

ALUBAF Arab International Bank B.S.C. (c)

**INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

30 JUNE 2024 (REVIEWED)

REVIEW REPORT TO THE BOARD OF DIRECTORS OF ALUBAF ARAB INTERNATIONAL BANK B.S.C. (c)

Introduction

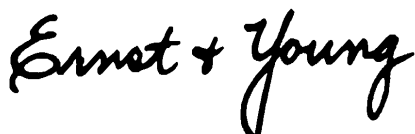
We have reviewed the accompanying interim condensed consolidated financial statements of ALUBAF Arab International Bank B.S.C. (c) (the "Bank") and its subsidiary (together the "Group") as at 30 June 2024, comprising the interim consolidated statement of financial position as at 30 June 2024 and the related interim consolidated statements of profit or loss, comprehensive income, cash flows and changes in equity for the six-month period then ended and explanatory notes. The Bank's Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 *Interim Financial Reporting* ('IAS 34'). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"*. A review of interim condensed financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.



25 July 2024

Manama, Kingdom of Bahrain

ALUBAF Arab International Bank B.S.C. (c)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

		(Reviewed) 30 June 2024 US\$'000	(Audited) 31 December 2023 US\$'000
	Notes		
ASSETS			
Cash and balances with Central Bank and other banks	3	442,144	378,278
Deposits with banks and other financial institutions		999,927	280,640
Investments classified as fair value through profit or loss		22,152	2,989
Investment securities	4	263,635	265,079
Loans and advances	5	183,274	179,635
Investment property		11,734	11,734
Property, equipment and software		6,286	6,619
Interest receivable		17,473	17,359
Other assets		1,041	1,333
TOTAL ASSETS		1,947,666	1,143,666
LIABILITIES AND EQUITY			
Liabilities			
Deposits from banks and other financial institutions		1,111,042	657,541
Due to banks and other financial institutions		95,876	106,234
Due to customers		385,872	21,299
Interest payable		7,057	4,111
Other liabilities		11,098	11,587
Total liabilities		1,610,945	800,772
Equity			
Share capital		250,000	250,000
Statutory reserve		32,549	32,549
Retained earnings		58,969	53,984
Fair value reserve		(4,797)	(6,139)
Proposed dividend		-	12,500
Total equity		336,721	342,894
TOTAL LIABILITIES AND EQUITY		1,947,666	1,143,666


Anthony C. Malis
Vice Chairman


Khaled AlGonsel
Chairman

Attached notes 1 to 11 form part of these interim condensed consolidated financial statements.

ALUBAF Arab International Bank B.S.C. (c)

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Six months ended 30 June 2024

		<i>Three months ended</i>		<i>Six months ended</i>	
		<i>30 June</i>		<i>30 June</i>	
		<i>(Reviewed)</i>		<i>(Reviewed)</i>	
		2024	2023	2024	2023
Note		US\$'000	US\$'000	US\$'000	US\$'000
Interest income		20,082	15,578	37,264	30,432
Interest expense		(10,182)	(6,918)	(18,481)	(13,778)
Net interest income		9,900	8,660	18,783	16,654
Fee and commission income		383	727	749	1,284
Gain on investments classified as FVTPL		247	-	249	29
Loss on investment securities - net		(30)	(81)	(30)	(200)
Foreign exchange gain - net		131	36	157	70
Other income		30	31	260	60
Operating income		10,661	9,373	20,168	17,897
Provision charge for expected credit losses	6	(4,610)	(132)	(7,758)	(254)
Net operating income		6,051	9,241	12,410	17,643
Staff costs		(2,459)	(2,355)	(5,021)	(5,210)
Depreciation		(165)	(178)	(340)	(361)
Other operating expenses		(1,040)	(1,010)	(2,064)	(1,917)
Operating expenses		(3,664)	(3,543)	(7,425)	(7,488)
NET PROFIT FOR THE PERIOD		2,387	5,698	4,985	10,155


Anthony C. Mallis
Vice Chairman


Khaled AlGonsel
Chairman

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ALUBAF Arab International Bank B.S.C. (c)

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June 2024

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>(Reviewed)</i>		<i>(Reviewed)</i>	
	2024	2023	2024	2023
	US\$'000	US\$'000	US\$'000	US\$'000
NET PROFIT FOR THE PERIOD	2,387	5,698	4,985	10,155
Other comprehensive (loss) gain:				
<i>Other comprehensive (loss) gain to be reclassified to profit or loss in subsequent periods:</i>				
Unrealised fair value (loss) gain on investments classified as fair value through other comprehensive income (FVOCI) - net	(264)	20	1,711	(824)
<i>Other comprehensive (loss) gain classified to profit or loss during the period:</i>				
Changes in allowance for expected credit losses on FVOCI investments	(142)	164	(369)	(279)
Other comprehensive (loss) gain for the period	(406)	184	1,342	(1,103)
Total comprehensive income for the period	1,981	5,882	6,327	9,052

The attached notes 1 to 11 form part of these interim condensed consolidated financial statements.

ALUBAF Arab International Bank B.S.C. (c)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June 2024

		Six months ended 30 June (Reviewed)	
		2024	2023
	Note	US\$'000	US\$'000
OPERATING ACTIVITIES			
Net profit for the period		4,985	10,155
Adjustments for:			
Provision charge for expected credit losses	6	7,758	254
Depreciation		340	361
Amortisation of investments carried at amortised cost	4.1	680	750
Loss on investment securities - net		30	200
Gain on investments classified as FVTPL		(249)	(29)
Amortisation of assets classified as loans and advances		(490)	(547)
Operating profit before changes in operating assets and liabilities		13,054	11,144
Changes in operating assets and liabilities:			
Balances with Central Bank		(60,549)	(53,619)
Deposits with banks and other financial institutions		45,317	30,594
Loans and advances		(11,509)	(52,371)
Interest receivable and other assets		178	(3,897)
Deposits from banks and other financial institutions		453,501	16,144
Due to banks and other financial institutions		(10,358)	(27,398)
Due to customers		364,573	(1,299)
Interest payable and other liabilities		2,484	1,003
Net cash from (used in) operating activities		796,691	(79,699)
INVESTING ACTIVITIES			
Purchase of investments classified as FVTPL		(25,507)	(2,011)
Purchase of investment securities		(28,738)	(45,739)
Proceeds from disposal / maturity of investments classified as FVTPL		6,565	2,040
Proceeds from disposal / maturity of investment securities		31,450	18,801
Purchase of property, equipment and software		(7)	(13)
Net cash used in investing activities		(16,237)	(26,922)
FINANCING ACTIVITY			
Dividend paid		(12,500)	(8,000)
Cash used in financing activity		(12,500)	(8,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		767,954	(114,621)
Cash and cash equivalents at beginning of the period		168,039	364,181
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		935,993	249,560
Cash and cash equivalents comprise:			
Cash and balances with Central Bank and other banks with original maturity of 90 days or less - net		7,107	5,646
Deposits with banks and other financial institutions with original maturity of 90 days or less		928,886	243,914
	3	935,993	249,560

The attached notes 1 to 11 form part of these interim condensed consolidated financial statements.

ALUBAF Arab International Bank B.S.C. (c)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2024

	<i>Share capital US\$'000</i>	<i>Statutory reserve US\$'000</i>	<i>Retained earnings US\$'000</i>	<i>Fair value reserve US\$'000</i>	<i>Proposed dividend US\$'000</i>	<i>Total US\$'000</i>
Balance as at						
1 January 2024	250,000	32,549	53,984	(6,139)	12,500	342,894
Net profit for the period	-	-	4,985	-	-	4,985
Other comprehensive income for the period	-	-	-	1,342	-	1,342
Total comprehensive income for the period	-	-	4,985	1,342	-	6,327
Dividend paid (note 8)	-	-	-	-	(12,500)	(12,500)
At 30 June 2024	250,000	32,549	58,969	(4,797)	-	336,721
Balance as at						
At 1 January 2023	250,000	31,075	53,223	(9,936)	8,000	332,362
Net profit for the period	-	-	10,155	-	-	10,155
Other comprehensive loss for the period	-	-	-	(1,103)	-	(1,103)
Total comprehensive income for the period	-	-	10,155	(1,103)	-	9,052
Dividend paid	-	-	-	-	(8,000)	(8,000)
At 30 June 2023	250,000	31,075	63,378	(11,039)	-	333,414

The attached notes 1 to 11 form part of these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2024

1 CORPORATE INFORMATION

ALUBAF Arab International Bank B.S.C. (c) (the "Bank") is a closed Bahraini joint stock company incorporated in the Kingdom of Bahrain and registered with the Ministry of Industry, Commerce and Tourism under Commercial Registration (CR) number 12819. The Bank operates under a wholesale banking license issued by the Central Bank of Bahrain (the "CBB"). The Bank's registered office is Building 854, Road 3618, Avenue 436, Alubaf Tower, Al-Seef District, PO Box 11529, Manama, Kingdom of Bahrain.

The Bank has incorporated a special purpose vehicle (the "SPV") namely 'Bahrain Real Estate Development Company' in Jordan for the purpose of registration of land on behalf of the Bank. These interim condensed consolidated financial statements include the operating results of the Bank and its wholly owned SPV (together the "Group").

The interim condensed consolidated financial statements of the Group for the six-month period ended 30 June 2024 were authorised for issue in accordance with a resolution of the Bank's Board of Directors on 23 July 2024.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial statements of the Bank and the Group for the six-month period ended 30 June 2024 are prepared in accordance with International Accounting Standard IAS 34, Interim Financial Reporting ("IAS 34"). The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Bank's annual financial statements as at 31 December 2023. In addition, results for the six-months period ended 30 June 2024 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2024.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of new standards effective as of 1 January 2024.

2.2 Basis of consolidation

The interim condensed consolidated financial statements include the financial statements of the Bank and its SPV as at 30 June 2024. The reporting dates of the SPV and the Bank are identical and the SPV's accounting policies conform to those used by the Bank for like transactions and events in similar circumstances.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Specifically, the Group controls an investee if and only if the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2024

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation (continued)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of Other Comprehensive Income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- a) Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- b) Derecognises the carrying amount of any non-controlling interest;
- c) Derecognises the cumulative transaction differences, recorded in equity;
- d) Recognises the fair value of consideration received;
- e) Recognises the fair value of any investment retained;
- f) Recognises any surplus or deficit in the consolidated statement of income; and
- g) Reclassifies the parent's share of a component previously recognised in OCI to consolidated statement of income or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

2.3 New and amended standards and interpretations effective as of 1 January 2024

The following new amendments to the accounting standards became effective in 2024 and have been adopted by the Group in preparation of these interim condensed consolidated financial statements as applicable. Further, the Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The transition rules clarify that an entity is not required to provide the disclosures in any interim periods in the year of initial application of the amendments. Thus, the amendments had no impact on the Group's interim condensed consolidated financial statements.

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. This standard had no material impact on the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2024

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**2.3 New and amended standards and interpretations effective as of 1 January 2024 (continued)***Amendments to IAS 1: Classification of Liabilities as Current or Non-current*

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. This standard had no material impact on the Group.

3 CASH AND BALANCES WITH CENTRAL BANK AND OTHER BANKS

	(Reviewed) 30 June 2024 US\$'000	(Audited) 31 December 2023 US\$'000
Cash and balance with bank	12	29
Money at call and short notice with other banks	10,621	7,407
Treasury bills - balances with Central Bank	435,038	374,489
Provision for expected credit losses (note 3.1)	(3,526)	(3,647)
Cash and balances with central bank and other banks	442,145	378,278
Treasury bills - balances with Central Bank with original maturities of more than 90 days	(435,038)	(374,489)
Deposits with banks and other financial institutions with original maturities of 90 days or less	928,886	164,250
Cash and cash equivalents	935,993	168,039

As at 30 June 2024, exposure classified in stage 2 amounted to US\$ 38 thousand (31 December 2023: US\$ 31 thousand) and exposure classified in stage 3 amounted to US\$ 3,524 thousand (31 December 2023: US\$ 3,644 thousand). The remaining exposures are classified within Stage 1.

Movement in provision for expected credit losses were as follows:

	30 June 2024 (Reviewed)			
	Stage 1: 12-month ECL US\$'000	Stage 2: Lifetime ECL not credit- impaired US\$'000	Stage 3: Lifetime ECL credit- impaired US\$'000	Total ECL US\$'000
Balance at 1 January 2024	2	1	3,644	3,647
Provided during the period	-	-	-	-
Reversals during the period	(1)	-	-	(1)
	(1)	-	-	(1)
Exchange movement	-	-	(120)	(120)
At 30 June 2024	1	1	3,524	3,526

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2024

3 CASH AND BALANCES WITH CENTRAL BANK AND OTHER BANKS (continued)

	30 June 2023 (Reviewed)		
	Stage 1:	Stage 2:	Stage 3:
	12-month	Lifetime ECL	Lifetime ECL
	ECL	not credit-	credit-
	US\$'000	impaired	impaired
		US\$'000	US\$'000
			Total ECL
			US\$'000
Balance at 1 January 2023	1	1	3,497
Exchange Movement	-	-	92
At 30 June 2023	1	1	3,635

4 INVESTMENT SECURITIES

	30 June 2024 (Reviewed)		
	FVOCI	Amortised	Total
	US\$'000	cost	US\$'000
		US\$'000	US\$'000
Quoted investments			
- Sovereign debt securities	133,581	98,704	232,285
- Banks and Corporate debt securities	25,782	6,069	31,851
Total quoted investments	159,363	104,773	264,136
Provision for expected credit losses on investment securities at amortised cost	-	(501)	(501)
Total investment securities	159,363	104,272	263,635
	31 December 2023 (Audited)		
	FVOCI	Amortised	Total
	US\$'000	cost	US\$'000
		US\$'000	US\$'000
Quoted investments			
- Sovereign debt securities	127,052	109,202	236,254
- Banks and Corporate debt securities	23,483	6,080	29,563
Total quoted investments	150,535	115,282	265,817
Provision for expected credit losses on investment securities at amortised cost	-	(738)	(738)
Total investment securities	150,535	114,544	265,079

At 30 June 2024, interest in suspense amounted to US\$ 695 thousand (30 June 2023: US\$ 378 thousand).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2024

4 INVESTMENT SECURITIES (continued)**Note 4.1**

A reconciliation of changes in gross carrying amounts of investment securities at FVOCI and investment securities at amortised cost by stage is as follows:

	30 June 2024			
	Stage 1:	Stage 2:	Stage 3:	Total
	US\$ 000	US\$ 000	US\$ 000	US\$ 000
Investment securities at FVOCI				
At 1 January	89,772	58,194	2,569	150,535
Investments purchased	21,067	-	-	21,067
Investments sold / matured	(10,240)	(3,710)	-	(13,950)
Transfers between stages	14,813	(14,813)	-	-
Fair value movement	(394)	1,803	302	1,711
At 30 June	115,018	41,474	2,871	159,363
	30 June 2023			
	Stage 1:	Stage 2:	Stage 3:	Total
	US\$ 000	US\$ 000	US\$ 000	US\$ 000
Investment securities at FVOCI				
At 1 January	70,174	50,238	1,550	121,962
Investments purchased	34,866	-	-	34,866
Investments sold / matured	(1,292)	(5,128)	-	(6,420)
Fair value movement	(1,586)	(2)	764	(824)
Other movements	-	-	(81)	(81)
At 30 June	102,162	45,108	2,233	149,503
	30 June 2024			
	Stage 1:	Stage 2:	Stage 3:	Total
	US\$ 000	US\$ 000	US\$ 000	US\$ 000
Investment securities at amortised cost				
At 1 January	90,695	24,587	-	115,282
Investments purchased	7,671	-	-	7,671
Investments matured	(3,000)	(14,500)	-	(17,500)
Amortisation of premium / discount - net	(613)	(67)	-	(680)
At 30 June	94,753	10,020	-	104,773
	30 June 2023			
	Stage 1:	Stage 2:	Stage 3:	Total
	US\$ 000	US\$ 000	US\$ 000	US\$ 000
Investment securities at amortised cost				
At 1 January	113,741	13,670	-	127,411
Investments purchased	10,873	-	-	10,873
Investments matured	(12,500)	-	-	(12,500)
Amortisation of premium / discount - net	(683)	(67)	-	(750)
At 30 June	111,431	13,603	-	125,034

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2024

4 INVESTMENT SECURITIES (continued)**Note 4.2**

Movements in provision for expected credit losses of FVOCI investments were as follows:

	FVOCI			
	30 June 2024 (Reviewed)			
	Stage 1: Lifetime ECL not credit- impaired US\$ 000	Stage 2: Lifetime ECL credit- impaired US\$ 000	Stage 3: Lifetime ECL credit- impaired US\$ 000	Total US\$ 000
Balance at 1 January	91	1,753	2,817	4,661
Transfer to stage 1	77	(77)	-	-
Provided during the period	155	-	-	155
Reversals during the period	(102)	(422)	-	(524)
	130	(499)	-	(369)
At 30 June	221	1,254	2,817	4,292

	FVOCI			
	30 June 2023 (Reviewed)			
	Stage 1:	Stage 2:	Stage 3:	
	12-month	Lifetime ECL	Lifetime ECL	US\$ '000
	ECL	not credit-	credit-	Total
	US\$ '000	impaired	impaired	US\$ '000
		US\$ '000	US\$ '000	US\$ '000
Balance at 1 January	295	1,609	3,302	5,206
Provided during the period	13	-	-	13
Reversals during the period	(38)	(254)	-	(292)
	(25)	(254)	-	(279)
At 30 June	270	1,355	3,302	4,927

Movements in provision for expected credit losses of 'amortised cost' investments were as follows:

	<i>Amortised cost</i>		
	<i>30 June 2024 (Reviewed)</i>		
	<i>Stage 2:</i>		
	<i>Stage 1:</i>	<i>Lifetime ECL</i>	
	<i>12-month</i>	<i>not credit-</i>	
	<i>ECL</i>	<i>impaired</i>	<i>Total ECL</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Balance at 1 January	407	331	738
Provided during the period	-	-	-
Reversals during the period	(47)	(190)	(237)
	(47)	(190)	(237)
At 30 June	360	141	501

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2024

4 INVESTMENT SECURITIES (continued)

	<i>Amortised cost</i> <i>30 June 2023 (Reviewed)</i>		
	<i>Stage 1:</i> <i>12-month</i> <i>ECL</i> <i>US\$ '000</i>	<i>Stage 2:</i> <i>Lifetime ECL</i> <i>not credit-</i> <i>impaired</i> <i>US\$ '000</i>	<i>Total ECL</i> <i>US\$ '000</i>
Balance at 1 January 2023	561	259	820
Provided during the period	19	208	227
Reversals during the period	(28)	-	(28)
	(9)	208	199
At 30 June 2023	552	467	1,019

5 LOANS AND ADVANCES

Loans and advances are stated net of provision for loan losses.

	<i>30 June 2024 (Reviewed)</i>			
	<i>Stage 1:</i> <i>12-month</i> <i>ECL</i> <i>US\$ 000</i>	<i>Stage 2:</i> <i>Lifetime ECL</i> <i>not credit-</i> <i>impaired</i> <i>US\$ 000</i>	<i>Stage 3:</i> <i>Lifetime ECL</i> <i>credit-</i> <i>impaired</i> <i>US\$ 000</i>	<i>Total</i> <i>US\$ 000</i>
Letters of credit - financing and discounting	82,191	-	47,669	129,860
Commercial loans	61,783	-	26,784	88,567
Sovereign loans	24,889	-	-	24,889
	168,863	-	74,453	243,316
Provision for expected credit losses	(2,148)	-	(57,894)	(60,042)
	166,715	-	16,559	183,274

	<i>31 December 2023 (Audited)</i>			
	<i>Stage 1:</i> <i>12-month</i> <i>ECL</i> <i>US\$ 000</i>	<i>Stage 2:</i> <i>Lifetime ECL</i> <i>not credit-</i> <i>impaired</i> <i>US\$ 000</i>	<i>Stage 3:</i> <i>Lifetime ECL</i> <i>credit-</i> <i>impaired</i> <i>US\$ 000</i>	<i>Total</i> <i>US\$ 000</i>
Letters of credit - financing and discounting	19,478	40,738	41,324	101,540
Commercial loans	58,768	43,290	-	102,058
Sovereign loans	27,832	-	-	27,832
	106,078	84,028	41,324	231,430
Provision for expected credit losses	(1,909)	(8,562)	(41,324)	(51,795)
	104,169	75,466	-	179,635

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5 LOANS AND ADVANCES (continued)

Movements in provision for expected credit losses were as follows:

	30 June 2024 (Reviewed)			
	Stage 2:		Stage 3:	
	Stage 1:	Lifetime ECL	Lifetime ECL	Total ECL
	12-month	not credit-	credit-	
	ECL	impaired	impaired	
	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Balance at 1 January 2024	1,909	8,562	41,324	51,795
Transfer to stage 3	-	(8,511)	8,511	-
Provided during the period	695	-	8,172	8,867
Reversals during the period	(456)	(51)	-	(507)
	239	(8,562)	16,683	8,360
Exchange movement	-	-	(113)	(113)
At 30 June 2024	2,148	-	57,894	60,042

	30 June 2023 (Reviewed)			
	Stage 2:		Stage 3:	
	Stage 1:	Lifetime ECL	Lifetime ECL	Total ECL
	12-month	not credit-	credit-	
	ECL	impaired	impaired	
	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Balance at 1 January 2023	2,343	-	41,324	43,667
Transfer to Stage 2	(524)	524	-	-
Provided during the period	755	6	-	761
Reversals during the period	(198)	(211)	-	(409)
	33	319	-	352
At 30 June 2023	2,376	319	41,324	44,019

At 30 June 2024, interest in suspense on past due loans that are impaired amounted to US\$ 33,764 thousand (30 June 2023: US\$ 32,018 thousand).

6 PROVISION CHARGE FOR EXPECTED CREDIT LOSSES

	Six months ended	
	(Reviewed)	
	30 June	30 June
	2024	2023
	US\$'000	US\$'000
Charge for (reversal of) expected credit losses on:		
Balances with Central Banks and other banks - net	(1)	-
Deposits with banks and other financial institutions - net	32	(94)
Investment securities - net	(606)	(80)
Loans - net	8,360	352
Off balance sheet exposures - net	(27)	76
	7,758	254

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At 30 June 2024

7 COMMITMENTS AND CONTINGENT LIABILITIES**Credit related commitments and contingencies**

	<i>(Reviewed)</i> 30 June 2024 US\$'000	<i>(Audited)</i> 31 December 2023 US\$'000
Letters of credit	63,597	21,211
Loan commitment	10,000	20,000
	73,597	41,211

As of 30 June 2024, all the above exposures are classified within Stage 1 (31 December 2023: same) and provision against off balance sheet exposures amounting to US\$ 71 thousand (31 December 2023: US\$ 98 thousand) is classified under other liabilities.

8 DIVIDEND

During the six month period ended 30 June 2024, dividend for the year ended 31 December 2023 amounting to US\$ 12.5 million i.e. US\$ 2.5 per share was paid after due approval from the shareholders at the Annual General Assembly Meeting held on 27 March 2024.

9 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties represent shareholders, directors and key management personnel of the Bank, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

Transactions with related parties included in the interim consolidated statement of financial position and interim consolidated statement of profit or loss are as follows:

	<i>(Reviewed)</i> 30 June 2024 US\$'000	<i>(Audited)</i> 31 December 2023 US\$'000
Interim consolidated statement of financial position		
Assets		
Cash and balances with banks	4,224	1,047
Deposit with banks and financial institutions	3,214	4,431
Loans and advances	4,285	4,523
Interest receivable	18	39
Other assets	117	110
Liabilities		
Deposits from banks and other financial institutions *	724,485	518,249
Due to banks and other financial institutions	51,110	37,982
Interest payable	6,378	4,038
Other liabilities	1,221	847
Contingent liabilities		
Letters of credit	7,321	6,343

* Deposits from banks and other financial institutions include pledged cash collateral deposits amounting to USD 150 million (31 December 2023: USD 150 million) from the major shareholder of the Group for foreign trade business that the Group will receive from certain banking entities related to the Shareholder.

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9 TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)

	<i>Six months ended (Reviewed)</i>	
	30 June	30 June
	2024	2023
	US\$ '000	US\$ '000
Interim statement of profit or loss		
Interest income	224	139
Interest expense	16,648	12,491
Fee and commission income - net	189	118
	<i>Six months ended (Reviewed)</i>	
	30 June	30 June
	2024	2023
	US\$ '000	US\$ '000
Compensation paid to the Board of Directors and key management personnel		
Short term benefits*	1,507	1,648
End of service benefits	137	140
	1,644	1,788

*Includes sitting fees of US\$ 115 thousand (30 June 2023: US\$ 159 thousand), reimbursement of travel, accommodation paid to the Board of Directors and other meeting expenses amounting to US\$ 94 thousand (30 June 2023: US\$ 115 thousand).

10 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

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.

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10 FINANCIAL INSTRUMENTS (continued)*Fair value hierarchy - financial instruments measured at fair value*

The following table provides the fair value measurement hierarchy of the Group's financial instruments measured at fair value:

At 30 June 2024 (Reviewed)

	<i>Level 1</i> <i>US\$ '000</i>	<i>Level 2</i> <i>US\$ '000</i>	<i>Total</i> <i>US\$ '000</i>
Investments classified as fair value through			
- other comprehensive income	159,363	-	159,363
Instruments classified as fair value through profit and loss	11,878	10,274	22,152
	171,241	10,274	181,515

At 31 December 2023 (Audited)

	<i>Level 1</i> <i>US\$ '000</i>	<i>Level 2</i> <i>US\$ '000</i>	<i>Total</i> <i>US\$ '000</i>
Investments classified as fair value through			
- other comprehensive income	150,535	-	150,535
Instruments classified as fair value through profit and loss	2,989	-	2,989
	153,524	-	153,524

The Group has no financial instruments measured at fair value qualifying for level 3 of the fair value hierarchy as at 30 June 2024 and as at 31 December 2023.

Transfers between level 1, level 2 and level 3

During the six month period ended 30 June 2024 and 2023 respectively, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into or out of the level 3 fair value measurement.

Financial instruments not measured at fair value - comparison of fair value to carrying value

The following table provides details of the Group's financial instruments carried at amortised cost where the fair value is different from its carrying value.

At 30 June 2024 (Reviewed)

	<i>Total fair value</i> <i>US\$ '000</i>	<i>Gross Carrying value</i> <i>US\$ '000</i>
Investments at amortised cost	103,642	104,773
Loans and advances - sovereign loans	25,776	24,889
	129,418	129,662

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10 FINANCIAL INSTRUMENTS (continued)*At 31 December 2023 (Audited)*

	<i>Total fair value US\$ '000</i>	<i>Carrying value US\$ '000</i>
Investments at amortised cost	113,346	115,282
Loans and advances - sovereign loans	28,888	27,832
	<u>142,234</u>	<u>143,114</u>

Management has assessed that the fair values of financial instruments carried at amortised cost (other than those disclosed in the table above) to approximate their carrying values as of 30 June 2024 and 31 December 2023.

11 LIQUIDITY RATIOS***Liquidity Coverage Ratio***

The Group is subject to the Basel III liquidity ratios requirement, as stipulated by the regulator Central Bank of Bahrain, whereby the Bank is required to maintain a minimum of 100% Liquidity Coverage ratio (LCR).

The main objective of the Liquidity Coverage Ratio (LCR) is to promote the short-term resilience of the liquidity risk profile of banks by ensuring that they have sufficient level of high-quality liquid assets (HQLA) to survive a significant stress scenario lasting for a period of up to 30 days.

At 30 June 2024, the Group's LCR was well above the regulatory requirement and stood at 400% (31 December 2023: 783%). The Group's simple average of daily LCR computed on working days of the quarter was 507% (31 December 2023: 674%).

Net Stable Funding Ratio

The Group is subject to the Basel III liquidity ratios requirement, as stipulated by the regulator Central Bank of Bahrain, whereby the Bank is required to maintain a minimum of 100% Net Stable Funding ratio (NSFR).

The objective of the NSFR is to promote the resilience of the banking system by improving the funding profile of banks by ensuring they have a sufficient level of stable funding from stable sources and long term borrowing in relation to their assets and commitments, in order to reduce the risks of disruptions which might impact the bank's liquidity position.

The Groups NSFR was well above the regulatory requirement and stood at 142% as at 30 June 2024 (31 December 2023: 149%). The main drivers for robust Available Stable Funding (ASF) is its sizeable capital base, which contributes about 56% (31 December 2023: 76%) of total ASF and the remaining 44% (31 December 2023: 24%) of ASF constituted funding from deposits from financial institutions and non-financial corporate customers. Required Stable Funding (RSF), primarily comprised of short term deposit placements with Banks and other performing loans, which constituted about 58% (31 December 2023: 50%) of total RSF. High quality liquid assets (that comprised mainly of Bahrain government securities and other highly rated debt issuances) accounted for about 8% (31 December 2023: 9%) of the total RSF, while non-HQLA securities accounted for 20% (31 December 2023: 29%) of the total RSF.

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11 LIQUIDITY RATIOS (continued)

Net Stable Funding Ratio (continued)

The NSFR (as a percentage) is calculated as follows:

	Unweighted Values (i.e. before applying relevant factors)				30 June 2024	31 December 2023
					USD 000s	USD 000s
Item	No specified maturity	Less than 6 months	More than 6 months and less than one year	Over one year	Total weighted value	Total weighted value
<u>Available Stable Funding (ASF):</u>						
Capital:						
Regulatory Capital	337,891	-	-	-	337,891	347,473
Wholesale funding:						
Other wholesale funding	-	1,454,415	138,376	-	262,124	108,156
Other liabilities:						
All other liabilities not included in the above categories	-	17,864	220	-	-	-
Total ASF					600,015	455,629
<u>Required Stable Funding (RSF):</u>						
High-quality liquid assets (HQLA)					33,628	27,359
Performing loans and securities:						
Performing loans to financial institutions secured by non-level 1 HQLA and unsecured performing loans to financial institutions	-	1,027,940	86,727	14,999	212,554	90,760
Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and public sector entities	-	21,427	-	24,889	31,869	63,149
Performing residential mortgages, of which:						
Securities/sukuk that are not in default and do not qualify as HQLA, including exchange- traded equities	-	14,896	5,016	86,549	83,523	89,031
Other assets:						
All other assets not included in the above categories	58,555	-	-	-	58,555	33,153
Off balance sheet items	73,597	-	-	-	3,679	2,061
Total RSF					423,808	305,513
NSFR (%)					142%	149%