

Al Baraka **PULSE**

July 2020

An Economic Bulletin from
Al Baraka Banking Group
Research & Development

Feature:

Shaikh Saleh Abdullah Kamel
(May Allah have Mercy on him)

A MAN OF IDEALS & PROFOUND VISION





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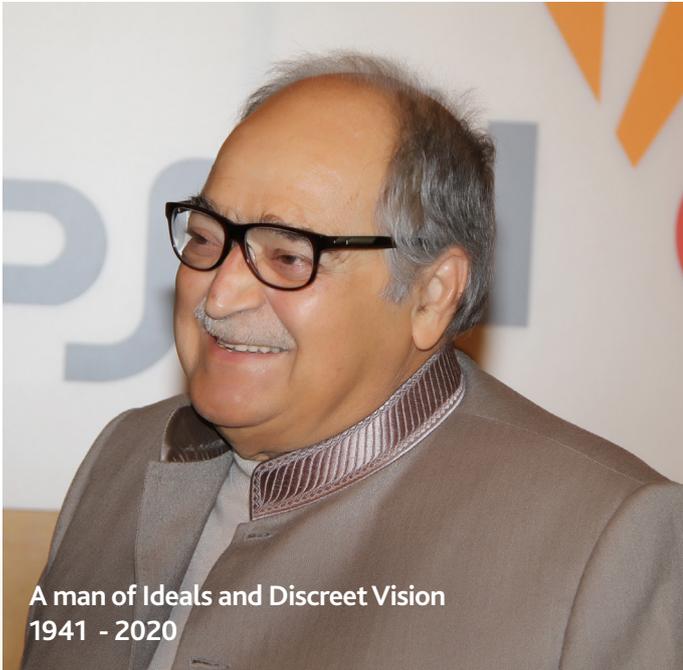
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Notes from the President & Chief Executive



A man of Ideals and Discreet Vision
1941 - 2020

It is in a state of remorse that I write this Foreword for this issue of Al Baraka Pulse. The sad and sudden demise of our late Founder, Shaikh Saleh Abdullah Kamel, has indeed left a deep void in all our hearts. May God have mercy on him.

I wish to write here about my most enriching relationship with Shaikh Saleh and focus on an aspect of this exceptional individual, which I have experienced on an almost daily basis for the past twenty years, in my relationship with him.

My relationship with Shaikh Saleh dates back to over thirty years when I served as Chairman of the Board of Directors at ABC Investment and Service and during my time there, we established an Islamic Banking division in 1987. This division was established with guidance from the then P&CE ABC, Mr. Abdullah Ammar Al-Saudi. It is important to mention here that this division

came into existence, as a result of the initiatives taken by the Bahrain Government and the Central Bank of Bahrain, as they aimed to create a legislative environment for launching and embracing Islamic banking. However, what mainly motivated the establishment of this new division was the active movement launched by Shaikh Saleh, wherein he played a major role. After the establishment of Jordan Islamic Bank as the first Islamic bank in Jordan in (1978), Shaikh Saleh established Al Baraka Bank Egypt (1980), Al Baraka Bank Tunisia (1983), Al Baraka Bank Sudan (1984), Al Baraka Islamic Bank Bahrain (1984), Al Baraka Turk (1985), Al Baraka Bank South Africa (1989). Following that, he established two other banks in Lebanon and Algeria respectively, in 1991.

However, by exploring the conditions surrounding the establishment of these banks, especially with regard to the economic and financial conditions in the countries where these banks were established, it was important to state that we would be facing bleak outcomes, despite a prudent and long-term vision behind the establishment of these banks. In spite of these circumstances, Shaikh Saleh's deep faith in the power of influence and effectiveness of Islamic banking as well as its ability to mobilize society financially and economically, served as the primary factor behind the founding of these banks. Furthermore, it has been proven with the days spent with this visionary man, that this belief he subscribes to stems from a unique and discreet outlook that money is not owned by profit seeking investors, but it is rather owned by whoever believes that the money in their hands that was lent to them by God, is a trust that must be best used to serve the community.

In the face of this momentum within Islamic banking locally and in the Arab world, we worked at that time to convert the Islamic Banking Division into a separate Islamic bank (ABC Islamic Bank) in 1998, where I served as the Executive Chairman of the Bank (1998-2000). At that time, our business relations started with Shaikh Saleh and Dallah Al-Baraka Group, where I made several visits to Jeddah to meet him and arrange a number of credit facilities for the Group. During these meetings, Shaikh Saleh held discussions about Islamic banking and the Islamic economy, which had influenced me greatly. He spoke deeply, smoothly and clearly, about the strength of the Islamic economy in society, the magnitude of the noble values as well as lofty goals on which its principles were rooted and the prudent tools it owned to spread justice in society such as zakat and endowment, in which Shaikh Saleh was a pioneering



contributor. He considered zakat and endowment an example of the many ways one could serve society. I do not deny that these discussions introduced completely new convictions in my Islamic banking beliefs, opened up new horizons of visions for our role as bankers and determined our responsibility towards our societies. It has already brought about a new turning point in my banking career.

My departure from the Arab Banking Corporation in the year 2000, after a twenty-year service, marked the start of the procedures for establishing the Al Baraka Banking Group in Bahrain. I was assigned to complete the incorporation procedures at that time, I took up the position of the President & Chief Executive of the Group. It was during this period that a new phase began in my relationship with Shaikh Saleh as the founder and owner of the Group's banks. I remember meeting him, may God have mercy on him in February 2000. I presented him with a working paper which included a plan to merge all of Al Baraka's banks under the Group's umbrella, together with business strategies after incorporation, including a public offering plan in 2006.

For honesty and history, Shaikh Saleh's insightful vision and guidance enriched this plan, providing it with his noble knowledge as well as values. Therefore, the Group has since its establishment devised a completely different approach from the prevailing Islamic banking business models, an approach that has endeavored in every effort to embody Shaikh Saleh's

vision of Islamic banking in all its financial, economic and social dimensions. Today, after nearly two decades have passed, we can say that all the elements included in that plan have become a reality, as the Group that started from 132 branches in the year 2003 has more than 700 branches with a growth rate of 36 branches each year, and the number of employees increased from 3233 to 12,540 employees.

The march of Al Baraka Banking Group over twenty years has been recorded, through its various turns, achievements, and success stories in which after God Almighty was due to the wisdom, vision and directions of Shaikh Saleh and his deep belief in the noble ideals that lead the community to the righteousness. This vision and guidance was taking its path to all aspects of the group's business on almost daily basis. We cannot expand here to talk about this issue, but we are sure feeling its importance and we will miss it in our life and in Al Baraka's march towards the future after his departure. Our consolation that the Group is firmly entrenched in its structure, and is able to continue to carry the flame of his noble ideals as a guide in continuing its march towards the better, God willing.

May God have mercy on you, O great Shaikh with His vast mercy, as we belong to God and to Him we shall return.

Adnan Ahmed Yousif
President & Chief Executive
Al Baraka Banking Group



Shaikh Saleh Abdullah Kamel

(May Allah have Mercy on him)

Founder of Dallah Al Baraka Group of Companies

Chairman of Al Baraka Banking Group



A widely acknowledged, revered figure, and internationally acclaimed as a pioneer of Islamic banking & finance and Participation banking, Shaikh Saleh Abdullah Kamel, Chairman and Founder of Al Baraka Banking Group (“ABC”), passed away on May 18, 2020. He was the highest authority in the field of Islamic economics. As a philanthropist, Shaikh Saleh’s commitment and contribution to communities across the world is unparalleled.

Shaikh Saleh was the Chairman of the Dallah Al Baraka Group, one of the largest business groups in the Kingdom of Saudi Arabia. He founded the group over 50 years ago and created Al Baraka Investment and Development, a holding company for many Islamic Banks, Financial Institutions and companies in various diversified businesses around the world.

In addition to being Chairman and Board Member of many companies within the Dallah Al Baraka Group, Shaikh Saleh

was on the Boards of many social, charitable and cultural societies as well as foundations such as Arab Thought Foundations, King Abdulaziz and His Companions Foundation for the Gifted, Islamic Solidarity Fund, and Arab Academy for Finance and Banking.

Shaikh Saleh Abdullah Kamel was the President of The Islamic Chamber of Commerce, Industry and Agriculture, The Jeddah Chamber of Commerce & Industry, and the Chairman of the General Council for Islamic Banks and Financial Institutions. He was a Member of President's Advisory Panel at Islamic Development Bank.

The President & Chief Executive of Al Baraka Banking Group, Mr. Adnan Ahmed Yousif stated, "a guiding light has gone from my life today and as the whole organization mourns the great leader's passing we shall strive to hold the torch for the ideals of Shaikh Saleh – to serve the society and communities by helping them prosper and apply Shari'a rules related to the

ownership of wealth in creating the wealth and in investing, exchanging, growing and spending the wealth."

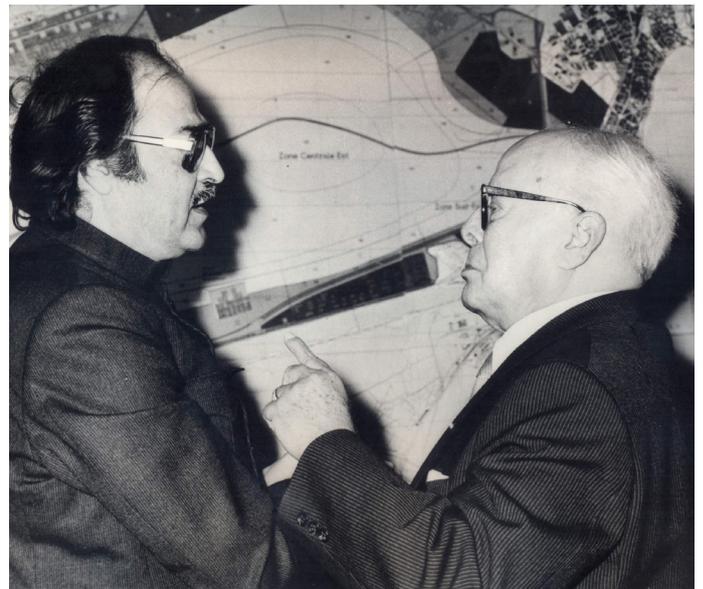
In recognition of his personal endeavors and the remarkable contribution of the Group, towards enhancing economic development and creating jobs as well as well-being, Shaikh Saleh Abdullah Kamel was awarded many medals, titles and prizes. These awards include the Jordanian Independence Decoration, the King Abdulaziz Decoration – Kingdom of Saudi Arabia, the Al Alawi Decoration - Morocco, the Royal Award for Islamic Finance - Malaysia and the Islamic Banker Award by the Islamic Development Bank.

The Board of Directors, the President & Chief Executive, The Executive Management and Staff of Al Baraka Banking Group and all ABG Units deeply mourn the loss of their beloved Chairman and convey their deepest condolences to the family members.



“The purpose of Man, by the commandment of Allah, The Almighty, is to construct, embellish, create and build on this earth. Man is therefore also ordained to create jobs for others. Thus, the wealth bestowed upon us belongs to Allah, The Almighty”.

*Shaikh Saleh Abdulla Kamel
(1941-2020)*







Appointment of Mr. Abdullah Saleh Kamel as the Chairman of the Board of Directors of Al Baraka Banking Group



The Board of Directors of Al Baraka Banking Group (BSC) has announced the appointment of **Mr. Abdullah Saleh Kamel as Chairman of the Board**, to succeed the late Shaikh Saleh Abdullah Kamel, the Founder of the Group who passed away on 18 May 2020. The Central Bank of Bahrain has approved this appointment.

Mr. Abdullah Saleh Kamel is considered to be one of the first personalities to have been part of the establishment of the Group, and he served as Vice Chairman of the Board and Chairman of the Executive Committee for several years, and has been amongst those who have actively contributed to the development of the Group's diversification as well as expansion strategies. He also supervised its implementation throughout these past years and is credited with many of the Group's achievements alongside his father, the Group's Founder, may God have mercy on him.

Additionally, Mr. Abdullah Saleh Kamel is the Chairman of Aseer

Company, Chairman of Amlak Real Estate Development and Finance, Chairman of Okaz Press and Publishing Corporation and Vice-Chairman of King Abdullah Economic City Emaar. Furthermore, he has previously held various executive positions at Dallah Al Baraka Group which culminated in the position of Vice President for the Business Sector until 1999. He also has over 30 years' of experience in key business, investment and banking positions.

On the occasion of his appointment, Mr. Abdullah Saleh Kamel said, "I extend my thanks and appreciation to my brothers in the Group's Board of Directors, who have honored me to Chair the Group's Board of Directors, the position in which I believe would be very challenging, because I would succeed the Founder and Captain of the Group who served as the leader throughout its march. The late Shaikh Saleh may God have mercy on him is our father and the father of all. He was known to all as the pioneer of modern Islamic banking and the founder of its renaissance in many Islamic countries. Apart from that, we have pledged ourselves to stick to his principles, approach, and follow the noble values in continuing the successes and excellence of the Group. We also express our thanks and appreciation to all official and regulatory authorities in the Kingdom of Bahrain as well as the countries where our units operate, and to all our partners and employees, who, thanks to their cooperation, we will continue to march, God willing".

Mr. Adnan Ahmed Yousif, President & Chief Executive of Al Baraka Banking Group, said, "While we feel the enormity of our loss with the passing of the Group's Founder, Shaikh Saleh Abdullah Kamel, may God have mercy on him, we would like to express our gratitude for the acceptance of Mr. Abdullah Saleh Kamel to assume the Chairmanship of the Group's Board of Directors, with the blessing of the board of directors and the supervisory authorities in the Kingdom of Bahrain. This acceptance provides a sure guarantee that the Group will continue with the same approach its late Founder chose for it. Mr. Abdullah is also one of the founders of the Group, which he has led with all dedication and sincerity in its path throughout these years, and we are expressing our full confidence in his wisdom to lead the Group which will continue to pioneer the Islamic banking industry regionally and internationally."



Board of Directors Membership 2020 - 2023

Mr. Abdullah Saleh Kamel

Chairman

Mr. Mohamed Ebrahim Alshroogi

Vice Chairman

Mr. Abdul Elah Sabbahi

Member

Mr. Adnan Ahmed Yousif

Member and President & Chief Executive

Mr. Saud Saleh Al Saleh

Member

Dr. Khaled Abdulla Ateeq

Member

Mr. Fahad Abdullah Al-Rajhi

Member

Dr. Jehad El-Nakla

Member

Mrs. Dalia Hazem Khorshid

Member

Mr. Naser Mohamed Al Nuwais

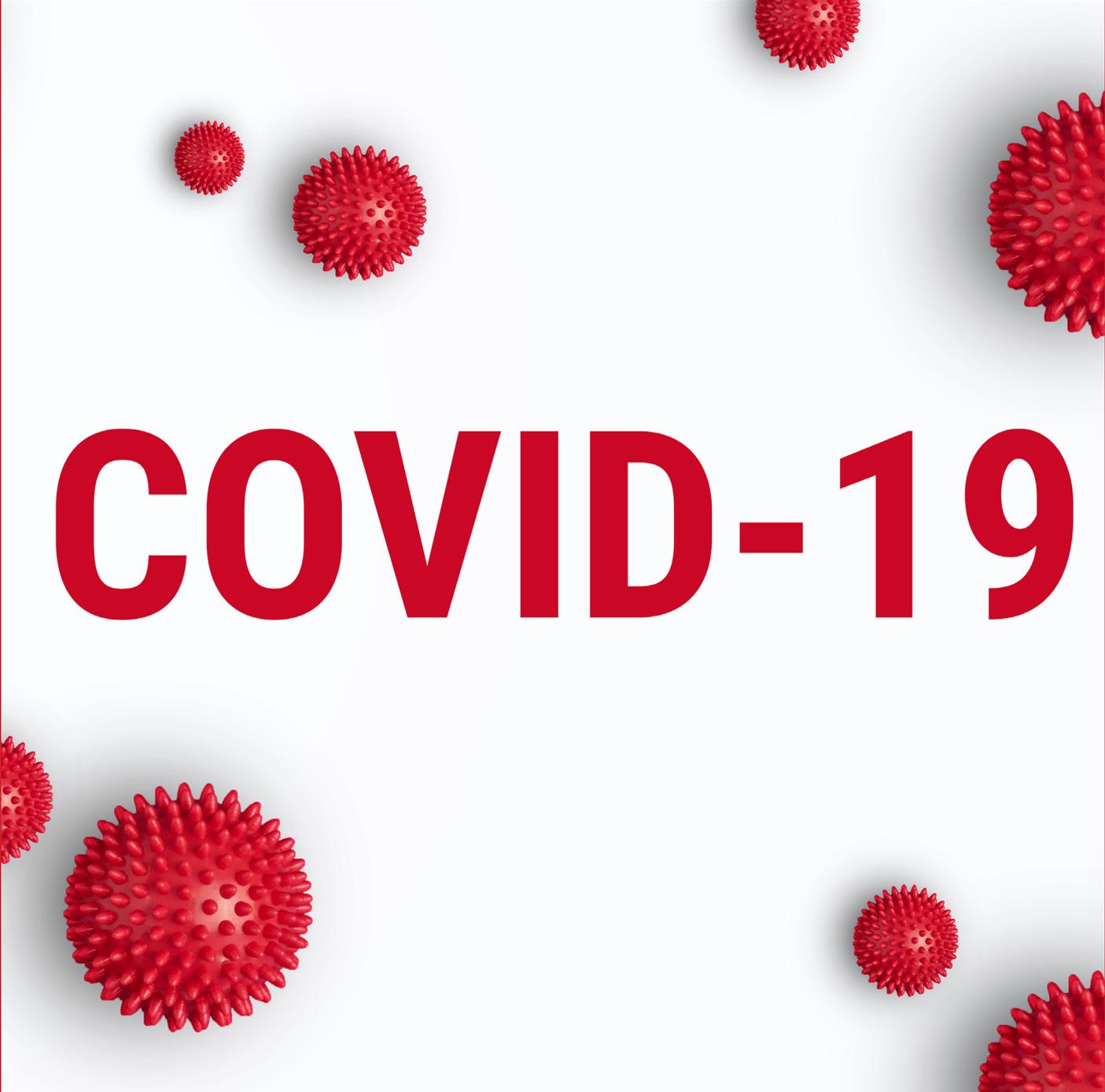
Member

Dr. Mohamed Cheikh Rouhou

Member

Dr. Ziad Ahmed Bahaeldin

Member



COVID-19

**The COVID-19 pandemic
changes the global socio-
economic landscape**



The COVID-19 pandemic changes the global socio-economic landscape

The year 2020 brought many surprises but the outbreak caused by the COVID-19 pandemic would be remembered as the most challenging in history, which has so far infected close to 10 million people and caused around 500,000 deaths worldwide.

Many argue that this pandemic has put a lid on the decades old and a much-cherished achievement called 'globalization' but this statement appears to present the changing world from a myopic view when we see the scale of the unimaginable economic damage, which has already been felt everywhere, from the most developed nations to the most vulnerable economies. This issue alone will undoubtedly dictate the world's economic landscape in the years to come.

In response to the aftermath, the G-20 leaders have set aside \$5 trillion stimulus packages to keep the wheels of the global economy moving, as the world's largest economy, USA has pumped in over \$2.3 trillion dollars to ward off the impact of the pandemic.

The story does not end here as this virus will more than likely have further ramifications such as massive unemployment even among the developed nations (US alone 40 million) and the rise of nationalism for clear reasons. This is because each nation wishes to protect its citizens first but during the early stages of this pandemic, the World Health Organisation and several countries failed to take immediate action to reduce the spread of the virus. As a result of this, many issues arose, namely, the total collapse of the tourism industry, the colossal losses reported by the shipping industry, the suffocation of many countries as result of squeezing trade and on the top of it the growing fear of food insecurity is another emerging nightmare for the global community.

Apart from that, the projections of the global GDP's losses are estimated to be at around \$7trillion over the next eight to 10 years, and yet there are no available vaccines, that would help cure this issue in the forthcoming period. This virus still enjoys the status of 'Novel' down the road after six months when the first suspected case was diagnosed in late December 2019 in Wuhan China.

Aside from this, the US has injected \$2.3 trillion financial stimulus in the wake of unprecedented upheaval of global stocks as initial few weeks of the pandemic accounted

for \$5 trillion losses as of the last trading day of February 2020, the worst losses since the 2008 economic meltdown. The European Union sat aside close to trillion euros, which includes 850billion German euros. In addition, Canada injected billions of CAN dollars, the UK has announced billions of pound sterling financial stimulus and the story goes on.

The most significant increase however is a first time in history, where there happened to be significant financial support for the Small Medium Enterprises (SMEs), as the Kingdom of Saudi Arabia announced \$2billion packages for the SMEs and the USA alone has allocated \$350 billion. Additional help was also provided bouncing them from many other countries in the process. This boost will help cross-fertilize struggling SMEs of the world and might just improve the conditions these SMES face from the virus.

In spite of this increase, the Organization for Economic Cooperation and Development warned that the coronavirus is plunging the world economy into its worst downturn since the global financial crisis, and that growth could be cut in half this year if the outbreak continues to spread.

Moreover, following the introduction of COVID-19 containment measures across the world, real gross domestic products (GDP) in the OECD area fell by 1.8% in the first quarter of 2020, the largest drop since the 2.3% contraction in the first quarter of 2009 at the height of the financial crisis, according to provisional estimates.

Among the Major Seven, GDP dropped significantly in France and Italy, where lockdown measures were most stringent and implemented earliest (by minus 5.8% and minus 4.7% respectively, compared with minus 0.1% and minus 0.3%, in the previous quarter).

Mr. Adnan Ahmed Yousif, President and Chief Executive of Al Baraka in an earlier communication to the staff highlighted the the implications of the virus.

In the light of the worst crisis caused by the COVID-19 pandemic in the modern history, Al Baraka Banking Group issued a contingency plans to ensure the businesses' continuity at all tiers of operational and technical fronts by providing uninterrupted services to its clientele base including the availability of secure financing and robust measures to monitor the clients' portfolios among others.

Furthermore, Al Baraka Banking Group introduced health and safety precautionary measures covering from the Group level to all banking units which included working remotely and the availability of host of services through state-of-the-art electronic platform, thanks to the steps taken earlier for the implementation of digital transformation. Without a doubt, the reliance on video conferences and working remotely was the right move and due to the great success achieved from this strategy, it was apparent it would continue to be implemented, which ultimately yielded positive results in the process.

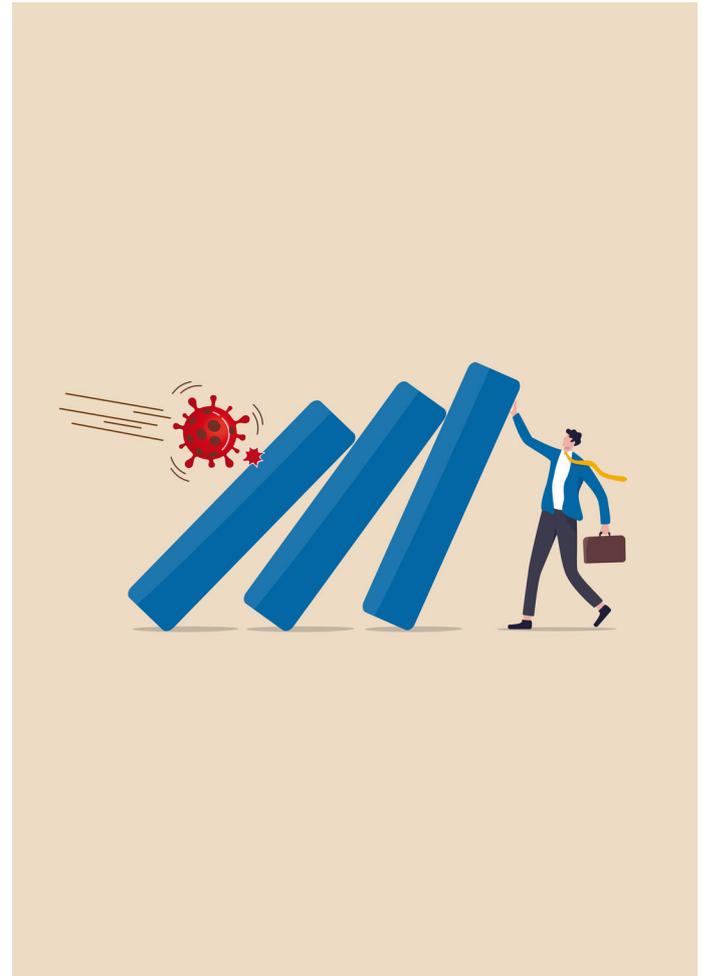
It is evident that the pandemic will have huge financial ramifications for the businesses across the board but will vary from country to country and sector-to-sector based on the size and type of businesses across the world. The financial institutions will also withstand the worst of the economic mayhem caused by this pandemic. Additionally, as per the earlier projections, the profitability will be impacted during this year as well as deterioration in the quality of some financial portfolios especially in the most affected sectors, mainly, aviation and tourism would be inevitable.

One of the gratifying factors allowing businesses to cope with this crisis is the response from the Central Banks to step in and introduce measures in order to mitigate its impact, which will help the financial institutions recover once things start getting normal. Additionally, the financial stimulus by the Governments to provide support to the affected businesses and sectors will help sustain the economic development patterns. Moreover, the pledging and collective effort from the global community will keep the wheel of world's economy moving.

The Al Baraka Banking Group, revel in a distinguished position among others due to its wide geographical footprint and diversity of its banking units, which are operating across the world with a business model focusing mainly on sustainable development which continues to be crucial for businesses even during the pandemic crisis. The Group remains optimistic about the future as it would eventually overcome challenges it faces from the virus and look towards a brighter future.

The reason for this optimism stems from the Group's significant financial liquidity and because of this, continuous communications with potential clients from numerous different countries is established assisting them in these difficult and challenging times.

The President and Chief Executive affirmed that the most important lessons learnt from the COVID-19 pandemic are similar to the philosophy behind the Al Baraka Banking Group's founding pillars i.e. the socially and ethically responsible banking. He also claims that there will be huge opportunities ahead for financial institutions especially those, like ABG,



who contribute towards human well-being including health, education, and jobs creating. Apart from that, there will be more emphasis on e-banking channels and a huge window for electronic banking will be opened for host of services. Last but not the least, the importance of creating flexible financial reserves that can be used in these challenging times, will be one of critical solutions to maintaining the normality of banks.

This crisis will be over soon, stay healthy, safe, make sure to adopt to the new normal and God bless you all.



UNDP: Islamic finance takes on COVID-19

Tackling Health

Focusing on Social Impact

Sustainable recovery by countries

Al Baraka Banking Group provided a model to align its activities with the SDGs.

The global development community responded to the COVID-19 pandemic where a diverse and inclusive set of stakeholders were advised to come together to address the enormous challenge. While the crisis has created immense human suffering, it has also sparked worldwide action from institutions and people eager to help.

For instance, The UN Secretary-General's Call for Solidarity, on March 19, outlined three components; tackling the health emergency; focusing on social impact in the response to this issue and the focus on recovery by helping countries recuperate more sustainably for the long term.

By adopting these three components, the UNDP issued an



Integrated Response to combat COVID-19, which offers support, and guidance to countries to prepare, respond, and recover. The immediate priorities identified in the response include health systems support, inclusive and integrated crisis management and response, as well as the assessment and response for social and economic impact.

Islamic finance would be capable of participating in the response to counter COVID-19 through a range of financing instruments well suited for each stage.

Emergency support in the short term

Zakat can be an important component of national and NGO emergency support programmes. Donors typically require that Zakat be disbursed within one given year. This focus on immediate benefit is well suited for crisis response. Additionally, Zakat donors support both the poor and the economically insecure, which makes this an appropriate method needed in countering this pandemic. Zakat donors often provide cash transfers, which can be especially important in emergencies.

Apart from Zakat, Individual philanthropy is a broad tool that can be used to support health care, food and other immediate needs. Corporate philanthropy can be a way for businesses to contribute not only money but also goods and expertise. Moreover, UNDP’s partnership BAZNAS, Indonesia’s national Zakat collection agency, has been in place since 2017. This collaboration is an example of how Zakat stakeholders can systematically link their projects with the Sustainable Development Goals in response to the crises. UNDP’s partnership with the World Zakat Forum launched in 2019, lays the groundwork for members to work with UNDP on SDG alignment worldwide.

Another contributor is UNDP’s recently announced partnership with the Dubai Islamic Economy Development Center, which is a reflection of how UNDP can support private-sector companies on social impact.

Response and recovery in the medium term

There are many ways financial institutions and Islamic banks can recuperate after the financial dip caused by the virus. Firstly, the financing of equipment, vehicles, and other sources of livelihood as well as trade finance are key mechanisms by which Islamic banks and financial institutions can support the recovery from COVID-19’s financial impact. Next in order is

Islamic banks and financial institutions’s financing activities allegiance with the SDGs. This allegiance creates a significant opportunity for banks to cope with this epidemic. One of the most prominent Islamic banks adopted this method, a couple years back. In 2018, for example Al Baraka Banking Group launched a collaboration with UNDP that seek to align over US\$600 million of its financing portfolio with the SDGs in the Middle East, Asia, Africa, and Europe. The coronavirus pandemic makes such initiatives all the more urgent.

Finally, Impact investing – private investment prioritizing businesses with social impact – can play a central role in the recovery. An example of this can be seen with UNDP’s Global Islamic Finance and Impact Investing Platform, launched in 2015 in partnership with the Islamic Development Bank Group, which brings global impact investing expertise to Islamic finance.

Long-term recovery and resilience

Apart from medium and short-term recovery, SDG-aligned sukuk (bond equivalents) can be an important source of long-term capital for governments and companies engaged in the COVID response and recovery. For example, UNDP’s support of the Government of Indonesia’s Green Sukuk, including US\$1.25 billion issuance in 2018, denotes how issuers can collaborate with UNDP to identify, track, and report on their SDG impact. They provide a decade of funding for Indonesia’s National SDG Plan.

Other than Sukuk, Waqf endowments can, in many contexts, be important contributors to long-term resilience. Financial or non-financial assets such as land or buildings are permanently dedicated to social purposes. This could be a reasonable approach for shareholders to take an important way for stakeholders to contribute to social infrastructure that serves the SDGs and, in the words of the UN Secretary-General, help countries “recover better” over the long term.

This is a time to adopt new methods to help tackle the devastation of COVID-19 and invest in sustainable development. Islamic finance has proven they possess the selective tools for each stage of the response.



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The views and opinions expressed in this issue (magazine) are those of the authors and do not necessarily reflect the official policy or position of Al Baraka Banking Group.

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