSONS LOYALTY		
HC-2.1.1	**P**	PRINCIPLE 2 - The approved persons must have full loyalty to the investment firm licensee.		
HC-2.3		Avoidance of Conflicts of Interest		
HC-2.3.5	**R**	Bahraini investment firm licensees must have in place a board approved policy on the employment of relatives of approved persons and a summary of such policy must be disclosed in the annual report of the Bahraini investment firm licensee.	No	Firm's policy does not allow employment relatives of approved persons but this was not disclosed in the annual report for 2021. This has been rectified in the annual report for 2022
HC-6:		MANAGEMENT STRUCTURE		
HC-6.1.1	**P**	PRINCIPLE 6 - The Board must establish a clear and efficient management structure.		
HC-6.3		Titles, Authorities, Duties and Reporting Responsibilities		
HC-6.3.7	**G**	At least annually the Board shall review and concur in a succession plan addressing the policies and principles for selecting a successor to the CEO, both in emergencies and in the normal course of business. The succession plan should include an assessment of the experience, performance, skills and planned career paths for possible successors to the CEO.	No	Due to current size and operations, this is not documented. Relevant vacancies and interim arrangements have been discussed with and approved by the CBB, as relevant. As the Firm grows and vacancies are filled, a succession plan will be created
HC-9:		ISLAMIC INVESTMENT FIRM LICENSEES		
HC-9.1.1	**P**	PRINCIPLE 9 - Companies which refer to themselves as "Islamic" must follow the principles of Islamic Shari'a.		
HC-9.2		Governance and Disclosure per Shari›a Principles		
HC-9.2.4	**G**	(b) A Shari'a scholar who is an SSB member for the purpose of leading the Corporate Governance Committee on Shari'a-related governance issues (if any), and also to coordinate and link the complementary roles and functions of the Corporate Governance Committee and the SSB; and	No	Exception received from CBB

Corporate Governance
(Continued)

Directors' responsibility for Audited, Consolidated, Financial Statements (AFS)

The Board is responsible for the Audited Consolidated Financial Statements (AFS), which accurately disclose the Firm's financial position. The Board has delegated the responsibility of the preparation of accurate financial statements to the Board Audit Committee. In addition, the Firm has instituted appropriate systems and controls, including internal audit, to ensure regular financial reporting, disclosures and monitoring.

Board Committees

The Firm has established one (1) Board sub-committee and a Shari'ah Supervisory Board, comprising expert independent Shari'ah scholars to assist in expeditiously and effectively discharging its responsibilities. This structure ensures appropriate oversight by the Board of Directors, while permitting efficient day-to-day management of the Firm. The minimum number of meetings for Board sub- committees is four (4) per annum.

The members as at 31 December 2022 and summary terms of reference were as follows:

Board Audit Committee

Dr. Abdulaziz Al-Terki, Chairman

Mr. Khaled Abdul Karim Al Fahim, Member (term ended 30 March 2022)

Mr. Eshaq Ebrahim Eshaq, Member (term ended 30 March 2022)

Mr. Hasan Al Fardan, Member (term commenced 30 March 2022)

Mr. Ahmad Saedan (term commenced 30 March 2022)

Assists the Board in reviewing the integrity of the financial statements, compliance with legal and regulatory requirements, the Firm's internal audit function and the independent auditor's qualifications, independence and performance.

The Board Audit Committee is required to meet at least four (4) times a year. The Members met four (4) times in 2022. The following table shows dates and attendance details of the Board Audit Committee meetings during the year.

Board Audit Committee meetings

Date & location of meeting	Names of Directors present	Names of Directors who joined by phone /video link	Names of Directors not present
07-02-2022 Held by Teleconference	-	1. Abdulaziz Al-Terki 2. Khaled Al Faheem 3. Eshaq Ebrahim Eshaq	-
20-06-2022 Held by Teleconference	-	1. Abdulaziz Al-Terki 2. Hasan Al Fardan 3. Ahmad Saedan	-
12-09-2022 Held by Teleconference	-	1. Abdulaziz Al-Terki 2. Hasan Al Fardan 3. Ahmad Saedan	-
21-11-2022 Held by Teleconference	-	1. Abdulaziz Al-Terki 2. Hasan Al Fardan 3. Ahmad Saedan	-

Corporate Governance
(Continued)

Independent Shari'ah Supervisory Board

Being an Islamic Investment firm, Shari'ah Supervisory Board regularly reviews all investment products and business activities to ensure compliance with Islamic Shari'ah principles, approves the Firm's financial statements and participates with management in the development of suitable investment products and services. Ajyad's Shari'ah Supervisory Board comprises three prominent Bahraini Islamic scholars who provide the Firm with pragmatic Islamic opinions.

Brief biographies are as follows

Sheikh Doctor Nedham Yaqoobi

Sh. Dr. Nedham Yaqoobi is one of the leading scholars in the Islamic Finance segment. Also, he is a member of many local and international Islamic Supervisory Boards of institutions, including the Centralized Shari'ah Supervisory Board at the Central Bank of Bahrain, AAOIFI Shari'ah Council, and many more. During his flourishing career, he has earned many academic honorary certificates, awards and degrees.

Sheikh Doctor Osama Bahar

Sh. Dr. Osama Bahar holds a Doctorate from Lahaye University in the Netherlands, a Master's Degree from Al Emam Al Awzae University in Lebanon and a Bachelor's degree in Islamic Shari'ah from Prince Abdul Qader Al Jaazaeri University of Islamic Studies in Algeria. Currently, he is working as independent Shari'ah advisor.

Sheikh Abdul Nasser Al Mahmood

Sh. Abdul Nasser holds a Master's in Business Administration from the Gulf University and is working on a thesis in Shari'ah Control and Review in Islamic banks. He also holds a Bachelor's degree in Shari'ah and Islamic Studies from Qatar University and an Advanced Diploma in Islamic Commercial Jurisprudence from Bahrain Institution of Banking Finance. He is a member of the Islamic Supervisory Board of Ebdaa Bank, Eskan Bank, and Bahrain Development Bank. Also, he works as an Executive Manager in the Shari'ah Coordination and Implementation department at Khaleeji Commercial Bank.

Investments

The Investment Department is responsible for investment and asset management activities including origination, evaluation, structuring and execution of investments and obtaining the required internal and regulatory approvals for real estate, private equity,and private debt. The department also manages portfolio companies and exits investments. It develops investments and asset allocation strategies and policies and undertakes due diligence and documentation in conjunction with consultants, partners, accounting firms and law firms.

The Investment Department works closely with the Legal, Risk, Shari'ah and Compliance departments to ensure controls and policies are complied with in the execution and management of investments. In addition, the department is responsible for investor reporting.

Client Solutions

The department is responsible for maintaining close relations with investors and placing Ajyad's investment offerings with sophisticated investors. Whilst mandated with the responsibility of maximising investment placement, the department ensures that every investment placed with investors is consistent with the investment objectives and risk tolerance of those investors. Moreover, in order to achieve best practice governance within the framework of the ethical and regulatory requirements of the Central Bank of Bahrain, investments are placed with only those investors who have provided the detailed "Know Your Customer" (KYC) documents and have complied with all legal formalities associated with the placement of each investment.

Support, Administration & Internal Controls

The business departments and executive management of the Firm are supported by a network of well- structured and staffed departments, as follows:

- Finance Department
- Legal Department
- Compliance, Risk Management and AML Department
- Internal Audit Department (Outsourced)
- Support Services, including Human Resources, Administration, Information Technology and Corporate Communications Department

Firm's operations and transactions are subjected to commensurate controls, checks and balances and segregation of duties to ensure that each transaction is originated, approved, executed and accounted for in conformity with, not only Shari'ah standards, but also best practice.

For example, to ensure strong segregation of duties, the Firm's operations are structured to ensure that no employee can originate, execute and account for a transaction. At least two individuals are involved in each transaction, including two signatories on every funds transfer. Each transfer is approved and executed in accordance with "Levels of Authority" approved by the Board of Directors.

Department Heads report to the Chief Executive Officer. There are two exceptions to ensure objectivity and independence from Executive Management: the Head of Compliance and Risk Management Department and the Head of Internal Audit Department report to the Chairman of the Audit with an administrative reporting to the Chief Executive Officer. The duties of all staff are clearly defined in detailed job descriptions which are reviewed from time to time to ensure conformity with the current requirements of the business.

Being an Islamic Investment Business Firm, Ajyad must ensure that all its activities are in compliance with Shari'ah principles. Compliance is achieved through the adoption of policies and procedures that are Shari'ah compliant and through regular discussions with members of the Shari'ah Supervisory Board who review the documentation relating to the Firm's transactions. Consultants perform regular reviews of the Firm's activities and have confirmed that the Firm is Shari'ah compliant.

Corporate Governance
(Continued)

Compensation & Incentive Structures

The Directors may recommend for themselves an annual retainer fee that is approved at the subsequent Annual General Meeting. Plus reimbursement of their travel and accommodation expenses in connection with attending Board meetings. The members of the Shari'ah Supervisory Board receive a flat fee that the Board of Directors approves annually, and a fee for each meeting attended and reimbursement of their actual travel and accommodation expense. The Board and the Chief Executive Officer agree the annual salaries of all other employees. All staff are eligible to participate in the discretionary annual bonus pool which is awarded on the basis of achievement of both corporate and individual goals.

Other benefits are payable to employees in line with normal industry practice and are approved in aggregate by the Board of Directors.

An allocation for a staff stock option scheme was approved by the General Assembly. The scheme is yet to be implemented.

Management Committees

The Board has established two governance committees, namely the Executive Management Committee and Management Investment Committee. These committees comprise senior management and heads of departments who are best qualified to make decisions on issues such as funding, asset utilisation, IT, investment acquisition/exist, and management of all types of risks, including market, credit, liquidity and operational risks. The members as at 31 December 2021 and the summary terms of reference are as follows:

Executive Management Committee

Mr. Suhail Hajee, Chairman

Ms. Sawsan Al Ansari

Ms. Mai Abul

Mr. Murtaza Ghulam

Mr. Naif Sahwan

Mr. Yasser Al Maskati

Monitors the execution of the strategic business plan, provides a forum to assimilate viewpoints, adopt best practices in the management of the Firm and provides guidelines to carry out the day-to-day affairs of the Firm, within the overall approved procedures laid down by the Board.

Management Investment Committee

Mr. Suhail Hajee, Chairman

Mr. Murtaza Ghulam

Ms. Leena Allababidi

Manages the investment portfolio, makes recommendations on proposed investments, exits and approves the final share allocation to investors.

Corporate Governance
(Continued)

Senior Management

Mr. Suhail Mohamed Hajee, Chief Executive Officer

Joined the Firm on 25 November 2018, Mr. Hajee has more than 33 years of banking and investment experience. Prior to joining the Firm, Suhail worked as Executive Director for Arqaam Capital in Dubai, also served in senior management positions at Bank of Bahrain and Kuwait in Bahrain and Dubai and serves as board member of a number of other firms.

Mr. Hajee holds an MBA from McGill University, Montreal and Bachelor of Computer Engineering from Concordia University, Montreal.

Mrs. Sawsan Al-Ansari, Head of Support Services

Joined the Firm on 01 June 2009, Mrs. Al-Ansari has more than 40 years of experience in finance and banking sector. Prior to joining the Firm, Sawsan worked for United Gulf Bank and American Express, Bahrain.

Mrs. Al-Ansari a Diploma degree in civil engineering from Gulf Technical College of Bahrain and a Bachelor of Fine Arts from the Fine Arts College of Zamalek, Egypt.

Mrs. Mai Abul, Chief Legal Officer and Board Secretary

Joined the Firm on 22 November 2015, Mrs. Abul has 14 years of experience in Islamic banking and finance transactions. Prior to joining the Ajyad, Mai worked for Bahrain Mumtalakat Holding Company B.S.C. and Al Salam Bank, Bahrain.

Mrs. Abul holds Bachelor and Master's degrees in Business Law from Monash University, Melbourne, Australia.

Mr. Naif Sahwan, Director – Finance Department

Joined the Firm on 15 September 2019, Mr. Sahwan has over 23 years of experience in banking and finance. Prior to joining the Firm, Naif worked with Seera Investment Bank and First Leasing Bank.

Mr. Sahwan holds a Master's degree from the Manchester Business School and is a fellow of the Chartered Institute of Management Accountants, UK.

Mr. Murtadha Ghulam, Principal - Investment

Joined the Firm on 12 October 2005, Mr. Ghulam has 17 years of experience in Islamic banking. Prior to joining the Firm, Murtadha worked for Alkhaeej Development Company and Alinam Real Estate Investments.

Mr. Ghulam holds Bachelor's degree in Accounting and Finance from University of Bahrain.

Mr. Yasser Al Maskati, Director - Client Solutions

Joined the Firm on 15 February 2020, Mr. Al Maskati has around 32 years of experience in investment banking, wealth management and relationship management across the region. Prior to joining the Firm, Yasser worked as a Director for Alpine Wealth Management Company.

Mr. Al Maskati attended business school at St. Edward's University - Austin, Texas. He also holds Series 7 and 3 from the NASD.

Mr. Sayed Husain Mahdi Alawi, Principal - Information Technology

Joined the Firm on 22 January 2006. Mr. Alawi has over 17 years of experience in Information Technology and held several network administrator positions in different companies in Kingdom of Bahrain.

Prior to joining the Firm, Sayed Husain worked as Network Manager in Business Communications Services.

Charitable Contributions

The Firm made Nil contributions and donations to Bahraini charities in 2022.

Non-Shari'ah Income

Any income derived from any investment or business that does not conform to Shari'ah principles is considered to be Non-Shari'ah income arising in the course of the business. It is donated through charitable organisations.

For the year 2022, there was no Non-Shari'ah income for the Firm.

Corporate Governance
(Continued)

Review of Internal Control Process and Procedures

The Board is fully aware that the system of internal control cannot eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board confirms that there is an on-going process of managing significant risks faced by the Firm and reviewing the system of internal control for the year under review. The key elements are described below:

- Formal organisation structure that clearly defines the framework for the line of reporting and hierarchy of authority
- Policies and Procedures Manual on key activities that lay down the objective, scope, policies and operating procedures for the Firm, which are subject to regular review and improvement
- Regular internal audit visits to departments within the Firm to ensure compliance with the Firm's Policies and Procedures, and to review effectiveness of internal control systems
- Clearly defined authorisation limits at appropriate levels are set out for controlling and approving capital expenditure and expenses
- Regular Senior Management meetings are held to discuss and resolve major issues arising from business operations
- Quarterly meetings for the Board Audit Committee and the Board are held to discuss internal audit reports, periodic financial statements and issues that warrant Audit Committee and Board attention; in respect of risk management framework, the Board Audit Committee was tasked to evaluate, monitor and manage the risks that may impede the achievements of the Firm's business objectives

Minor internal control weaknesses were identified during the year of review. None of the weaknesses have resulted in any material losses, contingencies or uncertainties.

Nature and approval process of related party transactions

The balance with related parties mainly comprises investments in associates. Associates are the companies where the Firm holds 20% or more of the share capital by way of direct investment or investment through Special Purpose Vehicles in its ordinary course of business.

Such investments also go through the same approval processes as required for all investments of the Firm.

Transactions with related parties in 2022 (included in Note 16 of the consolidated financial statements) mainly comprise of share of loss from associates and remuneration paid to the Board and key management members.

Corporate Governance
(Continued)

Departmental Structure (as at 31 December 2022)

EXECUTIVE MANAGEMENT	
Suhail Hajee	Chief Executive Officer
INVESTMENT	
Murtadha Ghulam	Principal
FINANCE	
Naif Sahwan	Director
COMPLIANCE	
Mai Abul	Acting Head
RISK MANAGEMENT & AML	
Board Audit Committee	
LEGAL	
Mai Abul	Chief Legal Officer and Board Secretary
SUPPORT SERVICES	
Sawsan Al-Ansari	Head
INFORMATION TECHNOLOGY	
Sayed Hussein Mahdi	Principal
CLIENT SOLUTIONS	
Yasser Al Maskati	Head
INTERNAL AUDIT (Outsourced)	
BDO Jawad Habib	

Corporate Governance
(Continued)

Ownership Details of the Firm

The following table shows the distribution of ownership of the Firm by nationalities as on the reporting date.

Country	Number of shareholders	Number of shares	Percentage
Kingdom of Bahrain	7	2,406,158	2.19%
State of Kuwait	39	16,452,201	14.96%
State of Qatar	11	6,931,862	6.30%
Kingdom of Saudi Arabia	34	28,882,213	26.26%
United Arab Emirates	19	52,323,363	47.57%
Total	110	106,995,797	97.28%
Treasury shares	1	3,000,000	2.72%
Overall Total	111	109,995,797	100.00%

No directors and senior managers of the Firm personally own any shares in the Firm as on the reporting date.

The following table shows the distribution of ownership by size of shareholding in the Firm as on the reporting date.

Shareholding size	Number of shareholders	Number of shares	Percentage
Above 5% ownership	1	26,374,704	23.98%
Less than 5% ownership	110	83,621,093	76.02%
Total	111	109,995,797	100.00%

* Shareholders that have holding above 5% of the Firm's shares are Al Fahim Group, UAE.

There was no trading in the Firm's shares by directors and senior managers of the Firm during the year. There are no shareholdings in the Firm by the Bahrain Government or any other Governments.

Corporate Governance
(Continued)

Remuneration of Board Members

Except for sitting fees an amount of US$ 36,000 for attending meetings, no remuneration was paid to Board members for the year 2022.

Remuneration of Shari'ah Supervisory Board Members

The sitting fees and the remuneration paid to Shari'ah Supervisory Board Members for the year 2022 US $ 40,400 (2021: US$ 39,000)

Fees paid to External Auditors

For the year 2022, the Firm paid its external auditor BHD 21,600 (2021: BHD 21,600) as audit fees, and BHD 7,460 (2021: BHD 8,210) for non-audit services including required regulatory reviews and VAT-related services.

Reasons of change or reappointment of Audiors

The Board Audit Committee recommended the reappointment of the Firm's external auditors for 2022 as their work has been of a sufficiently high standard.

Fines paid to regulator

During the year 2022, the Firm did not pay any penalties.

Communications Strategy

The Firm maintains a website, www.ajyadcapital.com which contains the last ten years of annual financial data.

It also contains a profile of the Firm, details of the principal products and services, profiles of the Board of Directors, senior managements and regular press releases concerning investment transactions and other developments.

Client Enquiries and Complaints

The Client Solutions Department maintains a log of client queries/complaints and the Firm's formal responses thereto. When an enquiry and/or complaint is received, a brief summary is shared with the relevant department following which a draft response is prepared by the Client Solutions Department. The response is then approved by the Chief Legal Officer before being sent to the client.

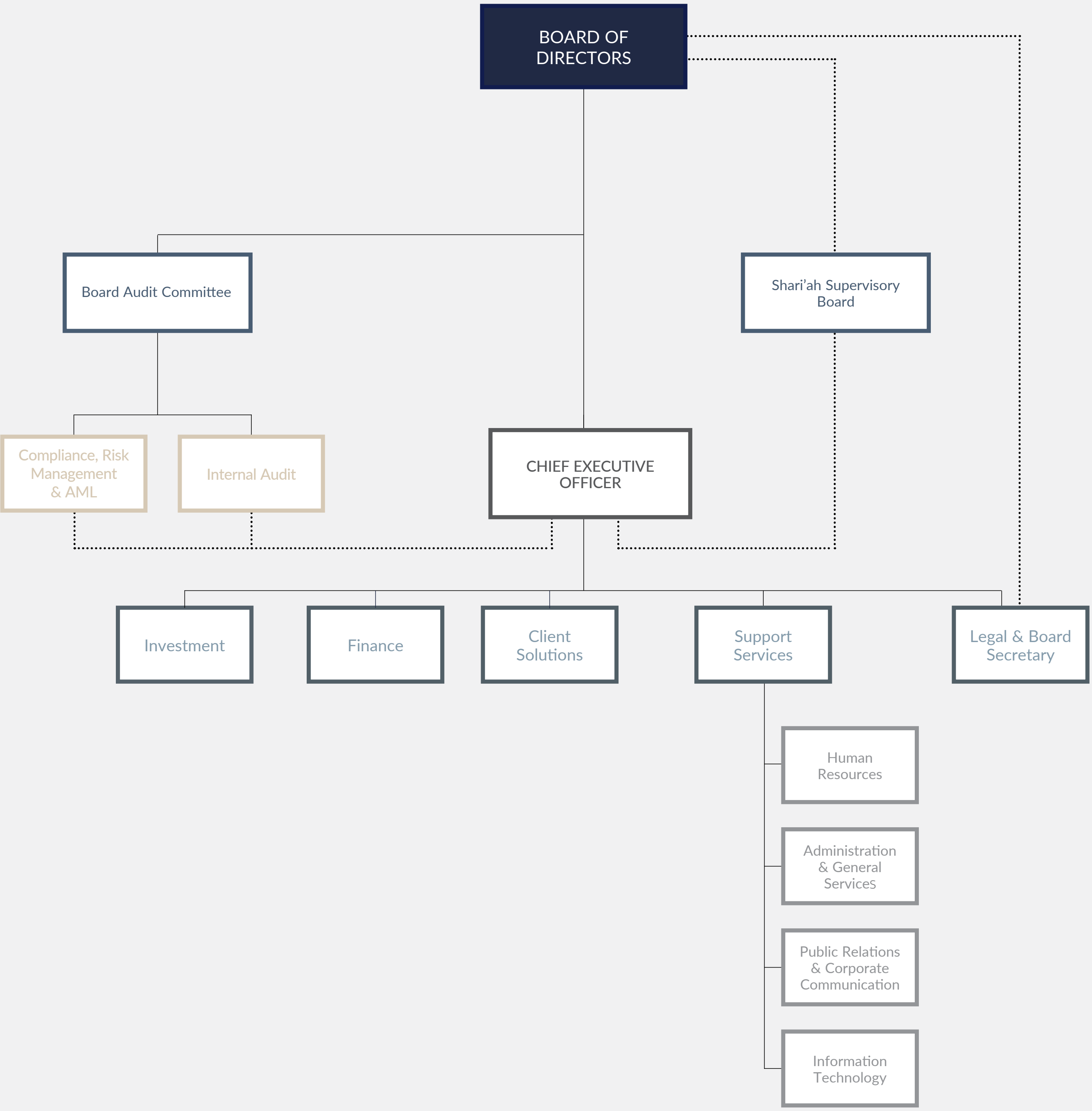
Client enquiries are made to the relevant department by email to: clients@ajyadcapital.com

Additional Governance Controls

The Board has approved a number of policies, which are communicated to management and all staff. These cover subjects including risk management, anti-money laundering, ethical behaviours, personal conduct, financial control, human resources and business continuity.

Corporate governance is also supported by the ongoing reviews performed by the Internal Audit Department and the External Auditors. The reviews confirm that the policies and internal control procedures conform to best practice and are being fully complied with by management and staff.

Organisational Structure



Chief Executive Officer's Message

Suhail Mohamed Hajee
Chief Executive Officer

The Board of Directors approved the new medium-term strategy of the Firm with continued focus on alternative asset classes in the target geographies of developed markets of North America and Western Europe. The product offerings will be across the three verticals of real estate, private equity, and private debt to develop a diversified, differentiated, resilient and sustainable asset management business.

This was a year when the era of ultra-low interest rates and quantitative easing came to an end. Unavoidably, higher rates have destabilized prices across all asset classes and sectors. Despite a great deal of uncertainty in the macro climate, our business model remains resilient. The Board of Directors approved the new medium-term strategy of the Firm with continued focus on alternative asset classes in the target geographies of developed markets of North America and Western Europe. The product offerings will be across the three verticals of real estate, private equity, and private debt to develop a diversified, differentiated, resilient and sustainable asset management business.

Management has taken strategic initiatives during the year 2022 in sourcing investments for unique product offering. We forged new partnerships and expanded our network across asset classes and target geographies to increase the investment opportunities for our clients. With the global economy impacted by a string of external headwinds, Ajyad Capital faced some notable challenges to close on a couple of investment transactions and opted out of these deals. Given the uncertainty in the macro climate, it was important to apply management prudence and risk repricing for the investment opportunities under review to protect the interest of all stakeholders.

In 2022, Ajyad Capital generated an income of US$0.4 million, mainly from short-term money market placements and sukuk investments. During this year, the firm witnessed a loss of US$2.9 million compared to a loss of US$2.7 million in 2021. Ajyad has managed to achieve a 17% saving in staff expenses amounting to US$1.7 million in 2022 compared to US$2.0 million in 2021. Other operating expenses showed an increase of US$ 0.7 million against the previous year, mainly due to amounts spent on setting up the infrastructure necessary to facilitate future investment transactions and product development.

The firm continues in its efforts to exit non-core assets and strengthen its balance sheet and has completed an exit from two investments (Queenex Hygiene Manufacturing Company and West Bay Tower). The balance sheet has zero leverage and no off-balance sheet exposures. Total liquid assets at year-end were US$12.7 million representing 33.0% of total assets.

Sarajevo City Center the largest investment on the balance sheet of Ajyad Capital, which is a prime property on an prime location in Sarajevo, witnessed a recovery in its overall performance during the year 2022 post the coronavirus pandemic. The independent valuation of the asset resulted in a US$1.2 million increase in value compared to the prior year. This gain was however set off by the unfavorable exchange rate movement of the Euro against the US Dollar, and resulted in a net loss in revaluation of US$0.2 million.

Digitization is changing how we work and how we interact with our clients and investors. However, one thing remains constant: relationships are important in shaping our asset management business. Accordingly, we formed a closer relationship and performed regular market sounding with our clients to cater to their investment requirements and target returns. We continue guiding and supporting our clients with access to investment opportunities that help them in diversification combined with superior risk-adjusted returns.

In the last year, the Firm made considerable progress in two crucial areas of information technology, implementation of an enterprise resource planning ("ERP") system and establishment a cybersecurity framework. The smooth flow of data between various departments on the ERP system will allow for greater integration and, in turn, the generation of richer and more insightful reports and data on the Firm's business activities and practices. While the cybersecurity framework will protect one of the Firm's most valuable resources, its information, from malicious acts and wrongdoing. The Firm plans to continue its dedication to technological innovation and developments during 2023.

The Firm is dedicated to human capital development by attracting fresh graduates and young professional Bahrainis. We encourage newcomers and support their enrollment in courses and professional certification programs that will allow them to excel in performing their new duties successfully.

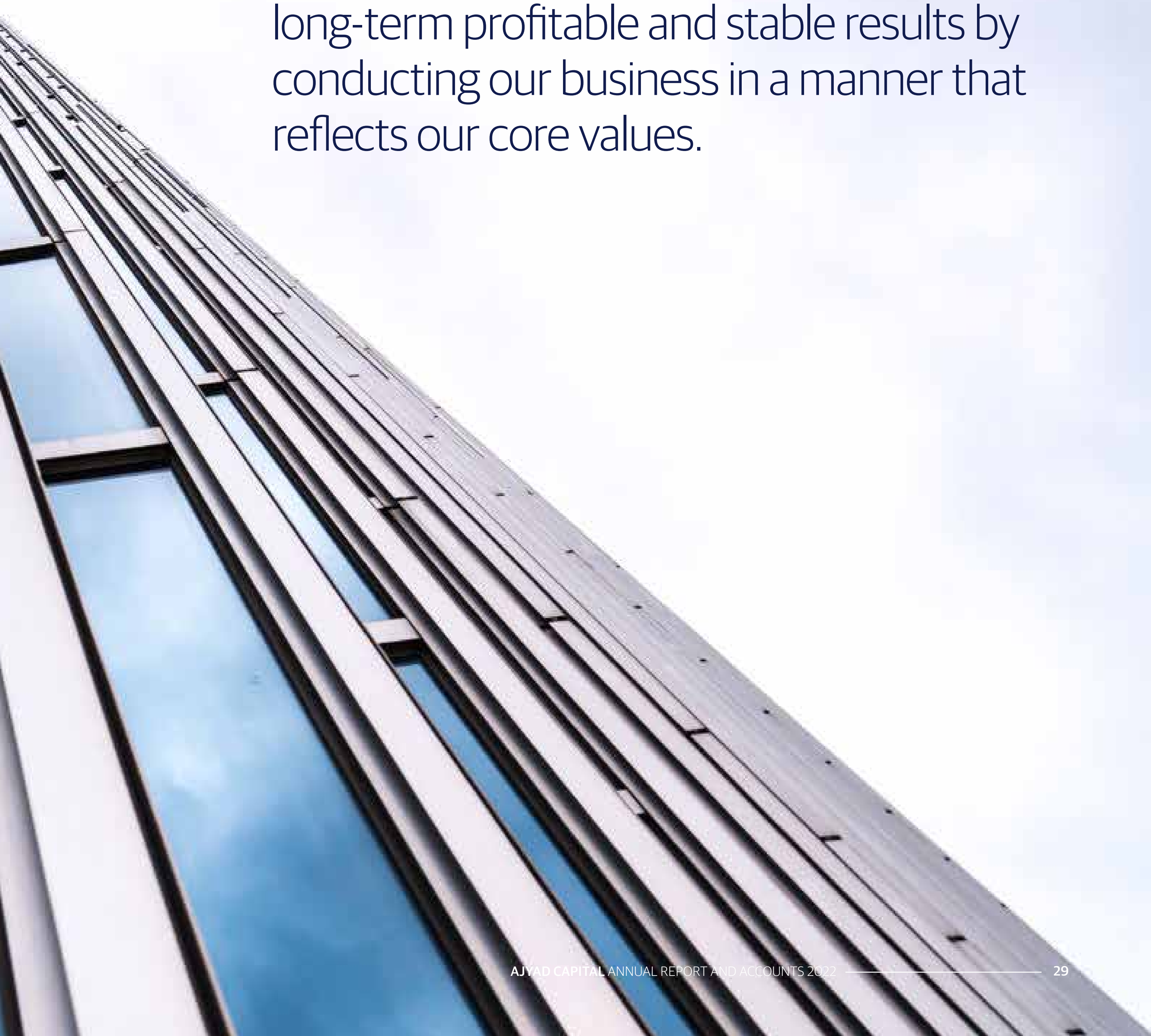
We remain committed to our strategy for growth of assets under management and long-term profitable and stable results. We are excited about the tremendous opportunities ahead as our dedicated employees will work closely with our network of partners to mitigate the risks and provide the right solutions to capitalize on the available opportunities.

On behalf of the Firm, I would like to thank our clients for their loyalty and trust, as well as our business partners for their continued cooperation during this time. Additionally, I would like to express my sincere appreciation for the support of our shareholders. Our board of directors is an integral part of the process to set the guidelines for the implementation of the strategy and oversight of the decisions being carried out. We certainly appreciate the confidence and guidance offered by our new board of directors. 2022 was the first full year for our Firm to operate under the new license of Category 1 (Islamic Principles) Investment Business Firm reporting to the Financial Institutions Supervision Directorate of the Central Bank of Bahrain. I would like to take this opportunity to thank the whole team for their advice and direction during this period.

Suhail Mohamed Hajee
Chief Executive Officer

Together, we are redefining resilience in how we persevere and forge ahead. With determination and a strong mindset, we will continue to persevere in times of adversity and emerge stronger. We are committed to work hard to improve efficiency and productivity, unlock opportunities for new businesses and maximise our shareholders' value.

We remain committed to our strategy for growth of assets under management and long-term profitable and stable results by conducting our business in a manner that reflects our core values.



Remuneration Disclosures

The Firm has a transparent, structured and comprehensive Remuneration Policy that covers all types of compensation, benefits and including the variable remuneration provided to employees at all levels of the Firm.

The Firm's Remuneration Policy is in line with the requirements of the Central Bank of Bahrain ("CBB"). The revised policy framework was approved by the Board of Directors and the Shareholders and the policy came into effect as of 27th April 2016.

The key features and objectives of the remuneration framework are summarized below.

Remuneration Policy*

The fundamental principles underlying the Remuneration Policy are:

a. Remuneration offered by the Bank shall reflect the Bank's objective of attracting and retaining the best available talent in the industry. Remuneration will be at a level which will commensurate with other Banks of similar activity in Bahrain, and will allow for changes in the cost of living index;

b. The Nomination and Remuneration Committee of the Board (NRC)* shall actively oversee the remuneration system's design and operation for approved persons and/or material risk-takers. The CEO and senior management shall not primarily control the remuneration system;

c. The compensation package shall comprise a fixed component consisting of basic salary and allowances and discretionary variable pay or bonus. The compensation package offered to employees is based on the job content and complexity. Whilst the remuneration package for all approved persons and material risk takers shall be approved by the NRC, the remuneration packages for other employees are required to be approved by the CEO based on the overall remuneration policy;

d. In a very limited number of cases, a higher salary may be offered to prospective employees who are especially well qualified or experienced for the position, or may be difficult to source. Careful consideration will be given to the effect of such an offer on existing salary levels. Such offers shall require approval as per the authority matrix and subject to the approval of the NRC;

e. Variable pay will be determined based on achievement of targets at the Bank level, business unit level and individual level;

f. Variable pay scheme is designed in a manner that supports sound risk and compliance management. In order to achieve that goal:

   1. Performance metrics for applicable business units are risk-adjusted where appropriate; and
   2. Individual award determinations include consideration of adherence to compliance-related goals.

g. The remuneration package of employees in Control and Support functions (risk management, internal audit, operations, financial controls, internal Shari'ah review/audit, compliance and AML) are designed in such a way that they can function independently of the business units they support. Independence from the business for these employees is assured through:

   1. Setting total remuneration to ensure that variable pay is not significant enough to
   2. Encourage inappropriate behaviors while remaining competitive with the market, ie. their total remuneration will be weighted more in favor of salary;
   3. Remuneration decisions are based on their respective functions and not the business units they support;
   4. Performance measures and targets are aligned to the Bank and individual objectives that are specific to the function;
   5. Respective function's performance as opposed to other business unit's performance is a key component for calculating individual incentive payments; and
   6. Both qualitative and quantitative measures will be used to evaluate an individual's performance within these functions.

h. The Bank does not provide for any form of severance pay, other than as required by the Labour Law for the Private Sector Law No.36 of 2012 of the Kingdom of Bahrain, to its employees. Under exceptional circumstances and subject to NRC approval, the Bank might offer sign on bonus or minimum variable pay for any new recruit limited to first year of employment only;

i. The Bank would not allow any of its employees, identified as approved persons as per CBB guidelines, to take any benefits from any projects or investments which are managed by the Bank or promoted to its customers or potential customers except for Board- related remuneration linked to their fiduciary duties to the investors of the project/investment including those appointed as members of the board of special purpose vehicles or other operating companies set up by the Bank for projects or investments;

* The following reflects the exact text of the Firm's current remuneration policy. The firm's new remuneration policy is in the process of being approved. For the avoidance of doubt, the Firm no longer operates under a banking license and operates as Category 1 Investment Business Firm (Islamic Principles).

** Following the dissolution of NRC, these responsibilities are handled by the Board of Directors.

Remuneration Disclosures (Continued)

j. Remuneration of non-executive directors will not include performance-related elements such as grants of shares, share options or other deferred stock-related incentive schemes, bonuses, or pension benefits;

k. If a senior manager is also a director, his remuneration as a senior manager must take into account compensation received in his capacity as a director; and

l. The Bank prohibits employees to use personal hedging strategies or remuneration- and liability-related insurance to undermine the risk alignment effects embedded in their remuneration arrangements. The Bank requires all employees to sign adherence to the Bank's code of ethics which includes the commitment of employees not to use personal hedging strategies or remuneration- and liability-related insurance.

NRC role and responsibilities

The Board of Directors ("The Board") of the International Investment Bank B.S.C. (c) ("IIB" or "the Bank") has formed a Nomination & Remuneration Committee ("NRC" or the "Committee"). The Committee's roles and responsibilities includes the following with respect to the remuneration policy of the Bank:

a) Review the Bank's remuneration policies for the approved persons and material risk-takers, which must be approved by the shareholders and be consistent with the corporate values and strategy of the Bank;

b) Approve the remuneration policy and amounts for each approved person and material risk-taker, as well as the total variable remuneration to be distributed, taking account of total remuneration including salaries, fees, expenses, bonuses and other employee benefits;

c) Approve, monitor and review the remuneration system to ensure the system operates as intended;

d) Recommend Board member remuneration based on their attendance and performance and in compliance with Article 188 of the Bahrain Commercial Companies Law, 2001;

e) The remuneration committee shall carefully evaluate practices by which remuneration is paid for potential future revenues whose timing and likelihood remain uncertain. It must demonstrate that its decisions are consistent with an assessment of the Bank's financial condition and future prospects;

f) Design all the elements of remuneration including fixed salary, allowances, benefits and variable pay scheme for all levels of employees in the Bank. In designing the Remuneration Policy, the NRC shall consider the Core Remuneration Policy of the Bank, the business strategy of the Bank, the regulatory pronouncements of the Central Bank of Bahrain and the Labour Law for the Private Sector Law No.36 of 2012 of the Kingdom of Bahrain and inputs from the CEO and Senior Management. However the CEO and Senior Management shall not have any decision- making authority with respect to the Remuneration Policy;

g) Approve the remuneration policy and amounts for each approved person and material risk-taker as well as the total variable remuneration to be distributed, taking account of total remuneration including salaries, fees, expenses, bonuses and other employee benefits;

h) Approve targets and associated risk parameters, and variable pay for achieving the set target for each financial year;

i) Approve total variable remuneration to be distributed, considering the total remuneration including salaries, fees, expenses, bonuses and other employee benefits at the end of the financial year based on the evaluation of actual performance as against the target for the financial year;

j) Approve, monitor and review the remuneration system on a regular basis to ensure the system operates as intended;

k) Undertake stress testing of the variable pay on a periodic basis to ensure that the variable pay scheme does not affect the Bank's solvency and risk profile, and its long term objectives and business goals;

l) Undertake back testing to adjust for ex-post risk adjustments to the variable pay paid in earlier years;

Remuneration Disclosures (Continued)

Board remuneration

The Bank's Board remuneration is determined in line with the provisions of Article 188 and 224 of the Bahrain Commercial Companies Law, 2001 (as amended). Moreover, the articles of association regarding remuneration of the Board of Directors shall be in line with the Rules outlined in the HC Module of the CBB rulebook applicable to the Bank.

Board remuneration is subject to approval of the shareholders in the Annual General Meeting. Remuneration of non-executive directors does not include performance-related elements such as grants of shares, share options or other deferred stock-related incentive schemes, bonuses or pension benefits.

The process of determining the Board remuneration as per article 188 is as follows:

Step 1	–	Compute the results for the year.
Step 2	–	Determine whether profits were achieved and dividends paid to shareholders.
Step 3	–	If profits were made deduct transfer to the statutory reserve, if any, from Net Profit.
Step 4	–	Deduct notional dividend @ 5% of Net Profit or actual dividend whichever is higher
Step 5	–	Base for Board Remuneration computation.
Step 6	–	Board Remuneration (Up to 10% of above).
Step 7	–	Make disclosures in the annual report as required by regulatory requirements.
Step 3A	–	If the Bank does not make profits or pay dividends to the shareholders, the Board of Director's remuneration has to be first approved by the shareholders in the Annual General Assembly Meeting and subsequently by the Ministry of Industry and Commerce.

Variable remuneration for staff

The Bank has set the fixed remuneration of the employees at such a level to reward the employees for an agreed level of performance and the variable pay or bonus will be paid purely at the discretion of the NRC in recognition of the employees' exceptional effort in any given financial year.

The Variable Pay Scheme is based on the following premise:

1. Employees' incentive payments must be linked to the contribution of the individual and business to such performance to promote a performance-driven culture within the Bank.
2. Sensitive to the time horizon of risks and variable remuneration is therefore deferred accordingly.
3. Ensure those performers (unit or individual) who exceed the target are appropriately rewarded.
4. Align total compensation with industry practice.

Should the NRC decide to approve, the variable pay will be determined as follows:

1. The bonus pool will be in direct proportion to the performance of the Bank. The target setting for the Bank considers the funding required for distribution of bonus including the net book value based employee phantom or shadow shares.
2. The costs associated with the employee(s) shadow shares scheme are typically the following:
   I. The net book value of the shadow shares awarded as part of the bonus shall be charged to staff costs in full in the year of award;
   II. The difference in net book value between the grant date and the vesting date. At the end of each performance period the difference between the net book value at the grant date and the current net book value for all the vested as well as unvested portion of the previous performance period(s) shadow shares will be charged to the income statement as part of staff costs;
3. Dividends on the awarded shadow shares for the performance period will be provided for and charged to the income statement as and when it is due to the employee;
4. Cash equivalent of bonus shadow shares, if any, declared on the awarded and unvested shares will be charged to the income statement;
5. Miscellaneous costs associated with administration of the employee(s) shadow shares scheme will be charged to the income statement;
6. The bonus pool is computed as a percentage of the realized profit based on the level of target achieved..

Remuneration Disclosures (Continued)

7. This bonus pool is subject to the following additional limits:

a. The impact of the bonus pool is not more than 1.00% on the capital adequacy as computed as per Basle III guidelines and taking into consideration the CBB's minimum capital adequacy requirements; and

b. The bonus pool shall not exceed the Total Fixed Remuneration paid during the financial year.

8. In the years when the Bank achieves less than 50% of the target or makes a loss, the Bank score is zero and so no bonus pool will be computed. In addition, the NRC could invoke clawback or malus clause pertaining to the bonuses paid out in earlier years. Recognition of staff who have achieved or exceeded their targets may take place by way of deferred bonuses, which may be paid once the Bank's performance improves.

Remuneration of control functions

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

The Bank's performance management system plays a major role in deciding the performance of the control functions on the basis of the objectives set for them. Such objectives are more focused on non-financial targets that include risk control, compliance and ethical considerations as well as the market and regulatory environment, apart from value adding tasks which are specific to each unit.

Variable compensation for business units

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

Risk assessment framework

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

The Bank's NRC considers whether the variable remuneration policy is in line with the Bank's risk profile and ensures that through the Bank's ex-ante and ex-post risk assessment framework and processes, remuneration practices where potential future revenues whose timing and likelihood remain uncertain are carefully evaluated.

Risk adjustments take into account all types of risk, including intangible and other risks such as reputation risk, liquidity risk and the cost of capital. The Bank undertakes risk assessment to review financial and operational performance against the business strategy and risk performance prior to distribution of the annual bonus. The Bank ensures that total variable remuneration does not limit its ability to strengthen its capital base. The extent to which capital needs to be built up is a function of a Bank's current capital position and it's internal capital adequacy assessment process ("ICAAP").

The bonus pool takes into account the performance of the Bank which is considered within the context of the Bank's risk management framework. This ensures that the variable pay pool is shaped by risk considerations and Bank-wide notable events.

The size of the variable remuneration pool and its allocation within the Bank takes into account the full range of current and potential risks, including:

a) The cost and quantity of capital required to support the risks taken;

b) The cost and quantity of the liquidity risk assumed in the conduct of business; and

c) Consistency with the timing and likelihood of potential future revenues incorporated into current earnings.

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

Remuneration Disclosures (Continued)

Risk adjustments

The Bank has an ex-post risk assessment framework which is a qualitative assessment to back-test actual performance against risk assumptions. In years where the Bank suffers material losses, the risk adjustment framework would work as follows:

- There would be considerable contraction of the Bank's total variable remuneration.
- At the individual level, poor performance by the Bank would mean certain individual key performance indicators are not met and hence employee performance ratings would be lower.
- Reduction in value of deferred phantom shares or awards.
- If the qualitative and quantitative impact of a loss incident is considered significant, a malus or clawback of previous bonus awards may be considered.

The NRC, with Board approval, can rationalize and make the following discretionary decisions:

- Increase/ reduce the ex-post adjustment.
- Consider additional deferrals of phantom share awards.
- Recovery through malus and clawback arrangements

Malus and clawback framework

The Bank's malus and clawback provisions allow the NRC to determine that, if appropriate, unvested elements under the deferred bonus plan can be forfeited/ adjusted or the delivered variable compensation could be recovered in certain situations. The intention is to allow the Bank to respond appropriately if the performance factors on which reward decisions were based turn out not to reflect the corresponding performance in the longer term.

Any decision to take back an individual's award can only be taken by the NRC (taking into account the advice of the CEO and the Risk, Finance, HR, Legal & Compliance and other departments as appropriate).

The Bank's malus and clawback provisions allow the Bank's Board to determine that, if appropriate, vested /unvested elements under the deferred bonus plan can be adjusted/ cancelled in certain situations. These events include the following circumstances:

- Reasonable evidence of material error or a breach of Bank's policy by the employee(s);
- The Bank or the Business Unit suffers material losses or significant loss of business which could be attributed to the actions of the employee(s);
- The employee(s) could be held responsible for material failure of risk management; and
- Evidence of fraud or collusion amongst employee(s) or by employee(s) with third parties and which is prosecutable in a court of law

Clawback can be used if the malus adjustment on the unvested portion is insufficient given the nature and magnitude of the issue.

Components of variable remuneration

Variable remuneration has following main components:

Upfront cash	The portion of the variable compensation that is awarded and paid out in cash on conclusion of the performance evaluation process for each year.
Deferred Cash	The portion of variable compensation that is awarded and paid in cash on a pro-rata basis over a period of 3 years.
Upfront phantom shares	The portion of variable compensation that is awarded and issued in the form of phantom shares on conclusion of the performance evaluation process for each year.
Deferred phantom shares	The portion of variable compensation that is awarded and paid in the form of phantom shares on a pro-rata basis over a period of 3 years.

All deferred awards are subject to malus provisions. All phantom share awards are released to the benefit of the employee after a six month retention period from the date of vesting. The number of phantom share awards is linked to the Bank's share price as per the rules of the Bank's phantom share incentive plan rules. Any dividend on these phantom shares is released to the employee along with the phantom shares (i.e. after the retention period in line with the incentive plan rules).

Remuneration Disclosures (Continued)

Deferred compensation

All covered employees shall be subject to deferral of variable remuneration as follows:

Element of variable remuneration	CEO, his deputies and 5 most highly paid business line employees	Other covered staff	Deferral period	Retention	Malus	Clawback
Upfront cash	40%	50%	immediate	-	-	Yes
Deferred cash	10%	-	Over 3 years	-	Yes	Yes
Upfront phantom shares	-	10%	immediate	6 months	Yes	Yes
Deferred phantom shares	50%	40%	Over 3 years	6 months	Yes	Yes

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

Details of remuneration paid

(a) Board of Directors (including Board Committees)

	2022 (USD'000)	2021 (USD'000)
Sitting Fees	36	36
Air Ticket and Hotel Expenses	21	-

(b) Shari'ah Supervisory Board

	2022 (USD'000)	2021 (USD'000)
Sitting Fees	5	3
Retention Fees	35	35
Others	-	1

Remuneration Disclosures (Continued)

(c) Senior Management Remuneration

2022

		Fixed remuneration		Sign on bonuses	Guaranteed bonuses	Variable remuneration					Total
						Performance		Deferred			
(USD'000)	Number of Employees	Cash	Others	(Cash / phantom shares)	(Cash / phantom shares)	Cash	Phantom Shares	Cash	Phantom Shares	Others	
Approved members											
- Business lines	4	874	123	-	-	-	-	-	-	-	997
- Control & support	2	115	12	-	-	-	-	-	-	-	127
Other members	2	191	16		-	-	-	-	-	-	207
TOTAL	8	1,180	151	-	-	-	-	-	-	-	1,331

2021

		Fixed remuneration		Sign on bonuses	Guaranteed bonuses	Variable remuneration					Total
						Performance		Deferred			
(USD'000)	Number of Employees	Cash	Others	(Cash / phantom shares)	(Cash / phantom shares)	Cash	Phantom Shares	Cash	Phantom Shares	Others	
Approved persons											
- Business lines	4	918	80	-	-	-	-	-	-	-	998
- Control & support	3	302	35	-	-	-	-	-	-	-	337
Other members	2	175	48		-	-	-	-	-	-	223
TOTAL	9	1,395	163	-	-	-	-	-	-	-	1,558

(d) Deferred awards

Ajyad has not paid any deferred awards for the year 2022 and 2021.

(e) Severance pay

Ajyad has not paid under Severance pay during 2022 and 2021 any amount other than what is contractual or law related requirements payments.

CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 2022

Contents

SHARI'AH SUPERVISORY BOARD REPORT

Of Ajyad Capital B.S.C. (c) Manama, Kingdom of Bahrain

On the audited Financial Statements for the year ending 31 December 2022, in compliance with the terms of our letter of appointment, we are required to report as follows:

FIRM PERFORMANCE

The Shari'ah Supervisory Board ("SSB") was presented with all the investments, contracts and agreements that were conducted by the Ajyad Capital B.S.C. (c) ("the Firm") during the course of the year ending 31 December 2022. The SSB reviewed the principles, contracts and agreements relating to all these investments, in order to issue an independent opinion on whether the Firm followed the principles of the Islamic Shariah, specific fatwas, and guidelines issued by the SSB.

Respective responsibility of the Firm's Management and the Shariah Supervisory Board

Where the Firm's management is responsible for ensuring that its operations are carried out in compliance with SSB rulings. Whereas, the duty of the SSB to express an independent view on the Firm's investments, contracts and agreements made by the Firm during the year ending 31 December 2022.

In our opinion:

1. The Firm's contracts, transactions and deals in general for the year ending 31 December 2022 comply with the rules and principles of the Islamic Shariah.
2. The Firm's allocation of profit and charging of losses relating to investment accounts comply with the rules and principles of the Islamic Shariah as per Accounting and Auditing Organization for Islamic Financial Institutions.
3. No earnings have been realized from non-Shariah compliant sources during the fiscal year.
4. The Firm's calculation of Zakat complies with the rules and principles of the Islamic Shariah and has been calculated in accordance with the Net Asset Method described in the Accounting and Auditing Organization for Islamic Financial Institutions ("AAOIFI") standards and it is the responsibility of the shareholders to pay their Zakat allocation.

We beseech the Almighty to grant us excellence and success

Wassalam Alaikum Wa Rahmat Allah Wa Barakatuh

Sh. Dr. Nedham Yaqoobi
Chairman

Sh. Dr. Osama Bahar
Member

Sh. Abdul Nasser Al-Mahmoud
Member

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

Ajyad Capital B.S.C. (c)

P.O. Box 11616
Manama, Kingdom of Bahrain

Opinion

We have audited the accompanying consolidated financial statements of Ajyad Capital B.S.C. (c) (the "Company"), and its subsidiaries (together the "Group") which comprise the consolidated statements of financial position as at 31 December 2022, the consolidated statement of income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and consolidated statements results of its operations, changes in equity and its cash flows 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").

In our opinion, the Group has also complied with the Islamic Shari'ah Principles and Rules as determined by the Group's Shari'ah Supervisory Board of the Company during the year ended 31 December 2022.

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 consolidated financial statements section of our report. We are independent of the Group 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information 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 consolidated financial statements

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS (continued)

Ajyad Capital B.S.C. (c)

Auditors' responsibilities for the audit of the consolidated financial statements

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

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.

Report on other regulatory requirements

As required by the Commercial Companies Law and Volume 4 of the Rulebook issued by the CBB, we report that:

a. the Company has maintained proper accounting records and the consolidated financial statements are in agreement therewith.

b. the financial information contained in the board of director's report is consistent with the consolidated financial statements;

c. the Company's capital adequacy ratio of 108% as of 31 December 2022 is below the required minimum regulatory capital ratio of 110% (note 23). Except for this, we are not aware of any other violations during the year of the Commercial Companies Law, the CBB and Financial Institutions Law No. 64 of 2006 (as amended), the CBB Rulebook (Volume 4, applicable provisions of Volume 6 and CBB directives) or the terms of the Company's memorandum and articles of association that would have had a material adverse effect on the business of the Company 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

KPMG Fakhro

Partner Registration no. 100

01 March 2023

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022 - US$ 000'S

	Note	**31 December 2022**	31 December 2021
ASSETS			
Balances with banks	5	**1,243**	1,378
Placements with financial institutions	6	**6,462**	10,058
Investment securities	7	**30,257**	28,518
Other assets	8	**417**	638
Total assets		**38,379**	40,592
LIABILITIES			
Other liabilities	9	**2,983**	2,255
Total liabilities		**2,983**	2,255
EQUITY			
Share capital	10	**109,996**	109,996
Treasury shares	10	**(6,798)**	(6,798)
Share premium		**19,645**	19,645
Statutory reserve		**5,758**	5,785
Accumulated losses		**(94,150)**	(91,232)
Equity attributable to shareholders of the Company		**34,451**	37,396
Non-controlling interests		**945**	941
Total equity		**35,396**	38,337
Total liabilities and equity		**38,379**	40,592

The consolidated financial statements were approved by the Board of Directors on 01 March 2023 and signed on their behalf by:

Saeed AJ Al Faheem
Chairman of the Board of Directors

Abdulaziz E Al-Terki
Director and Chairman of Board Audit and Corporate Governance Committee

Suhail M Hajee
Chief Executive Officer

The accompanying notes 1 to 25 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2022 - US$ 000'S

	Note	**31 December 2022**	31 December 2021
Income from investment securities	11	**(97)**	(1,828)
Income from placements with financial institutions		**240**	304
Foreign exchange loss		**(4)**	(8)
Other income	12	**268**	1,805
Total income		**407**	273
Staff costs	13	**1,680**	2,021
Legal and professional expenses		**126**	174
Premises costs		**74**	102
Other operating expenses	14	**1,388**	723
Total expenses		**3,268**	3,020
LOSS FOR THE YEAR		**(2,861)**	(2,747)
Attributable to:			
Shareholders of the Company		**(2,935)**	(3,387)
Non-controlling interests		**74**	640
		(2,861)	(2,747)

Saeed AJ Al Faheem
Chairman of the Board of Directors

Dr. Abdulaziz E Al-Terki
Director and Chairman of Board Audit and Corporate Governance Committee

Suhail M Hajee
Chief Executive Officer

The accompanying notes 1 to 25 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 December 2022 - US$ 000'S

	Attributable to shareholders of the Company							
31 December 2022	**Share capital**	**Treasury shares**	**Share premium**	**Statutory reserve**	**Accumulated losses**	**Total**	**Non-controlling interests**	**Total equity**
Balance at 1 January 2022	**109,996**	**(6,798)**	**19,645**	**5,785**	**(91,232)**	**37,396**	**941**	**38,337**
Loss for the year	-	-	-	-	**(2,935)**	**(2,935)**	**74**	**(2,861)**
Write-off of accumulated losses in subsidiary books	-	-	-	**(27)**	**17**	**(10)**	**10**	-
Total recognised income and expense for the year	**109,996**	**(6,798)**	**19,645**	**5,758**	**(94,150)**	**34,451**	**1,025**	**35,476**
Adjustment to non-controlling interests				-	-	-	**(80)**	**(80)**
Balance at 31 December 2022	**109,996**	**(6,798)**	**19,645**	**5,758**	**(94,150)**	**34,451**	**945**	**35,396**

	Attributable to shareholders of the Company							
31 December 2021	Share capital	Treasury shares	Share premium	Statutory reserve	Accumulated losses	Total	Non-controlling interests	Total equity
Balance at 1 January 2021	109,996	(6,798)	19,645	6,980	(89,040)	40,783	1,010	41,793
Loss for the year	-	-	-	-	(3,387)	(3,387)	640	(2,747)
Write-off of accumulated losses in subsidiary books	-	-	-	(1,195)	1,195	-	-	-
Total recognised income and expense for the year	109,996	(6,798)	19,645	5,785	(91,232)	37,396	1,650	39,046
Distribution to non-controlling interests						-	(709)	(709)
Balance at 31 December 2021	109,996	(6,798)	19,645	5,785	(91,232)	37,396	941	38,337

The accompanying notes 1 to 25 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended 31 December 2022 - US$ 000'S

	31 December 2022	31 December 2021
OPERATING ACTIVITIES		
Loss for the year	**(2,861)**	(2,747)
Adjustments for:		
Fair values changes in investment securities, net	**204**	1,897
Gain on sale of investments and real estate, net	**-**	(1,805)
Depreciation and amortization	**158**	114
Gain on sale of equipment	**-**	(1)
Operating loss before changes in assets and liabilities	**(2,499)**	(2,542)
Changes in assets and liabilities:		
Other assets	**196**	(298)
Other liabilities	**647**	337
Net cash used in operating activities	**(1,656)**	(2,503)
INVESTING ACTIVITIES		
Proceeds from disposal of investments	**-**	1,805
Purchase of investments	**(1,944)**	1,032
Increase in placements with financial institutions (with original maturities of more than 3 months)	**3,596**	389
Purchase of equipment	**(132)**	(297)
Net cash from investing activities	**1,520**	2,929
FINANCING ACTIVITIES		
Distribution to non-controlling interests	**-**	(709)
Net cash used in financing activities	**-**	(709)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(135)**	(283)
Cash and cash equivalents at beginning of the year	**1,378**	1,661
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**1,243**	1,378

The accompanying notes 1 to 25 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2022 - US$ 000'S

1 REPORTING ENTITY

Ajyad Capital B.S.C.(c) (the "Company")(formerly International Investment Bank) was incorporated on 6 October 2003 under commercial registration number 51867 as a closed joint stockholding company incorporated in the Kingdom of Bahrain.

The Company was originally established as an Islamic Wholesale Islamic bank licensed by the Central Bank of Bahrain (the "CBB"). Following shareholders' and the CBB's approvals in June 2020 and December 2020, respectively, the Company changed its license to a Volume 4, Category 1 Investment Business Firm (Islamic Principles) issued on 05 April 2021.

The Company's registered office is 37th floor, AlMoayyed Tower, P.O. Box 11616, Manama, Kingdom of Bahrain.

The Company's activities are regulated by the CBB and supervised by a Shari'ah Supervisory Board (SSB). The principal activities of the Company include investment advisory services and investment transactions, which comply with Islamic rules and principles according to the opinion of the Group's SSB.

Consolidated financial statements

The consolidated financial statements comprise the results of the Company and its subsidiaries. The following are the principal subsidiaries of the Company that are consolidated:

Sr No	Subsidiary	Beneficial ownership interests 2022	2021	Year of incorporation / acquisition	Country of incorporation	Principal activity
1	Istethmary Sarajevo City Centre - I Limited	**93.77%**	93.77%	2009	Cayman Islands	Investment in real estate
2	Istethmary Al Fareeda B.S.C. (c)	**100%**	100%	2008	Bahrain	Investment in real estate
3	Bahrain Bunny Shares & Securities Co WLL	**63.10%**	63.10%	2012	Bahrain	Investment in quick service restaurant business
4	Multifamily Residential Ltd – I	**98.3%**	98.3%	2013	Cayman Islands	Investment in real estate
5	Multifamily Residential Ltd - II	**98.3%**	98.3%	2013	Cayman Islands	Investment in real estate

The Company (together with its subsidiaries referred to as "Group") has other special purpose entities (SPEs) holding companies which are set up to supplement the activities of the Company and its principal subsidiaries.

Going concern

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

2 BASIS OF PREPARATION

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with the Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"). In accordance with the requirements of AAOIFI, for matters for which no AAOIFI standard exists, the Group uses the relevant International Financial Reporting Standards ("IFRS") issued by International Accounting Standards Board ("IASB").

During the year, the Group has not recognised modification losses on financial assets arising from payment holidays. Government and / or regulators financial assistance, if any, has been recognised in the consolidated income statement.

b) Basis of measurement

The consolidated financial statements are prepared under the historical cost convention except for investments in unquoted equity securities at fair value through income statement, which are stated at fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For The Year Ended 31 December 2022 - US$ 000'S

2 BASIS OF PREPARATION (continued)

c) Functional and presentation currency

Company's functional currency is Bahraini Dinars ("BD") and the presentation currency is United States Dollars ("US$"). All the values are rounded to the nearest US$ '000, unless otherwise indicated.

d) Basis of consolidation

i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The financial statements of a subsidiary are not included in these consolidated financial statements except when the Group controls the entity. Information about the Group's fiduciary assets under management is set out in note 22.

Loss of control

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in the consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in equity in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other equity are reclassified to the consolidated statement of income.

Non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

ii) Transactions eliminated on consolidation

Intra-group balances and transactions and any recognised gains or losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Intra-group gains on transactions between the Group are eliminated to the extent of the Group's interest in the investees. Unrealised losses are also eliminated in the same way as recognised gains, but only to the extent that there is no evidence of impairment.

The reporting period of the Group's subsidiaries are identical, and their accounting policies conform to those used by the Group for similar transactions and events in similar circumstances. The accounting policies of the subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

e) New standards, amendments and interpretations effective from 1 January 2022

i) FAS 38 Wa'ad, Khiyar and Tahawwut

AAOIFI has issued FAS 38 Wa'ad, Khiyar and Tahawwut in 2020. The objective of this standard is to prescribe the accounting and reporting principles for recognition, measurement and disclosures in relation to shariah compliant Wa'ad (promise), Khiyar (option) and Tahawwut (hedging) arrangements for Islamic financial institutions. This standard is effective for the financial reporting periods beginning on or after 1 January 2022 with an option to early adopt.

This standard classifies Wa'ad and Khiyar arrangements into two categories as follows:

a) "ancillary Wa'ad or Khiyar" which is related to a structure of transaction carried out using other products i.e. Murabaha, Ijarah Muntahia Bittamleek, etc.; and

b) "product Wa'ad and Khiyar" which is used as a stand-alone Shariah compliant arrangement.

Further, the standard prescribes accounting for constructive obligations and constructive rights arising from the stand-alone Wa'ad and Khiyar products and accounting for Tahawwut (hedging) arrangements based on a series of Wa'ad and Khiyar contracts.

The Group does not expect any significant impact on adoption this standard.

2 BASIS OF PREPARATION (continued)

e) New standards, amendments and interpretations issued but not effective (continued)

ii) FAS 39 Financial Reporting for Zakah

AAOIFI has issued FAS 39 Financial Reporting for Zakah in 2022. The objective of this standard is to establish principles of financial reporting related to Zakah attributable to different stakeholders of an Islamic financial Institution. This standard supersedes FAS 9 Zakah and is effective for the financial reporting periods beginning on or after 1 January 2023 with an option to early adopt.

This standard shall apply to institution with regard to the recognition, presentation and disclosure of Zakah attributable to relevant stakeholders. While computation of Zakah shall be applicable individually to each institution within the Group, this standard shall be applicable on all consolidated and separate / standalone financial statements of an institution.

This standard does not prescribe the method for determining the Zakah base and measuring Zakah due for a period. An institution shall refer to relevant authoritative guidance for determination of Zakah base and to measure Zakah due for the period. (for example: AAOIFI Shari'a standard 35 Zakah, regulatory requirements or guidance from Shari'a supervisory board, as applicable).

The Group doesn't expect a significant impact from adoption of this standard.

iii) FAS 1 General Presentation and Disclosures in the Financial Statements

AAOIFI has issued the revised FAS 1 General Presentation and Disclosures in the Financial Statements in 2022. This standard describes and improves the overall presentation and disclosure requirements prescribed in line with the global best practices and supersedes the earlier FAS 1. It is applicable to all the Islamic Financial Institutions and other institutions following AAOIFI FAS's. This standard is effective for the financial reporting periods beginning on or after 1 January 2023 with an option to early adopt.

The revision of FAS 1 is in line with the modifications made to the AAOIFI conceptual framework for financial reporting. The Group doesn't expect a significant impact from adoption of this standard.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these consolidated financial statements are set below. The Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

a) Foreign currency transactions

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

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition are translated into US$ at exchange rates at the reporting date. The income and expenses of foreign operations are translated into US$ at the exchange rates at the date of the transactions. Foreign currency differences are accumulated into foreign currency translation reserve in equity, except to the extent the translation difference is allocated to NCI.

When foreign operation is disposed of in its entirety such that control is lost, cumulative amount in the translation reserve is reclassified to consolidated income statement as part of the gain or loss on disposal.

b) Investment securities

Investment securities comprise debt and equity instruments but exclude investment in subsidiaries.

(i) *Classification*

The Group segregates its investment securities into debt-type instruments and equity-type instruments.

Debt-type instruments

Debt-type instruments are investments that provide fixed or determinable payments of profits and capital. Investments in debt-type instruments are classified in the following categories:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For The Year Ended 31 December 2022 - US$ 000'S

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

At FVTIS

These investments are either not managed on contractual yield basis or designated on initial recognition at FVTIS to avoid any accounting mismatch that would arise on measuring the assets or liabilities or recognised the gains or losses on them on different bases. Currently, the Group does not have any investment under this category.

At amortised cost

This classification is for debt-type instruments which are not designated as FVTIS and are managed on contractual yield basis. These include investments in short term to long-term Sukuk.

Equity-type instruments

Equity-type instruments are investments that do not exhibit features of debt-type instruments and include instruments that evidence a residual interest in the assets of an entity after deducting all its liabilities. Investments in equity type instruments are classified in the following categories:

At FVTIS

Equity-type instruments classified and measured at FVTIS include investments designated on initial recognition at FVTIS.

On initial recognition, an equity-type instrument is designated as FVTIS only if the investment is managed and its performance is evaluated and reported on internally by the management on a fair value basis. This category currently includes investment in private equity and funds.

At FVTE

Equity-type instruments other than those designated at FVTIS are classified as at FVTE.

(ii) Recognition and de-recognition

Investment securities are recognised at the trade date i.e. the date that the Group contracts to purchase or sell the asset, at which date the Group becomes party to the contractual provisions of the instrument. Investment securities are de-recognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risk and rewards of ownership.

(iii) Measurement

Investment securities are measured initially at fair value, which is the value of the consideration given. For investments carried at FVTIS, transaction costs are expensed in the consolidated income statement. For other investment securities, transaction costs are included as a part of the initial recognition.

Subsequent to initial recognition, investments carried at FVTIS and FVTE are re-measured to fair value. Gains and losses arising from a change in the fair value of investments carried at FVTIS are recognised in the consolidated income statement in the period in which they arise. Gains and losses arising from a change in the fair value of investments carried at FVTE are recognised in the consolidated statement of changes in equity and presented in a separate fair value reserve within equity.

When the investments carried at FVTE are sold, impaired, collected or otherwise disposed of, the cumulative gain or loss previously recognised in the statement of changes in equity is transferred to the consolidated income statement.

Investments carried at FVTE where the entity is unable to determine a reliable measure of fair value on a continuing basis, such as investments that do not have a quoted market price or where there are no other appropriate methods from which to derive reliable fair values, are stated at cost less impairment allowances.

Subsequent to initial recognition, debt-type investments other than those carried at FVTIS are measured at amortised cost using the effective profit method less any impairment allowances.

(iv) Measurement principles

Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus capital repayments, plus or minus the cumulative recognised using the effective profit method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. The calculation of the effective profit rate includes all fees and points paid or received that are an integral part of the effective profit rate.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

The Group measures the fair value of quoted investments using the market bid-prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

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

b) Placements with financial institutions

These comprise inter-company placements made using Shari'ah compliant contracts. Placements are usually for short-term and are stated at their amortised cost.

c) Impairment of financial instruments

Exposures subject to credit risk

The Group recognises loss allowances for ECLs on:

- Cash and bank balances;
- Placements with financial institutions; and
- Investments in Sukuk (debt-type instruments carried at amortised cost);

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- Debt-type securities that are determined to have low credit risk at the reporting date; and
- other debt-type securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment including forward-looking information.

The Group assumes that the credit risk on exposure subject to credit risk increased significantly if it is more than 30 days past due. The Group considers an exposure subject to credit risk to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security, if any is held; or
- the exposure is more than 90 days past due.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group considers this to be BBB- or higher per S&P.

The Group applies a three-stage approach to measuring ECL. Assets migrate through the following three stages based on the change in credit quality since initial recognition

Stage 1: 12-months ECL

Stage 1 includes exposures that are subject to credit risk on initial recognition and that do not have a significant increase in credit risk since initial recognition or that have low credit risk. 12-month ECL is the ECL that result from default events that are possible within 12 months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset weighted by the probability that the loss will occur in the next 12-months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For The Year Ended 31 December 2022 - US$ 000'S

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Stage 2: Lifetime ECL - not credit impaired

Stage 2 includes exposures that are subject to credit risk that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognised. Lifetime ECL is the ECL that result from all possible default events over the expected life of the financial instrument. ECLs are the weighted average credit losses with the life-time probability of default ('PD').

Stage 3: Lifetime ECL - credit impaired

Stage 3 includes exposures that are subject to credit risk that have objective evidence of impairment at the reporting date in accordance with the indicators specified in the CBB's Rulebook. For these assets, lifetime ECL is recognised.

Measurement of ECLs

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

- Financial assets and assets acquired for leasing that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).
- Financial assets and assets acquired for leasing that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- Undrawn financing commitment: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn and the cash flows that the Group expects to receive; and
- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.
- ECLs are discounted at the effective profit rate of the financial asset.

Credit-impaired exposures

At each reporting date, the Group assesses whether financial assets and assets acquired for leasing are credit impaired. A financial asset and an asset acquired for leasing is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a financing facility or advance by the Company on terms that the Company would not consider otherwise.
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

d) Impairment of non-financial assets

The carrying amount of the Group's assets or its cash generating unit, other than financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. A cash generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other asset and groups. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset or a cash generating unit is the greater of its value in use or fair value less costs to sell. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the consolidated income statement.

Impairment losses are reversed only if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. Separately recognised goodwill is not amortised and is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on separately recognised goodwill are not reversed.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Share capital and reserves

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Equity instruments of the group comprise ordinary shares and equity component of share-based payments and convertible instruments. Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

Treasury shares
The amount of consideration paid including all directly attributable costs incurred in connection with the acquisition of the treasury shares are recognised in equity. Consideration received on sale of treasury shares is presented in the consolidated financial statements as a change in equity. No gain or loss is recognised on the Group's consolidated income statement on the sale of treasury shares.

Statutory reserve
The Commercial Companies Law 2001 requires that 10 percent of the annual net profit be appropriated to a statutory reserve which is normally distributable only on dissolution. Appropriations may cease when the reserve reaches 50 percent of the paid-up share capital.

f) Cash and cash equivalents

For the purpose of consolidated statement of cash flows, cash and cash equivalents comprise cash in hand, bank balances and placements with financial institutions with original maturities of three months or less from the acquisition date that are subject to insignificant risk of changes in fair value and are used by the Group in the management of its short-term commitments.

g) Revenue recognition

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

Management and other fees are recognised as income when earned and the related services are performed and there is no uncertainty on its collectability.

Income from placements financial institutions and Sukuk are recognised on a time-apportioned basis over the period of the related contract using the effective profit rate.

Dividend income from investment securities is recognised when the right to receive is established. This is usually the ex-dividend date for equity securities.

h) Earnings prohibited by Shari'ah

The Group is committed to avoid recognition of any income generated from non-Islamic sources. Accordingly, all non-Islamic income is credited to a charity account where the Group uses these funds for charitable means.

i) Zakah

Pursuant to the decision of the shareholders', Zakah is the responsibility of the shareholders. The Group is also required to calculate and notify, under a separate report, individual shareholders of their pro-rata share of the Zakah payable by them on distributed profits. These calculations are approved by the Group's Shari'ah Supervisory Board and provided for in the Company's website.

j) Employees benefits

(i) Short-term benefits
Short-term employee benefit obligations (including board remuneration and fees) are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Post-employment benefits
Pensions and other social benefits for Bahraini employees are covered by the Social Insurance Organisation scheme, which is a "defined contribution scheme" in nature under, and to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis. Contributions by the Company are recognised as an expense in consolidated income statement when they are due.

Expatriate and certain Bahraini employees on fixed contracts are entitled to leaving indemnities payable, based on length of service and final remuneration. Provision for this unfunded commitment, has been made by calculating the notional liability had all employees left at the reporting date. These benefits are in the nature of a "defined benefit scheme" and any increase or decrease in the benefit obligation is recognised in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For The Year Ended 31 December 2022 - US$ 000'S

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Dividends and other appropriations

Dividends to shareholders and other appropriations are recognised as liabilities in the period in which they are declared and approved by the shareholders in a general meeting.

l) Provisions

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

m) Offsetting of financial instruments

Financial instruments comprise of financial assets and financial liabilities. Financial assets include cash and balances with banks, placements with financial institutions, financing receivables, investment securities and other assets. Financial liabilities include financing liabilities related to assets acquired for leasing and other liabilities.

Financial assets and financial liabilities are only offset, and the net amounts reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and the Group intends to either settle these on a net basis or intends to realise the asset and settle the liability simultaneously. Income and expense are presented on a net basis only when permitted under AAOIFI, or for gains and losses arising from a group of similar transactions.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group makes estimates and assumptions that effect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

Judgement

Classification of investments
In the process of applying the Group's accounting policies, management decides on acquisition of an investment whether it should be classified as investments at FVTIS or investments carried at FVTE or investments carried at amortised cost. The classification of each investment reflects the management's intention in relation to each investment and is subject to different accounting treatments based on such classification (note 3 (b)).

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

Estimations

Fair value of unquoted financial instruments
The Group determines fair value of investments designated at fair value that are not quoted in active markets by using valuation techniques such as discounted cash flows and recent transaction prices. Fair value estimates are made at a specific point in time, based on market conditions and information about the investee companies. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore, cannot be determined with precision.

There is no certainty about future events (such as continued operating profits and financial strengths). It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the investments. In case where discounted cash flow models have been used to estimate fair values, the future cash flows have been estimated by the management based on information from and discussions with representatives of the management of the investee companies and based on the latest available audited and un-audited financial information. The basis of valuation has been reviewed by the Management in terms of the appropriateness of the methodology, soundness of assumptions and correctness of calculations and have been approved by the Board of Directors for inclusion in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For The Year Ended 31 December 2022 - US$ 000'S

5 CASH AND CASH EQUIVALENTS

	31 December 2022	31 December 2021
Cash on hand	**7**	7
Cash in bank	**1,236**	1,371
	1,243	1,378

6 PLACEMENTS WITH FINANCIAL INSTITUTIONS

	31 December 2022	31 December 2021
Wakala placements with original maturities of more than 3 months	**6,462**	10,058
	6,462	10,058

7 INVESTMENT SECURITIES

	31 December 2022	31 December 2021
Debt type instruments		
At amortized cost		
- Quoted sukuk (Sovereign)	**4,962**	3,019
Equity type instruments		
At FVTIS - Unquoted equity securities (a)	**25,295**	25,499
	30,257	28,518

a) Movement on equity type investments at FVTIS

	31 December 2022	31 December 2021
At 1 January	**25,499**	27,396
Fair value changes (note 11)	**(204)**	(1,897)
At 31 December	**25,295**	25,499

This represents an investment in a Bosnia incorporated company which owns a commercial mall.

8 OTHER ASSETS

	31 December 2022	31 December 2021
Prepaid expenses	**42**	84
Equipment net	**208**	233
Receivables	**20**	53
Right-of-use asset, net	**147**	268
	417	638

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For The Year Ended 31 December 2022 - US$ 000'S

9 LIABILITIES

	31 December 2022	31 December 2021
Account payables	**60**	54
Employee related accruals	**161**	151
Accrued expenses	**827**	616
SPV related liabilities	**1,450**	817
Other payables	**358**	342
Lease liability	**127**	275
	2,983	2,255

10 SHARE CAPITAL

	31 December 2022	31 December 2021
Authorized:		
200,000,000 (2021: 200,000,000) ordinary shares at US$ 1 per share	**200,000**	200,000
Issued, subscribed and paid-up capital		
109,995,797 (2021: 109,995,797) ordinary shares at US$ 1 per share	**109,996**	109,996

At 31 December 2022, the Company held 3,000,000 (31 December 2021: 3,000,000) treasury shares valued at USD $6,798,000 (2021: USD$ 6,798,000)

11 INCOME FROM INVESTMENT SECURITIES

	31 December 2022	31 December 2021
Fair value changes on equity securities (note 7)	**(204)**	(1,897)
Income from Sukuk	**107**	69
	(97)	(1,828)

12 OTHER INCOME

	31 December 2022	31 December 2021
Recovery from sale of previously written off investment*	-	1,804
Recovery of receivable previously written off**	**268**	-
Gain on Sale of equipment	-	1
	268	1,805

* This represents an investment in Bahrain Bunny, a Bahraini incorporated Company, that was fully impaired in the past for which, the company recovered BD 1,804 in 2021.

** This represents recovery during the year of a receivable from IIB Paper, an SPV managed by the Company that was fully impaired in the past

13 STAFF COSTS

	31 December 2022	31 December 2021
Salaries and benefits	**1,642**	1,993
Leaving indemnity	**38**	28
	1,680	2,021

For The Year Ended 31 December 2022 - US$ 000'S

14 OTHER OPERATING EXPENSES

	31 December 2022	31 December 2021
Deal related expenses	**691**	133
Shari'ah supervisory board expenses	**40**	52
Directors sitting fees and expenses (note 16)	**63**	37
IT expenses	**62**	61
Advertisement expenses	**10**	15
Depreciation	**36**	18
Amortisation of ROUA	**121**	96
Business travel expenses	**92**	26
Others	**273**	285
	1,388	723

15 CONCENTRATION OF ASSETS AND LIABILITIES

a) Industry sector

The industrial distribution of the Group's assets and liabilities is as follows:

31 December 2022	Banks and financial institutions	Real estate	Others	Total
Assets				
Cash and balances with banks	**1,243**	-	-	**1,243**
Placements with financial institutions	**6,462**	-	-	**6,462**
Investment securities	**4,962**	**25,295**	-	**30,257**
Other assets	**417**	-	-	**417**
Total assets	**13,084**	**25,295**	-	**38,379**
Liabilities				
Other liabilities	-	**65**	**2,791**	**2,856**
Lease liability	-	-	**127**	**127**
Total liabilities	-	**65**	**2,918**	**2,983**

31 December 2021	Banks and financial institutions	Real estate	Others	Total
Assets				
Cash and balances with banks	1,378	-	-	1,378
Placements with financial institutions	10,058	-	-	10,058
Investment securities	3,019	25,499	-	28,518
Other assets	638	-		638
Total assets	15,093	25,499	-	40,592
Liabilities				
Other liabilities	-	121	1,860	1,981
Lease liability	-	-	274	274
Total liabilities	-	121	2,134	2,255

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For The Year Ended 31 December 2022 - US$ 000'S

16 RELATED PARTY BALANCES AND TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence or joint control over the other party in making financial and operating decisions. Related parties comprise associates, major shareholders, directors and executive management of the Group and/or entities over which they exercise control and/or significant influence.

The related party balances included in these consolidated financial statements are as follows

	31 December 2022		31 December 2021	
	Associates	**Total**	Associates	Total
Assets				
Investment securities	**25,295**	**25,295**	25,499	25,499

	31 December 2022		31 December 2021	
	Associates	**Total**	Associates	Total
Income				
Income from investment securities	**(204)**	**(204)**	(1,897)	(1,897)

Key management personnel

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

	2022	2021
Directors sitting fees and expenses (note 14)	**63**	37
Salaries, other short-term benefits and expenses	**1,227**	1,451
Post-employment benefits	**104**	107

17 FINANCIAL RISK MANAGEMENT

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

- Credit risk;
- Liquidity risk;
- Market risks; and
- Operational risk.

Risk inherent in the Group's activities and is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his/her responsibilities. The Group has a risk management and governance framework which is intended to integrate risk management in its strategic thinking and business practices.

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk.

17 FINANCIAL RISK MANAGEMENT (continued)

Risk Management and Governance Structure

Board of Directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles.

Audit Committee

The Audit Committee is appointed by the Board of Directors and consists of three non-executive Board members. The Audit Committee assists the Board of Directors in carrying out its responsibilities with respect to assessing the quality and integrity of financial reporting and risk management, the audit thereof, the soundness of the internal controls of the Group, the measurement system of risk assessment and relating these to the Group's capital, and the methods for monitoring compliance with laws, regulations and supervisory and internal policies.

Shari'ah Supervisory Board

The Shari'ah Supervisory Board reviews the principles and contracts relating to the transactions conducted by the Group to judge whether it followed the principles of the Islamic Shari'ah and specific fatwas, rulings and guidelines issued.

Management Committees

The Board has established two governance committees, namely the Executive Management Committee (EMC) and the Management Investment Committee (MIC). These committees comprise senior management and heads of departments who are best qualified to make decisions on issues such as funding. asset utilization, IT, investment acquisition/exit, and management of all types of risks, including market, credit, liquidity and operational risks.

Executive Management Commitee (EMC)

The EMC monitors the execution of the strategic business plan, provides a forum to assimilate viewpoints, adopt best practices in the management of the Company and provides guidelines to carry out the day-to-day affairs of the Company, within the overall approved procedures laid down by the Board.

Management Investment Committee (MIC)

Potential deals are presented to the Investment Committee for consideration and those selected are forwarded to the Board of Directors for initial approval.

Internal Audit

Risk management processes throughout the Group are audited at least annually by the Internal Audit based on the risk-based audit plan approved by the Audit Committee. Audit staff examine both the adequacy of the procedures and the Group's compliance with the procedures. Internal Audit discusses the results of all assessments with management, then reports its findings and recommendations to the Audit Committee.

Risk management and reporting structure

Currently, the Group's assets mainly comprise cash and balances with banks, placements with financial institutions, receivables, and investments. Balances with banks and placements with financial institutions represent deposits with GCC incorporated banks with the majority of them being investment grade credit ratings. Investments comprise mainly retentions in the Company's investment offerings, which are illiquid.

Monitoring and controlling risks are primarily performed based on limits approved by the Board of Directors. These limits reflect the business strategy and market environment of the Group as well as the level of risk that it is willing to accept, with additional emphasis on selected industries. The Group also monitors and measures the overall risk-bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For The Year Ended 31 December 2022 - US$ 000'S

17 FINANCIAL RISK MANAGEMENT (continued)

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include guidelines to maintain a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

a) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Being an investment business, the Group is involved in investment advisory services and investment transactions which comply with Islamic rules and principles according to the opinion of the Shari'ah Supervisory Board. Credit risk arises largely through balance with banks, short-term placements with financial institutions, financing receivables, investment in debt securities and other assets.

The Group manages and controls its credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits. Counterparty limits are established with the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to revision at the time of renewal of the facility.

The Board of Directors has delegated responsibility for the management of credit risk to its EMC. EMC is the highest management-level authority on all credit exposures. The overall role of EMC is to facilitate the business of the Group in the most effective and efficient manner within the risk guidelines specified by the Board of Directors. Prior to funding a facility, and regardless of its size, the EMC provides an independent assessment of the opportunity, highlighting key risks prior to commitment.

The RMD regularly monitors the level of risk within the Group's portfolio to ensure that appropriate level of economic capital is maintained. This process ensures that the required risk capital is below the available equity, which results in a positive equity cushion. The RMD ensures that the Company maintains appropriate asset diversification by geography, industry and investment type.

Maximum exposure to credit risk

The table below shows the gross maximum exposure to credit risk for the components of the consolidated statement of financial position except for investment securities (equity-type) which is already disclosed in note 18. The figures represent gross exposure net of any provision for impairment, without taking into account any collateral held and other credit mitigants.

	Maximum exposure	
	31 December 2022	31 December 2021
Balances with banks	**1,243**	1,378
Placements with financial institutions	**6,462**	10,058
Investment Securities (Sukuk)	**4,962**	3,019
Other financial assets	**20**	53
	12,687	14,508

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17 FINANCIAL RISK MANAGEMENT (continued)

b) Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its obligations associated with financial liabilities. The main action to manage the Group's liquidity is through the adherence to limits on liquidity mismatches. These include the limits of the cumulative excess of maturing liabilities over assets in the short-term and limits on dependence on short-dated funds.

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

	Gross undiscounted cash flows				
31 December 2022	**Less than 3 months**	**3 to 12 months**	**Over 1 year**	**Total**	**Carrying value**
Liabilities	**930**	**1,926**	**-**	**2,856**	**2,856**
Lease liability	**44**	**84**	**-**	**127**	**127**
	974	**2,010**	**-**	**2,983**	**2,983**

	Gross undiscounted cash flows				
At 31 December 2021	Less than 3 months	3 to 12 months	Over 1 year	Total	Carrying value
Liabilities	681	1,300	-	1,981	1,981
Lease liability	94	180	-	274	274
	775	1,480	-	2,255	2,255

The financial assets are neither past due nor impaired. The ECL on the financial assets is not significant for the recognition purposes due to short-term nature and credit worthiness of the counterparties.

c) Market risks

Market risk is the risk that changes in market prices, such as profit rates, equity prices, foreign exchange rates and commodity prices will affect the Group's income or the value of its holdings of financial instruments. Market risk comprises equity position risk, profit rate risk, commodities risk, currency risk and other price risk.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Group is not exposed to commodities or price risk as there is no commodity holding either in the banking or trading book. Market risk for the Group arises only on account of its foreign exchange exposure.

The Group manages its market risk exposures by limiting the exposure to equities and foreign exchange exposure and evaluating each new product and activity with respect to the market risk introduced by it.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For The Year Ended 31 December 2022 - US$ 000'S

17 FINANCIAL RISK MANAGEMENT (continued)

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Certain investments and other financial assets and liabilities are in other currencies and give rise to foreign currency risk.

The Bahraini Dinar (BHD), Saudi Riyal (SAR) and UAE Dirham (AED) are pegged to the US$ and resultantly positions in these currencies are not considered to represent significant currency risk. The Group had the following net foreign currency exposures at 31 December 2022 and 2021:

	31 December 2022	31 December 2021
Euro	**25,295**	25,499
GBP	**(55)**	(55)
	25,240	25,444

Positions are monitored regularly, and the Group is not exposed to any significant currency risk.

		31 December 2022	31 December 2021
	Change in currency rate % exchange rate (+/-)	**Effect on net loss/equity (+/-)**	Effect on net loss/Equity (+/-)
Euro	**10%**	**2,401**	2,550
GBP	**10%**	**(6)**	(6)

Equity price risk

Equity price risk is the risk that the fair value of equity investments decreases as a result of fluctuations in the respective stock market indices. The Group has no investments at FVTE quoted on stock exchange.

Prepayment risk

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

d) Operational Risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, people and systems or from external events, whether intentional, unintentional or natural. It is an inherent risk faced by all business and covers a large number of operational risk events including business interruption and systems failures, internal and external fraud, employment practices and workplace safety, customer and business practices, transaction execution and process management, and damage to physical assets.

The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

The Group has developed a Disaster Recovery and Business Continuity Plan (DR&BCP) to enable the Group to survive a disaster and to re-establish normal business operations. The DR&BCP will enable the Group to minimize interruptions to business service operations, resume critical operations within a specified time after a disaster, minimize financial loss due to disruptions, limit the severity of the disruption, expedite the restoration of services and maintain a positive public image of the Company.

For The Year Ended 31 December 2022 - US$ 000'S

18 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or requirement to curtail materially the scale of its operation or to undertake a transaction on adverse terms.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1 quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2 other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3 techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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

31 December 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
Unquoted equity securities at FVTIS	**-**	**-**	**25,295**	**25,295**
	-	**-**	**25,295**	**25,295**

31 December 2021	Level 1	Level 2	Level 3	Total
Unquoted equity securities at FVTIS	-	-	25,499	25,499
	-	-	25,499	25,499

Movements in level 3 financial instruments

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

	2022	2021
At 1 January	**25,499**	27,396
Fair value changes	**(204)**	(1,897)
At 31 December	**25,295**	25,499

Transfers between level 1, level 2 and level 3

There were no transfers between the levels during the year ended 31 December 2022 (2021: Nil).

For investment securities the Company adjusted the discount rate ±1% and carrying values ± 5% where appropriate, which is considered by the Company to be within a range of reasonably possible alternatives.

19 SHARI'AH SUPERVISORY BOARD

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For The Year Ended 31 December 2022 - US$ 000'S

20 EARNINGS PROHIBITED BY SHARI'AH

Earnings prohibited by Shari'ah, if earned are set aside for charitable purposes or otherwise dealt with in accordance with directions of the Shari'ah Supervisory Board. During the year, the Group does not have any earnings which are prohibited by Shari'ah.

21 ZAKAH AND SOCIAL RESPONSIBILITY

Zakah is directly borne by the shareholders on distributed profits. Zakah payable by the shareholders is computed by the Company, based on the method prescribed by the Company's Shari'ah Supervisory Board and notified to shareholders annually. Zakah payable by the shareholders for the year ended 31 December 2022 is US$ 0.002 (2021: US$0.003) per share.

22 ASSETS UNDER MANAGEMENT

Proprietary assets are included in the consolidated statement of financial position under "investment securities". Client assets, which represent client investments, are managed in a fiduciary capacity without recourse to the Group and are not included in the consolidated statement of financial position. In 2022, total assets under management amounted to US$ 2,979 thousands (2021: US$ 2,112 thousands).

Assets under management includes USD 1,502 (2021: USD 628) related to Client Fund Accounts. These accounts include clients funds from investment exits, held with the Company on behalf of the investor.

23 CAPITAL MANAGEMENT

The Group is required to follow the guidelines under Volume 4 of the rule book issued by CBB for capital adequacy purposes.

The Group's regulator CBB sets and monitors capital requirements for the Group as a whole. In implementing current capital requirements, CBB requires the Group to maintain a prescribed ratio of total capital to total risk-weighted assets. The minimum capital required for 'Category 1' investment entity is US$ 2.65 million.

The Group's regulatory capital is analysed into below tier:

- Tier 1 capital: includes ordinary share capital that meet the classification as common shares for regulatory purposes, general reserves including statutory reserves excluding revaluation reserves and unappropriated retained earnings brought forward.

The capital adequacy ratio calculated in accordance with capital adequacy guidelines of the CBB was as follow:

	31 December 2022	31 December 2021
Regulatory capital (A)	**35,488**	38,297
Regulatory capital requirement / Risk weighted exposures (B)	**33,013**	33,495
Capital adequacy ratio (A/B)	**108%**	114%

The Group's regulatory capital adequacy ratio of 108% as at 31 December 2022 was below the minimum required regulatory ratio of 110%. The Company has informed the regulator (CBB) of the breach.

24 SOCIAL RESPONSIBILITY

The Group discharges its social responsibilities through donations to charitable causes.

25 COMPARATIVE

Certain prior year figures have been regrouped to conform to the presentation adopted in the current year. Such re-grouping did not affect previously reported loss for the year or total equity.