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

INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS

30 SEPTEMBER 2022 (Reviewed)

Building a better
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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 2022, comprising the interim consolidated statement of financial position as at 30 September 2022 and the related interim consolidated statements of profit or loss, comprehensive income, 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'). 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.

Ernst & Young

31 October 2022
Manama, Kingdom of Bahrain

A member firm of Ernst & Young Global Limited

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2022

	Notes	***(Reviewed) 30 September 2022 US$'000***	*(Audited) 31 December 2021 US$'000*
ASSETS			
Cash and balances with Central Bank and other banks	3	**382,609**	345,307
Deposits with banks and other financial institutions		**307,999**	465,361
Investments classified as fair value through profit or loss		**-**	3,661
Investment securities	4	**253,701**	263,511
Loans and advances	5	**130,394**	149,340
Investment property		**11,734**	11,734
Property, equipment and software		**7,279**	7,674
Interest receivable		**7,581**	5,488
Other assets		**1,430**	1,068
TOTAL ASSETS		**1,102,727**	1,253,144
LIABILITIES AND EQUITY			
Liabilities			
Deposits from banks and other financial institutions		**635,958**	761,134
Due to banks and other financial institutions		**107,869**	104,854
Due to customers		**23,696**	36,821
Interest payable		**2,302**	610
Other liabilities		**10,282**	9,824
Total liabilities		**780,107**	913,243
Equity			
Share capital		**250,000**	250,000
Statutory reserve		**30,115**	30,115
Retained earnings		**59,472**	52,580
Fair value reserve		**(16,967)**	(5,294)
Proposed dividend		**-**	12,500
Total equity		**322,620**	339,901
TOTAL LIABILITIES AND EQUITY		**1,102,727**	1,253,144

Anthony C. Mallis	Moraja G. Solaiman
Vice Chairman	Chairman

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

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Nine months ended 30 September 2022

	Note	*Three months ended 30 September (Reviewed)*		*Nine months ended 30 September (Reviewed)*	
		2022	*2021*	***2022***	*2021*
		US$'000	*US$'000*	***US$'000***	*US$'000*
Interest income		**9,019**	6,526	**22,771**	19,609
Interest expense		**(3,171)**	(846)	**(5,768)**	(2,535)
Net interest income		**5,848**	5,680	**17,003**	17,074
Fee and commission income		**903**	1,059	**3,501**	2,453
Gain (loss) on investments classified as FVTPL		**-**	(151)	**51**	(317)
(Loss) gain on investment securities - net		**-**	776	**(180)**	980
Foreign exchange gain - net		**16**	18	**78**	79
Other income		**28**	30	**88**	92
Operating income		**6,795**	7,412	**20,541**	20,361
Provision charge for expected credit losses	6	**(275)**	(112)	**(2,402)**	(1,108)
Net operating income		**6,520**	7,300	**18,139**	19,253
Staff costs		**(2,500)**	(2,306)	**(7,399)**	(7,015)
Depreciation		**(181)**	(192)	**(542)**	(627)
Other operating expenses		**(1,638)**	(1,171)	**(3,306)**	(2,978)
Operating expenses		**(4,319)**	(3,669)	**(11,247)**	(10,620)
NET PROFIT FOR THE PERIOD		**2,201**	3,631	**6,892**	8,633

Anthony C. Mallis
Vice Chairman

Moraja G. Solaiman
Chairman

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

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Nine months ended 30 September 2022

	Three months ended 30 September (Reviewed)		*Nine months ended 30 September (Reviewed)*	
	2022	*2021*	***2022***	*2021*
	US$'000	*US$'000*	***US$'000***	*US$'000*
NET PROFIT FOR THE PERIOD	**2,201**	3,631	**6,892**	8,633
Other comprehensive loss:				
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:				
Unrealised fair value loss on investments classified as fair value through other comprehensive income (FVOCI) - net	**(2,250)**	(3,356)	**(15,626)**	(2,403)
Other comprehensive gain (loss) classified to profit or loss during the period:				
Changes in allowance for expecred credit losses on FVOCI investments	**975**	(273)	**3,953**	(39)
Other comprehensive loss for the period	**(1,275)**	(3,629)	**(11,673)**	(2,442)
Total comprehensive income (loss) for the period	**926**	2	**(4,781)**	6,191

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

Nine months ended 30 September 2022

	Notes	*Nine months ended 30 September (Reviewed)* **2022** **US$'000**	*2021* *US$'000*
OPERATING ACTIVITIES			
Net profit for the period		**6,892**	8,633
Adjustments for:			
Provision charge for expected credit losses	6	**2,402**	1,108
Depreciation		**542**	627
Amortisation of investments carried at amortised cost		**1,186**	630
Unrealised loss on investments classified as FVTPL		**-**	317
Investment loss (gain) - net		**180**	(980)
Amortisation of assets classified as loans and advances		**(900)**	(972)
Operating profit before changes in operating assets and liabilities		**10,302**	9,363
Changes in operating assets and liabilities:			
Balances with Central Bank		**174,802**	(38,439)
Deposits with banks and other financial institutions		**60,782**	6,220
Investments classified as fair value through profit or loss		**3,661**	(6,055)
Loans and advances		**20,741**	(48,927)
Interest receivable and other assets		**(2,455)**	4
Deposits from banks and other financial institutions		**(125,176)**	42,851
Due to banks and other financial institutions		**3,015**	66,131
Due to customers		**(13,125)**	(33,885)
Interest payable and other liabilities		**2,175**	(956)
Net cash from (used in) operating activities		**134,722**	(3,693)
INVESTING ACTIVITIES			
Purchase of investment securities		**(26,645)**	(106,149)
Proceeds from disposal / redemption of investment securities		**20,000**	105,584
Purchase of property, equipment and software		**(147)**	(68)
Net cash used in investing activities		**(6,792)**	(633)
FINANCING ACTIVITY			
Dividend paid		**(12,500)**	(12,500)
Cash used in financing activity		**(12,500)**	(12,500)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**115,430**	(16,826)
Cash and cash equivalents at beginning of the period		**426,705**	614,961
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		**542,135**	598,135
Cash and cash equivalents comprise:			
Cash and balances with Central Bank and other banks with original maturity of three months or less		**257,843**	284,601
Deposits with banks and other financial institutions with original maturity of three months or less		**284,292**	313,534
		542,135	598,135

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

INTERIM CONSOLDIATED STATEMENT OF CHANGES IN EQUITY

Nine months ended 30 September 2022

	Share capital US$'000	*Statutory reserve US$'000*	*Retained earnings US$'000*	*Fair value reserve US$'000*	*Proposed dividend US$'000*	*Total US$'000*
Balance as at 1 January 2022	**250,000**	**30,115**	**52,580**	**(5,294)**	**12,500**	**339,901**
Net profit for the period	**-**	**-**	**6,892**	**-**	**-**	**6,892**
Other comprehensive loss for the period	**-**	**-**	**-**	**(11,673)**	**-**	**(11,673)**
Total comprehensive income for the period	**-**	**-**	**6,892**	**(11,673)**	**-**	**(4,781)**
Dividend (note 8)	**-**	**-**	**-**	**-**	**(12,500)**	**(12,500)**
At 30 September 2022	**250,000**	**30,115**	**59,472**	**(16,967)**	**-**	**322,620**
Balance as at 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 for the period	-	-	8,633	(2,442)	-	6,191
Dividend paid	-	-	-	-	(12,500)	(12,500)
At 30 September 2021	250,000	27,842	53,254	(3,030)	-	328,066

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

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 nine month period ended 30 September 2022 were authorised for issue in accordance with a resolution of the Bank's Board of Directors on 31 October 2022.

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 are prepared in accordance with International Accounting Standard IAS 34, Interim Financial Reporting ("IAS 34"). The consolidated financial statements for the year ended 31 December 2021 were prepared in accordance with IFRS modified by CBB as the comparative information included in these consolidated financial statements were reported in accordance with the [IFRS modified by CBB. The transition from “IFRS modified by CBB” to IAS 34 and IFRS as issued by IASB has not resulted in any material changes to the previously reported numbers in the consolidated statement of financial position as of 1 January 2020, 31 December 2020 and 2021, and the consolidated statement of profit or loss for the year ended 31 December 2021.

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 2021 except for the adoption of new and amended standards and interpretations effective as of 1 January 2022 as set out below in section 2.4.

2.2 Basis of consolidation

The interim condensed consolidated financial statements include the financial statements of the Bank and its SPV as at 30 September 2022. 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.

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 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;
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 Directives issued by CBB and Government assistance

As of 30 September 2022 the Group had not provided payment holidays to it's 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 2022 (2021: nil) and the Group had no modification losses to be recorded in equity during the period ended 30 September 2022 (2021: nil) (in line with the CBB circulars).

2.4 New and amended standards and interpretations effective as of 1 January 2022

The following new amendments to the accounting standards became effective in 2022 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.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 New and amended standards and interpretations effective as of 1 January 2022 (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. These amendments had no impact on the interim condensed consolidated financial statements of the Group.

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 thebeginning of the earliest period presented when the entity first applies the amendment. 'These amendments had no impact on the interim condensed consolidated financial statements of the Group.

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. These amendments had no impact on the interim condensed consolidated financial statements of the Group.

2.5 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.

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 Group is currently assessing the impact of the amendments to determine the impact it will have on the Group's accounting policy disclosures.

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.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

Other standards and interpretations that are issued, but not yet effective, are listed below:

- Amendments to IAS 1: Classification of Liabilities as Current or Non-current (effective for annual reporting periods beginning on or after 1 January 2023).
- IFRS 17 Insurance Contracts (effective for annual reporting periods beginning on or after 1 January 2023).

The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

3 CASH AND BALANCES WITH CENTRAL BANK AND OTHER BANKS

	(Reviewed) 30 September 2022 US$'000	*(Audited) 31 December 2021 US$'000*
Cash and balance with bank	**13**	3
Money at call and short notice with other banks	**46,726**	49,481
Treasury bills - balances with Central Bank	**339,066**	299,564
Provision for expected credit losses (note 4.1)	**(3,196)**	(3,741)
Cash and balances with central bank and other banks	**382,609**	345,307
Treasury bills - balances with Central Bank with original maturities of more than 3 months	**(124,766)**	(299,564)
Deposits with banks and other financial institutions with original maturities of 3 months or less	**284,292**	380,962
Cash and cash equivalents	**542,135**	426,705

Movement in provision for expected credit losses were as follows:

	30 September 2022 (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 2022	**6**	**-**	**3,735**	**3,741**
Provided during the period	**1**	**-**	**-**	**1**
Reversals during the period	**(5)**	**-**	**-**	**(5)**
	(4)	**-**	**-**	**(4)**
Exchange movement	**-**	**-**	**(541)**	**(541)**
At 30 September 2022	**2**	**-**	**3,194**	**3,196**

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

	30 September 2022 (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

4 INVESTMENT SECURITIES

	30 September 2022 (Reviewed)		
	FVOCI US$'000	***Amortised cost US$'000***	***Total US$'000***
Quoted investments			
- Sovereign debt securities	**91,138**	**124,347**	**215,485**
- Banks and Corporate debt securities	**23,815**	**15,006**	**38,821**
Total quoted investments	**114,953**	**139,353**	**254,306**
Provision for expected credit losses on investment securities at amortised cost	**-**	**(605)**	**(605)**
Total investment securities	**114,953**	**138,748**	**253,701**

	31 December 2021 (Audited)		
	FVOCI US$'000	*Amortised cost US$'000*	*Total US$'000*
Quoted investments			
- Sovereign debt securities	97,047	126,986	224,033
- Banks and Corporate debt securities	25,563	15,057	40,620
Total quoted investments	122,610	142,043	264,653
Provision for expected credit losses on investment securities at amortised cost	-	(1,142)	(1,142)
Total investment securities	122,610	140,901	263,511

As at 30 September 2022, investments classified in stage 2 amounted to US$ 48,311 thousand (31 December 2021: US$ 37,415 thousand) for FVOCI and US$ 24,008 thousand (31 December 2021: US$ 24,061 thousand) for amortised cost respectively. Investments classified in stage 3 amounted to US$ 1,293 thousand (31 December 2021: nil) for FVOCI. All the remaining investments are classified within Stage 1.

4 INVESTMENT SECURITIES (continued)

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

	FVOCI 30 September 2022 (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 2022	**458**	**774**	**-**	**1,232**
Transfer to lifetime ECL not credit-impaired	**(231)**	**231**	**-**	**-**
Transfer to lifetime ECL credit-impaired	**-**	**(411)**	**411**	**-**
Provided during the period	**75**	**1,065**	**2,891**	**4,031**
Reversals during the period	**(16)**	**(62)**	**-**	**(78)**
	(172)	**823**	**3,302**	**3,953**
At 30 September 2022	**286**	**1,597**	**3,302**	**5,185**

	FVOCI 30 September 2021 (Reviewed)		
	Stage 1: 12-month ECL US$ '000	*Stage 2: Lifetime ECL not credit-impaired US$ '000*	*Total ECL 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

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

	Amortised cost 30 September 2022 (Reviewed)		
	Stage 1: 12-month ECL US$ '000	***Stage 2: Lifetime ECL not credit-impaired US$ '000***	***Total ECL US$ '000***
Balance at 1 January 2022	**399**	**743**	**1,142**
Provided during the period	**97**	**-**	**97**
Reversals during the period	**(9)**	**(625)**	**(634)**
	88	**(625)**	**(537)**
At 30 September 2022	**487**	**118**	**605**

4 INVESTMENT SECURITIES (continued)

	Amortised cost 30 September 2021 (Reviewed)		
	Stage 1: 12-month ECL US$ '000	*Stage 2: Lifetime ECL not credit-impaired US$ '000*	*Total ECL 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

At 30 September 2022, interest in suspense on past due investment that is impaired amounts to US$ 148 thousand (30 September 2021: US$ nil).

5 LOANS AND ADVANCES

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

	30 September 2022 (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 US$ 000***
Sovereign loans	**41,991**	**-**	**-**	**41,991**
Commercial loans	**75,955**	**-**	**-**	**75,955**
Letters of credit - financing	**13,799**	**-**	**41,324**	**55,123**
	131,745	**-**	**41,324**	**173,069**
Provision for expected credit losses	**(1,351)**	**-**	**(41,324)**	**(42,675)**
	130,394	**-**	**-**	**130,394**

	31 December 2021 (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*
Sovereign loans	46,315	-	-	46,315
Commercial loans	69,874	-	-	69,874
Letters of credit - financing	35,418	-	41,303	76,721
	151,607	-	41,303	192,910
Provision for expected credit losses	(2,267)	-	(41,303)	(43,570)
	149,340	-	-	149,340

5 LOANS AND ADVANCES (continued)

Movements in provision for expected credit losses were as follows:

	30 September 2022 (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 2022	**2,267**	**-**	**41,303**	**43,570**
Provided during the period	**71**	**-**	**21**	**92**
Reversals during the period	**(987)**	**-**	**-**	**(987)**
	(916)	**-**	**21**	**(895)**
At 30 September 2022	**1,351**	**-**	**41,324**	**42,675**

	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	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

At 30 September 2022, interest in suspense on past due loans that are impaired amounts to US$ 31,594 thousand (30 September 2021: US$ 33,783 thousand).

6 PROVISION CHARGE FOR EXPECTED CREDIT LOSSES

	Nine months ended (Reviewed)	
	30 September 2022 US$'000	*30 September 2021 US$'000*
(Charge for) reversal of expected credit losses on:		
Balances with Central Banks and other banks - net	**4**	(3,086)
Deposits with banks and other financial institutions - net	**90**	11
Investment securities - net	**(3,416)**	2,268
Loans - net	**895**	(200)
Off balance sheet exposures - net	**25**	(101)
	(2,402)	(1,108)

7 COMMITMENTS AND CONTINGENT LIABILITIES

Credit and derivative related commitments

	(Reviewed) 30 September 2022 US$'000	*(Audited) 31 December 2021 US$'000*
Letters of credit	**69,940**	113,389
Letters of guarantee	**1,981**	-
Loan commitment	**-**	2,955
Provision for expected credit loss*	**(49)**	(74)
	71,872	116,270

* 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 2021 amounting to US$ 12.5 million i.e. US$ 2.5 per share was paid on 30 September 2022 after due approval from the shareholders at the Annual General Assembly Meeting held on 26 June 2022.

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:

	(Reviewed) 30 September 2022 US$'000	*(Audited) 31 December 2021 US$'000*
Interim consolidated statement of financial position		
Assets		
Cash and balances with banks	**1,030**	1,555
Loans and advances	**4,113**	4,605
Interest receivable	**26**	20
Other assets	**104**	42
Liabilities		
Deposits from banks and other financial institutions *	**478,251**	599,776
Due to banks and other financial institutions	**53,373**	25,749
Interest payable	**2,149**	577
Other liabilities	**480**	250

9 TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)

	(Reviewed)	*(Audited)*
	30 September	*31 December*
	2022	*2021*
	US$'000	*US$'000*
Contingent liabilities		
Letters of credit and guarantee	**9,950**	7,710
Forward foreign exchange contracts	**-**	738

* 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.

	Nine months ended (Reviewed)	
	30 September	*30 September*
	2022	*2021*
	US$ '000	*US$ '000*
Interim statement of profit or loss		
Interest income	**110**	96
Interest expense	**5,343**	2,352
Fee and commission income - net	**297**	305

	Nine months ended (Reviewed)	
	30 September	*30 September*
	2022	*2021*
	US$ '000	*US$ '000*
Compensation paid to the Board of Directors and key management personnel		
Short term benefits*	**2,332**	2,136
End of service benefits	**194**	164
	2,526	2,300

*Includes sitting fees of US$ 201 thousand (30 September 2021: US$ 151 thousand) and reimbursement of travel, accommodation and other expenses paid to the Board of Directors amounting to US$ 139 thousand (30 September 2021: US$ 30 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.

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 2022 (Reviewed)

	Level 1 US$ '000	***Total US$ '000***
Investments classified as fair value through		
- other comprehensive income	**114,953**	**114,953**
	114,953	**114,953**

At 31 December 2021 (Audited)

	Level 1 US$ '000	*Total US$ '000*
Investments classified as fair value through		
- profit or loss	3,661	3,661
- other comprehensive income	122,610	122,610
Derivative financial instruments	2	2
	126,273	126,273

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 2022 and as at 31 December 2021.

Transfers between level 1, level 2 and level 3

During the nine month period ended 30 September 2022 and 30 September 2021 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 2022 (Reviewed)

	Total fair value US$ '000	***Carrying value US$ '000***
Investments at amortised cost	**128,022**	**138,748**
Loans and advances - sovereign loans	**31,154**	**33,303**
	159,176	**172,051**

At 31 December 2021 (Audited)

	Total fair value US$ '000	*Carrying value US$ '000*
Investments at amortised cost	148,092	140,901
Loans and advances - sovereign loans	42,905	39,269
	190,997	180,170

10 FINANCIAL INSTRUMENTS (continued)

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

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 30 September 2022 and 31 December 2021.

11 LIQUIDITY RATIOS

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).

Liquidity Coverage Ratio

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 2022, the Group's LCR stood at 585% (31 December 2021: 362%), which is well above the required level. The Group's simple average of daily LCR was 534% (30 June 2022: 474%).

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 158% as at 30 September 2022 (31 December 2021: 136%). The main drivers for robust Available Stable Funding (ASF) is its sizeable capital base, which contributes about 74% (31 December 2021: 74%) of total ASF and the remaining 26% (31 December 2021: 26%) 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 45% (31 December 2021: 54%) of total RSF. High quality liquid assets (that comprised mainly of Bahrain government securities and other highly rated debt issuances) accounted for about 10% (31 December 2021: 9%) of the total RSF, while non-HQLA securities accounted for 34% (31 December 2021: 28%) of the total RSF.

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)				*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***
<u>**Available Stable Funding (ASF):**</u>					
Capital:					
Regulatory Capital	323,169	-	-	-	323,169
Wholesale funding:					
Other wholesale funding	-	564,354	203,169	-	113,433
Other liabilities:					
All other liabilities not included in the above categories	-	12,535	-	-	-
Total ASF					**436,602**
<u>**Required Stable Funding (RSF):**</u>					
Total NSFR high-quality liquid assets (HQLA)					28,509
Performing loans and securities:					
Performing loans to financial institutions secured by non-level 1 HQLA and unsecured performing loans to financial institutions	-	392,176	19,637	-	68,645
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and public sector entities	-	1,193	14,563	55,812	55,318
Performing residential mortgages, of which:					
Securities/sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities	-	31,206	-	91,301	93,209
Other assets:					
All other assets not included in the above categories	27,692	-	-	-	27,692
Off balance sheet items		71,920	-	-	3,596
Total RSF					**276,969**
NSFR (%)					**158%**