ANNUAL REPORT 2024

ALUBAF ARAB INTERNATIONAL BANK B.S.C (C)

CONTENTS

VISION & MISSION

ALUBAF Arab International Bank B.S.C. (c) is a wholesale bank registered in the Kingdom of Bahrain. The bank's operations include Treasury, Trade finance and Lending.

VISION

ALUBAF Arab International Bank B.S.C. (c) visualizes to be a premier wholesale bank in providing competitive and effective banking solutions to its clients.

MISSION

To augment shareholder value by maximizing profitability with prudent financial management and to entrench a disciplined risk and cost management culture.

FINANCIAL HIGHLIGHTS

		2024	2023	2022	2021	2020
		USD '000s				
Financial Position	Net Profit before appropriation	30,000	14,735	9,603	22,732	22.113
	Total Assets	1,767,162	1,143,666	1,158,713	1,253,144	1,145,242
	Investment Securities	270,489	265,079	248,553	263,511	244,867
	Total Loans	156,387	179,635	142,868	149,340	81,798
	Total Liablities	1,404,720	800,772	826,351	913,243	810,867
	Total Equity	362,442	342,894	332,362	339,901	334,375

PERFORMANCE RATIOS

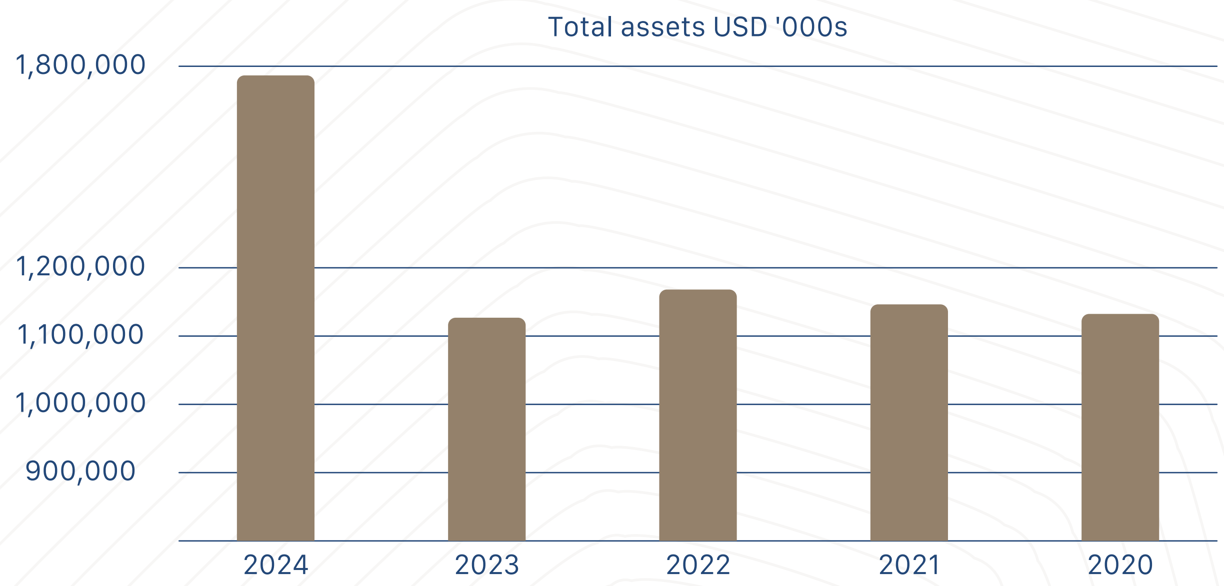
		2024	2023	2022	2021	2020
		USD '000s				
Profitability	ROAA - Return on Average Assets Ratio	2%	1%	1%	2%	2%
	ROAE - Return on Average Equity Ratio	9%	4%	3%	7%	7%
	Cost to Gross Income*	30%	40%	52%	56%	40%

		2024	2023	2022	2021	2020
		USD '000s				
Capital	Capital Adequacy Ratio	39%	54%	53%	43%	56%
	Equity Assets Ratio	21%	30%	29%	27%	29%

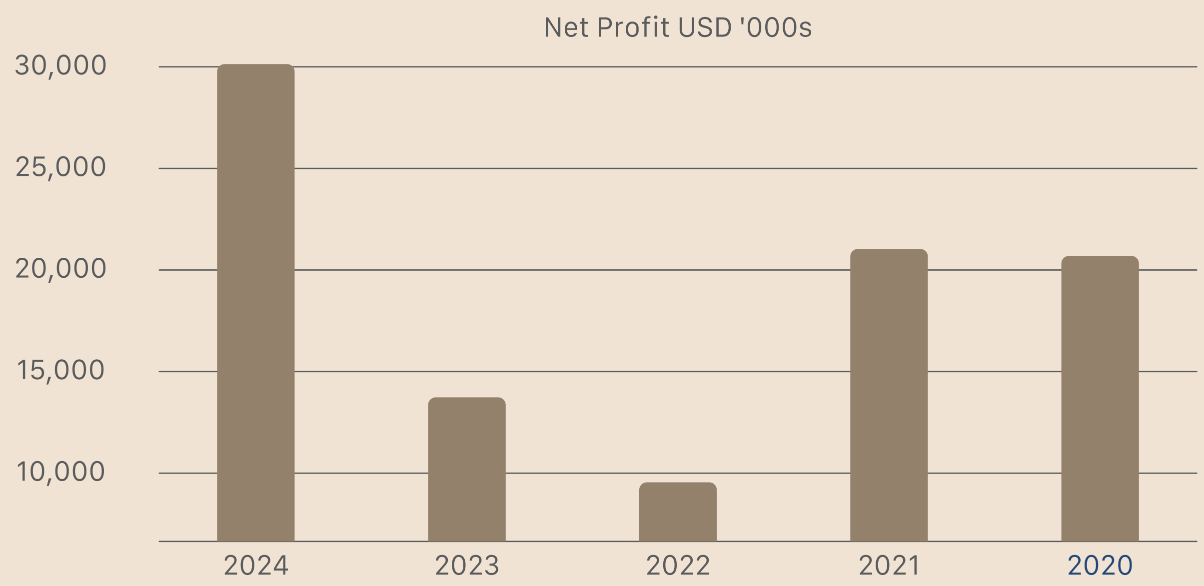
		2024	2023	2022	2021	2020
		USD '000s				
Asset Quality	Loans/ Total Assets	9%	16%	12%	12%	7%
	Investment Securities/Total assets	15%	23%	21%	21%	21%
	NPL/Gross loans	32%	18%	22%	21%	49%

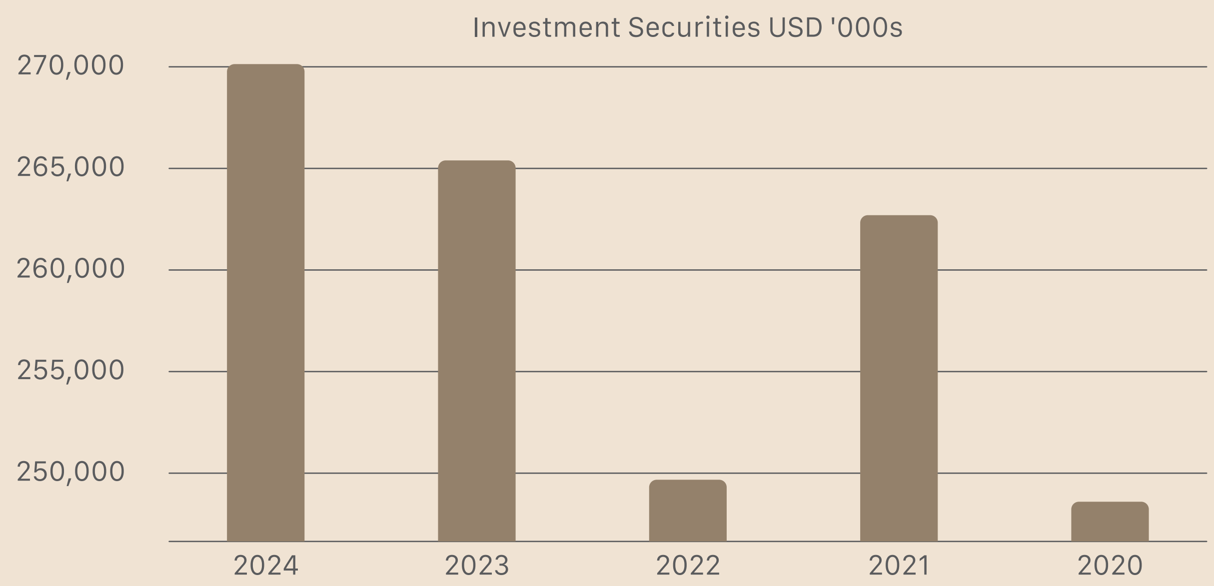
		2024	2023	2022	2021	2020
		USD '000s				
Liquidity	Liquid assets to Total Assets	73%	58%	64%	65%	70%
	Liquid assets to Total Liabilities	92%	83%	89%	89%	99%

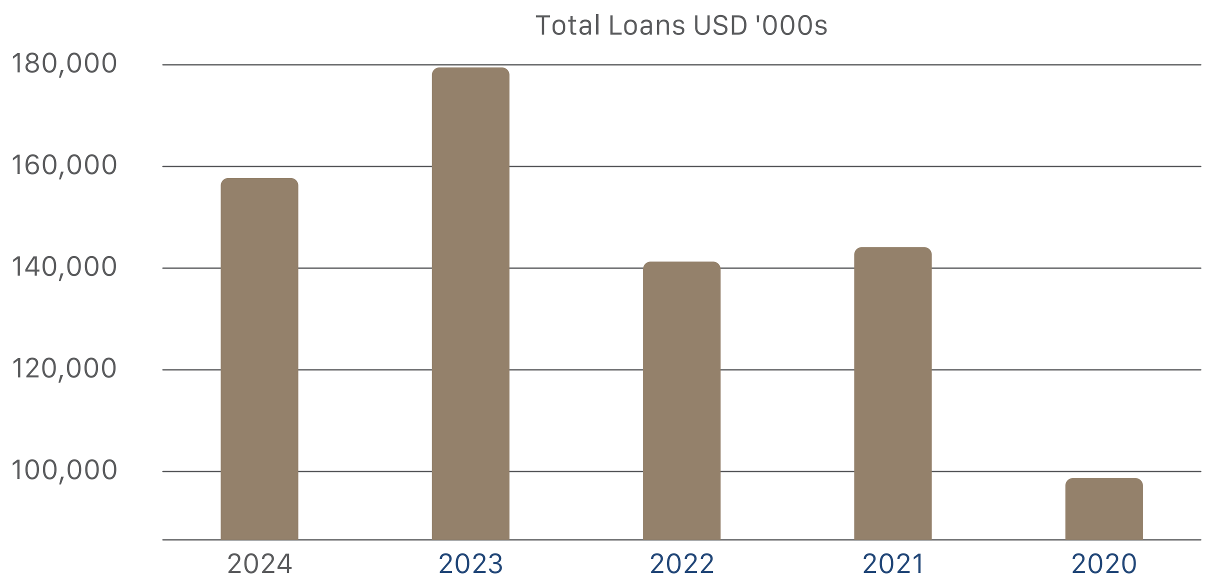
*this ratio excludes the impact of any one-off recoveries.

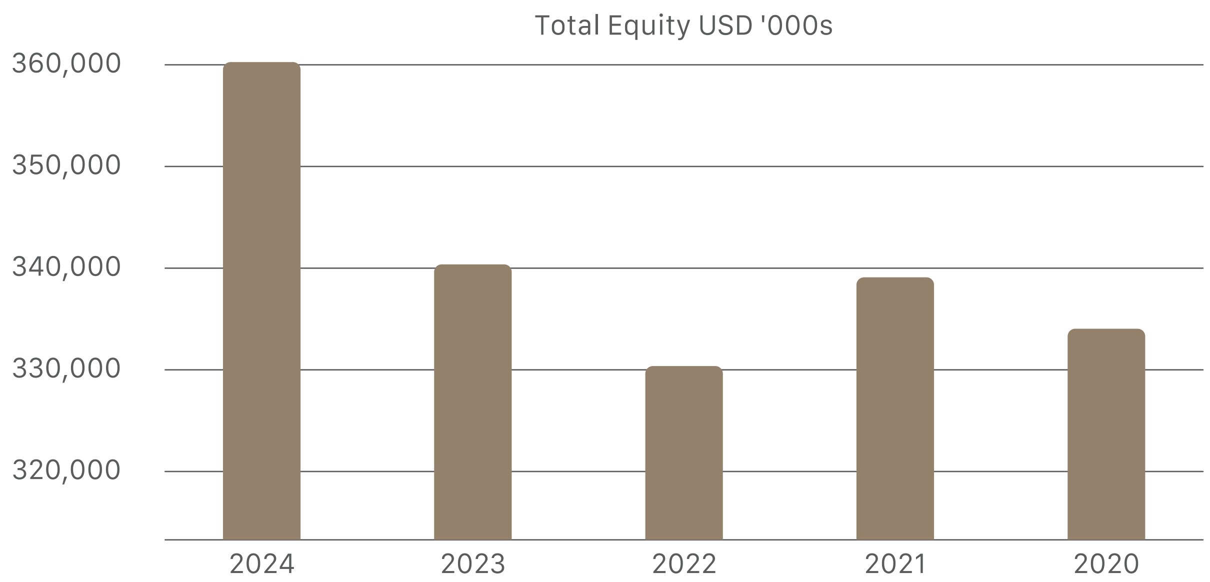


PERFORMANCE RATIOS









BOARD OF DIRECTORS' REPORT

On behalf of the Board of Directors, I am delighted to present the audited consolidated financial statements of Alubaf Arab International Bank (the "Bank") and its subsidiary (together the "Group") for the year ended 31 December 2024.

The Global economic landscape in 2024 presented a mix of challenges and opportunities across the global and regional markets. While the global GDP growth moderated, reflecting a period of stabilization following the post-pandemic recovery. Among the key trends that impacted the economic landscape are:

- Inflationary pressures in advanced economies leading to tighter monetary policies while impacting global liquidity and borrowing cost;
- Volatility in energy prices, particularly in energy exporting nations thereby influencing the trade balances and fiscal policies; and
- Ongoing geopolitical tensions and conflicts resulting in trade disputes and creating uncertainty, negatively impacting the investor sentiment and cross-border trade.

Nevertheless, in the midst of the economic headwinds and challenges, the banking industry remained resilient, supported by robust economic recovery efforts and digital transformation initiatives.

In terms of the Bank's key markets performance, while some introduced major policy reforms to combat inflation and attract foreign direct investment, leading to a strong rebound in exports. Others observed economic growths that were ranked among the fastest-growing economies, despite facing political upheaval. Meanwhile, certain economies experienced moderate growth but remained fragile due to vulnerability to political unrest.

The Group, however, continued to adopt a conservative approach to risk management and sustained transacting for its trade finance and credit business in experienced markets, while ensuring careful screening of new customers and markets in line with the related approved strategy. The Group diversified its funding base by seeking new reasonablely priced deposits which were effectively utilized, thereby driving growth in revenues and profitability. Furthermore, the Group also continued to remain competitive in terms of rates and services offered to customers which positively contributed to the overall earnings.

The Group's financial performance remained strong during 2024 due to management's effective allocation of funding towards higher earning assets and it achieved total operating income amounting to US$ 51.5 million, being 40% higher than the total operating income of US$ 36.9 million achieved during 2023. Consequently, the Group's consolidated net profit amounted to US$ 30 million, being 104% higher than the net profit of US$ 14.7 million achieved during 2023. Interest income amounted to US$ 87.7 million whereas the interest expense amounted to US$ 40.0 million and accordingly, the net interest income amounted to US$ 47.7 million. Total non-interest income of US$ 3.9 million was primarily driven by fee and commission income of US$ 2.3 million from trade finance activities. Even though heightened competition was witnessed in the market, the Group provided effective and high-quality services to its customers, which resulted in generating reasonable earnings.

On the expenses front, despite inflation, the Group has managed its operating expenses well and managed to maintain them at US$ 15.5 million in 2024 as compared to US$ 14.7 million in 2023. The Group's financial position remained strong with total assets standing at US$ 1,767.2 million at 31 December 2024 with liquid assets to total assets ratio of 72.8% and capital adequacy ratio of 38.9%.

In the field of technological development and governance, the Group continued to invest in its information technology infrastructure and related information security to ensure seamless and continuous uninterrupted operations. This facilitated access to information, communication and services to customers, while meeting regulatory requirements. The Group also continued to evolve and inculcate a strong risk management culture and strengthen its governance framework, thus aligning itself with evolving regulatory practices.

Further, during the year ended 31 December 2024, Bahrain released Decree-Law of Domestic Minimum Top-up Taxation ("DMTT") Law regarding the implementation of tax on multinational enterprise groups located in Bahrain. The newly enacted tax legislation is effective from fiscal years commencing on or after 1 January 2025 and the Group is currently engaged with tax specialists to quantify the impact and based on Group's own assessment and in line with the provisions of the Law and the Executive Regulations, the Group has registered itself with the concerned authorities.

In recognition of the importance and support of its valued shareholders, the Board of directors are pleased to propose a dividend of US$ 3 per share, amounting to US$ 15 million, representing 6% of paid up share capital for the year ended 2024, after due appropriation of US$ 3 million from net profit for the year 2024, towards transfer to statutory reserve. This proposed dividend is subject to regulatory and shareholders' approval in Annual general meeting.

The Group's strong capital position and dynamic Board of Directors and management efforts enables it to address market challenges in an effective manner for it to achieve a sustainable growth. The Group shall continue to manage risks, capital and liquidity effectively due to the faced uncertain economic environment.

Remuneration of the Board members for the fiscal year ended 31 December 2024 is as follows:

	Name	Fixed Remunerations: Remunerations of the chairman and BOD*	Fixed Remunerations: Total allowance for attending Board and committee meetings	Fixed Remunerations: Others**	Fixed Remunerations: Total	Variable Remunerations: Remunerations of the chairman and BOD	Variable Remunerations: Incentive plans	Variable Remunerations: Others**	Variable Remunerations: Total	End-of-service award	Aggregate amount (Does not include expense allowance)	Expenses Allowance
First Independent Directors												
1	Mr. Anthony Mallis	38	14	3	55	-	-	-	-	-	55	-
2	Mr. Abdulkarim Bucheery	38	16	3	57	-	-	-	-	-	57	-
3	Mr. Abdulrazag Tarhuni	38	13	13	64	-	-	-	-	-	64	-
4	Mr. Tarek Amer	38	13	13	64	-	-	-	-	-	64	-
Second Non-Executive Directors												
1	Mr. Khaled Taher	38	15	11	64	-	-	-	-	-	64	-
Third Executive Director												
1	Mr. Khalid AlGonsel	38	15	11	64	-	-	-	-	-	64	-
2	Mr. Guima Masaud Salem Kordi	38	16	13	67	-	-	-	-	-	67	-
	Total	**266**	**102**	**67**	**435**	**-**	**-**	**-**	**-**	**-**	**435**	**-**

** The Chairman and Board's remuneration is subject to approval by the Group's shareholders in the Annual General Meeting*
*** Travel and accommodation costs.*

Amounts are stated in Bahraini Dinars ('000)

Remuneration of the top six remunerated management executives for the fiscal year ended 31 December 2024 is as follows:

Executive management

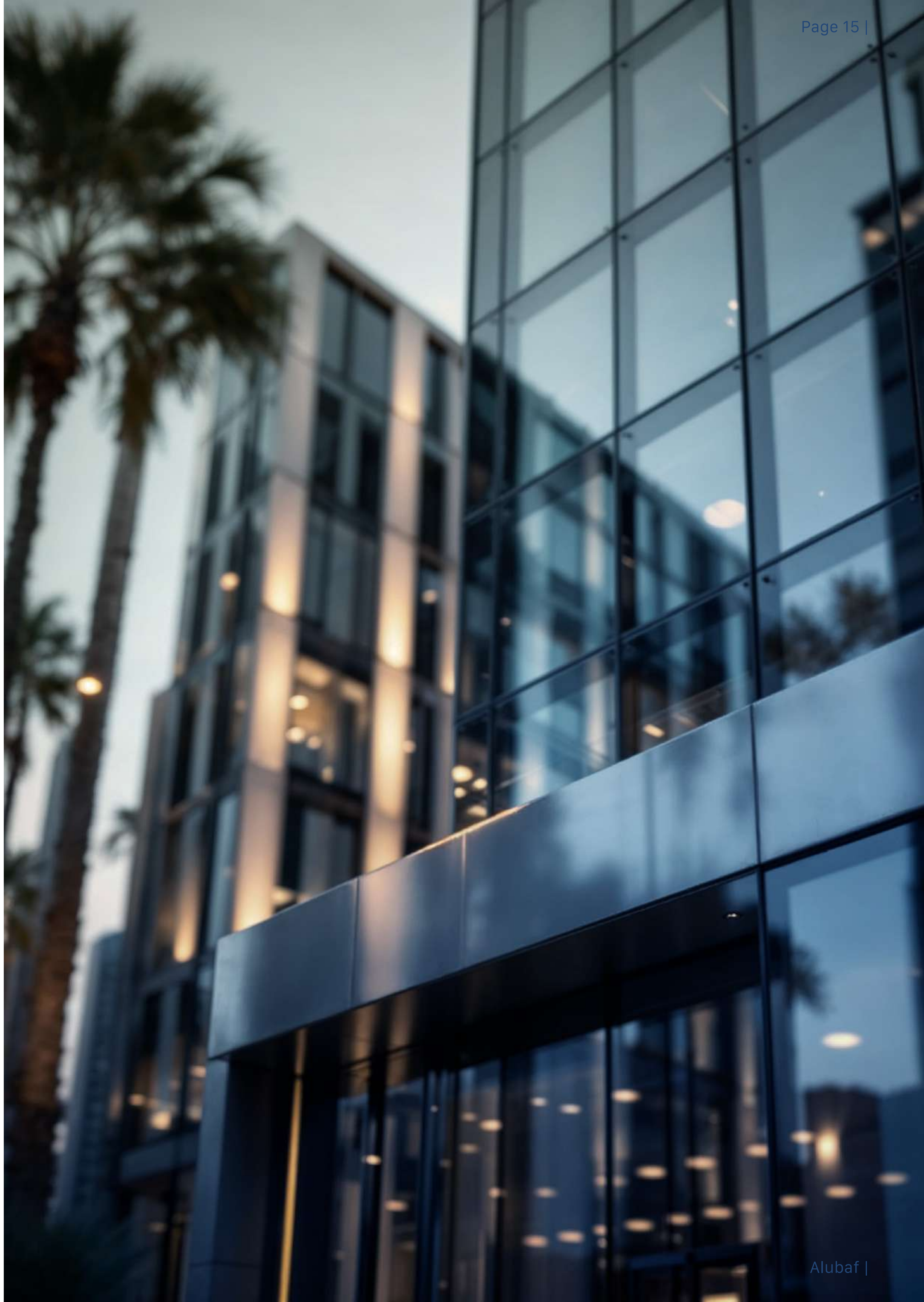
Remunerations of top six executives, including the CEO and the Head of Financial Control

Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/in-kind remuneration 2024	Aggregate Amount
796	121	219	1,136

Finally, I would like to thank the Shareholders, the Central Bank of Bahrain, the Ministry of Industry and Commerce of the Kingdom of Bahrain, the Board members, all Correspondent Banks and our customers for their continued support. I also take this opportunity to extend my special appreciation and gratitude to the Chief Executive Officer, the Executive Management team and all of the Bank's employees for their determination and commitment in achieving continues growth and progress for the Group.

Mr. Anthony C. Mallis
Vice Chairman

Mr. Khaled AlGonsel
Chairman



BOARD OF DIRECTORS

Mr. Khaled AlGonsel
Executive Director since June 2023

Chairman

Chairman of Nomination, Remuneration and Corporate Governance Committee

Qualification and Experience

Bachelor's Degree in Financial Accounting from University of Gharyan, Libya
Master's Degree in Financial Accounting from Graduate Studies Academy, Libya
Master's Degree in Banking and Corporate Finance from the European University
Over 30 years experience in the banking and investment industry. He is also a Director at the Libyan Foreign Bank, Libya and Arab International Bank, Cairo.

Mr. Anthony Constantine Mallis
Independent Director since June 2017

Vice Chairman

Member of Audit, Risk and Compliance Committee

Qualification and Experience

Bachelor's of Business Administration from the American University of Beirut, Lebanon. Over 40 years experience in the banking sector. Mr. Anthony was the Chief Executive Officer of Securities & Investment Company (SICO) for thirteen years.

Mr. Abdulkarim Ahmed Bucheery
Independent Director since Nov 2019

Board Member

Chairman of Audit, Risk and Compliance Committee

Qualification and Experience

Bachelor's degree in Economic Sciences from Aleppo University, Syria
High Certificate in Credit Programme (CAD) from Citi Bank Athens, Greece
Management Diploma from Darden Business School Virginia, USA
Over 40 years experience in the banking sector. He is currently the Chairman of the Bahrain Bourse and Bahrain Clear Company.

Mr. Khaled Tahir
Non-Executive Director since Feb 2022

Board Member

Member of Audit, Risk and Compliance Committee

Qualification and Experience

Bachelor's degree in Business Administration from Africa University, Libya
Worked with various financial institutions more than a decade. He is also a Director at the Libyan Foreign Bank and Economics and Social Development Fund in Libya.

Mr. Abdulrazag Belaid Mohamed Tarhuni
Independent Director since Jan 2020

Board Member

Member of Nomination, Remuneration and Corporate Governance Committee

Qualification and Experience

Master's degree in Economic and Financial Engineering from Tunisia Tech University, Tunisia
Bachelor's degree in Business Administration from United Africa University, Libya
Over 30 years experience in the banking sector. He is also the Chairman of the United Insurance Company and Director at Bonia Company in Libya. Currently, he is the General Manager of Jumhouria Bank, Libya.

Mr. Guima Masaud Salem Kordi
Executive Director since June 2015

Board Member

Member of Audit, Risk and Compliance Committee

Qualification and Experience

Bachelor of Computer Science from Tripoli University, Libya.
Over 30 years experience in the banking sector.

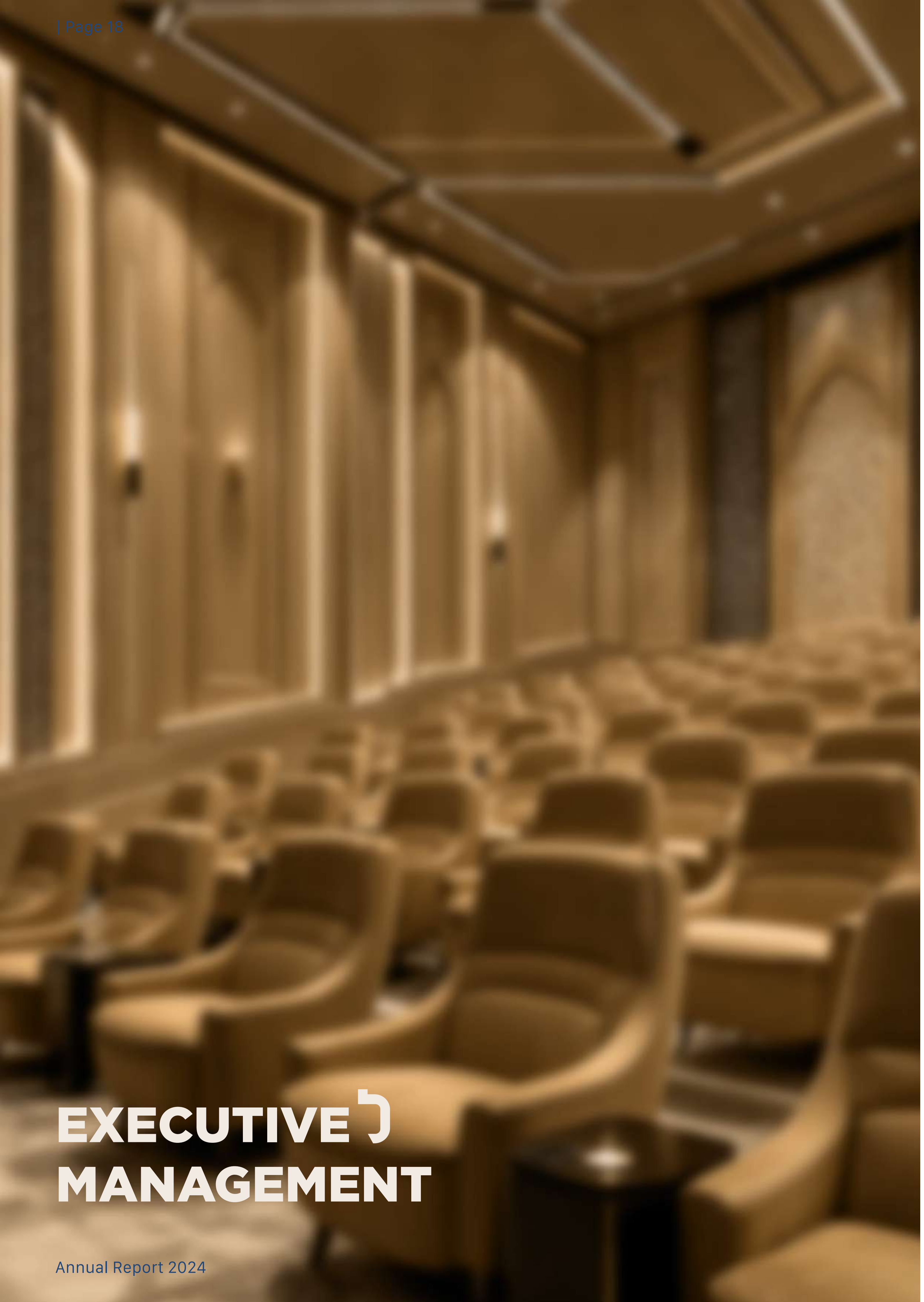
Mr. Tarek Amer
Independent Director since June 2023

Board Member

Member of Nomination, Remuneration and Corporate Governance Committee

Qualification and Experience

Kennedy School of Government Diploma from Harvard Business School, UA
Bachelor of Arts in Economics and Management from The American University in Cairo, Egypt
Over 40 years experience in the banking sector. He was the Governor of the Central Bank of Egypt for 7 years. He was also the Chairman and CEO of National bank of Egypt for five years and head of corporate finance & investment banking Citibank gulf region.



EXECUTIVE MANAGEMENT

Mr. Hasan Khalifa Abulhasan
Chief Executive Officer

Qualification & Experience

Holds a Bachelor Degree in Statistics and Mathematical Sciences from University of Tripoli, Libya
Over 35 years of experience in the Banking sector. He joined Alubaf in October 2012 and before joining Alubaf, he has held several senior top management positions with Libyan Foreign Bank group and the last position held was Assistant General Manager at Libyan Foreign Bank, headquarters.

Mr. Othman Shwaimat
Head of Treasury & Investments

Qualification & Experience

Holds a Master degree in Banking and Finance from Arab academy for Banking and financial sciences, and Bachelor in Business administration, Managerial finance and accounting from Yarmouk University - Jordan.
Over 34 years of experience in the Banking sector. He joined Alubaf in October 2018 and before joining Alubaf, he previously worked at Arab Banking Corporation (Jordan).

Mr. Kemal El Abyad
Head of Business Development

Qualification & Experience

Holds a Bachelor in Business Administration from Anatolian University, Turkey.
Over 25 years of experience in the Banking sector. He joined Alubaf in July 2014 and before joining Alubaf, he previously worked at A&T BANK.

Mrs. Juhaina Albahrani
Head of Financial Control

Qualification & Experience

Holds a Certified Public Accountant (CPA) certification and a Bachelor in Accounting from University of Bahrain.
Over 16 years of experience in Accounting and Finance. She joined Alubaf in June 2021 and before joining Alubaf, she previously worked at Ernst and Young.

Dr. Nasreen Al Qaseer
Chief Risk Officer

Qualification & Experience

Holds a Doctorate in Business Administration – Risk Management, University of Liverpool John Moores University -UK.

Over 35 years of experience in the banking sector approved by CBB in Bahrain and CBK in Kuwait. She joined Alubaf in January 2019 and before joining Alubaf, she previously worked at Bank Al Khair.

Mr. Abbas Al-Shamma
Head of Internal Audit

Qualification & Experience

Holds a Bachelor in Accounting from University of Bahrain, A Certified Internal Auditor and a Certified Information System Auditor.
Over 18 years of experience in the Banking sector. He joined Alubaf in December 2009 and before joining Alubaf, he previously worked at Ernst and Young and BDO Bahrain.

Mrs. Najla Qambar
Head of Compliance, MLRO and Board Secretary

Qualification & Experience

Holds a Master degree in Business Administration from University College Bahrain and ICA International Diploma in Compliance.
Over 16 years of experience in Banking sector. She joined Alubaf in September 2010 and before joining Alubaf, she previously worked at United Gulf Bank.

Ms. Fatima Bu Ali
Head of Operations

Qualification & Experience

Holds a Master degree in Business Administration from University College Bahrain, affiliated with McMaster University-Canada with Intermediate Diploma in Banking and Finance.
Over 15 years of experience in the Banking sector. She joined Alubaf in September 2012 and before joining Alubaf, she previously worked at Tadhamon Capital.

Mr. Hussain Haidar
Head of Trade Finance

Qualification & Experience

Holds a Diploma in Commercial Studies from University of Bahrain.
Over 20 years of experience in the Banking sector. He joined Alubaf in February 2021 and before joining Alubaf, he previously worked at Habib Bank Limited and HSBC.

Mr. Amer AlSheaibani
Head of Human Resources & Administration (from February 2024)

Qualification & Experience

Holds a Master Degree in Finance from Coventry University, United Kingdom.
Over 14 years of experience in the Financial Services sector. He joined Alubaf in March 2018 and before joining Alubaf, he previously worked at Arab Financial Services.

Mr. Anas Zawia
Head of Information Technology (until October 2024)

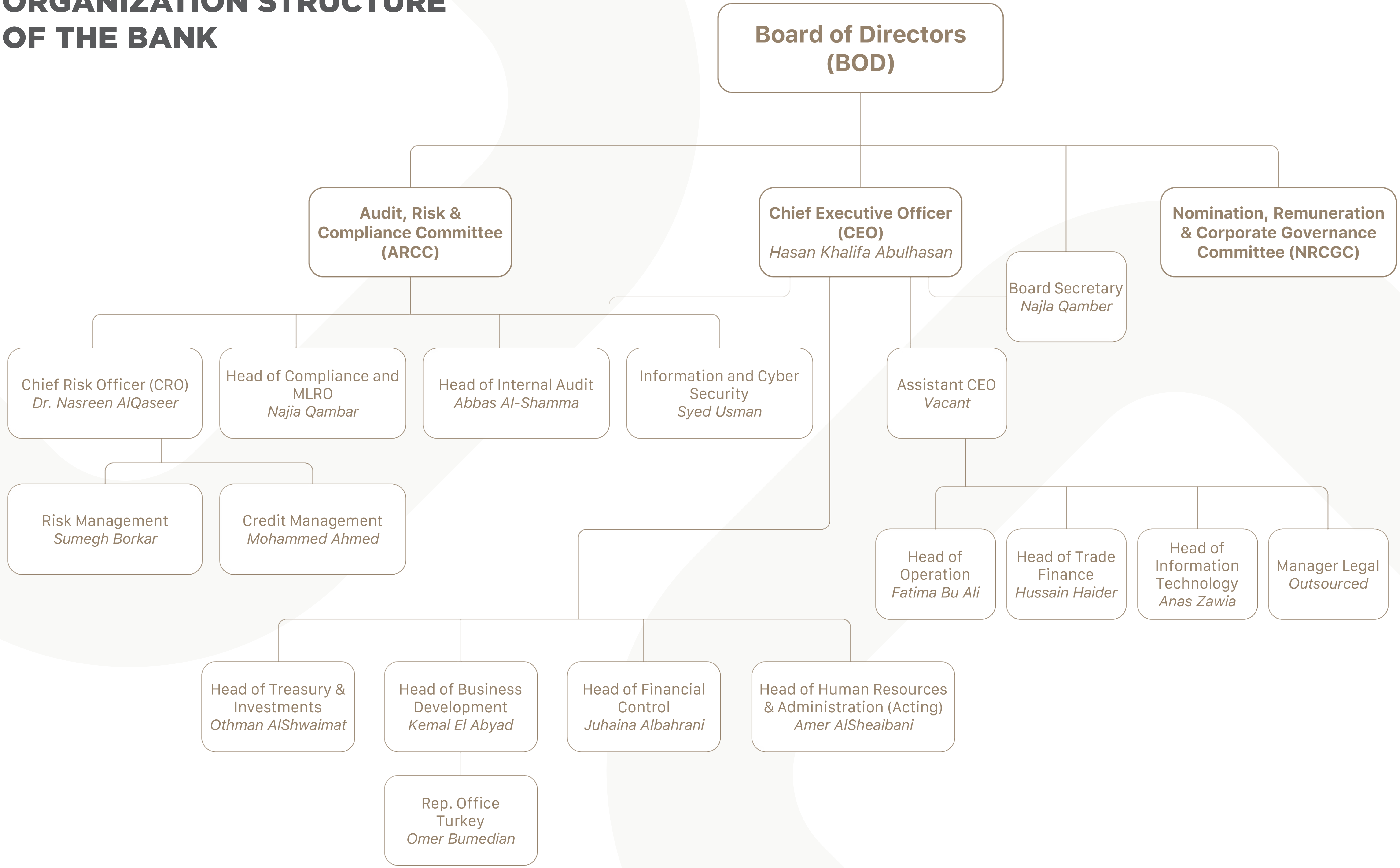
Qualification & Experience

Holds a Diploma in Computer Science from Higher Institute of Computer Technology, Libya.

Over 15 years of experience in Information Technology and Security. He joined Alubaf in January 2017 and before joining Alubaf, he previously worked at Libyan Foreign Bank.

CORPORATE GOVERNANCE

ORGANIZATION STRUCTURE OF THE BANK



ALUBAF'S CORPORATE GOVERNANCE PHILOSOPHY

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 and Commerce under Commercial Registration (CR) number 12819. The Bank operates under a wholesale banking license issued by the Central Bank of Bahrain (the "CBB").

As a Wholesale Commercial bank, the Bank's corporate governance framework is based on the guidelines of the Corporate Governance Code as introduced by the Ministry of Industry and Commerce, the Commercial Companies Law and its Implementation Regulations ("CCL") and the regulations of the Central Bank of Bahrain ("CBB") as specified in Volume 1 of its Rulebook - High Level Controls (Module HC).

The Bank is fully committed to meeting its strategic objectives and achieving solid growth while upholding the highest standards of corporate governance. Such commitment is deeply rooted in its dedication to enhancing its compliance with all the applicable laws, regulations and best industry practices to the ultimate benefit of its shareholders, clients, employees and other stakeholders.

FRAMEWORK

The Bank has an effective, disciplined and transparent management framework developed on strict adherence to corporate governance principles and statutes of its regulator Central Bank of Bahrain. The Board of Directors is responsible for strategic plans, policies and supervision of business performance/operations, overseeing the functions of executive management and ensures to conduct meetings at least four times annually. At the next level, is the executive management team, which is committed in the daily execution of business in compliance with approved policies, plans and regulatory requirements. The bank›s external auditors Ernst & Young, conduct final audit and other statutory reviews and quarterly on financials, prudential information reporting, public disclosure and the review on AML/CFT to ensure compliance with regulatory requirements.

PROFILE AND OWNERSHIP STRUCTURE OF THE BANK

The Bank's authorized share capital is USD 500,000,000 (United States Dollars five hundred million) divided into 10,000,000 (ten million) shares of USD 50 (United States Dollars fifty) nominal value per share. The Bank's issued and paid up capital is USD 250,000,000 (United States Dollars two hundred and fifty million) divided into 5,000,000 (five million) shares of USD

	No. of Shares	Nominal Value (USD)	
Libyan Foreign Bank	4,975,008	248,750,400	99.50%
National Bank of Yemen	13,768	688,400	0.28%
Yemen Bank for Reconstructions and Development	11,224	561,200	0.22%

Shareholders Distribution of Shareholding according to Nationality:

	No. of Shares	Nominal Value (USD)	
Libyan	4,975,008	248,750,400	99.50%
Yemeni	24,992	1,249,600	0.50%

As of 31 December 2024, Libyan Foreign Bank (LFB) owns more than 5% or above of Alubaf's total outstanding shares.

As of 31 December 2024, the Bank's Directors and the Senior Management do not own any shares in the Bank on an individual basis.

BOARD OF DIRECTORS

BOARD COMPOSITION

The Bank shall be administered by a Board of Directors comprising of at least five (5) directors and not more than nine (9) directors ("Directors"). As of 31 December 2024, the total number of Directors is seven (7). The Board of Directors also elects by secret ballot from its Directors a chairman ("Chairman"), and a deputy chairman ("Deputy Chairman") for its tenure.

In accordance with HC 2.1.2 of the CBB Rulebook, in conventional bank licensees with a controller, at least one third of the Board of Directors must be independent.

The CBB Rulebook HC 3.2.1 and Corporate Governance Code require that the Chairman of the Board of Directors must be an independent Director. The bank has obtained CBB's exemption letter dated 7th June 2023 to appoint Mr. Khalid AlGonsel, Executive Director as the Chairman of the Bank.

As of 31 December 2024, the Bank is in compliance with the aforementioned independence requirements with the following being its composition:

STATUS/CATEGORY		
Executive Director	2 Directors	28.57%
Non-Executive Director	1 Director	14.29%
Independent / Non-Executive Director	4 Directors	57.14%
Total	7 Directors	100%

For the financial year ending 31 December 2024, the bank's board of directors was as follows:

Name / Position	Category / Nationality	Date of AGM Approval	Term
Mr. Khaled AlGonsel *Chairman*	*Executive Director* Libyan	27-MAR-2024	First
Mr. Anthony Constantine Mallis *Vice Chairman*	*Independent* Australian	18-JUN-2017	Third
Mr. Abdulkarim Bucheery *Director*	*Independent* Bahraini	15-MAR-2020	Second
Mr. Guima Masaud Salem Kordi *Director*	*Executive Director* Libyan	19-APR-2016	Fourth
Mr. Khaled Taher *Director*	*Non-executive* Libyan	26-JUN-2022	Second
Mr. Abdulrazag Tarhuni *Director*	*Independent* Libyan	15-MAR-2020	Second
Mr. Tarek Amer *Director*	*Independent* Egyptian	27-MAR-2024	First

The full profiles and the bank's directors, information on other posts that they hold and their biographies are available in the annual report and the website www.alubafbank.com.

The Board of Directors is supported by its Board Secretary, who provides it with professional and administrative support. The Board Secretary also acts as secretary at the General Assemblies. The Audit, Risk and Compliance Committee secretary is the Head of Internal Audit and the Nomination, Remuneration and Corporate Governance Secretary is the Head of Human Resources and Administration. As per HC 3.7.3, the appointment of the Board Secretary is subject to approval of the Board of Directors.

INDEPENDENCY OF THE BOARD MEMBERS

The majority of the Board's members are independent. To ensure the independency of the members, as per HC-1.1.1 and HC1.2.5, every director must bring independent judgment to bear in decision-making. No individual or group of directors must dominate the board's decision-making and no one individual should have unfettered powers of decision. The members should also ensure that their membership of the Board of Directors is not in conflict with any of their other interests. Where there is the potential for conflict of interest, or there is a need for impartiality, the Board must assign a sufficient number of independent Board members capable of exercising independent judgment.

APPOINTMENT/TERMINATION OF THE BOARD OF DIRECTORS

The appointment of Directors is subject to obtaining the prior written approval of the CBB and comply at all times with the Company Commercial Law and the CBB regulations. The Board of Directors is appointed for a term of three (3) years by the Annual General Assembly, such term being capable of renewal. Appointments of Directors are also subject to Article 175 of the Company Commercial Law for shareholders holding 10% of the share capital or more having the right to appoint representatives on the Board in proportion to the number of members on the Board. The current term of the Board of Directors started in June 2022 and will end in – June 2025.

The Directors are generally required to adhere to the Bank's Articles of Association, Company Commercial Law, the Corporate Governance Code, CBB Rulebook, Code of Ethics and Conduct and all applicable laws and regulations. The Bank has written appointment agreements with each Director, which set out the Directors' roles, duties, responsibilities, accountabilities, in addition to other aspects relating to their appointment such as term, the time commitment required, the committee assignments (if any), their remuneration and expense reimbursement entitlement and access to independent professional advice, as and when required.

The Bank's Articles of Association, which incorporates the relevant Company Commercial Law provisions, and the Board of Directors' Charter list all the grounds for termination of membership of the Board of Directors. The General Assembly, via majority vote, has the authority to terminate the membership of some or all of the Board of Directors. This is without prejudice to the rights of shareholders qualifying under Article 175 of the Company Commercial Law to terminate the appointment of any Director they appointed in accordance with the aforementioned Article. Terminations without proper justification or cause may entitle the Director to seek compensation from the Bank.

INDUCTION OF NEW DIRECTOR

The Board ensures that each new appointed Director receives all information to strengthen and support his contribution from the commencement of his term, via meetings with senior management, presentations regarding the Bank's strategic plans, significant financial, accounting frameworks, risk management issues, compliance programs, in addition to access to its internal and external auditors and legal counsel.

RESPONSIBILITIES OF THE BOARD

The Board of Directors' role and responsibilities include but are not limited to, the following:

- Establishing the objectives of the Bank
- Determining the overall business performance, plans and strategy of the Bank
- Monitoring approved persons performance and their implementation of strategic decisions
- Convene and prepare the agenda for the shareholder meetings
- Monitoring conflict of interest and preventing abusive related party transactions
- Adoption and annual review of strategy
- Annual approval of budget and monitoring management performance in relation to the same thereof
- Adoption and review of management structure and responsibilities
- Adoption and review of the systems and controls framework
- Ensure financial results are reported fairly and which accurately disclose Alubaf's financial position
- Setting the 'tone at the top' of the Bank and overseeing compliance with various laws and regulations, including but not limited to, CBB laws and regulations, Company Commercial Law, Corporate Governance Code, Labor Law and other applicable laws and regulations
- Approve term borrowings bond

Further details of the roles and responsibilities of the Board of Directors are set out in the Board Charter and Articles of Association. These roles and responsibilities are in line with the regulatory requirements contained in the High-Level Control ("HC") of the CBB Rulebook Volume 1 and the Corporate Governance Code.

MEETINGS OF THE BOARD OF DIRECTORS DURING THE YEAR 2024

In accordance with HC-3.1 of Volume 1 of the CBB Rulebook, the Board must meet frequently but in no event less than four (4) times a year. The Bank's Board of Directors has exceeded this requirement by meeting five (5) times in the financial year ending 31 December 2024. All Directors have complied with the requirement to attend at least 75% of all Board meetings convened in a given financial year. During 2024, five Board meetings were held as follows:

Director	Date of First Appointment	First Board Meeting	1/2024 Held in Bahrain 20-Feb-24	2/2024 Held in Bahrain 2-May-24	3/2024 Held in The UK 15-July-24	4/2024 Held in Bahrain 29-Oct-24	5/2024 Held in Bahrain 10-Dec-24
Khaled Algonsel	27-Mar-24	19-Jun-23	✓	✓	✓	✓	✓
Anthony Mallis	18-Jun-17	09-Jul-17	✓	✓	✗	✓	✓
Abdulkarim Bucheery	15-Mar-20	11-Nov-19	✓	✓	✓	✓	✓
Tarek Amer	27-Mar-24	19-Jun-23	✓	✓	✓	✓	✓
Abdulrazaq Tarhuni	15-Mar-20	8-Jun-20	✓	✓	✓	✓	✓
Guima Kordi	19-Apr-16	21-Aug-15	✓	✓	✓	✓	✓
Khaled Taher	26-Jun-22	23-Feb-22	✓	✓	✓	✓	✓

✓ *Participated by phone/Video link*

BOARD ASSESSMENT AND EVALUATION

The Board and its Committees conduct annual assessments and evaluations on an annual basis. Each Director completes an overall Board assessment form, in addition to each Committee member completing a Committee assessment form. The NRCGC is responsible for reporting the results of the assessments to the Board for appropriate action, where and if required.

MATERIALITY AND AUTHORITY LEVELS

The materiality level for transactions that require board approval varies for different activities and is governed by pre-approved exposure levels delegated by the board which are contained in various policy and procedure documents as well as the delegation of authority. Transactions exceeding the approval authorities granted to the CEO or CIC must be approved by the board.

BOARD COMMITTEES

In accordance with the bank's constitutional documents, charters and the requirements set forth by the corporate governance code and CBB regulations, the board of directors has delegated specific responsibilities to a number of board committees (each a "committee" and collectively, the "committees"). Each committee has its own formal written charter that sets out the roles and responsibilities of its members. The main committees are as follows:

Audit, risk and compliance committee ("ARCC") & Nomination, remuneration and corporate governance committee ("NRCGC")

As of 31 December 2024, the composition of the committees are as follows:

Committee	Member	Role
Audit, Risk and Compliance (ARCC)	Abdulkarim Bucheery	*Chairman*
	Anthony Mallis	*Member*
	Khalid Taher	*Member*
	Giuma Masaud Salem Kordi	*Member*
Nomination, Remuneration and Corporate Governance (NRCGC)	Khaled AlGonsel	*Chairman*
	Tarek Amer	*Member*
	Abdulrazag Tarhuni	*Member*

ARCC MEETINGS AND ATTENDANCE

The minimum number of meetings required is four.

Members	1/2024	2/2024	3/2024	4/2024	5/2024
	15-Feb-24	29-Apr-24	15-Jul-24	27-Oct-24	8-Dec-24
Abdulkarim Bucheery	✓	✓	✓	✓	✓
Anthony Mallis	✓	✓	✓	✓	✓
Guima Kordi	✓	✓	✓	✓	✓
Khalid Taher	✓	✓	✓	✓	✗

✓ *Participated by phone/Video link*

The CBB Rulebook HC 3.4.1 & 3.5.1 requires that the ARCC must have at least three directors of which the majority must be independent. The bank has obtained CBB's exemption letter dated 6th July, 2023 on the ARCC composition.

NRCGC MEETINGS AND ATTENDANCE

The minimum number of meetings required is two.

Members	1/2024	2/2024
	18-Feb-24	28-Oct-24
Khaled AlGonsel	✓	✓
Tarek Amer	✓	✓
Abdulrazag Tarhuni	✓	✓

The CBB Rulebook HC 3.7.1 requires that the NRCGC must have at least three independent directors, or alternatively, three non-executive directors of whom the majority must be independent directors including its chairperson. The bank has obtained CBB's exemption letter dated 6th July, 2023 on the NRCGC composition.

BOARD COMMITTEES RESPONSIBILITIES

BOARD OF DIRECTORS COMMITTEES RESPONSIBILITIES

ARCC RESPONSIBILITIES

SUMMARY OF TERMS OF REFERENCE

- The members of the Committee shall be appointed by the Board. The Committee will comprise of at least three independent members. All members must be non-executive directors and the majority of the members of the committee including the Chairman shall be independent directors.
- Members must have no conflict of interest with any other duties they have for the bank.
- Appointments to the Committee shall be for a period of up to three years, which may be renewable for similar periods, and shall coincide with the appointment of the board of directors.
- A meeting of the Committee will not be valid unless attended by not less than two or half of the members (depending on the number of the members of the committee), whichever is greater.
- The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- The Chairman of the Committee shall attend the shareholder's meeting in order to respond to any shareholders inquiry on the ARCC activities.
- The Committee shall conduct an annual self-assessment review and reports conclusions and recommendations to the Board.

SUMMARY OF RESPONSIBILITIES

- The committee's responsibility is to assist the board in discharging its oversight duties mainly relating to the following matters: -
- The integrity of the bank's financial statements and financial reporting process and the bank's systems of internal accounting and financial controls;
- Recommending appointment, retention of the external auditor, and be directly responsible for the oversight of the external auditor's work.
- Review and assess the effectiveness of the bank's internal audit function
- Ensure the independence of the internal auditor and external auditor;
- Ensure independence of risk and compliance from risk-taking activities and business lines;
- Oversee the bank's compliance with laws, regulations and internal policies. Review the implementation of, enforcement of and adherence to the bank's code of conduct and compliance with corporate governance charter.
- Overseeing the management of the bank's compliance risk. Assist the board in establishing a permanent and effective compliance function.
- Overseeing the bank›s activities in managing credit, market, liquidity, operational, legal, reputational and other risks and to ensure that an effective risk management framework is in place and functioning in the bank.
- Review bank's policies and recommend them for board approval.
- Monitor the responsiveness of management to the committee's recommendations and findings;
- Address and review all concerns arising from the whistle blowing policy.
- Ensure that the Bank has effective and adequate policies covering cybersecurity.

NRCGC RESPONSIBILITIES

The NRCGC is responsible for developing and recommending changes from time to time in the Bank's nomination and remuneration policy, including the variable payment policy. As will responsible of the banks corporate governance practices and recommending any changes from time to time.

It is also entrusted to identify and recommend persons occupying senior positions including board members, as will ensure a succession planning for directors and senior management.

Succession Planning in the Bank is driven by our Business strategy and forward-looking approach. The primary objective of the plan is to develop people to meet future demands of the Bank. On an annual basis, the Human Resources Department of the Bank reviews and consults the Board's Nomination & Remuneration Committee to ensure availability of a practical and executable succession plan.

MANAGEMENT

SEGREGATION OF DUTIES BETWEEN BOARD OF DIRECTORS AND MANAGEMENT

In accordance with CBB regulations, the positions of the chairman and deputy chairman are segregated from those of the chief executive officer ("CEO"). Furthermore, there is a clear delineation of responsibilities between the aforementioned positions as defined in the bank's articles of association and board charters.

MANAGEMENT COMMITTEES

ASSET AND LIABILITY COMMITTEE (ALCO)

Member Position	Committee Member Position
Chief Executive Officer	Head/Chairman
Chief Risk Officer	Member
Head of Financial Control	Member
Head of Business Development	Member
Head of Treasury & Investments	Member
Head of Trade Finance	Member
Head of Operations	Member
Senior Manager - Risk Management	Member/Secretary

MANAGEMENT RISK COMMITTEE (MRC)

Member Position	Committee Member Position
Chief Executive Officer	Head/Chairman
Chief Risk Officer	Member
Head of Financial Control	Member
Head of Business Development	Member
Head of Treasury & Investments	Member
Head of Trade Finance	Member
Head of Operations	Member
Senior Manager - Risk Management	Member/Secretary

CREDIT AND INVESTMENT COMMITTEE (CIC)

Member Position	Committee Member Position
Chief Executive Officer	Head/Chairman
Chief Risk Officer	Non-voting member
Head of Financial Control	Member
Senior Manager - Risk Management	Non-voting member
Head of Treasury &Investments	Member*
Head of Business Development	Member*
Senior Manager – Business Development	Secretary

** Do not vote/approve their submissions*

SPECIAL ASSET MANAGEMENT COMMITTEE (SAMC)

Member Position	Committee Member Position
Head of Financial Control	Head/Chairperson
Head of Operations	Member
Chief Risk Officer	Member
Legal Manager	Member
Senior Manager – Risk Management	Member
Manager – Credit Management	Member/Secretary

MANAGEMENT COMMITTEES RESPONSIBILITIES

MANAGEMENT COMMITTEES RESPONSIBILITIES

ALCO RESPONSIBILITIES

SUMMARY OF TERMS OF REFERENCE

- The purpose of the ALCO is to prudently direct and manage asset and liability allocations to achieve the Bank's strategic goals.
- The ALCO shall meet once in a quarter or more frequently, if required.
- A meeting of the committee will not be valid unless attended by half of the voting members.
- The Committee's decisions shall be considered by a vote of the majority of the attending members. In case of tied votes, the Head of the Committee shall have the casting vote.

SUMMARY OF RESPONSIBILITIES

- Monitor the Bank's asset and liability maturity profiles taking into account economic developments, fluctuations in asset values and benchmark reference rates
- Develop asset and liability management strategies, including liquidity strategies, and short and long-term funding and leverage strategies, within board approved parameters
- Review the Bank's capital adequacy position and address capital management strategies from an ICAAP perspective
- Review the Bank's liquidity risk profile, including monitoring liquidity risk metrics, early warning indicators, contingency plans, adequacy of liquidity cushion etc., and ensure that the Bank maintains adequate liquidity to cover stress scenarios
- Review the interest rate risk and forex risks of the Bank and devise strategies (including hedging) to minimize the impact of such risks on the Bank's net worth and earnings
- Reviewing the portfolio performance, treasury reports, risk management reports and provide guidance to management
- Review risk limits and approve or reject breaches of limits within its authority

MRC RESPONSIBILITIES

SUMMARY OF TERMS OF REFERENCE

- The purpose of the MRC is to assist the Board Audit, Risk and Compliance Committee (ARCC) in overseeing the Bank's risk management framework and manage all areas of risks within the Bank.
- The MRC shall meet once in a quarter or more frequently, if required.
- A meeting of the committee will not be valid unless attended by half of the voting members.
- The Committee's decisions shall be considered by a vote of the majority of the attending members. In case of tied votes, the Head of the Committee shall have the casting vote.

SUMMARY OF RESPONSIBILITIES

- Determine key risk areas and adopt risk management practices that contribute to the Bank's objective
- Increase the awareness level of management and staff on business risks in the Bank
- Review and recommend for approval the Bank's risk management framework
- Evaluate the level and trend of material risks and their impact on capital levels
- Review and assess various internal limits and make specific recommendations with respect to economic risk capital and risk limits
- Review Operational Risk Framework and monitor the operational risk on ongoing basis
- Review and approve the stress test scenarios of the Bank and ensure that they cover all material risks faced by the Bank, review stress testing results and recommend action plan to ARCC and Board to manage stress events
- Review the reputational risk and ensure adequate measures are taken to monitor and manage reputational risks, including management of Step-in risks
- Review other major risk concentration as deemed appropriate

MANAGEMENT COMMITTEES RESPONSIBILITIES

CIC RESPONSIBILITIES

SUMMARY OF TERMS OF REFERENCE

- The purpose of the Credit and Investment Committee is to assist the Board of Directors in fulfilling its responsibilities by providing oversight of bank's credit and investment operations and management activities relating to the identification, assessment, measurement, monitoring, and management of the bank's credit risk. The committee fulfils the following responsibilities with respect to financing/lending activities, investment activities and trade finance activities.
- The Committee shall meet at least once every quarter or more frequently if required. However, the committee shall review monthly reports circulated via email by various departments and may approve actions if required over email.
- A meeting of the committee will not be valid unless attended by half of the voting members.
- The Committee's decisions shall be considered by a vote of the majority of the attending members. In case of equality of votes, the Head of the Committee shall have the casting vote.

SUMMARY OF RESPONSIBILITIES

- To review the details of all facilities structure either prior to or following the approval of counterparty/ facility limits by delegated authority
- To serve as the delegated approval authority for certain credit facilities and investments of the Bank
- Consider approved risk appetite of the Bank, strategic objectives with regards to servicing certain customers and geographies, desirable pricing, country, product, sector and concentration limits, provisioning policy, adequacy of collateral, customer relationships and repayment history
- Review information presented by both the credit proposal initiator, Credit Management Department ("CMD") and Risk Management Department ("RMD") prior to making a decision
- Ensure that any credit proposal initiator who is a member of the CIC is excluded from voting on credit or investment proposals instigated or proposed by that member for the avoidance of a conflict of interest
- Meet to discuss issues highlighted by the CMD and RMD regarding on-going performance of problem credits and assess adequacy of provisions
- Monitor on-going risk profile of the Bank in aggregate and by individual business/economic sectors and geographic concentrations and concentration to a single borrowing entity
- Review of all applications rejected by any delegated authority within the Bank (list of such facilities to be presented by business lines) in order to review enhancements in the Policy suggested by business lines
- Review counterparty limit breaches in line with its authority under Delegation of Authority Matrix ("DOA")
- Evaluate all new loan proposals
- Assess all guarantee facilities
- Review problematic credit exposure expeditiously to minimize credit loss and maximize recoveries
- Review actions proposed by Special Assets Management Committee ("SAMC") pertaining to non-performing exposures (initiating legal actions, write-offs, etc.) and endorse such actions for approval in line with the DOA
- The CIC is assigned responsibility by the board of directors for the management and oversight of the bank's credit and investment operations and management activities relating to the identification, assessment, measurement, monitoring, and management of the bank's credit risk and to make appropriate decision while adhering to the bank's risk appetite and procedures for credit and investment selection
- Responsible for reviewing all proposals for addition of new products
- Reviewing and approving on the renewal and /or amendment of current credit facility agreements as per the DOA
- Review and approve the investment deal proposals on Amortized Cost and FVOCI portfolios; within its authority
- Approving all types of exposures, as per the guidelines and authority provided in the DOA
- Recommending action to be taken on customer covenant breaches, restructuring of loans
- Approving the cancellation of credit facilities (Loan, Treasury and Trade Finance) as per the guidelines and authority provided in the DOA
- Approving the execution of all types of Trade Finance products either funded or unfunded exposure and their amendments as per DOA
- Approving the closure of Nostro accounts
- Reviewing the opening of new Nostro accounts

MANAGEMENT COMMITTEES RESPONSIBILITIES

SAMC RESPONSIBILITIES

SUMMARY OF TERMS OF REFERENCE

- The purpose of the SAMC is to assess and monitor credit defaults, develop recovery strategy customized to each portfolio and implement suitable strategy to recover the maximum possible amount from the delinquent borrower.
- The committee shall meet once in three months or as and when required.
- A meeting of the committee will not be valid unless attended by half of the voting members.
- The Committee's decisions shall be considered by a vote of the majority of the attending members. In case of tied votes, the Head of the Committee shall have the casting vote.

SUMMARY OF RESPONSIBILITIES

- Taking over the responsibility for handling customer accounts which is over 90 days past due.
- Initiating suspension of credit facilities to accounts transferred from Credit Administration Unit (CAU).
- Exploring all possible avenues including engagement of external debt collection agencies to enhance collection.
- Initiating and following-up on collateral realization procedures where approved.
- Responsible for developing strategies for handling the classified assets in order to prevent losses and maximize recovery, and to ensure their implantation.
- Liaising with other departments in gathering the required data for formulating remedial strategy for Non-Performing Asset (NPA) cases.
- Based on metrics which include account's history, call logs and visit reports or if the account crosses 180 days past due, decide on whether the account should be restructured/ payments rescheduled or whether legal action should be pursued.
- Reporting to the CEO and ARCC periodically on any legal action to be taken.
- Monitoring performance of restructured accounts over twelve months cooling-off period and thereafter transfer account ownership to CAU following successful completion of the cooling- off period.
- Providing recommendations to the CIC on provisioning for NPAs.
- Reviewing the list of NPAs which are eligible for moving off-balance sheet (off-loading).
- Reviewing the list of facilities which are being proposed for write-off.
- Monitoring and following up on the list of written off facilities.
- Reviewing the NPA strategy and Operation plan and NPA Write-off policy.

RELATED PARTY TRANSACTIONS

In general, the bank has proper credit due diligence procedure for all type of facilities or exposures. Related party transactions relating to directors are approved by the shareholders. Details of related party transactions are set out in note 27 of the Consolidated Financial Statements.

The Bank's major related party transactions are generally with its majority shareholder/controller and/or its affiliate companies. The Board of Directors ensures that the pricing policies and terms of these transactions are approved by the Bank›s management and are to further the interests of the Bank.

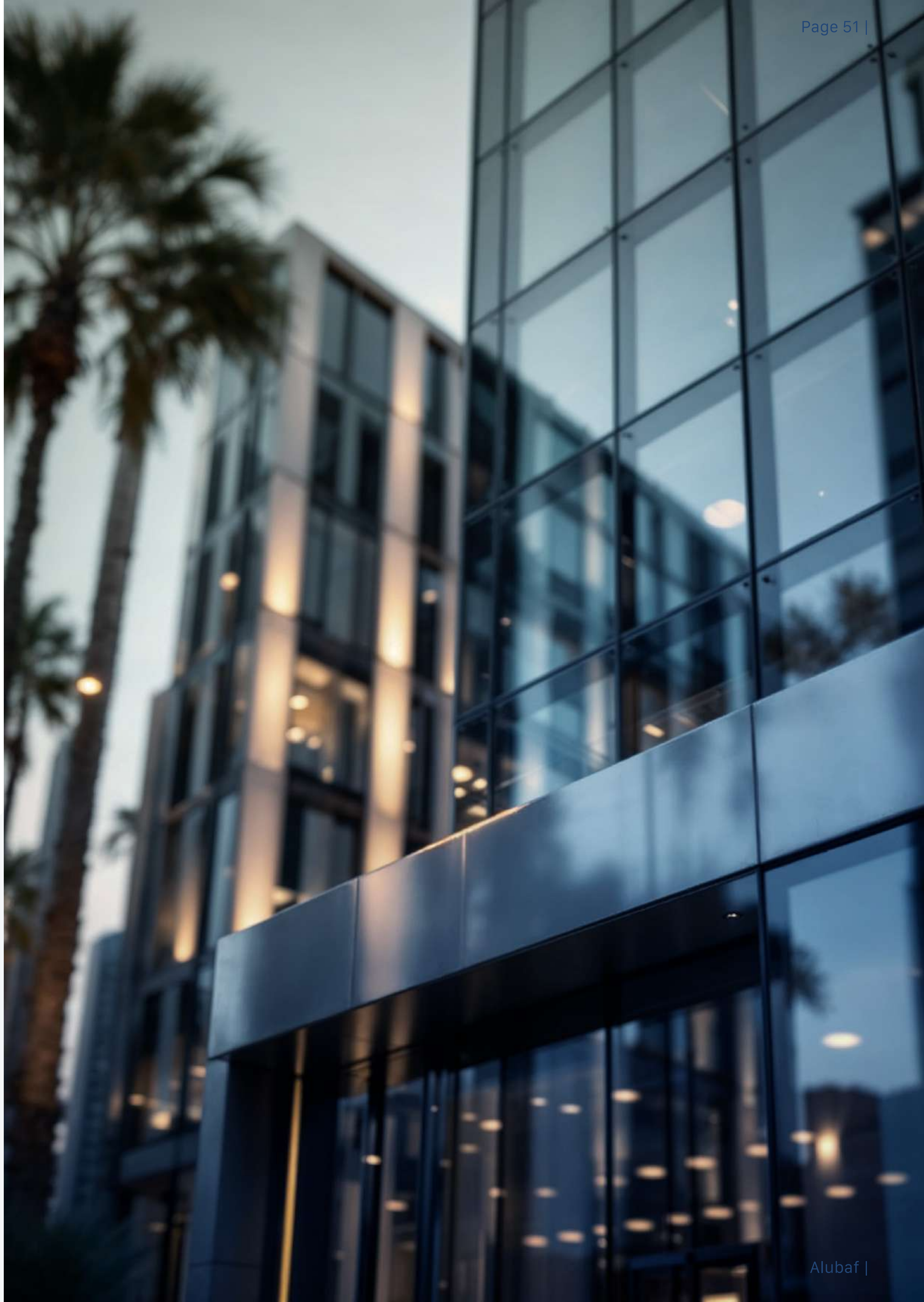
CODE OF CONDUCT AND CONFLICT OF INTEREST

The Bank has adopted a code of conduct and ethics ("Code of Ethics and Conduct"), in addition to other internal policies and guidelines, which are applicable to directors, management and other staff. These documents are designed to establish best practices and incorporate all regulatory and legal requirements governing the Bank's operations for the aforementioned parties to follow in the fulfillment of their responsibilities and obligations towards the bank's stakeholders.

The code of conduct and ethics contains rules on conduct, ethics and on avoiding conflicts of interest, and is applicable to all employees and directors of the bank. The board approved code of conduct and ethics is published on the bank's website.

The Bank requires its directors and approved persons to issue an annual declaration of conflict of interest statement. Additionally, as per the board appointment agreements, each director has the responsibility to disclose any material interests relating to business transactions and agreements and the privilege of accessing to independent professional advice in this regard if required.

During 2024, there were no materially significant transactions entered into that may have potential conflict of interest with the interest of the Bank and no disclosures in this regard were accordingly made.



WHISTLEBLOWING POLICY

The Bank has a whistle-blowing policy with designated officials that employees can approach. The policy provides protection to employees for any reports made in good faith. The Board's Audit, Risk and Compliance Committee oversees this policy. The whistle- blowing policy is published on the Bank's share drive.

COMMUNICATIONS AND DISCLOSURE POLICY

The Bank has a Board approved Public Disclosure Policy and Corporate Communication Policy that govern the disclosure of material information relating to its activities to various stakeholders of the Bank. These policies apply to all modes of communication to the public including written, oral and electronic communication.

The disclosures made include, but are not limited to, the following:

- Annual and quarterly results;
- Annual Report publication and filing;
- Basel II (Pillar 3) related disclosures;
- Chairman and/or Board of Director reports;
- Corporate governance disclosures;
- Communication with regulatory authorities;
- Press releases, announcements and presentations; and
- Matters included on the Bank's website.

The Bank maintains a website at www.alubafbank.com, which includes information of interest to various stakeholders, such as the annual reports and reviewed quarterly financials of the Bank, covering the minimum periods prescribed by the applicable regulations.

RELATIVES RECRUITMENT POLICY

The bank has in place policies that govern the recruitment of relatives in the bank and to prevent the potential conflict of interest, the policies are:

1. As a matter of policy, employment of relatives is not allowed however, in case of any exception, the approval of the Board's Nomination & Remuneration Committee is sought.
2. As part of annual reporting requirements, the CEO must confirm to the Board of Directors that no such cases occurred during the year.

ANTI-MONEY LAUNDERING

The Bank's anti-money laundering policy ("AML Policy") intends to ensure that the Bank has a comprehensive framework of policies and procedures including best practice standards for combating money laundering and terrorist financing. The policies and procedures are established to prevent the Bank's operational activities from being utilized by others for unlawful purposes.

The Bank's AML Policy prohibits and actively prevents money laundering, in addition to any activities that facilitate money laundering or funding of terrorist or criminal activities. This is accomplished by ensuring compliance with the AML laws and regulations of the jurisdiction in which it undertakes business activities and in accordance with its internal compliance framework.

The bank is committed to providing periodic training and information to ensure that all employees are aware of their responsibilities under the CBB and AML laws and regulations in the Kingdom of Bahrain. The Bank provides annual up to date AML training for its staff designed to cater to the Bank's activities and its differing types of customers and jurisdictions.

REMUNERATION OF EXTERNAL AUDITORS

For the year 2024, the Bank has appointed Messers Ernst & Young as their external auditors to provide audit and various other non-audit services. These services include year-end audit, prudential information return reviews, quarterly reviews, sound remuneration reviews and public disclosures reviews. Messers Ernst & Young have expressed their willingness to continue as the auditors of the bank for the financial year ending 31 December 2025. The ARCC has recommended the appointment of Ernst & Young and a resolution proposing their re-appointment was presented and approved at the Annual General Meeting held on 13 March 2025.

The breakdown of the external auditor's fee in relation to audit and non-audit related services is as follows:

TYPE OF SERVICE	2024	2023
	USD'000	USD'000
Audit and other audit related service fees	67	67
Non-audit service fees	95	91
TOTAL	**162**	**158**

SOUND REMUNERATION DISCLOSURES

INTRODUCTION

This document has been prepared in accordance with Central Bank of Bahrain ("CBB") remuneration disclosure requirements for Wholesale Banks under CBB Rulebook (Volume 1 – Conventional Banks).

BANK'S REMUNERATION PHILOSOPHY

In 2014, the Bank adopted regulations concerning sound remuneration practices issued by the Central Bank of Bahrain and a "Remuneration Policy" was drafted for the Bank's variable remuneration framework which was approved by shareholders at the Annual General Meeting held on 12 April 2015. Subsequently, in 2017, the Remuneration policy was enhanced and revised to align them with market and best practices. This revised and updated "Remuneration Policy" was reviewed and approved by the Bank's Nomination, Remuneration and Corporate Governance Committee (NRCGC), as well as the Central Bank of Bahrain and shareholders in Annual general meeting held on 8th April, 2018.

The Bank's approach to "Pay and Benefits" incorporates a number of important objectives designed to support the Bank's policy to attract, motivate and retain qualified employees needed to meet its overall long-term business plans. These include rewarding each employee based on individual overall contribution and performance, ensuring the Base Salary, discretionary Bonus and benefits are competitive within the market place, but with costs that are sustainable by the Bank and ensuring that internal equity is always maintained.

The Bank maintains a salary structure which reflects the relationship of job positions to each other and their place in the appropriate financial and business market place. It is the Bank's intention to reward employees in a manner reflecting merit. Merit is defined as how well an individual employee performs in relation to the objectives and requirement of the job. It is a policy of better pay for better performance.

NOMINATION, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE (NRCGC)

In addition to its other duties as specified in its mandate, the NRCGC is responsible for the design, implementation and supervision of the Remuneration Policy. In particular, the NRCGC:

- Designs all the elements of remuneration including fixed salary, allowances, benefits and variable pay scheme for all levels of employees in the Bank. In designing the Remuneration Policy, the NRCGC shall consider the Remuneration Policy document of the Bank, its business strategy, the regulatory pronouncements of the CBB and the labor laws of the Kingdom of Bahrain;
- Obtains approval of the Board of Directors and subsequently the Shareholders on the Remuneration Policy adopted by the Bank;
- Approves the Remuneration Policy and remuneration for each Approved Person and Material Risk-taker;
- Approves targets and associated risk parameters, and variable pay for achieving the set target for each performance period;
- Approves total variable remuneration to be distributed, considering the total remuneration including salaries, fees, expenses, bonuses and other employee benefits at the end of the performance period based on the evaluation of actual performance as against the target for the performance period;
- Monitors and review the remuneration system on a regular basis to ensure the system operates as intended;
- Undertakes stress testing of the variable pay on a periodic basis to ensure that the variable pay scheme does not affect the Bank's solvency and risk profile, and its long-term objectives and business goals;
- Undertakes back testing to adjust for ex-post risk adjustments to the variable pay paid in earlier years and if required invoke claw back or malus; and
- Recommends Board Member remuneration based on their attendance and performance and in compliance with Article 188 of the Commercial Companies Law No. 21/2001 and its amendments ("CCL").

COMPOSITION

As of 31 December 2024, the composition of the NRCGC is as follows:

1	**Mr. Khaled AlGonsel** *Chairman*	**Status** Executive
2	**Mr. Tarek Amer** *Member*	**Status** Independent
3	**Mr. Abdulrazaq Tarhoni** *Member*	**Status** Independent

CORE REMUNERATION POLICY

OVERALL APPROACH TO REMUNERATION

The major components of this overall approach are:

Base compensation for the individual employee's overall contribution and performance

This merit-based approach is particularly applied to the base salary and discretionary bonus elements of total compensation. The level of overall contribution and performance is assessed through setting objectives, performance appraisals and performance ranking processes. Emphasis is on performance evaluations that reflect individual performance, including adherence to the Bank's risk and compliance policies in determining the total remuneration for a position.

Market environment

The financial service sector in which the Bank operates in is reviewed periodically to ensure that the Bank's salaries and benefits remain competitive.

Operating Costs

Market competitiveness must always be balanced by the cost that the Bank can support to ensure that it meets its short and long-term business objectives.

Internal Equity

Internal equity is maintained through consistent job matching. The objective is to ensure that jobs with similar dimensions, knowledge, complexity and accountability are graded at consistent levels across the Bank.

Salary Ranges

The Bank uses a structure of salary ranges against which salaries are administrated. Each grade is assigned a salary range within which salaries should be administered. These ranges allow room for different salaries to be paid to employees in the same grade based on experience in the job, and on overall contribution and performance and they also provide a basis for managing within costs limits.

VARIABLE PAY SCHEME

The Bank has a well-defined variable pay scheme in place, to support the NRCGC, should it decide to pay variable pay or bonus in any performance period. Variable pay will be determined based on achievement of targets at the Bank level, unit level and individual level. The variable pay scheme is designed in a manner that supports sound risk and compliance management. In order to achieve that goal, performance metrics for applicable business units are risk-adjusted where appropriate and individual award determinations include consideration of adherence to compliance-related goals.

The remuneration package of employees in Control and Support functions are designed in such a way that their function is independent of the business units they support. Remuneration decisions are based on their respective functions and not on the business units they support; Performance measures and targets are aligned to the Bank and individual objectives that are specific to the function; Respective function's performance as opposed to other business unit's performance is a key component for calculating individual incentive payments.

The variable remuneration of the Business units is primarily determined by key performance objectives set through performance management system of the Bank, which contain both financial and non-financial targets.

Both qualitative and quantitative measures will be used to evaluate an individual's performance across the Bank.

SALARY AND BENEFIT REVIEW

The Bank will review the salaries and benefits once every two (2) years, with an objective of maintaining competitive advantage in the market, based on salary surveys and market information gathered through secondary sources.

SEVERANCE PAY

The Bank does not provide for any form of severance pay, other than as required by the Labor Law for the Private Sector Law No. 36/2012 of the Kingdom of Bahrain, to its employees. Under exceptional circumstances and subject to NRCGC approval, the Bank might offer sign-on bonus or minimum variable pay for any new recruit limited to first year of employment only.

PROHIBITION OF APPROVED PERSON BENEFITS

The Bank does not allow any of its employees, who are identified as Approved Persons as per CBB regulations, to take any benefits from any projects or investments which are managed by the Bank or promoted to its customers or potential customers. This excludes Board related remuneration linked to the fiduciary duties owed to the investors of the project/investment, which includes those appointed as members of the board of special purpose vehicles or other operating companies set up by the Bank for projects or investments.

REGULATORY ALIGNMENT

The Bank has reviewed and revised the Bank's Remuneration Policy and especially its variable pay policy to meet the requirements of the CBB Guidelines on remuneration with the help of external consultants, which was approved by the NRCGC, Central Bank of Bahrain and shareholders on 8th April 2018.

GOVERNANCE

The composition of the NRCGC as of 31 December 2024, required to be aligned as per the CBB remuneration guidelines and approved NRCGC charter.

CBB REMUNERATION GUIDELINES

The Bank's variable pay policy includes the following CBB guidelines:

- The pay mix for the CEO, Senior Management in business units and the Material Risk takers has been revised in such a way that their variable pay component is higher than the fixed pay component, subject to achieving the risk adjusted targets both at the business unit and the Bank level.
- For staff in Control and Support functions, the pay mix is structured to consist of a higher fixed pay component than the variable pays. Furthermore, the variable pay for staff in Control and Support functions, is based on their units target and individual performance and not linked directly to the Bank's overall performance.

VARIABLE PAY

CEO, SENIOR MANAGEMENT AND BUSINESS UNITS

The variable pays of the CEO, members of the Senior Management team and the employees in business units is directly linked to the Bank, business unit and individual's performance. The performance measures include both financial and qualitative targets aligned to short term and long-term business strategy of the bank and is set at both the bank and the individual level.

The variable pay pool is determined primarily based on a hybrid approach (i.e. both top down and bottom up approach). The total bonus pool is set at a maximum percentage of the risk-adjusted net profit for the financial year. This is supplemented by bottom up computation i.e. by setting base multiples of monthly salary per level and aggregating the multiples per unit and then on to the Bank level. Additionally, the target setting process considers the variable pay pool as self-funding (i.e. targets are set net of variable pay pool for achieving that target).

An ex ante risk assessment framework has been introduced as part of the target setting process. The risk assessment framework considers all types of risks, including impact on capital adequacy, liquidity and qualitative risk elements such as reputation, compliance, quality of earnings, etc. with each element assigned appropriate weights as deemed necessary by the NRCGC.

In determining the variable pay pool at the performance period end, the NRCGC would consider post risk assessment outcomes and has a well-defined mechanism to re-adjust the target achieved and thereby the total variable pay pool. The design of the variable pay pool computation aligns the interest of the employees to that of the shareholders and it increases or decreases as per the target achieved (i.e. the variable pay pool will be nil or considerably less if the Bank makes a loss or achieves less than the expected target).

The NRCGC, in order to mitigate the risk involved in rewarding for potential revenues, considers the following in the variable pay distribution:

- Target setting process considers the realized versus unrealized profit mix;
- Deferral of variable pay over three (3) years;
- The bonuses for the CEO, his deputies and Material Risk Takers and Approved persons as per CBB, relating to business units and whose total remuneration exceeds the regulatory threshold of BD 100,000 per annum, have a deferral element and share linked payment, i.e., Phantom or shadow shares are being offered to such staff.

The deferral arrangements for CEO, his deputies and approved persons of business units and other material risk takers are as follows:

- 40% of the variable pay will be paid in cash at the end of the performance period; and
- the balance 60% will be deferred over a period of three (3) years with 10% being cash deferral and 50% being phantom or shadow shares and the entire deferred variable pay will vest equally over a three (3) year period and the phantom or shadow shares can be encashed after six (6) months from the vesting date.

	Pay-out percentages	Vesting period	Retention
Upfront Cash	**40%**	**Immediate**	**Not Applicable**
Deferred Cash	**10%**	**3 years**	**Up to each Vesting**
Deferred Share Awards	**50%**	**3 years**	**6 months from each Vesting**

The variable pay is subject to claw back and the unvested portion of deferred pay is subject to malus as explained below.

CONTROL AND SUPPORT UNITS

The variable pay for Control and support functions are designed in such a way that it is independent of the performance of the business units. The unit targets as set out and agreed with the NRCGC in the beginning of each evaluation period will be the base, with their individual performance score for variable pay to be paid except in the case of the Bank making a loss. In years when the Bank achieves exceptional profits, at the discretion of NRCGC, the base multiples for Control and Support units may be increased as deemed fit by the NRCGC.

Bonuses will be deferred for employees of Control and support units, whose total remuneration exceeds the regulatory threshold currently set at BD 100,000 per annum, are subject to deferral, in the following manner:

- 50% of the variable pay will be paid in cash at the end of the performance period; and 10% will be paid in the form of phantom or shadow shares at the end of the performance period, which can be encashed by the employee after six (6) months.
- The balance 40% will be deferred over a period of three (3) years and paid in the form of phantom or shadow shares and vests equally over the three (3) year period.

Elements of Variable Remuneration	On-Balance sheet exposure	Vesting period	Retention
Upfront cash	50%	Immediate	Not applicable
Upfront share awards	10%	Immediate	6 months from performance period.
Deferred share awards	40%	3 years	6 months from each Vesting

The variable pay is subject to claw back and the unvested portion of deferred pay is subject to malus as explained below.

MALUS AND CLAW FRAMEWORK

The Bank's claw back and malus clauses can be invoked by the NRC under certain pre-defined circumstances, wherein the Bank can claw back the vested as well as the unvested bonus paid or payable to an employee. The main pre-defined circumstances are:

- Where there is reasonable evidence of material error or culpability for a breach of Bank policy by the employee(s);
- The Bank or the business unit suffers material losses or significant loss of business which could be attributed to the actions of the employee(s);
- Where the employee(s) could be held responsible for material failure of risk management; and
- Where there is evidence of fraud or collusion amongst employees or by employee(s) with third parties and which is prosecutable in a court of law.

Based on ex-post risk assessment, if the Bank and/or a relevant line of business or an employee is found to have been paid a bonus for a result which was much higher than actually realized, the NRCGC may invoke the malus clause by which any unvested portion payable during that year will be reduced in proportion to the reduction in the actual results versus expected results.

SUMMARY OF VARIABLE PAY

- The NRCGC has the overall responsibility for computation and approval of the variable pay across the Bank;
- Links reward to Bank, business unit and individual performance;
- Target setting process considers risk parameters which are both quantitative and qualitative;
- Aligned to time horizon of risk, the bonus has a deferral element and a share linkage to align the employees' interest with that of the shareholders;
- Bonus can be reduced or nil if the Bank or business units do not achieve the risk adjusted targets or make losses; and
- Post risk assessment is carried out to ensure that, in case of material losses or realization of less than expected income which can be attributed to employees' actions, the claw back or malus as appropriate is invoked.

BOARD REMUNERATION

The Bank determines the Board of Directors' remuneration in line with the provisions of Article 188 of the Commercial Companies Law No. 21/2001 and its amendments. The Board of Directors' remuneration will be capped so that it does not exceed 10% of the Bank's net profit after all required deductions in any given financial year and is subject to the approval of the shareholders in the Annual General Assembly. The aforementioned remuneration does not include the sitting fees and allowances paid to the Directors for attending Board meetings.

DETAILS OF REMUNERATION PAID

The NRCGC meeting held on 12th February, 2025, approved the variable pay for the year ended 2024, in line with approved "Remuneration policy". This provisional variable pays for the year 2024, which is computed and recorded, will be disbursed in the year 2025.

The deferred element of variable remuneration relating to earlier years for certain eligible employees has, however, been paid during the year.

BOARD REMUNERATION

ELEMENTS OF REMUNERATION	2024	2023
	USD'000	USD'000
Sitting fee and other allowance	450	517
Remuneration Recommendation*	700	700
TOTAL	1,150	1,217

** The Chairman and Board's remuneration is subject to approval by the Group's shareholders in the upcoming Annual General Meeting.*

For 2024, the Board was composed of seven members.

EMPLOYEE REMUNERATION

All deferred and long-term awards are subject to malus provisions. All share awards are released to the benefit of the employee after a six-month retention period from the date of vesting. The number of equities share awards is linked to the Bank's share price as per the rules of the Bank's share incentive scheme.

REMUNERATION

31-Dec-24 USD'000	Number of Employees	Fixed Remuneration	Variable Remuneration	Total
Approved persons in business lines	3	1,518	1,066	2,584
Approved persons in control functions	12	2,002	747	2,749
Other material risk takers	9	871	259	1,130
Other staff not covered above	32	2,087	610	2,697
Total	**56**	**6,478**	**2,682**	**9,160**

** Control functions include Risk management, internal audit, operations, financial control, AML and compliance, information technology and human resource and admiration functions.*

31-Dec-24 USD'000	Variable Remuneration Details *				
	Up-front Cash	Deferred Cash	Up-front Share linked instrument	Deferred Share linked instrument	Total
Approved persons in business lines	426	107	-	533	1,066
Approved persons in control functions	640	-	22	86	748
Other material risk takers	259	-	-	-	259
Other staff not covered above	610	-	-	-	610
Total	**1,935**	**107**	**22**	**619**	**2,683**

** No guaranteed bonus or sign on awards were awarded in 2024 neither any severance payments took place.*

USD'000	Deferred Variable Remuneration Movement		
	Deferred Cash	Deferred Share linked instrument	Total
Opening balance	256	1,345	1,601
Awarded during the year	128	619	747
Paid out during the year	87	523	611
At 31 December 2024	**297**	**1,441**	**1,736**

31-Dec-23 USD'000	Number of Employees	Fixed Remuneration	Variable Remuneration	Total
Approved persons in business lines	3	1,562	519	2,081
Approved persons in control functions	14	2,117	708	2,825
Other material risk takers	10	1,002	233	1,235
Other staff not covered above	28	1,804	414	2,218
Total	**55**	**6,485**	**1,874**	**8,359**

** Control functions include Risk management, internal audit, operations, financial control, AML and compliance, information technology and human resource and admiration functions.*

31-Dec-23 USD'000	Variable Remuneration Details *				
	Up-front Cash	Deferred Cash	Up-front Share linked instrument	Deferred Share linked instrument	Total
Approved persons in business lines	208	52	-	259	519
Approved persons in control functions	595	-	23	90	708
Other material risk takers	202	5	-	27	233
Other staff not covered above	414	-	-	-	414
Total	**1,419**	**57**	**23**	**376**	**1,875**

** No guaranteed bonus or sign on awards were awarded in 2023 neither any severance payments took place.*

USD'000	Deferred Variable Remuneration Movement		
	Deferred Cash	Deferred Share linked instrument	Total
Opening balance	262	1,461	1,723
Awarded during the year	80	376	456
Paid out during the year	86	492	578
At 31 December 2023	**256**	**1,345**	**1,601**

INDEPENDENT AUDITOR'S REPORT & CONSOLIDATED FINANCIAL STATEMENTS

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

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

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 2024, 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 material accounting policy information.

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 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

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 Ethics Standards Board for Accountants' *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 these requirements and 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 information included in the Group's 2024 annual report, other than the consolidated financial statements and our auditor's report thereon. 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 consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated 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.

The Board of directors is responsible for overseeing the Group's financial reporting process.

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.

- Plan and perform the Group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Group's Audit, Risk and Compliance Committee 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;

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 2024 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.

Ernst & Young

Partner's registration number: 295
13 February 2025
Manama, Kingdom of Bahrain

ALUBAF Arab International Bank B.S.C. (c)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2024

	Notes	2024 US$ '000	2023 US$ '000
ASSETS			
Cash and balances with central bank and other banks	4	**524,811**	378,278
Deposits with banks and other financial institutions	5	**747,932**	280,640
Investments held for trading	6	**14,436**	2,989
Investment in fund	7	**15,427**	-
Investment securities	8	**270,489**	265,079
Loans and advances	9	**156,387**	179,635
Investment property	10	**11,734**	11,734
Property, equipment and software	11	**6,046**	6,619
Interest receivable		**18,660**	17,359
Other assets		**1,240**	1,333
TOTAL ASSETS		**1,767,162**	1,143,666
LIABILITIES AND EQUITY			
Liabilities			
Deposits from banks and other financial institutions	12	**786,830**	657,541
Due to banks and other financial institutions	12	**204,470**	106,234
Due to customers	13	**396,178**	21,299
Interest payable		**4,585**	4,111
Other liabilities	14	**12,657**	11,587
Total liabilities		**1,404,720**	800,772
Equity			
Share capital	15	**250,000**	250,000
Statutory reserve	15	**35,549**	32,549
Retained earnings		**65,984**	53,984
Fair value reserve		**(4,091)**	(6,139)
Proposed dividend	16	**15,000**	12,500
Total equity		**362,442**	342,894
TOTAL LIABILITIES AND EQUITY		**1,767,162**	1,143,666

Anthony C. Mallis
Vice Chairman

Khaled AlGonsel
Chairman

The attached notes 1 - 30 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 2024

	Notes	2024 US$ '000	2023 US$ '000
Interest income	17	**87,658**	66,020
Interest expense	18	**(39,995)**	(31,219)
Net interest income		**47,663**	34,801
Fee and commission income	19	**2,269**	2,206
Trading income - net	20	**47**	26
Gain on investment in fund	7	**427**	-
Realised gain (loss) on investment securities - net		**228**	(334)
Foreign exchange gain - net		**593**	76
Other income		**319**	119
OPERATING INCOME		**51,546**	36,894
Provision charge for expected credit losses - net	21	**(6,004)**	(7,492)
NET OPERATING INCOME		**45,542**	29,402
Staff costs		**9,933**	9,673
Depreciation	11	**691**	697
Other operating expenses	22	**4,918**	4,297
OPERATING EXPENSES		**15,542**	14,667
NET PROFIT FOR THE YEAR		**30,000**	14,735

Anthony C. Mallis
Vice Chairman

Khaled AlGonsel
Chairman

The attached notes 1 - 30 form part of these consolidated financial statements

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

	2024	*2023*
	US$ '000	*US$ '000*
NET PROFIT FOR THE YEAR	**30,000**	14,735
Other comprehensive gain		
Other comprehensive gain to be reclassified to profit or loss in subsequent periods:		
Unrealised fair value gain on investments classified as fair value through other comprehensive income (FVOCI)	**2,787**	4,342
Reversal for expected credit loss on FVOCI investments	**(739)**	(545)
Other comprehensive gain for the year	**2,048**	3,797
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**32,048**	18,532

The attached notes 1 - 30 form part of these consolidated financial statements

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

		2024	*2023*
	Notes	***US$ '000***	*US$ '000*
OPERATING ACTIVITIES			
Net profit for the year		**30,000**	14,735
Adjustments for:			
Provision charge for expected credit losses - net	21	**6,004**	727
Depreciation	11	**691**	697
Amortisation of investments carried at amortised cost	8	**1,228**	1,503
(Gain) loss on investment securities - net		**(228)**	334
Gain on investment in fund	7	**(427)**	-
Trading income - net	20	**(47)**	(26)
Amortisation of loans and advances carried at amortised cost		**(980)**	(1,094)
Operating profit before changes in operating assets and liabilities		**36,241**	16,876
Changes in operating assets and liabilities:			
Balances with central bank		**(117,471)**	(75,768)
Deposits with banks and other financial institutions		**74,554**	(42,050)
Loans and advances		**16,976**	(37,036)
Interest receivable		**(1,301)**	(7,531)
Other assets		**93**	93
Deposits from banks and other financial institutions		**129,289**	(15,853)
Due to banks and other financial institutions		**98,236**	(8,404)
Due to customers		**374,879**	(2,299)
Interest payable		**474**	870
Other liabilities		**1,083**	32
Net cash flows from (used in) operating activities		**613,053**	(171,070)
INVESTING ACTIVITIES			
Purchase of investments classified as held for trading		**(22,694)**	(5,002)
Purchase of investment in fund		**(15,000)**	-
Purchase of investment securities		**(72,410)**	(45,739)
Proceeds from disposal / maturity of investments classified as held for trading		**11,294**	2,039
Proceeds from disposal / maturity of investment securities		**69,267**	31,800
Purchase of property, equipment and software	11	**(118)**	(170)
Net cash flows used in investing activities		**(29,661)**	(17,072)
FINANCING ACTIVITY			
Dividend paid	16	**(12,500)**	(8,000)
Cash flows used in financing activity		**(12,500)**	(8,000)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS		**570,892**	(196,142)
Cash and cash equivalents at 1 January		**168,039**	364,181
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	4	**738,931**	168,039

The attached notes 1 - 30 form part of these consolidated financial statements

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	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 2024		250,000	32,549	53,984	(6,139)	12,500	342,894
Net profit for the year		-	-	30,000	-	-	30,000
Other comprehensive income		-	-	-	2,048	-	2,048
Total comprehensive income		-	-	30,000	2,048	-	32,048
Dividend paid	16	-	-	-	-	(12,500)	(12,500)
Proposed dividend for 2024	16	-	-	(15,000)	-	15,000	-
Statutory reserve movement	15	-	3,000	(3,000)	-	-	-
Balance as of 31 December 2024		**250,000**	**35,549**	**65,984**	**(4,091)**	**15,000**	**362,442**
Balance as of 1 January 2023		250,000	31,075	53,223	(9,936)	8,000	332,362
Net profit for the year		-	-	14,735	-	-	14,735
Other comprehensive income		-	-	-	3,797	-	3,797
Total comprehensive income		-	-	14,735	3,797	-	18,532
Dividend paid	16	-	-	-	-	(8,000)	(8,000)
Proposed dividend for 2023	16	-	-	(12,500)	-	12,500	-
Statutory reserve movement	15	-	1,474	(1,474)	-	-	-
Balance as of 31 December 2023		250,000	32,549	53,984	(6,139)	12,500	342,894

The attached notes 1 - 30 form part of these consolidated financial statements

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

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 and Commerce 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 15 for more details).

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

The consolidated financial statements of the Group for the year ended 31 December 2024 were authorised for issue in accordance with a resolution of the Board of Directors on 13 February 2025.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with IFRS 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.

Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments and investments in fund, classified as held for trading and classified 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 Material accounting policy information

Basis of consolidation

The consolidated financial statements include the financial statements of the Bank and its SPV as at 31 December 2024. 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.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.2 Material accounting policy information (continued)

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

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

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

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

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

a) derecognises the assets (including goodwill) and liabilities of the subsidiary;
b) derecognises the carrying amount of any non-controlling interest;
c) derecognises the cumulative transaction differences, recorded in equity;
d) recognises the fair value of consideration received;
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 Group 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.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.2 Material accounting policy information (continued)

Financial instruments (continued)

Initial measurement (continued)
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.

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 income' using the effective interest rate method.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.2 Material accounting policy information (continued)

Financial assets (continued)

2.2.1 Debt instruments - Classification and subsequent measurement (continued)

- 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 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 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:

- 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.

ALUBAF Arab International Bank B.S.C. (c)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2024

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.2 Material accounting policy information (continued)

Financial assets (continued)

2.2.1 Debt instruments - Classification and subsequent measurement (continued)

Business model (continued)
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.

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:

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.2 Material accounting policy information (continued)

Financial assets (continued)

2.2.1 Debt instruments - Classification and subsequent measurement (continued)

Modified or forbearance of loans (continued)

- 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.

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.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.2 Material accounting policy information (continued)

Financial assets (continued)

2.2.1 Debt instruments - Classification and subsequent measurement (continued)

Derecognition other than on a modification (continued)
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

- 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).

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.2 Material accounting policy information (continued)

Financial liabilities (continued)

Derecognition (continued)
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
- 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.

ALUBAF Arab International Bank B.S.C. (c)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2024

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.2 Material accounting policy information (continued)

Impairment (continued)

Measurement of ECL (continued)
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 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.2 Material accounting policy information (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

ALUBAF Arab International Bank B.S.C. (c)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2024

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.2 Material accounting policy information (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 90 days or less.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.2 Material accounting policy information (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.

Investment property

Investment property is property (land or a building or part of a building or both) held to earn rentals or for capital appreciation or both. Investment property is initially measured at cost, including transaction costs. Such cost should not include start-up costs, abnormal waste, or initial operating losses. Subsequently, investment property is accounted for in accordance with the cost model where its stated at cost less accumulated depreciation and accumulated impairment losses.

Investment property is derecognised when either it is disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of profit or loss in the year of derecognition.

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.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.2 Material accounting policy information (continued)

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.

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 BCCL 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 BCCL, 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 25.

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.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.2 Material accounting policy information (continued)

Fair value measurement (continued)
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:

- 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.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.2 Material accounting policy information (continued)

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.

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 2024
The following new amendments to the accounting standards became effective in 2024 and have been adopted by the Group in preparation of these consolidated financial statements as applicable. Further, the Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback
In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. This standard had no material impact on the Group.

Amendments to IAS 1 - Classification of Liabilities as Current or Non-current
The amendments to IAS 1 specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
• What is meant by a right to defer settlement
• That a right to defer must exist at the end of the reporting period
• That classification is unaffected by the likelihood that an entity will exercise its deferral right
• That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3 Changes in accounting policies and disclosures (continued)

i) New and amended standards and interpretations effective as of 1 January 2024 (continued)

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7
In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The amendments had no impact on the Group's consolidated financial statements as the Group does not have any supplier finance agreements recognised in accordance with IFRS 7, as at 31 December 2024.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. This standard had no material impact on the Group.

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

Lack of exchangeability – Amendments to IAS 21
In August 2023, the IASB issued amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

IFRS 18 Presentation and Disclosure in Financial Statements
In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements (PFS) and the notes.

In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively. The Group is currently assessing the impact the amendments will have on the primary financial statements and notes to the financial statements.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3 Changes in accounting policies and disclosures (continued)

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

IFRS 19 Subsidiaries without Public Accountability: Disclosures
In May 2024, the IASB issued IFRS 19, which allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with IFRS accounting standards. IFRS 19 will become effective for reporting periods beginning on or after 1 January 2027, with early application permitted. The Group is currently assessing the impact the amendments will have on current practice.

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.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

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.

Allowance for expected credit 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.

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

	2024	*2023*
	US$ '000	*US$ '000*
Cash and balance with bank	**14**	29
Money at call and short notice with other banks	**36,272**	7,407
Treasury bills issued by Central Bank of Bahrain	**491,955**	374,489
Provision for expected credit losses (note 4.1)	**(3,430)**	(3,647)
Cash and balances with central bank and other banks	**524,811**	378,278
Treasury bills - balances with Central Bank with original maturities of more than 90 days	**(491,955)**	(374,489)
Deposits with banks and other financial institutions with original maturities of 90 days or less (note 5)	**706,075**	164,250
Cash and cash equivalents	**738,931**	168,039

As at 31 December 2024, exposure classified in stage 2 amounted to nil (31 December 2023: US$ 31 thousand) and exposure classified in stage 3 amounted to US$ 3,422 thousand (31 December 2023: US$ 3,644 thousand). The remaining exposures are classified within Stage 1.

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

	31 December 2024			
	Stage 1: 12-month ECL US$ 000	***Stage 2: Lifetime ECL not credit-impaired US$ 000***	***Stage 3: Lifetime ECL credit-impaired US$ 000***	***Total US$ 000***
Balance at 1 January	**2**	**1**	**3,644**	**3,647**
Provided during the year	**6**	**-**	**-**	**6**
Reversals during the year	**-**	**(1)**	**-**	**(1)**
	6	**(1)**	**-**	**5**
Exchange differences	**-**	**-**	**(222)**	**(222)**
At 31 December	**8**	**-**	**3,422**	**3,430**

	31 December 2023			
	Stage 1: 12-month ECL US$ 000	*Stage 2: Lifetime ECL not credit-impaired US$ 000*	*Stage 3: Lifetime ECL credit-impaired US$ 000*	*Total US$ 000*
Balance at 1 January	1	1	3,497	3,499
Provided during the year	1	-	-	1
Reversals during the year	-	-	-	-
	1	-	-	1
Exchange differences	-	-	147	147
At 31 December	2	1	3,644	3,647

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:

	2024	2023
	US$ '000	US$ '000
Deposits with original maturities of 90 days or less (note 4)	**706,075**	164,250
Deposits with original maturities of over 90 days	**41,901**	116,455
	747,976	280,705
Provision for expected credit losses (note 5.1)	**(44)**	(65)
	747,932	280,640

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

	2024	2023
	Stage 1	Stage 1
	12-month	12-month
	ECL	ECL
	US$ '000	US$ '000
Balance at 1 January	**65**	150
Provided during the year	**24**	38
Reversals during the year	**(45)**	(123)
	(21)	(85)
At 31 December	**44**	65

6 INVESTMENTS HELD FOR TRADING

Investments held for trading represent quoted debt securities amounting to US$ 14,436 thousand as at 31 December 2024 (2023: US$ 2,989 thousand).

7 INVESTMENT IN FUND

Comprises of investment in asset managed fund amounting to US$ 15,427 thousand (2023: nil). During the year ended 31 December 2024, the Group recognised unrealised fair value gain of US$ 427 thousand (2023: nil).

8 INVESTMENT SECURITIES

	31 December 2024			31 December 2023		
		Amortised			Amortised	
	FVOCI	**cost**	**Total**	FVOCI	cost	Total
	US$'000	**US$'000**	**US$'000**	US$'000	US$'000	US$'000
Quoted investments						
- Sovereign debt securities	**165,325**	**78,166**	**243,491**	127,052	109,202	236,254
- Banks and Corporate debt securities	**21,197**	**6,059**	**27,256**	23,483	6,080	29,563
Total quoted investments	**186,522**	**84,225**	**270,747**	150,535	115,282	265,817
Provision for expected credit losses on investment securities at amortised cost	**-**	**(258)**	**(258)**	-	(738)	(738)
Total investment securities	**186,522**	**83,967**	**270,489**	150,535	114,544	265,079

Interest in suspense amounted to nil as of 31 December 2024 (2023: US$ 537 thousand).

8 INVESTMENT SECURITIES (continued)

Note 8.1
A reconciliation of changes in gross carrying amounts of investment securities at FVOCI and investment securities at amortised cost by stage is as follows:

	31 December 2024			
	Stage 1:	**Stage 2:**	**Stage 3:**	**Total**
	US$ 000	**US$ 000**	**US$ 000**	**US$ 000**
Investment securities at FVOCI				
At 1 January	**89,772**	**58,194**	**2,569**	**150,535**
Investments purchased	**64,740**	**-**	**-**	**64,740**
Investments sold / matured	**(15,238)**	**(14,119)**	**(2,183)**	**(31,540)**
Transfers between stages	**24,585**	**(24,585)**	**-**	**-**
Fair value movement	**57**	**3,116**	**(386)**	**2,787**
At 31 December	**163,916**	**22,606**	**-**	**186,522**

	31 December 2023			
	Stage 1:	Stage 2:	Stage 3:	Total
	US$ 000	US$ 000	US$ 000	US$ 000
At 1 January	70,174	50,238	1,550	121,962
Investments purchased	34,865	-	-	34,865
Investments sold / matured	(5,425)	(5,128)	-	(10,553)
Transfers between stages	(11,724)	11,724	-	-
Fair value movement	1,882	1,360	1,100	4,342
Other movements	-	-	(81)	(81)
At 31 December	89,772	58,194	2,569	150,535

	31 December 2024			
	Stage 1:	**Stage 2:**	**Stage 3:**	**Total**
	US$ 000	**US$ 000**	**US$ 000**	**US$ 000**
Investment securities at amortised cost				
At 1 January	**90,695**	**24,587**	**-**	**115,282**
Investments purchased	**7,671**	**-**	**-**	**7,671**
Investments matured	**(23,000)**	**(14,500)**	**-**	**(37,500)**
Amortisation of premium / discount - net	**(1,151)**	**(77)**	**-**	**(1,228)**
At 31 December	**74,215**	**10,010**	**-**	**84,225**

	31 December 2023			
	Stage 1:	Stage 2:	Stage 3:	Total
	US$ 000	US$ 000	US$ 000	US$ 000
At 1 January	113,741	13,670	-	127,411
Investments purchased	10,874	-	-	10,874
Investments sold / matured	(12,500)	(9,000)	-	(21,500)
Transfers between stages	(20,139)	20,139	-	-
Amortisation of premium / discount - net	(1,281)	(222)	-	(1,503)
At 31 December	90,695	24,587	-	115,282

8 INVESTMENT SECURITIES (continued)

Note 8.2

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

	31 December 2024			
	Stage 1: 12-month ECL US$ 000	***Stage 2: Lifetime ECL not credit-impaired US$ 000***	***Stage 3: Lifetime ECL credit-impaired US$ 000***	***Total US$ 000***
Balance at 1 January	**91**	**1,753**	**2,817**	**4,661**
Transfers between stages	**653**	**(653)**	**-**	**-**
Provided during the year	**237**	**40**	**-**	**277**
Reversals during the year	**(603)**	**(413)**	**-**	**(1,016)**
	287	**(1,026)**	**-**	**(739)**
Write-off during the year upon sale of investment	**-**	**-**	**(2,817)**	**(2,817)**
At 31 December	**378**	**727**	**-**	**1,105**

	31 December 2023			
	Stage 1: 12-month ECL US$ 000	*Stage 2: Lifetime ECL not credit-impaired US$ 000*	*Stage 3: Lifetime ECL credit-impaired US$ 000*	*Total US$ 000*
Balance at 1 January	295	1,609	3,302	5,206
Transfers between stages	(82)	82	-	-
Provided during the year	8	619	-	627
Reversals during the year	(130)	(557)	(485)	(1,172)
	(204)	144	(485)	(545)
At 31 December	91	1,753	2,817	4,661

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

	31 December 2024			*31 December 2023*		
	Stage 1: 12-month ECL US$ '000	***Stage 2: Lifetime ECL not credit-impaired US$ '000***	***Total US$ '000***	*Stage 1: 12-month ECL US$ '000*	*Stage 2: Lifetime ECL not credit-impaired US$ '000*	*Total US$ '000*
Balance at 1 January	**407**	**331**	**738**	561	259	820
Transfers between stages	**-**	**-**	**-**	(108)	108	-
Provided during the year	**-**	**-**	**-**	14	146	160
Reversals during the year	**(244)**	**(236)**	**(480)**	(60)	(182)	(242)
	(244)	**(236)**	**(480)**	(154)	72	(82)
At 31 December	**163**	**95**	**258**	407	331	738

9 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$ 33,540 thousand as of 31 December 2024 (2023: US$ 32,304 thousand).

	31 December 2024			
	Stage 1: 12-month ECL US$ 000	***Stage 2: Lifetime ECL not credit-impaired US$ 000***	***Stage 3: Lifetime ECL credit-impaired US$ 000***	***Total US$ 000***
Letters of credit - financing and discounting	**75,113**	**-**	**67,671**	**142,784**
Sovereign loan	**21,946**	**-**	**-**	**21,946**
Commercial loans	**47,267**	**-**	**-**	**47,267**
	144,326	**-**	**67,671**	**211,997**
Provision for expected credit losses (note 9.1)	**(957)**	**-**	**(54,653)**	**(55,610)**
	143,369	**-**	**13,018**	**156,387**

	31 December 2023			
	Stage 1: 12-month ECL US$ 000	*Stage 2: Lifetime ECL not credit-impaired US$ 000*	*Stage 3: Lifetime ECL credit-impaired US$ 000*	*Total US$ 000*
Letters of credit - financing and discounting	19,478	40,738	41,324	101,540
Sovereign loan	27,832	-	-	27,832
Commercial loans	58,768	43,290	-	102,058
	106,078	84,028	41,324	231,430
Provision for expected credit losses (note 9.1)	(1,909)	(8,562)	(41,324)	(51,795)
	104,169	75,466	-	179,635

Note 9.1

Movements in provision for expected credit losses were as follows:

	31 December 2024			
	Stage 1: 12-month ECL US$ '000	***Stage 2: Lifetime ECL not credit-impaired US$ '000***	***Stage 3: Lifetime ECL credit-impaired US$ '000***	***US$ '000***
Balance at 1 January 2024	**1,909**	**8,562**	**41,324**	**51,795**
Transfers between stages	**-**	**(8,511)**	**8,511**	**-**
Provided during the year	**398**	**-**	**11,255**	**11,653**
Reversals during the year *	**(1,350)**	**(51)**	**(3,000)**	**(4,401)**
	(952)	**(8,562)**	**16,766**	**7,252**
Write-off during the year	**-**	**-**	**(2,834)**	**(2,834)**
Exchange differences	**-**	**-**	**(603)**	**(603)**
At 31 December 2024	**957**	**-**	**54,653**	**55,610**

*During the year, the Group received a cash recovery of US$ 3,000 thousand in lieu of partial settlement of a fully provided financing facility (2023: nil).

9 LOANS AND ADVANCES (continued)

Note 9.1 (continued)

	31 December 2023			
	Stage 1: 12-month ECL US$ '000	*Stage 2: Lifetime ECL not credit-impaired US$ '000*	*Stage 3: Lifetime ECL credit-impaired US$ '000*	*US$ '000*
Balance at 1 January 2023	2,343	-	41,324	43,667
Transfers between stages	(783)	783	-	-
Provided during the year	1,066	8,038	-	9,104
Reversals during the year	(717)	(259)	-	(976)
	(434)	8,562	-	8,128
At 31 December 2023	1,909	8,562	41,324	51,795

During the year, a legacy fully provided exposure of US$ 2,834 thousand was written off by the Group (2023: nil).

As of the year end, an exposure amounting to US$ 32,181 thousand (2023: nil) was renegotiated by the Group in collaboration with a consortium of banks, that is covered by a pool of assets as collateral. Further, the value of the collateral pledged to the Group against a fully provided Stage 3 loan exposure after haircut amounted to US$ 1,807 thousand as at 31 December 2024 (31 December 2023: US$ 1,807 thousand).

10 INVESTMENT PROPERTY

In 2021, the Group acquired investment property amounting to US$ 11,734 thousand in lieu of partial settlement of a fully provided financing facility. As of 31 December 2024, the Group has determined the fair value of the investment property after haircut as US$ 11,848 thousand (31 December 2023: USD 11,734 thousand).

11 PROPERTY, EQUIPMENT AND SOFTWARE

	Land US$ '000	***Building US$ '000***	***Furniture, equipment and motor vehicles US$ '000***	***Software US$ '000***	***Total US$ '000***
Cost:					
At 1 January 2024	4,243	7,652	4,317	1,660	17,872
Additions	-	-	116	2	118
At 31 December 2024	**4,243**	**7,652**	**4,433**	**1,662**	**17,990**
Accumulated depreciation:					
At 1 January 2024	-	5,578	4,098	1,577	11,253
Depreciation charge for the year	-	507	127	57	691
At 31 December 2024	**-**	**6,085**	**4,225**	**1,634**	**11,944**
Net book value:					
At 31 December 2024	**4,243**	**1,567**	**208**	**28**	**6,046**

ALUBAF Arab International Bank B.S.C. (c)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2024

11 PROPERTY, EQUIPMENT AND SOFTWARE (continued)

	Land US$ '000	*Building US$ '000*	*Furniture, equipment and motor vehicles US$ '000*	*Software US$ '000*	*Total US$ '000*
Cost:					
At 1 January 2023	4,243	7,652	4,172	1,635	17,702
Additions	-	-	145	25	170
At 31 December 2023	4,243	7,652	4,317	1,660	17,872
Accumulated depreciation:					
At 1 January 2023	-	5,071	3,972	1,513	10,556
Depreciation charge for the year	-	507	126	64	697
At 31 December 2023	-	5,578	4,098	1,577	11,253
Net book value:					
At 31 December 2023	4,243	2,074	219	83	6,619

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

12 DEPOSITS FROM AND DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

12.1 Deposits from banks and other financial institutions

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

12.2 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:

	2024 US$ '000	*2023 US$ '000*
Current account balances	**176,098**	77,259
Cash collateral held	**28,372**	28,975
	204,470	106,234

13 DUE TO CUSTOMERS

Due to customers represent term deposits, 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:

	2024 US$ '000	*2023 US$ '000*
Current account balances and deposit	**395,235**	21,298
Cash collateral held	**943**	1
	396,178	21,299

14 OTHER LIABILITIES

	2024	2023
	US$ '000	*US$ '000*
Accrued expenses and payables	**11,217**	10,146
Due to directors and employees	**1,290**	847
Unearned fee income	**47**	477
Provision for expected credit losses for off balance sheet exposures (note 14.1)	**85**	98
Others	**18**	19
	12,657	11,587

Accrued expenses include US$ 902 thousand (2023: US$ 943 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.

Note 14.1
Movement in provision for expected credit losses for off balance sheet exposures was as follows:

	2024	2023
	Stage 1	*Stage 1*
	12-month	*12-month*
	ECL	*ECL*
	US$ '000	*US$ '000*
Balance at 1 January	**98**	23
Provided during the year	**85**	98
Reversals during the year	**(98)**	(23)
	(13)	75
At 31 December	**85**	98

15 SHARE CAPITAL

	2024	2023
	US$ '000	*US$ '000*
Authorised:		
10,000,000 (2023: 10,000,000) ordinary shares of US$ 50 each	**500,000**	500,000

	2024	2023
	US$ '000	*US$ '000*
Issued and fully paid up :		
5,000,000 (2023: 5,000,000) ordinary shares of US$ 50 each	**250,000**	250,000

ALUBAF Arab International Bank B.S.C. (c)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2024

15 SHARE CAPITAL (continued)

Shareholders

	2024		2023	
	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 BCCL 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$ 3,000 thousand (2023: US$ 1,474 thousand) to statutory reserve in the current year.

16 PROPOSED DIVIDEND

Dividend of US$ 15,000 thousand i.e. US$ 3 per share is proposed for the year ended 31 December 2024 subject to regulatory approvals and the approval of the shareholders in the Annual General Meeting. During the year, dividend for the year ended 31 December 2023 amounting to US$ 12,500 thousand i.e. US$ 2.5 per share was paid after due approval from the shareholders at the Annual General Assembly Meeting held on 27 March 2024.

17 INTEREST INCOME

	2024	2023
	US$ '000	*US$ '000*
Interest on:		
- Deposits with banks, other financial institutions and balance with central bank	**57,667**	37,023
- Loans and advances	**14,722**	14,756
- Investment securities	**14,632**	14,188
- Investments held for trading	**637**	53
	87,658	66,020

18 INTEREST EXPENSE

	2024	2023
	US$ '000	*US$ '000*
Interest on:		
- Deposits from and due to banks and other financial institutions	**38,309**	31,219
- Due to customers	**1,686**	-
	39,995	31,219

19 FEE AND COMMISSION INCOME

	2024	*2023*
	US$ '000	*US$ '000*
Commission income on letters of credit and guarantee	**2,120**	2,046
Bank charges and other income	**149**	160
	2,269	2,206

20 TRADING INCOME - NET

	2024	*2023*
	US$ '000	*US$ '000*
Changes in fair value of investments classified as held for trading	**15**	(2)
Realised gain during the year - net	**32**	28
	47	26

21 PROVISION CHARGE FOR EXPECTED CREDIT LOSSES - NET

	2024	*2023*
	US$'000	*US$'000*
Expected credit loss:		
- Charge against balances with central bank and other banks (note 4.1)	**(5)**	(1)
- Reversal against deposits with banks and other financial institutions (note 5.1)	**21**	85
- Reversal against investment securities (note 8.2)	**1,219**	627
- Charge against loans and advances (note 9.1)	**(7,252)**	(8,128)
- Reversal / (charge) against off balance sheet (note 14.1)	**13**	(75)
	(6,004)	(7,492)

22 OTHER OPERATING EXPENSES

	2024	*2023*
	US$ '000	*US$ '000*
Professional services	**1,289**	646
Administration and travelling expenses	**2,024**	1,835
Board of Directors' remuneration and expenses (note 27)	**1,206**	1,117
Fees and other charges	**399**	399
Charitable contributions	**-**	300
	4,918	4,297

23 COMMITMENTS AND CONTINGENT LIABILITIES

	2024	*2023*
	US$ '000	*US$ '000*
Credit related contingencies		
Letters of credit	**23,853**	21,211
Loan commitment	**10,000**	20,000
	33,853	41,211

As at 31 December 2024 all the above exposures are classified within Stage 1 (31 December 2023: same) and provision against off balance sheet exposures is classified under other liabilities (refer to note 14).

ALUBAF Arab International Bank B.S.C. (c)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2024

24 RISK MANAGEMENT

24.1 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 their responsibilities. The main risks to which the Group is exposed are credit risk, liquidity risk, market risk, interest rate 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 policies.

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. The committee also assists the Board in fulfilling its responsibilities in terms of overseeing management and control of risk and risk frameworks within the Bank. The Chief Risk Officer (CRO) head the Risk Management and Credit Management functions who reports to ARCC, ensuring independence and segregation of duties from the business originating units – a fundamental principle of risk management process.

Management Risk Committee

The Management Risk Committee (MRC) is responsible to support the ARCC in overseeing the Group's risk management framework, reviewing the risk strategy, policies and limits. It is responsible for evaluating the key 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 and interest rate risks by ensuring that the Group's activities are in line with the risk appetite guidelines approved by the Board.

Credit and Investment Committee

The Credit and Investment Committee (CIC) assists the Board of Directors in fulfilling its responsibilities by providing oversight of the Bank's credit and investment management activities relating to the identification, assessment, measurement, monitoring, and management of the Bank's credit and investment risk.

Internal Audit

Internal control processes throughout the Group are audited 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.

Risk Management Department

The Risk Management Department is responsible for implementing and maintaining the Bank's risk management frameworks, policies and procedures to ensure an independent control and monitoring process. It also helps the Board and Management in establishing risk appetite, risk strategies, policies and limits, across the Bank. The department is also responsible for the independent control of risks, including monitoring the risk of exposures against limits and the assessment of risks of new products and transactions. The department ensures that the Bank's material risks are identified, assessed, monitored and reported; and performs internal capital adequacy assessment and stress testing.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

24 RISK MANAGEMENT (continued)

24.1 Introduction (continued)

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. The Group also monitors and measures the overall risk-bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

24.2 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, investment, treasury and other activities undertaken by the Group. Credit risk is actively monitored in accordance with the credit policies which clearly define strict guidelines for undertaking credit risk exposures and the same are approved in line with Board-approved delegated authority. The Group manages its credit risk by monitoring concentration of exposures by geographic location and adhering to approved limits. Where appropriate, the Group seeks collateral to mitigate credit risks.

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

The table below shows the gross maximum exposure to credit risk for the components of the consolidated statement of financial position. The net maximum exposure is shown after the effect of provision for expected credit losses and the use of eligible risk mitigants.

	Gross maximum exposure 2024 US$ '000	***Provision for expected credit losses 2024 US$ '000***	***Risk mitigants 2024 US$ '000***	***Net maximum exposure 2024 US$ '000***	*Gross maximum exposure 2023 US$ '000*	*Provision for expected credit losses 2023 US$ '000*	*Risk mitigants 2023 US$ '000*	*Net maximum exposure 2023 US$ '000*
Balances with central bank and other banks	**528,227**	**(3,430)**	**-**	**524,797**	381,896	(3,647)	-	378,249
Deposits with banks and other financial institutions	**747,976**	**(44)**	**-**	**747,932**	280,705	(65)	-	280,640
Investments held for trading	**14,436**	**-**	**-**	**14,436**	2,989	-	-	2,989
Investment securities	**270,747**	**(258)**	**-**	**270,489**	265,817	(738)	-	265,079
Loans and advances	**211,997**	**(55,610)**	**-**	**156,387**	231,430	(51,795)	-	179,635
Interest receivable	**18,660**	**-**	**-**	**18,660**	17,359	-	-	17,359
Other assets	**620**	**-**	**-**	**620**	876	-	-	876
Total funded credit risk exposure	**1,792,663**	**(59,342)**	**-**	**1,733,321**	1,181,072	(56,245)	-	1,124,827
Unfunded exposure on credit related contingencies	**33,853**	**(85)**	**(12,697)**	**21,071**	41,211	(98)	(11,669)	29,444
Total funded and unfunded credit risk exposures	**1,826,516**	**(59,427)**	**(12,697)**	**1,754,392**	1,222,283	(56,343)	(11,669)	1,154,271

The amount, type and valuation of collateral are based on guidelines specified in the credit 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 2024 and 31 December 2023. The credit quality is graded based on external credit rating agencies - Standard & Poor, Fitch and Moody's 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

24 RISK MANAGEMENT (continued)

24.2 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 expected credit losses US$ '000***	***Total US$ '000***
At 31 December 2024					
Balances with central bank and other banks	**30,925**	**493,880**	**3,422**	**(3,430)**	**524,797**
Deposits with banks and other financial institutions	**475,089**	**272,887**	**-**	**(44)**	**747,932**
Investments held for trading	**4,963**	**9,473**	**-**	**-**	**14,436**
Investment securities	**23,372**	**247,375**	**-**	**(258)**	**270,489**
Loans and advances	**-**	**144,326**	**67,671**	**(55,610)**	**156,387**
Interest receivable	**836**	**17,824**	**-**	**-**	**18,660**
Other assets	**-**	**620**	**-**	**-**	**620**
Funded exposures	**535,185**	**1,186,385**	**71,093**	**(59,342)**	**1,733,321**
Credit related contingencies	**-**	**33,853**	**-**	**(85)**	**33,768**
Unfunded exposures	**-**	**33,853**	**-**	**(85)**	**33,768**
Funded and unfunded exposures	**535,185**	**1,220,238**	**71,093**	**(59,427)**	**1,767,089**

	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 2023					
Balances with central bank and other banks	1,240	377,012	3,644	(3,647)	378,249
Deposits with banks and other					-
financial institutions	122,186	158,519	-	(65)	280,640
Investments held for trading	-	2,989	-	-	2,989
Investment securities	16,066	247,182	2,569	(738)	265,079
Loans and advances		190,106	41,324	(51,795)	179,635
Interest receivable	845	16,514	-	-	17,359
Other assets	-	876	-	-	876
Funded exposure	140,337	993,198	47,537	(56,245)	1,124,827
Credit related contingencies	-	41,211	-	(98)	41,113
Unfunded exposures	-	41,211	-	(98)	41,113
Funded and unfunded exposures	140,337	1,034,409	47,537	(56,343)	1,165,940

As of 31 December 2024, the Group did not have any financial assets that were classified as watchlist or were past due but not impaired (2023: same).

24 RISK MANAGEMENT (continued)

24.2 Credit risk (continued)

c. Concentration of maximum exposure to credit 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.

The geographical distribution of gross credit exposures is presented below:

At 31 December 2024	*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 central bank and other banks	492,625	748	3,549	1,160	30,145	(3,430)	524,797
Deposits with banks and other financial institutions	140,182	560,089	-	27,705	20,000	(44)	747,932
Investments held for trading	4,982	7,452	-	2,002	-	-	14,436
Investment securities	104,965	77,708	48,062	40,012	-	(258)	270,489
Loans and advances	-	7,500	123,955	72,329	8,213	(55,610)	156,387
Interest receivable	9,404	1,892	5,656	1,212	496	-	18,660
Other assets	605	15	-	-	-	-	620
Gross funded exposures	752,763	655,404	181,222	144,420	58,854	(59,342)	1,733,321
Credit related contingencies	-	10,942	22,911	-	-	(85)	33,768
Gross unfunded exposures	-	10,942	22,911	-	-	(85)	33,768
Gross funded and unfunded exposures	752,763	666,346	204,133	144,420	58,854	(59,427)	1,767,089

At 31 December 2023	*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 central bank and other banks	375,044	395	3,773	2,005	679	(3,647)	378,249
Deposits with banks and other financial institutions	78,594	139,293	-	42,818	20,000	(65)	280,640
Investments held for trading	2,989	-	-	-	-	-	2,989
Investment securities	95,307	72,640	50,959	39,804	7,107	(738)	265,079
Loans and advances	-	-	104,990	111,132	15,308	(51,795)	179,635
Interest receivable	8,918	1,415	4,227	1,875	924	-	17,359
Other assets	868	8	-	-	-	-	876
Gross funded exposures	561,720	213,751	163,949	197,634	44,018	(56,245)	1,124,827
Credit related contingencies	-	20,000	21,211	-	-	(98)	41,113
Gross unfunded exposures	-	20,000	21,211	-	-	(98)	41,113
Gross funded and unfunded exposures	561,720	233,751	185,160	197,634	44,018	(56,343)	1,165,940

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

24 RISK MANAGEMENT (continued)

24.2 Credit risk (continued)

c. Concentration of maximum exposure to credit risk (continued)

Industrial classification of gross credit exposures is presented below:

At 31 December 2024	*Sovereign US$ '000*	*Banks and financial institutions US$ '000*	*Commercial, business and others US$ '000*	*Provision for expected credit losses US$ '000*	*Total US$ '000*
Balances with central bank and other banks	491,955	36,272	-	(3,430)	524,797
Deposits with banks and other financial institutions	-	747,976	-	(44)	747,932
Investments held for trading	11,948	-	2,488	-	14,436
Investment securities	243,491	12,297	14,959	(258)	270,489
Loans and advances	21,946	139,085	50,966	(55,610)	156,387
Interest receivable	11,471	6,797	392	-	18,660
Other assets	-	17	603	-	620
Gross funded exposures	780,811	942,444	69,408	(59,342)	1,733,321
Credit related contingencies	-	32,911	942	(85)	33,768
Gross unfunded exposures	-	32,911	942	(85)	33,768
Gross funded and unfunded exposures	780,811	975,355	70,350	(59,427)	1,767,089

At 31 December 2023	*Sovereign US$ '000*	*Banks and financial institutions US$ '000*	*Commercial, business and others US$ '000*	*Provision for expected credit losses US$ '000*	*Total US$ '000*
Balances with central bank and other banks	374,489	7,407	-	(3,647)	378,249
Deposits with banks and other financial institutions	-	280,705	-	(65)	280,640
Investments held for trading	2,989	-	-	-	2,989
Investment securities	231,317	14,973	19,527	(738)	265,079
Loans and advances	27,832	136,728	66,870	(51,795)	179,635
Interest receivable	11,111	5,236	1,012	-	17,359
Other assets	-	8	868	-	876
Gross funded exposures	647,738	445,057	88,277	(56,245)	1,124,827
Credit related contingencies	-	41,211	-	(98)	41,113
Gross unfunded exposures	-	41,211	-	(98)	41,113
Gross of funded and unfunded exposures	647,738	486,268	88,277	(56,343)	1,165,940

24.3 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.

24 RISK MANAGEMENT (continued)

24.3 Market risk (continued)

The Group has clearly defined policies for conducting investments and foreign exchange business which stipulates limits for these activities. Investments are made in line with approved investment criteria. The Group does not undertake any commodity trading activities.

24.3.1 Interest rate risk

Interest rate risk arises from the possibility that adverse movement in interest rates will affect the value of financial instruments and its financial position. 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 has established policies and procedures for managing interest rate risk. The Group endeavors to keep its assets and liabilities mismatches at stable and acceptable levels to maintain steady interest income. The Group monitors interest rate risk based on interest rate gap monitoring and by establishing sensitivity limits for impact of interest rate shift on net interest income and economic value of equity of the Group.

The following table provides an analysis of the Bank's interest rate risk exposure on financial assets and liabilities. The Bank's assets and liabilities are included at carrying amount and categorised by the earlier of contractual repricing or maturity dates.

At 31 December 2024	*Less than 3 months US$ '000*	*3 to 12 months US$ '000*	*1 to 5 years US$ '000*	*Over 5 years US$ '000*	*Non interest bearing* US$ '000*	*Total US$ '000*
Assets						
Cash and Balances with central bank and other banks	**312,964**	**178,991**	**-**	**-**	**32,856**	**524,811**
Deposits with banks and other financial institutions	**731,074**	**16,902**	**-**	**-**	**(44)**	**747,932**
Investments held for trading	**4,982**	**-**	**4,963**	**4,491**	**-**	**14,436**
Investment in fund	**-**	**-**	**-**	**-**	**15,427**	**15,427**
Investment securities	**5,020**	**32,437**	**139,978**	**93,312**	**(258)**	**270,489**
Loans and advances	**114,440**	**14,806**	**17,165**	**-**	**9,976**	**156,387**
Investment property	**-**	**-**	**-**	**-**	**11,734**	**11,734**
Property, equipment and software	**-**	**-**	**-**	**-**	**6,046**	**6,046**
Interest receivable	**15,178**	**3,482**	**-**	**-**	**-**	**18,660**
Other assets	**17**	**-**	**-**	**-**	**1,223**	**1,240**
	1,183,675	**246,618**	**162,106**	**97,803**	**76,960**	**1,767,162**
Liabilities						
Deposits from banks and other financial institutions	**439,633**	**300,964**	**-**	**-**	**46,233**	**786,830**
Due to banks and other financial institutions	**141,073**	**-**	**-**	**-**	**63,397**	**204,470**
Due to customers	**28,343**	**-**	**-**	**-**	**367,835**	**396,178**
Interest payable	**2,504**	**2,081**	**-**	**-**	**-**	**4,585**
Other liabilities	**-**	**-**	**-**	**-**	**12,657**	**12,657**
	611,553	**303,045**	**-**	**-**	**490,122**	**1,404,720**
Total interest sensitivity gap	**572,122**	**(56,427)**	**162,106**	**97,803**	**(413,162)**	**362,442**

ALUBAF Arab International Bank B.S.C. (c)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2024

24 RISK MANAGEMENT (continued)

24.3 Market risk (continued)

24.3.1 Interest rate risk (continued)

At 31 December 2023	*Less than 3 months US$ '000*	*3 to 12 months US$ '000*	*1 to 5 years US$ '000*	*Over 5 years US$ '000*	*Non interest bearing* US$ '000*	*Total US$ '000*
Assets						
Cash and Balances with central bank and other banks	207,883	166,605	-	-	3,790	378,278
Deposits with banks and other financial institutions	271,844	8,861	-	-	(65)	280,640
Investments held for trading	2,989	-	-	-	-	2,989
Investment securities	8,018	54,753	150,983	49,494	1,831	265,079
Loans and advances	153,623	15,518	20,965	-	(10,471)	179,635
Investment property	-	-	-	-	11,734	11,734
Property, equipment and software	-	-	-	-	6,619	6,619
Interest receivable	13,922	3,307	-	-	130	17,359
Other assets	-	-	-	-	1,333	1,333
	658,279	249,044	171,948	49,494	14,901	1,143,666
Liabilities						
Deposits from banks and other financial institutions	386,164	222,153	-	-	49,224	657,541
Due to banks and other financial institutions	65,447	-	-	-	40,787	106,234
Due to customers	-	-	-	-	21,299	21,299
Interest payable	1,795	2,316	-	-	-	4,111
Other liabilities	-	-	-	-	11,587	11,587
	453,406	224,469	-	-	122,897	800,772
Total interest sensitivity gap	204,873	24,575	171,948	49,494	(107,996)	342,894

* The provision for expected credit losses is included in non interest bearing.

The following table demonstrates the sensitivity of a reasonable possible change in interest rates, with all other variables held constant, on the Group's consolidated statement of profit or loss:

Sensitivity analysis - interest rate risk by currency

	Effect on consolidated statement of profit or loss	
	2024 US$ '000	*2023 US$ '000*
25 bps increase in interest rate		
US Dollar	**+ 1,009**	+ 375
AED	**+ 79**	+ 113
Euro	**+ 80**	+ 114

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

24 RISK MANAGEMENT (continued)

24.3 Market risk (continued)

24.3.2 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*	
		2024	*2023*
		US$ '000	*US$ '000*
Euro	5%	**4**	5

* 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.

24.3.3 Equity price risk

Equity price risk is the risk that the fair value of equities decreases as the result of changes in the level of equity indices and individual stocks. For the year ended 31 December 2024, the Group has a equity price risk arising from its investment in fund and a 5 per cent increase in the value would have an increase on the consolidated statement of profit or loss for the year by US$ 772 thousand (2023: nil).

24.4 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 which may cause certain sources of funding to dry up immediately. To limit this risk, the Group endeavors to diversify its funding sources and maintains a healthy liquidity cushion comprising of cash equivalents and readily marketable securities.

The Group has in place a Board-approved Liquidity Risk Management Policy which provides guidelines for managing the liquidity risk and specifies limits on minimum level of liquid assets to be maintained as well as gap limits for cash flow mismatch. The Group's ALCO regularly oversees the liquidity position of the Bank and ensures adequate liquidity is available at all times. The Group also has in place a contingency funding plan to deal with extra-ordinary conditions if the need arises.

ALUBAF Arab International Bank B.S.C. (c)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2024

24 RISK MANAGEMENT (continued)

24.4 Liquidity risk (continued)

The maturity profile below reflects the contractual or expected maturities of the assets and liabilities on the basis of the remaining period at the date of the consolidated statement of financial position:

	Up to 1 year						*Provision for*	
	Up to	*1 to 3*	*3 to 12*		*More than*	*No specific*	*expected*	
At 31 December 2024	*1 month*	*months*	*months*	*Total*	*1 year*	*maturity*	*credit losses*	*Total*
	US$ '000	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*
ASSETS								
Cash and balances with central bank and other banks	**124,882**	**220,946**	**178,991**	**524,819**	**3,422**	**-**	**(3,430)**	**524,811**
Deposits with banks and other financial institutions	**681,074**	**50,000**	**16,902**	**747,976**	**-**	**-**	**(44)**	**747,932**
Investments held for trading	**-**	**4,982**	**9,454**	**14,436**	**-**	**-**	**-**	**14,436**
Investment in fund	**-**	**-**	**-**	**-**	**15,427**	**-**	**-**	**15,427**
Investment securities	**-**	**5,020**	**32,437**	**37,457**	**233,290**	**-**	**(258)**	**270,489**
Loans and advances	**42,953**	**44,220**	**20,009**	**107,182**	**104,815**	**-**	**(55,610)**	**156,387**
Investment property	**-**	**-**	**-**	**-**	**11,734**	**-**	**-**	**11,734**
Property, equipment and software	**-**	**-**	**-**	**-**	**-**	**6,046**	**-**	**6,046**
Interest receivable	**8,801**	**6,377**	**3,482**	**18,660**	**-**	**-**	**-**	**18,660**
Other assets	**19**	**5**	**41**	**65**	**1,175**	**-**	**-**	**1,240**
Total assets	**857,729**	**331,550**	**261,316**	**1,450,595**	**369,863**	**6,046**	**(59,342)**	**1,767,162**
LIABILITIES								
Deposits from banks and other financial institutions	**329,633**	**110,000**	**73,901**	**513,534**	**273,296**	**-**	**-**	**786,830**
Due to banks and other financial institutions	**200,719**	**-**	**-**	**200,719**	**3,751**	**-**	**-**	**204,470**
Due to customers	**396,178**	**-**	**-**	**396,178**	**-**	**-**	**-**	**396,178**
Interest payable	**2,287**	**217**	**2,057**	**4,561**	**24**	**-**	**-**	**4,585**
Other liabilities	**2**	**-**	**43**	**45**	**12,527**	**-**	**85**	**12,657**
Total liabilities	**928,819**	**110,217**	**76,001**	**1,115,037**	**289,598**	**-**	**85**	**1,404,720**
Net liquidity gap	**(71,090)**	**221,333**	**185,315**	**335,558**	**80,265**	**6,046**	**(59,427)**	**362,442**
Cumulative liquidity gap	**(71,090)**	**150,243**	**335,558**	**-**	**415,823**	**421,869**	**362,442**	**-**

	Up to 1 year						*Provision for*	
	Up to	*1 to 3*	*3 to 12*		*More than*	*No specific*	*expected*	
At 31 December 2023	*1 month*	*months*	*months*	*Total*	*1 year*	*maturity*	*credit losses*	*Total*
	US$ '000	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*
ASSETS								
Cash and balances with central bank and other banks	93,119	118,557	166,605	378,281	3,644	-	(3,647)	378,278
Deposits with banks and other financial institutions	216,250	55,594	8,861	280,705	-	-	(65)	280,640
Investments held for trading	-	2,989	-	2,989	-	-	-	2,989
Investment securities	-	8,018	54,753	62,771	203,046	-	(738)	265,079
Loans and advances	56,793	10,371	37,671	104,835	126,595	-	(51,795)	179,635
Investment property	-	-	-	-	11,734	-	-	11,734
Property, equipment and software	-	-	-	-	-	6,619	-	6,619
Interest receivable	8,365	5,556	3,308	17,229	130	-	-	17,359
Other assets	-	9	18	27	1,306	-	-	1,333
Total assets	374,527	201,094	271,216	846,837	346,455	6,619	(56,245)	1,143,666
LIABILITIES								
Deposits from banks and other financial institutions	165,096	144,000	72,153	381,249	276,292	-	-	657,541
Due to banks and other financial institutions	102,537	-	-	102,537	3,697	-	-	106,234
Due to customers	21,299	-	-	21,299	-	-	-	21,299
Interest payable	782	989	2,317	4,088	23	-	-	4,111
Other liabilities	-	29	43	72	11,417	-	98	11,587
Total liabilities	289,714	145,018	74,513	509,245	291,429	-	98	800,772
Net liquidity gap	84,813	56,076	196,703	337,592	55,026	6,619	(56,343)	342,894
Cumulative liquidity gap	84,813	140,889	337,592	-	392,618	399,237	342,894	-

24 RISK MANAGEMENT (continued)

24.4 Liquidity risk (continued)

The maturity profile of the financial liabilities (including interest payable) and contingent liabilities, as at the reporting date, based on contractual undiscounted repayment amounts is as follows:

At 31 December 2024	***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***	***Total US$ '000***
Liabilities						
Deposits from banks and other financial institutions	**332,375**	**111,192**	**81,287**	**524,854**	**273,389**	**798,243**
Due to banks and other financial institutions	**201,088**	**-**	**-**	**201,088**	**3,751**	**204,839**
Due to customers	**396,213**	**-**	**-**	**396,213**	**-**	**396,213**
Total undiscounted liabilities	**929,676**	**111,192**	**81,287**	**1,122,155**	**277,140**	**1,399,295**
Commitments and contingent liabilities						
Letters of credit	**4,494**	**10,618**	**7,680**	**22,792**	**1,061**	**23,853**
Loan commitment	**-**	**-**	**-**	**-**	**10,000**	**10,000**
	4,494	**10,618**	**7,680**	**22,792**	**11,061**	**33,853**

At 31 December 2023	*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*	*Total US$ '000*
Liabilities						
Deposits from banks and other financial institutions	166,346	146,396	80,758	393,500	276,386	669,886
Due to banks and other financial institutions	102,681	-	-	102,681	3,697	106,378
Due to customers	21,299	-	-	21,299	-	21,299
Total undiscounted liabilities	290,326	146,396	80,758	517,480	280,083	797,563
Commitments and contingent liabilities						
Letters of credit	2,551	7,545	10,810	20,906	305	21,211
Loan commitment	-	-	-	-	20,000	20,000
	2,551	7,545	10,810	20,906	20,305	41,211

25 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 2024

	Level 1 US$ '000	***Level 2 US$ '000***	***Total US$ '000***
Investments held for trading	**14,436**	**-**	**14,436**
Investment in fund	**-**	**15,427**	**15,427**
Investments classified as fair value through - other comprehensive income	**186,522**	**-**	**186,522**
	200,958	**15,427**	**216,385**

At 31 December 2023

	Level 1 US$ '000	*Level 2 US$ '000*	*Total US$ '000*
Investments held for trading	2,989	-	2,989
Investments classified as fair value through - other comprehensive income	150,535	-	150,535
	153,524	-	153,524

Transfers between level 1, level 2 and level 3

During the year ended 31 December 2024, 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 (2023: same).

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 2024

	Fair value US$ '000	***Carrying value US$ '000***
Amortised cost investments	**83,932**	**83,967**
Loan	**23,418**	**21,946**
	107,350	**105,913**

At 31 December 2023

	Fair value US$ '000	*Carrying value US$ '000*
Amortised cost investments	113,346	114,544
Loan	28,888	27,832
	142,234	142,376

25 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Management has assessed that the fair values of balances with banks, deposits with banks and other financial institutions, loans and advances (other than those disclosed in the table above), interest receivable, other assets, deposits from banks and other financial institutions, due to banks and other financial institutions, due to customers, interest payable and other liabilities to approximate their carrying values as of 31 December 2024 and 31 December 2023.

26 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 outstanding contracts as at 31 December:

	2024		*2023*	
	Notional amount US$ '000	***Gain / (loss) US$ '000***	*Notional amount US$ '000*	*Gain / (loss) US$ '000*
Forward foreign exchange contracts	**136**	**-**	186	-
	136	**-**	186	-

ALUBAF Arab International Bank B.S.C. (c)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2024

27 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 2024				*31 December 2023*			
	Shareholders US$ '000	***Key management personnel/ Board members US$ '000***	***Other related parties US$ '000***	***Total US$ '000***	*Shareholders US$ '000*	*Key management personnel/ Board members US$ '000*	*Other related parties US$ '000*	*Total US$ '000*
Consolidated statement of profit or loss								
Interest income	**-**	**-**	**493**	**493**	-	-	283	283
Interest expense	**27,146**	**-**	**5,783**	**32,929**	25,364	-	2,376	27,740
Fee and commission income	**34**	**-**	**297**	**331**	13	-	231	244
Consolidated statement of financial position								
Assets								
Balances with central bank and other banks	**16**	**-**	**1,011**	**1,027**	20	-	1,027	1,047
Deposits with banks and other financial institutions	**-**	**-**	**4,161**	**4,161**	-	-	4,431	4,431
Loans and advances	**-**	**-**	**4,161**	**4,161**	-	-	4,523	4,523
Interest receivable	**-**	**-**	**12**	**12**	-	-	39	39
Other assets	**-**	**95**	**-**	**95**	-	110	-	110
Liabilities								
Deposits from banks and other financial institutions*	**502,920**	**-**	**50,000**	**552,920**	473,249	-	45,000	518,249
Due to banks and other financial institutions	**3,952**	**-**	**1,039**	**4,991**	37,211	-	771	37,982
Interest payable	**3,446**	**-**	**471**	**3,917**	3,586	-	452	4,038
Other liabilities	**-**	**1,284**	**-**	**1,284**	-	847	-	847
Contingent liabilities								
Letters of credit and letters of guarantee	**1,156**	**-**	**5,424**	**6,580**	355	-	5,988	6,343

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

27 RELATED PARTY BALANCES AND TRANSACTIONS (continued)

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

	2024 US$ 000	*2023 US$ 000*
Short term benefits	**3,736**	3,742
End of term benefits	**270**	276
Total compensation	**4,006**	4,018

Short term benefits include Board of Directors' sitting fees and provision for bonus accrual of US$ 975 thousand (2023: US$ 877 thousand) and reimbursement of travel, accommodation and other expenses amounting to US$ 231 thousand (2023: US$ 240 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.

28 CAPITAL ADEQUACY RATIO

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:

	2024 US$ 000	*2023 US$ 000*
Capital base:		
Tier 1 capital	**359,676**	340,050
Tier 2 capital	**2,457**	7,423
Total capital base (a)	**362,133**	347,473
Risk weighted assets (b)	**931,694**	648,945
Capital adequacy (a/b * 100)	**38.87%**	53.54%
Minimum requirement	**12.50%**	12.50%

29 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% 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.

29 LIQUIDITY RATIOS (continued)

Liquidity Coverage Ratio (continued)

At 31 December 2024, the Group's LCR was well above the regulatory requirement and stood at 408% (2023: 783%). The Group's simple average of daily LCR computed on working days of the quarter was 450% (30 September 2024: 446%).

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 178% as at 31 December 2024 (31 December 2023: 149%). The main drivers for robust Available Stable Funding (ASF) is its sizeable capital base, which contributes about 55% (31 December 2023 76%) of total ASF and the remaining 45% (31 December 2023: 24%) of ASF constituted funding from deposits from financial institutions and non-financial corporate customers. Required Stable Funding (RSF), primarily comprised of short term deposit placements with Banks and other performing loans, which constituted about 48% (31 December 2023: 50%) of total RSF. High quality liquid assets (that comprised mainly of Bahrain government securities and other highly rated debt issuances) accounted for about 11% (31 December 2023: 9%) of the total RSF, while non-HQLA securities accounted for 25% (31 December 2023: 29%) of the total RSF.

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

	Unweighted Values (i.e. before applying relevant factors)				***2024 USD 000s***	*2023 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*	*Total weighted value*
Available Stable Funding (ASF):						
Capital:						
Regulatory Capital	362,133	-	-	-	362,133	347,473
Wholesale funding:						
Other wholesale funding	-	1,190,408	197,070	-	296,624	108,156
Other liabilities:						
All other liabilities not included in the above categories	-	15,969	1,188	-	-	-
Total ASF					**658,757**	455,629
Required Stable Funding (RSF):						
Total NSFR high-quality liquid assets (HQLA)					39,742	27,359
Performing loans and securities:						
Performing loans to financial institutions secured by non-level 1 HQLA and unsecured performing loans to financial institutions	-	869,614	11,528	14,565	150,771	90,760
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and public sector entities	-	-	-	29,446	25,029	63,149
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	7,489	16,972	94,505	92,560	89,031
Other assets:						
All other assets not included in the above categories	59,555	-	-	-	59,541	33,153
Off balance sheet items	33,853	-	-	-	1,693	2,061
Total RSF					**369,336**	305,513
NSFR (%)					**178%**	149%

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

As at 31 December 2024

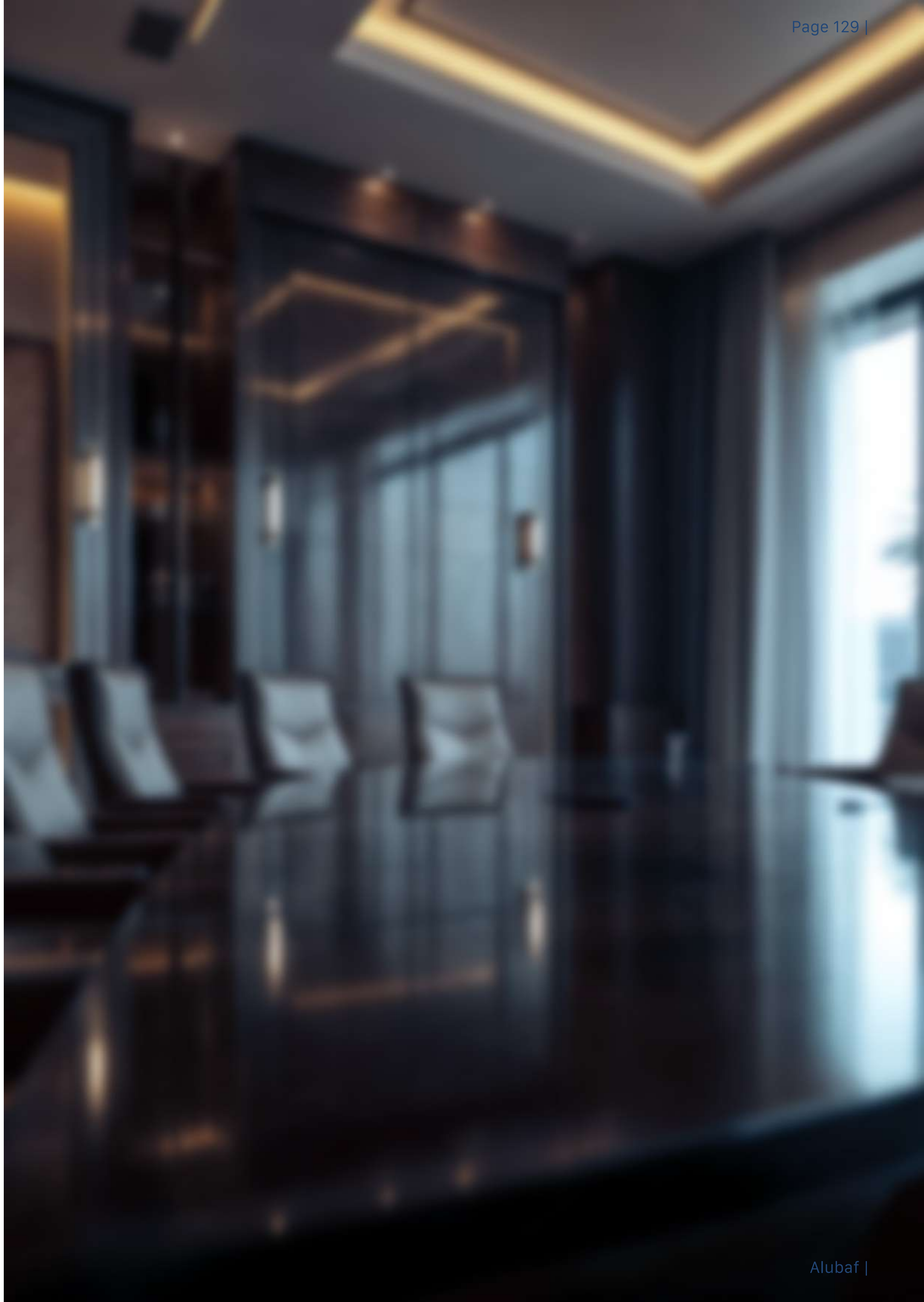
30 DOMESTIC MINIMUM TOP-UP TAXATION

On 1 September 2024, Bahrain released Decree-Law No. (11) of 2024 (DMTT Law) Regarding the Implementation of Tax on Multinational Enterprise (MNE) Groups located in Bahrain which is aligned with the Organization for Economic Cooperation and Development (OECD) BEPS Pillar Two Inclusive Framework. The DMTT Law applies the GMT of 15% on Bahrain Constituent Entities (CEs) of MNE Groups and contains key operative provisions of the OECD GloBE rules. In essence, Bahrain’s DMTT is a GloBE rules compliant domestic corporate income tax (CIT applicable only to large MNE Groups.

The newly enacted tax legislation is effective from fiscal years commencing on or after 1 January 2025. Since the newly enacted tax legislation is only effective from 1 January 2025 for the Group, there is no current tax impact for the year ended 31 December 2024.

Due to the complexities in applying the legislation and calculating GloBE income, the quantitative impact of the enacted legislation is not yet reasonably estimable. The Group is currently engaged with tax specialists to quantify the impact.

In line with the provisions of the DMTT Law and the Executive Regulations, the Group has performed an assessment and decided to register itself for DMTT purposes.



BASEL III PILLAR 3 DISCLOSURES

EXECUTIVE SUMMARY

This document provides the disclosures pertaining to risk and capital management for Alubaf Arab International Bank B.S.C. (c) (the "Bank") and its wholly owned subsidiary, Bahrain Real Estate Development Company (together the "Group") as of 31 December 2024.

Central Bank of Bahrain ("CBB"), the regulating body for Banks and Financial Institutions in the Kingdom of Bahrain has issued the directives relating to public disclosures. The disclosure requirements in PD module of CBB rulebook follow the requirements of Basel III Pillar 3 and are in addition to, or in some cases serve to clarify, the disclosure requirements of International Financial Reporting Standards ("IFRS"). This document gathers all the elements of the disclosures required under Pillar 3 and complies with the PD module of CBB (including companies' law), in order to enhance corporate governance and financial transparency. The Pillar 3 disclosures are in addition to the disclosures set out in the consolidated financial statements presented in accordance with IFRS and accordingly these disclosures should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2024 as well as the capital disclosures and liquidity disclosures published separately on the Group's website.

For regulatory reporting purposes, the Group has adopted the standardized approach for credit and market risk and the basic indicator approach for operational risk to determine the capital requirements under Pillar 1. The Group's total risk-weighted assets as of 31 December 2024 amounted to US$ 932 million (31 December 2023: US$ 649 million), comprising 93.87% of credit risk, 0.01% of market risk and 6.12% of operational risk weighted assets. The total consolidated capital adequacy ratio stood at 38.87% (31 December 2023: 53.54%), compared to the minimum regulatory requirement of 12.50%.

FIGURES IN $ 000S

	December 2024	December 2023
Tier 1 capital	359,676	340,050
Tier 2 capital	2,457	7,423
Total Capital	**362,133**	**347,473**
Credit risk weighted assets	874,543	593,812
Market risk weighted assets	113	163
Operational risk weighted assets	57,038	54,971
Total Risk Weighted assets	**931,694**	**648,945**
Tier 1 Capital Ratio	**38.60%**	**52.40%**
Total Capital Ratio	**38.87%**	**53.54%**

There are no restrictions on the transfer of funds or regulatory capital within the Group and there are no differences in the basis of consolidation for accounting and regulatory purposes for the subsidiary within the Group.

BASEL III FRAMEWORK

The Basel III framework is based on three pillars, consistent with framework developed by the Basel Committee, as follows:

Pillar 1:
the calculation of risk-weighted assets ("RWAs") and capital requirements for credit, market and operational risks.

Pillar 2:
the supervisory review process, including the Internal Capital Adequacy Assessment Process ("ICAAP").

Pillar 3:
the disclosure of risk management and capital adequacy information.

Pillar 1

Pillar 1 prescribes the basis for the calculation of the regulatory capital adequacy ratio. Pillar 1 sets out the definition and calculations of the RWAs, and the derivation of the regulatory capital base. The capital adequacy ratio is calculated by dividing the regulatory capital base by the total RWAs. As at 31 December 2024, all banks incorporated in the Kingdom of Bahrain are required to maintain a minimum capital adequacy ratio of 12.50% and a tier 1 ratio of 10.50%. In the event that the capital adequacy ratio falls below 12.50%, additional prudential reporting requirements apply and a formal action plan setting out the measures to be taken to restore the ratio above the target level is to be formulated and submitted to the CBB.

The table below summarizes the Group's approach for calculating RWAs and capital requirements for each risk type in accordance with the CBB's Basel III capital adequacy framework:

BOARD OF DIRECTORS

Credit Risk	Market Risk	Operational Risk
Standardized Approach	Standardized Approach	Basic Indicator Approach

a) Credit Risk
For regulatory reporting purposes, the Group applies the standardized approach for credit risk. The RWAs are determined by multiplying the credit exposure by a risk weight factor dependent on the type of counterparty and the counterparty's external rating, where available.

b) Market Risk
For the regulatory market risk capital requirement, the Group applies the standardized approach based on net open position of foreign currencies as per Capital Adequacy (the "CA") module of the CBB rule book.

c) Operational Risk
Under the CBB's Basel III capital adequacy framework, all banks incorporated in Bahrain are required to apply the basic indicator approach for operational risk with prior notification to CBB unless approval is granted by the CBB to use the standardized approach. Currently, the Group uses the Basic Indicator Approach for calculating its capital requirement for operational risk.

Pillar 2

Pillar 2 defines the process of supervisory review of an institution's risk and capital management framework and, ultimately, its capital adequacy. Under the Pillar 2 guidelines, each Bank is required to internally assess its capital requirements taking into consideration all material risks through the ICAAP assessment process and establish internal minimum capital limits.

Pillar 2 comprises of two processes:
- An ICAAP review; and
- A supervisory review and evaluation process.

Internal Capital Adequacy Assessment Process:

The Group has a capital management and planning framework which ensures adequate capital is available for any expected/unexpected loss and to support its strategic growth opportunities. The capital planning of the Group is carried out through ICAAP which covers inter-alia:

- Forecast of the strategic and business growth plan of the Group over the next 3 years
- Quantitative and qualitative assessment of various external and internal risk factors
- Assessment of capital adequacy under normal and stress scenarios
- Planning of capital action, if any, required to accomplish the strategic and financial objectives of the Group.

The Group has a comprehensive ICAAP that includes board and senior management oversight, monitoring, reporting and internal control reviews, to identify and measure the various risks that are not covered under Pillar 1 risks and to regularly assess the overall capital adequacy considering the risks and the Group's planned business strategies. The non-Pillar 1 risks covered under the ICAAP process include concentration risk, liquidity risk, interest rate risk in the banking book, reputational risk and strategic risk. The ICAAP also keeps in perspective the Group›s strategic plans, credit and investment growth expectations, future sources and uses of funds, dividend policy and the impact of all these on maintaining adequate capital levels. In addition, the ICAAP process also includes stress testing on the Group's capital adequacy to determine the capital requirement and planning to ensure that the Group is adequately capitalized in line with the overall risk profile. The Group has complied with regulatory capital requirements throughout the period and has a consolidated capital adequacy ratio of 38.87% that is well above the regulatory requirement and provides a healthy cushion against any stress conditions.

Supervisory Review and Evaluation Process:

The supervisory review and evaluation process represent the CBB's review of bank's capital management and an assessment of internal controls and corporate governance. The supervisory review and evaluation process are designed to ensure that banks identify their material risks and allocate adequate capital, and employ sufficient management processes to support such risks. The supervisory review and evaluation process also encourage institutions to develop and apply enhanced risk management techniques for the measurement and monitoring of risks in addition to the credit, market and operational risks addressed in the core Pillar 1 framework. Other risk types which are not covered by the minimum capital requirements in Pillar 1 include:

- Liquidity risk
- Concentration risk
- Interest rate risk in the banking book (IRRBB)
- Reputational risk
- Strategic risk

These are covered either by capital, or risk management and mitigation processes under Pillar 2.

Pillar 3

In the Basel III framework, the third pillar prescribes how, when, and at what level information should be disclosed about an institution's risk management and capital adequacy practices. The disclosures comprise detailed qualitative and quantitative information. The purpose of the Pillar 3 disclosure requirements is to complement the first two pillars and the associated supervisory review process. The disclosures are designed to enable stakeholders and market participants to assess an institution's risk appetite and risk exposures and to encourage all banks, via market pressures, to move towards more advanced forms of risk management. Under the current regulations, partial disclosures consisting mainly of quantitative analysis is required during half year reporting, whereas full disclosure is required to coincide with the financial year-end reporting. In this report, the Group disclosures are beyond the minimum regulatory requirements and provide disclosure of the risks to which it is exposed, both on and off-balance sheet.

3. Organizational structure, Risk and Capital Management

3.1 Organization structure

The Group operates under a wholesale banking license issued by CBB, to provide treasury, loan and trade finance solutions. The Group's customer base includes primarily corporate, banks, financial institutions, public sector companies, governments and semi-government entities in the GCC, MENA & European markets as well as selectively other countries across the world.

The Group's largest single shareholder is Libyan Foreign Bank (99.50%); other shareholders comprise of National Bank of Yemen (0.28%) and Yemen Bank for Reconstruction and Development (0.22%). Libyan Foreign Bank is 100% owned by the Central Bank of Libya.

The Group's consolidated financial statements are prepared and published in accordance with IFRS. Regulatory capital is reported to the CBB on a regular basis (at least on quarterly basis by way of submitting the Prudential Information Return report) in accordance with CBB guidelines.

3.2 Risk and Capital Management

The Group maintains a prudent and disciplined approach to risk-taking by upholding a comprehensive set of risk management policies, processes and limits, employing professionally qualified people with the appropriate skills, investing in technology and training, and actively promoting a culture of sound risk management at all levels. A key tenet of this culture is the clear segregation of duties and reporting lines between personnel transacting business and personnel processing that business. The Group's risk management is underpinned by its ability to identify, measure, aggregate and manage the different types of risks it faces.

The overall authority for risk management in the Group is vested in the Board of Directors. The Board defines the risk appetite and risk tolerance standards and oversees that adequate risk management standards are in place. The Board also approves appropriate risk policies that form part of its risk management framework, based on the recommendation of management. The Board is supported by the Audit, Risk and Compliance Committee ("ARCC") which oversees the risk management, compliance and internal audit activities as well as ensuring integrity of the consolidated financial statements.

At the second level, executive management is responsible for the identification and evaluation on a continuous basis of all significant risks to the business and implementation of appropriate internal controls to minimize them. Senior management is responsible for monitoring credit lending portfolio, country limits, interbank limits and general credit policy matters, which are reviewed and approved by the Board of Directors. The Group has established various management committees that review and assess all risk issues. Approval authorities are delegated to different functionaries in the hierarchy depending on the amount, type of risk and nature of operations or risk and the same is codified in the Delegations of Authority document approved by the Board.

The risk management department of the Group provides the necessary support to senior management and the business units in all areas of risk management. The risk management function under the Chief Risk Officer (the "CRO") is independent of the business units of the Group, reporting to the ARCC and administratively to the Chief Executive Officer ("CEO"). The Financial Control Department is responsible for the capital planning process.

Independent internal audit of the risk management process is conducted and its findings are presented to the ARCC.

Following is the governance structure for Risk and Capital Management in the Group:

BOARD OF DIRECTORS			
Board Audit, Risk and Compliance Committee			
Chief Executive Officer			
Assets and Liabilities Committee (ALCO)	Management Risk Committee (MRC)	Credit Investment Committee (CIC)	Special Asset Management Committee (SAMC)

The risk, liquidity and capital management responsibilities are set out in the table below:

CHIEF EXECUTIVE OFFICER	
Head of Financial Control	Chief Risk Officer
Capital management framework Regulatory Reporting	Risk management framework and policies Credit Management Credit risk Market risk Operational risk Liquidity risk and Other risks ICAAP, ILAAP and Stress testing

*** CRO is an independent function which reports to the ARCC, and administratively to the CEO.**

The Group›s capital management policies aim to ensure that the Group complies with regulatory capital requirements as well as to ensure adequate availability of capital to meet the Group's strategic growth requirements and maximize shareholder value.

3.3 Risk Types

The major risks associated with the Group's business activities are credit, market and operational risks. Additionally, other material risks that the Group is exposed to include – liquidity risk, concentration risk, interest rate risk in banking book, reputational risk and strategic risk. These risks are continuously monitored and mitigated through effective process of ongoing identification, measurement, controlling and monitoring throughout the year. The following section provides the way these risks are managed and controlled.

3.4 Risks in Pillar 1

Basel III Pillar 1, which forms the basis for the calculation of the regulatory capital requirement, addresses three specific risk types:

a) Credit Risk

The credit risk is the main financial risk relative to the other risks for the Group because of its nature of business to finance and invest. Credit risk represents the potential financial loss as a consequence of a customer's inability to honour the terms and conditions of a credit facility. Such risk is measured with respect to counterparties for both on-balance sheet assets and off-balance sheet items. The Group measures and manages Credit Risk by adhering to the following principles:

- Consistent standards are applied across all customers in the risk-evaluation process using a rating system. The Group has in place a systematic credit rating system which provides a framework for objective risk assessment.
- The exposure should be reasonable in relation to the customer›s creditworthiness, capital position or net worth components, and the customer should be able to substantiate its repayment ability.
- Every extension of credit or material change to a credit facility (such as its tenor, collateral structure or major covenants) to any counterparty requires credit approval at the appropriate authority level.
- The Group regularly follows up on developments in the customer›s financial position in order to assess whether the basis for the granting of credit has changed.
- The Group assumes risks within the limits guided under its risk management framework and other rules prescribed by the CBB from time to time.

The Group has in place a credit risk management framework comprising of detailed credit risk management policies and procedures, regular credit assessments and monitoring, internal rating grades, credit administration activities, collateral management and early warning indicator monitoring. Regular reviews are carried out for each exposure and risks identified are mitigated in a number of ways, which include obtaining collaterals or guarantees. The counterparty credit risks are continuously monitored for changes in external environments and other economic challenges that may impact the counterparty's credit profile as part of early warning indicator monitoring. Similarly, prudent norms have been implemented to govern the Group's investment activities, which specify to the Group's Treasury and Investment department, the acceptable levels of exposure to various products, based on its nature, tenor, rating, type, features and other relevant factors.

The business units of the Group are responsible for business generation and initial credit review of proposals in accordance with the stipulated policy requirements. The Group has an independent credit management unit which is responsible to perform a rigorous independent credit analysis for the counterparty and assign an internal credit rating reflecting the level of credit risk.

In addition, the independent Credit Administration Unit ensures adherence to the terms and conditions of all credit facilities is strictly implemented and collateral coverage is monitored. The Group has an internal grading system and review process to ensure identification of any deterioration in credit risk and consequent implementation of corrective action. The Group's internal ratings are based on a 20-point scale (AAA to Loss), which considers the financial strength of a borrower as well as qualitative aspects to arrive at a comprehensive snapshot of the risk of default associated with the borrower. The internal rating model is reviewed and validated periodically by an independent external consultant to ensure robustness of the model in terms of stability and discriminatory power of the ratings. Risk ratings assigned to each borrower are reviewed on at least an annual basis. Regular monitoring of the portfolio enables the Group to identify accounts, which witness deterioration in risk profile.

b) Market Risk

Market risk is the potential impact of adverse price movements such as benchmark interest rates, foreign exchange prices, equity prices and commodity prices on the Bank's earnings and capital. The exposure to market risk occurs throughout the contract which may negatively affect the earnings and value of an asset. The categories of market risk to which the Group is exposed are as follows:

Interest rate risk results from exposure to changes in the level, slope, curvature and volatility of interest rates and credit spreads.

Foreign exchange risk results from exposure to changes in the price and volatility of currency spot and forward rates. The principal foreign exchange risk arises from the Group's foreign exchange positions in the banking book including its proprietary positions as well as positions arising from client servicing.

Equity risk arises from exposures to changes in the price and volatility of individual equities or equity indices.

Commodity risk arises from exposures to changes and volatility of commodity prices. The Group does not maintain any exposures to commodities as at the reporting date and therefore is not exposed to commodity price risks.

The Group does not have material exposure to market risk on account of its limited trading activities. The Group's market risk management framework comprises of various concentration limits to diversify its market risk exposures as well as stop loss limits to minimize losses. The main market risk exposures arise from its forex risk exposures, wherein the Group maintains net open position limits for each active currency which are monitored on a daily basis.

c) Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes or systems, or from external events. Operational risk is inherent in all business activities and can never be eliminated entirely, however shareholder value can be preserved and enhanced by managing, mitigating and, in some cases, insuring against operational risk.

c) Operational Risk (continued)

The Operational Risk Management Framework (the "ORMF") is codified in the Group's Operational Risk Management policy and broadly comprises of the following:

- Well defined governance framework and delegation of authorities
- Detailed policies and procedures for all activities of the Group
- Segregation of duties and internal controls
- Risk and Controls Self-assessments
- Identifying and monitoring of Key Risk Indicators
- Incident reporting and collection of losses from operational incidents, including near misses

Qualitative and quantitative methodologies are used to identify and assess operational risk and to provide management with information for determining appropriate mitigating factors. These include a database of operational risk incidents; monitoring of key risk indicators, which can provide an early warning of possible risk; and a Risk and Control self-assessment (the "RCSA") process to analyse business activities and identify operational risks related to those activities. The management of operational risk has a key objective of minimising the impact of losses suffered in the normal course of business (expected losses) and to avoid or reduce the likelihood of suffering a large extreme (unexpected) loss.

The RCSA is performed on a periodic basis, by obtaining senior management inputs to enhance the control environment of the Group. The Group's risk management department coordinates with the heads of departments and the respective risk champions in each department, to conduct the RCSA assessments. As part of such assessments, the key operational risks within each department's activities are evaluated along with the controls available to mitigate or minimize such risks. Based on these assessments, each department maintains a risk register for its risks, which is reviewed and updated on an ongoing basis. Further, the Group identifies and maintains a list of Key Risk Indicators which are monitored on a monthly basis and reported to management and Board.

Heads of departments and functions throughout the Group are responsible for maintaining an acceptable level of internal control commensurate with the scale and nature of operations, and for identifying and assessing risks, designing controls and monitoring the effectiveness of these controls. The ORMF helps managers to fulfil these responsibilities by defining a standard risk assessment methodology and providing a tool for the systematic reporting of operational loss data. Operational incidents are monitored on an ongoing basis through the Group's operational risk management system, and the same are reported to management on a monthly basis and to the Board on a quarterly basis. Moreover, the operational incident reports are reviewed jointly by risk management and the respective department for root cause analysis and to introduce additional controls to minimize chances of similar incident recurring.

Operational functions of booking, recording and monitoring of transactions are performed by staff that are independent of the individuals initiating the transactions. Each business line, as well as support line is further responsible for employing the aforementioned framework processes and control programs to manage its operational risk within the guidelines established by the Group policy, and to develop internal procedures that comply with these policies. Operational risk is also managed through effective staff training and frequent review and enhancement of internal controls of the various activities of the Group. Further, the Group has in place the Business Continuity and Disaster Recovery Policy to ensure that the Group is prepared and has contingency plans in place in the event of a disaster so that business is minimally impacted in such situations. Further, the Group also maintains a well-established framework and policy for managing cyber security risks.

3.5 Risk in Pillar 2

a) Liquidity Risk

Liquidity risk is defined as the risk to the Group's earnings and capital arising from its inability to meet timely obligations as and when they come due without incurring unacceptable losses. The Group follows a conservative liquidity risk management strategy aligned with its business model. The strategy aims to address:

- Funding liquidity risk
- Market liquidity risk

The Group utilizes the liquidity management tools in line with Basel III and CBB guidelines on liquidity risk management. The Liquidity Coverage Ratio ("LCR") addresses the sufficiency of a stock of high-quality liquid assets to meet short-term liquidity needs under specified scenarios. Under LCR, the objective is to ensure that Group maintains an adequate level of unencumbered, high quality assets that can be converted into cash to meet its liquidity needs, under specific prescribed cash inflows and outflows scenarios, for a 30-day time horizon.

The Net Stable Funding Ratio ("NSFR") addresses longer-term structural liquidity mismatches. Under NSFR, the objective is to promote more medium and long-term funding of assets through the establishment of a minimum acceptable amount of stable funding over a one-year horizon. The Group maintains its liquidity standards with stable long-term and short-term liquidity ratios (NSFR, LCR, Liquidity Ratio etc.) above the regulatory limits.

The Group has in place a liquidity risk management framework comprising of liquidity and funding strategy, liquidity risk limits, procedures for monitoring and reporting liquidity risks, liquidity stress testing and contingency planning. The liquidity risk management framework is codified in the Group's Liquidity Risk Management policy approved by the Board. Further, the Group performs an Internal Liquidity Adequacy Assessment Process ("ILAAP") on an annual basis. The ILAAP report documents the overall liquidity assessment as well as the framework in place to monitor liquidity risks and the same is presented to the Board.

The Group performs periodic stress testing of its liquidity risk profile to assess its impact on capital and liquidity position.

b) Credit concentration risk

Credit Concentration Risk is the risk that the Group's exposures are concentrated to a sector/ industry, geography, product, single party and customer groups, or countries which impact the Group's capital position. It is the risk of exposure to a single counterparty and group of related counterparties, as well as the exposure to selected economic sectors that has the potential to produce losses large enough (relative to the Group's size) to undermine the health of the Group. The existence of exposure concentration can lead to underestimation of Pillar 1 risks. The Group monitors counterparty, sector and geographic concentration risks and manages them through limits on the same. Regular reports are prepared and analysed to ensure that undesired concentrations are avoided.

Concentration risk is captured in the Group's Pillar 2 capital framework which considers single-name concentrations, geographical and industry concentrations in the credit portfolio and capital requirements to cover concentration risks are assessed.

Interest rate risk in the Banking book

Interest rate risk is the exposure of a Group›s financial condition to adverse movements in interest rates. Changes in Interest rates affect a Group›s earnings by changing its net Interest income and the level of other Interest-sensitive income and operating expenses. Changes in Interest rates also affect the underlying value of the Group›s assets, liabilities, and off-balance-sheet instruments because the present value of future cash flows changes when interest rates change.

The Group monitors the re-pricing gap and the market value of assets and liabilities as part of interest rate risk management and also assesses the impact of a shift in market interest rates on the expected net interest income of the Group as well as the impact on the Group's economic value of Equity.

Reputational Risk

Reputational risk is the risk of losses resulting from adverse perceptions about the Group, its brand and relationship by its various stakeholders that is caused by a variety of internal and external factors. The Group has developed a reputational risk management framework that ensures reputational risk is managed and mitigated and the same is codified in the reputational risk management policy of the Group.

Strategic Risk

Strategic risks refer to the risk that the Group would be exposed in the event of business strategy and plan not materializing. It is the risk to earnings and profitability arising from strategic decisions, changes in the business conditions and improper implementation of decisions. Thus, a strategic risk arises due to adopting wrong strategies and choices that can cause loss to the Group in the form of a reduction in shareholder value and loss of earnings.

The strategic risk is managed through monthly reviews of performance versus budgeted performance and periodic reviews of the Group's performance and alignment with the strategic plan.

4. Regulatory capital requirements and the capital base

4.1 Capital base

Common equity tier 1 ("CET 1") comprises of share capital, statutory reserve, retained earnings, other reserves (proposed dividend) and unrealized gains or losses arising on the measurement to fair value of investment securities adjusted with regulatory adjustment for intangible assets.

Tier II capital includes provision for expected credit loss ("ECL") on stage 1 and 2 exposures.

The Group does not maintain any additional-Tier 1 (AT1) capital.

The Group's issued and paid up capital amounted to US$ 250 million as at 31 December 2024, comprising of 5 million equity shares of US$ 50 each.

4.1 Capital base (continued)

The regulatory capital base is set out in the table below:

Break down of Capital Base	US$ '000s	US$ '000s
	CET I	Tier II
Share Capital	250,000	-
Statutory reserve	35,549	-
Retained earnings	65,984	-
Cumulative fair value changes on FVOCI Investments (Debt)	(5,196)	-
All other reserves	15,000	-
Total CET I capital prior to regulatory adjustments	**361,337**	**-**
Less: intangibles other than mortgage rights	(1,661)	-
Total CET I capital after regulatory adjustment	**359,676**	**-**
Add: Expected credit loss, Stage 1 and 2 in Tier 2	-	2,457
Total	**359,676**	**2,457**
Total Available Capital	**362,133**	

4.2 Regulatory capital requirements

For regulatory reporting purposes, the Group calculates the capital requirements as follows:

Credit Risk

Credit risk capital requirements are based on the standardized approach. Under the standardized approach, on and off-balance sheet credit exposures are assigned to exposure categories based on the type of counterparty or underlying exposure. The exposure categories are referred to in the CBB's Basel III capital adequacy framework as standard portfolios. The primary standard portfolios are claims on sovereigns, claims on banks and claims on corporates. Following the assignment of exposures to the relevant standard portfolios, the RWAs are derived based on prescribed risk-weightings. Under the standardized approach, the risk weightings are provided by the CBB and are determined based on the counterparty's external credit rating. The external credit ratings are derived from eligible external rating agencies approved by the CBB. The Group uses ratings assigned by Standard & Poor's, Moody's and Fitch.

Market Risk

The Group uses a Standardized approach to calculate the regulatory capital requirements relating to market risk.

Operational Risk

The capital requirement for operational risk is calculated in accordance with the basic indicator approach. Under this approach, the Group's average gross income over the preceding three financial years is multiplied by alpha coefficient of 15% as prescribed in the CBB's Basel III capital adequacy framework.

4.2 Regulatory capital requirements (continued)

Capital adequacy ratio calculation:

The Group's consolidated capital adequacy ratio of 38.87% is well above the minimum regulatory requirement of 12.50%.

	US$ '000
Credit risk weighted assets	874,543
Market risk weighted assets	113
Operational risk weighted assets	57,038
Total Risk weighted assets (RWA)	**931,694**
Total Eligible Capital Base	**362,133**
CET I ratio	**38.60%**
Capital adequacy ratio	**38.87%**

5. Credit Risk-Pillar 3 disclosures

This section describes the Group's exposure to credit risk and provides detailed disclosures on credit risk in accordance with the CBB's Basel III framework in relation to Pillar 3 disclosure requirements.

5.1 Definition of exposure classes per Standard Portfolio

The Group has a diversified on and off-balance sheet credit portfolio, the exposures of which are divided into the counterparty exposure classes defined by the CBB's Basel III capital adequacy framework for the standardized approach for credit risk. A high-level description of the counterparty exposure classes and the risk weights used to derive the risk weighted assets are as follows:

a) Claims on Sovereigns

These pertain to exposures to governments and their respective central banks. Claims on Bahrain and GCC governments are risk weighted at 0%. Foreign currency claims on other sovereign exposures are risk-weighted based on their external credit ratings or if unrated at 100%.

b) Claims on Public Sector Entities ("PSEs")

PSEs are risk-weighted according to their external ratings with the exception of Bahrain PSEs, and domestic currency claims on other PSEs which are assigned a 0% risk weight by their respective country regulator.

c) Claims on Banks

Claims on Banks are risk weighted based on the ratings assigned to them by external rating agencies. However, short term claims on locally incorporated banks maturing within three months and denominated in Bahraini Dinars or US Dollars are risk weighted at 20%. Other claims on banks, which are in foreign currency, are risk weighted based on their external credit ratings or if unrated at 50%.

d) Claims on Corporate and Investment firms *

Claims on corporate portfolio are risk weighted based on external credit ratings and are assigned a risk weight of 100% for unrated corporate portfolio.

e) Equity/Fund portfolio

Investments in listed equities and funds are risk weighted at 100% whereas investments in unlisted equities and funds are risk weighted at 150%.

f) Other exposures

These include cash risk weighted at 0%, investment property risk weighted at 200% and other assets risk weighted at 100%.

g) Past Due

Past due exposures include loans and advances of which interest or repayment of principal are due for more than 90 days; past due exposures, net of specific provisions is risk weighted as follows:

(a) 150% risk weight, when specific provisions are less than 20% of the outstanding amount.
(b) 100% risk weight, when specific provisions are greater than 20% of the outstanding amount.

*** Unless exempted by CBB, any exposure exceeding 15% of total capital are risk weighted at 800%.**

5.2 Credit exposure and risk weighted assets

US$ '000	Funded exposures	Unfunded exposures	Gross credit exposures*	Eligible collateral	Risk weighted assets	Capital charge
Claims on Sovereigns & PSE's	753,616	-	753,616	-	104,763	13,095
Claims on Banks**	894,915	9,934	904,849	2,351	603,701	75,463
Claims on Corporate and Investment	72,437	188	72,625	188	99,184	12,398
Fund Portfolio	15,427	-	15,427	-	23,141	2,893
Other exposures	19,016	-	19,016	-	30,736	3,842
Past Dues	13,018	-	13,018	-	13,018	1,627
Total	1,768,429	10,122	1,778,551	2,539	874,543	109,318

*Balances are gross of stage 1 and 2 ECL.

**Net credit risk exposures for Claims on Banks after mitigant amounted to US$ 902,498 thousand and Claims on Corporate and Investment Firms amounted to US$ 72,437 thousand. None of other classes were subject to credit risk mitigation.

5.2 (a). Gross credit exposure before credit risk mitigation

US$ '000	Funded credit exposure	Average monthly gross exposure
Claims on Sovereigns and PSE's	753,616	702,423
Claims on Banks	894,915	753,347
Claims on Corporate and Investment Firms	72,437	72,840
Fund Portfolio	15,427	7,366
Other exposures	19,016	19,323
Past Dues	13,018	23,227
Total funded exposure	1,768,429	1,578,526
Unfunded exposures	10,122	16,247
Gross credit exposures	1,778,551	1,594,773

*Average monthly balance represents the average of the sum of twelve-month end balance for the year ended 31 December 2024.

5.3 Exposure by external credit rating

The Group uses external credit ratings from Standard & Poor's, Moody's and Fitch, which are accredited External Credit Assessment Institutions. The Group assigns risk weights through the mapping process provided by CBB to the rating grades.

The breakdown of the Group's exposure into rated and unrated categories is as follows:

US$ '000	Funded exposures	Unfunded exposure	Rated High standard grade exposure	Rated Standard grade exposure	Unrated exposure	Eligible collateral	Risk weighted	Capital charge
Claims on Sovereigns & PSE's	753,616	-	5,070	748,546	-	-	104,763	13,095
Claims on Banks**	894,915	9,934	511,498	377,453	15,898	2,351	603,701	75,463
Claims on Corporate and Investment	72,437	188	18,617	41,945	12,063	188	99,184	12,398
Fund Portfolio	15,427	-	-	-	15,427	-	23,141	2,893
Other exposures	19,016	-	-	-	19,016	-	30,736	3,842
Past Dues	13,018	-	-	-	13,018	-	13,018	1,627
Total	1,768,429	10,122	535,185	1,167,944	75,422	2,539	874,543	109,318

5.4 Geographical distribution of exposures

Geographical distribution of exposures based on residence of the counterparties is summarized below:

US$'000	Funded exposures	Unfunded exposures	Gross credit exposures*
Bahrain	759,436	-	759,436
Europe	140,684	-	140,684
Other GCC Countries	655,400	5,188	660,588
Other Middle East & Africa	154,049	4,934	158,983
Rest of the world	58,860	-	58,860
Total	1,768,429	10,122	1,778,551

The geographical distribution of gross credit exposures by major type of credit exposures can be analysed as follows:

US$ '000	Bahrain	Europe	Other GCC Countries	Other Middle East and Africa	Rest of the world	Total
Claims on Sovereigns & PSE's	610,357	33,360	38,495	71,404	-	753,616
Claims on Banks	141,797	56,949	566,398	70,911	58,860	894,915
Claims on Corporate and Investment	-	21,930	50,507	-	-	72,437
Fund Portfolio	-	15,427	-	-	-	15,427
Other exposures	7,282	-	-	11,734	-	19,016
Past Dues	-	13,018	-	-	-	13,018
Total funded exposure	759,436	140,684	655,400	154,049	58,860	1,768,429
Unfunded exposures	-	-	5,188	4,934	-	10,122
Total	759,436	140,684	660,588	158,983	58,860	1,778,551

5.5 Industry sector analysis of exposures

US$ '000	Funded exposure	Unfunded exposure	Gross credit exposure
Sovereign	753,616	-	753,616
Banks	910,342	9,934	920,276
Commercial & other business	104,471	188	104,659
Total	1,768,429	10,122	1,778,551

The industry sector analysis of gross credit exposures by major types of credit exposures can be analysed as follows:

US$'000	Sovereign	Banks	Commercial & other businesses	Total
Claims on Sovereigns	753,616	-	-	753,616
Claims on Banks	-	894,915	-	894,915
Claims on Corporate and Investment Firms	-	-	72,437	72,437
Fund Portfolio	-	15,427	-	15,427
Other exposures	-	-	19,016	19,016
Past Dues	-	-	13,018	13,018
Total funded exposure	753,616	910,342	104,471	1,768,429
Unfunded exposures	-	9,934	188	10,122
Gross credit exposures	753,616	920,276	104,659	1,778,551

5.6 Maturity analysis of funded exposures

Residual contractual maturities of the Group's funded exposures are as follows:

US$ '000	Within 1 month	1-3 months	3-12 months	Total within 1 year	1-10 years	Total
Claims on Sovereigns & PSE's	99,051	235,085	218,096	552,232	201,384	753,616
Claims on Banks**	758,277	95,897	28,443	882,617	12,298	894,915
Claims on Corporate and Investment	385	563	14,736	15,684	56,753	72,437
Fund Portfolio	-	-	-	-	15,427	15,427
Other exposures	16	5	41	62	18,954	19,016
Past Dues	-	-	-	-	13,018	13,018
Total	857,729	331,550	261,316	1,450,595	317,834	1,768,429

5.7 Maturity analysis of unfunded exposures

US$ '000	Within 1 month	1-3 months	3-12 months	Total within 1 year	1-10 years	Total
Claims on Sovereigns & PSE's	711	2,126	1,567	4,404	5,530	9,934
Claims on Banks**	188	-	-	188	-	188
Total	899	2,126	1,567	4,592	5,530	10,122

5.8 Off- Balance sheet exposures

i. Credit related contingent items

Credit related contingent items comprise letters of credit confirmations, acceptance and guarantees. For credit-related contingent items, the nominal value is converted to an exposure through the application of a credit conversion factor ("CCF"). The CCF factors range from 20 percent to 100 percent depending on the type of contingent item, and is intended to convert off-balance sheet notional amounts into equivalent on-balance sheet exposures.

Credit commitments and unutilized approved credit facilities represent commitments that have not been drawn down or utilized. The notional amount provides the calculation base to which a CCF is applied for calculating the exposure at default. The CCF ranges between 0 percent and 100 percent depending on the approach, product type and whether the unutilized amounts are unconditionally cancellable or irrevocable.

The notional principal amounts reported above are stated gross before applying credit risk mitigants, such as cash collateral, guarantees and counter-indemnities.

At 31 December 2024, the Group held credit-related contingent items & commitment amounting to US$ 33.9 million.

ii. Derivatives and Foreign exchange instruments

Derivatives include futures, forwards, swaps and options in the interest rate and foreign exchange. The Group's derivative and foreign exchange activities are predominantly short-term in nature.

Derivatives and foreign exchanges exposures are exposed to market risk and settled on net basis. Due to currency movements or interest rate changes, the contract may result into net asset or liability.

At 31 December 2024, the Group had entered into forward foreign exchange contracts amounting to notional of US$ 0.1 million.

5.9 Collateral

The amount and type of collateral depends on an assignment of the credit risk, credit rating and market conditions of the counterparty. The types of collateral mainly include cash collaterals, residential and commercial real estate and securities for both funded and unfunded credit exposures, which is liquidated on maturity/expiry date. For capital adequacy ratio calculation purposes mainly cash collateral is considered as risk mitigant.

5.10 Impairment of assets

Based on IFRS 9 methodology, the Group records an allowance for expected losses for all loans and other debt type financial assets not held at FVTPL, together with letters of credit, loan commitments and financial guarantee contracts. The allowance is based on the ECL associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case, the allowance is based on the probability of default over the life of the asset.

USD'000s	Up to one year	1 to 3 year	over 3 years	Total
Gross impaired loans (stage 3)	32,181	-	35,490	67,671
Less: Specific Provision (stage 3)	(19,163)	-	(35,490)	(54,653)
Net outstanding 31 December 2024	13,018	-	-	13,018

USD'000s	Stage 1	Stage 2	Stage 3	Total
Loans:				
At beginning of the year	1,909	8,562	41,324	51,795
Transfer to stage 3	-	(8,511)	8,511	-
Provided during the year	398	-	11,255	11,653
Reversals during the year	(1,350)	(51)	(3,000)	(4,401)
Write off during the year	-	-	(2,834)	(2,834
Exchange movement	-	-	(603)	(603)
Balance as at 31 December 2024	957	-	54,653	55,610

iii. Movement in impairment provision including expected credit losses – Investment

USD'000s	Stage 1	Stage 2	Stage 3	Total
Investments:				
At beginning of the year	498	2,084	2,817	5,399
Transfer to stage 1	653	(653)	-	-
Provided during the year	237	40	-	277
Reversals during the year	(847)	(649)	-	(1,496)
Write off during the year	-	-	(2,817)	(2,817)
Balance as at 31 December 2024	541	822	-	1,363

iv. Movement in impairment provision including expected credit losses – Other Financial Assets and Off-Balance sheet exposures

USD'000s	Stage 1	Stage 2	Stage 3	Total
At beginning of the year	165	1	3,644	3,810
Provided during the year	115	-	-	115
Reversals during the year	(143)	(1)	-	(144)
Exchange difference	-	-	(222)	(222)
Balance as at 31 December 2024	137	-	3,422	3,559

v. Specific provision for impaired assets by geography and sector (Stage 3):

USD'000s	Other Middle East and Africa	Specific Provision
Banks	27,626	27,626
Corporate	43,467	30,449
Total	71,093	58,075

5.11 Renegotiated facilities

During the year ended 31 December 2024, an exposure amounting to US$ 32,181 thousand was renegotiated by the Group in collaboration with a consortium of banks, that is covered by a pool of assets as collateral.

As at 31 December 2024, the facility was classified in Stage 3 with a specific provision of US$ 19,163 thousand, representing a coverage of 60%. Further, US$ 2,410 thousand of interest earnings were suspended during the year.

6. Market risk - Pillar 3 disclosures

For allocating capital to market risks, the Group uses the Standardized Measurement Method for the measurement of market risk and capital allocation based on net open position of foreign currencies as defined under the Capital Adequacy module of CBB Rulebook:

USD'000s	Risk Weighted Exposures	Capital Charge	Maximum Value	Minimum Value
Foreign Exchange Risk	113	14	175	50

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, as Bahrain Dinars and GCC Currencies (except Kuwaiti Dinars) are pegged to US Dollars. The Group manages this risk through net open position limits established for each currency and monitoring net open currency positions on a daily basis.

7. Operational risk- Pillar 3 disclosures

Whilst operational risk cannot be eliminated in its entirety, the Group endeavours to minimize it by ensuring that a strong control infrastructure is in place throughout the organization. The various procedures and processes used to manage operational risk include effective staff training, appropriate controls to safeguard assets and records, regular reconciliation of accounts and transactions, close monitoring of risk limits, segregation of duties, and financial management and reporting. In addition, other control strategies, including business continuity planning and insurance, are in place to complement the procedures, as applicable.

The Group has in place an ORMF to manage and control its operational risk in a cost-effective manner within targeted levels of operational risk consistent with the Group's risk appetite. The ORMF defines minimum standards and processes, and the governance structure for the management of operational risk and internal controls.

The Group adopted the Basic indicator approach in line with CBB regulation to compute total capital charge in respect of operational risk which amounted to US$ 7,130 thousand on operational risk weighted exposure of US$ 57,038 thousand. This operational risk weighted exposure is computed using the Basic indicator approach, where a fixed percentage (Alpha), which is 15% of the average previous of three years' annual gross income (years with positive gross income are counted for computation of capital charge), is multiplied by 12.50 operational capital charge.

8. Pillar 2 Risk Disclosures

a) Credit concentration risk

Concentration risk is the credit risk stemming from not having a well-diversified credit portfolio, i.e. the risk inherent in doing business with large customers or being overexposed in particular industries or geographic regions. The Group has calculated the exposure concentration risk under Bank Pillar 2 capital framework using Herfindahl—Hirschman Index.

Under the CBB's single obligor regulations, banks incorporated in Bahrain are required to obtain the CBB's approval for any exposure to a single counterparty or group of connected counterparties exceeding 15% of the regulatory capital base.

As at 31 December 2024, the Group's exposure in excess of 15% of the obligor limits to individual

US$'000	On-Balance sheet exposure	Off-Balance sheet exposure	Total
Sovereign	610,357	-	610,357
Banks	556,37	-	556,377
Total	1,166,734	-	1,166,734

The Group has in place credit risk management policies as well as and monitoring tools to proactively assess exposure concentration risk. The Group has internal limits to monitor and control concentration in sectors, geography and counterparty. Regular reports are prepared and analysed to ensure that undesired concentrations are avoided.

b) Liquidity Risk

The Group maintains adequate liquid assets such as inter-bank placements, treasury bills and other readily marketable securities, to support its business and operations. The Group monitors the maturity profile of its assets and liabilities so that adequate liquidity is maintained at all times. The Group monitors the stability of its funding base on an ongoing basis by ensuring maintaining strong relationship with its key depositors. The Asset and Liability Committee ("ALCO") reviews the liquidity gap profile and the liquidity stress testing results and addresses strategic issues concerning liquidity risk.

As of December 31, 2024, the Group's NSFR stood at 178% and LCR is 408%. Refer Liquidity risk disclosures made under note 29 of consolidated financial statements for the year ended 31 December 2024. In accordance with Liquidity Risk Management module of CBB, the Group computes the NSFR and LCR and maintain these ratios at levels greater than 100% respectively.

c. Interest rate risk in Banking Book

The Group is exposed to interest rate risk because of mismatches or gaps in the amounts of assets and liabilities and off-balance sheet instruments that mature or re-price in a given period. The Group manages this risk by matching the re-pricing of assets and liabilities and monitoring the interest rate repricing gap by buckets. The Group measures its interest rate sensitivity by measuring the earnings at risk and change in economic value of equity due to a 200-bps parallel shock in interest rates. The ALCO regularly reviews the interest rate gap and sensitivity profile and takes decisions to ensure stability of interest income stream over time.

The following table demonstrates the sensitivity to 200 basis points increase in interest rates, with all other variables held constant, of the Group's Interim Consolidated Statement of Income for the year ended 31 December 2024:

	31 December 2024
Interest rate change	Sensitivity of net Interest income (in US$ '000)
+/- 200 bps	9,386

The details of interest rate sensitive assets and liabilities are as follows:

Interest Rate Risk Gap Report							
Balance Sheet Items (US$ 000)	Less than 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	Over one year	Non-Interest rate sensitive	Total
ASSETS							
Balances, deposits with banks and Treasury Bills	773,093	270,945	55,514	140,379	-	32,812	1,272,743
Investment portfolio	-	10,002	7,488	24,949	242,744	15,169	300,352
Loans and advances	42,953	71,487	-	14,806	17,165	9,976	156,387
Investment property	-	-	-	-	-	11,734	11,734
Interest receivable	8,801	6,377	1,708	1,774	-	-	18,660
Other assets and fixed assets	17	-	-	-	-	7,269	7,286
TOTAL (A)	**824,864**	**358,811**	**64,710**	**181,908**	**259,909**	***76,960***	**1,767,162**
LIABILITIES							
Deposits from bank and other financial institutions	329,633	110,000	153,901	147,063	-	46,233	786,830
Due to banks and other financial institutions	141,073	-	-	-	-	63,397	204,470
Due to customers	28,343	-	-	-	-	367,835	396,178
Interest payable	2,287	217	936	1,145	-	-	4,585
Other liabilities	-	-	-	-	-	12,657	12,657
TOTAL (B)	**501,336**	**110,217**	**154,837**	**148,208**	**-**	**490,122**	**1,404,720**
Interest Rate Gap (A-B)	323,528	248,594	(90,127)	33,700	259,909	(413,162)	362,442
Cumulative Gap	323,528	572,122	481,995	515,695	775,604	362,442	

d) Reputational Risk

Group relies upon a reputation for integrity in order to maintain its existing business and to pursue its strategies for growth and new business. The Group has no risk appetite for reputational risk and a number of initiatives are dedicated to the avoidance of reputational damage, including controls relating to maintaining regulatory compliance, anti-money laundering controls and data security.

Group has prepared a scorecard to evaluate reputational risk score based on guidance provided by CBB and Group's internal as well as external operating environment. The score derived from the scorecard is used to assess the capital requirements for reputational risk.

e) Strategic risk

Business / strategic risk primarily arises out of either wrong strategic direction and or wrong strategy/ business plan implementation that could have an adverse impact on the Group's profitability and capital positions. The Group has various monitoring mechanism including Key Performance Indicator, Performance Reports etc. It monitors on a periodic basis to assess any deviation from the approved business plans that could impact the Group's performance in terms of its profitability, asset growth, financial health etc. Further, strategic risk is managed through monthly reviews of performance versus budgeted performance and periodic reviews of the Group's performance and alignment with the strategic plan.

The Group quantifies the strategic and business risk based on earning volatility approach, comparing the volatility in budgeted vs actual gross income and gross cost of the Group, over a period of last 6 years. The earnings volatility is adjusted based on application of sustainability and contribution factors. The final adjusted volatility (value at risk) at a confidence level is annualized to estimate the Pillar 2 strategic risk capital

9. Other disclosures:

Related Party 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. The balances and transactions with the related parties are disclosed in note 27 of the consolidated financial statements for the year ended 31 December 2024.

Assets sold under recourse agreements:
The Group did not enter into any recourse agreement during the year ended 31 December 2024.

Equity positions in the banking book:
Nil

Leverage Ratio

US$ '000	31 December 2024
Total assets	1,767,162
Total off-balance sheet items - with relevant	8,771
Total	**1,775,933**
Tier One Capital	**359,676**
Leverage Ratio	**20.25%**

ALUBAF Arab International Bank B.S.C. (c)
Alubaf Tower-Al Seef District-Kingdom of Bahrain
P. O Box -11529 Tel: -17517722 Fax: 17540094
www.alubafbank.com