

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

**INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

31 MARCH 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 31 March 2024, comprising the interim consolidated statement of financial position as at 31 March 2024 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.



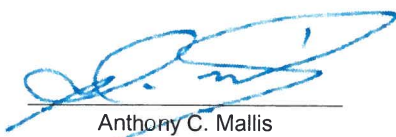
5 May 2024
Manama, Kingdom of Bahrain

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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2024

		(Reviewed) 31 March 2024 US\$'000	(Audited) 31 December 2023 US\$'000
	<i>Notes</i>		
ASSETS			
Cash and balances with Central Bank and other banks	3	360,556	378,278
Deposits with banks and other financial institutions		328,885	280,640
Investments classified as fair value through profit or loss		11,905	2,989
Investment securities	4	266,343	265,079
Loans and advances	5	162,483	179,635
Investment property		11,734	11,734
Property, equipment and software		6,448	6,619
Interest receivable		14,508	17,359
Other assets		1,288	1,333
TOTAL ASSETS		1,164,150	1,143,666
LIABILITIES AND EQUITY			
Liabilities			
Deposits from banks and other financial institutions		711,624	657,541
Due to banks and other financial institutions		65,240	106,234
Due to customers		20,676	21,299
Interest payable		7,106	4,111
Other liabilities		24,764	11,587
Total liabilities		829,410	800,772
Equity			
Share capital		250,000	250,000
Statutory reserve		32,549	32,549
Retained earnings		56,582	53,984
Fair value reserve		(4,391)	(6,139)
Proposed dividend		-	12,500
Total equity		334,740	342,894
TOTAL LIABILITIES AND EQUITY		1,164,150	1,143,666


Anthony C. Mallis
Vice Chairman


Khaled Al Gonsel
Chairman

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

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

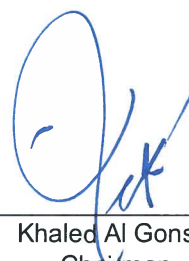
INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Three months ended 31 March 2024

		<i>Three months ended</i>	
		<i>31 March</i>	
		<i>(Reviewed)</i>	
		2024	2023
	<i>Note</i>	US\$'000	US\$'000
Interest income		17,182	14,854
Interest expense		(8,299)	(6,860)
Net interest income		8,883	7,994
Fee and commission income		366	557
Gain on investments classified as FVTPL		2	29
Loss on investment securities - net		-	(119)
Foreign exchange gain - net		26	34
Other income		230	29
Operating income		9,507	8,524
Provision charge for expected credit losses	6	(3,148)	(122)
Net operating income		6,359	8,402
Staff costs		(2,562)	(2,855)
Depreciation		(175)	(183)
Other operating expenses		(1,024)	(907)
Operating expenses		(3,761)	(3,945)
NET PROFIT FOR THE PERIOD		2,598	4,457



Anthony C. Mallis
Vice Chairman



Khaled Al Gonsel
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 2024

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>(Reviewed)</i>	
	2024	2023
	US\$'000	US\$'000
NET PROFIT FOR THE PERIOD	2,598	4,457
Other comprehensive gain (loss):		
<i>Other comprehensive gain (loss) to be reclassified to profit or loss in subsequent periods:</i>		
Unrealised fair value gain (loss) on investments classified as fair value through other comprehensive income (FVOCI) - net	1,975	(844)
<i>Other comprehensive loss classified to profit or loss during the period:</i>		
Changes in allowance for expected credit losses on FVOCI investments	(227)	(115)
Other comprehensive gain (loss) for the period	1,748	(959)
Total comprehensive income for the period	4,346	3,498

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 2024

		Three months ended 31 March (Reviewed)	
		2024	2023
	Note	US\$'000	US\$'000
OPERATING ACTIVITIES			
Net profit for the period		2,598	4,457
Adjustments for:			
Provision charge for expected credit losses	6	3,148	122
Depreciation		175	183
Amortisation of investments carried at amortised cost		361	373
Loss on investment securities - net		-	119
Gain on investments classified as FVTPL		(2)	(29)
Amortisation of assets classified as loans and advances		(245)	(274)
Operating profit before changes in operating assets and liabilities		6,035	4,951
Changes in operating assets and liabilities:			
Balances with Central Bank		20,018	(1,021)
Deposits with banks and other financial institutions		37,502	29,406
Loans and advances		13,849	(37,993)
Interest receivable and other assets		2,896	(864)
Deposits from banks and other financial institutions		54,083	(9,027)
Due to banks and other financial institutions		(40,994)	(23,512)
Due to customers		(623)	318
Interest payable and other liabilities		3,709	2,643
Net cash from (used in) operating activities		96,475	(35,099)
INVESTING ACTIVITIES			
Purchase of investments classified as FVTPL		(15,509)	(2,011)
Purchase of investment securities		(7,502)	(35,934)
Proceeds from disposal / maturity of investments classified as FVTPL		6,595	2,040
Proceeds from disposal / maturity of investment securities		8,000	18,801
Purchase of property, equipment and software		(4)	(9)
Net cash used in investing activities		(8,420)	(17,113)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		88,055	(52,212)
Cash and cash equivalents at beginning of the period		168,039	364,181
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		256,094	311,969
Cash and cash equivalents comprise:			
Cash and balances with Central Bank and other banks with original maturity of three months or less - net		6,084	3,875
Deposits with banks and other financial institutions with original maturity of three months or less		250,010	308,094
		256,094	311,969

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 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	-	-	2,598	-	-	2,598
Other comprehensive loss for the period	-	-	-	1,748	-	1,748
Total comprehensive income for the period	-	-	2,598	1,748	-	4,346
Dividend (note 8)	-	-	-	-	(12,500)	(12,500)
At 31 March 2024	250,000	32,549	56,582	(4,391)	-	334,740
Balance as at At 1 January 2023	250,000	31,075	53,223	(9,936)	8,000	332,362
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	-	-	-	-	(8,000)	(8,000)
At 31 March 2023	250,000	31,075	57,680	(10,895)	-	327,860

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 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 three month period ended 31 March 2024 were authorised for issue in accordance with a resolution of the Bank's Board of Directors on 2 May 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 three month period ended 31 March 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 three months period ended 31 March 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 31 March 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 31 March 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 has no material impact on the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 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 has no material impact on the Group.

3 CASH AND BALANCES WITH CENTRAL BANK AND OTHER BANKS

	(Reviewed) 31 March 2024 US\$'000	(Audited) 31 December 2023 US\$'000
Cash and balance with bank	4	29
Money at call and short notice with other banks	9,630	7,407
Treasury bills - balances with Central Bank	354,472	374,489
Provision for expected credit losses (note 3.1)	(3,550)	(3,647)
Cash and balances with central bank and other banks	360,556	378,278
Treasury bills - balances with Central Bank with original maturities of more than 90 days	(354,472)	(374,489)
Deposits with banks and other financial institutions with original maturities of 90 days or less	250,010	164,250
Cash and cash equivalents	256,094	168,039

As at 31 March 2024, exposure classified in stage 2 amounted to US\$ 62 thousand (31 December 2023: US\$ 31 thousand) and exposure classified in stage 3 amounted to US\$ 3,548 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:

	31 March 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	-	-	(96)	(96)
At 31 March 2024	1	1	3,548	3,550

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2024

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

	31 March 2023 (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 2023	1	1	3,497
Provided during the period	-	-	-
Reversals during the period	-	-	-
Exchange Movement	-	-	70
At 31 March 2023	1	1	3,567

4 INVESTMENT SECURITIES

	31 March 2024 (Reviewed)		
	FVOCI US\$'000	Amortised cost US\$'000	Total US\$'000
Quoted investments			
- Sovereign debt securities	136,486	100,847	237,333
- Banks and Corporate debt securities	23,526	6,074	29,600
Total quoted investments	160,012	106,921	266,933
Provision for expected credit losses on investment securities at amortised cost	-	(590)	(590)
Total investment securities	160,012	106,331	266,343
	31 December 2023 (Audited)		
	FVOCI US\$'000	Amortised cost US\$'000	Total 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 31 March 2024, interest in suspense amounted to US\$ 616 thousand (31 March 2023: US\$ 299 thousand).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 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:

	31 March 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	7,502	-	-	7,502
Transfers between stages	14,813	(14,813)	-	-
Fair value movement	(484)	2,060	399	1,975
At 31 March	111,603	45,441	2,968	160,012
	31 March 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	25,061	-	-	25,061
Investments sold / matured	(1,292)	(5,128)	-	(6,420)
Transfers between stages	-	-	-	-
Fair value movement	(1,574)	524	206	(844)
At 31 March	92,369	45,634	1,756	139,759
	31 March 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 sold / matured	(3,000)	(5,000)	-	(8,000)
Amortisation of premium / discount - net	(324)	(37)	-	(361)
At 31 March	87,371	19,550	-	106,921
	31 March 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 sold / matured	(12,500)	-	-	(12,500)
Amortisation of premium / discount - net	(339)	(34)	-	(373)
At 31 March	111,775	13,636	-	125,411

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2024

4 INVESTMENT SECURITIES (continued)

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

	FVOCI			
	31 March 2024 (Reviewed)			
	Stage 1:	Stage 2:	Stage 3:	
	Lifetime ECL	Lifetime ECL	Lifetime ECL	
	not credit-	credit-		
	impaired	impaired		
	US\$ 000	US\$ 000	US\$ 000	Total
	US\$ 000	US\$ 000	US\$ 000	US\$ 000
Balance at 1 January	91	1,753	2,817	4,661
Transfer to stage 1	77	(77)	-	-
Provided during the period	-	-	-	-
Reversals during the period	(76)	(151)	-	(227)
	1	(228)	-	(227)
At 31 March	92	1,525	2,817	4,434

	FVOCI			
	31 March 2023 (Reviewed)			
	Stage 1:	Stage 2:	Stage 3:	
	Lifetime ECL	Lifetime ECL	Lifetime ECL	
	not credit-	credit-		
	impaired	impaired		
	US\$ 000	US\$ 000	US\$ 000	US\$ '000
	US\$ 000	US\$ 000	US\$ 000	Total
	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	(7)	(121)	-	(128)
	6	(121)	-	(115)
At 31 March	301	1,488	3,302	5,091

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

	Amortised cost			
	31 March 2024 (Reviewed)			
	Stage 1:	Stage 2:		
	Lifetime ECL	Lifetime ECL		
	not credit-	not credit-		
	impaired	impaired		
	US\$ 000	US\$ 000	Total ECL	
	US\$ 000	US\$ 000	US\$ '000	
Balance at 1 January	407	331	738	
Provided during the period	2	-	2	
Reversals during the period	(24)	(126)	(150)	
	(22)	(126)	(148)	
At 31 March	385	205	590	

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2024

4 INVESTMENT SECURITIES (continued)

	<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 2023	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

5 LOANS AND ADVANCES

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

	<i>31 March 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	56,433	-	74,653	131,086
Sovereign loans	24,644	-	-	24,644
Commercial loans	62,060	-	-	62,060
	143,137	-	74,653	217,790
Provision for expected credit losses	(2,302)	-	(53,005)	(55,307)
	140,835	-	21,648	162,483

	<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
Sovereign loans	27,832	-	-	27,832
Commercial loans	58,768	43,290	-	102,058
	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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2024

5 LOANS AND ADVANCES (continued)

Movements in provision for expected credit losses were as follows:

	31 March 2024 (Reviewed)			
	Stage 1:	Stage 2:	Stage 3:	
	12-month	Lifetime ECL	Lifetime ECL	
	ECL	not credit-	credit-	
	US\$ '000	impaired	impaired	Total ECL
		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	604	-	3,206	3,810
Reversals during the period	(211)	(51)	-	(262)
	393	(8,562)	11,717	3,548
Exchange movement	-	-	(36)	(36)
At 31 March 2024	2,302	-	53,005	55,307
	31 March 2023 (Reviewed)			
	Stage 1:	Stage 2:	Stage 3:	
	12-month	Lifetime ECL	Lifetime ECL	
	ECL	not credit-	credit-	
	US\$ '000	impaired	impaired	Total ECL
		US\$ '000	US\$ '000	US\$ '000
Balance at 1 January 2023	2,343	-	41,324	43,667
Provided during the period	547	-	-	547
Reversals during the period	(329)	-	-	(329)
	218	-	-	218
At 31 March 2023	2,561	-	41,324	43,885

At 31 March 2024, interest in suspense on past due loans that are impaired amounted to US\$ 33,041 thousand (31 March 2023: US\$ 31,876 thousand).

6 PROVISION CHARGE FOR EXPECTED CREDIT LOSSES

	Three months ended	
	(Reviewed)	
	31 March	31 March
	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	13	(7)
Investment securities - net	(375)	(87)
Loans - net	3,548	218
Off balance sheet exposures - net	(37)	(2)
	3,148	122

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

	<i>(Reviewed)</i> 31 March 2024 US\$'000	<i>(Audited)</i> 31 December 2023 US\$'000
Letters of credit	24,794	21,211
Loan commitment	30,000	20,000
	54,794	41,211

As of 31 March 2024, all the above exposures are classified within Stage 1 (31 December 2023: same) and provision against off balance sheet exposures amounting to US\$ 61 thousand (31 December 2023: US\$ 98 thousand) is classified under other liabilities.

8 DIVIDEND

Dividend for the year ended 31 December 2023 amounting to US\$ 12.5 million i.e. US\$ 2.5 per share was transferred to other liabilities as of 31 March 2024 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> 31 March 2024 US\$'000	<i>(Audited)</i> 31 December 2023 US\$'000
Interim consolidated statement of financial position		
Assets		
Cash and balances with banks	514	1,047
Deposit with banks and financial institutions	4,500	4,431
Loans and advances	4,314	4,523
Interest receivable	21	39
Other assets	96	110
Liabilities		
Deposits from banks and other financial institutions *	543,619	518,249
Due to banks and other financial institutions	27,212	37,982
Interest payable	6,828	4,038
Other liabilities	839	847
Contingent liabilities		
Letters of credit	7,122	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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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9 TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)

	<i>Three months ended (Reviewed)</i>	
	31 March	<i>31 March</i>
	2024	<i>2023</i>
	US\$ '000	<i>US\$ '000</i>
Interim statement of profit or loss		
Interest income	82	66
Interest expense	7,561	6,256
Fee and commission income - net	61	67
	<i>Three months ended (Reviewed)</i>	
	31 March	<i>31 March</i>
	2024	<i>2023</i>
	US\$ '000	<i>US\$ '000</i>
Compensation paid to the Board of Directors and key management personnel		
Short term benefits*	777	844
End of service benefits	68	70
	845	914

*Includes sitting fees of US\$ 62 thousand (31 March 2023: US\$ 62 thousand) and reimbursement of travel, accommodation paid to the Board of Directors and other meeting expenses amounting to US\$ 50 thousand (31 March 2023: US\$ 40 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 31 March 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	160,012	-	160,012
Instruments classified as fair value through profit and loss	11,905	-	11,905
Forward foreign exchange contracts (liability)	-	6	6
	171,917	6	171,923

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

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

Transfers between level 1, level 2 and level 3

During the three month period ended 31 March 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 31 March 2024 (Reviewed)

	<i>Total fair</i> <i>value</i> <i>US\$ '000</i>	<i>Gross</i> <i>Carrying</i> <i>value</i> <i>US\$ '000</i>
Investments at amortised cost	105,607	106,921
Loans and advances - sovereign loans	25,883	24,644
	131,490	131,565

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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 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 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) 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 2024, the Group's LCR was well above the regulatory requirement and stood at 702% (31 December 2023: 783%). The Group's simple average of daily LCR computed on working days of the quarter was 674% (31 December 2023: 574%).

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 136% as at 31 March 2024 (31 December 2023: 149%). The main drivers for robust Available Stable Funding (ASF) is its sizeable capital base, which contributes about 79% (31 December 2023: 76%) of total ASF and the remaining 21% (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 44% (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 9% (31 December 2023: 9%) of the total RSF, while non-HQLA securities accounted for 30% (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)				31 March 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	336,124	-	-	-	336,124	347,473
Wholesale funding:						
Other wholesale funding	-	643,832	153,708	-	87,192	108,156
Other liabilities:						
All other liabilities not included in the above categories	-	31,657	152	-	-	-
Total ASF					423,316	455,629
<u>Required Stable Funding (RSF):</u>						
High-quality liquid assets (HQLA)					26,632	27,359
Performing loans and securities:						
Performing loans to financial institutions secured by non-level 1 HQLA and unsecured performing loans to financial institutions	-	349,506	61,971	20,491	103,902	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	-	-	21,569	24,644	31,732	63,149
Performing residential mortgages, of which:						
Securities/sukuk that are not in default and do not qualify as HQLA, including exchange- traded equities	-	19,427	11,922	91,627	93,557	89,031
Other assets:						
All other assets not included in the above categories	52,127	-	-	-	52,127	33,153
Off balance sheet items	54,794	-	-	-	2,740	2,061
Total RSF					310,690	305,513
NSFR (%)					136%	149%