

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

**INTERIM CONDENSED  
CONSOLIDATED FINANCIAL STATEMENTS**

**31 MARCH 2023 (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 31 March 2023, comprising the interim consolidated statement of financial position as at 31 March 2023 and the related interim consolidated statements of profit or loss, comprehensive income, cash flows and changes in equity for the three-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.



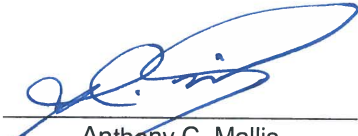
27 April 2023  
Manama, Kingdom of Bahrain

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

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2023

		<i>(Reviewed)</i> <b>31 March</b> 2023 <i>US\$'000</i>	<i>(Audited)</i> 31 December 2022 <i>US\$'000</i>
<b>ASSETS</b>	<i>Notes</i>		
Cash and balances with Central Bank and other banks	3	<b>303,618</b>	310,754
Deposits with banks and other financial institutions		<b>352,950</b>	426,404
Investment securities	4	<b>264,322</b>	248,553
Loans and advances	5	<b>180,917</b>	142,868
Investment property		<b>11,734</b>	11,734
Property, equipment and software		<b>6,972</b>	7,146
Interest receivable		<b>10,843</b>	9,828
Other assets		<b>1,275</b>	1,426
<b>TOTAL ASSETS</b>		<b>1,132,631</b>	1,158,713
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Deposits from banks and other financial institutions		<b>664,367</b>	673,394
Due to banks and other financial institutions		<b>91,126</b>	114,638
Due to customers		<b>23,916</b>	23,598
Interest payable		<b>6,519</b>	3,241
Other liabilities		<b>18,843</b>	11,480
<b>Total liabilities</b>		<b>804,771</b>	826,351
<b>Equity</b>			
Share capital		<b>250,000</b>	250,000
Statutory reserve		<b>31,075</b>	31,075
Retained earnings		<b>57,680</b>	53,223
Fair value reserve		<b>(10,895)</b>	(9,936)
Proposed dividend		-	8,000
<b>Total equity</b>		<b>327,860</b>	332,362
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,132,631</b>	1,158,713

  
Anthony C. Mallis  
Vice Chairman

  
Moraja G. Solaiman  
Chairman


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 PROFIT OR LOSS

Three months ended 31 March 2023

	Note	Three months ended	
		31 March	
		(Reviewed)	
		2023	2022
		US\$'000	US\$'000
Interest income		14,854	6,492
Interest expense		(6,860)	(942)
<b>Net interest income</b>		<b>7,994</b>	<b>5,550</b>
Fee and commission income		557	1,324
Gain on investments classified as FVTPL		29	48
Loss on investment securities - net		(119)	(180)
Foreign exchange gain - net		34	35
Other income		29	29
<b>Operating income</b>		<b>8,524</b>	<b>6,806</b>
Provision charge for expected credit losses	6	(122)	(1,790)
<b>Net operating income</b>		<b>8,402</b>	<b>5,016</b>
Staff costs		(2,855)	(2,578)
Depreciation		(183)	(179)
Other operating expenses		(907)	(813)
<b>Operating expenses</b>		<b>(3,945)</b>	<b>(3,570)</b>
<b>NET PROFIT FOR THE PERIOD</b>		<b>4,457</b>	<b>1,446</b>

  
 Anthony C. Mallis  
 Vice Chairman

  
 Moraja G. Solaiman  
 Chairman

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 COMPREHENSIVE INCOME

Three months ended 31 March 2023

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>(Reviewed)</i>	
	<b>2023</b>	<b>2022</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>NET PROFIT FOR THE PERIOD</b>	<b>4,457</b>	<b>1,446</b>
<b>Other comprehensive loss:</b>		
<i>Other comprehensive loss to be reclassified to profit or loss in subsequent periods:</i>		
Unrealised fair value loss on investments classified as fair value through other comprehensive income (FVOCI) - net	<b>(844)</b>	<b>(2,678)</b>
<i>Other comprehensive loss classified to profit or loss during the period:</i>		
Changes in allowance for expected credit losses on FVOCI investments	<b>(115)</b>	<b>2,241</b>
<b>Other comprehensive loss for the period</b>	<b>(959)</b>	<b>(437)</b>
<b>Total comprehensive income for the period</b>	<b>3,498</b>	<b>1,009</b>

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

Three months ended 31 March 2023

	Note	Three months ended	
		31 March	
		(Reviewed)	
		2023	2022
		US\$'000	US\$'000
<b>OPERATING ACTIVITIES</b>			
Net profit for the period		4,457	1,446
Adjustments for:			
Provision charge for expected credit losses	6	122	1,790
Depreciation		183	179
Amortisation of investments carried at amortised cost		373	403
Investment loss - net		119	180
Amortisation of assets classified as loans and advances		(274)	(300)
Operating profit before changes in operating assets and liabilities		4,980	3,698
Changes in operating assets and liabilities:			
Balances with Central Bank		(1,021)	149,095
Deposits with banks and other financial institutions		29,406	38,782
Investments classified as fair value through profit or loss		-	3,661
Loans and advances		(37,993)	(29,397)
Interest receivable and other assets		(864)	(645)
Deposits from banks and other financial institutions		(9,027)	(114,214)
Due to banks and other financial institutions		(23,512)	3,028
Due to customers		318	(1,583)
Interest payable and other liabilities		2,643	(53)
Net cash (used in) from operating activities		(35,070)	52,372
<b>INVESTING ACTIVITIES</b>			
Purchase of investment securities		(35,934)	(26,645)
Proceeds from disposal / maturity of investment securities		18,801	10,001
Purchase of property, equipment and software		(9)	(20)
Net cash used in investing activities		(17,142)	(16,664)
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(52,212)</b>	<b>35,708</b>
Cash and cash equivalents at beginning of the period		364,181	426,705
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>		<b>311,969</b>	<b>462,413</b>
<b>Cash and cash equivalents comprise:</b>			
Cash and balances with Central Bank and other banks with original maturity of three months or less		3,875	194,938
Deposits with banks and other financial institutions with original maturity of three months or less		308,094	267,475
		311,969	462,413

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

Three months ended 31 March 2023

	<i>Share capital</i> US\$'000	<i>Statutory reserve</i> US\$'000	<i>Retained earnings</i> US\$'000	<i>Fair value reserve</i> US\$'000	<i>Proposed dividend</i> US\$'000	<i>Total</i> US\$'000
<b>Balance as at 1 January 2023</b>	<b>250,000</b>	<b>31,075</b>	<b>53,223</b>	<b>(9,936)</b>	<b>8,000</b>	<b>332,362</b>
Net profit for the period	-	-	4,457	-	-	4,457
Other comprehensive loss for the period	-	-	-	(959)	-	(959)
Total comprehensive income for the period	-	-	4,457	(959)	-	3,498
Dividend (note 8)	-	-	-	-	(8,000)	(8,000)
<b>At 31 March 2023</b>	<b>250,000</b>	<b>31,075</b>	<b>57,680</b>	<b>(10,895)</b>	<b>-</b>	<b>327,860</b>
 Balance as at At 1 January 2022	 250,000	 30,115	 52,580	 (5,294)	 12,500	 339,901
Net profit for the period	-	-	1,446	-	-	1,446
Other comprehensive loss for the period	-	-	-	(437)	-	(437)
Total comprehensive income for the period	-	-	1,446	(437)	-	1,009
At 31 March 2022	250,000	30,115	54,026	(5,731)	12,500	340,910

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

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2023

**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 three month period ended 31 March 2023 were authorised for issue in accordance with a resolution of the Bank's Board of Directors on 27 April 2023.

**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 three month period ended 31 March 2023 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 2022. In addition, results for the three months period then ended 31 March 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

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 2022, except for the adoption of new standards effective as of 1 January 2023.

**2.2 Basis of consolidation**

The interim condensed consolidated financial statements include the financial statements of the Bank and its SPV as at 31 March 2023. 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 reassesses 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.



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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2023

**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 2023**

The following new amendments to the accounting standards became effective in 2023 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.

*IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities*

As part of its 2018-2020 Annual Improvements to IFRS standards process, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. These amendments had no impact on the interim condensed consolidated financial statements of the Group.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2023

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.3 New and amended standards and interpretations effective as of 1 January 2023 (continued)**

*IFRS 17 Insurance Contracts*

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach); and
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard has no material impact on the Group.

*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 2023 and must be applied retrospectively. This standard has no material impact on the Group.

*Definition of Accounting Estimates - Amendments to IAS 8*

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments have no material impact on the Group.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2023

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.3 New and amended standards and interpretations effective as of 1 January 2023 (continued)**

*Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2*

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary. The amendments have no material impact on the Group.

*Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12*

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The amendments have no material impact on the Group.

**2.4 New and amended standards and interpretations issued but not yet effective**

New and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's interim condensed consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

*Lease Liability in a Sale and Leaseback – Amendments to IFRS 16*

In September 2022, the Board issued Lease Liability in a Sale and Leaseback (Amendments to IFRS 16). The amendment to IFRS 16 specifies 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.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2023

**3 CASH AND BALANCES WITH CENTRAL BANK AND OTHER BANKS**

	<i>(Reviewed)</i> <b>31 March</b> <b>2023</b> <b>US\$'000</b>	<i>(Audited)</i> <b>31 December</b> <b>2022</b> <b>US\$'000</b>
Cash and balance with bank	<b>6</b>	15
Money at call and short notice with other banks	<b>7,438</b>	15,517
Treasury bills - balances with Central Bank	<b>299,743</b>	298,721
Provision for expected credit losses (note 3.1)	<b>(3,569)</b>	(3,499)
<b>Cash and balances with central bank and other banks</b>	<b>303,618</b>	310,754
Treasury bills - balances with Central Bank with original maturities of more than 90 days	<b>(299,743)</b>	(298,721)
Deposits with banks and other financial institutions with original maturities of 90 days or less	<b>308,094</b>	352,148
<b>Cash and cash equivalents</b>	<b>311,969</b>	364,181

As at 31 March 2023, exposure classified in stage 2 amounted to US\$ 161 thousand (31 December 2022: US\$ 157 thousand) and exposure classified in stage 3 amounted to US\$ 3,567 thousand (31 December 2022: US\$ 3,497 thousand). The remaining exposures are classified within Stage 1.

Movement in provision for expected credit losses were as follows:

	<b>31 March 2023 (Reviewed)</b>			
	<b>Stage 1: 12-month ECL US\$'000</b>	<b>Stage 2: Lifetime ECL not credit- impaired US\$'000</b>	<b>Stage 3: Lifetime ECL credit- impaired US\$'000</b>	<b>Total ECL US\$'000</b>
<b>Balance at 1 January 2023</b>	<b>1</b>	<b>1</b>	<b>3,497</b>	<b>3,499</b>
Provided during the period	-	-	-	-
Reversals during the period	-	-	-	-
Exchange movement	-	-	<b>70</b>	<b>70</b>
<b>At 31 March 2023</b>	<b>1</b>	<b>1</b>	<b>3,567</b>	<b>3,569</b>
	<b>31 March 2022 (Reviewed)</b>			
	<b>Stage 1: 12-month ECL US\$'000</b>	<b>Stage 2: Lifetime ECL not credit- impaired US\$'000</b>	<b>Stage 3: Lifetime ECL credit- impaired US\$'000</b>	<b>Total ECL US\$'000</b>
Balance at 1 January 2022	6	-	3,735	3,741
Provided during the period	1	-	-	1
Reversals during the period	(4)	-	-	(4)
Exchange Movement	(3)	-	-	(3)
Exchange Movement	-	-	(63)	(63)
<b>At 31 March 2022</b>	<b>3</b>	<b>-</b>	<b>3,672</b>	<b>3,675</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2023

## 4 INVESTMENT SECURITIES

	<i>31 March 2023 (Reviewed)</i>		
	<i>FVOCI</i> <i>US\$'000</i>	<i>Amortised</i> <i>cost</i> <i>US\$'000</i>	<i>Total</i> <i>US\$'000</i>
<b>Quoted investments</b>			
- Sovereign debt securities*	121,581	120,314	241,895
- Banks and Corporate debt securities	18,178	5,097	23,275
<b>Total quoted investments</b>	<b>139,759</b>	<b>125,411</b>	<b>265,170</b>
Provision for expected credit losses on investment securities at amortised cost	-	(848)	(848)
<b>Total investment securities</b>	<b>139,759</b>	<b>124,563</b>	<b>264,322</b>
	<i>31 December 2022 (Audited)</i>		
	<i>FVOCI</i> <i>US\$'000</i>	<i>Amortised</i> <i>cost</i> <i>US\$'000</i>	<i>Total</i> <i>US\$'000</i>
Quoted investments			
- Sovereign debt securities	97,612	125,371	222,983
- Banks and Corporate debt securities	24,350	2,040	26,390
<b>Total quoted investments</b>	<b>121,962</b>	<b>127,411</b>	<b>249,373</b>
Provision for expected credit losses on investment securities at amortised cost	-	(820)	(820)
<b>Total investment securities</b>	<b>121,962</b>	<b>126,591</b>	<b>248,553</b>

At 31 March 2023, interest in suspense amounted to US\$ 299 thousand (31 March 2022: nil).

**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:

	<i>31 March 2023</i>			
	<i>Stage 1:</i> <i>US\$ 000</i>	<i>Stage 2:</i> <i>US\$ 000</i>	<i>Stage 3:</i> <i>US\$ 000</i>	<i>Total</i> <i>US\$ 000</i>
<b>Investment securities at FVOCI</b>				
At 1 January	70,174	50,238	1,550	121,962
Investments purchased	25,061	-	-	25,061
Investments sold / matured	(1,292)	(5,128)	-	(6,420)
Transfers between stages	-	-	-	-
Fair value movement	(1,574)	524	206	(844)
<b>At 31 March</b>	<b>92,369</b>	<b>45,634</b>	<b>1,756</b>	<b>139,759</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2023

## 4 INVESTMENT SECURITIES (continued)

	31 March 2022			
	Stage 1: US\$ 000	Stage 2: US\$ 000	Stage 3: US\$ 000	Total US\$ 000
Investment securities at FVOCI				
At 1 January	85,195	37,415	-	122,610
Investments purchased	18,149	-	-	18,149
Investments sold / matured	(5,144)	(5,037)	-	(10,181)
Transfers between stages	-	(2,769)	2,769	-
Fair value movement	(1,657)	(752)	(269)	(2,678)
At 31 March	96,543	28,857	2,500	127,900

	31 March 2023			
	Stage 1: US\$ 000	Stage 2: US\$ 000	Stage 3: US\$ 000	Total US\$ 000
<b>Investment securities at amortised cost</b>				
At 1 January	113,741	13,670	-	127,411
Investments purchased	10,873	-	-	10,873
Investments sold / matured	(12,500)	-	-	(12,500)
Amortisation of premium / discount - net	(339)	(34)	-	(373)
At 31 March	111,775	13,636	-	125,411

	31 March 2022			
	Stage 1: US\$ 000	Stage 2: US\$ 000	Stage 3: US\$ 000	Total US\$ 000
Investment securities at amortised cost				
At 1 January	117,982	24,061	-	142,043
Investments purchased	8,496	-	-	8,496
Amortisation of premium / discount - net	(386)	(17)	-	(403)
At 31 March	126,092	24,044	-	150,136

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

	FVOCI			Total US\$ 000
	Stage 1: ECL US\$ 000	Stage 2: Lifetime ECL not credit- impaired US\$ 000	Stage 3: Lifetime ECL credit- impaired US\$ 000	
<b>31 March 2023 (Reviewed)</b>				
Balance at 1 January	295	1,609	3,302	5,206
Provided during the period	13	-	-	13
Reversals during the period	(7)	(121)	-	(128)
	6	(121)	-	(115)
At 31 March	301	1,488	3,302	5,091

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2023

## 4 INVESTMENT SECURITIES (continued)

	<i>FVOCI</i>			<i>US\$ '000</i>
	<i>31 March 2022 (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>	
Balance at 1 January	458	774	-	1,232
Transfer to stage 3	-	(411)	411	-
Provided during the period	112	-	2,170	2,282
Reversals during the period	(11)	(30)	-	(41)
	101	(441)	2,581	2,241
At 31 March	559	333	2,581	3,473

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

	<i>Amortised cost</i>		
	<i>31 March 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	561	259	820
Provided during the period	29	1	30
Reversals during the period	(2)	-	(2)
	27	1	28
At 31 March	588	260	848

	<i>Amortised cost</i>		
	<i>31 March 2022 (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 2022	399	743	1,142
Provided during the period	37	-	37
Reversals during the period	(15)	(187)	(202)
	22	(187)	(165)
At 31 March 2022	421	556	977

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2023

## 5 LOANS AND ADVANCES

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

	31 March 2023 (Reviewed)			Total US\$ 000
	Stage 1: 12-month ECL US\$ 000	Stage 2: Lifetime ECL not credit- impaired US\$ 000	Stage 3: Lifetime ECL credit- impaired US\$ 000	
Letters of credit - financing and discounting	50,916	-	41,324	92,240
Sovereign loans	30,444	-	-	30,444
Commercial loans	102,118	-	-	102,118
	183,478	-	41,324	224,802
Provision for expected credit losses	(2,561)	-	(41,324)	(43,885)
	180,917	-	-	180,917
	31 December 2022 (Audited)			
	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 US\$ 000
Letters of credit - financing and discounting	8,590	-	41,324	49,914
Sovereign loans	36,548	-	-	36,548
Commercial loans	100,073	-	-	100,073
	145,211	-	41,324	186,535
Provision for expected credit losses	(2,343)	-	(41,324)	(43,667)
	142,868	-	-	142,868

Movements in provision for expected credit losses were as follows:

	31 March 2023 (Reviewed)			Total ECL US\$ '000
	Stage 1: 12-month ECL US\$ '000	Stage 2: Lifetime ECL not credit- impaired US\$ '000	Stage 3: Lifetime ECL credit- impaired US\$ '000	
<b>Balance at 1 January 2023</b>	2,343	-	41,324	43,667
Provided during the period	547	-	-	547
Reversals during the period	(329)	-	-	(329)
	218	-	-	218
<b>At 31 March 2023</b>	2,561	-	41,324	43,885



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2023

**5 LOANS AND ADVANCES (continued)**

	<i>31 March 2022 (Reviewed)</i>			<i>Total ECL US\$ '000</i>
	<i>Stage 1:</i>	<i>Stage 2:</i>	<i>Stage 3:</i>	
	<i>12-month</i>	<i>Lifetime ECL</i>	<i>Lifetime ECL</i>	
	<i>ECL</i>	<i>not credit-</i>	<i>credit-</i>	
<i>US\$ '000</i>	<i>impaired</i>	<i>impaired</i>	<i>US\$ '000</i>	
Balance at 1 January 2022	2,267	-	41,303	43,570
Provided during the period	302	-	21	323
Reversals during the period	(516)	-	-	(516)
	(214)	-	21	(193)
At 31 March 2022	2,053	-	41,324	43,377

At 31 March 2023, interest in suspense on past due loans that are impaired amounted to US\$ 31,876 thousand (31 March 2022: US\$ 31,309 thousand).

**6 PROVISION CHARGE FOR EXPECTED CREDIT LOSSES**

	<i>Three months ended (Reviewed)</i>	
	<i>31 March 2023 US\$'000</i>	<i>31 March 2022 US\$'000</i>
	Charge for (reversal of) expected credit losses on:	
Balances with Central Banks and other banks - net	-	(3)
Deposits with banks and other financial institutions - net	(7)	(75)
Investment securities - net	(87)	2,076
Loans - net	218	(193)
Off balance sheet exposures - net	(2)	(15)
	122	1,790

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

	<i>(Reviewed)</i>	<i>(Audited)</i>
	<i>31 March 2023 US\$'000</i>	<i>31 December 2022 US\$'000</i>
	Letters of credit	44,540
Loan commitment	20,000	-
	64,540	72,088

As of 31 March 2023, all the above exposures are classified within Stage 1 (31 December 2022: same) and provision against off balance sheet exposures amounting to US\$ 21 thousand (31 December 2022: US\$ 23 thousand) is classified under other liabilities.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2023

**8 DIVIDEND**

Dividend for the year ended 31 December 2022 amounting to US\$ 8 million i.e. US\$ 1.6 per share was transferred to Other liabilities as of 31 March 2023 after due approval from the shareholders at the Annual General Assembly Meeting held on 29 March 2023.

**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> <b>31 March</b> <b>2023</b> <b>US\$'000</b>	<i>(Audited)</i> <b>31 December</b> <b>2022</b> <b>US\$'000</b>
<b>Interim consolidated statement of financial position</b>		
<b>Assets</b>		
Cash and balances with banks	744	553
Loans and advances	4,453	4,389
Interest receivable	35	36
Other assets	100	88
<b>Liabilities</b>		
Deposits from banks and other financial institutions *	437,609	524,579
Due to banks and other financial institutions	43,405	40,710
Interest payable	5,751	2,990
Other liabilities	499	501
	<i>(Reviewed)</i> <b>31 March</b> <b>2023</b> <b>US\$'000</b>	<i>(Audited)</i> <b>31 December</b> <b>2022</b> <b>US\$'000</b>
<b>Contingent liabilities</b>		
Letters of credit	2,512	3,009
* Deposits from banks and other financial institutions include pledged cash collateral deposits amounting to 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.		
	<i>Three months ended</i> <i>(Reviewed)</i>	
	<b>31 March</b> <b>2023</b> <b>US\$ '000</b>	<b>31 March</b> <b>2022</b> <b>US\$ '000</b>
<b>Interim statement of profit or loss</b>		
Interest income	66	35
Interest expense	6,256	857
Fee and commission income - net	67	93

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2023

**9 TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)**

	<i>Three months ended</i>	
	<i>(Reviewed)</i>	
	<b>31 March</b>	<i>31 March</i>
	<b>2023</b>	<i>2022</i>
	<b>US\$ '000</b>	<i>US\$ '000</i>
<b>Compensation paid to the Board of Directors and key management personnel</b>		
Short term benefits*	<b>844</b>	812
End of service benefits	<b>70</b>	64
	<b>914</b>	876

\*Includes sitting fees of US\$ 62 thousand (31 March 2022: US\$ 59 thousand) and reimbursement of travel, accommodation and other expenses paid to the Board of Directors amounting to US\$ 40 thousand (31 March 2022: US\$ 26 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.

***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 31 March 2023 (Reviewed)***

	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>US\$ '000</b>
Investments classified as fair value through			
- other comprehensive income	<b>139,759</b>	-	<b>139,759</b>
Derivative financial instruments (liability)	-	<b>114</b>	<b>114</b>
	<b>139,759</b>	<b>114</b>	<b>139,873</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2023

**10 FINANCIAL INSTRUMENTS (continued)**

At 31 December 2022 (Audited)

	Level 1 US\$ '000	Level 2 US\$ '000	Total US\$ '000
Investments classified as fair value through - other comprehensive income	121,962	-	121,962
Derivative financial instruments (asset)	-	3	3
	<u>121,962</u>	<u>3</u>	<u>121,965</u>

The Group has no financial instruments measured at fair value qualifying for level 3 of the fair value hierarchy as at 31 March 2023 and as at 31 December 2022.

**Transfers between level 1, level 2 and level 3**

During the three month period ended 31 March 2023 and 2022 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 31 March 2023 (Reviewed)

	Total fair value US\$ '000	Carrying value US\$ '000
Investments at amortised cost	117,076	125,411
Loans and advances - sovereign loans	32,081	30,444
	<u>149,157</u>	<u>155,855</u>

At 31 December 2022 (Audited)

	Total fair value US\$ '000	Carrying value US\$ '000
Investments at amortised cost	121,095	127,411
Loans and advances - sovereign loans	34,893	33,603
	<u>155,988</u>	<u>161,014</u>

- The fair values of the above financial assets are determined based on quoted prices in the active markets hence considered as level 1.

Management has assessed that the fair values of balances with banks, deposits with banks and other financial institutions, loans and advances (other than those disclosed in the table above), interest receivable, other assets, deposits from banks and other financial institutions, due to banks and other financial institutions, due to customers, interest payable and other liabilities to approximate their carrying values as of 31 March 2023 and 31 December 2022.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 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) and Net Stable Funding ratio (NSFR).

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 31 March 2023, the Group's LCR was well above the regulatory requirement and stood at 492% (31 December 2022: 416%). The Group's simple average of daily LCR computed on working days of the quarter was 570% (31 December 2022: 536%).

***Net Stable Funding Ratio***

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 130% as at 31 March 2023 (31 December 2022: 136%). The main drivers for robust Available Stable Funding (ASF) is its sizeable capital base, which contributes about 79% (31 December 2022: 76%) of total ASF and the remaining 21% (31 December 2022: 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 52% (31 December 2022: 52%) 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 2022: 8%) of the total RSF, while non-HQLA securities accounted for 30% (31 December 2022: 29%) of the total RSF.

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2023

### 11 LIQUIDITY RATIOS (continued)

#### **Net Stable Funding Ratio (continued)**

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

	<i>Unweighted Values (i.e. before applying relevant factors)</i>				<b>31 March 2023</b>	<i>31 December 2022</i>
					<b>USD 000s</b>	<i>USD 000s</i>
<i>Item</i>	<b>No specified maturity</b>	<b>Less than 6 months</b>	<b>More than 6 months and less than one year</b>	<b>Over one year</b>	<b>Total weighted value</b>	<b>Total weighted value</b>
<b>Available Stable Funding (ASF):</b>						
<b>Capital:</b>						
Regulatory Capital	329,824	-	-	-	329,824	334,090
<b>Wholesale funding:</b>						
Other wholesale funding	-	630,545	148,865	-	86,391	105,757
<b>Other liabilities:</b>						
All other liabilities not included in the above categories	-	25,296	47	-	-	-
<b>Total ASF</b>					<b>416,215</b>	<b>439,847</b>
<b>Required Stable Funding (RSF):</b>						
High-quality liquid assets (HQLA)					25,110	26,675
<b>Performing loans and securities:</b>						
Performing loans to financial institutions secured by non-level 1 HQLA and unsecured performing loans to financial institutions	-	382,782	40,367	1,483	79,084	77,720
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and public sector entities	-	16,346	20,230	79,235	85,638	91,442
Performing residential mortgages, of which:						
Securities/sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	8,816	108,880	96,956	94,146
<b>Other assets:</b>						
All other assets not included in the above categories	29,508	-	-	-	29,508	28,774
Off balance sheet items		64,540	-	-	3,227	3,604
<b>Total RSF</b>					<b>319,523</b>	<b>322,361</b>
<b>NSFR (%)</b>					<b>130%</b>	<b>136%</b>