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

REPORT OF THE BOARD OF DIRECTORS, INDEPENDENT AUDITOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

alubaf
بنك اليوباف العربي الدولي ش.م.ب (م)
Alubaf Arab International Bank B.S.C(c)

Board of Directors' Report

On behalf of the Board of Directors', I am delighted to present the audited consolidated financial statements for the year ended 31 December 2020.

The year 2020, disrupted global economy due to COVID 19 pandemic, which spiked uncertainties across businesses and challenged the business model of banking industry. Amid the challenging and uncertain macro -economic factors and increasing regulatory requirements, the Group emerged resilient and achieved a Consolidated Net profit of US$ 22.1 million for the year ended 31 December 2020 and exceeded management estimates, although the results decreased by 23.1% as compared to US$ 28.7 million last year 2019. This was mainly due to unusual write back of provision for credit losses in 2019, following recovery of dues, from a non-performing facility.

Interest income was US$ 31.8 million for the year ended 31 December 2020, however, the interest expenses for 2020 was US$ 7.7 million, therefore, the net interest income for the year 2020 was US$ 24 million.

Total non-interest income was US$ 9.8 million in 2020 was mainly driven by other income amounting to US$ 5.8 million, which comprised mainly recovery from written off facilities and fee and commission income of US$ 3.8 from Trade finance activity.

Despite the COVID-19 pandemic, the Bank's management ensured continuous uninterrupted operations and services to its customers, which resulted in generating substantial fee and commission income from its core business activity of trade finance.

Therefore, total operating income achieved for 2020 was US$ 33.9 million, as compared to US$ 33.0 million in 2019, resulting in an overall increase of 2.8% in current year.

The Bank performed phenomenally well, in collection of past dues, which enabled reversal of US$ 1.9 million, net provision of credit losses after maintaining 100% provision coverage for other non-performing facilities and creating adequate levels of provision for expected credit loss under IFRS.

On the expenses front, the staff costs for the year 2020 was reduced to US$ 8.3 million, mainly due to receipt of government grant of subsidizing salaries for Bahraini staff amounting to US$ 428 thousand. The other operating expenses of US$ 4.5 million, mainly attributed to expenses related to enhanced technology support and professional fee Thus, resulting in increased Cost to income ratio from 38.5 % in 2019 to 40.3% in 2020.

Alubaf Balance sheet remains strong, with total assets marginal change of 0.8% year on year. Loans portfolio contracted in 2020 to 7.1% of total assets, due its cautious approach with the prevailing uncertainties in the market. Investment securities increased marginally in 2020 and stood at 21.4% of total assets.

The Bank achieved a Return on average equity of 6.7% for the year ended 2020 and its Capital adequacy and liquidity (liquid assets to total assets) ratios remained strong at 56% and 70.7% respectively.

Alubaf Bank's achievement in 2020, is commendable, as the outbreak of COVID-19 pandemic had slowed credit growth and businesses in general globally. This proved the Bank's resilience to challenging business environment.

Furthermore, the Bank had invested in enhancing its information technology infrastructure and related information security to enable seamless and continuous uninterrupted operations despite pandemic, to work from remote location or home. This facilitated access to information, communication and services to customers, alongside meeting regulatory requirements.
Besides the above, the Bank has evolved and inculcated a strong risk management culture and strengthened its governance framework, thus, continually aligning with changes in regulatory norms.

With the remarkable financial performance of the Bank in 2020 and in recognition of the importance and support of its valued shareholders, the Board of directors are pleased to propose a dividend of US$ 2.5 per share, amounting to US$ 12.5 million, representing 5% of paid up share capital for the year 2020, after due appropriation of US$ 2.2 million from Net profit for the year 2020, towards transfer to Statutory reserve. This Proposed dividend for the year 2020, is subject to regulatory and shareholders' approval in Annual general meeting.

Outlook for 2021, is positive and encouraging, given our strong capital and dynamic management efforts to address market challenges and changing regulatory requirements, in order, to better position and sustain a year on year growth to our shareholders. Nevertheless, we expect a gradual growth year on year, due to continued COVID 19 uncertainties, however, the Group will continue to manage risks, capital and liquidity well.

Finally, I would like to thank all the members of the Board, the Shareholders, the Ministry of Industry, Commerce and Tourism in the Kingdom of Bahrain, Central Bank of Bahrain and all Correspondent Banks and our Customers for their continued support, cooperation and guidance.

I extend my special appreciation and thanks to all the employees for their professionalism and commitment for the Bank's continued growth and progress.

Moraja G. Solaiman
Chairman

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Email:info@alubafbank.com, www.alubafbank.com
Authorised Capital: US$ 500 Million, Paid up Capital: US$ 250 Million
Licensed as a Conventional Wholesale Bank by the CBB

برج اليوباف، ضاحية السيف
ص.ب: ١١٥٢٩، مملكة البحرين
س.ت: ١٢٨١٩, Swift: ALUBBHBM
تليفون: ١٧٥١٧٧٢٢ ٩٧٣+
فاكس: ١٧٥٤٠٠٩٤ ٩٧٣+

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Building a better working world

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ALUBAF ARAB INTERNATIONAL BANK B.S.C. (c)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of ALUBAF Arab International Bank B.S.C. (c) ("the Bank") and its subsidiary (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statements of profit or loss, comprehensive income, cash flows and changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as modified by CBB.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Kingdom of Bahrain, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Other information consists of the Board of Directors' report, set out on pages 1 to 2 that was obtained at the date of this auditor's report. The Board of Directors is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ALUBAF ARAB INTERNATIONAL BANK B.S.C. (c)

Report on the Audit of the Consolidated Financial Statements (continued)

Responsibilities of the Board of Directors for the financial statements
The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as modified by CBB, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ALUBAF ARAB INTERNATIONAL BANK B.S.C. (c)

Report on the Audit of the Consolidated Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

As required by the Bahrain Commercial Companies Law and (Volume 1) of the Central Bank of Bahrain (CBB) Rule Book, we report that:

a) the Bank has maintained proper accounting records and the consolidated financial statements are in agreement therewith;

b) the financial information contained in the Report of the Board of Directors is consistent with the consolidated financial statements;

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ALUBAF ARAB INTERNATIONAL BANK B.S.C. (c)

Report on Other Legal and Regulatory Requirements (continued)

c) we are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 1 and applicable provisions of Volume 6) and CBB directives, regulations and associated resolutions or the terms of the Bank's memorandum and articles of association during the year ended 31 December 2020 that might have had a material adverse effect on the business of the Bank or on its consolidated financial position; and

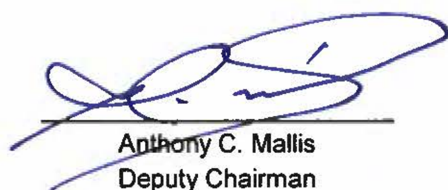
d) satisfactory explanations and information have been provided to us by Management in response to all our requests.

Partner's registration number. 244
15 February 2021
Manama, Kingdom of Bahrain

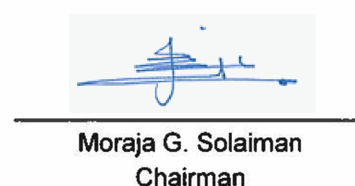
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 US$ '000	2019 US$ '000
ASSETS			
Cash and balances with central bank and other banks	4	**333,194**	428,235
Deposits with banks and other financial institutions	5	**470,893**	378,891
Investments classified as fair value through profit or loss (FVTPL)	6	**-**	3,028
Investment securities	7	**244,867**	234,930
Loans and advances	8	**81,798**	92,740
Property, equipment and software	9	**8,326**	8,987
Interest receivable		**5,354**	6,237
Other assets		**810**	949
TOTAL ASSETS		**1,145,242**	1,153,997
LIABILITIES AND EQUITY			
Liabilities			
Deposits from banks and other financial institutions	10	**662,254**	646,770
Due to banks and other financial institutions	10	**64,897**	89,196
Due to customers	11	**72,752**	75,504
Interest payable		**444**	2,188
Other liabilities	12	**10,520**	9,315
Total liabilities		**810,867**	822,973
Equity			
Share capital	13	**250,000**	250,000
Statutory reserve	13	**27,842**	25,631
Retained earnings		**44,621**	37,219
Fair value reserve		**(588)**	3,174
Proposed dividend	14	**12,500**	15,000
Total equity		**334,375**	331,024
TOTAL LIABILITIES AND EQUITY		**1,145,242**	1,153,997



Anthony C. Mallis
Deputy Chairman



Moraja G. Solaiman
Chairman

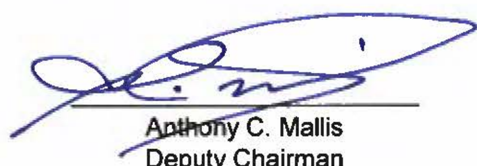
The attached notes 1 to 27 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Notes	**2020 US$ '000**	2019 US$ '000
Interest and similar income	15	**31,837**	44,226
Interest expense	16	**(7,740)**	(17,386)
Net interest and similar income		**24,097**	26,840
Fee and commission income	17	**3,828**	3,569
Gain on investments classified as FVTPL	18	**20**	535
(Loss) gain on investment securities - net		**(34)**	481
Foreign exchange gain - net		**181**	1,421
Other income		**5,786**	119
OPERATING INCOME		**33,878**	32,965
Reversal of provision for expected credit losses	19	**1,901**	8,469
NET OPERATING INCOME		**35,779**	41,434
Staff costs		**8,260**	8,736
Depreciation	9	**870**	881
Other operating expenses	21	**4,536**	3,076
OPERATING EXPENSES		**13,666**	12,693
NET PROFIT FOR THE YEAR		**22,113**	28,741



Anthony C. Mallis
Deputy Chairman

Moraja G. Solaiman
Chairman

The attached notes 1 to 27 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020 ***US$ '000***	*2019* *US$ '000*
NET PROFIT FOR THE YEAR	**22,113**	28,741
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Fair value change in cash flow hedge	**442**	(442)
Unrealised fair value (loss) gain on investments classified as fair value through other comprehensive income (FVOCI)	**(3,828)**	8,455
(Reversal) charge for expected credit loss on FVOCI investments	**(376)**	1,203
Other comprehensive (loss) income for the year	**(3,762)**	9,216
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**18,351**	37,957

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	***2020*** ***US$ '000***	*2019* *US$ '000*
OPERATING ACTIVITIES			
Net profit for the year		**22,113**	28,741
Adjustments for:			
Reversal of provision for expected credit losses	19	**(1,901)**	(8,469)
Depreciation	9	**870**	881
Amortisation of investments carried at amortised cost		**373**	326
Loss (gain) on investment securities - net		**34**	(481)
Unrealised gain on investments classified as FVTPL		**-**	(488)
Amortisation of assets classified as loans and advances		**(1,105)**	(924)
Operating profit before changes in operating assets and liabilities		**20,384**	19,586
Changes in operating assets and liabilities:			
Balances with central bank		**235**	(127,002)
Deposits with banks and other financial institutions		**78,790**	(126,884)
Investments classified as fair value through profit or loss (FVTPL)		**3,028**	11,977
Investment securities		**489**	(220)
Loans and advances		**14,687**	82,234
Interest receivable		**883**	391
Other assets		**139**	227
Deposits from banks and other financial institutions		**15,484**	2,200
Due to banks and other financial institutions		**(24,299)**	1,413
Due to customers		**(2,752)**	9,862
Interest payable		**(1,744)**	554
Other liabilities		**1,297**	2,174
Net cash flows from (used in) operating activities		**106,621**	(123,488)
INVESTING ACTIVITIES			
Purchase of investment securities		**(64,642)**	(54,190)
Proceeds from disposal/redemption of investment securities		**49,435**	32,190
Purchase of property, equipment and software	9	**(209)**	(110)
Net cash flows used in investing activities		**(15,416)**	(22,110)
FINANCING ACTIVITY			
Dividends paid		**(15,000)**	(5,000)
Cash flows used in financing activity		**(15,000)**	(5,000)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS		**76,205**	(150,598)
Cash and cash equivalents at 1 January		**538,756**	689,354
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	4	**614,961**	538,756

The attached notes 1 to 27 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Notes	*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 of 1 January 2020		**250,000**	**25,631**	**37,219**	**3,174**	**15,000**	**331,024**
Net profit for the year		-	-	22,113	-	-	22,113
Other comprehensive income		-	-	-	(3,762)	-	(3,762)
Total comprehensive income		-	-	22,113	(3,762)	-	18,351
Dividends paid	14	-	-	-	-	(15,000)	(15,000)
Proposed dividend for 2020 (note 14)	14	-	-	(12,500)	-	12,500	-
Transfer to statutory reserve (note 13)	13	-	2,211	(2,211)	-	-	-
Balance as of 31 December 2020		**250,000**	**27,842**	**44,621**	**(588)**	**12,500**	**334,375**
Balance as of 1 January 2019		250,000	22,757	26,352	(6,042)	5,000	298,067
Net profit for the year		-	-	28,741	-	-	28,741
Other comprehensive income		-	-	-	9,216	-	9,216
Total comprehensive income		-	-	28,741	9,216	-	37,957
Dividends paid	14	-	-	-	-	(5,000)	(5,000)
Proposed dividend for 2019 (note 14)	14	-	-	(15,000)	-	15,000	-
Transfer to statutory reserve (note 13)	13	-	2,874	(2,874)	-	-	-
Balance as of 31 December 2019		250,000	25,631	37,219	3,174	15,000	331,024

The attached notes 1 to 27 form part of these consolidated financial statements.

1 ACTIVITIES

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 at Building 854, Road 3618, Avenue 436, Alubaf Tower, Al-Seef District, PO Box 11529, Manama, Kingdom of Bahrain.

The Bank is majority owned by Libyan Foreign Bank, a bank registered in Libya (refer to note 13 for more details).

The Bank has incorporated a special purpose vehicle (the "SPV") namely 'Bahrain Real Estate Development Company' in Jordan on 11 August 2020 for the purpose of registration of land on behalf of the Bank. These consolidated financial statements include the operating results of the Bank and its wholly owned SPV (together "the Group").

Impact of COVID-19
During the year ended 31 December 2020, there was an outbreak of coronavirus (COVID-19). 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 consolidated financial statements of the Group for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the Board of Directors on 15 February 2021.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with applicable rules and regulations issued by CBB including the recently issued 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 gain or loss on financial assets are recognised in accordance with the requirements of IFRS 9. Refer note 20 for further details; and

(b) recognition of financial assistance received from the government in response to its COVID-19 support measures, and meeting the government grant requirements, 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 amount to be recognized in profit or loss. Any other financial assistance is recognized in accordance with the requirements of IAS 20. Refer note 20 for further details.

The above framework for basis of preparation of the consolidated financial statements is hereinafter referred to as 'IFRS as modified by CBB' which has been applied retrospectively and did not result in any change to the financial information reported for the comparative period.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as modified by CBB framework and are in conformity with the Bahrain Commercial Companies Law ("BCCL"), the CBB and Financial Institutions Law, the CBB Rule Book (Volume 1 and applicable provisions of Volume 6) and the relevant CBB directives.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

Basis of measurement
The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments and investments classified as at fair value through profit or loss ("FVTPL") and investment classified as at fair value through other comprehensive income ("FVOCI") that have been remeasured at fair value.

Functional and presentation currency
The consolidated financial statements are presented in United States Dollars (US$), being the Bank's functional currency. All values are rounded to the nearest thousand (US$ '000), except when otherwise indicated.

2.2 Significant accounting policies

Basis of consolidation
The consolidated financial statements include the financial statements of the Bank and its SPV as at 31 December 2020. The reporting dates of the SPV and the Bank are identical and the SPV's accounting policies conform to those used by the Bank for like transactions and events in similar circumstances.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Specifically, the Group controls an investee if and only if the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of Other Comprehensive Income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Significant accounting policies (continued)

Basis of consolidation (continued)

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.

Financial instruments

Date of recognition
Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognised on the trade date, i.e., the date on which the Group becomes a party to the contractual provisions of the instrument. This includes regular way trades, i.e., purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Bank recognises balances due to customers when funds are transferred to the Group.

Initial measurement
The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in notes 2.2 and 2.3.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Immediately after initial recognition, an expected credit loss ("ECL") is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognised in the consolidated statement of profit or loss when an asset is newly originated. When the fair value of financial assets and liabilities at initial recognition differs from the transaction price, the Group accounts for the Day 1 profit or loss, as described below.

Day 1 profit or loss
When the transaction price of the instrument differs from the fair value at origination, the difference is treated as follows:

(a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses data only from observable markets, the difference is recognised as a day 1 gain or loss.

(b) In all other cases, the difference is deferred and the timing of recognition of deferred day 1 profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or when the instrument is derecognised.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Significant accounting policies (continued)

Financial assets

2.2.1 Debt instruments - Classification and subsequent measurement
The Group classifies its financial assets - debt instruments in the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI); or
- Fair value through profit or loss (FVTPL).

The classification requirements for financial assets is as below.

Classification and subsequent measurement of debt instruments depend on:

(i) the Group's business model for managing the asset; and

(ii) the cash flow characteristics of the asset i.e. solely payments of principal and interest (SPPI) test.

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent SPPI, and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any ECL allowance recognised and measured. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate method.

- Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent SPPI, and that are not designated at FVTPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through other comprehensive income (OCI), except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'Other operating income' as 'Gain or loss on disposal of non-trading investments'. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest method.

- Fair value through profit or loss (FVTPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. The Group may also designate a financial asset at FVTPL, if doing so eliminates or significantly reduces measurement or recognition inconsistencies. A gain or loss on a debt investment that is measured at FVTPL and is not part of a hedging relationship is recognised in profit or loss and presented in the consolidated statement of profit or loss within operating income as 'Gain (loss) on investments classified as FVTPL' in the period in which it arises, unless it arises from debt instruments that were neither designated at fair value nor which are not held for trading, in which case they are presented separately within 'operating income' as a 'Gain on investment securities - net'. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest method.

Business model
The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of a 'held for trading' business model and measured at FVTPL. The business model assessment is not carried out on an instrument-by-instrument basis but at the aggregate portfolio level and is based on observable factors such as:

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Significant accounting policies (continued)

Financial assets (continued)

2.2.1 Debt instruments - Classification and subsequent measurement (continued)

Business model (continued)

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- How the asset’s and business model performance is evaluated and reported to key management personnel;
- How risks are assessed and managed; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case’ scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

SPPI test
The Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

Principal for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

Interest is the consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- the currency in which the financial asset is denominated, and the period for which the interest rate is set;
- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements).

Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Significant accounting policies (continued)

Financial assets (continued)

2.2.1 Debt instruments - Classification and subsequent measurement (continued)

SPPI test (continued)
The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent.

Modified or forbearance of loans
The Group sometimes makes concessions or modifications to the original terms of loans as a response to the borrower’s financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Group considers a loan forborne when such concessions or modifications are provided as a result of the borrower’s present or expected financial difficulties and the Group would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Group derecognises the original financial asset and recognises a ‘new’ asset at fair value and recalculates a new effective interest rate (EIR) for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk ("SICR") has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the customer being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets).

Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Group’s policy to monitor forborne loans to help ensure that future payments continue to be likely to occur. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis or based on assessment as to whether SICR or default has occurred. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off or is transferred back to Stage 2.

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Group transfers substantially all the risks and rewards of ownership, or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Significant accounting policies (continued)

Financial assets (continued)

2.2.1 Debt instruments - Classification and subsequent measurement (continued)

Derecognition other than on a modification
The Group enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if the Group:

(i) Has no obligation to make payments unless it collects equivalent amounts from the assets;
(ii) Is prohibited from selling or pledging the assets; and
(iii) Has an obligation to remit any cash it collects from the assets without material delay.

Collateral (shares and bonds) furnished by the Group under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which the Group retains a subordinated residual interest.

2.2.2 Equity instruments - classification and subsequent measurement
Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

Upon initial recognition, the Group elects to irrevocably designate certain equity investments at FVOCI which are held for purposes other than held for trading. When this election is used, fair value gains and losses are recognised in other comprehensive income and are not subsequently reclassified to profit or loss, including on disposal. Equity investments at FVOCI are not subject to impairment assessment. All other equity investments which the Group has not irrevocably elected at initial recognition or transition, to classify at FVOCI, are recognised at FVTPL.

Gains and losses on equity investments at FVTPL are included within operating income as 'Gain (loss) on investments classified as FVTPL' in the consolidated statement of profit or loss.

Dividends are recognised in the consolidated statement of profit or loss within operating income when the Group's right to receive payments is established.

Financial liabilities

Classification and subsequent measurement
All financial liabilities of the Group are classified and subsequently measured at amortised cost, except for:

- Financial liabilities at FVTPL: this classification is applied to derivatives and financial liabilities held for trading (e.g. short positions in the trading booking). Gains or losses on financial liabilities designated at FVTPL are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in issuer's credit risk, which is determined as the amount that is not attributable to changes in the market conditions that give rise to market risk) and partially in profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the issuer's credit risk are also presented in profit or loss;
- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Group recognises any expense incurred on the financial liability; and

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Significant accounting policies (continued)

Financial liabilities (continued)

Classification and subsequent measurement (continued)

- Financial guarantee contracts and loan commitments.

Derecognition
Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original EIR, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Impairment
The Group assesses on a forward-looking basis, the ECL associated with its debt instruments carried at amortised cost and FVOCI and against the exposure arising from loan commitments and financial guarantee contracts. The Group recognises an ECL for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

To calculate ECL, the Group estimates the risk of a default occurring on the financial instrument during its expected life. ECLs are estimated based on the present value of all cash shortfalls over the remaining expected life of the financial asset, i.e., the difference between: the contractual cash flows that are due to the Group under the contract, and the cash flows that the Group expects to receive, discounted at the effective interest rate of the loan or an approximation thereof.

Measurement of ECL
ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: estimates the expected portion of the loan commitment that are drawn down over the expected life of the loan commitment; and calculates the present value of cash shortfalls between the contractual cash flows that are due to the entity if the holder of the loan commitment draws down that expected portion of the loan and the cash flows that the entity expects to receive if that expected portion of the loan is drawn down; and

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Significant accounting policies (continued)

Financial liabilities (continued)

Impairment (continued)

Measurement of ECL (continued)

- financial guarantee contracts: estimates the ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the guarantor expects to receive from the holder, the debtor or any other party. If a loan is fully guaranteed, the ECL estimate for the financial guarantee contract would be the same as the estimated cash shortfall estimate for the loan subject to the guarantee.

For the purposes of calculation of ECL, the Group categorises its FVOCI and amortised cost debt securities, loans and receivable and loan commitments and financial guarantee contracts into Stage 1, Stage 2 and Stage 3, based on the applied impairment methodology, as described below:

- Stage 1 – Performing: when financial assets are first recognised, the Group recognises an allowance based up to 12-month ECL.
- Stage 2 – Significant increase in credit risk: when a financial asset shows a significant increase in credit risk, the Group records an allowance for the lifetime ECL.
- Stage 3 – Impaired: the Group recognises the lifetime ECL for these financial assets.

For the purposes of categorisation into above stages, the Group has established a policy to perform an assessment at the end of each reporting period of whether credit risk has increased significantly since initial recognition by considering the change in the risk of default occurring over the remaining life of the financial instrument.

The Group records impairment for FVOCI debt securities, depending on whether they are classified as Stage 1, 2, or 3, as explained above. However, the ECL does not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the asset were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss.

Stage 1
The Group measures loss allowances at an amount up to 12-month ECL for Stage 1 customers. All financial assets are classified as Stage 1 on initial recognition date. Subsequently on each reporting date the Group classifies following as Stage 1:

- debt type assets that are determined to have low credit risk at the reporting date; and
- on which credit risk has not increased significantly since their initial recognition.

Stage 2
IFRS 9 requires financial assets to be classified in Stage 2 when their credit risk has increased significantly since their initial recognition. For these assets, a loss allowance needs to be recognised based on their lifetime ECLs.

The Group considers whether there has been a significant increase in credit risk of an asset by comparing the rating migration upon initial recognition of the asset against the risk of a default occurring on the asset as at the end of each reporting period. In each case, this assessment is based on forward-looking assessment that takes into account a number of economic scenarios, in order to recognise the probability of higher losses associated with more negative economic outlooks.

Performing exposures restructured will be treated as Stage 2, including loans renegotiated due to deterioration in business condition will be treated as Stage 2 unless the loan Is overdue for 90 days or more, where the exposure will be determined as Stage 3.

It is the Group's policy to evaluate additional available reasonable and supportive forward-looking information as further additional drivers.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2 Significant accounting policies (continued)

Impairment (continued)

Measurement of ECL (continued)

Stage 3
Financial assets are included in Stage 3 when there is objective evidence that the financial asset is credit impaired. At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:
- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of an impaired loan or advance by the Group will be continue to be classified as Stage 3;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Group considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Other than originated credit-impaired loans, loans are transferred from out of Stage 3 if they no longer meet the criteria of credit-impaired after a probation period of 12 months.

Forward looking information
The Group incorporates forward-looking information in the measurement of ECLs.

The Group considers forward-looking information such as macroeconomic factors (e.g., GDP growth, oil prices, country's equity indices and unemployment rates) and economic forecasts.

The Group uses published external information from International Monetary Fund (IMF) website, government and private economic forecasting services. These forward looking assumptions undergo an internal governance process before they are applied for different scenarios.

Presentation of allowance for ECL in the statement of financial position
Loss allowances for ECL are presented in the consolidated statement of financial position as follows:

- financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: as a provision under other liabilities; and

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2 Significant accounting policies (continued)

Impairment (continued)

Presentation of allowance for ECL in the statement of financial position (continued)

- debt instruments measured at FVOCI: no loss allowance is recognised in the consolidated statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the cumulative changes in fair value reserve.

Limitation of estimation techniques
The models applied by the Group may not always capture all characteristics of the market at a point in time as they cannot be recalibrated at the same pace as changes in market conditions. Interim adjustments are expected to be made until the base models are updated. Although the Group uses data that is as current as possible, models used to calculate ECLs are based on data that is up to date except for certain factors for which the data is updated once it is available and adjustments are made for significant events occurring prior to the reporting date.

Experienced credit adjustment
The Group's ECL allowance methodology requires the Group to use its experienced credit judgement to incorporate the estimated impact of factors not captured in the modelled ECL results, in all reporting periods.

Financial guarantee contracts and loan commitments
The Group issues financial guarantees, letters of credit and loan commitments.

Financial guarantees are initially recognised in the consolidated financial statements at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the consolidated statement of profit or loss, and an ECL provision.

The premium received is recognised in the consolidated statement of profit or loss within operating income on a straight line basis over the life of the guarantee.

Undrawn loan commitments and letters of credit are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the consolidated statement of financial position.

Derivative financial instruments
The Group makes use of derivative instruments, such as forward foreign exchange contracts.

Derivatives are initially recognised, and subsequently measured, at fair value with transaction costs taken directly to the consolidated statement of profit or loss. The fair value of a derivative is the equivalent of the unrealised gain or loss from marking to market the derivative. Derivatives with positive fair values (unrealised gains) are included in other assets and derivatives with negative fair values (unrealised losses) are included in other liabilities in the consolidated statement of financial position.

Cash and cash equivalents
For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash and balances with banks, treasury bills and deposits with banks and other financial institutions with original maturities of 3 months or less.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Significant accounting policies (continued)

Property, equipment and software
Property, equipment and software are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Expenditure incurred to replace a component of an item of property, equipment and software that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. When significant parts of property, equipment and software are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Land and capital work in progress are not depreciated. Repairs and maintenance costs are recognised in the consolidated statement of profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Assets	*Estimated useful life in years*
Building	15
Furniture, equipment and motor vehicles	3 to 5
Software	3 to 5

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, equipment and software are reviewed at each financial year end and adjusted prospectively, if appropriate.

Impairment of non-financial assets
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset’s recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount, with the difference being recognised as an impairment in the consolidated statement of profit or loss.

Renegotiated loans
In the ordinary course of its business, the Group seeks to restructure loans. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original effective interest rate as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan’s original effective interest rate.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is presented in the consolidated statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised in the consolidated statement of profit or loss.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Significant accounting policies (continued)

Employees' end of service benefits

The Group provides end of service benefits to its non - Bahraini employees. The entitlement to these benefits is based upon the employee's final salary and length of service. The expected costs of these benefits are accrued over the period of employment.

The Group also makes contributions to the Social Insurance Organisation (SIO) Scheme calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

Contingent liabilities

Contingent liabilities are not recognised in the consolidated financial statements, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Share capital, statutory reserve and dividend

Share capital

Ordinary shares issued by the Group are classified as equity. The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

Statutory reserve

The Bahrain Commercial Companies Law requires that 10% of the annual profit be appropriated to a statutory reserve which is normally distributable only on dissolution. Appropriations may cease when the reserve reaches 50% of the paid up share capital.

Dividend

The Group recognises a liability to make cash or non-cash distributions to equity holders when the distribution is authorised and the distribution is no longer at the discretion of the Group. As per the Bahrain Commercial Companies Law, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

Fair value measurement

The Group measures financial instruments, such as investments and derivatives at fair value at the reporting date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are detailed in note 23.5.

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.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Significant accounting policies (continued)

Fair value measurement (continued)

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained earlier.

Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment. The following specific recognition criteria must also be met before revenue is recognised:

Interest income
For all financial instruments measured at amortised cost and interest-bearing financial assets classified as fair value through other comprehensive income, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. The recognition of interest income is suspended when the loans become impaired, such as when overdue by more than 90 days.

Fee and commission income
Fee and commission income are recognised when earned.

Foreign exchange gain
Transactions in foreign currencies are initially recorded at the spot rate of exchange ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into the Group's functional currency at the rates of exchange ruling at the reporting date. Any gains or losses are taken to the consolidated statement of profit or loss.

Dividend income
Dividend income is recognised when the Group’s right to receive the payment is established, which is generally when shareholders approve the dividend.

Share based payments

Cash-settled share based payments
The cost of cash-settled share based payment transactions is measured initially at fair value at the grant date using an appropriate valuation model. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to, and including the settlement date, with changes in fair value recognised in the consolidated statement of profit or loss.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Significant accounting policies (continued)

Foreign currencies
The Group's consolidated financial statements are presented in United States Dollars (US$), which is the Bank's functional currency.

Transactions in foreign currencies are initially recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income (OCI) or profit or loss are recognised in OCI or profit or loss, respectively).

2.3 Changes in accounting policies and disclosures

i) New and amended standards and interpretations effective as of 1 January 2020
The accounting policies adopted are consistent with those of the previous financial year, except for the following IASB's new and amended standards and interpretations which are effective as of 1 January 2020. The adoption of these standards and interpretations did not have any effect on the Group's financial position, financial performance or disclosures.

Amendments to IFRS 3: Definition of a Business
The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

Interest Rate Benchmark Reform ("IBOR") – Amendments to IFRS 9, IAS 39 and IFRS 7 (IBOR reform phase 1)
IBOR reform phase 1 includes a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. As a result of interest rate benchmark reform, there may be uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument during the period before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR). This may lead to uncertainty whether an economic relationship exists and whether prospectively the hedging relationship is expected to be effective.

The Group has no hedging instruments as of the reporting date.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

i) New and amended standards and interpretations effective as of 1 January 2020 (continued)

2.3 Changes in accounting policies and disclosures (continued)

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of the Group.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. This had no impact on the consolidated financial statements of the Group.

ii) Standards issued but not yet effective

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

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 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 consolidated financial statements of the Group.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Changes in accounting policies and disclosures (continued)

ii) Standards issued but not yet effective (continued)

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.

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 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.

Interest Rate Benchmark Reform (Phase 2)

On 27 August 2020 the IASB published 'Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16' (IBOR reform Phase 2). IBOR reform Phase 2 provides temporary reliefs to address the accounting issues which arise upon the replacement of an IBOR with an alternative nearly risk-free profit rate. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

The impact of the replacement of interbank offered rates with alternative risk-free rates on the Group's products and services remains a key area of focus. The Group has exposure to contracts referencing IBORs, such as LIBOR, extending beyond FY2021, when it is likely that these IBORs will cease being published or any subsequent timeline as determined by the relevant bodies. The Group is currently assessing the impact of the transition to the new rate regimes after 2021 by considering changes in its products, services, systems and reporting and will continue to engage with internal and external stakeholders to support an orderly transition and to mitigate the risks resulting from the transition.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Group's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Group's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the consolidated financial statements with substantial management judgement and/or estimates are collated below with respect to judgements or estimates involved.

Business Model
The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'held for trading' business model and measured at FVTPL. The business model assessment is not carried out on an instrument-by-instrument basis but at the aggregate portfolio level and is based on observable factors such as

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- Management's evaluation of the performance of the portfolio;
- How risks are assessed and managed; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Going concern
The Group's Board of Directors has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the Board of Directors are not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on a going concern basis.

Impairment losses on financial assets
The measurement of the ECL for financial assets subject to credit risk measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions, credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses), estimation of the amount and timing of the future cash flows and collateral values. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Impairment losses on financial assets (continued)
The Group's ECL calculation are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Internal credit rating model, which assigns probability of defaults (PDs) to the individual ratings;
- Determining criteria for significant increase in credit risk (SICR);
- Choosing appropriate models and assumptions for the measurement of ECL;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as GDP, oil prices, equity indices, unemployment levels and collateral values, and the effect on PD, exposure at default (EAD) and loss given default (LGD);
- Selection and relative weightings of forward-looking scenarios to derive the economic inputs into the ECL models;
- Establishing groups of similar financial assets for the purposes of measuring ECL; and
- Determining relevant period of exposure with respect to the revolving credit facilities and facilities undergoing restructuring at the time of the reporting date.

4 CASH AND BALANCES WITH CENTRAL BANK AND OTHER BANKS

	2020	*2019*
	US$ '000	*US$ '000*
Cash and balance with bank	**20**	9
Money at call and short notice with other banks	**41,602**	76,584
Treasury bills - balances with Central Bank	**291,578**	351,647
Provision for expected credit losses (note 4.1)	**(6)**	(5)
Cash and balances with central bank and other banks	**333,194**	428,235
Treasury bills - balances with Central Bank with original maturities of more than 3 months	**(126,766)**	(127,002)
Deposits with banks and other financial institutions with original maturities of 3 months or less (note 5)	**408,533**	237,523
Cash and cash equivalents	**614,961**	538,756

Note 4.1
Movement in provision for expected credit losses were as follows:

	31 December 2020			*31 December 2019*		
	Stage 1: 12-month ECL	***Stage 2: Lifetime ECL not credit-impaired***	***Total ECL***	*Stage 1: 12-month ECL*	*Stage 2: Lifetime ECL not credit-impaired*	*Total ECL*
	US$ '000	***US$ '000***	***US$ '000***	*US$ '000*	*US$ '000*	*US$ '000*
Balance at 1 January	**3**	**2**	**5**	10	-	10
Transfer to stage 2	**-**	**-**	**-**	(1)	1	-
Transfer to stage 1	**2**	**(2)**	**-**	-	-	-
Provided during the year	**5**	**-**	**5**	-	1	1
Write-backs	**(4)**	**-**	**(4)**	(6)	-	(6)
At 31 December	**6**	**-**	**6**	3	2	5

5 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

Deposits with banks and other financial institutions represent interest bearing money market deposits held with banks and other financial institutions as at the reporting date and are as follows:

	2020	*2019*
	US$ '000	*US$ '000*
Deposits with original maturities of 3 months or less (note 4)	**408,533**	237,523
Deposits with original maturities of over 3 months	**62,813**	141,603
	471,346	379,126
Provision for expected credit losses (note 5.1)	**(453)**	(235)
	470,893	378,891

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

	2020	*2019*
	Stage 1	*Stage 1*
	12-month ECL	*12-month ECL*
	US$ '000	*US$ '000*
Balance at 1 January	**235**	194
Provided during the year	**443**	41
Write-backs	**(225)**	-
At 31 December	**453**	235

6 INVESTMENTS CLASSIFIED AS FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

	2020	*2019*
	US$ '000	*US$ '000*
Quoted debt securities	**-**	3,028

7 INVESTMENT SECURITIES

	31 December 2020 (Audited)			*31 December 2019 (Audited)*		
	FVOCI	***Amortised cost***	***Total***	*FVOCI*	*Amortised cost*	*Total*
	US$'000	***US$'000***	***US$'000***	*US$'000*	*US$'000*	*US$'000*
Quoted investments						
- Sovereign debt securities	**116,388**	**71,418**	**187,806**	112,885	51,028	163,913
- Banks and Corporate debt securities	**37,717**	**23,153**	**60,870**	45,511	28,328	73,839
Total quoted investments	**154,105**	**94,571**	**248,676**	158,396	79,356	237,752
Provision for expected credit losses (note 7.1)	**(1,453)**	**(3,809)**	**(5,262)**	(1,829)	(2,822)	(4,651)
Reclassifying provision relating to FVOCI to OCI	**1,453**	**-**	**1,453**	1,829	-	1,829
Total investment securities	**154,105**	**90,762**	**244,867**	158,396	76,534	234,930

As at 31 December 2020, investments classified in stage 2 amounted to US$ 25,199 thousand (2019: US$ 48,448 thousand) for FVOCI and US$ 27,154 thousand (2019: US$ 45,573 thousand) for amortised cost respectively. All remaining investments are classified in stage 1.

7 INVESTMENT SECURITIES (continued)

Note 7.1

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

	31 December 2020 (FVOCI)			*31 December 2019 (FVOCI)*		
	Stage 1: 12-month ECL	***Stage 2: Lifetime ECL not credit-impaired***	***Total ECL***	*Stage 1: 12-month ECL*	*Stage 2: Lifetime ECL not credit-impaired*	
	US$ '000	***US$ '000***	***US$ '000***	*US$ '000*	*US$ '000*	*US$ '000*
Balance at 1 January	**291**	**1,538**	**1,829**	318	308	626
Transfer to stage 2	**-**	**-**	**-**	(54)	54	-
Provided during the year	**370**	**462**	**832**	232	1,447	1,679
Write-backs	**(93)**	**(1,115)**	**(1,208)**	(205)	(271)	(476)
At 31 December	**568**	**885**	**1,453**	291	1,538	1,829

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

	31 December 2020 (Amortised cost)			*31 December 2019 (Amortised cost)*		
	Stage 1: 12-month ECL	***Stage 2: Lifetime ECL not credit-impaired***	***Total ECL***	*Stage 1: 12-month ECL*	*Stage 2: Lifetime ECL not credit-impaired*	*Total ECL*
	US$ '000	***US$ '000***	***US$ '000***	*US$ '000*	*US$ '000*	*US$ '000*
Balance at 1 January	**28**	**2,794**	**2,822**	145	1,180	1,325
Provided during the year	**396**	**2,020**	**2,416**	1	1,794	1,795
Write-backs	**(18)**	**(1,411)**	**(1,429)**	(118)	(180)	(298)
At 31 December	**406**	**3,403**	**3,809**	28	2,794	2,822

8 LOANS AND ADVANCES

Loans and advances are stated net of provision for expected credit losses. The table below discloses the gross loans and provision for expected credit losses excluding interest in suspense amounting to US$ 32,775 thousand as of 31 December 2020 (2019: US$ 30,361 thousand).

	31 December 2020			
	Stage 1: 12-month ECL	***Stage 2: Lifetime ECL not credit-impaired***	***Stage 3: Lifetime ECL credit-impaired***	***Total***
	US$ 000	***US$ 000***	***US$ 000***	***US$ 000***
Letters of credit - financing and discounting	**13,700**	**-**	**53,017**	**66,717**
Sovereign loans	**44,838**	**-**	**-**	**44,838**
Commercial loans	**25,384**	**-**	**6,326**	**31,710**
Factoring	**-**	**-**	**20,418**	**20,418**
	83,922	**-**	**79,761**	**163,683**
Provision for expected credit losses (note 8.1)	**(2,124)**	**-**	**(79,761)**	**(81,885)**
	81,798	**-**	**-**	**81,798**

8 LOANS AND ADVANCES (continued)

	31 December 2019			
	Stage 1: 12-month ECL	*Stage 2: Lifetime ECL not credit-impaired*	*Stage 3: Lifetime ECL credit-impaired*	*Total*
	US$ 000	*US$ 000*	*US$ 000*	*US$ 000*
Letters of credit - financing and discounting	5,839	-	63,459	69,298
Sovereign loans	47,166	-	2,804	49,970
Commercial loans	41,670	-	6,326	47,996
Factoring	-	-	20,418	20,418
	94,675	-	93,007	187,682
Provision for expected credit losses (note 8.1)	(1,935)	-	(93,007)	(94,942)
	92,740	-	-	92,740

Note 8.1
Movements in provision for expected credit losses were as follows:

	31 December 2020			
	Stage 1: 12-month ECL	***Stage 2: Lifetime ECL not credit-impaired***	***Stage 3: Lifetime ECL credit-impaired***	
	US$ '000	***US$ '000***	***US$ '000***	***US$ '000***
Balance at 1 January 2020	**1,935**	**-**	**93,007**	**94,942**
Provided during the year	**412**	**-**	**42**	**454**
Recoveries and write-backs	**(223)**	**-**	**(2,870)**	**(3,093)**
Write-offs	**-**	**-**	**(11,517)**	**(11,517)**
Exchange differences	**-**	**-**	**1,099**	**1,099**
At 31 December 2020	**2,124**	**-**	**79,761**	**81,885**

	31 December 2019			
	Stage 1: 12-month ECL	*Stage 2: Lifetime ECL not credit-impaired*	*Stage 3: Lifetime ECL credit-impaired*	
	US$ '000	*US$ '000*	*US$ '000*	*US$ '000*
Balance at 1 January 2019	3,651	2,636	99,471	105,758
Transfer to stage 1 from stage 2	1	(1)	-	-
Transfer to stage 3 from stage 2	-	(2,635)	2,635	-
Provided during the year	303	-	18,133	18,436
Recoveries / write-backs	(2,020)	-	(27,128)	(29,148)
Exchange differences	-	-	(104)	(104)
At 31 December 2019	1,935	-	93,007	94,942

The total value of collateral held by the Group against its loans and advances exposure amounts to US$ 1,277 thousand as at 31 December 2020 (31 December 2019: US$ 1,343 thousand) with no cash collateral.

Facilities renegotiated during the year
During the year, no facilities were renegotiated by the Group (2019: same).

Write off during the year
During the year, facility amounting to US$ 11,517 thousands were written off by the Group (2019: Nil).

9 PROPERTY, EQUIPMENT AND SOFTWARE

	Land	*Building*	*Furniture, equipment and motor vehicles*	*Software*	*Total*
	US$ '000	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*
Cost:					
At 1 January 2020	4,243	7,652	3,775	1,464	17,134
Additions	-	-	165	44	209
At 31 December 2020	**4,243**	**7,652**	**3,940**	**1,508**	**17,343**
Accumulated depreciation:					
At 1 January 2020	-	3,545	3,441	1,161	8,147
Depreciation charge for the year	-	508	222	140	870
At 31 December 2020	-	**4,053**	**3,663**	**1,301**	**9,017**
Net book value:					
At 31 December 2020	**4,243**	**3,599**	**277**	**207**	**8,326**

	Land	*Building*	*Furniture, equipment and motor vehicles*	*Software*	*Capital work in progress*	*Total*
	US$ '000	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*
Cost:						
At 1 January 2019	4,233	7,652	3,675	1,454	30	17,044
Additions	-	-	100	10	-	110
Transfer / write off	-	-	-	-	(30)	(30)
Exchange difference	10	-	-	-	-	10
At 31 December 2019	4,243	7,652	3,775	1,464	-	17,134
Accumulated depreciation:						
At 1 January 2019	-	3,037	3,240	1,009	-	7,286
Depreciation charge for the year	-	508	201	152	20	881
Related to disposal / write off	-	-	-	-	(20)	(20)
At 31 December 2019	-	3,545	3,441	1,161	-	8,147
Net book value:						
At 31 December 2019	4,243	4,107	334	303	-	8,987

The land relates to the building on which the Group's premises is constructed.

10 DEPOSITS FROM AND DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

10.1 Deposits from banks and other financial institutions

Deposits from banks and other financial institutions represent interest bearing money market deposits held with the Group as at the reporting date.

10 DEPOSITS FROM AND DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS (continued)

10.2 Due to banks and other financial institutions

Due to banks and other financial institutions comprise the following current account balances and cash collateral held with the Group in relation to the facilities of letters of credit and letters of guarantee as at the reporting date:

	2020 US$ '000	*2019 US$ '000*
Current account balances	**34,547**	56,186
Cash collateral held	**30,350**	33,010
	64,897	89,196

11 DUE TO CUSTOMERS

Due to customers represent current account balances, interest bearing money market deposits and cash collateral of corporate customers held with the Group in relation to the facilities of letters of credit and letters of guarantee as at the reporting date.

	2020 US$ '000	*2019 US$ '000*
Current account balances and deposits	**66,248**	75,504
Cash collateral held	**6,504**	-
	72,752	75,504

12 OTHER LIABILITIES

	2020 US$ '000	*2019 US$ '000*
Accrued expenses and payables	**9,728**	8,803
Due to directors and employees	**641**	335
Provision for expected credit losses for off balance sheet exposures (note 12.1)	**19**	111
Unearned fee income	**121**	24
Agency fee payable	**-**	3
Others	**11**	39
	10,520	9,315

Accrued expenses include US$ 985 thousand (2019: US$ 692 thousand) of liability relating to cash settled share based payments.

The Group has established an Employee Phantom Share Scheme (EPSS) in compliance with the sound remuneration rules issued by the Central Bank of Bahrain. Under the scheme, certain eligible employees of the Group become entitled to share based compensation. Under the EPSS, each eligible employee is issued with a phantom share award which entitles the holder to receive one phantom share at the delivery date. The share awards will vest over 3 years with one third award vesting at the end of each of the subsequent 3 years. The eligible employee has to retain the shares for a period of 6 months post the award date prior to encashing the vested awards. Phantom units are ultimately cash settled based on the audited net book value of the Group at the vesting dates.

The cost of the phantom units are initially measured at net-book-value per share of the Group at the grant date and expensed in the consolidated statement of profit or loss with a corresponding liability being recognised. The liability is remeasured to its net-book-value per share of the Group at each reporting date up to the date of settlement with changes in fair value recognised in the consolidated statement of profit or loss.

12 OTHER LIABILITIES (continued)

Note 12.1
Movement in provision for expected credit losses for off balance sheet exposures was as follows:

	2020 Stage 1 12-month ECL US$ '000	*2019 Stage 1 12-month ECL US$ '000*
Balance at 1 January	**111**	604
Provided during the year	**17**	107
Write-backs	**(109)**	(600)
At 31 December	**19**	111

13 SHARE CAPITAL

	2020 US$ '000	*2019 US$ '000*
Authorised:		
10,000,000 (2019: 10,000,000) ordinary shares of US$ 50 each	**500,000**	500,000

	2020 US$ '000	*2019 US$ '000*
Issued and fully paid up :		
5,000,000 (2019: 5,000,000) ordinary shares of US$ 50 each	**250,000**	250,000

Shareholders

	2020		*2019*	
	Percentage holding (%)	***US$ '000***	*Percentage holding (%)*	*US$ '000*
Libyan Foreign Bank	**99.50**	**248,750**	99.50	248,750
National Bank of Yemen	**0.28**	**689**	0.28	689
Yemen Bank for Reconstruction and Development	**0.22**	**561**	0.22	561
	100.00	**250,000**	100.00	250,000

Statutory reserve
As required by the Bahrain Commercial Companies Law and the Bank's articles of association, a statutory reserve has been created by transfer of 10% of its annual profit. The Group may resolve to discontinue such transfers when the reserve totals 50% of the paid up capital. The reserve is not distributable except in such circumstances as stipulated in the BCCL and following approval of the Central Bank of Bahrain. The Group has transferred US$ 2,211 thousand (2019: US$ 2,874 thousand) to statutory reserve in the current year.

14 PROPOSED DIVIDEND

The dividend for the year ended 31 December 2020 amounting to US$ 12.5 million i.e. US$ 2.5 per share (31 December 2019: US$ 15 million i.e. US$ 3 per share), is proposed subject to regulatory approvals and the approval of the shareholders in the Annual General Meeting.

15 INTEREST AND SIMILAR INCOME

	2020 US$ '000	2019 US$ '000
Interest on:		
- Deposits with banks, other financial institutions and balance with central bank	**12,880**	20,713
- Loans and advances	**6,787**	11,802
- Investments classified as fair value through profit or loss	**115**	389
- Investment securities	**12,055**	11,322
	31,837	44,226

16 INTEREST EXPENSE

	2020 US$ '000	2019 US$ '000
Interest on:		
- Deposits from and due to banks and other financial institutions	**7,574**	16,866
- Due to customers	**166**	520
	7,740	17,386

17 FEE AND COMMISSION INCOME

	2020 US$ '000	2019 US$ '000
Commission income on letters of credit	**3,804**	2,680
Agency and factoring income	**-**	845
Commission income on letters of guarantee	**2**	7
Bank charges and other income	**22**	37
	3,828	3,569

18 GAIN ON INVESTMENTS CLASSIFIED AS FVTPL

	2020 US$ '000	2019 US$ '000
Changes in fair value of investments classified as FVTPL	**-**	488
Realised gain during the year - net	**20**	47
	20	535

19 REVERSAL OF PROVISION FOR EXPECTED CREDIT LOSSES

	2020 US$'000	2019 US$'000
Expected credit loss:		
- Charge (reversal) against balances with central bank and other banks (note 4.1)	**1**	(5)
- Charge against deposits with banks and other financial institutions (note 5.1)	**218**	41
- Charge against investment securities (note 7.1)	**611**	2,700
- Reversal against loans and advances (note 8.1)	**(2,639)**	(10,712)
- Reversal against off balance sheet (note 12.1)	**(92)**	(493)
	(1,901)	(8,469)

20 GOVERNMENT GRANT

Based on the regulatory directive issued by the CBB, financial assistance amounting to BD 468 thousand (2019: nil) (representing specified reimbursement of part of staff costs and waiver of utilities) received from the government, in response to its COVID-19 support measures is recorded in profit or loss as the Group had no modification losses to be recorded in equity (in line with note 2.1(a) and 2.1(b)). The amount was recorded as a deduction from related expenses in the consolidated statement of profit or loss.

21 OTHER OPERATING EXPENSES

	2020	*2019*
	US$ '000	*US$ '000*
Professional services	**1,696**	384
Administration and marketing expenses	**1,487**	1,592
Board of Directors' remuneration and expenses (note 25)	**900**	836
Fees and other charges	**453**	264
	4,536	3,076

22 COMMITMENTS AND CONTINGENT LIABILITIES

	2020	*2019*
	US$ '000	*US$ '000*
Credit related contingencies		
Letters of credit	**51,065**	78,694
Letters of guarantee	**118**	177
Provision for expected credit losses (note 12)	**(19)**	(111)
	51,164	78,760
Other (note 24)		
Interest rate swap (cash flow hedge)	**-**	125,000
Forward foreign exchange contracts	**-**	362
	51,164	204,122

23 RISK MANAGEMENT

23.1 Introduction

Risk is inherent in the Group's activities and is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The main risks to which the Group is exposed are credit risk, liquidity risk, market risk and operational risk.

a) Risk management structure

Board of Directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles.

Audit Risk and Compliance Committee

The Audit Risk and Compliance Committee (ARCC) of the Board is responsible for assessing the quality and integrity of financial reporting, effectiveness of systems monitoring financial and disclosure compliance with legal and regulatory requirements, supervision of compliance function and soundness of internal controls. The ARCC also obtains regular updates from management and the Group's compliance officer regarding compliance matters, which may have a material impact on the Group's consolidated financial statements and reviews the findings of any examinations by regulatory agencies.

Management Risk Committee

The Management Risk Committee has the overall responsibility for establishing the risk strategy and implementing principles, frameworks, policies and limits. It is responsible for the fundamental risk issues and manages and monitors relevant risk decisions.

Asset Liability Management Committee

The Asset Liability Management Committee's (ALCO) objective is to prudently direct and manage asset and liability allocation to achieve the Group's strategic goals. The ALCO monitors the Group's liquidity risks by ensuring that the Group's activities are in line with the risk/reward guidelines approved by the Board.

23 RISK MANAGEMENT (continued)

23.1 Introduction (continued)

Internal Audit

Internal control processes throughout the Group are audited at least annually by the Internal Audit Department, based on the risk-based audit plan approved by the ARCC. Internal audit staff examine both the adequacy of the procedures and the Group's compliance with the procedures. Internal Audit discusses the results of all assessments with management and reports its findings and recommendations to the ARCC.

b) Risk measurement and reporting systems

Monitoring and controlling risks is primarily performed based on limits approved by the Board. These limits reflect the business strategy and market environment of the Group as well as the level of risk that it is willing to accept, with additional emphasis on selected industries. The Group also monitors and measures the overall risk-bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

c) Credit concentration risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

In order to manage credit concentration risk, the Group's policies and procedures include guidelines to maintain a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

23.2 Credit risk

Credit risk is the risk that a customer or counterparty will fail to meet a commitment, resulting in financial loss to the Group. Such risk arises from lending, treasury and other activities undertaken by the Group. Credit risk is actively monitored in accordance with the credit policies which clearly define delegated lending authorities, and procedures. The Group manages its credit risk by monitoring concentration of exposures by geographic location and adhering to approved limits. The Group limits its risk on off balance sheet items with adequate collateral.

a. Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements. The net exposure represents gross exposure net of cash collateral against letters of credit.

	Gross maximum exposure 2020 US$ '000	***Net maximum exposure 2020 US$ '000***	*Gross maximum exposure 2019 US$ '000*	*Net maximum exposure 2019 US$ '000*
Balances with banks	**333,181**	**333,181**	428,226	428,226
Deposits with banks and other financial institutions	**470,893**	**470,893**	378,891	378,891
Investments classified as fair value through profit or loss	**-**	**-**	3,028	3,028
Investment securities	**244,867**	**244,867**	234,930	234,930
Loans and advances	**81,798**	**81,798**	92,740	92,740
Interest receivable	**5,354**	**5,354**	6,237	6,237
Other assets	**418**	**418**	499	499
Total funded credit risk exposure	**1,136,511**	**1,136,511**	1,144,551	1,144,551
Unfunded exposure on credit related contingencies	**51,164**	**29,502**	78,760	54,748
Total funded and unfunded credit risk exposures	**1,187,675**	**1,166,013**	1,223,311	1,199,299

23 RISK MANAGEMENT (continued)

23.2 Credit risk (continued)

a. Maximum exposure to credit risk without taking account of any collateral and other credit enhancements (continued)

The amount, type and valuation of collateral are based on guidelines specified in the risk management framework. The main types of collaterals accepted include cash collateral, residential and commercial real estate and securities.

b. Credit quality per class of financial assets

The table below presents an analysis of the financial assets exposed to credit risk and external rating designation at 31 December 2020 and 31 December 2019. The credit quality is graded based on external credit rating agencies - Standard & Poor, Fitch and Moody's and internal ratings are categorised as follows:

(i) High standard - Where external credit rating agency ratings are A and above.
(ii) Standard - Where external credit rating agency ratings are below A and unrated.
(iii) Watch list - Where the facility is not past due but recoverability is being monitored.
(iv) Past due but not impaired - Where interest or principal sum is overdue for less than 90 days.
(v) Past due and impaired - Where interest or principal sum is overdue for more than 90 days.

	Neither past due nor impaired				
	High standard grade US$ '000	*Standard grade US$ '000*	*Past due and individually impaired US$ '000*	*Provision for expected credit losses US$ '000*	*Total US$ '000*
At 31 December 2020					
Balances with banks	**35,617**	**297,570**	**-**	**(6)**	**333,181**
Deposits with banks and other financial institutions	**105,338**	**366,008**	**-**	**(453)**	**470,893**
Investment securities *	**11,003**	**237,673**	**-**	**(3,809)**	**244,867**
Loans and advances	**-**	**83,922**	**79,761**	**(81,885)**	**81,798**
Interest receivable	**164**	**5,190**	**-**	**-**	**5,354**
Other assets	**-**	**418**	**-**	**-**	**418**
Funded exposures	**152,122**	**990,781**	**79,761**	**(86,153)**	**1,136,511**
Credit related contingencies	**118**	**51,065**	**-**	**(19)**	**51,164**
Unfunded exposures	**118**	**51,065**	**-**	**(19)**	**51,164**
Funded and unfunded exposures	**152,240**	**1,041,846**	**79,761**	**(86,172)**	**1,187,675**

* ECL held against FVOCI investments have not been included here as it does not affect the carrying value of investments.

23 RISK MANAGEMENT (continued)

23.2 Credit risk (continued)

b. Credit quality per class of financial assets (continued)

	Neither past due nor impaired				
	High standard grade US$ '000	*Standard grade US$ '000*	*Past due and individually impaired US$ '000*	*Provision for loan losses US$ '000*	*Total US$ '000*
At 31 December 2019					
Balances with banks	67,453	360,778	-	(5)	428,226
Deposits with banks and other financial institutions	86,812	292,314	-	(235)	378,891
Investments classified as fair value through profit and loss	-	3,028	-	-	3,028
Investment securities*	11,007	226,745	-	(2,822)	234,930
Loans and advances	-	94,675	93,007	(94,942)	92,740
Interest receivable	205	6,032	-	-	6,237
Other assets	-	499	-	-	499
Funded exposure	165,477	984,071	93,007	(98,004)	1,144,551
Credit related contingencies	2,552	76,319	-	(111)	78,760
Unfunded exposures	2,552	76,319	-	(111)	78,760
Funded and unfunded exposures	168,029	1,060,390	93,007	(98,115)	1,223,311

* ECL held against FVOCI investments have not been included here as it does not affect the carrying value of investments.

As of 31 December 2020, the Group did not have any financial assets that were past due but not impaired (2019: same).

23 RISK MANAGEMENT (continued)

23.2 Credit risk (continued)

c. Concentration of maximum exposure to credit risk

The geographical distribution of gross credit exposures (net of provision for ECL) is presented below:

At 31 December 2020

	Bahrain US$ '000	Other GCC countries US$ '000	Other Middle-East and African countries US$ '000	Europe US$ '000	Rest of the world US$ '000	Provision for expected credit losses US$ '000	Total US$ '000
Balances with banks	**295,299**	**3,395**	**70**	**3,668**	**30,755**	**(6)**	**333,181**
Deposits with banks and other financial institutions	**167,173**	**171,880**	**51,374**	**80,919**	**-**	**(453)**	**470,893**
Investment securities *	**79,588**	**84,508**	**35,722**	**40,598**	**8,260**	**(3,809)**	**244,867**
Loans and advances	**-**	**1,670**	**112,511**	**37,980**	**11,522**	**(81,885)**	**81,798**
Interest receivable	**1,976**	**879**	**1,835**	**450**	**214**	**-**	**5,354**
Other assets	**418**	**-**	**-**	**-**	**-**	**-**	**418**
Gross funded exposures	**544,454**	**262,332**	**201,512**	**163,615**	**50,751**	**(86,153)**	**1,136,511**
Credit related contingencies	**-**	**26,499**	**20,840**	**2,135**	**1,709**	**(19)**	**51,164**
Gross unfunded exposures	**-**	**26,499**	**20,840**	**2,135**	**1,709**	**(19)**	**51,164**
Gross funded and unfunded exposures	**544,454**	**288,831**	**222,352**	**165,750**	**52,460**	**(86,172)**	**1,187,675**

* ECL held against FVOCI investments have not been included here as it does not affect the carrying value of investments.

At 31 December 2019

	Bahrain US$ '000	*Other GCC countries US$ '000*	*Other Middle-East and African countries US$ '000*	*Europe US$ '000*	*Rest of the world US$ '000*	*Provision for expected credit losses US$ '000*	*Total US$ '000*
Balances with banks	351,924	8,809	749	14,404	52,345	(5)	428,226
Deposits with banks and other financial institutions	133,806	136,074	27,000	82,246	-	(235)	378,891
Investments classified as fair value through profit and loss	-	3,028	-	-	-	-	3,028
Investment securities *	104,611	80,032	20,272	32,837	-	(2,822)	234,930
Loans and advances	-	4,774	128,355	50,888	3,665	(94,942)	92,740
Interest receivable	2,649	1,112	1,890	565	21	-	6,237
Other assets	499	-	-	-	-	-	499
Gross funded exposures	593,489	233,829	178,266	180,940	56,031	(98,004)	1,144,551
Credit related contingencies	-	2,434	54,811	20,910	716	(111)	78,760
Gross unfunded exposures	-	2,434	54,811	20,910	716	(111)	78,760
Gross funded and unfunded exposures	593,489	236,263	233,077	201,850	56,747	(98,115)	1,223,311

* ECL held against FVOCI investments have not been included here as it does not affect the carrying value of investments.

23 RISK MANAGEMENT (continued)

23.2 Credit risk (continued)

c. Concentration of maximum exposure to credit risk (continued)
Sectoral classification of gross credit exposures is presented below:

At 31 December 2020	***Sovereign US$ '000***	***Banks and financial institutions US$ '000***	***Commercial, business and others US$ '000***	***Provision expected credit losses US$ '000***	***Total US$ '000***
Balances with banks	**291,578**	**41,609**	**-**	**(6)**	**333,181**
Deposits with banks and other financial institutions	**-**	**471,346**	**-**	**(453)**	**470,893**
Investment securities *	**187,806**	**35,623**	**25,247**	**(3,809)**	**244,867**
Loans and advances	**44,838**	**80,855**	**37,990**	**(81,885)**	**81,798**
Interest receivable	**4,235**	**801**	**318**	**-**	**5,354**
Other assets	**-**	**-**	**418**	**-**	**418**
Gross funded exposures	**528,457**	**630,234**	**63,973**	**(86,153)**	**1,136,511**
Credit related contingencies	**-**	**24,684**	**26,499**	**(19)**	**51,164**
Gross unfunded exposures	**-**	**24,684**	**26,499**	**(19)**	**51,164**
Gross funded and unfunded exposures	**528,457**	**654,918**	**90,472**	**(86,172)**	**1,187,675**

* ECL held against FVOCI investments have not been included here as it does not affect the carrying value of investments.

At 31 December 2019	*Sovereign US$ '000*	*Banks and financial institutions US$ '000*	*Commercial, business and others US$ '000*	*Provision expected credit losses US$ '000*	*Total US$ '000*
Balances with banks	351,647	76,584	-	(5)	428,226
Deposits with banks and other financial institutions	-	379,126	-	(235)	378,891
Investments classified as fair value through profit and loss	-	3,028	-	-	3,028
Investment securities *	163,913	43,046	30,793	(2,822)	234,930
Loans and advances	49,970	55,708	82,004	(94,942)	92,740
Interest receivable	4,322	1,445	470	-	6,237
Other assets	-	-	499	-	499
Gross funded exposures	569,852	558,937	113,766	(98,004)	1,144,551
Credit related contingencies	-	78,871	-	(111)	78,760
Gross unfunded exposures	-	78,871	-	(111)	78,760
Gross of funded and unfunded exposures	569,852	637,808	113,766	(98,115)	1,223,311

* ECL held against FVOCI investments have not been included here as it does not affect the carrying value of investments.

23.3 Market risk
Market risk is the risk of potential financial loss that may arise from adverse changes in the value of a financial instrument or portfolio of financial instruments due to movements in interest rates, foreign exchange rates and equity prices. This risk arises from asset - liability mismatches, changes that occur in the yield curve and foreign exchange rates.

23 RISK MANAGEMENT (continued)

23.3 Market risk (continued)

23.3.1 Interest rate risk
Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. The Group is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities that mature or reprice in a given period. The Group manages this risk by matching the repricing of assets and liabilities through a number of means. The Group's major interest rate sensitivity position as of 31 December, is as follows:

Sensitivity analysis - interest rate risk

	Impact on consolidated statement of profit or loss	
	2020	*2019*
	US$ '000	*US$ '000*
25 bps increase in interest rate		
US Dollar	**+ 337**	+ 403
Euro	**+ 60**	+ 1
AED	**+ 75**	+ 83

* An equal decrease in interest rate would have an equal and opposite impact on the consolidated statement of profit or loss for the year.

23.3.2 Currency risk
Currency risk arises from the movement of the rate of exchange over a period of time. The Group's currency risk is mainly towards assets and liabilities denominated in Euro. The following table demonstrates the sensitivity to a reasonable possible change in foreign exchange rates, with all other variables held constant, on the Group's consolidated statement of profit or loss:

	Increase in exchange rate	*Effect on consolidated statement of profit or loss for the year*	
		2020	*2019*
		US$ '000	*US$ '000*
Euro	5%	**4**	66

* An equal decrease in foreign exchange rate would have an equal and opposite impact on the consolidated statement of profit or loss for the year.

As other currency exposures are insignificant and GCC currencies to which the Group is exposed are pegged to the US Dollar, their balances are not considered to represent currency risk.

23.3.3 Equity price risk
Equity price risk is the risk that the fair value of equities decreases as a result of changes in the value of individual companies' shares. For the year ended 31 December 2020, there is no effect on the Group's consolidated profit and equity as the investment portfolio does not contain any equity investments (2019: same).

23.4 Liquidity risk
Liquidity risk is the risk that the Group will be unable to meet its funding requirements. Liquidity risk can be caused by market disruptions or a credit downgrade which may cause certain sources of funding to dry up immediately. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a daily basis. This incorporates an assessment of expected cash flow and the availability of high grade collateral which would be used to secure additional funding if required.

23 RISK MANAGEMENT (continued)

23.4 Liquidity risk (continued)

The maturity profile of the assets and liabilities at reporting date given below reflects the management's best estimates of the maturities of assets and liabilities that have been determined on the basis of the remaining period at the date of the consolidated statement of financial position.

	Up to 1 year						*Provision for*	
At 31 December 2020	***Up to 1 month US$ '000***	***1 to 3 months US$ '000***	***3 to 12 months US$ '000***	***Total US$ '000***	***More than 1 year US$ '000***	***No maturity US$ '000***	***expected credit losses US$ '000***	***Total US$ '000***
ASSETS								
Cash, balances with banks and Central Bank	**136,591**	**132,346**	**64,081**	**333,018**	**182**	**-**	**(6)**	**333,194**
Deposits with banks and other financial institutions	**344,030**	**97,811**	**29,505**	**471,346**	**-**	**-**	**(453)**	**470,893**
Investment securities	**15,038**	**5,007**	**10,003**	**30,048**	**218,628**	**-**	**(3,809)**	**244,867**
Loans and advances	**3,792**	**5,080**	**21,693**	**30,565**	**133,118**	**-**	**(81,885)**	**81,798**
Property, equipment and software	**-**	**-**	**-**	**-**	**-**	**8,326**	**-**	**8,326**
Interest receivable	**2,949**	**1,594**	**811**	**5,354**	**-**	**-**	**-**	**5,354**
Other assets	**113**	**471**	**65**	**649**	**161**	**-**	**-**	**810**
Total assets	**502,513**	**242,309**	**126,158**	**870,980**	**352,089**	**8,326**	**(86,153)**	**1,145,242**
LIABILITIES								
Deposits from banks and other financial institutions	**193,189**	**112,308**	**-**	**305,497**	**356,757**	**-**	**-**	**662,254**
Due to banks and other financial institutions	**61,374**	**-**	**-**	**61,374**	**3,523**	**-**	**-**	**64,897**
Due to customers	**61,952**	**10,800**	**-**	**72,752**	**-**	**-**	**-**	**72,752**
Interest payable	**120**	**20**	**-**	**140**	**304**	**-**	**-**	**444**
Other liabilities	**641**	**7,630**	**-**	**8,271**	**2,230**	**-**	**19**	**10,520**
Total liabilities	**317,276**	**130,758**	**-**	**448,034**	**362,814**	**-**	**19**	**810,867**
Net liquidity gap	**185,237**	**111,551**	**126,158**	**422,946**	**(10,725)**	**8,326**	**(86,172)**	**334,375**
Cumulative liquidity gap	**185,237**	**296,788**	**422,946**	**-**	**412,221**	**420,547**	**334,375**	**-**

23 RISK MANAGEMENT (continued)

23.4 Liquidity risk (continued)

At 31 December 2019	*Up to 1 year*							
	Up to 1 month	*1 to 3 months*	*3 to 12 months*	*Total*	*More than 1 year*	*No specific maturity*	*Provision for expected credit losses*	*Total*
	US$ '000	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*
ASSETS								
Cash, balances with banks and Central Bank	150,642	194,383	83,215	428,240	-	-	(5)	428,235
Deposits with banks and other financial institutions	257,513	86,613	35,000	379,126	-	-	(235)	378,891
Investments classified as fair value through profit or loss	3,028	-	-	3,028	-	-	-	3,028
Investment securities	5,008	-	28,364	33,372	204,380	-	(2,822)	234,930
Loans and advances	270	5,150	14,981	20,401	167,281	-	(94,942)	92,740
Property, equipment and software	-	-	-	-	-	8,987	-	8,987
Interest receivable	4,047	1,667	523	6,237	-	-	-	6,237
Other assets	46	501	10	557	392	-	-	949
Total assets	420,554	288,314	162,093	870,961	372,053	8,987	(98,004)	1,153,997
LIABILITIES								
Deposits from banks and other financial institutions	196,246	93,672	356,852	646,770	-	-	-	646,770
Due to banks and other financial institutions	89,196	-	-	89,196	-	-	-	89,196
Due to customers	75,504	-	-	75,504	-	-	-	75,504
Interest payable	1,077	247	864	2,188	-	-	-	2,188
Other liabilities	336	7,081	8	7,425	1,779	-	111	9,315
Total liabilities	362,359	101,000	357,724	821,083	1,779	-	111	822,973
Net liquidity gap	58,195	187,314	(195,631)	49,878	370,274	8,987	(98,115)	331,024
Cumulative liquidity gap	58,195	245,509	49,878	-	420,152	429,139	331,024	-

23 RISK MANAGEMENT (continued)

23.4 Liquidity risk (continued)

The maturity profile of the financial and contingent liabilities as at reporting date based on contractual undiscounted repayment amounts is as follows:

At 31 December 2020	*Up to 1 year*							
	Up to 1 month US$ '000	*1 to 3 months US$ '000*	*3 to 12 months US$ '000*	*Total US$ '000*	*More than 1 year US$ '000*	*No specific maturity US$ '000*	*Provision for expected credit losses US$ '000*	*Total US$ '000*
Liabilities								
Deposits from banks and financial institutions	**193,336**	**112,372**	**-**	**305,708**	**358,710**	**-**	**-**	**664,418**
Due to banks and other financial institutions	**61,397**	**-**	**-**	**61,397**	**3,500**	**-**	**-**	**64,897**
Due to customers	**61,952**	**10,805**	**-**	**72,757**	**-**	**-**	**-**	**72,757**
Total undiscounted liabilities	**316,685**	**123,177**	**-**	**439,862**	**362,210**	**-**	**-**	**802,072**
Commitments and contingent liabilities								
Letters of credit	**39,661**	**2,104**	**8,200**	**49,965**	**1,100**	**-**	**(18)**	**51,047**
Letters of guarantee	**118**	**-**	**-**	**118**	**-**	**-**	**(1)**	**117**
	39,779	**2,104**	**8,200**	**50,083**	**1,100**	**-**	**(19)**	**51,164**

23 RISK MANAGEMENT (continued)

23.4 Liquidity risk (continued)

At 31 December 2019	*Up to 1 year*							
	Up to 1 month US$ '000	*1 to 3 months US$ '000*	*3 to 12 months US$ '000*	*Total US$ '000*	*More than 1 year US$ '000*	*No specific maturity US$ '000*	*Provision for expected credit losses US$ '000*	*Total US$ '000*
Liabilities								
Deposits from banks and financial institutions	196,990	94,199	363,801	654,990	-	-	-	654,990
Due to banks and other financial institutions	89,200	-	-	89,200	-	-	-	89,200
Due to customers	75,630	-	-	75,630	-	-	-	75,630
Total undiscounted liabilities	361,820	94,199	363,801	819,820	-	-	-	819,820
Derivatives:								
Interest rate swap (cash flow hedge)	446	-	-	446	-	-	-	446
Forward foreign exchange contracts	362	-	-	362	-	-	-	362
Commitments and contingent liabilities								
Letters of credit	468	20,721	57,505	78,694	-	-	(110)	78,584
Letters of guarantee	117	-	60	177	-	-	(1)	176
	585	20,721	57,565	78,871	-	-	(111)	78,760

23 RISK MANAGEMENT (continued)

23.5 Fair value of financial instruments

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 December 2020

	Level 1 US$ '000	***Level 2 US$ '000***	***Total US$ '000***
Investments classified as fair value through other comprehensive income	**154,105**	**-**	**154,105**
	154,105	**-**	**154,105**

At 31 December 2019

	Level 1 US$ '000	*Level 2 US$ '000*	*Total US$ '000*
Investments classified as fair value through profit and loss	3,028	-	3,028
Investments classified as fair value through other comprehensive income	158,396	-	158,396
Derivative financial instruments	-	(442)	(442)
	161,424	(442)	160,982

Transfers between level 1, level 2 and level 3

During the year ended 31 December 2020, there were no transfers between level 1 and level 2 of fair value hierarchy, and no transfers into or out of level 3 fair value hierarchy (2019: same).

Fair value hierarchy - financial instruments not measured at fair value

The following table provides the fair value measurement hierarchy of the Group's financial instruments not measured at fair value:

At 31 December 2020

	Fair value US$ '000	***Carrying value US$ '000***
Amortised cost investments	**99,171**	**90,762**
Loans and advances	**48,275**	**44,838**
	147,446	**135,600**

At 31 December 2019

	Fair value US$ '000	*Carrying value US$ '000*
Amortised cost investments	81,772	76,534
Loans and advances	53,991	47,166
	135,763	123,700

23 RISK MANAGEMENT (continued)

23.5 Fair value of financial instruments (continued)

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 are generally short term in nature. Management has assessed that the fair values of these approximate their carrying values as of 31 December 2020 and 31 December 2019.

24 DERIVATIVE FINANCIAL INSTRUMENTS

In the ordinary course of business, the Bank enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instruments, reference rates or indices.

These include forward exchange contracts which create rights and obligation that have the effect of transferring between the parties of the instrument one or more of the financial risks inherent in an underlying primary financial instrument. On inception, a derivative financial instrument gives one party a contractual right to exchange financial assets or financial liabilities with another party under conditions that are potentially favorable, or a contractual obligation to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavorable. However, they generally do not result in a transfer of the underlying primary financial instrument on inception of the contract, nor does such a transfer necessarily take place on maturity of the contract. Some instruments embody both a right and an obligation to make an exchange. Because the terms of the exchange are determined on inception of the derivative instruments, as prices in financial markets change those terms may become either favorable or unfavorable.

The table below shows the net fair values of derivative financial instruments together with the notional amount. These contracts are settled on a net basis. Depending on currency movements, the contracts may result in either a net asset or a net liability. The following table shows the material outstanding contracts as at 31 December:

	2020		*2019*	
	Notional amount US$ '000	***Gain / (loss) US$ '000***	*Notional amount US$ '000*	*Gain / (loss) US$ '000*
Interest rate swap (cash flow hedge)	**-**	**-**	125,000	(442)
Forward foreign exchange contracts	**-**	**-**	362	-
	-	**-**	125,362	(442)

The fair values of derivative instruments are set out below:

31 December 2019	*Negative fair value US$ '000*	*Notional amount total US$ '000*	*Notional amounts by term to maturity within 3 months US$ '000*
Derivatives held as hedges			
Interest rate swap	(442)	125,000	125,000
	(442)	125,000	125,000

25 RELATED PARTY BALANCES AND TRANSACTIONS

Related parties represent shareholders, directors and key management personnel of the Group, 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 consolidated statement of profit or loss and consolidated statement of financial position are as follows:

	31 December 2020				*31 December 2019*			
	Shareholders	***Key management personnel/ Board members***	***Other related parties***	***Total***	*Shareholders*	*Key management personnel/ Board members*	*Other related parties*	*Total*
	US$ '000	***US$ '000***	***US$ '000***	***US$ '000***	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*
Consolidated statement of profit or loss								
Interest income	**4**	**-**	**136**	**140**	4	-	168	172
Interest expense	**7,128**	**-**	**145**	**7,273**	15,138	-	682	15,820
Fee and commission income	**1**	**-**	**268**	**269**	912	-	142	1,054
Consolidated statement of financial position								
Assets								
Cash and balances with banks	**60**	**-**	**1,187**	**1,247**	746	-	6,645	7,391
Loans and advances	**-**	**-**	**-**	**-**	-	-	4,561	4,561
Interest receivable	**-**	**-**	**-**	**-**	-	-	38	38
Other assets	**-**	**65**	**-**	**65**	-	45	-	45
Liabilities								
Deposits from banks and other financial institutions	**501,766**	**-**	**25,000**	**526,766**	494,918	-	25,000	519,918
Due to banks and other financial institutions	**20,043**	**-**	**885**	**20,928**	19,572	-	1,063	20,635
Interest payable	**425**	**-**	**4**	**429**	1,649	-	43	1,692
Other liabilities	**-**	**493**	**-**	**493**	3	333	-	336
Assets under management	**-**	**-**	**-**	**-**	21,535	-	-	21,535
Contingent liabilities								
Letters of credit and letters of guarantee	**1,123**	**-**	**2,830**	**3,953**	115	-	23,288	23,403

25 TRANSACTIONS WITH RELATED PARTIES (continued)

Compensation paid to the Board of Directors and key management personnel:

	2020	*2019*
	US$ 000	*US$ 000*
Short term benefits	**4,892**	4,499
End of term benefits	**303**	303
Total compensation	**5,195**	4,802

Short term benefits include Board of Directors' sitting fees and provision for bonus accrual of US$ 847 thousand (2019: US$ 726 thousand) and reimbursement of travel, accommodation and other expenses amounting to US$ 53 thousand (2019: US$ 110 thousand). The accrual is subject to approval by the Bank's shareholders in the next Annual General Meeting.

Short term benefits also include compensation paid to key management personnel as salary, allowances and provision for bonus accrual.

26 CAPITAL ADEQUACY, NET STABLE FUNDING AND LIQUIDITY COVERAGE RATIOS

The primary objectives of the Group's capital management are to ensure that the Group complies with externally imposed capital requirements and the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities.

The risk asset ratio, calculated in accordance with the capital adequacy guidelines, under Basel III, approved by the Central Bank of Bahrain is as follows:

	2020	*2019*
	US$ 000	*US$ 000*
Capital base:		
Tier 1 capital	**333,361**	328,615
Tier 2 capital	**5,917**	6,937
Total capital base (a)	**339,278**	335,552
Risk weighted assets (b)	**606,397**	658,036
Capital adequacy (a/b * 100)	**55.95%**	50.99%
Minimum requirement	**12.50%**	12.50%

27 LIQUIDITY RATIOS

Liquidity Coverage Ratio

The Group is subject to the Basel III liquidity ratios requirement, as stipulated by the regulator Central Bank of Bahrain, whereby the Bank is required to maintain a minimum of 100% (currently revised to 80%, due to COVID-19 measures) Liquidity Coverage ratio (LCR) and Net Stable Funding ratio (NSFR).

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

At 31 December 2020, the Group's LCR was 512% (2019: 572%), which is well above the required level.

27 LIQUIDITY RATIOS (continued)

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 Group's NSFR was well above the regulatory requirement and stood at 177% as at 31 December 2020 (31 December 2019: 196%). The main drivers for robust Available Stable Funding (ASF) is its sizeable capital base, which contributes about 69% of total ASF and the remaining 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 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 11.2% of the total RSF, while non-HQLA securities accounted for 33.2% 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	339,278	-	-	-	339,278
Wholesale funding:					
Other wholesale funding	-	568,146	231,757	-	152,255
Other liabilities:					
All other liabilities not included in the above categories	-	10,945	-	-	-
Total ASF					**491,533**
Required Stable Funding (RSF):					
Total NSFR high-quality liquid assets (HQLA)					30,991
Performing loans and securities:					
Performing loans to financial institutions secured by non-level 1 HQLA and unsecured performing loans to financial institutions	-	520,563	13,913	-	85,041
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and public sector entities	-	1,246	931	60,223	52,278
Performing residential mortgages, of which:					
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	5,003	-	105,229	91,946
Other assets:					
All other assets not included in the above categories	14,490	-	-	-	14,490
Off balance sheet items	-	51,183	-	-	2,559
Total RSF					**277,305**
NSFR (%)					**177%**

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

FINANCIAL IMPACT OF COVID-19

Amidst COVID-19 pandemic, which affected economies globally and spiked uncertainty across businesses, the Bank emerged resilient and recorded a consolidated net profit of US$ 22.1 million for the year ended 31 December 2020, as compared to US$ 28.7 million last year, recording a decrease of 23.1%. This decrease was mainly due to exceptional reversal of expected credit loss provision in 2019, on account of recovery of past dues.

However, the Bank's overall performance for 2020 exceeded Budget estimates. This outcome is attributed mainly to Bank's efforts exercised prior to the outbreak of COVID-19 to recover in full a non performing facility, which enabled the Bank to write back a significant amount of (US$ 2.9 million) ECL provision. Additionally, the Bank was also able to recover a written off facility amounting to US$ 5.7 million, which constitutes part of other income.

Although, there was exceptional income, the performance of the Bank was affected by volatile markets and uncertainties that challenged the banking industry, which affected interest margins due to fall in interest rates since the beginning of 2020 and fair valuation of securities.

Interest income recorded for the year ended 31 December 2020 was US$ 31.8 million, as compared to US$ 44.2 million for last year, reflecting a decrease of 28%, however, the net interest income, after interest expenses, resulted in a decrease of 10.2%, as interest expense, also decreased with the fall in LIBOR and interest rates.

Income from fee and commission was US$ 3.8 million for 2020, as compared to US$ 3.6 million in 2019, signifying an increase of 7.3% year on year. Trading income decreased in current year compared to last year, from US$ 535 thousand to US$ 20 thousand, a fall of 96.3%, on Investment held under fair value through profit or loss.

During the year, the Bank earned a foreign exchange gain of US$ 181 thousand as compared to gain of US$ 1.4 million in previous year, resulting in a decrease of 87.3%.

On the expenses front, staff costs decreased compared to the last year, from US$ 8.7 million to US$ 8.3 million, a decrease of US$ 476 thousand or 5.4%, primarily due to government grant received due to COVID -19. On the other hand, other operating expenses, increased by US$ 1.5 million (from US$ 3.1 million to US$ 4.5million), an increase of 47.5% compared to the last year, which is mainly attributed to expenses incurred related to enhanced technology support and professional fee.

The total receipt of government grant on account of subsidising Bahraini employee salaries, electricity and utility expenses and other fees for the months of April, May and June 2020, amounted to US$ 468 thousand. Therefore, the total operating expenses amounted to US$13.7 million for the year ended 31 December 2020, which was an increase of US$ 974 thousand over last year US$ 12.7 million, an increase of 7.7% year on year.

The Bank's Capital adequacy ratio (CAR), continues to be strong at 56% at 31 December 2020 and well above the regulatory requirement of 12.5%. The Bank's Liquidity coverage ratio (LCR) and Net Stable fund ratio (NSFR), continues to be well above the regulatory norms and stood at 512% and 177% at 31 December 2020, respectively. The minimum required by regulator is 100% for LCR and NSFR, which is currently revised to 80%, due to COVID-19 measures.

Further, the Bank enhanced its information technology facilities and adequately equipped 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 Bank continued to be resilient in current COVID-19 pandemic, and its effect on banking industry, which challenged the business model and created a new competitive landscape.

The above supplementary information on the Financial impact of COVID-19, is provided to comply with Central Bank of Bahrain circular reference OG/259/2020 dated 14 July 2020, due to the current COVID-19 pandemic.

This information has not been subject to any review by external auditors.