

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

**INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

30 SEPTEMBER 2021 (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 September 2021, comprising the interim consolidated statement of financial position as at 30 September 2021 and the related interim consolidated statements of profit or loss and comprehensive income for the three and nine months period then ended and the related interim consolidated statements of cash flows and changes in equity for the nine-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') as modified by the Central Bank of Bahrain ("CBB"). 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 as modified by CBB.



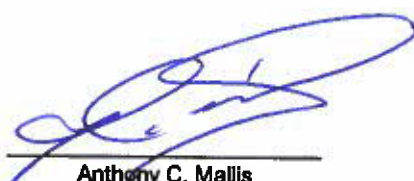
3 November 2021
Manama, Kingdom of Bahrain

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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2021

		<i>(Reviewed)</i> 30 September 2021 US\$'000	<i>(Audited)</i> 31 December 2020 US\$'000
ASSETS			
Cash and balances with Central Banks and other banks	3	446,719	333,194
Deposits with banks and other financial institutions		369,686	470,893
Investments classified as fair value through profit or loss		5,738	-
Investment securities	4	245,608	244,867
Loans and advances	5	131,497	81,798
Interest receivable		4,684	5,354
Other assets		1,476	810
Property, equipment and software		7,767	8,326
TOTAL ASSETS		1,213,175	1,145,242
LIABILITIES AND EQUITY			
Liabilities			
Deposits from banks and other financial institutions		705,105	662,254
Due to banks and other financial institutions		131,028	64,897
Due to customers		38,867	72,752
Interest payable		1,158	444
Other liabilities		8,951	10,520
Total liabilities		885,109	810,867
Equity			
Share capital		250,000	250,000
Statutory reserve		27,842	27,842
Retained earnings		53,254	44,621
Fair value reserve		(3,030)	(588)
Proposed dividend		-	12,500
Total equity		328,066	334,375
TOTAL LIABILITIES AND EQUITY		1,213,175	1,145,242



Anthony C. Mallis
Vice Chairman



Moraja G. Solaimah
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

Nine months ended 30 September 2021

	Note	Three months ended		Nine months ended	
		30 September		30 September	
		2021	2020	2021	2020
		US\$'000	US\$'000	US\$'000	US\$'000
Interest and similar income		6,526	7,413	19,609	24,021
Interest expense		(848)	(1,338)	(2,535)	(6,650)
Net interest income		5,680	6,075	17,074	17,371
Fee and commission income - net		1,059	1,789	2,453	3,114
Trading loss - net		(151)	(106)	(317)	(160)
Investment income (loss) - net		776	59	980	(34)
Foreign exchange gain (loss) - net		18	(15)	79	125
Other income		30	1,031	92	4,547
Operating income		7,412	8,833	20,361	24,963
(Provision for) reversal of expected credit losses	6	(112)	186	(1,108)	2,936
Net operating income		7,300	9,019	19,253	27,899
Staff costs		(2,306)	(2,172)	(7,015)	(6,204)
Depreciation		(192)	(220)	(627)	(651)
Other operating expenses		(1,171)	(843)	(2,978)	(3,018)
Operating expenses		(3,669)	(3,235)	(10,620)	(9,873)
NET PROFIT FOR THE PERIOD		3,631	5,784	8,633	18,026


 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

Nine months ended 30 September 2021

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>(Reviewed)</i>		<i>(Reviewed)</i>	
	2021	2020	2021	2020
	US\$'000	US\$'000	US\$'000	US\$'000
NET PROFIT FOR THE PERIOD	3,631	5,784	8,633	18,026
Other comprehensive (loss) income:				
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>				
Fair value change in cash flow hedge	-	-	-	442
Unrealised fair value (loss) gain on investments classified as fair value through other comprehensive income (FVOCI)	(3,356)	865	(2,403)	(7,462)
ECL movement on FVOCI investments	(273)	66	(39)	(152)
Other comprehensive (loss) income for the period	(3,629)	931	(2,442)	(7,172)
Total comprehensive income for the period	2	6,715	6,191	10,854

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

Nine months ended 30 September 2021

		<i>Nine months ended 30 September (Reviewed)</i>	
	<i>Notes</i>	2021 US\$'000	2020 US\$'000
OPERATING ACTIVITIES			
Net profit for the period		8,633	18,026
Adjustments for:			
Charge for (reversal of) expected credit losses	6	1,108	(2,936)
Depreciation		627	651
Amortisation of investments carried at amortised cost		630	250
Unrealised loss on investments classified as FVTPL		317	132
Investment (income) loss - net		(980)	34
Amortisation of assets classified as loans and advances		(972)	(830)
Operating profit before changes in operating assets and liabilities		9,363	15,327
Changes in operating assets and liabilities:			
Balances with Central Banks		(38,439)	(45,845)
Deposits with banks and other financial institutions		6,220	103,172
Investments classified as fair value through profit and loss		(6,055)	(3,972)
Loans and advances		(48,927)	12,947
Interest receivable and other assets		4	2,181
Deposits from banks and other financial institutions		42,851	(41,627)
Due to banks and other financial institutions		66,131	(35,948)
Due to customers		(33,885)	3,049
Interest payable and other liabilities		(956)	(269)
Net cash (used in) from operating activities		(3,693)	9,015
INVESTING ACTIVITIES			
Purchase of investment securities		(106,149)	(54,541)
Proceeds from disposal / redemption of investment securities		105,584	49,926
Purchase of property, equipment and software		(68)	(181)
Net cash used in investing activities		(633)	(4,796)
FINANCING ACTIVITY			
Dividend paid	8	(12,500)	(15,000)
Cash used in financing activity		(12,500)	(15,000)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(16,826)	(10,781)
Cash and cash equivalents at beginning of the period		614,961	538,756
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		598,135	527,975
Cash and cash equivalents comprise:			
Cash and balances with Central Bank and other banks with original maturity of three months or less		284,601	267,460
Deposits with banks and other financial institutions with original maturity of three months or less		313,534	260,515
		598,135	527,975

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

Nine months ended 30 September 2021

	<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 2021	250,000	27,842	44,621	(588)	12,500	334,375
Net profit for the period	-	-	8,633	-	-	8,633
Other comprehensive loss for the period	-	-	-	(2,442)	-	(2,442)
Total comprehensive income (loss) for the period	-	-	8,633	(2,442)	-	6,191
Dividend paid (note 8)	-	-	-	-	(12,500)	(12,500)
At 30 September 2021	250,000	27,842	53,254	(3,030)	-	328,066
 Balance as at At 1 January 2020	 250,000	 25,631	 37,219	 3,174	 15,000	 331,024
Net profit for the period	-	-	18,026	-	-	18,026
Other comprehensive loss for the period	-	-	-	(7,172)	-	(7,172)
Total comprehensive income for the period	-	-	18,026	(7,172)	-	10,854
Dividend paid (note 8)	-	-	-	-	(15,000)	(15,000)
At 30 September 2020	250,000	25,631	55,245	(3,998)	-	326,878

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 September 2021

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 on 11 August 2020 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").

Impact of COVID-19

Given the continuity of outbreak of coronavirus (COVID-19) during the nine months period ended 30 September 2021, the existing and anticipated effects of the outbreak on the global economy continues to evolve. While these developments continue to impact the Group's operations, the scale and duration of further developments remain uncertain at this stage and could potentially further impact the Group's financial position, financial performance and cash flows in the future, the extent of which is presently undeterminable.

The interim condensed consolidated financial statements of the Group for the nine months period ended 30 September 2021 were authorised for issue in accordance with a resolution of the Bank's Board of Directors on 3 November 2021.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The consolidated financial statements of the Bank are prepared in accordance with applicable rules and regulations issued by the Central Bank of Bahrain ("CBB") including the CBB circulars on regulatory concessionary measures in response to COVID-19. These rules and regulations, in particular CBB circular OG/226/2020 dated 21 June 2020, require the adoption of all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) (IFRS), except for:

(a) recognition of modification losses on financial assets arising from payment holidays provided to customers impacted by COVID-19 without charging additional interest, in equity instead of profit or loss as required by IFRS 9 Financial Instruments. Any other modification gains or losses on financial assets are recognised in accordance with the requirements of IFRS 9; and

(b) recognition of financial assistance received from the government and/ or regulators in response to its COVID-19 support measures that meets the government grant requirement, in equity instead of profit or loss. This will only be to the extent of any modification loss recorded in equity as a result of (a) above, and the balance of the amount to be recognised in profit or loss. Any other financial assistance is recognised in accordance with the requirements of IAS 20.

The above framework for basis of preparation of the annual financial statements is hereinafter referred to as 'IFRS as modified by CBB'.

The interim condensed consolidated financial statements of the Group has been presented in condensed form in accordance with the guidance provided by International Accounting Standard 34 – 'Interim Financial Reporting', using the IFRS as modified by CBB framework. Hence, the framework used in the preparation of the interim condensed consolidated financial statements of the Group is hereinafter referred to as 'IAS 34 as modified by CBB'.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2021

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

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 2020 except for the adoption of new and amended standards and interpretations effective as of 1 January 2021 as set out below in section 2(d).

The interim condensed consolidated financial statements do not contain all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2020. In addition, results for the nine months period ended 30 September 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

(b) Basis of consolidation

The interim condensed consolidated financial statements include the financial statements of the Bank and its SPV as at 30 September 2021. 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.

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 into 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;

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2021

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of consolidation (continued)

- 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.

(c) Directives issued by CBB and Government assistance

As of 30 September 2021 the Group had not provided payment holidays to its customers on the basis of regulatory directives issued by the CBB as concessionary measures to mitigate the impact of COVID-19. Further, no amount representing financial assistance has been received or recognised by the Group during the period ended 30 September 2021 (2020: US\$ 468 thousand) and the Group had no modification losses to be recorded in equity during the period ended 30 September 2021 (2020: nil) (in line with the CBB circulars).

(d) New standards, interpretations and amendments adopted by the Group

The following new amendments to the accounting standards became effective in 2021 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.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued; and
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the interim condensed consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. This had no material impact on the interim condensed consolidated financial statements of the Group.

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2021

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

d) New and amended standards and interpretations issued but not yet effective (continued)

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively. The Group's management expects that there will be no impact on the consolidated financial statements of the Group due to such adoption.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The Group's management expects that there will be no impact on the consolidated financial statements of the Group due to such adoption.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued 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 by 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.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the amendment is applied.

The Group's management expects that there will be no impact on the consolidated financial statements of the Group due to such adoption.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2021

3 CASH AND BALANCES WITH CENTRAL BANKS AND OTHER BANKS

	<i>(Reviewed)</i> 30 September 2021 US\$'000	<i>(Audited)</i> 31 December 2020 US\$'000
Cash and balance with bank	13	20
Cash and balances with Central Bank and other banks with original maturity of three months or less	-	-
	284,588	206,414
Cash and balances with Central Bank and other banks with original maturity more than 3 months	165,210	126,766
	449,811	333,200
Less provision for expected credit losses	(3,092)	(6)
	446,719	333,194

Movement in provision for expected credit losses were as follows:

	30 September 2021 (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 2021	6	-	-	6
Provided during the period	1	-	3,086	3,087
Reversals during the period	(1)	-	-	(1)
	-	-	3,086	3,086
At 30 September 2021	6	-	3,086	3,092
	30 September 2020 (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 2020	3	2	-	5
Provided during the period	5	-	-	5
Reversals during the period	(1)	-	-	(1)
	4	-	-	4
Transfer to stage 1	2	(2)	-	-
At 30 September 2020	9	-	-	9

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2021

4 INVESTMENT SECURITIES (continued)

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

	FVOCI		
	30 September 2021 (Reviewed)		
	Stage 1:	Stage 2:	
	12-month	Lifetime	
	ECL	ECL not	Total ECL
	US\$ '000	credit-	US\$ '000
		impaired	US\$ '000
		US\$ '000	
Balance at 1 January 2021	568	885	1,453
Provided during the period	375	84	459
Reversals during the period	(332)	(166)	(498)
	43	(82)	(39)
Transfer to stage 2	(17)	17	-
At 30 September 2021	594	820	1,414

	FVOCI		
	30 September 2020 (Reviewed)		
	Stage 1:	Stage 2:	
	12-month	Lifetime	
	ECL	ECL not	Total ECL
	US\$ '000	credit-	US\$ '000
		impaired	US\$ '000
		US\$ '000	
Balance at 1 January 2020	291	1,538	1,829
Provided during the period	469	522	991
Reversals during the period	(82)	(1,061)	(1,143)
	387	(539)	(152)
At 30 September 2020	678	999	1,677

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

	Amortised cost		
	30 September 2021 (Reviewed)		
	Stage 1:	Stage 2:	
	12-month	Lifetime	
	ECL	ECL not	Total ECL
	US\$ '000	credit-	US\$ '000
		impaired	US\$ '000
		US\$ '000	
Balance at 1 January 2021	406	3,403	3,809
Provided during the period	290	-	290
Reversals during the period	(1)	(2,518)	(2,519)
	289	(2,518)	(2,229)
At 30 September 2021	695	885	1,580

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2021

4 INVESTMENT SECURITIES (continued)

	<i>Amortised cost</i>		
	<i>30 September 2020 (Reviewed)</i>		
	<i>Stage 1: 12-month ECL US\$ '000</i>	<i>Stage 2: Lifetime ECL not credit- impaired US\$ '000</i>	<i>Total ECL US\$ '000</i>
Balance at 1 January 2020	28	2,794	2,822
Provided during the period	316	12	328
Reversals during the period	(17)	(396)	(413)
	299	(384)	(85)
At 30 September 2020	327	2,410	2,737

5 LOANS AND ADVANCES

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

	<i>30 September 2021 (Reviewed)</i>		
	<i>Stage 1: 12-month ECL US\$ 000</i>	<i>Stage 3: Lifetime ECL credit- impaired US\$ 000</i>	<i>Total US\$ 000</i>
Sovereign loans	40,247	-	40,247
Commercial loans	59,788	6,326	66,114
Letters of credit - financing	33,766	53,037	86,803
Factoring	-	20,418	20,418
	133,801	79,781	213,582
Provision for expected credit losses	(2,304)	(79,781)	(82,085)
	131,497	-	131,497
	<i>31 December 2020 (Audited)</i>		
	<i>Stage 1: 12-month ECL US\$ 000</i>	<i>Stage 3: Lifetime ECL credit- impaired US\$ 000</i>	<i>Total US\$ 000</i>
Sovereign loans	44,838	-	44,838
Commercial loans	25,384	6,326	31,710
Letters of credit - financing	13,700	53,017	66,717
Factoring	-	20,418	20,418
	83,922	79,761	163,683
Provision for expected credit losses	(2,124)	(79,761)	(81,885)
	81,798	-	81,798

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2021

5 LOANS AND ADVANCES (continued)

Movements in provision for expected credit losses were as follows:

	30 September 2021 (Reviewed)		
	Stage 3:		
	Stage 1: 12-month ECL US\$ '000	Lifetime ECL credit- impaired US\$ '000	Total ECL US\$ '000
Balance at 1 January 2021	2,124	79,761	81,885
Provided during the period	804	20	824
Reversals during the period	(624)	-	(624)
	180	20	200
At 30 September 2021	2,304	79,781	82,085
	30 September 2020 (Reviewed)		
	Stage 3:		
	Stage 1: 12-month ECL US\$ '000	Lifetime ECL credit- impaired US\$ '000	Total ECL US\$ '000
Balance at 1 January 2020	1,935	93,007	94,942
Provided during the period	85	42	127
Reversals during the period	(189)	(2,870)	(3,059)
	(104)	(2,828)	(2,932)
Exchange differences	-	571	571
At 30 September 2020	1,831	90,750	92,581

At 30 September 2021, interest in suspense on past due loans that are impaired amounts to US\$ 33,783 thousand (31 December 2020: US\$ 32,775 thousand).

6 (PROVISION FOR) REVERSAL OF EXPECTED CREDIT LOSSES

	(Reviewed) 30 September 2021 US\$'000	(Reviewed) 30 September 2020 US\$'000
Charge for expected credit losses on:		
Balances with Central Banks and other banks - net	(3,086)	(4)
Deposits with banks and other financial institutions - net	11	(275)
Investment securities - net	2,268	237
Loans - net	(200)	2,932
Off balance sheet exposures - net	(101)	46
	(1,108)	2,936

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2021

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

	<i>(Reviewed)</i> 30 September 2021 <i>US\$'000</i>	<i>(Audited)</i> 31 December 2020 <i>US\$'000</i>
Letters of credit	80,301	51,065
Loan commitment	8,698	-
Letters of guarantee	-	118
Provision for expected credit loss*	(120)	(19)
	88,879	51,164

* All the above are classified within Stage 1 and provision against off balance sheet exposures is classified under other liabilities.

8 DIVIDEND

Dividend for the year ended 31 December 2020, amounting to US\$ 12.5 million i.e. US\$ 2.5 per share was paid during the nine month period ended 30 September 2021 after due approval from the shareholders at the Annual General Assembly Meeting held on 29 March 2021. Dividend for the year ended 31 December 2020, amounting to US\$ 15 million i.e. US \$3 per share was paid during the nine month period ended 30 September after due approval from the shareholders at the Annual General Assembly Meeting held on 15 March 2020.

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.

Gross exposures and transactions with related parties included in the interim statement of financial position and interim statement of profit or loss are as follows:

	<i>(Reviewed)</i> 30 September 2021 <i>US\$'000</i>	<i>(Audited)</i> 31 December 2020 <i>US\$'000</i>
Interim statement of financial position		
Assets		
Cash and balances with banks	1,190	1,247
Loans and advances	6,886	-
Interest receivable	20	-
Other assets	42	65
Liabilities		
Deposits from banks and other financial institutions	521,731	526,766
Due to banks and other financial institutions	76,776	20,928
Interest payable	1,152	429
Other liabilities	186	493
Contingent liabilities		
Letters of credit and guarantee	10,292	3,953

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2021

9 TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)

A major shareholder of the Group has pledged cash collateral deposits amounting to USD 150 million for foreign trade business that the Group will receive from certain banking entities.

	<i>Nine months ended (Reviewed)</i>	
	30 September 2021 US\$ '000	30 September 2020 US\$ '000
Interim statement of profit or loss		
Interest and similar income	96	132
Fee and commission income - net	305	223
Interest expense	2,352	6,237
	<i>Nine months ended (Reviewed)</i>	
	30 September 2021 US\$ '000	30 September 2020 US\$ '000
Compensation paid to the Board of Directors and key management personnel		
Short term benefits*	2,136	1,996
End of service benefits	164	163
	2,300	2,159

*Includes sitting fees of US\$ 151 thousand (30 September 2020: US\$ 173 thousand) and reimbursement of travel, accommodation and other expenses paid to the Board of Directors amounting to US\$ 30 thousand (30 September 2020: US\$ 42 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2021

10 FINANCIAL INSTRUMENTS (continued)***Fair value hierarchy (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 September 2021 (Reviewed)

	<i>Level 1</i> <i>US\$ '000</i>	<i>Total</i> <i>US\$ '000</i>
Investments classified as fair value through		
- profit or loss	5,738	5,738
- other comprehensive income	122,882	122,882
	128,620	128,620

At 31 December 2020 (Audited)

	<i>Level 1</i> <i>US\$ '000</i>	<i>Total</i> <i>US\$ '000</i>
Investments classified as fair value through		
- other comprehensive income	154,105	154,105
	154,105	154,105

The Group has no financial instruments measured at fair value qualifying for level 2 or 3 of the fair value hierarchy as at 30 September 2021 or as at 31 December 2020.

Transfers between level 1, level 2 and level 3

During the nine-months period ended 30 September 2021 and 30 September 2020 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 September 2021 (Reviewed)

	<i>Total fair</i> <i>value</i> <i>US\$ '000</i>	<i>Carrying</i> <i>value</i> <i>US\$ '000</i>
Investments at amortised cost	130,219	122,726
Loans and advances - sovereign loans	43,194	38,945
	173,413	161,671

At 31 December 2020 (Audited)

	<i>Total fair</i> <i>value</i> <i>US\$ '000</i>	<i>Carrying</i> <i>value</i> <i>US\$ '000</i>
Investments at amortised cost	99,171	90,762
Loans and advances - sovereign loans	48,275	44,838
	147,446	135,600

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2021

10 FINANCIAL INSTRUMENTS (continued)

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

Cash and balances with Central Banks and other banks, deposits with banks and other financial institutions, 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 are generally liquid and / or short term in nature and therefore their carrying values approximate fair value. Management has also assessed that the fair values of loans and advances other than sovereign loans approximate their carrying values as of 30 September 2021 and 31 December 2020.

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 Group is required to maintain a minimum of 100% (currently revised to 80%, due to COVID-19 measures) 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 30 September 2021, the Group's simple average of daily LCR was 384% (30 June 2021: 353%), which is well above the required level.

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 143% as at 30 September 2021 (31 December 2020: 177%). The main drivers for robust Available Stable Funding (ASF) is its sizeable capital base, which contributes about 75% (31 December 2020: 69%) of total ASF and the remaining 25% (31 December 2020: 31%) of ASF constituted funding from deposits from financial institutions and non-financial corporate customers and . Required Stable Funding (RSF), primarily comprised of short term deposit placements with Banks and other performing loans, which constituted about 50% (31 December 2020: 50%) of total RSF. High quality liquid assets (that comprised mainly of Bahrain government securities and other highly rated debt issuances) accounted for about 11% (31 December 2020: 11%) of the total RSF, while non-HQLA securities accounted for 33% (31 December 2020: 33%) of the total RSF.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2021

11 LIQUIDITY RATIOS (continued)

Net Stable Funding Ratio (continued)

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

Item	Unweighted Values (i.e. before applying relevant factors)				USD 000s
	No specified maturity	Less than 6 months	More than 6 months and less than one year	Over one year	Total weighted value
Available Stable Funding (ASF):					
Capital:					
Regulatory Capital	330,954	-	-	-	330,954
Wholesale funding:					
Other wholesale funding	-	692,819	182,182	-	110,525
Other liabilities:					
All other liabilities not included in the above categories	-	9,991	-	-	-
Total ASF					441,479
Required Stable Funding (RSF):					
Total NSFR high-quality liquid assets (HQLA)					33,798
Performing loans and securities:					
Performing loans to financial institutions secured by non-level 1 HQLA and unsecured performing loans to financial institutions	-	441,173	3,476	23,203	91,117
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and public sector entities	-	16,970	2,207	62,330	62,569
Performing residential mortgages, of which:					
Securities/sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities	-	5,044	-	116,880	101,870
Other assets:					
All other assets not included in the above categories	14,659	-	-	-	14,659
Off balance sheet items		88,999	-	-	4,450
Total RSF					308,463
NSFR (%)					143%

**(The attached schedules do not form part of the reviewed
interim condensed consolidated financial statements)**

At 30 September 2021

FINANCIAL IMPACT OF COVID-19

The coronavirus (COVID-19) outbreak was declared as a pandemic in mid March 2020 by World Health Organization (WHO), which affected countries globally with first wave, followed by second wave and variants although vaccination efforts commenced by end of 2020. The former has resulted in continued uncertainties in economic conditions across businesses globally.

The Group had taken required precautionary measures recommended by authorities and introduced extensive remote working, at the same time not disrupting its smooth operations, by providing uninterrupted services.

The Group achieved a net profit of US\$ 8.6 million for the nine months period ended 30 September 2021, as compared to US\$ 18.0 million for the same period last year, which represented a decrease of 52%. The decline was mainly attributable due to the recovery of certain non-performing facilities in 2020. Moreover, the interest rates evidenced steep fall since the end of the first quarter of 2020, which narrowed interest margins, further contributing to the decline in the Group's net profit.

The Group's fee and commission income was also affected, especially related to trade finance activities, due to the effect of uncertainties in the market and slow-down in international trade. For the nine months period ended 30 September 2021, the Group recorded an income of US\$ 2.5 million as compared to US\$ 3.1 million for the same period last year.

Investments held under fair value through profit or loss, resulted in recording unrealised losses of US\$ 317 thousand in current period, as against net unrealised loss of US\$ 132 thousand recorded in the same period last year.

On the expenses front, staff cost also increased compared to last year same period by US\$ 811 thousand, an increase of 13%, mainly due to receipt of government grant on account of subsidising Bahraini employee salaries in third quarter of 2020 amounting to US\$ 468 thousand. Other operating expenses decreased slightly by US\$ 40 thousand, a decrease of 1% compared to same period last year. Overall, net operating expenses increased over the same period last year by US\$ 747 thousand representing a 8% increase.

Group's capital adequacy ratio stood strong at 48.7% and continued to be well above regulatory norms. Further, the Group managed its liquidity effectively, during the period, which is reflected through its liquidity ratio (liquid assets to liabilities), which remained strong at 93.4% as at 30 September 2021.

The Bank has continued to enhance its information technology facilities and adequately equipped itself to meet the challenges faced by banking industry and had a smooth transition to work extensively from remote location, thus ensuring business continuity.

Overall the Group proved resilience in current COVID-19 pandemic and its effect on banking industry, which continued to challenge the business model in a new competitive landscape.