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

INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS

30 SEPTEMBER 2023 (Reviewed)

Building a better working world

Ernst & Young - Middle East
P O Box 140
10th Floor, East Tower
Bahrain World Trade Centre
Manama
Kingdom of Bahrain

Tel: +973 1753 5455
Fax: +973 1753 5405
manama@bh.ey.com
C.R. No. 29977-1

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 2023, comprising the interim consolidated statement of financial position as at 30 September 2023 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 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

24 October 2023
Manama, Kingdom of Bahrain

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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2023

	Notes	*(Reviewed)* 30 September 2023 US$'000	*(Audited)* 31 December 2022 US$'000
ASSETS			
Cash and balances with Central Bank and other banks	3	**390,869**	310,754
Deposits with banks and other financial institutions		**320,507**	426,404
Investment securities	4	**263,652**	248,553
Loans and advances	5	**183,955**	142,868
Investment property		**11,734**	11,734
Property, equipment and software		**6,762**	7,146
Interest receivable		**15,031**	9,828
Other assets		**1,515**	1,426
TOTAL ASSETS		**1,194,025**	1,158,713
LIABILITIES AND EQUITY			
Liabilities			
Deposits from banks and other financial institutions		**747,615**	673,394
Due to banks and other financial institutions		**69,102**	114,638
Due to customers		**21,291**	23,598
Interest payable		**5,981**	3,241
Other liabilities		**11,365**	11,480
Total liabilities		**855,354**	826,351
Equity			
Share capital		**250,000**	250,000
Statutory reserve		**31,075**	31,075
Retained earnings		**69,310**	53,223
Fair value reserve		**(11,714)**	(9,936)
Proposed dividend		**-**	8,000
Total equity		**338,671**	332,362
TOTAL LIABILITIES AND EQUITY		**1,194,025**	1,158,713

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

Nine months ended 30 September 2023

		Three months ended 30 September (Reviewed)		Nine months ended 30 September (Reviewed)	
		2023	*2022*	***2023***	*2022*
	Note	***US$'000***	*US$'000*	***US$'000***	*US$'000*
Interest income		**17,307**	9,019	**47,739**	22,771
Interest expense		**(8,380)**	(3,171)	**(22,158)**	(5,768)
Net interest income		**8,927**	5,848	**25,581**	17,003
Fee and commission income		**494**	903	**1,778**	3,501
Gain on investments classified as FVTPL		**-**	-	**29**	51
Loss on investment securities - net		**-**	-	**(200)**	(180)
Foreign exchange (loss) gain - net		**(13)**	16	**57**	78
Other income		**29**	28	**89**	88
Operating income		**9,437**	6,795	**27,334**	20,541
Provision charge for expected credit losses	6	**-**	(275)	**(254)**	(2,402)
Net operating income		**9,437**	6,520	**27,080**	18,139
Staff costs		**(2,247)**	(2,500)	**(7,457)**	(7,399)
Depreciation		**(179)**	(181)	**(540)**	(542)
Other operating expenses		**(1,079)**	(1,638)	**(2,996)**	(3,306)
Operating expenses		**(3,505)**	(4,319)	**(10,993)**	(11,247)
NET PROFIT FOR THE PERIOD		**5,932**	2,201	**16,087**	6,892

Anthony C. Mallis
Vice Chairman

Khaled Al Gonsel
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 2023

	Three months ended 30 September (Reviewed)		*Nine months ended 30 September (Reviewed)*	
	2023	*2022*	***2023***	*2022*
	US$'000	*US$'000*	***US$'000***	*US$'000*
NET PROFIT FOR THE PERIOD	**5,932**	2,201	**16,087**	6,892
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	**(495)**	(2,250)	**(1,319)**	(15,626)
Other comprehensive (loss) gain classified to profit or loss during the period:				
Changes in allowance for expected credit losses on FVOCI investments	**(180)**	975	**(459)**	3,953
Other comprehensive loss for the period	**(675)**	(1,275)	**(1,778)**	(11,673)
Total comprehensive income (loss) for the period	**5,257**	926	**14,309**	(4,781)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

Nine months ended 30 September 2023

	Notes	*Nine months ended 30 September (Reviewed)* **2023** **US$'000**	*2022* *US$'000*
OPERATING ACTIVITIES			
Net profit for the period		**16,087**	6,892
Adjustments for:			
Provision charge for expected credit losses	6	**254**	2,402
Depreciation		**540**	542
Amortisation of investments carried at amortised cost		**1,127**	1,186
Realised gain on investments classified as FVTPL		**(29)**	(51)
Investment loss - net		**200**	180
Amortisation of assets classified as loans and advances		**(821)**	(900)
Operating profit before changes in operating assets and liabilities		**17,358**	10,251
Changes in operating assets and liabilities:			
Balances with Central Bank		**(88,709)**	174,802
Deposits with banks and other financial institutions		**(39,188)**	60,782
Loans and advances		**(40,777)**	20,741
Interest receivable and other assets		**(5,292)**	(2,455)
Deposits from banks and other financial institutions		**74,221**	(125,176)
Due to banks and other financial institutions		**(45,536)**	3,015
Due to customers		**(2,307)**	(13,125)
Interest payable and other liabilities		**2,548**	2,175
Net cash (used in) from operating activities		**(127,682)**	131,010
INVESTING ACTIVITIES			
Purchase of investments classified as FVTPL		**(2,011)**	(63)
Purchase of investment securities		**(45,739)**	(26,645)
Proceeds from disposal / maturity of investments classified as FVTPL		**2,040**	3,775
Proceeds from disposal / maturity of investment securities		**27,801**	20,000
Purchase of property, equipment and software		**(156)**	(147)
Net cash used in investing activities		**(18,065)**	(3,080)
FINANCING ACTIVITY			
Dividend paid	8	**(8,000)**	(12,500)
Cash used in financing activity		**(8,000)**	(12,500)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(153,747)**	115,430
Cash and cash equivalents at beginning of the period		**364,181**	426,705
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		**210,434**	542,135
Cash and cash equivalents comprise:			
Cash and balances with Central Bank and other banks with original maturity of 90 days or less		**3,439**	257,843
Deposits with banks and other financial institutions with original maturity of 90 days or less		**206,995**	284,292
		210,434	542,135

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

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Nine months ended 30 September 2023

	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 2023	**250,000**	**31,075**	**53,223**	**(9,936)**	**8,000**	**332,362**
Net profit for the period	**-**	**-**	**16,087**	**-**	**-**	**16,087**
Other comprehensive loss for the period	**-**	**-**	**-**	**(1,778)**	**-**	**(1,778)**
Total comprehensive income for the period	**-**	**-**	**16,087**	**(1,778)**	**-**	**14,309**
Dividend paid (note 8)	**-**	**-**	**-**	**-**	**(8,000)**	**(8,000)**
At 30 September 2023	**250,000**	**31,075**	**69,310**	**(11,714)**	**-**	**338,671**
Balance as at 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 loss for the period	-	-	6,892	(11,673)	-	(4,781)
Dividend paid	-	-	-	-	(12,500)	(12,500)
At 30 September 2022	250,000	30,115	59,472	(16,967)	-	322,620

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 2023 were authorised for issue in accordance with a resolution of the Bank's Board of Directors on 23 October 2023.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial statements of the Bank and the Group for the nine month period ended 30 September 2023 are prepared in accordance with International Accounting Standard IAS 34, Interim Financial Reporting ("IAS 34"). The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Bank's annual financial statements as at 31 December 2022. In addition, results for the nine months period ended 30 September 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of new standards effective as of 1 January 2023.

2.2 Basis of consolidation

The interim condensed consolidated financial statements include the financial statements of the Bank and its SPV as at 30 September 2023. The reporting dates of the SPV and the Bank are identical and the SPV's accounting policies conform to those used by the Bank for like transactions and events in similar circumstances.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group 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 New and amended standards and interpretations effective as of 1 January 2023

The following new amendments to the accounting standards became effective in 2023 and have been adopted by the Group in preparation of these interim condensed consolidated financial statements as applicable. Further, the Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. This standard has no material impact on the Group.

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

The amendments have no material impact on the Group.

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

Lease Liability in a Sale and Leaseback – Amendments to IFRS 16
In September 2022, the Board issued Lease Liability in a Sale and Leaseback (Amendments to IFRS 16). The amendment to IFRS 16 specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

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

3 CASH AND BALANCES WITH CENTRAL BANK AND OTHER BANKS

	(Reviewed) 30 September 2023 US$'000	*(Audited) 31 December 2022 US$'000*
Cash and balance with bank	**14**	15
Money at call and short notice with other banks	**6,883**	15,517
Treasury bills - balances with Central Bank	**387,430**	298,721
Provision for expected credit losses (note 3.1)	**(3,458)**	(3,499)
Cash and balances with central bank and other banks	**390,869**	310,754
Treasury bills - balances with Central Bank with original maturities of more than 90 days	**(387,430)**	(298,721)
Deposits with banks and other financial institutions with original maturities of 90 days or less	**206,995**	352,148
Cash and cash equivalents	**210,434**	364,181

As at 30 September 2023, exposure classified in stage 2 amounted to US$ 59 thousand (31 December 2022: US$ 157 thousand) and exposure classified in stage 3 amounted to US$ 3,456 thousand (31 December 2022: US$ 3,497 thousand). The remaining exposures are classified within Stage 1.

Note 3.1
Movement in provision for expected credit losses were as follows:

	30 September 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**	**3,499**
Exchange movement	**-**	**-**	**(41)**	**(41)**
At 30 September 2023	**1**	**1**	**3,456**	**3,458**

	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

4 INVESTMENT SECURITIES

	30 September 2023 (Reviewed)		
	FVOCI US$'000	***Amortised cost US$'000***	***Total US$'000***
Quoted investments			
- Sovereign debt securities	**130,814**	**110,570**	**241,384**
- Banks and Corporate debt securities	**18,194**	**5,087**	**23,281**
Total quoted investments	**149,008**	**115,657**	**264,665**
Provision for expected credit losses on investment securities at amortised cost	**-**	**(1,013)**	**(1,013)**
Total investment securities	**149,008**	**114,644**	**263,652**

	31 December 2022 (Audited)		
	FVOCI US$'000	*Amortised cost US$'000*	*Total US$'000*
Quoted investments			
- Sovereign debt securities	97,612	125,371	222,983
- Banks and Corporate debt securities	24,350	2,040	26,390
Total quoted investments	121,962	127,411	249,373
Provision for expected credit losses on investment securities at amortised cost	-	(820)	(820)
Total investment securities	121,962	126,591	248,553

At 30 September 2023, interest in suspense amounted to US$ 458 thousand (30 September 2022: US$ 148 thousand).

Note 4.1

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

	30 September 2023 (Reviewed)			
	Stage 1: US$ 000	***Stage 2: US$ 000***	***Stage 3: US$ 000***	***Total US$ 000***
Investment securities at FVOCI				
At 1 January	**70,174**	**50,238**	**1,550**	**121,962**
Investments purchased	**34,866**	**-**	**-**	**34,866**
Investments matured	**(1,292)**	**(5,128)**	**-**	**(6,420)**
Transfers between stages	**8,394**	**(8,394)**	**-**	**-**
Fair value movement	**(2,929)**	**682**	**928**	**(1,319)**
Other movements	**-**	**-**	**(81)**	**(81)**
At 30 September	**109,213**	**37,398**	**2,397**	**149,008**

4 INVESTMENT SECURITIES (continued)

	30 September 2022 (Reviewed)			
	Stage 1: US$ 000	*Stage 2: US$ 000*	*Stage 3: US$ 000*	*Total US$ 000*
Investment securities at FVOCI				
At 1 January	85,195	37,415	-	122,610
Investments purchased	16,279	1,870	-	18,149
Investments sold / matured	(5,143)	(5,037)	-	(10,180)
Transfers between stages	(19,081)	16,312	2,769	-
Fair value movement	(11,901)	(2,249)	(1,476)	(15,626)
At 30 September	65,349	48,311	1,293	114,953

	30 September 2023 (Reviewed)			
	Stage 1: US$ 000	***Stage 2: US$ 000***	***Stage 3: US$ 000***	***Total US$ 000***
Investment securities at amortised cost				
At 1 January	**113,741**	**13,670**	**-**	**127,411**
Investments purchased	**10,873**	**-**	**-**	**10,873**
Investments matured	**(12,500)**	**(9,000)**	**-**	**(21,500)**
Amortisation of premium - net	**(1,027)**	**(100)**	**-**	**(1,127)**
At 30 September	**111,087**	**4,570**	**-**	**115,657**

	30 September 2022 (Reviewed)			
	Stage 1: US$ 000	*Stage 2: US$ 000*	*Stage 3: US$ 000*	*Total US$ 000*
Investment securities at amortised cost				
At 1 January	117,982	24,061	-	142,043
Investments purchased	8,496	-	-	8,496
Investments matured	(10,000)	-	-	(10,000)
Amortisation of premium - net	(1,133)	(53)	-	(1,186)
At 30 September	115,345	24,008	-	139,353

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

	FVOCI 30 September 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	**295**	**1,609**	**3,302**	**5,206**
Transfer to 12-month ECL	**50**	**(50)**	**-**	**-**
Provided during the period	**13**	**-**	**-**	**13**
Reversals during the period	**(118)**	**(354)**	**-**	**(472)**
	(55)	**(404)**	**-**	**(459)**
At 30 September 2023	**240**	**1,205**	**3,302**	**4,747**

4 INVESTMENT SECURITIES (continued)

	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

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

	Amortised cost 30 September 2023 (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 2023	**561**	**259**	**820**
Provided during the period	**19**	**216**	**235**
Reversals during the period	**(42)**	**-**	**(42)**
	(23)	**216**	**193**
At 30 September 2023	**538**	**475**	**1,013**

	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

5 LOANS AND ADVANCES

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

	30 September 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 US$ 000***
Letters of credit - financing and discounting	**61,361**	**-**	**41,324**	**102,685**
Sovereign loans	**27,558**	**-**	**-**	**27,558**
Commercial loans	**83,033**	**14,857**	**-**	**97,890**
	171,952	**14,857**	**41,324**	**228,133**
Provision for expected credit losses	**(2,705)**	**(149)**	**(41,324)**	**(44,178)**
	169,247	**14,708**	**-**	**183,955**

	31 December 2022 (Audited)			
	Stage 1: 12-month ECL US$ 000	*Stage 2: Lifetime ECL not credit-impaired US$ 000*	*Stage 3: Lifetime ECL credit-impaired US$ 000*	*Total US$ 000*
Letters of credit - financing	8,590	-	41,324	49,914
Sovereign loans	36,548	-	-	36,548
Commercial loans	100,073	-	-	100,073
	145,211	-	41,324	186,535
Provision for expected credit losses	(2,343)	-	(41,324)	(43,667)
	142,868	-	-	142,868

Movements in provision for expected credit losses were as follows:

	30 September 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	**2,343**	**-**	**41,324**	**43,667**
Transfer to lifetime ECL not credit-impaired	**(290)**	**290**	**-**	**-**
Provided during the period	**1,178**	**-**	**-**	**1,178**
Reversals during the period	**(526)**	**(141)**	**-**	**(667)**
	362	**149**	**-**	**511**
At 30 September 2023	**2,705**	**149**	**41,324**	**44,178**

5 LOANS AND ADVANCES (continued)

	30 September 2022 (Reviewed)			
	Stage 1: 12-month ECL	*Stage 2: Lifetime ECL not credit-impaired*	*Stage 3: Lifetime ECL credit-impaired*	*Total ECL*
	US$ '000	*US$ '000*	*US$ '000*	*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

At 30 September 2023, interest in suspense on past due loans that are impaired amounts to US$ 32,161 thousand (30 September 2022: US$ 31,594 thousand).

6 PROVISION CHARGE FOR EXPECTED CREDIT LOSSES

	Nine months ended (Reviewed)	
	30 September 2023	*30 September 2022*
	US$'000	*US$'000*
(Charge for) reversal of expected credit losses on:		
Balances with Central Banks and other banks - net	**-**	4
Deposits with banks and other financial institutions - net	**68**	90
Investment securities - net	**266**	(3,416)
Loans - net	**(511)**	895
Off balance sheet exposures - net	**(77)**	25
	(254)	(2,402)

7 COMMITMENTS AND CONTINGENT LIABILITIES

Credit related commitments

	(Reviewed)	*(Audited)*
	30 September 2023	*31 December 2022*
	US$'000	*US$'000*
Letters of credit	**24,423**	72,088
Letter of guarantee	**147**	-
Loan commitment	**20,000**	-
	44,570	72,088

As of 30 September 2023, all the above exposures are classified within Stage 1 (31 December 2022: same) and provision against off balance sheet exposures amounting to US$ 100 thousand (31 December 2022: US$ 23 thousand) is classified under other liabilities.

8 DIVIDEND

During the nine month ended 30 September 2023, dividend for the year ended 31 December 2022 amounting to US$ 8 million i.e. US$ 1.6 per share was paid after due approval from the shareholders at the Annual General Assembly Meeting held on 29 March 2023.

9 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

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

	(Reviewed) 30 September 2023 US$'000	*(Audited) 31 December 2022 US$'000*
Interim consolidated statement of financial position		
Assets		
Cash and balances with banks	**546**	553
Loans and advances	**4,352**	4,389
Interest receivable	**35**	36
Other assets	**169**	88
Liabilities		
Deposits from banks and other financial institutions *	**535,865**	524,579
Due to banks and other financial institutions	**27,116**	40,710
Interest payable	**5,356**	2,990
Other liabilities	**776**	501
Contingent liabilities		
Letters of credit	**1,738**	3,009

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

	Nine months ended (Reviewed)	
	30 September 2023 US$ '000	*30 September 2022 US$ '000*
Interim statement of profit or loss		
Interest income	**203**	110
Interest expense	**19,904**	5,343
Fee and commission income - net	**123**	297

	Nine months ended (Reviewed)	
	30 September 2023 US$ '000	*30 September 2022 US$ '000*
Compensation paid to the Board of Directors and key management personnel		
Short term benefits*	**2,400**	2,332
End of service benefits	**208**	194
	2,608	2,526

9 TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)

*Includes sitting fees of US$ 219 thousand (30 September 2022: US$ 201 thousand) and reimbursement of travel, accommodation and other expenses paid to the Board of Directors of US$ 157 thousand (30 September 2022: US$ 139 thousand).

10 FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

Fair value hierarchy
The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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

At 30 September 2023 (Reviewed)

	Level 1	***Level 2***	***Total***
	US$ '000	***US$ '000***	***US$ '000***
Investments classified as fair value through			
- other comprehensive income	**149,008**	**-**	**149,008**
	149,008	**-**	**149,008**

At 31 December 2022 (Audited)

	Level 1	*Level 2*	*Total*
	US$ '000	*US$ '000*	*US$ '000*
Investments classified as fair value through			
- other comprehensive income	121,962	-	121,962
Derivative financial instruments	-	3	3
	121,962	3	121,965

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 2023 and as at 31 December 2022.

Transfers between level 1, level 2 and level 3
During the nine month period ended 30 September 2023 and 30 September 2022 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.

10 FINANCIAL INSTRUMENTS (continued)

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 2023 (Reviewed)

	Total fair value US$ '000	***Carrying value US$ '000***
Investments at amortised cost	**109,317**	**114,644**
Loans and advances - sovereign loans	**28,670**	**26,914**
	137,987	**141,558**

At 31 December 2022 (Audited)

	Total fair value US$ '000	*Carrying value US$ '000*
Investments at amortised cost	121,095	126,591
Loans and advances - sovereign loans	34,893	32,802
	155,988	159,393

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

Management has assessed that the fair values of balances with banks, deposits with banks and other financial institutions, loans and advances (other than those disclosed in the table above), interest receivable, other assets, deposits from banks and other financial institutions, due to banks and other financial institutions, due to customers, interest payable and other liabilities to approximate their carrying values as of 30 September 2023 and 31 December 2022.

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 2023, the Group's LCR was well above the regulatory requirement and stood at 1114% (31 December 2022: 416%). The Group's simple average of daily LCR computed on working days of the quarter was 658% (30 June 2023: 541%).

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.

11 LIQUIDITY RATIOS (continued)

Net Stable Funding Ratio (continued)

The Groups NSFR was well above the regulatory requirement and stood at 142% as at 30 September 2023 (31 December 2022: 136%). The main drivers for robust Available Stable Funding (ASF) is its sizeable capital base, which contributes about 76% (31 December 2022: 76%) of total ASF and the remaining 24% (31 December 2022: 24%) of ASF constituted funding from deposits from financial institutions and non-financial corporate customers. Required Stable Funding (RSF), primarily comprised of short term deposit placements with Banks and other performing loans, which constituted about 51% (31 December 2022: 52%) of total RSF. High quality liquid assets (that comprised mainly of Bahrain government securities and other highly rated debt issuances) accounted for about 9% (31 December 2022: 8%) of the total RSF, while non-HQLA securities accounted for 29% (31 December 2022: 29%) of the total RSF.

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*
Available Stable Funding (ASF):					
Capital:					
Regulatory Capital	341,112	-	-	-	341,112
Wholesale funding:					
Other wholesale funding	-	640,572	197,436	-	109,364
Other liabilities:					
All other liabilities not included in the above categories	-	17,247	-	-	-
Total ASF					**450,476**
Required Stable Funding (RSF):					
Total NSFR high-quality liquid assets (HQLA)					29,432
Performing loans and securities:					
Performing loans to financial institutions secured by non-level 1 HQLA and unsecured performing loans to financial institutions	-	392,580	2,265	35,758	95,778
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and public sector entities	-	4,781	605	74,833	66,301
Performing residential mortgages, of which:					
Securities/sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities	-	8,951	19,413	91,182	91,687
Other assets:					
All other assets not included in the above categories	31,614	-	-	-	31,614
Off balance sheet items	44,570	-	-	-	2,228
Total RSF					**317,040**
NSFR (%)					**142%**