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

INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2021 (Reviewed)

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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 31 March 2021, comprising the interim consolidated statement of financial position and the related interim consolidated statements of profit or loss, comprehensive income, cash flows and changes in equity for the three-month period then ended and explanatory notes. The Bank's Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 *Interim Financial Reporting* ('IAS 34') 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.

Other matter
Due to the outbreak of the novel coronavirus (COVID-19) in early 2020, the Central Bank of Bahrain vide its circular OG/124/2020 dated 30 March 2020 had exempted all public shareholding companies and locally incorporated banks from preparation and publication of interim condensed financial statements for the three-month period ended 31 March 2020. We have not reviewed the comparative information for the three-month period ended 31 March 2020 presented in these interim condensed consolidated financial statements which have been extracted from management accounts and, we do not express any review conclusion on them.

Ernst & Young

10 May 2021
Manama, Kingdom of Bahrain

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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2021

	Notes	*(Reviewed)* ***31 March 2021 US$'000***	*(Audited) 31 December 2020 US$'000*
ASSETS			
Cash and balances with Central Banks and other banks		**355,510**	333,194
Deposits with banks and other financial institutions		**441,293**	470,893
Investments classified as fair value through profit or loss	3	**5,611**	-
Investment securities	4	**230,704**	244,867
Loans and advances	5	**87,297**	81,798
Property, equipment and software		**8,173**	8,326
Interest receivable		**4,301**	5,354
Other assets		**1,778**	810
TOTAL ASSETS		**1,134,667**	1,145,242
LIABILITIES AND EQUITY			
Liabilities			
Deposits from banks and other financial institutions		**637,712**	662,254
Due to banks and other financial institutions		**111,589**	64,897
Due to customers		**41,032**	72,752
Interest payable		**968**	444
Other liabilities		**20,555**	10,520
Total liabilities		**811,856**	810,867
Equity			
Share capital		**250,000**	250,000
Statutory reserve		**27,842**	27,842
Retained earnings		**46,596**	44,621
Fair value reserve		**(1,627)**	(588)
Proposed dividend		**-**	12,500
Total equity		**322,811**	334,375
TOTAL LIABILITIES AND EQUITY		**1,134,667**	1,145,242

Anthony C. Mallis
Vice Chairman

Moraja G. Sulaiman
Chairman

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

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

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Three months ended 31 March 2021

	Note	*Three months ended 31 March* (Reviewed) 2021 US$'000	(Not reviewed) 2020 US$'000
Interest and similar income		**6,558**	9,183
Interest expense		**(851)**	(3,232)
Net interest income		**5,707**	5,951
Fee and commission income - net		**548**	677
Trading loss - net		**(444)**	(65)
Investment income - net		**15**	82
Foreign exchange gain - net		**9**	4
Other income		**32**	29
Operating income		**5,867**	6,678
(Charge for) / reversal of expected credit losses	6	**(175)**	3,889
Net operating income		**5,692**	10,567
Staff costs		**(2,478)**	(2,148)
Depreciation		**(217)**	(213)
Other operating expenses		**(1,022)**	(842)
Operating expenses		**(3,717)**	(3,203)
NET PROFIT FOR THE PERIOD		**1,975**	7,364

Anthony C. Mallis¶
Vice Chairman¶

Moraja G. Sulaiman¶
Chairman¶

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

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Three months ended 31 March 2021

	Three months ended 31 March 2021	
	(Reviewed)	*(Not reviewed)*
	2021	*2020*
	US$'000	*US$'000*
NET PROFIT FOR THE PERIOD	**1,975**	7,364
Other comprehensive income:		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Fair value change in cash flow hedge	**-**	442
Unrealised fair value loss on investments classified as fair value through other comprehensive income (FVOCI)	**(1,093)**	(22,193)
ECL movement on FVOCI investments	**54**	(883)
Other comprehensive loss for the period	**(1,039)**	(22,634)
Total comprehensive income (loss) for the period	**936**	(15,270)

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

Three months ended 31 March 2021

	Note	*Three months ended 31 March 2021* ***(Reviewed)*** ***2021*** ***US$'000***	*(Not reviewed)* *2020* *US$'000*
OPERATING ACTIVITIES			
Net profit for the period		**1,975**	7,364
Adjustments for:			
Charge for (reversal of) expected credit losses	6	**175**	(3,889)
Depreciation		**217**	213
Amortisation of investments carried at amortised cost		**169**	735
Investment income - net		**(9)**	(82)
Unrealised loss on investments classified as FVTPL		**444**	65
Amortisation of assets classified as loans and advances		**(324)**	(276)
Operating profit before changes in operating assets and liabilities		**2,647**	4,130
Changes in operating assets and liabilities:			
Balances with Central Banks		**(48,717)**	(16,230)
Deposits with banks and other financial institutions		**(94,694)**	(51,162)
Investments classified as fair value through profit and loss		**(6,055)**	(1,400)
Investment securities		**804**	(222)
Loans and advances		**(4,966)**	7,344
Interest receivable and other assets		**85**	1,326
Deposits from banks and other financial institutions		**(24,542)**	13,649
Due to banks and other financial institutions		**46,692**	(37,028)
Due to customers		**(31,720)**	(10,026)
Interest payable and other liabilities		**(2,024)**	1,851
Net cash used in operating activities		**(162,490)**	(87,768)
INVESTING ACTIVITIES			
Purchase of investment securities		**(36,910)**	(28,736)
Proceeds from disposal / redemption of investment securities		**51,011**	7,497
Purchase of property, equipment and software		**(64)**	(32)
Net cash from (used in) investing activities		**14,037**	(21,271)
FINANCING ACTIVITY			
Dividend paid	8	**-**	(15,000)
Cash used in financing activity		**-**	(15,000)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(148,453)**	(124,039)
Cash and cash equivalents at beginning of the period		**614,961**	538,756
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		**466,508**	414,717
Cash and cash equivalents comprise:			
Cash and balances with Central Bank and other banks with original maturity of ninety days or less		**180,026**	244,149
Deposits with banks and other financial institutions with original maturity of ninety days or less		**286,482**	170,568
		466,508	414,717

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

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Three months ended 31 March 2021

	(Reviewed)					
	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 2021	**250,000**	**27,842**	**44,621**	**(588)**	**12,500**	**334,375**
Net profit for the period	**-**	**-**	**1,975**	**-**	**-**	**1,975**
Other comprehensive loss for the period	**-**	**-**	**-**	**(1,039)**	**-**	**(1,039)**
Total comprehensive income / (loss) for the period	**-**	**-**	**1,975**	**(1,039)**	**-**	**936**
Dividend (note 8)	**-**	**-**	**-**	**-**	**(12,500)**	**(12,500)**
At 31 March 2021	**250,000**	**27,842**	**46,596**	**(1,627)**	**-**	**322,811**

	(Not reviewed)					
	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 At 1 January 2020	250,000	25,631	37,219	3,174	15,000	331,024
Net profit for the period	-	-	7,364	-	-	7,364
Other comprehensive loss for the period	-	-	-	(22,634)	-	(22,634)
Total comprehensive income / (loss) for the period	-	-	7,364	(22,634)	-	(15,270)
Dividend paid (note 8)	-	-	-	-	(15,000)	(15,000)
At 31 March 2020 (unreviewed)	250,000	25,631	44,583	(19,460)	-	300,754

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

These consolidated financial statements include the operating results of the Bank and its wholly owned subsidiary 'Bahrain Real Estate Development Company' (together "the Group").

Impact of COVID-19
With the continuity of outbreak of coronavirus (COVID-19) during the period ended 31 March 2021 from previous year, the existing and anticipated effects of the outbreak on the global economy is expected to continue 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 three months period ended 31 March 2021 were authorised for issue in accordance with a resolution of the Bank's Board of Directors on 5 May 2021.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation
The interim condensed financial statements of the Bank have been 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 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'.

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.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)
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 three month period ended 31 March 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

These interim condensed consolidated financial statements are reviewed, not audited. Due to the outbreak of the novel coronavirus (COVID-19), the Central Bank of Bahrain had exempted all public shareholding companies and locally incorporated banks from preparation and publication of their interim condensed financial statements for the three-month period ended 31 March 2020. Accordingly, the comparatives for the interim condensed consolidated statement of financial position have been extracted from the audited consolidated financial statements for the year ended 31 December 2020 while the comparatives for the interim consolidated statements of profit or loss, comprehensive income, cash flows and changes in equity and related notes have been extracted from the management accounts for the three month period ended 31 March 2020. Further, the comparative information included in the interim consolidated statements of profit or loss, comprehensive income, cash flows and changes in equity and related notes are not reviewed by external auditors.

(b) 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 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.

c) 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.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

c) 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 amendments are not expected to have a material 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 the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material 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. 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 amendments are expected to have an impact on the Group's consolidated financial statements which the management will consider upon initial application of the standard.

3 INVESTMENTS CLASSIFIED AS FAIR VALUE THROUGH PROFIT OR LOSS

	***(Reviewed)* 31 March 2021 US$'000**	*(Audited) 31 December 2020 US$'000*
Quoted debt securities	**5,611**	-

4 INVESTMENT SECURITIES

	31 March 2021 (Reviewed)		
	FVOCI US$'000	***Amortised cost US$'000***	***Total US$'000***
Quoted investments			
- Sovereign debt securities	**84,120**	**87,948**	**172,068**
- Banks and Corporate debt securities	**42,334**	**18,116**	**60,450**
Total quoted investments	**126,454**	**106,064**	**232,518**
Provision for expected credit losses on investment securities at amortised cost	**-**	**(1,814)**	**(1,814)**
Total investment securities	**126,454**	**104,250**	**230,704**
Provision for expected credit losses on investment securities at FVOCI	**1,507**	**-**	**1,507**

	31 December 2020 (Audited)		
	FVOCI US$'000	*Amortised cost US$'000*	*Total US$'000*
Quoted investments			
- Sovereign debt securities	116,388	71,418	187,806
- Banks and Corporate debt securities	37,717	23,153	60,870
Total quoted investments	154,105	94,571	248,676
Provision for expected credit losses on investment securities at amortised cost	-	(3,809)	(3,809)
Total investment securities	154,105	90,762	244,867
Provision for expected credit losses on investment securities at FVOCI	1,453	**-**	1,453

As at 31 March 2021, gross investments classified in stage 2 amounted to US$ 25,880 thousand (31 December 2020: US$ 25,199 thousand) for FVOCI and US$ 27,124 thousand (31 December 2020: US$ 27,154 thousand) for amortised cost respectively. 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 31 March 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	**170**	**10**	**180**
Recoveries / write-backs	**(70)**	**(56)**	**(126)**
At 31 March 2021	**668**	**839**	**1,507**

	FVOCI 31 March 2020 (Not 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 2020	291	1,538	1,829
Provided during the period	202	24	226
Recoveries / write-backs	(37)	(1,072)	(1,109)
At 31 March 2020 (Not reviewed)	456	490	946

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

	Amortised cost 31 March 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	**149**	**-**	**149**
Recoveries / write-backs	**-**	**(2,144)**	**(2,144)**
At 31 March 2021	**555**	**1,259**	**1,814**

4 INVESTMENT SECURITIES (continued)

	Amortised cost 31 March 2020 (Not 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 2020	28	2,794	2,822
Provided during the period	-	20	20
Recoveries / write-backs	(11)	(139)	(150)
At 31 March 2020 (Not reviewed)	17	2,675	2,692

5 LOANS AND ADVANCES

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

	31 March 2021 (Reviewed)		
	Stage 1: 12-month ECL US$ 000	***Stage 3: Lifetime ECL credit-impaired US$ 000***	***Total US$ 000***
Sovereign loans	**41,730**	**-**	**41,730**
Commercial loans	**29,370**	**6,326**	**35,696**
Letters of credit - financing	**18,092**	**53,037**	**71,129**
Factoring	**-**	**20,418**	**20,418**
	89,192	**79,781**	**168,973**
Provision for expected credit losses (note 5.1)	**(1,915)**	**(79,761)**	**(81,676)**
	87,277	**20**	**87,297**

	31 December 2020 (Audited)		
	Stage 1: 12-month ECL US$ 000	*Stage 3: Lifetime ECL credit-impaired US$ 000*	*Total US$ 000*
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

5 LOANS AND ADVANCES (continued)

Note 5.1
Movements in provision for expected credit losses were as follows:

	31 March 2021 (Reviewed)		
	Stage 1: 12-month ECL 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	**98**	**-**	**98**
Recoveries / write-backs	**(307)**	**-**	**(307)**
At 31 March 2021	**1,915**	**79,761**	**81,676**

	31 March 2020 (Not reviewed)		
	Stage 1: 12-month ECL US$ '000	*Stage 3: 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	23	-	23
Recoveries / write-backs	(179)	(2,804)	(2,983)
Exchange differences	-	(162)	(162)
At 31 March 2020 (Not reviewed)	1,779	90,041	91,820

At 31 March 2021, interest in suspense on past due loans that are impaired amounts to US$ 33,380 thousand (31 March 2020: US$ 32,344 thousand (not reviewed)).

6 CHARGE (REVERSAL) OF PROVISION FOR EXPECTED CREDIT LOSSES

	(Reviewed) 31 March 2021 US$'000	*(Not reviewed) 31 March 2020 US$'000*
Provision for expected credit losses against money market, nostros and others	**2,241**	177
Reversal for expected credit losses on investment securities - net	**(1,941)**	(1,013)
Reversal for expected credit losses on loans - net (note 5.1)	**(209)**	(3,024)
Provision (reversal) for expected credit losses against off off balance sheet exposures - net	**84**	(29)
	175	(3,889)

7 COMMITMENTS AND CONTINGENT LIABILITIES

Credit and derivative related commitments

	(Reviewed) ***31 March*** ***2021*** ***US$'000***	*(Audited)* *31 December* *2020* *US$'000*
Letters of credit	**82,201**	51,065
Letters of guarantee	**-**	118
Provision for expected credit loss (Stage 1)*	**(103)**	(19)
	82,098	51,164

* 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 transferred to Other liabilities as of 31 March 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 2019 amounting to US$ 15 million i.e. US $3 per share was paid during the three month period ended 31 March 2020 after due approval from the shareholders at the Annual General Assembly Meeting held on 15 March 2020.

9 TRANSACTIONS 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 statement of financial position and interim statement of profit or loss are as follows:

	(Reviewed) ***31 March*** ***2021*** ***US$'000***	*(Audited)* *31 December* *2020* *US$'000*
Interim statement of financial position		
Assets		
Cash and balances with banks	**1,565**	1,247
Loans and advances	**4,717**	-
Interest receivable	**20**	-
Other assets	**58**	65
Liabilities		
Deposits from banks and other financial institutions	**501,221**	526,766
Due to banks and other financial institutions	**70,675**	20,928
Interest payable	**927**	429
Other liabilities	**140**	493
Assets under management		
Contingent liabilities		
Letters of credit and guarantee	**16,494**	3,953

9 TRANSACTIONS 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.

	Three months ended	
	(Reviewed)	*(Not reviewed)*
	31 March 2021	*31 March 2020*
	US$ '000	*US$ '000*
Interim statement of profit or loss		
Interest and similar income	**21**	42
Interest expense	**801**	3,024
Fee and commission - net	**78**	111

	Three months ended	
	(Reviewed)	*(Not reviewed)*
	31 March 2021	*31 March 2021*
	US$ '000	*US$ '000*
Compensation paid to the Board of Directors and key management personnel		
Short term benefits*	**786**	841
End of service benefits	**56**	53
	842	894

*Includes sitting fees of US$ 53 thousand (31 March 2020: US$ 75 thousand (not reviewed)) and reimbursement of travel, accommodation and other expenses paid to the Board of Directors amounting to US$ 10 thousand (31 March 2020: US$ 37 thousand (not reviewed)).

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 31 March 2021 (Reviewed)

	Level 1 US$ '000	***Total US$ '000***
Investments classified as fair value through		
- profit or loss	**5,611**	**5,611**
- other comprehensive income	**126,454**	**126,454**
	132,065	**132,065**

At 31 December 2020 (Audited)

	Level 1 US$ '000	*Total US$ '000*
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 3 of the fair value hierarchy as at 31 March 2021 or as at 31 December 2020.

Transfers between level 1, level 2 and level 3
During the three-month period ended 31 March 2021 and 31 March 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 not measured at fair value (gross of expected credit loss) where fair value is different to carrying value:

At 31 March 2021 (Reviewed)

	Total fair value US$ '000	***Carrying value US$ '000***
Investments at amortised cost	**110,572**	**104,250**
Loans and advances - sovereign loans	**45,543**	**41,730**
	156,115	**145,980**

At 31 December 2020 (Audited)

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

10 FINANCIAL INSTRUMENTS (continued)

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

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 short term in nature. Management has assessed that the fair values of these including loans and advances other than sovereign loans approximate their carrying values as of 31 March 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% Liquidity Coverage ratio (LCR) and Net Stable Funding ratio (NSFR).

The main objective of the Liquidity Coverage Ratio (LCR) is to promote the short-term resilience of the liquidity risk profile of banks by ensuring that they have sufficient level of high-quality liquid assets (HQLA) to survive a significant stress scenario lasting for a period of up to 30 days.

At 31 March 2021, the Group's simple average LCR was 451% (31 December 2020: 664%), 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 Bank's NSFR was well above the regulatory requirement and stood at 160% as at 31 March 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 non-financial corporate customers and deposits from financial institutions. Required Stable Funding (RSF), primarily comprised of short term deposit placements with Banks and other performing loans, which constituted about 47.8% (31 December 2020: 49.5%) of total RSF. High quality liquid assets (that comprised mainly of Bahrain government securities and other highly rated debt issuances) accounted for about 10.3% (31 December 2020: 11.2%) of the total RSF, while non-HQLA securities accounted for 35.2% (31 December 2020: 33.2%) 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***
Available Stable Funding (ASF):					
Capital:					
Regulatory Capital	327,781	-	-	-	327,781
Wholesale funding:					
Other wholesale funding	-	611,175	179,157	-	110,095
Other liabilities:					
All other liabilities not included in the above categories	-	21,422	-	-	-
Total ASF					**437,876**
Required Stable Funding (RSF):					
Total NSFR high-quality liquid assets (HQLA)					28,216
Performing loans and securities:					
Performing loans to financial institutions secured by non-level 1 HQLA and unsecured performing loans to financial institutions	-	513,087	10,146	-	82,036
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and public sector entities	-	884	17,122	46,447	48,483
Performing residential mortgages, of which: Securities/sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities	-	5,015	10,269	104,159	96,177
Other assets:					
All other assets not included in the above categories	14,273	-	-	-	14,273
Off balance sheet items	-	82,201	-	-	4,110
Total RSF					**273,295**
NSFR (%)					**160%**

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

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 and continues to impact even in current year 2021, although, vaccination efforts commenced by end of 2020. This has resulted in 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$ 2.0 million for the period ended 31 March 2021, as compared to US$ 7.4 million for the same period last year, which is a decrease of US$ 5.4 million, a 73% decrease. This decline is mainly due to exceptional income, generated from recovery of non-performing facilities in 2020. Besides, the interest rates evidenced steep fall since the end of first quarter 2020, which narrowed interest margins.

The Bank 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. Compared period on period, the Group recorded an income of US$ 0.5 million, as against US$ 0.7 million, signifying a decrease of 19%.

Investment held under fair value through profit or loss, resulted in recording unrealized loss of US$ 444 thousand in current period, as against a net unrealized loss of US$ 65 thousand recorded in last year same period.

On the expenses front, other operating expenses increased by US$ 180 thousand, an increase of 21% compared to last year same period, mainly attributed to incorporation expenses of the Group's SPV. Staff costs also increased compared to last year same period by US$ 330 thousand, an increase of 15%, primarily due to increase in number of staff. Therefore, net operating expenses increased over last year same period stood at US$ 514 thousand, i.e. 16%.

Group's Capital adequacy ratio was strong at 52.83% and continued 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 99.4% as at 31 March 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.