Annual General Meeting Booklet

16 March 2025

Kingdom of Bahrain

Tel: +973 1754 3000
Fax: +973 1753 3163

www.bank-abc.com

Bank ABC
P.O. Box 5698, Manama, Kingdom of Bahrain (CR: 10299)
Bank ABC (Arab Banking Corporation B.S.C.) is licensed as a conventional wholesale bank by the Central Bank of Bahrain

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Agenda

1. To approve the minutes of the past ordinary general meeting of the Bank dated 24 March 2024.
2. To consider and acknowledge the Report of the Auditors concerning the Consolidated Financial Statements for the financial year ended 31 December 2024.
3. To discuss and approve the Report of the Board of Directors about the activities of the Bank for the financial year ended 31 December 2024.
4. To discuss and approve the Consolidated Financial Statements for the financial year ended 31 December 2024.
5. To approve the recommendation of the Board of Directors for appropriation of profits for the financial year ended 31 December 2024 as follows:
   - 5.1 The transfer of US$28.5 million to the legal reserve.
   - 5.2 Cash payment of 2.75% dividend or US 2.75 cents for each outstanding share for approximately a total of US$85.1 million (net of treasury shares). The Cum-Dividend Date is 17 March 2025, Ex-Dividend Date is 18 March 2025, Record Date is 19 March 2025, Payment Date is 30 March 2025; and
   - 5.3 Transfer of the remaining balance of US$171.4 million to the retained earnings.
6. To discuss and approve the Corporate Governance Report for the year 2024 as per the requirements of the Central Bank of Bahrain.
7. To approve the renewal of the Directors' remuneration policy for a period of three years.
8. To ratify a remuneration of US$1,452,500 to the Members of the Board of Directors for the year 2024, subject to approval of the Ministry of Industry and Commerce.

9. To absolve the Directors from liability for the financial year ended 31 December 2024.
10. Subject to approval of the Central Bank of Bahrain, to re-appoint Messrs Ernst & Young as auditors of the Bank for the financial year ending 31 December 2025, and to authorise the Board of Directors to fix their remuneration.
11. Subject to the approval of the Central Bank of Bahrain, to appoint and elect the nine members of the Board of Directors for its fifteenth term for a new three-year term (2025-2028), with five members appointed and four nominated members elected.
12. Update on related party transactions pursuant to Article 189 (c) of the Commercial Companies Law and as set out in note 29 of the Consolidated Financial Statements for the financial year ended 31 December 2024.
13. Any other business under article 207 of the Commercial Companies Law.

Minutes of the previous meeting

(Arabic only)

محضر اجتماع الجمعية العامة العادية
للمؤسسة العربية المصرفية (ش.م.ب)
البحرين 24 مارس 2024م

عقدت الجمعية العامة لمساهمي المؤسسة العربية المصرفية (ش.م.ب) اجتماعها السنوي العادي **الكترونيا عبر منصة الاجتماعات الافتراضية زوم**، في **يوم الأحد الموافق 24 مارس 2024م** عند تمام الساعة **الثانية عشرة وعشر دقائق ظهرا** في المقر الرئيسي للمؤسسة بمملكة البحرين، وذلك للنظر في **جدول أعمالها** التالي: -

(1) التصديق على **محضر الاجتماع السابق** للجمعية العامة العادية الذي عقد بتاريخ 19 مارس 2023م.

(2) الاستماع إلى **تقرير السادة مراقبي الحسابات** عن القوائم المالية الموحدة للسنة المالية المنتهية في 2023/12/31م.

(3) مناقشة **تقرير مجلس الإدارة** عن نشاط البنك خلال السنة المالية المنتهية في 2023/12/31م والتصديق عليه.

(4) مناقشة **البيانات المالية** للسنة المنتهية في 2023/12/31م والمصادقة عليها.

(5) **المصادقة** على **توصية مجلس الإدارة بتخصيص صافي أرباح السنة المالية** المنتهية في 2023/12/31م على النحو التالي: -

1-5 تحويل مبلغ 23.5 مليون دولار أمريكي للاحتياطي القانوني.

2-5 توزيع أرباح نقدية على المساهمين بواقع 2,25% عن كل سهم متداول (من دون أسهم الخزانة) قدرها 2.25 سنت أمريكي للسهم الواحد، والبالغة إجمالياً حوالي 70 مليون دولار أمريكي. آخر يوم تداول لاستحقاق الأرباح 25 مارس 2024م، تاريخ تداول السهم بدون استحقاق 26 مارس 2024م، يوم الاستحقاق 27 مارس 2024م، ويوم الدفع 10 أبريل 2024م.

3-5 تحويل الرصيد المتبقي وهو حوالي 142.3 مليون دولار أمريكي إلى حساب الأرباح المبقاة.

(6) مناقشة **تقرير حوكمة الشركات لسنة 2023م** والتزام البنك بمتطلبات مصرف البحرين المركزي والمصادقة عليه.

(7) المصادقة على **مكافأة أعضاء مجلس الإدارة** لسنة 2023م البالغة **1,206,667 دولار أمريكي**، وذلك بعد أخذ موافقة السادة وزارة الصناعة والتجارة.

(8) إبراء **ذمة أعضاء مجلس الإدارة** عن تصرفاتهم خلال السنة المالية المنتهية في 2023/12/31م.

(9) النظر في **إعادة تعيين السادة (أرنست ويونغ) كمدققين لحسابات البنك** للسنة المنتهية في 31 ديسمبر 2024م بعد أخذ موافقة السادة مصرف البحرين المركزي وتخويل مجلس الإدارة بتحديد أتعابهم.

(10) **المصادقة** على تعيين **الدكتور خالد كعوان** كعضو مجلس إدارة في مجلس إدارة البنك.

(11) إطلاع الجمعية العامة على **المعاملات مع الأطراف ذات العلاقة** حسب المادة 189(ج) من قانون الشركات التجارية وكما هو وارد في الإيضاح رقم 28 من القوائم المالية الموحدة للسنة المالية المنتهية في 2023/12/31م.

(12) **ما يستجد من أعمال طبقاً** لنص **المادة 207** من قانون الشركات التجارية.

عملا بأحكام **المادة 42/أ** من النظام الأساسي للمؤسسة، تولى **رئاسة الاجتماع السيد/ الصديق عمر الكبير بصفته رئيسا لمجلس الإدارة**، كما تم تكليف السيد/ **عبد الخالق شايب** بمهام **أمين سر الجمعية العامة** بناء على اقتراح من السيد رئيس الجمعية وموافقة الجمعية وذلك في حضور كل من: -

السيد/ محمد عبدالرضا سليم	نائب رئيس مجلس الإدارة
د. طارق يوسف المقريف	عضو مجلس الإدارة
د. خالد كعوان	" " "
د. إبراهيم الدنفور	" " "
السيد/ عبد الله الحميضي	" " "
السيد/ خليل نورالدين	" " "
السيد/ أشرف مختار	" " "
السيد/ صائل الوعري	الرئيس التنفيذي للمجموعة

الآنسة/ ريان علي	عن **مصرف البحرين المركزي**
الآنسة/ زهراء محفوظ	" " " "
السيدة/ ندى ناصر الذوادي	عن **وزارة الصناعة والتجارة**
السيد/ سنان الشروقي	عن **بورصة البحرين**
السيدة/ نور الهاجري	" " " "

السيد/ كاظم ميرشانت	السادة **أرنست ويونغ** (مدققي الحسابات)
السيد/ جواد صديقي	" " " "
السيد/ هاني الشيخ	عن **مسجلي الأسهم** كفين تيكنولوجيز(البحرين) ذ.م.م
السيد/ طارق حسن المدوب	" " " "

بعد أن **رحب السيد رئيس الجمعية** بالأصالة عن نفسه ونيابة عن مجلس الإدارة والمؤسسة بالسادة المساهمين ومندوبي الجهات الرسمية وبقية السيدات والسادة الحضور، شاكرا لهم حسن تلبية الدعوة ... تم **توجيه الشكر للدكتور فاروق العقدة الذي غادر مجلس الإدارة في يوليو 2023م تقديرا لما بذله من جهد مخلص خلال فترة عضويته، والترحيب بالدكتور خالد كعوان عضواً جديدا في مجلس الإدارة خلفا للدكتور فاروق العقدة**... ليتم بعد ذلك التأكد من **توافر النصاب القانوني** لصحة الاجتماع بحضور عدد من السادة المساهمين الممثلين أصالة أو نيابة **بنسبة** بلغت 93.42% من رأس المال المدفوع.

شرعت الجمعية العامة على إثر ذلك في **مداولة بنود جدول أعمالها**، حيث انتهت منه إلى اتخاذ جملة القرارات والإجراءات التالية: -

البند الأول :- **التصديق على محضر الاجتماع السابق للجمعية العامة العادية الذي عقد بتاريخ 19 مارس 2023م.**

أفادت الجمعية العامة العادية باطلاعها على محضر اجتماعها السابق والذي عقد بتاريخ 19 مارس 2023م بحسب الوارد في كتيب الجمعية الموزع على السادة المساهمين، حيث **أخذت علما بمحتوياته وصادقت عليه** كما تم تقديمه.

البند الثاني :- **الاستماع إلى تقرير السادة مراقبي الحسابات عن القوائم المالية الموحدة للسنة المالية المنتهية في 2023/12/31م.**

استمعت الجمعية العامة لتقرير السادة مراقبي الحسابات (السادة ارنست ويونغ) عن نشاط مجموعة المؤسسة خلال السنة المالية المنتهية في 2023/12/31م، حيث **أخذت علما بمحتوياته.**

البند الثالث :- **مناقشة تقرير مجلس الإدارة عن نشاط البنك خلال السنة المالية المنتهية في 2023/12/31م والتصديق عليه.**

أفادت الجمعية العامة **باطلاعها** على تقرير مجلس الإدارة عن نشاط مجموعة المؤسسة خلال السنة المالية المنتهية في 2023/12/31م بحسب الوارد في كتيب الجمعية الموزع على السادة المساهمين، حيث **أخذت علما بمحتوياته وصادقت عليه.**

البند الرابع :- <u>**مناقشة البيانات المالية للسنة المنتهية في 2023/12/31م والمصادقة عليها.**</u>

طلب السيد رئيس الجمعية من الرئيس التنفيذي للمجموعة **عرض البيانات المالية** للسنة المنتهية في 31 ديسمبر 2023م **(أ)** ليفتح بعدها **باب النقاش** أمام السادة المساهمين **(ب)**.

أ- <u>عرض الرئيس التنفيذي</u>: -

1- تناول الرئيس التنفيذي للمجموعة **عرض البيانات المالية للسنة المالية المنتهية في 31 ديسمبر 2023م،** كما سلط الضوء على إنجازات البنك وأدائه المالي الموّحد خلال هذا العام ورسم التوجه الاستراتيجي لعام 2024م، حيث **ذَكَّر** الرئيس التنفيذي للمجموعة السادة المساهمين **بالعوامل الرئيسية التي تضافرت مع بعضها لتكمل أداء المجموعة القوي عبر أسواقها**... ليوضح أن **أداء البنك المميز خلال عام 2023** جاء على الرغم من تقلبات السوق والتضخم العالمي والضغوط على أسعار الفائدة والأوضاع الجيوسياسية المضطربة في المنطقة، ويعود الفضل في تحقيق هذا النجاح إلى العمل الدؤوب والابتكار المستمر من قبل موظفي المؤسسة، كما **حققت المؤسسة مستويات غير مسبوقة بالنسبة للإيرادات السنوية والموجودات**، وشهدت ارتفاعًا ملحوظًا على أساس سنوي في الأرباح الصافية والعائد على حقوق الملكية، محافظًة على النمو المطرد والقوي في عملياتها، كما شهدت المؤسسة نموًا كبيرًا في أعمالها الأساسية، وقطعت شوطًا كبيرًا في تنفيذ المبادرات الاستراتيجية الرئيسية، بما في ذلك برنامج التحول الرقمي وعملية دمج بنك بلوم مع بنك ABC مصر ... لافتا إلى أن **عام 2023 شهد عمومًا تحقيق قيمة استثنائية غير مسبوقة لمساهمي المؤسسة** بينما تمضي المجموعة في طريقها نحو رؤيتها لتكون بنك المستقبل الدولي لمنطقة الشرق الأوسط وشمال أفريقيا .

2- أوضح الرئيس التنفيذي للمجموعة للسادة المساهمين أن **النشاط الاقتصادي جابه عبر أسواق المؤسسة الأساسية وشبكة أعمالها سلسلة من الاضطرابات العالمية**، وذلك إلى جانب تضييق الخناق بشكل كبير على السياسات الاقتصادية، لافتا إلى أنه وفقًا لصندوق النقد الدولي، **سجل النمو العالمي تراجعًا من 3.5% في عام 2022 إلى 3.1% في عام 2023،** ممثلًا نسبة أقل من المتوسط التاريخي البالغ 3.8% نتيجة للتضخم المستمر وارتفاع أسعار الفائدة، حيث إنه من المتوقع أن ينخفض النمو العالمي بشكلٍ طفيفٍ في 2024 عند 2.8% (من 3.1% في 2023). كما **شهد الاقتصاد العالمي هذا العام تباطؤًا ملحوظًا في منطقة الشرق الأوسط وشمال أفريقيا** إلى ما يقدر بنحو 2.0%، مقارنة مع 5% في عام 2022 مع توقع بأن يتحسن النمو في منطقة الشرق الأوسط وشمال أفريقيا إلى 3.4% (من بنحو 2.0% في 2023م). ويرجع هذا التباطؤ إلى مجموعة من العوامل المختلفة منها انخفاض إنتاج النفط في دول أوبك والسياسات النقدية الصارمة، بالإضافة إلى المشاكل المحلية الخاصة بكل دولة. وفي الوقت الذي بدأ فيه التضخم بالانحسار عالميًا، استمرت حالة التباينات الكبيرة بين اقتصادات المنطقة المتنوعة، حيث حافظ بعضها على قوته واستقراره، بينما واجهت اقتصادات أخرى تحديات أكبر نظرًا لحالة عدم اليقين التي سادت في المنطقة

3- أما **بشأن الأداء المالي للمجموعة للعام 2023م**، أوضح الرئيس التنفيذي للمجموعة أن العام 2023م شهد نموًا بارزًا في أصول أعمال المؤسسة الأساسية مدعومًا ببيئة معدلات فائدة متزايدة وأول دمج لنتائجنا للسنة المالية بشكل كامل مع بنك بلوم مصر، وقد أدى ذلك إلى **زيادة الإيرادات التشغيلية بنسبة 16% على أساس سنوي ليصل إلى مستوى قياسي بلغ 1.3 مليار دولار أمريكي**، وهذا العام هو العام الثاني على التوالي **الذي يتجاوز فيه إجمالي الدخل التشغيلي للمجموعة حاجز المليار دولار أمريكي** مع توقع مزيد من النمو الملحوظ...لافتا إلى أنه مع أداء طيب ساهمت فيه كل وحدات المؤسسة مستفيدة من انتعاش أنشطة البنك في أسواقه العالمية (بالذات الأساسية) وإدارة تكلفة الاستثمار بكفاءة وفاعلية، فضلا على الحرص على ترشيد التكاليف والتحكم في تكلفة المخاطر، كل ذلك **مكن من تحقيق قفزة قوية في صافي ربحية** هذا العام **بنسبة 53% لتصل إلى 235 مليون دولار أمريكي (مقابل 154 مليون دولار أمريكي في عام 2022)**، كما **نما العائد على حقوق الملكية بأكثر من 2% على أساس سنوي ليصل إلى 5.8%**، بينما بقيت السيولة ورأس المال عند مستويات جيدة، كما زادت ربحية السهم الواحد لعام 2023 بأكثر من 50% على أساس سنوي لتصل إلى 0.07 دولار أمريكي. ومن جهة أخرى، فقد انخفضت **نسبة التكلفة إلى الدخل بمقدار 3% إلى 59.7%** (مقارنة بـ 62.7% في عام 2022م)، وذلك بفضل استمرار المجموعة في تطبيق سياسة ضبط التكاليف مع الاستمرار في ضخ الاستثمارات في وحداتها الرقمية والمبادرات الاستراتيجية الأخرى... ملاحظا أنه **بعد استثناء الاستثمارات الرقمية، بلغت نسبة التكلفة إلى الدخل 54.2%**، وهي نسبة جيدة مقارنة ببنوك الجملة الدولية الأخرى.

4- بالمقابل أكد الرئيس التنفيذي للمجموعة على **محافظة الميزانية العمومية للبنك على قوتها**، حيث تجاوز **اجمالي الموجودات حاجز الـ 40 مليار دولار أمريكي في نهاية 2023م لتبلغ 44 مليار دولار أمريكي**، بارتفاع بنسبة 20% مقارنة مع **36.6** مليار دولار أمريكي في نهاية عام 2022، ويرجع ذلك أساسًا إلى التوازن الجيد بين نمو القروض والأوراق المالية والأصول السائلة، علاوة على محافظة المؤسسة على مستويات قوية بالنسبة لجميع مقاييس مستويات رأس المال والسيولة، مما مكننا من الحفاظ على مسار النمو.

5- أما **مستويات كفاية رأس المال فقد حافظت** على قوتها، حيث لا يزال البنك يتمتع بميزانية عامة قوية مع نسب رأس المال ونسب سيولة أعلى بكثير من المتطلبات التنظيمية: إذ **بلغت نسبة الفئة الأولى من رأس المال 13.5%**، كما حافظت مستويات السيولة على قوتها حيث **بلغت تغطية السيولة 278% ونسبة السيولة المستقرة الصافية 128%**.

6- وفي ضوء **استراتيجية بنك ABC في السعي لتحقيق نمو خارجي**، أوضح الرئيس التنفيذي للمجموعة أن المؤسسة أكملت المرحلة الأخيرة من عملية الدمج الهامة جداً بين **بين بنك بلوم مصر وبنك المؤسسة التابع في مصر** خلال عام 2023... موضحا أنه بعد الحصول على الموافقات الرقابية للدمج القانوني، تركزت الجهود الحثيثة في عام 2023 على دمج الأنظمة والعمليات التشغيلية لاستكمال دمج كل من البنكين... حيث تمكنت المؤسسة من الانتهاء من الخطوة الأخيرة في عملية الدمج، وهي **نقل جميع عملاء التجزئة إلى منصة تكنولوجية وتشغيلية موحدة بنجاح وسلاسة** في شهر فبراير من هذا العام، ومع اكتمال

عملية الدمج، نتطلع إلى تعزيز وجودنا في السوق المصرية وزيادة حصتنا السوقية للاستفادة من الفرص الواعدة التي تقدمها هذه السوق لتحقيق طموحاتنا في النمو لبناء مركز نفوذ مصرفي في هذا السوق ذو الأهمية الجوهرية في منطقة الشرق الأوسط وشمال إفريقيا.

7- **استعرض** الرئيس التنفيذي للمجموعة ملامح الخطة الإستراتيجية المستحدثة للسنوات 2024-2026 والتي وافق عليها مجلس الإدارة في يوليو 2023م، موضحا أنها ترتكز على تحقيق أهداف أساسية محددة ضمن ثلاثة محاور رئيسية: **المحور الأول** يركز على **تسريع الأداء الأساسي في صيرفة الجملة، والخزانة، والتجزئة، إضافة إلى تواجدنا في البرازيل**، وذلك لخلق قيمة ملموسة على المدى القريب. **المحور الثاني** يركز على "**تعزيز قيمة الوحدات الرقمية، بما في ذلك منصة شركة الخدمات المالية العربية AFS وبنك "إلى"**، لتحقيق عوائد مجزية للمساهمين على المدى الطويل. **المحور الثالث** يركز على **"تعزيز النموذج التشغيلي"**. يركز هذا المحور على تعزيز مجموعة من المبادرات لتطوير نظام إدارة المعلومات والبيانات وهندسة التكنولوجيا، وتحسين إدارة الأداء وتعزيز ثقافة المؤسسة. لافتا إلى أن المؤسسة تؤمن بأن التركيز الجاد على هذه العناصر سيمكّن من تحقيق أول محورين من الإستراتيجية بنجاح... مشددا على أنه لا يمكن لأي خطة استراتيجية أن تُعتبر ناجحة دون تنفيذ فعّال بالطبع، حيث تأتي خطة التنفيذ السريع المفصّلة على رأس أولوياتنا، فقد قمنا بإنشاء مكتباً مختصا لمتابعة التحول الإستراتيجي للمجموعة.

8- أما على صعيد **التحوّل الرقمي**، فإن برنامج رقمنه قطاع صيرفة الجملة للمجموعة في إطلالته الجديدة يقدم واجهة جديدة لعملائنا، وذلك لتهيئة العملاء الجدد من الشركات والمؤسسات المالية من خلال **إطلاق منصتين رقميتين جديدتين** في مجال خدمات المعاملات الدولية، وذلك لتوفير تجربة مصرفية مرنة وسهلة تلبي احتياجات العملاء حول العالم. وبالإضافة إلى ذلك **فقد استمر البنك الرقمي الذي أطلقناه والمتاح عبر الهاتف المحمول فقط - بنك "إلى" - في التميز**، محققا بنك "إلى" عامًا آخر من النمو الاستثنائي في البحرين، حيث شهدت حركة المعاملات نموًا بنسبة 56٪، كما ارتفع عدد العملاء بنسبة 38٪، وارتفعت الودائع بنسبة 40٪، كما أطلق بنك "إلى" أيضًا خدمة "**البُراق**" في البحرين، وهي خدمة مصرفية رقمية للأفراد متوافقة مع أحكام الشريعة الإسلامية، وأطلق أيضًا **بطاقات الدفع المسبق** بعملة الدينار البحريني، والتي تمكن العملاء وتمنحهم مرونة مالية أكبر. ومن ناحية أخرى، **فقد حققت شركة الخدمات المالية العربية التابعة للمجموعة والمتخصصة في مدفوعات التكنولوجيا المالية نجاحات متعددة** تقدما مطردا في استراتيجيتها التي تركز على توسيع بصمتها الجغرافية، وزيادة حصتها السوقية في أعمال الاستحواذ التجارية الرائدة في البحرين وسلطنة عمان، ومواصلة التقدم في طرحها في مصر مع التركيز على المراحل الأولى من الاستحواذ في ليبيا والإمارات العربية المتحدة. بالإضافة إلى ذلك، أطلقت شركة الخدمات المالية العربية برنامج مالكات الشركات الصغيرة والمتوسطة بالتعاون مع فيزا لإطلاق بطاقات مسبقة الدفع للشركات في البحرين وعمان. بينما لا يزال التوسع في مصر على رأس أولوياتها الاستراتيجية، حيث شهدت محفظة قبول المدفوعات الخاصة بشركة الخدمات المالية العربية توسعًا في عام 2023 من خلال تقديم ابتكارات رئيسية مثل AFS Pay 2.0 و AFS One.

9- وبعد أن أثنى الرئيس التنفيذي للمجموعة على دعم كبار المساهمين للبنك والعلاقة المهنية الطيبة مع السلطات الرقابية في أسواق عمل المؤسسة وكذلك محافظة المؤسسة على جدارتها الائتمانية من وكالات التصنيف الدولية، أوضح أن هذه الجهود لاقت أيضا الاعتراف من المراقبين خاصة في مجال الابتكار وتمويل التجارة الدولية، أساس برامج المؤسسة الاستراتيجية، حيث حصلت مبادرات المؤسسة في هذا المجال على **العديد من الجوائز** بما في ذلك جائزة "**أفضل بنك في البحرين للعام 2023**" من مجلة ذا بانكر المرموقة، وهي المرة الثالثة التي يفوز فيها بنك ABC بهذه الجائزة. كما حصدنا جائزة "**أفضل بنك لتمويل التجارة الدولية في منطقة الشرق الأوسط**" من مجلة جلوبال فاينانس، وجائزة **"أفضل بنك للشركات في البحرين"** المقدمة من مجلة يوروموني. كما حصل البنك على جائزة "**البنك الرائد في السوق في مجال الخدمات المصرفية للشركات**"، وجائزة "**البنك الرائد في الحلوق الرقمية**"، وتم الاعتراف بجهود البنك في المجال البيئي والاجتماعي والحوكمة – من جوائز يوروموني للرواد في السوق. كما حصلت "مختبرات ABC" المبتكرة على جائزة "**أفضل مختبرات الابتكار المالي في العالم** من مجلة جلوبال فاينانس. أما بنك ABC الإسلامي، الذراع الإسلامي لبنك ABC، فقد حصل على جائزة "**أفضل مؤسسة مالية إسلامية في البحرين**" من مجلة جلوبال فاينانس ضمن جوائز أفضل المؤسسات المالية الإسلامية في العالم. وتقديرًا لإمكاناتنا في مجال التمويل الإسلامي التقليدي المهيكل، فزنا بعدد من جوائز **السندات والقروض والصكوك في الشرق الأوسط**. كما حصلنا على جائزة "**أفضل مقدم لإدارة النقد في تونس**" من مجلة جلوبال فاينانس، تقديرًا لقدراتنا في إدارة السيولة. إلى جانب ذلك، وفي جوائز جلوبال فاينانس لأفضل البنوك الرقمية العالمية، حصد **بنك "إلى" جميع الجوائز الست،** بما في ذلك جائزة "**أفضل مصرف رقمي للأفراد في البحرين للعام 2023**" للعام الثالث على التوالي.

10- أكد الرئيس التنفيذي للمجموعة أن **جهود المؤسسة لم تتوقف عند شركائها في العمل انما امتدت إلى الجمهور**، حيث التزمت المؤسسة بالدفع بمبادراتها في مجالات الاستدامة، حيث **وضعت المؤسسة استراتيجية استدامة شاملة وواضحة تستند إلى خمسة مبادئ توجيهية**: الحوكمة، والعمليات، وإدارة المخاطر، والتمويل المستدام، والأفراد، والمجتمعات، لافتا إلى أنه لدفع جهود الاستدامة، تم إنشاء إدارة جديدة للاستدامة بموارد متخصصة. وقد وضعت هذه الإدارة خطة عمل تمتد لثلاث سنوات لترسيخ الممارسات المستدامة في صميم أعمال المجموعة.

قدم الرئيس التنفيذي للمجموعة **لمحة عن تطور العمل في هذه المجالات ...** موضحا فيما يخص **مجال الحوكمة**، أنه تم تطوير إطار عمل فعال يشمل إشرافًا قويًا من مجلس الإدارة، مع وضع أهداف واضحة للمجموعة لخفض التأثير البيئي وتعزيز تأثيرنا الاجتماعي. أما فيما يتعلق **بمجال العمليات وإدارة المخاطر**، فقد قامت المؤسسة – من بين جملة أمور – بقياس انبعاثات غازات الدفينة من ضمن الفئة 1 و 2 و3 (Scope 1,2, & 3 Greenhouse gas emission) بما في ذلك الانبعاثات من المُوردين والتي بلغت 75% من اجمالي انبعاثات المجموعة... موضحا أن المؤسسة تركز أيضاً من خلال الأعمال المصرفية الرئيسية على استهداف فرص التمويل الأخضر والمستدام بشكل استباقي، حيث حققت المؤسسة في عام 2023 تمويلات مستدامة sustainable finance بقيمة 4.2 مليار دولار، أي أكثر من

9٪ من إجمالي الأصول، وقد تم تسجيل أكثر من 90٪ من التمويل المستدام في البلدان النامية.

وعلى صعيد أجندة التنوع والإنصاف والشمول، أوضح الرئيس التنفيذي للمجموعة أن المؤسسة عززت من نهجها في التنوع والإنصاف والشمول DE&I كأولوية. اذ تبلغ نسبة التناسب بين الجنسين في البنك 34٪ في عام 2023، وهي نسبة متحسنة عن عام 2022. وكدليل على التزام بنك ABC تجاه اجندة التنوع، فقد أعلنا مؤخرا عن زيادة بنسبة 50٪ في إجازة الأمومة في البحرين لتصل إلى 90 يوما، وعلى **صعيد المسؤولية المجتمعية**، فقد أنجزت المؤسسة خلال عام 2023 أكثر من **50 مبادرة هادفة لمسؤولية البنك المجتمعية على مستوى المجموعة**، والتي تتماشى مع أهداف الأمم المتحدة للتنمية المستدامة، حيث بلغ إجمالي الاستثمار المجتمعي 5.1 مليون دولار في عام 2023، أي ما يعادل 2.2٪ من صافي الربح... لافتا إلى أن المؤسسة لم يقتصر التزامها بالاستدامة على الجوانب البيئية والرقابية فحسب، وإنما **بادرت المجموعة بالاستجابة للكوارث الطبيعية التي ضربت المنطقة**، حيث قدمت الدعم والتبرعات السخية للمساعدة في أعمال الإغاثة جراء الفيضانات المدمرة التي اجتاحت ليبيا (درنة) والزلازل المدمرة التي ضربت تركيا وسوريا. ولأول مرة، أفاد الرئيس التنفيذي للمجموعة أيضًا أنه سيتم **إعداد تقرير استدامة شامل للمجموعة**، يتناول الإنجازات والخطط والمؤشرات الرئيسية بشكل مفصل، حيث إنه من المقرر نشر هذا التقرير خلال الربع الثاني من هذا العام.

-11 أفاد الرئيس التنفيذي للمجموعة أنه **من المتوقع أن تؤدي التوترات الجيوسياسية المتصاعدة إلى زيادة الضغوط الاقتصادية** على الاقتصادات الأكثر هشاشة في المنطقة. مع تراجع التضخم، من المحتمل أن يتغير مسار معدلات الفائدة في العديد من الأسواق، مما يظهر مشكلات في إعادة التسعير وفرصًا لإعادة التمويل. بينما سيتم تطبيق تعليمات مصرفية جديدة حول رأس المال وتغير المناخ، حيث ستؤثر جميع هذه العوامل على بيئة المنافسة... لافتا إلى أنه على الرغم من هذه التحديات، يثق بنك ABC بقدرته على الاستفادة من نقاط قوته وتحقيق معدلات نمو متسارعة للمضي قدمًا نحو أهدافه، حيث تهدف استراتيجية المجموعة الجديدة التي تمت الموافقة عليها مؤخرًا إلى تحقيق قيمة مستدامة على المدى القصير والطويل لمساهمينا. كما سنواصل التركيز على كفاءة رأس المال وتعزيز قدرات الميزانية العامة مستفيدين من التقدم الإيجابي لمحفظة الأعمال القوية التي حققناها في عام 2023. كما سنستمر في الاستثمار في قدراتنا الرقمية ومنصاتنا التكنولوجية، ما يضع بنك ABC في مقدمة الموفرين لتقنيات الذكاء الاصطناعي والتكنولوجيات الأخرى في مجال البيانات والمنتجات والخدمات المالية، لتحقيق كفاءة ومرونة وأداء أفضل على مستوى المجموعة.

ب- نقاش المساهمين: -

فتح **باب النقاش** أمام السادة المساهمين، حيث **طرحت مجموعة من الأسئلة والمقترحات تناولت في أهمها فرص ادراج أسهم المؤسسة في أسواق أخرى** لتحسين سعر السهم، وإمكانية **توزيع نسبة أرباح نقدية أكبر**، وأخيرا **التغيرات المتراكمة في القيمة العادلة** في بند الاحتياطيات الأخرى، وذلك كما يلي: -

1- **تساءل أحد السادة المساهمين** عن فرص ادراج أسهم المؤسسة في أسواق مالية أخرى لتحسين سعر السهم، لا سيما وأن سعر السهم متوقف عند 0،32 سنت أمريكي للسهم الواحد وهو ما لا يعكس أداء البنك المميز وربما يعزى ذلك لشح السيولة في السوق البحرينية، حيث **أجاب** الرئيس التنفيذي للمجموعة أن المؤسسة مدركة بأن إدراج الأسهم في أسواق مالية متعددة يمكن أن يزيد من السيولة الخاصة بالأسهم، مما يعني أنه سيكون هناك عدد أكبر من المشترين والبائعين، ومن شأن ذلك أن يسهل على المساهمين شراء أو بيع الأسهم، وبالتالي المساهمة في تحسين سعر السهم... موضحا أن تركيبة مساهمي المؤسسة تجعل من الصعوبة بمكان زيادة السيولة في المتبقي من الأسهم بعد احتساب أنصبة كبار المساهمين (البالغة حوالي 90%)... لافتا إلى أن المؤسسة ما زالت **تدرس خيارات ادراج أسهمها للتداول في بورصة أو أسواق مالية إضافية بجانب بورصة البحرين لتحسين سعر السهم**... لافتا إلى أنه مع ذلك فإن سعر السهم ارتفع من 0،22 سنت أمريكي للسهم الواحد إلى السعر الحالي 32 سنت أمريكي للسهم الواحد وهو ما يعكس الأداء القوي للبنك خلال عام 2023م.

2- وفي **تساؤل** لمساهم لآخر حول **إمكانية توزيع نسبة أرباح نقدية أكبر** وبالأخص أسباب توزيع أرباح بقيمة حوالي 70 مليون دولار أمريكي على المساهمين في حين أنه سيتم تحويل مبلغ وقدرة 142،3 مليون دولار أمريكي إلى حساب الأرباح المبقاة ، **أجاب** الرئيس التنفيذي للمجموعة أن المؤسسة دائما تسعى الى الموازنة بين مصالح المؤسسة ومصالح مساهميها... لافتا إلى أن توصية مجلس الإدارة لتوزيع أرباح هذا العام أعلى بواقع 2,25% عن كل سهم متداول (من دون أسهم الخزانة) قدرها 2.25 سنت أمريكي للسهم الواحد مقارنة بـ 1.5 سنت لكل سهم للعام الماضي، حيث إن اجمالي المبلغ ارتفع بنسبة 50% من 40 مليون دولار العام الماضي إلى حوالي 70 مليون دولار مما يشكل 30% من صافي أرباح 2023م على أن يتم الاحتفاظ بباقي المبلغ وقدره 142.3 مليون دولار كأرباح مبقاة في الاحتياطيات... مختتما أن الحفاظ على معدل توزيع الأرباح بنسبة تقارب 30% يسمح للمؤسسة بتحقيق نمو مستدام مع المحافظة على قوة الميزانية العامة.

3- أما بشأن تساؤل ذات المساهم حول **التغيرات المتراكمة في القيمة العادلة** في بند الاحتياطيات الأخرى وسبب عدم تطابق الفرق بين السنة الماضية والحالية على صعيد (التغير في الاحتياطيات الأخرى 23 مليون دولار أمريكي مع التغيرات المتراكمة في القيمة العادلة 13 مليون دولار أمريكي، **أوضح** الرئيس التنفيذي للمجموعة أن عام 2024 شهد تغييرات في القيمة العادلة حيث ارتفعت بمقدار 35 دولار أمريكي بينما انخفضت القيمة العادلة بمقدار 12 دولار أمريكي نتيجة لتحويل الصرف الأجنبي، مما نتج عنه صافي زيادة قدرها 23 دولار أمريكي.

وفي النهاية، **شكر السادة المساهمون الإدارة التنفيذية** للمؤسسة على تميز العرض وشمول الإجابات، متمنين لهم دوام التوفيق.

وبعد هذه النقاشات والمداولات **صادقت الجمعية العامة** على البيانات المالية عن السنة المالية المنتهية في 31 ديسمبر 2023م كما **تم تقديمها**.

البند الخامس :- المصادقة على توصية مجلس الإدارة بتخصيص صافي أرباح السنة المالية المنتهية في 2023/12/31م على النحو التالي:

1-5 تحويل مبلغ 23.5 مليون دولار أمريكي للاحتياطي القانوني.

2-5 توزيع أرباح نقدية على المساهمين بواقع 2,25% عن كل سهم متداول (من دون أسهم الخزانة) قدرها 2.25 سنت أمريكي للسهم الواحد، والبالغة إجمالياً حوالي 70 مليون دولار أمريكي. آخر يوم تداول لاستحقاق الأرباح 25 مارس 2024م، تاريخ تداول السهم بدون استحقاق 26 مارس 2024م، يوم الاستحقاق 27 مارس 2024م، ويوم الدفع 10 أبريل 2024م.

3-5 تحويل الرصيد المتبقي وهو حوالي 142.3 مليون دولار أمريكي إلى حساب الأرباح المبقاة.

اطلعت الجمعية العامة على الأرباح الصافية للسنة المالية المنتهية في 2023/12/31م والبالغة 235 مليون دولار أمريكي، وكذلك التوصية المرفوعة إليها من مجلس الإدارة **بتوزيع أرباح نقدية على المساهمين عن السنة المالية المنتهية في 2023/12/31 بواقع 2,25% عن كل سهم متداول (من دون أسهم الخزانة)، والبالغة إجمالياً حوالي 70 مليون دولار أمريكي**.

وإثر المداولة: -

"**قررت الجمعية العامة: -**

1- تحويل مبلغ 23.5 مليون دولار أمريكي للاحتياطي القانوني.
2- توزيع أرباح نقدية على المساهمين بواقع 2,25% عن كل سهم متداول (من دون أسهم الخزانة) قدرها 2.25 سنت أمريكي للسهم الواحد، والبالغة إجمالياً حوالي 70 مليون دولار أمريكي. آخر يوم تداول لاستحقاق الأرباح 25 مارس 2024م، تاريخ تداول السهم بدون استحقاق 26 مارس 2024م، يوم الاستحقاق 27 مارس 2024م، ويوم الدفع 10 أبريل 2024م.
3- تحويل الرصيد المتبقي وهو حوالي 142.3 مليون دولار أمريكي إلى حساب الأرباح المبقاة.

البند السادس :- مناقشة تقرير حوكمة الشركات لسنة 2023م والتزام البنك بمتطلبات مصرف البحرين المركزي والمصادقة عليه.

1- **طلب السيد رئيس مجلس الإدارة** من أمين سر الجمعية إطلاع الجمعية العامة على ملخص بنظام الحكم المؤسسي بالمؤسسة العربية المصرفية ومدى التزام المؤسسة بأحكامه، حيث قام أمين سر الجمعية باطلاع السادة أعضاء الجمعية العامة **بالجهود** المبذولة من المؤسسة للامتثال لأفضل مبادئ الحكم المؤسسي المعتمدة عالميا، بما في ذلك القواعد النافذة بمملكة البحرين في هذا الخصوص، مؤكدا أن المؤسسة العربية المصرفية تتبع أفضل إرشادات الحكم المؤسسي ومبادئ الممارسات المعتمدة عالميا ولديها نظام للحكم المؤسسي يوفر إطارا يتسم بالفعالية والشفافية في ممارسة الرقابة الداخلية على نحو منصف.

2- **أضاف** أمين سر الجمعية بأن المؤسسة تحرص على الافصاح عن المعلومات الهامة بدقة ووضوح إلى المساهمين وأصحاب المصالح المعنيين عن طريق عدة قنوات تشمل الموقع الالكتروني الذي يتم تحديثه بصورة منتظمة مع إصدارها لتقارير سنوية ونصف سنوية وفصلية بشأن الأرباح والأداء المالي.

3- أما على صعيد **أهم التغييرات الأخيرة** التي تمت خلال العام 2023م في هذا الشأن أفاد أمين سر الجمعية بما يلي: -

- في عام 2023م، لم تكن هناك تغييرات جوهرية على ميثاق الحكم المؤسسي. ومع ذلك، كانت هناك بعض التغييرات على ميثاق لجنة التدقيق، وميثاق لجنة الامتثال، وميثاق لجنة المخاطر، وذلك بشكل أساسي لمواءمة هذه المواثيق مع التعديلات التي تم إجراؤها على الدليل الإرشادي الخاص بمستويات الرقابة العليا في أبريل 2023م، والتي دخلت حيز التنفيذ اعتبارًا من 1 أكتوبر 2023م.

4- **وفي الختام** أحال أمين سر الجمعية السادة المساهمين الكرام الى تقرير المؤسسة للحكم المؤسسي الموجود ضمن وثائق الجمعية العامة والذي تم توزيعه ويمكن الرجوع اليه في الصفحة 132 من الكتيب.

البند السابع :- المصادقة على مكافأة أعضاء مجلس الإدارة لسنة 2023م البالغة 1.206.667 دولار أمريكي عن عام 2023م، بعد أخذ موافقة السادة وزارة الصناعة والتجارة.

أوضح السيد الرئيس للجمعية العامة أن مبلغ مكافأة أعضاء مجلس الادارة **معروض في هذا البند للمصادقة فقط بعد أن تم الكتابة للسادة وزارة الصناعة والتجارة بهذا الشأن**، وهو مفصح عنه في تقرير مجلس الإدارة وفي تقرير الحكم المؤسسي (والواردين في الصفحات 28 و138 من كتيب الجمعية)، حيث بلغت مكافآت أعضاء مجلس الإدارة خلال 2023م **1.206.667 دولار أمريكي**... مذكرا أن **مكافآت أعضاء مجلس الإدارة تم صرفها وفقًا لسياسة المؤسسة**

الخاصة بمكافآت أعضاء مجلس الإدارة ("**سياسة المكافآت**")، والتي تم اعتمادها من قبل الجمعية العامة في 23 مارس 2021م وفقًا لأحكام المادة 28 (ب) من النظام الأساسي للمؤسسة على أن تظل سارية لمدة أربع سنوات إلى حين انعقاد اجتماع الجمعية العامة العادية للبنك في 2025م ... مختتما أن المؤسسة **أخذت موافقة الوزارة المسبقة في استمرار هذا التوزيع واتفاقه مع الإجراءات المعتمدة بحسب ما تم ذكره... وبعد المداولة:**

"**قررت الجمعية العامة** المصادقة على مكافأة أعضاء مجلس الإدارة لسنة 2023م البالغة 1.206.667 دولار أمريكي، وذلك بعد أن تم أخذ موافقة السادة وزارة الصناعة والتجارة".

البند الثامن :- **ابراء ذمة أعضاء مجلس الإدارة عن تصرفاتهم خلال السنة المالية المنتهية في 2023/12/31م.**

قررت الجمعية العامة إبراء ذمة أعضاء مجلس الإدارة عن تصرفاتهم خلال السنة المالية المنتهية في 2023/12/31م.

البند التاسع :- **النظر في إعادة تعيين السادة ارنست ويونغ كمدققين لحسابات البنك للسنة المالية المنتهية في 31 ديسمبر 2024م، بعد اخذ موافقة السادة مصرف البحرين المركزي وتخويل مجلس الإدارة بتحديد أتعابهم.**

قررت الجمعية العامة إعادة تعيين السادة (ارنست ويونغ) كمدققين لحسابات المؤسسة للسنة المالية المنتهية في 2024/12/31م مع تخويل مجلس الإدارة الحق في تحديد أتعابهم، وذلك بعد ملاحظتها عدم ممانعة مصرف البحرين المركزي في هذا التعيين.

البند العاشر :- **المصادقة على تعيين الدكتور/ خالد كعوان كعضو مجلس إدارة في مجلس إدارة البنك.**

طلب السيد رئيس مجلس الإدارة من الجمعية العامة المصادقة على تعيين **الدكتور/ خالد كعوان** كعضو مجلس إدارة في مجلس إدارة البنك (والواردة نبذه من سيرته الذاتية في الصفحة 152 من كتيب الجمعية)، والذي انضم الى مجلس إدارة البنك في يوليو 2023م ليكمل مدة سلفه الدكتور فاروق العقدة (الذي غادر مجلس الإدارة في يوليو 2023م)، وذلك وفقا لأحكام المادتين 19 و20 على التوالي من النظام الأساسي للمؤسسة، حيث **أفادت الجمعية العامة** بمصادقتها على تعيين الدكتور/ خالد كعوان كعضو مجلس إدارة في مجلس إدارة البنك.

البند الحادي عشر :- **إطلاع الجمعية العامة على المعاملات مع الأطراف ذات العلاقة حسب المادة 189(ج) من قانون الشركات التجارية وكما هو وارد في الإيضاح رقم 28 من القوائم المالية الموحدة للسنة المالية المنتهية في 2023/12/31م.**

طلب السيد رئيس مجلس الإدارة من الجمعية العامة الإفادة باطلاعها على الايضاح رقم 28 من القوائم المالية الموحدة للسنة المالية المنتهية في 2023/12/31م (ص 118 من كتيب الجمعية العامة) كما تم توزيعها على السادة المساهمين قبل اجتماع الجمعية العامة.

حيث **أفادت الجمعية العامة باطلاعها** على الايضاح رقم 28 من القوائم المالية الموحدة للسنة المالية المنتهية في 2023/12/31م.

البند الثاني عشر :- ما يستجد من أعمال طبقاً لنص المادة 207 من قانون الشركات التجارية.

سجلت الجمعية العامة **عدم وجود** أي بنود مستجدة طبقا لنص المادة 207م من قانون الشركات التجارية.

وفي ختام أعمال الجمعية العامة العادية، أعرب السادة المساهمون عن شكرهم لمجلس الإدارة وكبار المساهمين، مجددين ثقتهم في مسيرة المؤسسة، كما سجل السيد رئيس الجمعية شكره الجزيل لصاحب الجلالة **الملك حمد بن عيسى آل خليفة** ملك مملكة البحرين **وصاحب السمو الملكي الأمير سلمان بن حمد بن عيسى آل خليفة** ولي العهد رئيس الوزراء نائب القائد الأعلى على دعمهم الدائم للمؤسسة...كما خص بشكره أيضا **سعادة الشيخ سلمان بن خليفة آل خليفة** وزير المالية و**سعادة السيد/ عبد الله بن عادل فخرو** وزير الصناعة والتجارة في مملكة البحرين و**سعادة السيد خالد حميدان** محافظ مصرف البحرين المركزي على دعمه الدائم للمؤسسة **وسعادة الشيخ خليفة بن ابراهيم آل خليفة الرئيس التنفيذي** لبورصة البحرين وذلك على دعمهم أيضا الدائم للمؤسسة، **كما أعرب للسادة الحضور عن أطيب التمنيات بمناسبة شهر رمضان المبارك**، سائلاً المولى عز وجل أن يعيد هذه المناسبة الكريمة بالخير والبركات على مملكة البحرين والأمتين العربية والإسلامية.

وبانتهاء النظر في بنود جدول الأعمال، **رفعت** الجلسة والساعة تشير إلى الواحدة **ظهرا**.

عبد الخالق شايب	**الصديق عمر الكبير**
أمين سر الجمعية العامة	**رئيس الجمعية العامة**

Directors' Report

Directors' Report

2024 - A YEAR OF PERFORMANCE WITH PURPOSE.

On behalf of the Board of Directors of Bank ABC Group, I am honored to present the 2024 Directors' Report to our esteemed shareholders.

The past year has been marked by remarkable achievements, characterised by outstanding performance, resilience and innovation. Bank ABC has not only met but exceeded expectations, focusing on our strategic intent to remain MENA's International Bank of the Future.

Our resolve is evident in the Group's exceptional financial performance and in our commitment to building an innovative, sustainable and inclusive institution. In 2024, we attained record-breaking results, with revenues, net profit and ROE reaching unprecedented levels in the Bank's history. These milestones highlight the effectiveness of the Bank's strategy and the dedication of its talented team.

2024 Economic Review

The global economic environment has been characterised by volatility, with elevated interest rates affecting credit demand at the start of the year, followed by softening of inflation concerns prompting major central banks to initiate monetary easing actions. Subsequently, post the US election, fears of inflationary pressures re-emerged, shifting sentiment back towards a slower pace of interest rate cuts. Global GDP growth was also dampened, decelerating to an estimated 3.2%, down from 3.3% in 2023. MENA region's growth was an estimated 2% in 2024, up from 1.9% in 2023, with OPEC related oil production curbs in major oil producing economies weighing on headline activity. Real GDP growth in in the GCC – a major oil producing region - was an estimated 1.3%, up from 0.4% in 2023, veiling strong non-oil growth estimated at 3.7%, up from 3.6% in 2023.

The geopolitical landscape was also complex, marked by challenges and uncertainties. Nevertheless, despite tensions such as the Russia-Ukraine and Middle Eastern conflicts, Bank ABC's deep market insight, clear strategic direction and operational excellence enabled us to successfully navigate the turbulent conditions.

Record Financial Performance

In the face of these challenges, Bank ABC demonstrated record financial performance in 2024, reaching the highest-ever levels in the Group's history from continuing business operations. Net profit reached US$285 million, reflecting a 21% year-on-year increase, driven by higher average asset volumes, rigorous operating expense management and controlled cost of risk.

Total Operating Income increased to US$1,339 million, representing a 5% rise year-on-year, with strong diversification across business lines. The total asset base expanded to US$46.3 billion supported by underlying growth in loans and securities. With income growth exceeding cost growth (positive "jaws" of 3%), the cost-to-income ratio improved by 2% to 57.7% continuing to absorb significant investments in digital transformation.

Return on Equity reached an annualised rate of 7% up from 5.8% in 2023, and earnings per share increased to US$0.086 up from US$0.070, also record-high levels, reinforcing our commitment to delivering sustainable shareholder value.

Excellent Progress on Strategic Plan

Bank ABC continues to make rapid progress on its 2023-2026 strategic plan, with this success being underpinned by focused execution across the three key pillars of our strategic roadmap:

- **Pillar 1: Accelerating Our Core Businesses:**

  Bank ABC achieved outstanding growth across its core businesses in 2024. **Wholesale Bank delivered a near double-digit income growth,** driven by capital-light products, increased cross-sell, and leveraging new digital platforms. **Group Treasury and Financial Markets** also excelled in its capital markets business, Notably, achieving a record-breaking level of syndications, and working with **Bank ABC Islamic** on landmark transactions such as AerCap's USD 500 million Sukuk.

  Retail Banking significantly expanded its customer base and product offering across MENA markets despite regional geopolitical pressures, while **Banco ABC Brasil** achieved strong underlying revenue growth, focusing on building its middle market corporate customer base, product diversification and new strategic initiatives.

- **Pillar 2: Maximising the Value of Our Digital Units**

  Bank ABC's digital businesses, **ila Bank and Arab Financial Services (AFS),** continued to innovate to realise fast-paced revenue growth and expand market share.

  ila Bank celebrated its fifth anniversary and reinforced its leadership in digital mobile-only retail banking. It accelerated growth in its customer base and revenues and enhanced its customer value proposition by launching innovative new investment products and other service improvements. Notably, ila also secured a new partnership with Bahrain's national carrier, Gulf Air, to launch a co-branded Mastercard in early 2025, once again uplifting digital banking standards across the region.

AFS continued its regional expansion with another year of excellent revenue growth, enlarging its banking processing and merchant acquiring businesses and boosting transaction volumes. Another key milestone was securing a license in UAE to launch operations in January 2025, allowing access to another strategic market to leverage its infrastructure and further accelerate performance.

All of these achievements underscore the strategic importance to Bank ABC on digital innovation and transformation to create long-term shareholder value and to future-proof our business and operating model.

- **Pillar 3: Strengthening Our Operating Model**

  The Group bolstered its operating model through investments in technology, process optimisation, and innovation. Key achievements included enhancements to the **Wholesale banking digital platforms** for trade finance, supply chain and cash management capabilities across the network.

  Bank ABC's AI programme continued to be a cornerstone of the Group's innovation strategy, with pilot projects improving productivity and enhancing customer experiences. Additionally, the successful completion of Blockchain-based cross-border payments using tokenised deposits earned regional recognition for innovation.

  A new **Information Technology and Digital Organisational Model** was launched to further support agility and use of AI and Robotic Automation to drive operational efficiency and improve customer experience. Moreover, investment is taking place to transform the Group's Core Banking platform to be cloud-native, strengthening infrastructure and allowing for greater pace of innovation in products and services across the franchise.

2024 Sustainability Update

Sustainability is also a key element to strengthen our operating model, demonstrating the Bank's dedication to responsible stewardship. In 2024, we made great strides in delivering a three-year program to integrate sustainability across the Bank, as well as publishing our inaugural **Group Sustainability Disclosures Report for 2023.**

Environmental, Social and Governance (ESG) indicators were tracked to measure and manage our sustainability journey effectively, creating a 'baseline' data set that will inform the three-year action plan. These efforts extended to capturing vital environmental metrics from our operations and suppliers and initiating analysis of the Group's scope 3 financing emissions.

The Bank is also integrating sustainability into client-facing teams, as it accelerates provision of sustainable finance to the customer base. New processes were developed to deepen the understanding of clients' ESG risks and enhance client engagement. These were accompanied by the launch of innovative sustainable finance products, to build leadership in this critical area of future-orientated financial services.

Bank ABC's commitment to social responsibility was further evidenced by measurement of social ESG KPIs, including the strengthening of our Diversity, Equity, and Inclusion (DEI) approach. In addition, the Bank conducted an employee engagement survey, ensuring that the Group's strategic transformation journey is both inclusive and collaborative.

Recognition of Excellence

Bank ABC's achievements continue to be recognised, with **27 prestigious awards** in 2024, affirming its leadership in innovation, digital transformation and client-centric solutions, with a selection outlined as follows:

The Bank was honoured as the **'Best Bank in the Middle East' for Transaction Banking and Innovation in Digital Banking by The Banker- FT.** Additionally, Bank ABC was recognised as the **'Best Trade Finance Bank in the Middle East' by Global Finance and Global Trade Review,** further underscoring leadership in trade finance.

The Bank was also celebrated as **'Bahrain's Best Digital Bank'** by the Euromoney Awards for Excellence, alongside ila Bank winning the 'Best Digital Bank in Bahrain' at the MENA Banking Excellence Awards by MEED. ABC Labs retains its position as one of the World's Best Financial Innovation Labs.

Furthermore, **Bank ABC's financial markets capabilities** were recognised with the **'Global Sovereign Sukuk Deal of the Year'** for its pivotal role as Joint Lead Manager and Bookrunner in a US$1 billion Sukuk for Bahrain's Ministry of Finance and National Economy, as awarded by BLS Middle East.

Looking Ahead to 2025

As 2025 begins, Bank ABC remains vigilant to the continuing geopolitical and economic uncertainties. In this evolving landscape, the Group is pursuing its clear strategic direction, prioritising operational resilience and continuing to maintain its strong balance sheet and capital ratios. Moreover, innovation remains a core value driver for the Bank, enabling it to harness its investments in digital capabilities and drive better client experience, operational efficiency and financial performance.

Acknowledgements

Reflecting on the successes of 2024, the Bank ABC Group extends heartfelt gratitude to all who contributed to its achievements. On behalf of the Board, I extend my appreciation to our home regulator, the Central Bank of Bahrain, and our principal shareholders, the Central Bank of Libya and the Kuwait Investment Authority, for their steadfast support.

I also extend my sincere thanks to our esteemed Board of Directors for their invaluable guidance, with particular gratitude to outgoing members of the Board for their dedicated service and significant contributions, which have helped shape the Bank's strategic direction and success. I also recognise and thank the Group's dedicated employees for their relentless hard work and commitment, as Bank ABC continues to evolve and grow as MENA's international bank of the future.

Board of Directors' Remuneration Details

The aggregate remuneration paid to Board members in 2024 amounted to US$2,148,303 (2023: US$1,897,023), which was divided between the three elements as follows:

Name	Fixed remunerations					Variable remunerations					End-of-service award	**Aggregate amount** (Does not include expense allowance)	**Expenses Allowance**
	Remunerations of the chairman and BOD	Total allowance for attending Board and committee meetings	Salaries	Others*	Total	Remunerations of the chairman and BOD	Bonus	Incentive plans	Others	Total			
First: Independent Directors:													
Dr. Khaled Kawan	156,962	18,000	-	28,772	203,734	-	-	-	-	-	-	-	-
Dr. Ibrahim El Danfour	156,962	19,500	-	104,577	281,039	-	-	-	-	-	-	-	-
Mr. Abdullah Al Humaidhi	156,962	18,000	-	73,610	248,572	-	-	-	-	-	-	-	-
Mr. Khalil Nooruddin	174,402	19,500	-	32,491	226,394	-	-	-	-	-	-	-	-
Second: Non-Executive Directors:													
Mr. Saddek Omar El Kaber	204,283	9,000	-	57,667	270,950	-	-	-	-	-	-	-	-
Mr. Mohammad Saleem	172,736	10,500	-	40,185	223,421	-	-	-	-	-	-	-	-
Mr. Ashraf Mukhtar	127,895	9,000	-	51,905	188,800	-	-	-	-	-	-	-	-
Dr. Tarik Yousef	156,962	21,000	-	126,056	304,018	-	-	-	-	-	-	-	-
Ms. Huda Al Mousa	145,335	16,500	-	39,540	201,375	-	-	-	-	-	-	-	-
Third: Executive Directors:													
-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**1,452,500**	**141,000**	**-**	**554,803**	**2,148,303**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

*Travel and accommodation costs.

Note: The aggregate remuneration paid to the members of the Remuneration Committee with respect to their membership of such committee for the year 2024 was US$20,000, which sum is included in the Retainer fee (2023: US$20,000).

No Director owned or traded Bank ABC shares in 2024.

Executive Management Remuneration Details:

Executive management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration for 2024	Aggregate Amount
Remunerations of top 6 executives, including CEO and Head of Finance & Administration	5,539,944	5,095,196	253,963	10,889,103

Note: All amounts stated are in US Dollars.

Saddek Omar El Kaber
Chairman
9 February 2025

Mohammad Abdulredha Saleem
Deputy Chairman

Auditors' Report

Building a better
working world

Ernst & Young – Middle East
P.O. Box 140
East Tower – 10th floor
Bahrain World Trade Center
Manama
Kingdom of Bahrain

Tel: +973 1753 5455
Fax: +973 1753 5405
manama@bh.ey.com
www.ey.com/mena
C.R. no. 29977-1

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ARAB BANKING CORPORATION (B.S.C.)

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Arab Banking Corporation (B.S.C.) ("the Bank") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2024 and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of 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 issued by the International Accounting Standards Board (IASB).

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.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the 'Auditor's responsibilities for the audit of the consolidated financial statements' section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ARAB BANKING CORPORATION (B.S.C.) (continued)

Report on the audit of the consolidated financial statements (continued)

Key audit matters (continued)

Impairment provision for loans and advances

Description of key audit matter	*How the key audit matter was addressed in the audit*
IFRS 9 Financial Instruments (IFRS 9) requires use of expected credit loss ("ECL") models for the purposes of calculating impairment loss against loans and advances carried at amortised cost and FVOCI. The process for estimating the impairment provision on loans and advances in accordance with IFRS 9 is a significant and complex area, due to the subjective nature of ECL calculation and the level of estimation involved.	Our approach included testing the controls associated with the relevant processes for estimating ECL and performing substantive procedures on such estimates. Our procedures, among others, focused on following: ● We assessed: - the compliance of Group's IFRS 9 based impairment provisioning policy including the determination of significant increase in credit risk criteria with the requirements of IFRS 9 and regulatory guidelines; - the Group's ECL modelling techniques, methodology and underlying assumptions against the requirements of IFRS 9; - the basis of determination of any management overlays applied by the Group's management to incorporate the effects of the current and future economic outlook; - the theoretical soundness and tested the mathematical integrity of the models on a sample basis.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ARAB BANKING CORPORATION (B.S.C.) (continued)

Report on the audit of the consolidated financial statements (continued)

Key audit matters (continued)

<u>Impairment provision for loans and advances (continued)</u>

Description of key audit matter	*How the key audit matter was addressed in the audit*
Additional subjectivity and judgement has been introduced into measurement of ECL due to the uncertainty associated with the impact of current economic outlook and uncertain geopolitical situation in countries where the Group and its customers operate. Due to the complexity of ECL related IFRS 9 requirements, effect of the matters stated above, significance of the judgements applied in determination of ECL and the Group's exposure to loans and advances forming a major portion of the Group's assets, the audit of ECL is a key area of focus.	● We obtained an understanding of the design and tested the operating effectiveness of relevant controls over the ECL models, including approvals for any changes to the models, ongoing monitoring / validation, model governance and mathematical accuracy. We have also tested the completeness and accuracy of the data used and evaluated the reasonableness of the management assumptions. ● We understood and assessed the significant modelling assumptions adopted by the Group for calculating ECL against exposures as well as process and basis for arriving at ECL related management overlays.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ARAB BANKING CORPORATION (B.S.C.) (continued)

Report on the audit of the consolidated financial statements (continued)

Key audit matters (continued)

Impairment provision for loans and advances (continued)

Description of key audit matter	*How the key audit matter was addressed in the audit*
As at 31 December 2024, the Group's gross loans and advances amounted to US$ 19,266 million and the related ECL amounted to US$ 617 million, comprising US$ 204 million of ECL against Stage 1 and 2 exposures and US$ 413 million of ECL against exposures classified under Stage 3. The basis of calculation of ECL is presented in note 4 "summary of material accounting policies" and note 26 "risk management" to the consolidated financial statements. Material accounting judgements, estimates and assumptions and disclosures of loans and advances and credit risk are included in notes 4, 9 and 26 respectively to the consolidated financial statements.	● For a sample of exposures, we performed procedures to evaluate: - Appropriateness of exposure at default, probability of default and loss given default (including collateral values used) in the calculation of ECL; - Timely identification of exposures with a significant increase in credit risk and appropriateness of the Group's staging; and - Appropriateness of the ECL calculation. ● For forward looking information used by the Group's management in its ECL calculations, we held discussions with management and checked internal approvals by management for the economic outlook used for purposes of calculating ECL; ● We considered the adequacy of the disclosures included in the consolidated financial statements in relation to impairment of loans and advances as required under IFRS Accounting Standards. We also involved our specialists in performing the above procedures.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ARAB BANKING CORPORATION (B.S.C.) (continued)

Report on the audit of the consolidated financial statements (continued)

Other information included in the Group's 2024 annual report
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. Prior to the date of this auditor's report, we obtained the Directors report which forms part of the annual report, and the remaining sections of the annual report are expected to be made available to us after that date.

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 identified above when it becomes available 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 on the other information obtained prior to the date of the auditor's report, 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.

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 the 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.

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.

Building a better working world

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ARAB BANKING CORPORATION (B.S.C.) (continued)

Report on the audit of the consolidated financial statements (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)
As part of an audit in accordance with ISAs, we exercise professional judgement 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.

- 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 for the performance of the Group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
ARAB BANKING CORPORATION (B.S.C.) (continued)

Report on the audit of the consolidated financial statements (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)
We communicate with the audit 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.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 Directors report is consistent with the consolidated financial statements;

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, rules and procedures of the Bahrain Bourse 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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ARAB BANKING CORPORATION (B.S.C.) (continued)

Report on other legal and regulatory requirements (continued)

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

The partner in charge of the audit resulting in this independent auditor’s report is Kazim Merchant.

Ernst & Young

Partner's registration no: 244
9 February 2025
Manama, Kingdom of Bahrain

Consolidated Financial Statement

31 December 2024

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2024

All figures in US$ Million

	Note	***2024***	*2023*
ASSETS			
Liquid funds	6	**3,636**	4,466
Trading securities	7	**838**	1,070
Placements with banks and other financial institutions		**2,071**	2,231
Securities bought under repurchase agreements	28	**1,288**	2,191
Non-trading investments	8	**16,117**	11,368
Loans and advances	9	**18,649**	19,096
Other assets	11	**3,442**	3,210
Premises and equipment		**224**	260
TOTAL ASSETS		**46,265**	43,892
LIABILITIES			
Deposits from customers		**22,431**	23,705
Deposits from banks		**4,628**	4,135
Certificates of deposit		**244**	142
Securities sold under repurchase agreements	28	**10,086**	6,933
Taxation - net	12	**69**	146
Other liabilities	13	**2,783**	2,724
Borrowings	14	**1,381**	1,303
Total liabilities		**41,622**	39,088
EQUITY	15		
Share capital		**3,110**	3,110
Treasury shares		**(6)**	(6)
Statutory reserve		**598**	569
Retained earnings		**1,458**	1,283
Other reserves		**(1,343)**	(1,046)
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT		**3,817**	3,910
Additional / perpetual tier-1 capital	16	**390**	390
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT AND PERPETUAL INSTRUMENT HOLDERS		**4,207**	4,300
Non-controlling interests		**436**	504
Total equity		**4,643**	4,804
TOTAL LIABILITIES AND EQUITY		**46,265**	43,892

The consolidated financial statements were authorised for issue by the Board of Directors on 9 February 2025 and signed on their behalf by the Chairman, Deputy Chairman and the Group Chief Executive Officer.

Saddek El Kaber Chairman	Mohammad Abdulredha Saleem Deputy Chairman	Sael Al Waary Group Chief Executive Officer

The attached notes 1 to 37 from part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2024

All figures in US$ Million

	Note	***2024***	*2023*
OPERATING INCOME			
Interest and similar income	17	**3,258**	3,052
Interest and similar expense	18	**(2,356)**	(2,117)
Net interest income		**902**	935
Other operating income	19	**437**	344
Total operating income		**1,339**	1,279
OPERATING EXPENSES			
Staff		**470**	462
Premises and equipment		**58**	56
Other	20	**245**	246
Total operating expenses		**773**	764
NET OPERATING PROFIT BEFORE CREDIT LOSS EXPENSE AND TAXATION		**566**	515
Credit loss expense	10	**(143)**	(145)
PROFIT BEFORE TAXATION		**423**	370
Taxation on foreign operations	12	**(72)**	(74)
PROFIT FOR THE YEAR		**351**	296
Profit attributable to non-controlling interests		**(66)**	(61)
PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT		**285**	235
BASIC AND DILUTED EARNINGS PER SHARE (EXPRESSED IN US$)	33	**0.086**	0.070

Saddek El Kaber Chairman	Mohammad Abdulredha Saleem Deputy Chairman	Sael Al Waary Group Chief Executive Officer

The attached notes 1 to 37 from part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2024

All figures in US$ Million

	Note	***2024***	*2023*
PROFIT FOR THE YEAR		**351**	296
Other comprehensive (loss) income:			
Other comprehensive (loss) income that will be reclassified (or recycled) to profit or loss in subsequent periods:			
Foreign currency translation:			
Unrealised (loss) gain on exchange translation in foreign subsidiaries		**(414)**	18
Debt instruments at FVOCI:			
Net change in fair value during the year	15 (e)	**11**	31
		(403)	49
Other comprehensive income (loss) that will not be reclassified (or recycled) to profit or loss in subsequent periods:			
Net change in fair value of FVOCI equity securities during the year	15 (e)	**4**	4
Net change in pension fund reserve		**(1)**	-
		3	4
Other comprehensive (loss) income for the year		**(400)**	53
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR		**(49)**	349
Attributable to:			
Shareholders of the parent		**(12)**	258
Non-controlling interests		**(37)**	91
		(49)	349

The attached notes 1 to 37 from part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2024

All figures in US$ Million

	Note	***2024***	*2023*
OPERATING ACTIVITIES			
Profit for the year		**351**	296
Adjustments for:			
Credit loss expense	10	**143**	145
Depreciation and amortisation		**67**	65
Gain on disposal of non-trading debt investments - net	19	**(36)**	(14)
Changes in operating assets and liabilities:			
Treasury bills and other eligible bills		**-**	38
Trading securities		**1**	(423)
Placements with banks and other financial institutions		**(187)**	(129)
Securities bought under repurchase agreements		**702**	(739)
Loans and advances		**(1,692)**	(611)
Other assets		**(666)**	(97)
Deposits from customers		**1,173**	2,138
Deposits from banks		**876**	231
Securities sold under repurchase agreements		**3,241**	4,027
Other liabilities		**400**	433
Exchange rate changes and non-cash movements		**(418)**	20
Net cash from operating activities		**3,955**	5,380
INVESTING ACTIVITIES			
Purchase of non-trading investments		**(26,835)**	(12,953)
Sale and redemption of non-trading investments		**22,032**	9,629
Purchase of premises and equipment		**(16)**	(55)
Sale of premises and equipment		**12**	8
Investment in subsidiaries - net		**(1)**	3
Net cash used in investing activities		**(4,808)**	(3,368)
FINANCING ACTIVITIES			
Issue of certificates of deposit		**287**	442
Repayment of certificates of deposit		**(185)**	(741)
Issue of borrowings		**161**	163
Repayment of borrowings		**(53)**	(161)
Interest paid on additional / perpetual tier-1 capital instruments		**(19)**	(18)
Dividend paid to the Bank's shareholders		**(70)**	(46)
Dividend paid to non-controlling interests		**(24)**	(28)
Net cash from (used in) financing activities		**97**	(389)
Net change in cash and cash equivalents		**(756)**	1,623
Effect of exchange rate changes on cash and cash equivalents		**(74)**	(5)
Cash and cash equivalents at beginning of the year		**4,466**	2,848
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	6	**3,636**	4,466

The attached notes 1 to 37 from part of these consolidated financial statements.

Arab Banking Corporation (B.S.C.)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2024

All figures in US$ Million

	Equity attributable to the shareholders of the parent									*Additional / perpetual tier - 1 capital*	*Non-controlling interests*	*Total equity*
					Other reserves							
	Share capital	*Treasury shares*	*Statutory reserve*	*Retained earnings**	*General reserve*	*Foreign exchange translation adjustments*	*Cumulative changes in fair value*	*Pension fund reserve*	*Total*			
At 31 December 2022	3,110	(6)	545	1,125	100	(1,114)	(22)	(33)	3,705	390	426	4,521
Profit for the year	-	-	-	235	-	-	-	-	235	-	61	296
Other comprehensive (loss) income for the year	-	-	-	-	-	(12)	35	-	23	-	30	53
Total comprehensive income (loss) for the year	-	-	-	235	-	(12)	35	-	258	-	91	349
Transfers during the year	-	-	24	(24)	-	-	-	-	-	-	-	-
Dividend	-	-	-	(46)	-	-	-	-	(46)	-	(28)	(74)
Interest paid on additional / perpetual tier-1 capital	-	-	-	(18)	-	-	-	-	(18)	-	-	(18)
Increase in ownership of a subsidiary	-	-	-	1	-	-	-	-	1	-	(1)	-
Other equity movements in subsidiaries	-	-	-	10	-	-	-	-	10	-	16	26
At 31 December 2023	3,110	(6)	569	1,283	100	(1,126)	13	(33)	3,910	390	504	4,804
Profit for the year	-	-	-	285	-	-	-	-	285	-	66	351
Other comprehensive (loss) income for the year	-	-	-	-	-	(311)	15	(1)	(297)	-	(103)	(400)
Total comprehensive income (loss) for the year	-	-	-	285	-	(311)	15	(1)	(12)	-	(37)	(49)
Transfers during the year	-	-	29	(29)	-	-	-	-	-	-	-	-
Dividend (Note 33)	-	-	-	(70)	-	-	-	-	(70)	-	(24)	(94)
Interest paid on additional / perpetual tier-1 capital	-	-	-	(19)	-	-	-	-	(19)	-	-	(19)
Other equity movements in subsidiaries	-	-	-	8	-	-	-	-	8	-	(7)	1
At 31 December 2024	**3,110**	**(6)**	**598**	**1,458**	**100**	**(1,437)**	**28**	**(34)**	**3,817**	**390**	**436**	**4,643**

* Retained earnings include non-distributable reserves arising from consolidation of subsidiaries amounting to US$ 560 million (2023: US$ 555 million).

The attached notes 1 to 37 from part of these consolidated financial statements.

1 INCORPORATION AND ACTIVITIES

Arab Banking Corporation (B.S.C.) ['the Bank'] is incorporated in the Kingdom of Bahrain by an Amiri decree and operates under a conventional wholesale banking licence issued by the Central Bank of Bahrain [CBB]. The Bank is a Bahraini Shareholding Company with limited liability and is listed on the Bahrain Bourse. The Central Bank of Libya is the ultimate parent of the Bank and its subsidiaries (together 'the Group').

The Bank's registered office is at ABC Tower, Diplomatic Area, P.O. Box 5698, Manama, Kingdom of Bahrain. The Bank is registered under commercial registration number 10299 issued by the Ministry of Industry and Commerce, Kingdom of Bahrain.

The Group is a leading provider of Trade Finance, Treasury, Project & Structured Finance, Syndications, Corporate & Institutional Banking, Islamic Banking services and the digital, mobile-only banking space named "ila Bank" within retail consumer banking services. Retail banking services are only provided in the MENA region.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The consolidated financial statements of the Group are prepared in accordance with IFRS Accounting Standards issued by International Accounting Standard Board ("IASB") and the relevant provisions of the Bahrain Commercial Companies Law and the Central Bank of Bahrain and Financial Institutions Law and the CBB Rulebook (Volume 1 and applicable provisions of Volume 6) and CBB directives.

2.2 Accounting convention

The consolidated financial statements are prepared under the historical cost convention, as modified by the measurement at fair value of derivatives and certain debt and equity financial assets. In addition, as more fully discussed below, assets and liabilities that are hedged items in fair value hedges, and are otherwise carried at cost, are adjusted to record changes in fair values attributable to the risk being hedged.

The Group's consolidated financial statements are presented in United States Dollars (US$), which is also the Bank's functional currency. All values are rounded to the nearest million (US$ million), except when otherwise indicated.

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at 31 December 2024. Control is achieved when the Group has:

- Power over the investee (i.e. existing rights that give 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 influence those returns.

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

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

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

2 BASIS OF PREPARATION (continued)

2.3 Basis of consolidation (continued)

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 in 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 loss of control, is accounted for as an equity transaction. If the Bank loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interests and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value at the date of loss of control.

2.4 Presentation of consolidated financial statements

The Group presents its consolidated statement of financial position in order of liquidity based on the Group's intention and perceived ability to recover/settle the majority of assets/liabilities of the corresponding consolidated financial statement line item. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current) is presented in Note 26.11.

3 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

3.1 Standards effective for the year

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in previous year, except for the adoption of the new and amended standards and interpretations, applicable to the Group (as listed below), and which are effective for annual periods beginning on or after 1 January 2024.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective.

Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback

The amendments in IFRS 16 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.

The amendments had no impact on the Group’s consolidated financial statements.

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; and
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

In addition, an entity is required to disclose when a liability arising from a loan agreement is classified as non-current and the entity’s right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments had no impact on the Group’s consolidated financial statements.

3 NEW AND AMENDED STANDARDS AND INTERPRETATIONS (continued)

3.2 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.

Amendments to IAS 21: Lack of exchangeability: effective for annual reporting periods beginning on or after 1 January 2025;

Amendments to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments: effective for annual reporting periods beginning on or after 1 January 2026;

IFRS 18 - Presentation and Disclosure in Financial Statements : replacing IAS 1 - Presentation of Financial Statements: effective for annual reporting periods beginning on or after 1 January 2027; and

IFRS 19 - Subsidiaries without Public Accountability : Disclosures : effective for annual reporting periods beginning on or after 1 January 2027.

4 SUMMARY OF MATERIAL ACCOUNTING POLICIES

4.1 Liquid funds

Liquid funds comprise of cash, nostro balances, balances with central banks and treasury bills and other eligible bills. Liquid funds are initially measured at their fair value and subsequently remeasured at amortised cost, less provision for impairment.

4.2 Cash and cash equivalents

Cash and cash equivalents referred to in the consolidated statement of cash flows comprise of cash and non-restricted balances with central banks, deposits with central banks, treasury bills and other eligible bills with original maturities of three months or less.

4.3 Trading securities

Trading securities are initially recorded at fair value. Subsequent to initial measurement, gains and losses arising from changes in fair values are included in the consolidated statement of profit or loss in the period in which they arise. Interest earned and dividends received are included in 'Interest and similar income' and 'Other operating income' respectively, in the consolidated statement of profit or loss.

4.4 Placements with banks and other financial institutions

Placements with banks and other financial institutions are initially measured at fair value and subsequently remeasured at amortised cost, net of any amounts written off and provision for impairment.

4.5 Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. Investments in associates are accounted for under the equity method of accounting.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date.

4.6 Premises and equipment

Premises and equipment are stated at cost, less accumulated depreciation and provision for impairment in value, if any. Freehold land is not depreciated. Depreciation on premises and equipment is provided on a straight-line basis over their estimated useful lives ranging from 3 to 50 years.

4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

4.7 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life (ranging from 3 to 10 years) and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level.

4.8 Leases - Group as a lessee

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term. The right-of-use assets are also subject to impairment. The Group discloses right of use assets under other assets.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group discloses lease liabilities under other liabilities.

4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

4.8 Leases - Group as a lessee (continued)

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

4.9 Collateral repossessed
Any repossessed assets are held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in line with the Group's policy.

4.10 Repurchase and reverse repurchase agreements
Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) are not derecognised. The counterparty liability for amounts received under these agreements are shown as securities sold under repurchase agreements in the consolidated statement of financial position. The difference between sale and repurchase price is treated as interest expense and is accrued over the life of the agreement using the effective interest rate. Assets purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the consolidated statement of financial position, as the Group does not obtain control over the assets. The difference between purchase and resale price is treated as interest income using the effective yield method.

4.11 Employee pension and other end of service benefits
Costs relating to employee pension and other end of service benefits are generally accrued in accordance with actuarial valuations based on prevailing regulations applicable in each location.

4.12 Recognition of income and expenses

4.12.1 The effective interest rate (EIR) method
Under IFRS 9 Financial instruments (IFRS 9), interest income is recorded using the EIR method for all financial assets measured at amortised cost, interest rate derivatives for which hedge accounting is applied and the related amortisation/recycling effect of hedge accounting. Interest income on interest bearing financial assets measured at fair value through other comprehensive income (FVOCI) under IFRS 9 is also recorded using the EIR method. Interest expense is also calculated using the EIR method for all financial liabilities held at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial asset or liability.

The EIR (and therefore, the amortised cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Group recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the financial asset. Hence, the EIR calculation also takes into account the effect of potentially different interest rates that may be charged at various stages of the financial asset's expected life, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations of fixed rate financial assets' or liabilities' cash flows are revised for reasons other than credit risk, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset or liability on the balance sheet with a corresponding increase or decrease in interest revenue/expense calculated using the effective interest method.

4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

4.12 Recognition of income and expenses (continued)

4.12.1 The effective interest rate (EIR) method (continued)
For floating-rate financial instruments, periodic re-estimation of cash flows to reflect the movements in the market rates of interest also alters the effective interest rate, but when instruments were initially recognised at an amount equal to the principal, re-estimating the future interest payments does not significantly affect the carrying amount of the asset or the liability.

The Inter Bank Offered Rate (IBOR) reform Phase 2 amendments allow as a practical expedient for changes to the basis for determining contractual cash flows to be treated as changes to a floating rate of interest, provided certain conditions are met. The conditions include that the change is necessary as a direct consequence of IBOR reform and that the transition takes place on an economically equivalent basis.

4.12.2 Interest and similar income/expense
Net interest income comprises interest income and interest expense calculated using the effective interest method.

The Group calculates interest income on financial assets, other than those considered credit-impaired, by applying the EIR to the gross carrying amount of the financial asset.

When a financial asset becomes credit-impaired (therefore regarded as ‘Stage 3’), the Group suspends the recognition of interest income of the financial asset. If the financial asset cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis.

4.12.3 Fee and commission income
The Group earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for providing the services.

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. When the Group provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

Performance obligations satisfied over time include asset management and other services, where the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs. The Group’s fee and commission income from services where performance obligations are satisfied over time include the following:

Asset management fees
These fees are earned for the provision of asset management services, which include portfolio diversification and rebalancing, typically over defined periods. These services represent a single performance obligation comprised of a series of distinct services which are substantially the same, being provided continuously over the contract period. Asset management fees consist of management and performance fees that are considered variable consideration.

Management fees are invoiced quarterly and determined based on a fixed percentage of the net asset value of the funds under management at the end of the quarter. The fees are allocated to each quarter because they relate specifically to services provided for a quarter, and are distinct from the services provided in other quarters. The fees generally crystallise at the end of each quarter and are not subject to a clawback. Consequently, revenue from management fees is generally recognised at the end of each quarter.

4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

4.12 Recognition of income and expenses (continued)

4.12.3 Fee and commission income (continued)

Loan commitment and other fees
These are fixed fees paid by customers for loan and other credit facilities with the Group, but where it is unlikely that a specific lending arrangement will be entered into with the customer and the loan commitment is not measured at fair value. The Group promises to provide a loan facility for a specified period. As the benefit of the services is transferred to the customer evenly over the period of entitlement, the fees are recognised as revenue on a straight-line basis.

4.13 Treasury shares
Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised as share premium.

4.14 Dividends on ordinary shares
Dividend on ordinary shares is proposed by the Board of Directors and post approval by the Bank's shareholder is deducted from equity.

Proposed dividends for the year are disclosed in note 33.2 to these consolidated financial statements.

4.15 Financial instruments

4.15.1 Date of recognition
Financial assets and liabilities, with the exception of loans and advances to customers, deposits to customers and banks, are initially recognised on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. This includes regular way trades: 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 deposits from customers and banks when funds are received by the Group.

4.15.2 Initial measurement
The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in notes 4.16 and 4.17.

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 fair value through profit or loss (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 in note 4.15.3.

4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

4.15 Financial instruments (continued)

4.15.3 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.

4.16 Financial assets

4.16.1 Debt type instruments - classification and subsequent measurement

The classification requirements for financial assets is as below.

Classification and subsequent measurement of debt instruments depend on:

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

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

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

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

- Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent SPPI, and that are not designated at FVTPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through other comprehensive income (OCI), except for the recognition of expected credit losses or writebacks, interest income and foreign exchange gains and losses. 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 debt investments'. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate (EIR) 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 so doing eliminates or significantly reduces measurement or recognition inconsistencies. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised and presented in the consolidated statement of profit or loss within 'Other operating income' as 'Gain from trading book' in the year in which it arises. Interest income from these financial assets is included in 'Interest and similar income' using the EIR method.

4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

4.16 Financial assets (continued)

4.16.2 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;
- How the asset's and business model performance is evaluated and reported to key management personnel and Group Asset and Liability Committee (GALCO);
- How risks are assessed and managed; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account.

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.

4.16.3 SPPI test

The Group assesses the contractual terms of financial asset 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.

4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

4.16 Financial assets (continued)

4.16.3 SPPI test (continued)
Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

4.16.4 Reclassification
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 and none occurred during the year.

4.16.5 Equity type 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 consolidated 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 in the 'Other operating income' as 'Income from trading book' line in the consolidated statement of profit or loss.

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

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

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

If the terms are substantially different, the Group derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new 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 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.

4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

4.16 Financial assets (continued)

4.16.6 Modified or forbearance of loans (continued)

In order for the loan to be reclassified out of the forborne category, the customer has to meet all of the following criteria:

- All of its facilities has to be considered performing;
- Regular payments of more than an insignificant amount of principal or interest have been made during most of the period when asset has been classified as forborne; and
- The customer does not have any contract that is more than 30 days past due.

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 consolidated 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 SICR criteria. 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.

4.16.7 Derecognition other than on a modification

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.

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

(i) Has no obligation to make payments unless it collects equivalent amounts from the assets;

(ii) Is prohibited from selling or pledging the assets; and

(iii) Has an obligation to remit any cash it collects from the assets without material delay.

Collateral (shares and bonds) furnished by the Group under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

4.16.8 Derecognition of financial instruments in the context of IBOR reform

As explained in note 4.16.6 and 4.17.2, the Group derecognises financial assets and financial liabilities if there has been a substantial modification of their terms and conditions. In the context of IBOR reform, all of the financial instruments have already been amended during 2023 and 2024 as they have transitioned from IBORs to Accounting Rate of Returns (ARRs) without any derecognition.

4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

4.16 Financial assets (continued)

4.16.8 Derecognition of financial instruments in the context of IBOR reform (continued)
For financial instruments measured at amortised cost, the Group applies the practical expedient as described in note 4.12, to reflect the change in the referenced interest rate from an IBOR to an RFR. For any changes not covered by the practical expedient, the Group applies judgement to assess whether the changes are substantial and if they are, the financial instrument is derecognised and a new financial instrument is recognised. If the changes are not substantial, the Group adjusts the gross carrying amount of the financial instrument by the present value of the changes not covered by the practical expedient, discounted using the revised EIR.

4.17 Financial liabilities

4.17.1 Classification and subsequent measurement
Financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities at FVTPL: this classification is applied to derivatives and financial liabilities held for trading. 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 the credit risk of the issuer, which is determined as the amount that is not attributable to changes in 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 credit risk of the issuer 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.

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

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

4.18 Financial instruments measured using amortised cost measurement and lease receivables
In the context of IBOR reform, the Group's assessment of whether a change to an amortised cost financial instrument is substantial, is made after applying the practical expedient introduced by IBOR reform Phase 2. This requires the transition from an IBOR to an RFR to be treated as a change to a floating interest rate, as described in Note 4.12.1.

4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

4.19 Impairment of financial assets

The Group assesses on a forward-looking basis, the expected credit loss (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 on origination and reassess the expected 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.

For the purposes of calculation of ECL, the Group categorises its FVOCI and amortised cost debt securities, loans and advances and loan commitments and financial guarantee contracts into Stage 1, Stage 2, Stage 3 and POCI, 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.
- Purchased or originated credit impaired ('POCI'): when financial assets are purchased or are originated at a deep discount or are credit-impaired on initial recognition. These are subject to lifetime ECLs. It also includes recognition of previously written off loans of the Group where the expectation of recovery has improved.

4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

4.19 Impairment of financial assets (continued)

Measurement of ECL (continued)
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, ECL does not reduce the carrying amount of these financial assets in the consolidated 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.

No impairment is recorded on equity instruments.

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, unless the new loan is deemed to be POCI. 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.

The Group applies low credit risk expedient and considers following types of debts as 'low credit risk (LCR)':

- All local currency sovereign exposures funded in local currency;
- All local currency exposures to the Government of Bahrain or the CBB; and
- All exposures with external rating A- or above.

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, in order to recognise the probability of higher losses associated with more negative economic outlooks. In addition, a significant increase in credit risk is assumed if the borrower falls 30 days or more past due in making its contractual payments, or if the Group expects to grant the borrower forbearance or facility has been restructured owing to credit related reasons. Further, any facility having an internal credit risk rating of 8 are also subject to stage 2 ECL calculation.

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

For revolving facilities such as credit cards and overdrafts and similar other working capital facilities, the Group measures ECLs by determining the period over which it expects to be exposed to credit risk, taking into account the credit risk management actions that it expects to take once the credit risk has increased and that serve to mitigate losses.

4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

4.19 Impairment of financial assets (continued)

Stage 3

Financial assets are included in Stage 3 when there is objective evidence that the debt type financial asset is credit impaired. At each reporting date, the Group assesses whether financial assets carried at amortised 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 among others:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- 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 a debt type investment 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 out of Stage 3 if they no longer meet the criteria of credit-impaired after a cooling-off period of 12 months.

Purchased or originated credit impaired (‘POCI’)

For POCI financial assets, the Group only recognises the lifetime ECL and any cumulative changes since initial recognition are recorded in the ECL allowance. There are no migration from POCI to other Stages.

Forward looking information

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

The Group considers forward-looking information such as forecasts of macroeconomic factors (e.g., GDP growth, oil prices, country's equity indices and unemployment rates). To evaluate a range of possible outcomes, the Group formulates three scenarios: a base case, an up-side and a down-side scenario. The base case scenario represents the more likely outcome from Moody’s macro-economic models. For each scenario, the Group derives an ECL and apply a probability weighted approach to determine the impairment allowance.

The Group also uses published external information from International Monetary Fund (IMF).

4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

4.19 Impairment of financial assets (continued)

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

- financial assets measured at amortised 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
- debt instruments measured at FVOCI: The ECL for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the consolidated statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to the consolidated statement of profit or loss. The accumulated loss recognised in OCI is recycled to the consolidated statement of profit and loss upon derecognition of the assets.

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. 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 macro-economic factors for which the data is updated once it is available.

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. Refer note 26.4.1 for additional details.

4.20 Impairment of non-financial assets
At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of others assets or cash generating units (CGU). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recogised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to CGU, and then to reduce the carrying amounts of others assets in the CGU on pro-rata basis. An impairment loss on goodwill is not reversed. For, other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

4.21 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 any provision is presented in the consolidated statement of profit or loss net of any reimbursement.

4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

4.22 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 in 'Other operating income' on a straight line basis over the life of the guarantee.

Undrawn loan commitments and letters of credits 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.

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.

An ECL is calculated and recorded for these in a similar manner as for debt type financial instruments as explained in note 4.19.

4.23 Derivatives and hedging activities

The Group applies IFRS 9 for hedge accounting.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e., the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
- It is settled at a future date.

The Group enters into derivative transactions with various counterparties. These include interest rate swaps, futures, credit default swaps, cross-currency swaps, forward foreign exchange contracts and options on interest rates, foreign currencies and equities. Derivatives are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

All derivatives are measured at FVTPL except for when the derivative is designated and qualifies as a hedging instrument, and if so, the nature of the item being hedged determines the method of recognising the resulting gain or loss. The Group designates certain derivatives as either:

(a) Hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges);
(b) Hedges of highly probable future cash flows attributable to a recognised asset or liability (cash flow hedges); or
(c) Hedges of a net investment in a foreign operation (net investment hedges).

The Group documents, at the inception of the hedge, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

4.23 Derivatives and hedging activities (continued)

(a) Fair value hedge
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the consolidated statement of profit or loss, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest rate method is used is amortised to profit or loss over the period to maturity and recorded as net interest income.

(b) Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated statement of profit or loss.

Amounts accumulated in equity are recycled to the consolidated statement of profit or loss in the periods when the hedged item affects profit or loss. They are recorded in the income or expense lines in which the revenue or expense associated with the related hedged item is reported.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised in the periods when the hedged item affects profit or loss. When a forecast transaction is no longer expected to occur (for example, the recognised hedged asset is disposed of), the cumulative gain or loss previously recognised in other comprehensive income is immediately reclassified to the consolidated statement of profit or loss.

(c) Net investment hedge
Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised directly in other comprehensive income; the gain or loss relating to the ineffective portion is recognised immediately in the consolidated statement of profit or loss. Gains and losses accumulated in equity are included in the consolidated statement of profit or loss when the foreign operation is disposed of as part of the gain or loss on the disposal.

4.24 Fair value measurement
The Group measures financial instruments at fair value at each reporting date.

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

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

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interests.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

4.24 Fair value measurement (continued)

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 valuation: Directly observable quotes for the same instrument.
- Level 2 valuation: Directly observable proxies for the same instrument accessible at valuation date.
- Level 3 valuation: Derived proxies (interpolation of proxies) for similar instruments that have not been observed.

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.

4.25 Taxation on foreign operations

There is no tax on corporate income of the Bank in the Kingdom of Bahrain up to year 2024 (refer note 12 for more details). Taxation on foreign operations is provided for in accordance with the fiscal regulations applicable in each location. No provision is made for any liability that may arise in the event of distribution of the reserves of subsidiaries. A substantial portion of such reserves is required to be retained to meet local regulatory requirements.

Current tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

4.25 Taxation on foreign operations (continued)

Deferred tax (continued)
The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

In assessing the recoverability of deferred tax assets, the Group relies on forecasts used for its budgeting purposes and in other management reports.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

4.26 Foreign currencies

Transactions and balances
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 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.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as 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 was 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 OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

Group companies
As at the reporting date, the assets and liabilities of foreign operations are translated into the Bank's functional currency at rates of exchange ruling at the reporting date. Income and expense items are translated at average exchange rates for the year. Exchange differences arising on translation are recorded in the consolidated statement of comprehensive income under unrealised gain or loss on exchange translation in foreign subsidiaries. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of profit or loss.

4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

4.27 Trade and settlement date accounting

All "regular way" purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset, except for loans and advances to customers, deposits to customers and banks.

4.28 Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and, accordingly, are not included in the consolidated statement of financial position.

4.29 Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and the Group intends to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

4.30 Borrowings

Issued financial instruments (or their components) are classified as liabilities under 'Borrowings', where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder.

Borrowings are initially measured at fair value plus transaction costs. After initial measurement, the borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate.

4.31 Write-off

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to consolidated statement of profit or loss.

4.32 Collateral valuation

To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/financial guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the Group's consolidated statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a periodic basis. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

To the extent possible, the Group uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using internal valuation techniques as appropriate. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, or based on housing price indices.

4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

4.33 Business combination and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in relevant line items in the consolidated statement of profit or loss.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill has been allocated to a cash-generating unit (CGU) and part of the business within that unit is disposed of, the goodwill associated with the disposed business operation is included in the carrying amount of the business operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next 5-7 years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill recognised by the Group.

4.34 Material 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/estimates involved.

4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

4.34 Material accounting judgements, estimates and assumptions (continued)

Going concern
The Bank's management 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 management is 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 the going concern basis.

Measurement of the expected credit loss allowance (ECL)
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 several factors, changes in which can result in different levels of allowances.

The Group's ECL calculation are outputs of complex models with several 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.

Classification of financial assets
Classification of financial assets in the appropriate category depends upon the business model and SPPI test. Determining the appropriate business model and assessing whether the cash flows generated by the financial asset meet the SPPI test is complex and requires significant judgements by management.

The Group applies judgement while carrying out SPPI test and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

Fair value of financial instruments
Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish fair values. Refer to note 25 for further disclosures.

4.35 Corresponding figures
Certain of the prior year's figures have been re-classified to conform to the presentation adopted in the current year. Such reclassifications do not affect previously reported net profit and total comprehensive income for the year or shareholder's equity.

All figures in US$ Million

5 CLASSIFICATION OF FINANCIAL INSTRUMENTS

As at 31 December, financial instruments have been classified as follows:

At 31 December 2024	***FVTPL***	***FVOCI***	***Amortised cost***	***Total***
ASSETS				
Liquid funds	**-**	**-**	**3,636**	**3,636**
Trading securities	**838**	**-**	**-**	**838**
Placements with banks and other financial institutions	**-**	**-**	**2,071**	**2,071**
Securities bought under repurchase agreements	**-**	**-**	**1,288**	**1,288**
Non-trading investments	**-**	**6,835**	**9,282**	**16,117**
Loans and advances	**63**	**484**	**18,102**	**18,649**
Other assets	**1,225**	**-**	**1,743**	**2,968**
	2,126	**7,319**	**36,122**	**45,567**

	FVTPL	***FVOCI***	***Amortised cost***	***Total***
LIABILITIES				
Deposits from customers	-	**-**	**22,431**	**22,431**
Deposits from banks	-	**-**	**4,628**	**4,628**
Certificates of deposit	-	**-**	**244**	**244**
Securities sold under repurchase agreements	-	**-**	**10,086**	**10,086**
Other liabilities	**786**	**-**	**1,909**	**2,695**
Borrowings	-	**-**	**1,381**	**1,381**
	786	**-**	**40,679**	**41,465**

At 31 December 2023	*FVTPL*	*FVOCI*	*Amortised cost*	*Total*
ASSETS				
Liquid funds	-	-	4,466	4,466
Trading securities	1,070	-	-	1,070
Placements with banks and other financial institutions	-	-	2,231	2,231
Securities bought under repurchase agreements	-	-	2,191	2,191
Non-trading investments	-	5,405	5,963	11,368
Loans and advances	39	754	18,303	19,096
Other assets	952	-	1,681	2,633
	2,061	6,159	34,835	43,055

	FVTPL	*FVOCI*	*Amortised cost*	*Total*
LIABILITIES				
Deposits from customers	-	-	23,705	23,705
Deposits from banks	-	-	4,135	4,135
Certificates of deposit	-	-	142	142
Securities sold under repurchase agreements	-	-	6,933	6,933
Other liabilities	779	-	1,851	2,630
Borrowings	-	-	1,303	1,303
	779	-	38,069	38,848

All figures in US$ Million

6 LIQUID FUNDS

	2024	*2023*
Cash on hand	**54**	13
Balances with banks	**485**	562
Deposits with central banks	**3,058**	3,630
Treasury bills and other eligible bills with original maturities of three months or less	**40**	261
Cash and cash equivalents	**3,637**	4,466
ECL allowances	**(1)**	-
	3,636	4,466

7 TRADING SECURITIES

	2024	*2023*
Debt instruments	**828**	1,060
Equity instruments	**10**	10
	838	1,070

8 NON-TRADING INVESTMENTS

	2024	*2023*
Debt securities		
At amortised cost	**9,283**	5,977
At FVOCI	**6,888**	5,458
	16,171	11,435
ECL allowances	**(75)**	(88)
Debt securities - net	**16,096**	11,347
Equity securities		
At FVOCI	**21**	21
	16,117	11,368

The external ratings distribution of non-trading debt investments are given below:

	2024	*2023*
AAA rated debt securities	**8,960**	5,466
AA to A rated debt securities	**1,968**	1,646
Other investment grade debt securities	**1,864**	1,130
Other non-investment grade debt securities	**3,089**	2,818
Unrated debt securities	**290**	375
	16,171	11,435
ECL allowances	**(75)**	(88)
	16,096	11,347

All figures in US$ Million

8 NON-TRADING INVESTMENTS (continued)

Following are the stage wise break-up of debt securities as at 31 December 2024 and 31 December 2023:

	2024			
	Stage 1	***Stage 2***	***Stage 3***	***Total***
Debt securities, gross	**16,107**	**-**	**64**	**16,171**
ECL allowances	**(11)**	**-**	**(64)**	**(75)**
	16,096	**-**	**-**	**16,096**

	2023			
	Stage 1	*Stage 2*	*Stage 3*	*Total*
Debt securities, gross	11,361	-	74	11,435
ECL allowances	(14)	-	(74)	(88)
	11,347	-	-	11,347

An analysis of movement in the ECL allowances during the years ended 31 December 2024 and 31 December 2023 are as follows:

	2024			
	Stage 1	***Stage 2***	***Stage 3***	***Total***
As at 1 January	**14**	**-**	**74**	**88**
Net remeasurement / additions	**(1)**	**-**	**-**	**(1)**
Recoveries / write back	**-**	**-**	**(1)**	**(1)**
Charge for the year - net	**(1)**	**-**	**(1)**	**(2)**
Amounts written-off	**-**	**-**	**(9)**	**(9)**
Exchange adjustments and other movements	**(2)**	**-**	**-**	**(2)**
As at 31 December	**11**	**-**	**64**	**75**

	2023			
	Stage 1	*Stage 2*	*Stage 3*	*Total*
As at 1 January	13	-	74	87
Net remeasurement / additions	4	-	-	4
Recoveries / write back	-	-	-	-
Charge for the year - net	4	-	-	4
Amounts written-off	-	-	-	-
Exchange adjustments and other movements	(3)	-	-	(3)
As at 31 December	14	-	74	88

No interest income was received during the year on impaired investments classified under Stage 3 (2023: nil).

All figures in US$ Million

9 LOANS AND ADVANCES

Below is the classification of loans and advances by measurement and stage:

	2024			
	Stage 1	***Stage 2***	***Stage 3***	***Total***
At FVTPL				
- Wholesale	**63**	**-**	**-**	**63**
At FVOCI				
- Wholesale	**484**	**-**	**-**	**484**
At amortised cost				
- Wholesale	**16,549**	**531**	**640**	**17,720**
- Retail	**888**	**52**	**59**	**999**
	17,984	**583**	**699**	**19,266**
ECL allowances	**(136)**	**(68)**	**(413)**	**(617)**
	17,848	**515**	**286**	**18,649**

	2023			
	Stage 1	*Stage 2*	*Stage 3*	*Total*
At FVTPL				
- Wholesale	39	-	-	39
At FVOCI				
- Wholesale	754	-	-	754
At amortised cost				
- Wholesale	16,574	755	655	17,984
- Retail	852	60	55	967
	18,219	815	710	19,744
ECL allowances	(139)	(74)	(435)	(648)
	18,080	741	275	19,096

Below is the classification of loans and advances by industrial sector:

	Gross loans		***ECL allowances***		***Net loans***	
	2024	*2023*	***2024***	*2023*	***2024***	*2023*
Financial services	**3,902**	4,057	**11**	21	**3,891**	4,036
Government	**1,208**	917	**6**	8	**1,202**	909
Other services	**2,968**	2,091	**256**	258	**2,712**	1,833
Manufacturing	**2,549**	2,876	**99**	123	**2,450**	2,753
Agriculture, fishing and forestry	**1,334**	1,681	**39**	25	**1,295**	1,656
Construction	**716**	802	**61**	51	**655**	751
Utilities	**848**	772	**6**	6	**842**	766
Energy	**1,008**	802	**2**	3	**1,006**	799
Distribution	**819**	1,074	**5**	5	**814**	1,069
Personal /consumer finance	**1,237**	1,500	**56**	51	**1,181**	1,449
Transport	**542**	542	**20**	22	**522**	520
Commercial real estate financing	**1,002**	1,175	**22**	28	**980**	1,147
Technology, media and telecommunications	**330**	440	**2**	3	**328**	437
Trade	**227**	287	**18**	23	**209**	264
Retailers	**232**	330	**-**	1	**232**	329
Mining and quarrying	**144**	128	**13**	18	**131**	110
Residential mortgage	**3**	3	**-**	**-**	**3**	3
Infrastructure	**37**	140	**-**	1	**37**	139
Contracting	**160**	127	**1**	1	**159**	126
	19,266	19,744	**617**	648	**18,649**	19,096

All figures in US$ Million

9 LOANS AND ADVANCES (continued)

An analysis of movement in the ECL allowances during the years ended 31 December 2024 and 31 December 2023 are as follows:

	2024			
	Stage 1	***Stage 2***	***Stage 3***	***Total***
As at 1 January	**139**	**74**	**435**	**648**
Transfers to stage 1	**3**	**(3)**	**-**	**-**
Transfers to stage 2	**(1)**	**1**	**-**	**-**
Transfers to stage 3	**(1)**	**(10)**	**11**	**-**
Net transfers between stages	**1**	**(12)**	**11**	**-**
Net remeasurements / additions	**9**	**3**	**231**	**243**
Recoveries / write back	**-**	**-**	**(103)**	**(103)**
Charge for the year - net	**9**	**3**	**128**	**140**
Amounts written-off	**-**	**-**	**(116)**	**(116)**
Exchange adjustments and other movements	**(13)**	**3**	**(45)**	**(55)**
As at 31 December	**136**	**68**	**413**	**617**

	2023			
	Stage 1	*Stage 2*	*Stage 3*	*Total*
As at 1 January	139	71	463	673
Transfers to stage 1	3	(3)	-	-
Transfers to stage 2	(2)	2	-	-
Transfers to stage 3	(1)	(15)	16	-
Net transfers between stages	-	(16)	16	-
Net remeasurements / additions	(14)	15	193	194
Recoveries / write back	-	-	(54)	(54)
Charge (reversal) for the year - net	(14)	15	139	140
Amounts written-off	-	-	(205)	(205)
Exchange adjustments and other movements	14	4	22	40
As at 31 December	139	74	435	648

The fair value of collateral that the Group holds relating to loans and advances individually determined to be impaired and classified under Stage 3 at 31 December 2024 amounts to US$ 89 million (2023: US$ 111 million).

At 31 December 2024, interest in suspense on impaired loans under Stage 3 amounts to US$ 128 million (2023: US$ 97 million).

All figures in US$ Million

10 CREDIT LOSS EXPENSE

	2024			
	Stage 1	***Stage 2***	***Stage 3***	***Total***
Liquid funds	**1**	**-**	**-**	**1**
Non-trading debt investments (note 8)	**(1)**	**-**	**(1)**	**(2)**
Loans and advances (note 9)	**9**	**3**	**128**	**140**
Credit commitments and contingent items (note 23)	**1**	**(1)**	**3**	**3**
Other financial assets subject to credit risk	**1**	**-**	**-**	**1**
	11	**2**	**130**	**143**

	2023			
	Stage 1	*Stage 2*	*Stage 3*	*Total*
Liquid funds	-	-	-	-
Non-trading debt investments (note 8)	4	-	-	4
Loans and advances (note 9)	(14)	15	139	140
Credit commitments and contingent items (note 23)	2	3	(2)	3
Other financial assets subject to credit risk	(1)	(5)	4	(2)
	(9)	13	141	145

11 OTHER ASSETS

	2024	*2023*
Interest receivable	**535**	581
Goodwill (note 36)	**25**	41
Right-of-use assets	**56**	57
Trade receivables	**338**	341
Positive fair value of derivatives (note 22)	**1,225**	952
Assets acquired on debt settlement	**36**	37
Deferred tax assets (note 12)	**187**	282
Bank owned life insurance	**41**	40
Margin dealing accounts	**265**	247
Staff loans	**39**	39
Advances and prepayments	**148**	200
Investments in associates	**32**	33
IT projects work-in-progress	**129**	109
Others	**386**	251
	3,442	3,210

The negative fair value of derivatives amounting to US$ 786 million (2023: US$ 779 million) is included in other liabilities (note 13). Details of derivatives are given in note 22.

Allowances for ECL against other financial assets subject to credit risk amounts to US$ 8 million (2023: US$ 9 million).

Below are the carrying amounts of the Group's right-of-use assets and movements during the year:

	Right-of-use assets	
	2024	*2023*
As at 1 January	**57**	52
Add: New/terminated leases - net	**12**	16
Less: Amortisation	**(10)**	(12)
Others (including foreign exchange movements)	**(3)**	1
As at 31 December	**56**	57

All figures in US$ Million

12 TAXATION ON FOREIGN OPERATIONS

12.1 Taxation charge and liability

	2024	*2023*
Consolidated statement of financial position		
Current tax liability	**40**	44
Deferred tax liability - net *	**29**	102
Taxation - net	**69**	146

* Deferred tax asset amounting to US$ 195 million has been offset against the deferred tax liability of US$ 224 million as it met offsetting conditions as at 31 December 2024. Refer deferred tax asset in note 11.

Consolidated statement of profit or loss		
Current tax on foreign operations	**65**	91
Deferred tax on foreign operations	**7**	(17)
	72	74
Consolidated statement of cash flows		
Taxes paid during the year	**60**	70
	60	70
Analysis of tax charge		
At Bahrain (income tax rate of nil)	**-**	-
On profits of subsidiaries operating in other jurisdictions	**72**	72
Charge arising from tax treatment of hedging currency movements	**-**	2
Income tax expense reported in the consolidated statement of profit or loss	**72**	74

The effective tax rates on the profit of subsidiaries in MENA was 35% (2023: 36%) and United Kingdom was 21% (2023: 18%) as against the actual tax rates of 23% to 48% (2023: 19% to 35%) in MENA and 25% (2023: 25%) in United Kingdom.

In the Bank's Brazilian subsidiary, the effective tax rate on normalised earnings was 1% (2023: 12%) as against the actual tax rate of 45% (2023: 45%). Adjusted for deferred tax, the effective tax rate was 4% (2023: 1%).

In view of the operations of the Group being subject to various tax jurisdictions and regulations, it is not practical to provide a reconciliation between the accounting and taxable profits.

12.2 Pillar Two Rules

The Organisation for Economic Co-operation and Development (OECD)/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) addresses the tax challenges arising from the digitalisation of the global economy. The Global Anti-Base Erosion Model Rules (Pillar Two model rules) apply to multinational enterprises (MNEs) with annual revenue in excess of EUR 750 million per their consolidated financial statements.

The Pillar Two model rules introduce four new taxing mechanisms under which MNEs would pay a minimum level of tax (the Minimum Tax):

- The Qualified Domestic Minimum Top-up Tax (QDMTT)
- The Income Inclusion Rule (IIR)
- The Under Taxed Payments/Profits Rule (UTPR)

The Subject to Tax Rule (STR) is a tax treaty-based rule that generally proposes a Minimum Tax on certain cross-border intercompany transactions that otherwise are not subject to a minimum level of tax.

12 TAXATION ON FOREIGN OPERATIONS (continued)

12.2 Pillar Two Rules (continued)

The new taxing mechanisms can impose a minimum tax on the income arising in each jurisdiction in which an MNE operates. The IIR, UTPR and QDMTT do so by imposing a top-up tax in a jurisdiction whenever the effective tax rate (ETR), determined on a jurisdictional basis under the Pillar Two rules, is below a 15% minimum rate.

On 23 May 2023, the IASB issued International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12 (the Amendments). The Amendments clarify that IAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD, including tax law that implements a QDMTT. The Group has adopted these amendments, which introduce:

- A mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation.

The Pillar Two model rules were adopted in Bahrain at the end of 2024 and are applicable starting from 1 January 2025. According to these rules, the Group is considered an MNE to which the Pillar Two rules shall be applied. At the same time, Pillar Two legislation has been enacted or substantively enacted in several other jurisdictions in which the Group operates effective for the financial year beginning 1 January 2024.

The Group has performed an assessment of its potential exposure to Pillar Two income taxes based on the 2023 country-by-country reporting and 2024 financial information for the constituent entities in the Group. The Pillar Two effective tax rates in most of the jurisdictions in which the Group operates is above 15% and the Group is not expecting any material amount of additional taxes in year 2024 due to Pillar Two in any of the jurisdictions where it operates.

The Group continues to follow Pillar Two legislative developments, as further countries enact the Pillar Two model rules, to evaluate the potential future impact on its consolidated results of operations, financial position and cash flows.

12.3 Domestic Minimum Tax Top-up (DMTT) Rules

The Kingdom of Bahrain issued Decree Law No. (11) of 2024 ('Bahrain DMTT law') on 1 September 2024 introducing a Domestic Minimum Top-up Tax ("DMTT"). This law is applicable to Multi National Enterprises (MNEs) with consolidated annual revenues equal to or exceeding Euro 750 million during 2 of the previous 4 years. MNEs in scope of the law will be subject to a tax of 15% on their profits generated in the Kingdom of Bahrain for fiscal years commencing on or after 1 January 2025.

The Bank and its subsidiaries will be subject to the above law. The Group's subsidiaries may also be subject to a top-up tax in 2025, under similar regulations enacted in other countries, in relation to its operations in respective jurisdictions as explained in note 12.2.

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

The Group has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred.

Internal assessment performed by the Bank indicates that DMTT and BEPS Pillar 2 would not result in any material increase in taxes on profit in Bahrain if the law were applicable in 2024. The Group is currently preparing for compliance with the DMTT law in Bahrain by updating the systems, processes, documentation and data. The actual tax charge for 2025 will depend on multiple factors including profit before tax in Bahrain, substance based income exemption (SBIE) rules and other deductions allowed under the DMTT regulations which will be quantified during the course of the year.

All figures in US$ Million

13 OTHER LIABILITIES

	2024	*2023*
Interest payable	**1,071**	1,074
Lease liabilities	**59**	61
Negative fair value of derivatives - net (note 22)	**786**	779
Employee related payables	**141**	120
Margin deposits including cash collateral	**35**	31
Deferred income	**18**	21
ECL allowances for credit commitments and contingent items (note 23)	**29**	32
Accrued charges and other payables	**644**	606
	2,783	2,724

The positive fair value of derivatives amounting to US$ 1,225 million (2023: US$ 952 million) is included in other assets (note 11). Details of derivatives are given in note 22.

The negative fair value of derivatives amounting to US$ 786 million (2023: US$ 779 million) are net of positive fairvalue of derivatives amounting to US$ 73 million (2023: US$ Nil) as these met the offsetting conditions.

Below are the carrying amounts of the Group's lease liabilities and movements :

	Lease liabilities	
	2024	*2023*
As at 1 January	**61**	55
Add: New/terminated leases - net	**10**	16
Add: Interest expense	**4**	3
Less: Repayments	**(10)**	(14)
Others (including foreign exchange movements)	**(6)**	1
As at 31 December	**59**	61

14 BORROWINGS

In the ordinary course of business, the Bank and certain subsidiaries raise term financing through various capital markets at commercial rates.

Total obligations outstanding at 31 December 2024

Aggregate maturities	***Currency***	***Rate of interest %***	***Parent bank***	***Subsidiaries***	***Total***
2025*	EUR	*SOFR +1.35%*	**-**	**175**	**175**
2027*	US$	*SOFR +2%*	**470**	**-**	**470**
2028*	US$	*SOFR +2%*	**470**	**-**	**470**
2025-2029	US$	*5.532%*	**-**	**25**	**25**
2025-2027	TND	*10.8-11.4%*	**-**	**3**	**3**
Perpetual**	BRL	*Selic *1.5*	**-**	**238**	**238**
			940	**441**	**1,381**

*These borrowings are from ultimate parent as disclosed in note 29.

**Perpetual
This instrument issued by a subsidiary qualifies as Additional Tier 1 ("AT1") capital for the purpose of capital adequacy calculation as disclosed in note 34.

All figures in US$ Million

14 BORROWINGS (continued)

Total obligations outstanding at 31 December 2023

Aggregate maturities	*Currency*	*Rate of interest %*	*Parent bank*	*Subsidiaries*	*Total*
2024	US$	*SOFR +1.35%*	-	55	55
2024*	EUR	*EURIBOR +1.15%*		175	175
2027*	US$	*SOFR +2%*	470	-	470
2028*	US$	*SOFR +2%*	470	-	470
2024-2029	US$	*2.67%*	-	30	30
2024-2027	TND	*8.2-11.50%*	-	5	5
Perpetual**	BRL	*Selic *1.2*	-	98	98
			940	363	1,303

*These borrowings are from ultimate parent as disclosed in note 29.

**Perpetual
This instrument issued by a subsidiary qualifies as Additional Tier 1 ("AT1") capital for the purpose of capital adequacy calculation as disclosed in note 34.

15 EQUITY

a) Share capital

	2024	*2023*
Authorised – 4,500 million shares of US$ 1 each (2023: 4,500 million shares of US$ 1 each)	**4,500**	4,500
Issued, subscribed and fully paid – 3,110 million shares of US$ 1 each (2023: 3,110 million shares of US$ 1 each)	**3,110**	3,110

b) Treasury shares

The Group owns 15,515,000 treasury shares (2023: 15,515,000 shares) which were acquired for a cash consideration of US$ 6 million (2023: US$ 6 million).

c) Statutory reserve

As required by the Articles of Association of the Bank and the Bahrain Commercial Companies Law, 10% of the profit for the year is transferred to the statutory reserve. Such annual transfers will cease when the reserve totals 50% of the paid up share capital. The reserve is not available for distribution except in such circumstances as stipulated in the Bahrain Commercial Companies Law and following the approval of the CBB.

d) General reserve

The general reserve underlines the shareholders' commitment to enhance the strong equity base of the Bank. There are no restrictions on the distribution of this reserve.

e) Cumulative changes in fair value

	2024	*2023*
At 1 January	**13**	(22)
Net movement in fair value during the year	**15**	35
At 31 December	**28**	13

All figures in US$ Million

16 ADDITIONAL / PERPETUAL TIER-1 CAPITAL

The Group issued Basel 3 compliant additional / perpetual Tier 1 Capital securities amounting to US$ 390 million during the year ended 31 December 2022. These securities are perpetual, subordinated and unsecured and carry an interest of 4.75% per annum payable semi-annually. The holders of these securities do not have a right to claim the interest and such an event of non-payment will not be considered an event of default. Further, the corresponding interest paid to investors is accounted for as an appropriation of profits.

17 INTEREST AND SIMILAR INCOME

	2024	*2023*
Loans and advances	**1,784**	1,773
Securities and investments	**931**	696
Placements with banks and other financial institutions	**524**	494
Others	**19**	89
	3,258	3,052

18 INTEREST AND SIMILAR EXPENSE

	2024	*2023*
Deposits from banks	**736**	596
Deposits from customers	**1,511**	1,399
Borrowings	**96**	99
Certificates of deposit and others	**13**	23
	2,356	2,117

19 OTHER OPERATING INCOME

	2024	*2023*
Fee and commission income*	**229**	197
Fee and commission expense	**(6)**	(7)
Fee and commission income - net	**223**	190
Bureau processing income	**41**	48
Net gain from trading book (including foreign currencies transaction)	**53**	33
Gain on disposal of non-trading debt investments - net	**36**	14
Merchant acquiring income	**18**	14
Others - net	**66**	45
	437	344

*Included in the fee and commission income is US$ 15 million (2023: US$ 13 million) of fee income relating to funds under management.

20 OTHER OPERATING EXPENSES

	2024	*2023*
Office systems and supplies	**75**	72
Professional fees and licenses	**54**	58
Communications	**26**	25
Business development	**14**	20
Others	**76**	71
	245	**246**

All figures in US$ Million

21 GROUP INFORMATION

21.1 Information about subsidiaries

The principal subsidiaries, all of which have 31 December as their year-end, are as follows:

	Principal activities	*Country of incorporation*	*Interest of Arab Banking Corporation (B.S.C.)*	
`			***2024***	*2023*
			%	%
ABC International Bank Plc	*Banking*	*United Kingdom*	**100.0**	100.0
ABC SA	*Banking*	*France*	**100.0**	100.0
ABC Islamic Bank (E.C.)	*Banking*	*Bahrain*	**100.0**	100.0
Arab Banking Corporation (ABC) - Jordan	*Banking*	*Jordan*	**87.0**	87.0
Banco ABC Brasil S.A.	*Banking*	*Brazil*	**63.7**	63.6
ABC Algeria	*Banking*	*Algeria*	**88.9**	88.9
Arab Banking Corporation - Egypt [S.A.E.]	*Banking*	*Egypt*	**99.6**	99.6
ABC Tunisie	*Banking*	*Tunisia*	**100.0**	100.0
Arab Financial Services Company B.S.C. (c)	*Credit card and Fintech services*	*Bahrain*	**98.0**	90.4

21.2 Significant restrictions

The Group does not have any significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from supervisory frameworks within which banking subsidiaries operate. The supervisory frameworks require banking subsidiaries to keep certain levels of regulatory capital and liquid assets, limit their exposure to other parts of the Group and comply with other ratios. In certain jurisdictions, distribution of reserves is subject to prior supervisory approval.

21.3 Material partly-owned subsidiaries

Financial information of a subsidiary that has material non-controlling interests is provided below:

Banco ABC Brasil S.A.

	2024	*2023*
Proportion of equity interest held by non-controlling interests (%)	**36.3%**	36.4%
Dividends paid to non-controlling interests	**25**	27

The summarised financial information of this subsidiary is provided below.

	2024	*2023*
Summarised statement of profit or loss:		
Interest and similar income	**1,141**	1,146
Interest and similar expense	**(841)**	(838)
Other operating income	**147**	134
Operating expenses	**(200)**	(199)
Credit loss expense	**(67)**	(78)
Profit before tax	**180**	165
Taxation	**(8)**	(1)
Profit for the year	**172**	164
Profit attributable to non-controlling interests	**62**	60
Total comprehensive (loss) income	**(108)**	240
Total comprehensive (loss) income attributable to non-controlling interests	**(39)**	87

All figures in US$ Million

21 GROUP INFORMATION (continued)

21.3 Material partly-owned subsidiaries (continued)

	2024	*2023*
Summarised statement of financial position:		
Total assets	**10,623**	11,341
Total liabilities	**(9,576)**	(10,125)
Total equity	**1,047**	1,216
Equity attributable to non-controlling interests	**380**	443
Summarised cash flow information:		
Operating activities	**27**	8
Investing activities	**(123)**	81
Financing activities	**76**	(25)
Net (decrease) increase in cash and cash equivalents	**(20)**	64

22 DERIVATIVES AND HEDGING

In the ordinary course of business the Group enters into various types of transactions that involve derivative financial instruments.

The table below shows the positive and negative fair values of derivative financial instruments. The notional amount is that of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year end and are not indicative of either market or credit risk.

	2024			*2023*		
	Positive fair value	***Negative fair value***	***Notional amount***	*Positive fair value*	*Negative fair value*	*Notional amount*
Derivatives held for trading						
Interest rate swaps	**373**	**206**	**18,355**	210	219	9,216
Currency swaps	**72**	**30**	**824**	32	25	980
Forward foreign exchange contracts	**95**	**37**	**11,127**	77	85	9,370
Options*	**551**	**466**	**13,537**	517	415	12,991
Futures	**13**	**13**	**3,210**	17	22	5,386
	1,104	**752**	**47,053**	853	766	37,943
Derivatives held as hedges						
Interest rate swaps	**103**	**34**	**3,642**	81	13	2,308
Currency swaps	**15**	**-**	**158**	17	-	133
Forward foreign exchange contracts	**3**	**-**	**167**	1	-	169
	121	**34**	**3,967**	99	13	2,610
	1,225	**786**	**51,020**	952	779	40,553
Risk weighted equivalents (credit and market risk)			**1,928**			1,328

* Negative fair value of options is presented net of positive fair value of options amounting to US$ 73 million eligible for offsetting.

Derivatives are carried at fair value using valuation techniques based on observable market inputs.

All figures in US$ Million

22 DERIVATIVES AND HEDGING (continued)

Derivatives held as hedges include fair value hedges which are predominantly used to hedge fair value changes arising from interest rate fluctuations in debt instruments at FVOCI and/or amortised cost.

For the year ended 31 December 2024, net impact from ineffectiveness from hedges is US$ nil (2023: US$ nil) comprising net loss of US$ 2 million (2023: net loss of US$ 30 million) on hedging instruments offsetting the total gain on hedged items attributable to the hedged risk amounted to US$ 2 million (2023: gain of US$ 30 million).

The Group uses deposits which are accounted for as hedges of net investment in foreign operations. As at 31 December 2024, the Group had deposits amounting to US$ 723 million (2023: US$ 718 million) which were designated as net investment hedges.

Derivatives held or issued for trading purposes

Most of the Group's derivative trading activities relate to sales, positioning and arbitrage. Sales activities involve offering products to customers. Positioning involves managing market risk positions with the expectation of profiting from favourable movements in prices, rates or indices. Arbitrage involves identifying and profiting from price differentials between markets or products. Also included under this heading are any derivatives which do not meet IFRS 9 hedging requirements.

Derivative related credit risk

Credit risk in respect of derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations and is limited to the positive fair value of instruments that are favourable to the Group. The majority of the Group's derivative contracts are entered into with other financial institutions and there is no significant concentration of credit risk in respect of contracts with positive fair value with any individual counterparty at the date of the consolidated statement of financial position.

Derivatives held or issued for hedging purposes

The Group has adopted a comprehensive system for the measurement and management of risk. Part of the risk management process involves managing the Group's exposure to fluctuations in foreign exchange rates (currency risk) and interest rates through asset and liability management activities. It is the Group's policy to reduce its exposure to currency and interest rate risks to acceptable levels as determined by the Board of Directors. The Board has established levels of currency risk by setting limits on currency position exposures. Positions are monitored on an ongoing basis and hedging strategies used to ensure positions are maintained within established limits. The Board has established levels of interest rate risk by setting limits on the interest rate gaps for stipulated periods. Interest rate gaps are reviewed on an ongoing basis and hedging strategies used to reduce the interest rate gaps to within the limits established by the Board of Directors.

As part of its asset and liability management the Group uses derivatives for hedging purposes in order to reduce its exposure to currency and interest rate risks. This is achieved by hedging specific financial instruments, forecasted transactions as well as strategic hedging against overall statement of financial position exposures. For interest rate risk this is carried out by monitoring the duration of assets and liabilities using simulations to estimate the level of interest rate risk and entering into interest rate swaps and futures to hedge a proportion of the interest rate exposure, where appropriate. Since strategic hedging does not qualify for special hedge accounting related derivatives are accounted for as trading instruments.

The Group uses forward foreign exchange contracts, currency options, currency swaps to hedge against specifically identified currency risks. In addition, the Group uses interest rate swaps and interest rate futures to hedge against the interest rate risk arising from specifically identified loans and securities bearing fixed interest rates. In all such cases the hedging relationship and objective, including details of the hedged item and hedging instrument, are formally documented and the transactions are accounted for as hedges.

All figures in US$ Million

22 DERIVATIVES AND HEDGING (continued)

The Group applies hedge accounting in two separate hedging strategies, as follows:

Interest rate risk on fixed rate debt type instruments (fair value hedge)

The Group holds a portfolio of long-term variable and fixed rate loans / securities / deposits and therefore is exposed to changes in fair value due to movements in market interest rates. The Group manages this interest rate risk exposure by entering into pay fixed / receive floating interest rate swaps.

Only the interest rate risk element is hedged and therefore other risks, such as credit risk, are managed but not hedged by the Group. The interest rate risk component is determined as the change in fair value of the long-term variable / fixed rate loans and securities arising solely from changes in the benchmark rate of interest. Such changes are usually the largest component of the overall change in fair value. The Group primarily designates the benchmark rate as the hedged risk and, accordingly, enters into interest rate swaps whereby the fixed legs represent the economic risks of the hedged items. This strategy is designated as a fair value hedge and its effectiveness is assessed by critical terms matching and measured by comparing changes in the fair value of the loans / secuities attributable to changes in the benchmark rate of interest with changes in the fair value of the interest rate swaps.

The Group establishes the hedging ratio by matching the notional of the derivatives with the principal of the portfolio being hedged. Possible sources of ineffectiveness are as follows:

(i) differences between the expected and actual volume of prepayments, as the Group hedges to the expected repayment date taking into account expected prepayments based on past experience;
(ii) hedging derivatives with a non-zero fair value at the date of initial designation as a hedging instrument; and
(iii) counterparty credit risk which impacts the fair value of uncollateralised interest rate swaps but not the hedged items.

Net investment in foreign operation (net investment hedge)

The Group has an investment in a foreign operation which is consolidated in its financial statements. The foreign exchange rate exposure arising from this investment is hedged through the use of deposits. These deposits are designated as net investment hedges to hedge the equity of the subsidiaries. The Group establishes the hedging ratio by matching the deposits with the net assets of the foreign operation.

The following table sets out the maturity profile of the trading and hedging instruments used in the Group’s trading and non-dynamic hedging strategies:

	Within 1 month	*1 - 3 months*	*3 - 6 months*	*6 - 12 months*	*1 - 5 years*	*5-10 years*	*Over 10 years*	*Total*
Notional								
2024	**4,903**	**4,488**	**5,070**	**12,203**	**18,314**	**5,052**	**990**	**51,020**
2023	5,815	5,806	1,994	9,261	14,462	3,110	105	40,553

Hedge ineffectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. For hedges of exposures to fluctuations in foreign exchange rates, the Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The Group therefore performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Group uses quantitative hedge effectiveness testing using the dollar offset method to assess effectiveness.

In hedges of foreign currency exposures, ineffectiveness may arise if the timing of the cash flows changes from what was originally estimated, or if there are changes in the credit risk of the Bank or the derivative counterparty.

All figures in US$ Million

22 DERIVATIVES AND HEDGING (continued)

Net investment in foreign operation (net investment hedge) (continued)

Hedge ineffectiveness (continued)
Hedge ineffectiveness only arises to the extent the hedging instruments exceed in nominal terms the risk exposure from the foreign operations.

The ineffectiveness during 2024 or 2023 in relation to the interest rate swaps is however not significant to the Group.

23 CREDIT COMMITMENTS AND CONTINGENT ITEMS

Credit commitments and contingent items include commitments to extend credit, standby letters of credit, acceptances and guarantees, which are structured to meet the various requirements of customers.

At the reporting date, the principal outstanding and the risk weighted equivalents were as follows:

	2024	*2023*
Short-term self-liquidating trade and transaction-related contingent items	**4,135**	4,536
Direct credit substitutes and guarantees	**2,861**	3,102
Undrawn loans and other commitments	**3,073**	2,738
	10,069	10,376
Credit exposure after applying credit conversion factor	**4,300**	4,332
Risk weighted equivalents	**3,591**	3,696

The table below shows the contractual expiry by maturity of the Group's credit commitments and contingent items:

	2024	*2023*
On demand	**1,388**	1,861
1 - 6 months	**2,707**	2,881
6 - 12 months	**1,942**	2,413
1 - 5 years	**3,651**	3,201
Over 5 years	**381**	20
	10,069	10,376

Exposure (after applying credit conversion factor) and ECL by stage

	2024			
	Stage 1	***Stage 2***	***Stage 3***	***Total***
Credit commitments and contingencies	**4,179**	**83**	**38**	**4,300**
ECL allowances	**8**	**11**	**10**	**29**

	2023			
	Stage 1	*Stage 2*	*Stage 3*	*Total*
Credit commitments and contingencies	4,212	100	20	4,332
ECL allowances	8	13	11	32

All figures in US$ Million

23 CREDIT COMMITMENTS AND CONTINGENT ITEMS (continued)

An analysis of changes in the ECL allowances are as follows:

	2024			
	Stage 1	***Stage 2***	***Stage 3***	***Total***
As at 1 January	**8**	**13**	**11**	**32**
Net measurement / additions	**1**	**(1)**	**3**	**3**
Recoveries / write back	**-**	**-**	**-**	**-**
Charge for the year - net	**1**	**(1)**	**3**	**3**
Amounts written-off	**-**	**-**	**-**	**-**
Exchange adjustments and other movements	**(1)**	**(1)**	**(4)**	**(6)**
As at 31 December	**8**	**11**	**10**	**29**

	2023			
	Stage 1	*Stage 2*	*Stage 3*	*Total*
As at 1 January	7	9	28	44
Net measurement / additions	2	3	1	6
Recoveries / write back	-	-	(3)	(3)
Charge for the year - net	2	3	(2)	3
Amounts written-off	-	-	(2)	(2)
Exchange adjustments and other movements	(1)	1	(13)	(13)
As at 31 December	8	13	11	32

The Group expects that not all of the contingent liabilities or commitments will be drawn before expiry of the commitments.

The Group is engaged in litigation in various jurisdictions. The litigation involves claims by and against the Group which have arisen in the ordinary course of business. The Directors of the Bank, after reviewing the claims pending against Group companies and based on the advice of relevant professional legal advisors, are satisfied that the outcome of these claims will not have a material adverse effect on the financial position of the Group.

24 SIGNIFICANT NET FOREIGN CURRENCY EXPOSURES

Significant net foreign currency exposures, arising mainly from investments in subsidiaries, are as follows:

	2024		*2023*	
Net long (short)	***Currency***	***US$ equivalent***	*Currency*	*US$ equivalent*
Brazilian Real	**5,456**	**882**	5,255	1,083
Pound Sterling	**5**	**7**	(2)	(3)
Egyptian Pound	**11,593**	**228**	9,826	318
Jordanian Dinar	**129**	**182**	99	140
Algerian Dinar	**25,429**	**187**	23,693	176
Tunisian Dinar	**170**	**53**	104	34
Euro	**33**	**35**	22	25
Bahraini Dinar	**39**	**104**	15	39
Omani Riyal	**1**	**2**	2	4

All figures in US$ Million

25 FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table provides the fair value measurement hierarchy of the Group's financial assets and financial liabilities.

25.1 31 December 2024

Quantitative disclosure of fair value measurement hierarchy for assets as at 31 December 2023:

Financial assets measured at fair value:

	Level 1	*Level 2*	*Level 3*	*Total*
Trading securities	**548**	**174**	**116**	**838**
Non-trading investments	**6,265**	**640**	**4**	**6,909**
Loans and advances	**-**	**547**	**-**	**547**
Derivatives held for trading	**563**	**541**	**-**	**1,104**
Derivatives held as hedges	**-**	**121**	**-**	**121**

Quantitative disclosure of fair value measurement hierarchy for liabilities as at 31 December 2024:

Financial liabilities measured at fair value:

	Level 1	*Level 2*	*Level 3*	*Total*
Derivatives held for trading	**467**	**285**	**-**	**752**
Derivatives held as hedges - net	**-**	**34**	**-**	**34**

Fair values of financial instruments not carried at fair value

Except for the following, the fair value of financial instruments which are not carried at fair value are not materially different from their carrying value.

	Carrying value	*Fair value*
Financial assets		
Non-trading investments at amortised cost - gross (level 1)	**9,283**	**9,280**
Financial liabilities		
Borrowings - perpetual (level 1)	**238**	**253**

25.2 31 December 2023

Quantitative disclosure of fair value measurement hierarchy for assets as at 31 December 2023:

Financial assets measured at fair value:

	Level 1	*Level 2*	*Level 3*	*Total*
Trading securities	924	146	-	1,070
Non-trading investments	4,702	777	-	5,479
Loans and advances	-	793	-	793
Derivatives held for trading	458	395	-	853
Derivatives held as hedges	-	99	-	99

All figures in US$ Million

25 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

25.2 31 December 2023 (continued)

Quantitative disclosure of fair value measurement hierarchy for liabilities as at 31 December 2023:

Financial liabilities measured at fair value:

	Level 1	*Level 2*	*Level 3*	*Total*
Derivatives held for trading	361	405	-	766
Derivatives held as hedges	-	13	-	13

Fair values of financial instruments not carried at fair value
Except for the following, the fair value of financial instruments which are not carried at fair value are not materially different from their carrying value.

	Carrying value	*Fair value*
Financial assets		
Non-trading investments at amortised cost - gross (level 1)	5,978	5,982
Financial liabilities		
Borrowings - perpetual (level 1)	98	104

Financial instruments in level 1
The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

Financial instruments in level 2
The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Financial instruments in level 3
The fair value of financial instruments that are neither traded in an active market nor have observable inputs is determined by valuation techniques. These valuation techniques include an internal model which uses observable market yield curves and expected loss methodology for securities. Quotes provided by fund administrators are used for funds valuation.

Transfers between level 1, level 2 and level 3
There were no transfers between level 1, level 2 and level 3 during the year ended 31 December 2024 (31 December 2023: none).

All figures in US$ Million

26 RISK MANAGEMENT

26.1 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. The Group is exposed to financial and non-financial risks including credit risk, liquidity risk, operational risk, market risk, legal risk, strategic risk as well as other forms of risk inherent in its financial operations, all of which are captured and detailed in the Group's Risk Taxonomy.

The Group continues to invest to strengthen its comprehensive and robust risk management infrastructure. This includes risk identification processes under credit, market and operational risk spectrums, risk measurement models and rating systems as well as a strong business process to monitor and control these risks.

26.2 Risk management structure

Executive Management is responsible for implementing the Group's Risk Appetite and Policy Guidelines set by the relevant Board Committees, including the identification and evaluation on a continuous basis of all material risks to the business and the design and implementation of appropriate internal controls to mitigate them. This is done through the Senior Management Committees, the Credit & Risk Group, Compliance and Balance Sheet Management Group functions at the Head Office with oversight by the relevant Board Committees.

The Board Risk Committee (BRC) assists the Board in setting, and periodically reviewing the overall risk strategy/appetite of the Bank which shall govern the parameters within which business is to be conducted. BRC is supported by two management level committees – Group Risk Committee (GRC) and Group Asset Liability Committee (GALCO). The Board Compliance Committee (BCC) assists the Board in discharging its governance and oversight responsibilities for the compliance risk management framework of the Bank and of the Bank's compliance with applicable laws and regulations on a group wide basis. The Board Compliance Committee is supported by Group Compliance Oversight Committee (GCOC).

The Board Audit Committee is responsible to the Board for ensuring that the Group maintains an effective system of financial, accounting and risk management controls and for monitoring compliance with the requirements of the regulatory authorities in various countries in which the Group operates.

The primary objectives of the GRC are to define, develop and monitor the Group's overarching risk management framework taking into account the Group's strategy and business plans. The GRC is assisted by specialised sub-committees to manage Credit Risk (Group Credit Committee), Operational Risk (Group Operational Risk Committee), Model Risk (Group Risk Governance and Analytics Committee) and Operational Resilience (Group Operational Resilience Committee). ESG risk is managed through a steering committee that reports into GRC.

The GALCO assists the BRC in overseeing the implementation of the Group's Asset / Liability Management Framework which includes capital, liquidity & funding and market risk in line with the risk appetite framework. GALCO monitors the Group's capital, liquidity, funding and market risks, stress testing and the Group's risk profile in the context of economic outlook and market developments. GALCO is assisted by technical sub-committees for Capital & Liquidity Management.

The GCOC has the oversight responsibilities relating to maintaining and enforcing a strong and sustainable compliance culture, regulatory compliance, AML and mitigating financial crime. It is also responsible for establishing the operating framework and the processes to support a permanent and an effective compliance function. Reputational risk is managed by the Group Reputational Risk Committee which is a sub-committee of the GCOC.

The above management structure, supported by teams of risk & credit analysts, and compliance officers, provide a coherent infrastructure to carry out credit, risk, balance sheet management and compliance responsibilities in a seamless manner.

Each subsidiary is responsible for managing its own risks and has its own Board Risk Committee and Management Committees with responsibilities generally analogous to the Group Committees.

26 RISK MANAGEMENT (continued)

26.3 Risk mitigation techniques

26.3.1 Risk mitigation

As part of the Credit review process, the Bank assesses the facility structure, primary source of repayment and the need for any credit risk mitigation. This includes collateral or any third-party guarantees that provide additional support for inherent and identified credit risk.

The Group uses collaterals to reduce its credit risk. The Bank manages and monitors collateral value on a regular basis to ensure proper risk mitigation, supported by legal documentation that is enforceable and can protect the Bank's interest, particularly in a default scenario.

As a part of its overall risk management, the Group uses derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risks, credit risks, and exposures arising from forecast transactions.

Group Treasury and Financial Markets (GTFM) regularly enters hedge transactions to manage market risks within its portfolios that are within its delegated authority, and each hedging strategy is approved by appropriate level of committee within the Group. Also, if a hedge becomes ineffective, the Group may decide to undertake the risk (and profit or loss volatility) rather than enter into a new hedge relationship.

26.3.2 Excessive credit risk concentration

Credit concentration risk is the risk posed by excessive exposures to a single type or class of exposures that share similar characteristics. A common type of credit concentration risk is having excessive exposure to a single obligor or single group of closely-related counterparties. Risk concentration can also occur across economic activity, geographic areas or bank products. High levels of concentration in the event of a negative event e.g. default, changes in economic, political or other conditions may cause the Group to suffer higher than expected losses.

To avoid excessive concentrations of risk, the Group policies and standards include specific guidelines for managing the concentration of credit risk, across dimensions such as geography, industry, risk ratings and group of closely related counterparties. Where a concentration of risk is identified, action is taken to reduce or mitigate the concentration as appropriate.

26.4 Credit risk

Credit risk occurs when an obligor fail to discharge its contractual obligation with the Group causing the Group to incur a financial loss. The Group controls credit risk by setting limits on the amount of risk it is willing to accept for an individual obligor or group of connected obligors as per the Bank's risk appetite, credit acceptance criteria and limit framework. The credit limit assigned to an obligor is based on its credit profile (as reflected in the risk rating), the collateral posted in support of the facility and the facility maturity. Credit limits are approved at credit committees within the delegated authority framework.

Credit risk is managed by the Group Credit Committee ("GCC"), which is the main credit risk decision-making committee of the Group. GCC has the following roles and responsibilities:

- Review and decision credit proposals in line with its delegated authorities.
- Review and approve Obligor Risk Ratings (ORR) and any overrides as applicable.
- Review and approve Stage 1, 2 and 3 ECL charges.
- Credit portfolio reviews.
- Review of credit resources and infrastructure.
- Review and recommend the Credit Policies to the BRC for approval.

All figures in US$ Million

26 RISK MANAGEMENT (continued)

26.4 Credit risk (continued)

26.4.1 Credit risk assessment and mitigation

Exposure at default (EAD)
The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation. EAD for unfunded facilities is calculated by multiplying the outstanding exposure with the credit conversion factor (CCF) ranging from 20% to 100%.

To calculate the EAD for a Stage 1 loan, the Group assesses the possible default events and the cash flows within 12 months for the calculation of the 12 months ECL. For Stage 2, Stage 3 and POCI, the EAD is considered for events over the lifetime of the instruments.

Obligor Risk Rating (ORR) and the Probability of Default (PD) estimation process
The Group assigns an ORR to each obligor which maps to the Group's assessment of PD for the obligor. The ORR scale is aligned to that of the international rating agencies (see below). An obligor's ORR is reviewed at least annually.

The Group uses risk rating models tailored to the various categories of counterparties that consider an obligor's financial standing, geographic location, its industry plus additional relevant information added through selective qualitative inputs to derive the ORR.

The credit grades are calibrated such that the risk of default increases exponentially as the credit quality weakens.

Credit Risk Rating Scale
The Group's rating method comprises 20 rating levels covering Stages 1 & 2 (1 to 8) and three default classes covering Stage 3 (9 to 11). The master scale maps the obligor risk rating (ORR) to a percentage point which indicates a probability of default. The strongest credits are rated '1'. As the credit quality weakens so the ORR increases in value. Obligors with an ORR of 4- or better are investment grade, whilst ORR of 5+ or weaker are non-investment grade.

Rating models and process is subject to periodic validation and recalibration in order to ensure that the PD accurately reflects current market default experience.

The Group's internal credit rating grades along with the respective TTC PDs are as below:

Internal rating grades	Internal rating grade description	PD range (%)
01 to 04-	Superior	>= 0.00% to <0.49%
05+ to 05-	Satisfactory	>= 0.49% to <1.52%
06+ to 06-	Adequate	>= 1.52% to <5.02%
07+ to 07-	Marginal	>= 5.02% to <17.32%
08	Watchlist	>= 17.32% to <100%

The PDs obtained as above are then adjusted for IFRS 9 ECL calculations to incorporate forward looking information. This is repeated for each economic scenario as appropriate.

26 RISK MANAGEMENT (continued)

26.4 Credit risk (continued)

26.4.1 Credit risk assessment and mitigation (continued)

Loss given default (LGD)
The credit risk mitigation assessment is based on a standardised LGD framework. Under this framework, the Group calculates LGD values based on the collateral type and value, obligor rating, economic scenarios, seniority of tranche, industry and country of the borrower, etc.

The Group segments its retail lending products into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g., product type, wider range of collateral types) as well as borrower characteristics.

Definition of default and cure
The Group considers a contract to be in default, if the terms of that contract have not been met. If the contractual repayments on a facility are 90 days past due the facility is moved to Stage 3 and a specific ECL allowance is recorded.

The 90 days past due is rebutted only if there is reasonable and supportive information demonstrating that this does not meet the impairment definition requirements.

As a part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- Principal and/or interest and / or fees are past due for 90 days or more after the last billing date and/or scheduled payment date, ignoring technical defaults and / or data errors. However, the Group can rebut 90 days past due assumption on a case-by-case basis, only upon prior approval from Group Chief Credit Officer (GCCO) / Group Chief Credit and Risk Officer (GCCRO) (at Head Office level) / Chief Risk Officer (CRO) or CRO (at Subsidiary level), as applicable;
- Any account put on non-accrual status i.e. interest suspended;
- A loan is classified as “Substandard”, “Doubtful” or “Loss”;
- A covenant breach not waived by the Group;
- Bankruptcy, liquidation, administration, insolvency or similar proceedings have been filed by or against the obligor;
- The purchase or origination of a financial asset at a deep discount that reflects an incurred loss; and
- Other cases where the assessment of the Bank’s GCC / GCCRO / GCCO suggests customers unlikeliness to pay.

The above criteria have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the PD, EAD and LGD throughout the Group’s expected loss calculations.

26 RISK MANAGEMENT (continued)

26.4 Credit risk (continued)

26.4.1 Credit risk assessment and mitigation (continued)

Definition of default and cure (continued)

The Bank employs ’cooling-off’ periods when moving a cured account from Stage 3 to Stages 2 or 1 (12 months) and from Stage 2 to Stage 1 (6 months). In cases, where the financial assets are originated or purchased at deep discount which reflects the incurred credit loss, the financial asset is classified under POCI and is not eligible for transfers to other stages. The Bank may choose to make exceptions to this on a case-by-case basis, upon prior approval from GCCO / GCCRO (at Head Office level) or CRO (at Subsidiary level). The Bank will be guided by the CBB's requirements while approving the exceptions.

Credit risk grading and PD estimation process

The following are additional considerations for each type of portfolio held by the Group:

Wholesale portfolio

The wholesale portfolio includes obligors across sovereigns, banks, corporates, non-bank financial institutions and small and medium enterprises (SME) sub-sectors.

At the request of the obligor the Bank’s first line of defense generates a paper to be considered at a business acceptance committee to confirm the facility is in line with the Bank’s strategy and meets the Bank’s profitability criteria. If approved at the business acceptance committee, a credit application form (CAF), is presented to the second line of defense which confirms that the request is factually correct and in line with the Bank’s policies and standards relating to the risk being underwritten. The credit risk units of the Group validate the ORR being proposed. The CAF is then presented to a credit committee appropriate to the geography, product, ORR, maturity and amount requested for approval.

At a minimum the CAF contains the following information:

- Description of the facility request, the amount, its structure/risk mitigation, its purpose, terms and conditions, source of repayment and a commentary outlining the risks and mitigants to the repayment of the facility.
- Profitability analysis.
- Identification of the model inputs for expected credit loss (ECL) calculation namely, ORR, LGD of the facility through consideration and analysis of:
  • Historical and in case of medium or long term loans forecast financial information.
  • Any available relevant economic, sectorial, market, regulatory, reputational, or financial information on the obligor from third parties.
  • Collateral assessment.

Relationship managers in the first line of defence are responsible for day-to-day management of existing credit exposures, and for periodic review of the client and associated risks.

The centralised credit unit in the second line of defence is responsible for:

- Independent credit review of the clients;
- Monitoring and maintaining oversight of the credit portfolio through client reviews, portfolio management information (MI) and key risk indicators (KRIs); and
- Supporting the GCC with reference to its roles and responsibilities.

All figures in US$ Million

26 RISK MANAGEMENT (continued)

26.4 Credit risk (continued)

26.4.1 Credit risk assessment and mitigation (continued)

Retail portfolio
The Group runs its retail lending via a series of product programs which are approved by the relevant credit committees. The Group uses the 'roll rate' methodology for ongoing assessment of the ECL across the retail portfolio. The roll rate methodology uses statistical analysis of historical data on delinquency levels to estimate the amount of ECL that might reasonably be incurred. Management overlays are applied to ensure that the estimate of ECL is appropriate given the prevailing economic conditions at the reporting date.

Treasury portfolio
For debt securities in the non-trading portfolio, external rating agency credit grades are used unless the Group has a different view on the ORR. These published credit ratings are continuously monitored and updated. The external ratings are mapped to the Group's internal ratings scale and the PD's associated with each grade are used for the ECL computation.

Significant increase in credit risk
Obligors or specific facilities (or financial instruments) that have experienced an SICR since initial recognition are moved to Stage 2. The Group monitors its portfolio to determine if an SICR event has occurred. The monitoring is undertaken in two ways

- Through the annual and ad-hoc thematic review process and the regrading of the ORR and staging as appropriate;
- Mechanical observation of past due (see below) or notch movement of the ORR from inception to date; and
- Other qualitative factors such as obligors assigned to close monitoring, restructured / forbearance facilities, etc.

Further, the Group has used the low credit risk (LCR) expedient which includes all exposures meeting the following criteria:
- All local currency sovereign exposures funded in local currency;
- All local currency exposures to the government of the Kingdom of Bahrain or Central Bank of Bahrain; and
- All exposures with external rating A- or above.

A backstop is applied, and the financial instrument is considered to have experienced SICR if the borrower is 30 or more days past due on its contractual payments.

ECL measurement
IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition or where the credit risk has not significantly increased since initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group.
- If a SICR since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Please refer above for a description of how the Group determines when a SICR has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.

All figures in US$ Million

26 RISK MANAGEMENT (continued)

26.4 Credit risk (continued)

26.4.1 Credit risk assessment and mitigation (continued)

ECL measurement (continued)

The following diagram summarises the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

Change in credit quality since initial recognition

Stage 1	**Stage 2**	**Stage 3**
(Initial recognition)	Significant increase in credit risk (since initial recognition)	(Default or credit-impaired assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses (specific provisions)

Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The ECL is measured on either a 12-month (12m) or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of PD, EAD and LGD, defined as follows:

The PD represents the likelihood of a borrower defaulting on its financial obligation (as per “Definition of default” above), either over the next 12 months (12m PD), or over the remaining lifetime (Lifetime PD) of the obligation.

EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

LGD represents the Group’s expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim, availability of collateral or other credit support, geography and industry. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD and LGD for each future month and for each individual exposure. The three components (PD, LGD and EAD) are multiplied together, and the projected PD is adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The Lifetime PD is developed by applying the forward-looking information on 12-month PD over the maturity of the loan. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band.

For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12 month or lifetime basis.

All figures in US$ Million

26 RISK MANAGEMENT (continued)

26.4 Credit risk (continued)

26.4.1 Credit risk assessment and mitigation (continued)

Measuring ECL – Explanation of inputs, assumptions and estimation techniques (continued)

For revolving products, the behavioral maturity of upto 2 years or contractual maturity is considered. The behavioral maturity treatment is only applicable to committed on-balance sheet exposures, for off-balance sheet exposures contractual maturity is used and exposure at default is predicted by applying a “credit conversion factor” to the off-balance sheet exposures which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type.

For secured products, this is primarily based on collateral values after applying approved haircuts depending on the collateral type. Further, the Group has applied LGD floors with respect to the fully secured portion of the portfolio depending on the collateral type.

For unsecured products, LGD’s are computed based on models which consider several factors such as country, industry, PD, etc. which consider the recoveries made post default.

Forward-looking economic information is also included in determining the 12-month and lifetime PD and LGD. Refer to note 4 and below for an explanation of forward-looking information and its inclusion in ECL calculations.

The assumptions underlying the ECL calculation – such as how the maturity profile of the PDs and how collateral values change, etc., are monitored and reviewed on a quarterly basis. The calculation of ECL involves significant accounting judgements, estimates and assumptions. These are set out in note 4.19 and note 4.34. There have been no significant changes in the ECL methodology during the year.

Assessment and calculation of ECL in the current macroeconomic environment

Considering the current scenario, the Group has applied management overlays on the model ECL estimates considering the impacts of rising interest rate environment led by the Fed, and the global inflation. As with any economic forecasts, the projections and likelihoods of the occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected.

The Group’s models have been constructed and calibrated using historical trends and correlations as well as forward looking economic scenarios. The complexity caused by the various support schemes and regulatory guidance across the main regions in which the Group operates present modelling challenges for the time being. As a consequence, the existing models may generate results that are either overly conservative or overly optimistic depending on the specific portfolio / segment. As a result, post-model adjustments maybe needed. Given model changes take a significant amount of time to develop and test and the data limitation issues noted above, the Group expects that post model adjustments will be applied where relevant.

Additional information and sensitivity analysis in respect of the inputs to the ECL model under multiple economic scenarios is provided under economic variable assumptions below:

Economic variable assumptions

An overview of the approach to estimating ECLs is set out above and in note 4.19. To ensure appropriate ECL estimation, the Bank uses independent third party data sources (e.g Moody’s and IMF).

The most significant assumptions affecting the ECL allowance are as follows:

(i) GDP, given the significant impact on companies’ performance and collateral valuations;
(ii) Oil price, given its impact on the global economy and specially the regional economies for the Bank; and
(iii) Relevant equity indices, given its impact on the economy, counterparty performance and collateral valuations.

All figures in US$ Million

26 RISK MANAGEMENT (continued)

26.4 Credit risk (continued)

26.4.1 Credit risk assessment and mitigation (continued)

Economic variable assumptions (continued)

The following table sets out the key macroeconomic variables of ECL calculation and weightages used for scenarios showing increase /decrease in comparison to 2024 as base year (2023 as base year for assumptions used in 2023):

Assumptions used in 2024

Key macroeconomic variables used	ECL scenario and assigned weightage	2025	2026	2027	2028	2029
	Base (40%)	[1.2%, 4.6%]	[2.7%, 10.8%]	[4.6%, 16.5%]	[6.1%, 22.8%]	[7.6%, 29.0%]
GDP growth rate*	Upside (30%)	[3.4%, 7.2%]	[4.9%, 14.3%]	[6.8%, 19.6%]	[8.3%, 25.9%]	[9.7%, 32.3%]
	Downside (30%)	[- 8.4%, -0.5%]	[- 6.9%, 4.9%]	[- 2.8%, 11.8%]	[1.9%, 18.7%]	[3.6%, 25.3%]
	Base (40%)	-0.15%	-6.71%	-6.81%	-5.39%	-4.57%
Oil price	Upside (30%)	6.70%	-2.42%	-5.01%	-3.73%	-2.81%
	Downside (30%)	-26.65%	-19.72%	-10.75%	-8.99%	-7.37%
	Base (40%)	[- 4.0%, 10.6%]	[-6.1%, 25.4%]	[-0.9%, 40.0%]	[3.4%, 50.8%]	[8.4%, 60.1%]
Equity index*	Upside (30%)	[2.0%, 21.2%]	[-3.7%, 29.3%]	[0.7%, 42.4%]	[5.0%, 52.8%]	[10.5%, 61.8%]
	Downside (30%)	[- 41.1%, -12.0%]	[-30.8%, 6.2%]	[-17.2%, 31.1%]	[-4.6%, 42.4%]	[-0.0%, 51.2%]

Assumptions used in 2023

Key macroeconomic variables used	ECL scenario and assigned weightage	2024	2025	2026	2027	2028
	Base (40%)	[0.4%, 5.8%]	[1.4%, 10.4%]	[2.7%, 15.3%]	[4.2%, 20.9%]	[5.9%, 26.8%]
GDP growth rate*	Upside (30%)	[2.9%, 8.0%]	[5.0%, 13.2%]	[6.5%, 18.2%]	[8.0%, 24.0%]	[10.0%, 30.0%]
	Downside (30%)	[- 9.9%, 0.63%]	[- 6.8%, 4.5%]	[- 4.0%, 10.7%]	[- 0.8%, 16.9%]	[1.1%, 23.1%]
	Base (40%)	-2.5%	-12.2%	-12.5%	-12.2%	-11.9%
Oil price	Upside (30%)	0.2%	-12.1%	-12.5%	-12.2%	-11.9%
	Downside (30%)	-29.3%	-25.1%	-15.1%	-14.8%	-13.9%
	Base (40%)	[- 1.7%, 14.4%]	[- 0.6%, 25.9%]	[6.2%, 42.5%]	[11%, 58.2%]	[14.3%, 70.3%]
Equity index*	Upside (30%)	[4.9%, 32.9%]	[4.8%, 43.2%]	[9.4%, 57.3%]	[13.3%, 66.4%]	[16.7%, 76.3%]
	Downside (30%)	[- 33.8%, -13.2%]	[- 26.3%, -2.0%]	[-9.8%, 24.9%]	[2.4%, 43.1%]	[5.5%, 59.3%]

* GDP and equity index are represented as range as they cover the indices of multiple countries the Group operates in.

The above macroeconomic variables are selected based on the regression analysis between the macroeconomic variables and the PD. These economic variables and their associated impact on the PD and LGD vary by country and industry. Forecasts of these economic variables (for all scenarios) are provided by Moody's on a quarterly basis and provide the best estimate view of the economy over future years.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Group's different geographies to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

All figures in US$ Million

26 RISK MANAGEMENT (continued)

26.4 Credit risk (continued)

26.4.1 Credit risk assessment and mitigation (continued)

Economic variable assumptions (continued)

Sensitivity analysis

Based on the above significant assumptions and changes in each economic variable by +5% and -5% while keeping other key variables constant will result in a change in the ECL (stage 1 and 2) in the range of decrease by 6.4% (2023: decrease by 11.2%) to an increase by 7% (2023: increase by 7.7%.)

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

The Group's concentration of risk is managed by geographical region and by industry sector. The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position, including credit commitments and contingent items. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

	Gross maximum exposure	
	2024	*2023*
Liquid funds	**3,582**	4,453
Trading debt securities	**828**	1,060
Placements with banks and other financial institutions	**2,071**	2,231
Securities bought under repurchase agreements	**1,288**	2,191
Non-trading debt investments	**16,096**	11,347
Loans and advances	**18,649**	19,096
Other credit exposures	**2,968**	2,633
	45,482	43,011
Credit commitments and contingent items (note 23)	**10,069**	10,376
Total	**55,551**	53,387

Where financial instruments are recorded at fair value the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

26.4.3 Risk concentration of the maximum exposure to credit risk

The Group's assets (before taking into account any cash collateral held or other credit enhancements) can be analysed by the following geographical regions:

	Assets			
	2024			
	Stage 1	***Stage 2***	***Stage 3***	***Total***
Western Europe	**4,923**	**40**	**37**	**5,000**
Arab World	**12,048**	**184**	**105**	**12,337**
Asia	**860**	**-**	**-**	**860**
North America	**13,617**	**191**	**37**	**13,845**
Latin America	**9,260**	**106**	**106**	**9,472**
Other	**3,966**	**-**	**2**	**3,968**
Total	**44,674**	**521**	**287**	**45,482**

All figures in US$ Million

26 RISK MANAGEMENT (continued)

26.4 Credit risk (continued)

26.4.3 Risk concentration of the maximum exposure to credit risk (continued)

	Assets			
	2023			
	Stage 1	*Stage 2*	*Stage 3*	*Total*
Western Europe	4,812	85	24	4,921
Arab World	12,736	281	141	13,158
Asia	868	-	-	868
North America	10,704	221	-	10,925
Latin America	10,418	159	108	10,685
Other	2,451	-	3	2,454
Total	41,989	746	276	43,011

The Group's liabilities and equity can be analysed by the following geographical regions:

	Liabilities and equity	
	2024	*2023*
Western Europe	**8,065**	5,670
Arab World	**24,025**	24,618
Asia	**1,137**	940
North America	**4,353**	3,930
Latin America	**8,264**	8,325
Other	**421**	409
Total	**46,265**	43,892

The Group's commitments and contingencies can be analysed by the following geographical regions:

	Credit commitments and contingent items			
	2024			
	Stage 1	***Stage 2***	***Stage 3***	***Total***
Western Europe	**2,042**	**59**	**14**	**2,115**
Arab World	**3,536**	**47**	**37**	**3,620**
Asia	**156**	**-**	**2**	**158**
North America	**1,386**	**16**	**3**	**1,405**
Latin America	**2,486**	**18**	**5**	**2,509**
Other	**262**	**-**	-	**262**
Total	**9,868**	**140**	**61**	**10,069**

	Credit commitments and contingent items			
	2023			
	Stage 1	*Stage 2*	*Stage 3*	*Total*
Western Europe	2,331	53	-	2,384
Arab World	3,471	98	20	3,589
Asia	148	-	-	148
North America	1,280	4	-	1,284
Latin America	2,816	14	1	2,831
Other	111	28	1	140
Total	10,157	197	22	10,376

All figures in US$ Million

26 RISK MANAGEMENT (continued)

26.4 Credit risk (continued)

26.4.3 Risk concentration of the maximum exposure to credit risk (continued)

An industry sector analysis of the Group's financial assets (after taking risk transfer into account), before taking into account cash collateral held or other credit enhancements, is as follows:

	Gross maximum exposure			
	2024			
	Stage 1	***Stage 2***	***Stage 3***	***Total***
Financial services	**13,063**	**6**	**13**	**13,082**
Government	**15,821**	**10**	**-**	**15,831**
Other services	**4,120**	**61**	**71**	**4,252**
Manufacturing	**2,730**	**77**	**16**	**2,823**
Agriculture, fishing and forestry	**1,331**	**7**	**33**	**1,371**
Construction	**602**	**11**	**47**	**660**
Utilities	**1,169**	**27**	**-**	**1,196**
Energy	**1,248**	**1**	**-**	**1,249**
Distribution	**783**	**49**	**-**	**832**
Personal / consumer finance	**1,174**	**12**	**6**	**1,192**
Transport	**601**	**7**	**15**	**623**
Commercial real estate financing	**719**	**225**	**37**	**981**
Technology, media and telecommunications	**503**	**1**	**-**	**504**
Trade	**228**	**6**	**44**	**278**
Retailers	**247**	**1**	**-**	**248**
Mining and quarrying	**128**	**13**	**5**	**146**
Residential mortgage	**3**	**-**	**-**	**3**
Infrastructure	**46**	**1**	**-**	**47**
Contracting	**158**	**6**	**-**	**164**
Total	**44,674**	**521**	**287**	**45,482**

	Gross maximum exposure			
	2023			
	Stage 1	*Stage 2*	*Stage 3*	*Total*
Financial services	15,853	16	-	15,869
Government	10,903	9	-	10,912
Other services	2,771	69	100	2,940
Manufacturing	2,718	86	36	2,840
Agriculture, fishing and forestry	1,653	34	13	1,700
Construction	501	241	12	754
Utilities	989	54	-	1,043
Energy	986	2	-	988
Distribution	1,063	32	-	1,095
Personal / consumer finance	1,502	29	11	1,542
Transport	540	20	16	576
Commercial real estate financing	1,047	77	24	1,148
Technology, media and telecommunications	533	1	2	536
Trade	230	53	55	338
Retailers	351	6	-	357
Mining and quarrying	94	12	5	111
Residential mortgage	3	-	-	3
Infrastructure	132	-	-	132
Contracting	120	5	2	127
Total	41,989	746	276	43,011

All figures in US$ Million

26 RISK MANAGEMENT (continued)

26.4 Credit risk (continued)

26.4.3 Risk concentration of the maximum exposure to credit risk (continued)

An industry sector analysis of the Group's financial assets, after taking into account cash collateral held or other credit enhancements, is as follows:

	Net maximum exposure	
	2024	*2023*
Financial services	**10,538**	13,443
Government	**15,571**	10,906
Other services	**4,212**	2,827
Manufacturing	**2,678**	2,792
Agriculture, fishing and forestry	**1,364**	1,692
Construction	**660**	751
Utilities	**1,180**	1,042
Energy	**1,249**	988
Distribution	**831**	1,095
Personal / consumer finance	**1,192**	1,542
Transport	**619**	558
Commercial real estate financing	**899**	1,028
Technology, media and telecommunications	**503**	535
Trade	**262**	325
Retailers	**248**	357
Mining and quarrying	**146**	111
Infrastructure	**46**	125
Contracting	**156**	125
Total	**42,354**	40,242

An industry sector analysis of the Group's credit commitments and contingent items, before taking into account cash collateral held or other credit enhancements, is as follows:

	Gross maximum exposure			
	2024			
	Stage 1	***Stage 2***	***Stage 3***	***Total***
Financial services	**2,358**	**21**	**2**	**2,381**
Government	**1,115**	**-**	**1**	**1,116**
Other services	**1,311**	**36**	**22**	**1,369**
Manufacturing	**1,480**	**26**	**14**	**1,520**
Agriculture, fishing and forestry	**174**	**-**	**-**	**174**
Construction	**335**	**4**	**-**	**339**
Utilities	**825**	**-**	**1**	**826**
Energy	**342**	**-**	**-**	**342**
Distribution	**197**	**10**	**-**	**207**
Personal / consumer finance	**23**	**-**	**-**	**23**
Transport	**404**	**9**	**1**	**414**
Commercial real estate financing	**-**	**16**	**3**	**19**
Technology, media and telecommunications	**147**	**-**	**-**	**147**
Trade	**204**	**-**	**1**	**205**
Retailers	**77**	**-**	**-**	**77**
Mining and quarrying	**56**	**-**	**-**	**56**
Infrastructure	**2**	**-**	**-**	**2**
Contracting	**818**	**18**	**16**	**852**
Total	**9,868**	**140**	**61**	**10,069**

All figures in US$ Million

26 RISK MANAGEMENT (continued)

26.4 Credit risk (continued)

26.4.3 Risk concentration of the maximum exposure to credit risk (continued)

	Gross maximum exposure			
	2023			
	Stage 1	*Stage 2*	*Stage 3*	*Total*
Financial services	3,874	53	-	3,927
Government	52	-	1	53
Other services	829	27	-	856
Manufacturing	1,295	41	3	1,339
Agriculture, fishing and forestry	172	-	-	172
Construction	401	4	-	405
Utilities	823	4	-	827
Energy	377	-	-	377
Distribution	186	8	-	194
Personal / consumer finance	315	-	1	316
Transport	464	11	-	475
Commercial real estate financing	57	-	-	57
Technology, media and telecommunications	104	-	1	105
Trade	113	4	3	120
Retailers	98	-	-	98
Mining and quarrying	61	-	-	61
Infrastructure	57	-	-	57
Contracting	879	45	13	937
Total	10,157	197	22	10,376

An industry sector analysis of the Group's credit commitments and contingent items, after taking into account cash collateral held or other credit enhancements, is as follows:

	Net maximum exposure	
	2024	*2023*
Financial services	**2,205**	3,736
Government	**871**	53
Other services	**1,342**	836
Manufacturing	**1,515**	1,296
Agriculture, fishing and forestry	**173**	170
Construction	**339**	405
Utilities	**811**	825
Energy	**341**	366
Distribution	**200**	177
Personal /consumer finance	**23**	316
Transport	**414**	464
Commercial real estate financing	**19**	57
Technology, media and telecommunications	**146**	104
Trade	**201**	114
Retailers	**77**	98
Mining and quarrying	**53**	58
Infrastructure	**2**	56
Contracting	**849**	930
Total	**9,581**	10,061

All figures in US$ Million

26 RISK MANAGEMENT (continued)

26.4 Credit risk (continued)

26.4.4 Credit quality per class of financial assets

The credit quality of financial assets is managed by the Group using internal credit ratings. The table below shows the credit quality by class of financial asset, based on the Group's credit rating system.

31 December 2024	***Neither past due nor impaired***				
	High grade	***Standard grade****	***Past due but not impaired***	***Past due and individually impaired***	***Total***
Liquid funds	**3,163**	**419**	**-**	**-**	**3,582**
Trading debt securities	**332**	**496**	**-**	**-**	**828**
Placements with banks and other financial institutions	**1,000**	**1,071**	**-**	**-**	**2,071**
Securities bought under repurchase agreements	**-**	**1,288**	**-**	**-**	**1,288**
Non-trading debt investments	**12,610**	**3,486**	**-**	**-**	**16,096**
Loans and advances	**3,336**	**14,964**	**63**	**286**	**18,649**
Other credit exposures	**2,539**	**428**	**-**	**1**	**2,968**
	22,980	**22,152**	**63**	**287**	**45,482**

31 December 2023	*Neither past due nor impaired*				
	High grade	*Standard grade**	*Past due but not impaired*	*Past due and individually impaired*	*Total*
Liquid funds	4,271	182	-	-	4,453
Trading debt securities	504	556	-	-	1,060
Placements with banks and other financial institutions	780	1,451	-	-	2,231
Securities bought under repurchase agreements	545	1,646	-	-	2,191
Non-trading debt investments	8,067	3,280	-	-	11,347
Loans and advances	3,630	15,040	151	275	19,096
Other credit exposures	2,193	439	-	1	2,633
	19,990	22,594	151	276	43,011

* Including exposures categorised as watchlist.

All figures in US$ Million

26 RISK MANAGEMENT (continued)

26.4 Credit risk (continued)

26.4.4 Credit quality per class of financial assets (continued)

The table below shows the credit quality by class of financial asset net ECL, based on internal credit ratings.

31 December 2024

	Liquid funds	*Trading debt securities*	*Placements with banks and other financial institutions*	*Securities bought under repurchase agreements*	*Non-trading debt investments*	*Loans and advances*
Stage 1 (12-month ECL)						
Rating grades 1 to 4-	**3,163**	**332**	**1,000**	**-**	**12,610**	**3,336**
Rating grades 5+ to 5-	**193**	**482**	**558**	**1,037**	**1,867**	**7,169**
Rating grades 6+ to 6-	**196**	**4**	**392**	**251**	**1,555**	**6,231**
Rating grade 7+ to 7-	**24**	**10**	**121**	**-**	**64**	**1,112**
Carrying amount (net)	**3,576**	**828**	**2,071**	**1,288**	**16,096**	**17,848**
Stage 2 (Lifetime ECL but not credit-impaired)						
Rating grades 1 to 4-	**5**	**-**	**-**	**-**	**-**	**-**
Rating grades 5+ to 5-	**1**	**-**	**-**	**-**	**-**	**70**
Rating grades 6+ to 6-	**-**	**-**	**-**	**-**	**-**	**176**
Rating grade 7+ to 7-	**-**	**-**	**-**	**-**	**-**	**174**
Rating grade 8	**-**	**-**	**-**	**-**	**-**	**95**
Carrying amount (net)	**6**	**-**	**-**	**-**	**-**	**515**
Stage 3 (Lifetime ECL and credit-impaired)						
Rating grades 9 to 11	**-**	**-**	**-**	**-**	**-**	**286**
Carrying amount (net)	**-**	**-**	**-**	**-**	**-**	**286**
Total	**3,582**	**828**	**2,071**	**1,288**	**16,096**	**18,649**

Other credit exposures are not internally rated, hence, not included in the above table.

All figures in US$ Million

26 RISK MANAGEMENT (continued)

26.4 Credit risk (continued)

26.4.4 Credit quality per class of financial assets (continued)

31 December 2023

	Liquid funds	*Trading debt securities*	*Placements with banks and other financial institutions*	*Securities bought under repurchase agreements*	*Non-trading debt investments*	*Loans and advances*
Stage 1 (12-month ECL)						
Rating grades 1 to 4-	4,267	504	780	545	8,067	3,630
Rating grades 5+ to 5-	76	556	542	844	1,349	6,783
Rating grades 6+ to 6-	103	-	795	802	1,878	6,992
Rating grade 7+ to 7-	3	-	114	-	53	675
Carrying amount (net)	4,449	1,060	2,231	2,191	11,347	18,080
Stage 2 (Lifetime ECL but not credit-impaired)						
Rating grades 1 to 4-	4	-	-	-	-	-
Rating grades 5+ to 5-	-	-	-	-	-	55
Rating grades 6+ to 6-	-	-	-	-	-	210
Rating grade 7+ to 7-	-	-	-	-	-	339
Rating grade 8	-	-	-	-	-	137
Carrying amount (net)	4	-	-	-	-	741
Stage 3 (Lifetime ECL and credit-impaired)						
Rating grades 9 to 11	-	-	-	-	-	275
Carrying amount (net)	-	-	-	-	-	275
Total	4,453	1,060	2,231	2,191	11,347	19,096

Other credit exposures are not internally rated, hence, not included in the above table.

All figures in US$ Million

26 RISK MANAGEMENT (continued)

26.4 Credit risk (continued)

26.4.4 Credit quality per class of financial assets (continued)

It is the Group's policy to maintain accurate and consistent risk ratings across the credit portfolio through a risk rating system. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of credit risk. All internal ratings are tailored to the various categories and are derived in accordance with the Group's credit policy. The attributable risk ratings are assessed and updated regularly. Each risk rating class has grades equivalent to Moody's, S&P, Fitch and CI rating agencies.

26.4.5 Carrying amount per class of financial assets whose terms have been renegotiated as at year-end

	2024	*2023*
Loans and advances	**333**	406

26.4.6 Overview of modified or forborne loans

From a risk management point of view, once an asset is forborne or modified, the Group’s Remedial Loan Unit (RLU) continues to monitor the exposure until it is completely and ultimately derecognised.

26.4.7 Collateral and other credit enhancements

The amount and type of collateral depends on an assessment of the credit risk of the counterparty. The types of collateral mainly include cash, guarantees from banks, movable and immovable assets.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses. The Group also makes use of master netting agreements with counterparties.

Credit exposure loan to value ratios of real estate portfolio

The real estate credit exposure of the Group amounts to US$ 2,027 million (2023: US$ 2,271 million). The average loan to value ratios for this exposure is 49% (2023 average: 46%).

26.4.8 Maximum exposure to credit risk – Financial instruments not subject to impairment

The following table contains an analysis of the maximum credit risk exposure from financial assets not subject to impairment (i.e. FVTPL):

	Maximum exposure to credit risk	
	2024	*2023*
Trading securities		
- Debt securities	**828**	1,060
Trading derivatives	**1,104**	853
Hedging derivatives	**121**	99
Financial assets designated at FVTPL		
- Loans and advances to customers	**63**	39

26.5 Settlement risk

Settlement risk is the risk of loss due to the failure of a counterparty to honour its obligations to deliver cash, securities or other assets as contractually agreed. Where relevant and/or where possible, the Group mitigates this risk through a settlement agent to ensure that a trade is settled only when both parties fulfil their settlement obligations. Settlement approvals form a part of credit approval and limit monitoring procedure.

All figures in US$ Million

26 RISK MANAGEMENT (continued)

26.6 Market risk

Market risk is the risk that the Group's earnings or capital, or its ability to support business strategy, will be impacted by the change in market rates or prices related to interest rates, equity prices, credit spreads, foreign exchange rates, and commodity prices.

The Group has established risk management policies and limits within which exposure to market risk is monitored and measured by the Risk Management Department (RMD) with strategic oversight exercised by GALCO. The RMD's Market Risk (MR) unit is responsible for oversight of market risk policy, risk measuring/monitoring methodology and product limits prior to GALCO approval. The unit also has the responsibility to independently measure and report market risk against limits throughout the Group.

The Group manages market risk by classifying into two types: a) trading market risk; and b) investment market risk. Trading market risk arises primarily from positions held in the trading books from market-making to support client activities. This involves the management of client originated exposures in interest rates, equities, corporate and sovereign debt, foreign exchange rates, commodities and derivatives of these asset classes, such as forwards, futures, options and swaps. Trading market risk may also arise from positions originated by the Bank subject to the market risk appetite and limits defined by the GALCO and BRC.

Investment market risk arises from market factors affecting securities held in high quality liquid assets (HQLA) portfolio and liquid marketable securities which are held under its FVOCI portfolio and where the impact of the changes in fair value due to market factors is through FVOCI.

The trading and investment market risks are independently overseen and monitored by RMD's Market Risk team daily. A full suite of risk limits is utilised including Value at Risk, sensitivity limits on key market parameters, notional limits on the size of investment portfolios and stop-loss limits. Stress testing is also performed to monitor the impact of various scenarios and significant market movements.

26.7 Interest rate risk in the banking book

Interest rate risk in the banking book refers to current or prospective risk to the Group's capital and earnings arising from adverse movements in interest rates that affect future profitability or the fair values of financial instruments . The Group is exposed to interest rate risk because of mismatches of interest rate re pricing of assets and liabilities. This risk is minimized as the Group's rate sensitive assets and liabilities are mostly floating rate, where the duration risk is lower. The Group has set risk limits for both earnings at risk (EAR) and economic value of equity (EVE) for interest rate risk in the banking book (IRRBB). In general, the Group uses matched currency funding and translates fixed rate instruments to floating rate to better manage the duration in the asset book.

The sensitivity of the consolidated statement of profit or loss is the effect of the assumed changes in interest rates on the net interest income for one year, based on financial assets and financial liabilities held at 31 December, including the effect of hedging instruments. The sensitivity of equity is calculated by revaluing fixed rate FVOCI financial assets, including the effect of any associated hedges and swaps. Substantially all the FVOCI non-trading securities held by the Group are floating rate assets. Hence, the sensitivity to changes in equity due to interest rate changes is minimal.

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

	2024			
	Increase in basis points	*Sensitivity consolidated statement of profit or loss*	*Decrease in basis points*	*Sensitivity consolidated statement of profit or loss*
US Dollar	**25**	**-**	**25**	**-**
Euro	**25**	**1**	**25**	**(1)**
Pound Sterling	**25**	**-**	**25**	**-**
Brazilian Real	**25**	**2**	**25**	**(2)**
Others	**25**	**1**	**25**	**(1)**

All figures in US$ Million

26 RISK MANAGEMENT (continued)

26.7 Interest rate risk in the banking book (continued)

	2023			
	Increase in basis points	*Sensitivity consolidated statement of profit or loss*	*Decrease in basis points*	*Sensitivity consolidated statement of profit or loss*
US Dollar	25	1	25	(1)
Euro	25	1	25	(1)
Pound Sterling	25	1	25	(1)
Brazilian Real	25	2	25	(2)
Others	25	1	25	(1)

Managing interest rate benchmark reform and associated risks

The IBOR reforms exposes the Group to risks including risks relating to interest rate basis, pricing, operations and information system.

The Group applies temporary reliefs available under phase 1 and 2 amendments which enable its hedge accounting to continue during the period of uncertainty, before the replacement of an existing interest rate benchmark with an ARR. These are explained in note 4. During the year 2023 and 2024, all of the Group's exposures have transitioned to ARRs.

26.8 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The table below indicates the currencies to which the Group had significant exposure at 31 December 2024 and 31 December 2023 on its monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the US$, with all other variables held constant on the consolidated statement of profit or loss (due to the fair value of currency sensitive trading and non-trading monetary assets and liabilities) and equity (due to the change in fair value of currency swaps and forward foreign exchange contracts used as fair value hedges) and the effect of the impact of foreign currency movements on the structural positions of the Bank in its subsidiaries. A negative amount in the table reflects a potential net reduction in the consolidated statement of profit or loss or equity, while a positive amount reflects a potential net increase.

	2024			*2023*		
	Change in currency rate in %	***Effect on profit before tax***	***Effect on equity***	*Change in currency rate in %*	*Effect on profit before tax*	*Effect on equity*
Currency						
Brazilian Real	**+/- 5%**	**-**	**+/-34**	+/- 5%	-	+/-38
Egyptian Pound	**+/- 5%**	**-**	**+/-11**	+/- 5%	-	+/-16
Jordanian Dinar	**+/- 5%**	**+/-1**	**+/-10**	+/- 5%	+/-3	+/-10
Algerian Dinar	**+/- 5%**	**-**	**+/-9**	+/- 5%	-	+/-9
Tunisian Dinar	**+/- 5%**	**-**	**+/-2**	+/- 5%	-	+/-1
Bahrain Dinar	**+/- 5%**	**+/-5**	**-**	+/- 5%	+/-2	-
Saudi Riyal	**+/- 5%**	**+/-10**	**-**	+/- 5%	+/-8	-

26.9 Equity price risk

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The non-trading equity price risk exposure arises from the Group's securities portfolio.

All figures in US$ Million

26 RISK MANAGEMENT (continued)

26.9 Equity price risk (continued)

The effect on equity (as a result of a change in the fair value of trading equity instruments and equity instruments held at FVOCI) due to a reasonably possible change in equity indices or the net asset values, with all other variables held constant, is as follows:

	2024		*2023*	
	Change in		*Change in*	
	% Change in equity price	***Effect on consolidated statement of profit or loss/ equity***	*% Change in equity price*	*Effect on consolidated statement of profit or loss/ equity*
Trading equities	**+/- 5%**	**+/-1**	+/- 5%	+/-1
Equity securities at FVOCI	**+/- 5%**	**+/-1**	+/- 5%	+/-1

26.10 Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems including internal frauds, or from external events.

The Group adheres to the three lines of defence model for the management of operational risk. The first line comprises of the risk owners in the business or functions. The second line is represented by Operational Risk Management and the Subject Matter Experts (SME) for respective risk types as indicated in the Group Risk Taxomony while Internal Audit acts as the third line.

The Group Operational Risk Committee (GORCO), as a sub-committee of Group Risk Committee (GRC) assists with the management of Operational Risks across the Group to ensure that the Operational Risk Framework and Policy as approved by the BRC, is implemented and monitored across the Group.

The GORCO:

- Defines the policy for the management of Operational Risks and recommends for approval by the GRC and BRC.
- Review and recommend the Operational Risk Appetite and Group Risk Taxonomy for approval by the GRC and BRC.
- Monitors and reviews the Operational Risk profile across various Group businesses and its subsidiaries.
- Defines the various components of the Operational Risk Management Framework at the Group and oversees the implementation of the framework across the Group.
- Oversees the actions taken are in line with the Operational Risk Appetite.

The implementation of the Operational Risk Management Framework is governed by the GORCO. Respective Local Operational Risk Committees oversee the implementation of the Operational Risk Management Framework and the management of Operational Risk across all subsidiaries and branches of the Group. The Group Operational Risk Management Department at Head Office is responsible for the development of the group-wide methodology, quality control and system support.

The Group has implemented the following elements for the management of Operational Risks:

- Operational Risk Appetite, as part of the Group Risk Appetite Statement;
- Group Risk Taxonomy
- Incident management;
- Risk & Control Self-Assessments;
- Issue and Action management;
- Key Risk Indicators; and
- Risk Register

All figures in US$ Million

26 RISK MANAGEMENT (continued)

26.10 Operational risk (continued)

Operational Risk incidents, issues and Key Risk Incidents are captured in a group-wide Governance, Risk and Compliance solution. This group-wide solution is being used by Audit, Risk and Compliance.

Operational risk appetite

The Group has defined Operational Risk appetite based on Cumutlative Gross and Net Operational Losses and Single Largest Operational Loss. These metrics are monitored by the Board Risk Committee. In addition, a set of Early Warning Indicators are used to monitor different non-financial risk types.

26.10.1 Operational resilience

Operational resilience is the ability of the Bank to anticipate, prevent, adapt, respond to, recover and learn from operational disruptions while minimising customer, firm and market impact.

The Group Operational Resilience Committee ("GORC") assists GRC with the oversight of the Bank's Operational resilience practices that is driven by the activities in the following areas:

- Cyber security and Information security
- Information Technology
- Business Continuity, Disaster Recovery and Crisis Management
- Bank's compliance with Privacy laws (Personal Data Protection)
- Outsourcing and Vendor Management (External dependencies)

The GORC meets 4 times a year and reviews and recommends to GRC, the Bank's business resilience for each area.

All figures in US$ million

26 RISK MANAGEMENT (continued)

26.11 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress conditions. To mitigate this risk, the Group seeks to fund its assets from diversified funding sources. In order to mitigate the liquidity risk, in addition to its core deposit base, maintains an adequate pool of high-quality liquid assets (HQLA) that can be monetized within a short timeframe to meet potential outflows arising from stress. The Group monitors its future cash flows and liquidity daily. This incorporates an assessment of expected cash flows and the availability of high-grade collateral which could be used to secure additional funding if required.

The Group maintains a highly liquid balance sheet with positive asset-liability mismatches. As such, the Group is generally in a position of surplus liquidity, its principal sources of liquidity being its deposit base, liquidity derived from its operations and interbank borrowings. The Liquidity Survival Horizon (LSH) represents the number of days the Group can survive the combined contractual outflow of deposits and loan drawdowns, under severe but plausible stress scenarios.

The Group is required to comply with the liquidity requirements as stipulated by its regulator, the CBB. These requirements relate to maintaining a minimum of 100% for liquidity coverage ratio (LCR) and net stable funding ratio (NSFR). LCR is calculated as a ratio of its stock of high quality liquid assets (HQLA) and net outflows over the next 30 calendar days. NSFR is calculated as a ratio of 'available stable funding' to 'required stable funding'. As at 31 December 2024, the Group's LCR and NSFR were at 198% (31 December 2023: 278%) and 123% (31 December 2023: 128%) respectively.

	31 December 2024					*31 December 2023*				
	Unweighted Values (i.e. before applying relevant factors)					*Unweighted Values (i.e. before applying relevant factors)*				
	No specified maturity	***Less than 6 months***	***Over 6 months and less than one year***	***Over one year***	***Total weighted value***	*No specified maturity*	*Less than 6 months*	*Over 6 months and less than one year*	*Over one year*	*Total weighted value*
Available Stable Funding (ASF):										
Capital:										
Regulatory Capital	**4,112**	**-**	**-**	**-**	**4,112**	4,249	-	-	-	4,249
Other Capital Instruments	**488**	**-**	**-**	**327**	**815**	464	-	-	325	789
Retail deposits and deposits from small business customers:										
Stable deposits	**-**	**-**	**-**	**-**		-	-	63	-	60
Less stable deposits	**-**	**2,098**	**277**	**259**	**2,397**	-	2,072	362	580	2,772
Wholesale funding:										
Operational deposits	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-
Other wholesale funding	**-**	**25,060**	**4,481**	**7,217**	**13,524**	-	21,391	4,080	8,206	14,270
Other liabilities:										
NSFR derivative liabilities	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-
All other liabilities not included in the above categories	**-**	**1,117**	**-**	**-**	**-**	-	1,318	-	-	-
Total ASF (A)					**20,848**					22,140

All figures in US$ million

26 RISK MANAGEMENT (continued)

26.11 Liquidity risk (continued)

	31 December 2024 Unweighted Values (i.e. before applying relevant factors)					31 December 2023 Unweighted Values (i.e. before applying relevant factors)				
	No specified maturity	***Less than 6 months***	***Over 6 months and less than one year***	***Over one year***	***Total weighted value***	*No specified maturity*	*Less than 6 months*	*Over 6 months and less than one year*	*Over one year*	*Total weighted value*
Required Stable Funding (RSF):										
Total NSFR high-quality liquid assets (HQLA)	**15,736**	**175**	-	-	**1,163**	11,336	368	-	-	718
Deposits held at other financial institutions for operational purposes	-	-	-	-	-	-	-	-	-	-
Performing loans and securities:										
Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-	-	-	-	-	-
Performing loans to financial institutions secured by non-level 1 HQLA and unsecured performing loans to financial institutions	-	**3,884**	**919**	**727**	**1,730**	-	4,464	927	789	1,854
Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	**7,130**	**2,653**	**5,484**	**9,553**	-	7,393	2,512	5,907	9,973
With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines	-	-	-	**323**	**210**	-	-	-	344	223
Performing residential mortgages, of which:										
With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	-	-	-	-	-	-	-
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	**173**	**259**	**1,531**	**1,517**	-	209	208	986	1,047
Other assets:										
Physical traded commodities, including gold	-	-	-	-	-	-	-	-	-	-
Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	-	-	-	-	-	-	-	-	-	-
NSFR derivative assets	-	**106**	-	-	**106**	-	116	-	-	116
NSFR derivative liabilities before deduction of variation margin posted	-	-	-	-	-	-	-	-	-	-
All other assets not included in the above categories	**3,765**	**506**	**6**	**1,882**	**2,209**	4,210	350	3	2,649	2,865
OBS items	-	**10,370**	-	-	**518**	-	10,293	-	-	515
Total RSF (B)					**17,006**					17,311
NSFR (A/B)					**123%**					128%

All figures in US$ Million

26 RISK MANAGEMENT (continued)

26.11 Liquidity risk (continued)

In addition, the internal liquidity/maturity profile is generated to summarize the actual liquidity gaps versus the revised gaps based on internal assumptions.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2024 based on contractual undiscounted repayment obligations. See the next table for the expected maturities of these liabilities. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Group expects that many customers will not request repayment on the earliest date the Group could be required to pay and the table does not reflect the expected cash flows indicated by the Group's deposit retention history.

At 31 December 2024	*Within 1 month*	*1 - 3 months*	*3 - 6 months*	*6 - 12 months*	*1 - 5 years*	*5-10 years*	*Over 10 years and undated*	*Total*
Financial liabilities								
Deposits from customers	7,814	4,244	2,342	3,104	6,392	359	215	24,470
Deposits from banks	2,451	882	674	417	253	16	-	4,693
Certificates of deposits	49	30	22	13	161	1	-	276
Securities sold under repurchase agreements	6,627	2,996	-	179	394	-	-	10,196
Interest payable and other liabilities	1,071	-	-	-	-	-	1,712	2,783
Borrowings	-		26	227	1,173	-	260	1,686
Total non-derivative undiscounted financial liabilities on statement of financial position	18,012	8,152	3,064	3,940	8,373	376	2,187	44,104
ITEMS OFF STATEMENT OF FINANCIAL POSITION								
Gross settled foreign currency derivatives	3,343	3,256	2,844	9,991	6,322	282	80	26,118
Guarantees	2,452	-	-	-	-	-	-	2,452

All figures in US$ Million

26 RISK MANAGEMENT (continued)

26.11 Liquidity risk (continued)

At 31 December 2023	*Within 1 month*	*1 - 3 months*	*3 - 6 months*	*6 - 12 months*	*1 - 5 years*	*5-10 years*	*Over 10 years and undated*	*Total*
Financial liabilities								
Deposits from customers	6,825	6,126	2,811	2,673	6,732	268	238	25,673
Deposits from banks	1,788	986	827	481	146	10	7	4,244
Certificates of deposits	23	51	14	24	37	-	-	149
Securities sold under repurchase agreements	1,427	4,761	258	156	473	-	-	7,075
Interest payable and other liabilities	1,074	-	-	-	-	-	1,650	2,724
Borrowings	-	15	41	106	1,398	4	107	1,671
Total non-derivative undiscounted financial liabilities on statement of financial position	11,137	11,939	3,951	3,440	8,786	282	2,002	41,536
ITEMS OFF STATEMENT OF FINANCIAL POSITION								
Gross settled foreign currency derivatives	4,803	4,626	1,658	5,889	4,909	70	-	21,955
Guarantees	2,782	-	-	-	-	-	-	2,782

All figures in US$ Million

26 RISK MANAGEMENT (continued)

26.11 Liquidity risk (continued)

The maturity analysis of assets and liabilities analysed according to when they are expected to be recovered or settled or when they could be realised.

At 31 December 2024	*Within 1 month*	*1 -3 months*	*3 - 6 months*	*6 - 12 months*	*Total within 12 months*	*1 - 5 years*	*5-10 years*	*10 - 20 years*	*Over 20 years*	*Undated*	*Total over 12 months*	*Total*
ASSETS												
Liquid funds	3,616	20	-	-	3,636	-	-	-	-	-	-	3,636
Trading securities	23	7	510	11	551	78	74	120	5	10	287	838
Placements with banks and other financial institutions	1,463	227	24	357	2,071	-	-	-	-	-	-	2,071
Securities bought under repurchase agreements	969	151	15	153	1,288	-	-	-	-	-	-	1,288
Non-trading investments	7,678	3,014	405	757	11,854	2,867	1,322	49	4	21	4,263	16,117
Loans and advances	2,979	3,395	2,759	3,240	12,373	5,098	1,016	160	2	-	6,276	18,649
Others	-	-	-	-	-	-	-	-	-	3,666	3,666	3,666
Total assets	16,728	6,814	3,713	4,518	31,773	8,043	2,412	329	11	3,697	14,492	46,265
LIABILITIES, SHAREHOLDERS' EQUITY AND NON-CONTROLLING INTERESTS												
Deposits from customers	6,490	3,120	2,008	5,163	16,781	5,378	181	91	-	-	5,650	22,431
Deposits from banks	2,278	867	665	407	4,217	402	9	-	-	-	411	4,628
Certificates of deposit	49	28	20	10	107	137	-	-	-	-	137	244
Securities sold under repurchase agreements	738	102	-	128	968	9,118	-	-	-	-	9,118	10,086
Borrowings	-	-	5	178	183	960	-	-	-	238*	1,198	1,381
Others	-	-	-	-	-	-	-	-	-	2,852	2,852	2,852
Shareholders' equity and non-controlling interests	-	-	-	-	-	-	-	-	-	4,643	4,643	4,643
Total liabilities, shareholders' equity and non-controlling interests	9,555	4,117	2,698	5,886	22,256	15,995	190	91	-	7,733	24,009	46,265
Net liquidity gap	7,173	2,697	1,015	(1,368)	9,517	(7,952)	2,222	238	11	(4,036)	(9,517)	-
Cumulative net liquidity gap	7,173	9,870	10,885	9,517		1,565	3,787	4,025	4,036	-		

* These represent perpetual instruments, refer note 14 for details.

Within 1 month are primarily liquid securities that can be sold under repurchase agreements. Deposits are continuously replaced with other new deposits or rollover from the same or different counterparties, based on available lines of credit.

All figures in US$ Million

26 RISK MANAGEMENT (continued)

26.11 Liquidity risk (continued)

At 31 December 2023	*Within 1 month*	*1 -3 months*	*3 - 6 months*	*6 - 12 months*	*Total within 12 months*	*1 - 5 years*	*5-10 years*	*10 - 20 years*	*Over 20 years*	*Undated*	*Total over 12 months*	*Total*
ASSETS												
Liquid funds	4,339	-	127	-	4,466	-	-	-	-	-	-	4,466
Trading securities	27	6	12	536	581	170	111	197	1	10	489	1,070
Placements with banks and other financial institutions	1,696	165	26	344	2,231	-	-	-	-	-	-	2,231
Securities bought under repurchase agreements	1,630	332	-	229	2,191	-	-	-	-	-	-	2,191
Non-trading investments	3,722	3,995	431	430	8,578	1,264	1,401	103	1	21	2,790	11,368
Loans and advances	2,724	3,230	3,107	3,010	12,071	5,442	1,452	128	3	-	7,025	19,096
Others	-	-	-	-	-	-	-	-	-	3,470	3,470	3,470
Total assets	14,138	7,728	3,703	4,549	30,118	6,876	2,964	428	5	3,501	13,774	43,892
LIABILITIES, SHAREHOLDERS' EQUITY AND NON-CONTROLLING INTERESTS												
Deposits from customers	6,766	3,993	2,223	4,720	17,702	5,689	170	144	-	-	6,003	23,705
Deposits from banks	1,698	797	781	463	3,739	387	2	7	-	-	396	4,135
Certificates of deposit	23	50	13	22	108	34	-	-	-	-	34	142
Securities sold under repurchase agreements	347	213	-	133	693	6,240	-	-	-	-	6,240	6,933
Borrowings	-	-	4	58	62	1,140	3	-	-	98*	1,241	1,303
Others	-	-	-	-	-	-	-	-	-	2,870	2,870	2,870
Shareholders' equity and non-controlling interests	-	-	-	-	-	-	-	-	-	4,804	4,804	4,804
Total liabilities, shareholders' equity and non-controlling interests	8,834	5,053	3,021	5,396	22,304	13,490	175	151	-	7,772	21,588	43,892
Net liquidity gap	5,304	2,675	682	(847)	7,814	(6,614)	2,789	277	5	(4,271)	(7,814)	-
Cumulative net liquidity gap	5,304	7,979	8,661	7,814		1,200	3,989	4,266	4,271	-		

* These represent perpetual instruments, refer note 14 for details.

All figures in US$ Million

27 OPERATING SEGMENTS

For management purposes, the Group is organised into five operating segments which are based on business units and their activities. The Group has accordingly been structured to place its activities under the distinct divisions which are as follows:

- **MENA subsidiaries** cover retail, corporate and treasury activities of subsidiaries in North Africa and Levant;
- **International wholesale banking** encompasses corporate and structured finance, trade finance, Islamic banking services and syndications;
- **Group treasury** comprises treasury activities of Bahrain Head Office, New York and London;
- **ABC Brasil** primarily reflects the commercial banking and treasury activities of the Brazilian subsidiary Banco ABC Brasil S.A., focusing on the corporate and middle market segments in Brazil and its related holding Company; and
- **Other** includes activities of Arab Financial Services Company B.S.C. (c) and ila Bank.

	2024					
	MENA subsidiaries	*International wholesale banking*	*Group treasury*	*ABC Brasil*	*Other*	*Total*
Net interest income	**210**	**205**	**22**	**299**	**166**	**902**
Other operating income	**48**	**108**	**62**	**152**	**67**	**437**
Total operating income	**258**	**313**	**84**	**451**	**233**	**1,339**
Total operating expenses	**(129)**	**(157)**	**(24)**	**(200)**	**(113)**	**(623)**
Net operating profit before credit loss expense, taxation and unallocated operating expenses	**129**	**156**	**60**	**251**	**120**	**716**
Credit loss expense	**(20)**	**(56)**	**-**	**(66)**	**(1)**	**(143)**
Profit before taxation and unallocated operating expenses	**109**	**100**	**60**	**185**	**119**	**573**
Taxation expense on foreign operations	**(38)**	**(19)**	**-**	**(15)**	**-**	**(72)**
Unallocated operating expenses						**(150)**
Profit for the year						**351**
Operating assets as at 31 December 2024	**4,896**	**11,001**	**19,068**	**10,652**	**648**	**46,265**
Operating liabilities as at 31 December 2024	**4,196**	**-**	**26,879**	**9,585**	**962**	**41,622**

All figures in US$ Million

27 OPERATING SEGMENTS (continued)

	2023					
	MENA subsidiaries	*International wholesale banking*	*Group treasury*	*ABC Brasil*	*Other*	*Total*
Net interest income	221	203	46	307	158	935
Other operating income	45	82	39	131	47	344
Total operating income	266	285	85	438	205	1,279
Total operating expenses	(134)	(132)	(31)	(199)	(102)	(598)
Net operating profit before credit loss expense, taxation and unallocated operating expenses	132	153	54	239	103	681
Credit loss expense	(34)	(32)	-	(78)	(1)	(145)
Profit before taxation and unallocated operating expenses	98	121	54	161	102	536
Taxation expense on foreign operations	(50)	(14)	(2)	(8)	-	(74)
Unallocated operating expenses						(166)
Profit for the year						296
Operating assets as at 31 December 2023	5,343	8,698	18,034	11,364	453	43,892
Operating liabilities as at 31 December 2023	4,641	-	23,629	10,113	705	39,088

Geographical information

The Group operates in six geographic markets: Middle East and North Africa, Western Europe, Asia, North America, Latin America and others. The following table show the external total operating income of the major units within the Group that covers these markets, based on the country of domicile of the entity for the years ended 31 December 2024 and 2023:

2024	***Bahrain***	***Europe***	***Brasil***	***Other***	***Total***
Total operating income	**393**	**172**	**447**	**327**	**1,339**
2023					
Total operating income	341	167	441	330	1,279

There were no revenues derived from transactions with a single external customer that amounted to 10% or more of the Group's revenue (2023: 10%).

All figures in US$ Million

28 REPURCHASE AND RESALE AGREEMENTS

Proceeds from assets sold under repurchase agreements at the year-end amounted to US$ 10,086 million (2023: US$ 6,933 million). The carrying value of securities sold under repurchase agreements at the year-end amounted to US$ 10,295 million (2023: US$ 7,245 million).

Amounts paid for assets purchased under resale agreements at the year-end amounted to US$ 1,288 million (2023: US$ 2,191 million), net of ECL allowance, and relate to customer product and treasury activities. The market value of the securities purchased under resale agreements at the year-end amounted to US$ 1,480 million (2023: US$ 2,577 million).

29 TRANSACTIONS WITH RELATED PARTIES

Related parties represent the ultimate parent, major shareholders, associates, 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 year-end balances in respect of related parties included in the consolidated financial statements are as follows:

	Ultimate parent	*Major shareholder*	*Directors*	***2024***	*2023*
Deposits from customers	**2,795**	**-**	**38**	**2,833**	2,986
Borrowings	**1,115**	**-**	**-**	**1,115**	1,115
Additional / perpetual tier-1 capital*	**390**	**-**	**-**	**390**	390
Short-term self-liquidating trade and transaction-related contingent items	**1,049**	**-**	**-**	**1,049**	966

* During the year, the Group has paid interest on additional / perpetual tier-1 capital amounting to US$ 19 million (2023: US$ 18 million) which has been charged to the consolidated statement of changes in equity.

The income and expenses in respect of related parties included in the consolidated financial statements are as follows:

	2024	*2023*
Commission income	**22**	18
Interest expense	**250**	257

Compensation of the key management personnel is as follows:

	2024	*2023*
Short term employee benefits	**24**	21
Post employment benefits	**3**	4
	27	25

30 FIDUCIARY ASSETS

Funds under management at the year-end amounted to US$ 19,586 million (2023: US$ 18,506 million). These assets are held in a fiduciary capacity and are not included in the consolidated statement of financial position.

31 ISLAMIC DEPOSITS AND ASSETS

Deposits from customers, banks and borrowings include Islamic deposits of US$ 2,649 million (2023: US$ 3,769 million). Loans and advances, non-trading investments and placements include Islamic assets of US$ 1,161 million (2023: US$ 1,021 million), US$ 1,258 (2023: US$ 809 million) and US$ nil (2023: US$ nil).

All figures in US$ Million

32 ASSETS PLEDGED AS SECURITY

At the reporting date, in addition to the items mentioned in note 28, assets amounting to US$ 443 million (2023: US$ 363 million) have been pledged as security for borrowings and other banking operations.

33 BASIC AND DILUTED EARNINGS PER SHARE AND PROPOSED DIVIDENDS AND TRANSFERS

33.1 Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the parent for the year by the weighted average number of shares during the year. Diluted EPS is calculated by dividing the profit attributable to shareholders of the parent by the weighted average number of shares outstanding during the year plus the weighted average number of shares that would be issued on conversion of all the dilutive potential shares into shares.

The Group's earnings for the year (before proposed dividends) are as follows:

	2024	*2023*
Profit attributable to the shareholders of the parent	**285**	235
Net profit attributable to the shareholders of the parent after adjusting for interest paid on additional / perpetual tier-1 capital (for basic and diluted earnings per share)	**266**	217
Weighted average number of shares outstanding during the year (millions) for basic and diluted earnings per share	**3,094**	3,094
Basic and diluted earnings per share (US$)	**0.086**	0.070

33.2 Proposed dividends and transfers

	2024	*2023*
Proposed cash dividend for 2024 of US$ 0.0275 per share (2023: US$ 0.0225 per share)	**86**	70

The proposed cash dividend is subject to regulatory approvals and approval at the Annual General Meeting.

34 CAPITAL ADEQUACY

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

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. 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. No changes were made in the objectives, policies and processes from the previous years.

All figures in US$ Million

34 CAPITAL ADEQUACY (continued)

The credit risk asset ratio calculations as at 31 December 2024 are based on standardised measurement methodology and in accordance with the CBB Basel III guidelines. During 2024, the Group changed its method of calculation of risk weighted assets from line by line consolidation approach to aggregation approach for one of its subsidiaries upon approval from the CBB. Hence, the capital adequacy ratio as of 31 December 2024 has been computed on the above basis as compared to consolidation approach as of 31 December 2023.

CAPITAL BASE		***2024***	*2023*
CET 1	[a]	**3,886**	4,080
AT 1		**535**	464
Total Tier 1 capital	[b]	**4,421**	4,544
Tier 2		**327**	325
Total capital base	[c]	**4,748**	4,869

RISK WEIGHTED EXPOSURES

		2024	*2023*
Credit risk weighted assets and off balance sheet items		**24,899**	27,632
Market risk weighted assets and off balance sheet items		**1,722**	836
Operational risk weighted assets		**1,935**	1,758
Total risk weighted assets	[d]	**28,556**	30,226
CET 1 ratio	[a/d*100]	**13.6%**	13.5%
Tier 1 ratio	[b/d*100]	**15.5%**	15.0%
Risk asset ratio	[c/d*100]	**16.6%**	16.1%
Minimum requirement for Risk asset ratio		**12.5%**	12.5%

The Group's capital base primarily comprises:

(a) Tier 1 capital: share capital, treasury shares, reserves, retained earnings, non controlling interests, profit for the year and cumulative changes in fair value;

(b) Additional Tier 1 Capital: eligible portion of a perpetual financial instrument issued by the Bank's subsidiary;

(c) Tier 2 capital: eligible non controlling interests and expected credit losses.

The Group has complied with all the capital adequacy requirements as set by the CBB.

All figures in US$ Million

35 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	1 January 2024	***Cash flow, net***	***Foreign exchange movement***	***31 December 2024***
Certificates of deposit	**142**	**102**	**-**	**244**
Borrowings	**1,303**	**109**	**(31)**	**1,381**
Total liabilities from financing activities	**1,445**	**211**	**(31)**	**1,625**

	1 January 2023	*Cash flow, net*	*Foreign exchange movement*	*31 December 2023*
Certificates of deposit	435	(299)	6	142
Borrowings	1,297	2	4	1,303
Total liabilities from financing activities	1,732	(297)	10	1,445

36 GOODWILL ON BUSINESS ACQUISTION

36.1 Goodwill on acquisition of BLOM Bank Egypt

	2024	*2023*
As at 1 January	**41**	51
Exchange rate movement	**(16)**	(10)
As at 31 December	**25**	41

36.2 Impairment testing of Goodwill and CDI acquired

The goodwill acquired through business combination is reviewed annually for impairment. At each reporting period, an assessment is made for indicators of impairment. If indicators exist, an impairment test is required. The impairment test compares the estimated recoverable amount of the Group's CGUs that carry goodwill, as determined through a Value-In-Use (VIU) model, with the carrying amount of net assets of each CGU. The goodwill has been allocated to the CGU, MENA subsidiaries, which is also operating and reportable segment.

The recoverable amount of the CGU has been determined based on residual income approach. The VIU model used projected cash flows in perpetuity through a 8-year forward period of projections, and thereafter applying a (long-term) terminal growth rate. Significant assumptions used in the residual income model for impairment assessment are:

Discount rate of 21% (2023: 20%), which is derived using a capital asset pricing model and comparing it with cost of capital rates produced by external sources.

Long-term profit growth rate of 3% (2023: 7%), adjusted for expected changes in benchmark interest rates and sector growth rates over time, applied to projected periods beyond 2032.

The calculation of VIU in the CGU is most sensitive to the following assumptions:

interest margins;
discount rates; and
projected growth rates used to extrapolate cash flows beyond the projection period.

Interest margins

Interest margins are based on prevailing market rates at the start of the budget period. These are changed over the budget period for anticipated market conditions.

All figures in US$ Million

36 GOODWILL ON BUSINESS ACQUISTION (continued)

36.2 Impairment testing of Goodwill and CDI acquired

Discount rates

Discount rates reflect management's estimate of Return on Capital Employed ('ROCE') required in each business. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. Discount rates are calculated by using a capital asset pricing model.

Projected growth rates used to extrapolate cash flows beyond the projection period

Assumptions are based on published industry research. At 31 December 2024, the goodwill impairment test determined there was no impairment required to the CGU allocated to MENA subsidiaries.

The forecast cash flows have been discounted using the discount rate mentioned above. A 1% point increase in the discount rate or decrease in the terminal growth rate keeping other factors constant would reduce the recoverable amount of the CGU and will result in a goodwill impairment.

Other intangibles

Acquired other intangibles are recognised at their 'fair value' upon initial recognition. The specific criteria which needs to be satisfied for an intangible asset to be recognised separately from goodwill in an acquisition is that the intangible asset must be clearly identifiable, in that it either;

- be separable, that is, be capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arise from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The Bank identified CDI's as other intangibles which are being amortised using the straight-line method over the useful life of the asset, which is estimated to be 10 years. If an indication of impairment arises, the recoverable amount is estimated and an impairment loss is recognised if the recoverable amount is lower than the carrying amount. There were no indicators of impairment identified with respect to CDI.

37 SUBSEQUENT EVENTS

There were no subsequent events through 9 February 2025, the date the consolidated financial statements were approved by the Board of Directors which may impact the consolidated financial statements.

Group Financial Review

Group Financial Review

Overall Summary

Bank ABC reported a surge in 2024 annual Net Profit attributable to its shareholders of 21% YOY reaching US$285 million. This success was due to strong core business growth, cost discipline, and a stable funding base, along with interest rate tailwinds and steady cost of credit.

The Group improved its Total Operating Income by 5% in 2024 to reach US$1,339 million. This growth was well diversified across our markets and business lines. Net interest income decreased by -4% year-on-year impacted by declining margins and FX rate tailwinds in some of our key markets. Other operating income grew by 27% due to increased volumes, client cross-selling and ancillary fee income.

Achieving excellent earnings growth

In 2024, the Group built on the momentum from the previous year to earn a Net Profit of US$285 million, a record high in the history of the bank. This is a significant 21% growth from core business compared to 2023, when the Group earned US$235 million in net profit. This growth in profit in 2024 resulted in earnings per share for the year of US$0.086, compared to US$0.070 for 2023.

The Group's revenues reached a record level of US$1,339 million for the full year, a rise of 5% from US$1,279 million in 2023, demonstrating our established strength in core MENA markets and ambitious growth of our footprint globally. We continued our investments into strategic digital initiatives and enhanced our digital proposition through a range of key partnerships and initiatives to build our 'Bank of the Future.' Our digital mobile-only bank, ila, and our fintech payments provider Arab Financial Services also achieved excellent revenue growth. Global growth was bolstered by advancing of the integration between Bank ABC Egypt and erstwhile BLOM Bank Egypt (BBE) acquired in 2021.

Net interest income for the year was US$902 million, a decrease of 4% compared to US$935 million in 2023. Non-interest income jumped by 27% to US$437 million from US$344 million the previous year.

As well as strong revenue growth, the Group continued to enforce appropriate cost discipline without compromising on investments in digital transformation and other strategic initiatives. Operating expenses totalled US$773 million for 2024, rising modestly by 1% from US$764 million. Given revenue growth at 5%, this resulted in "Positive jaws" of 4%, and the cost to income ratio improved by 2% to 57.7% from 59.7% in the previous year.

Credit loss expenses for the year stood at US$143 million, compared with the previous year's US$145 million. Taxation on operations was a charge of US$72 million (2023: US$74 million), resulting in the full year net profit attributable to the shareholders of the parent of US$285 million (2023: US$235 million).

Sources and uses of funds

Notwithstanding the challenging conditions of the year, the Group's overall asset portfolio quality remains solid, and our underwriting standards are sound. Equity attributable to the shareholders of the parent and perpetual instrument holders at the end of the period was US$4,207 million, a decrease of 2% from the US$4,300 million reported at end of 2023, primarily resulting from FX translation impacts of EGP (primarily during Q1) and BRL (in Q4), 2023 dividend payment offset by the 2024 Net Profit. The net impact of these resulted in total comprehensive income attributable to the shareholders of the parent at a negative US$12 million, compared to a positive US$258 million reported last year (when the currencies remained broadly stable).

The Group's asset profile is predominantly made up of loans, securities, and placements. The loans and advances portfolio stood at US$18,649 million, 2% lower than the US$19,096 million posted at year-end 2023. Non-trading investments increased by US$4,749 million to US$16,117 million, while money market placements and liquid funds including securities bought under repurchase agreements decreased by US$1,893 million to US$6,995 million.

Deposits from customers decreased by US$1,274 million to US$22,431 million. Deposits from banks, certificates of deposit and repos totalled US$14,958 million (2023: US$11,210 million), while borrowings totalled US$1,381 million (2023: US$1,303 million).

Total assets of the Group at the end of the year stood at US$46,265 million, 5% higher than at US$43,892 million as at year-end 2023. Average assets for the year were US$44,366 million (2023: US$39,480 million) and average liabilities, including non-controlling interests, were US$40,138 million (2023: US$35,320 million).

Credit commitments, contingent items and derivatives

The notional value of the Group's consolidated off-balance sheet items stood at US$61,089 million (2023: US$50,929 million), comprising credit commitments and contingencies of US$10,069 million (2023: US$10,376 million) and derivatives of US$51,020 million (2023: US$40,553 million). The credit risk-weighted asset equivalent of these off-balance sheet items was US$4,345 million (2023: US$4,225 million).

The Group uses a range of derivative products for the purposes of hedging and servicing customer-related requirements, as well as for short-term trading purposes. The total market risk-weighted equivalent of the exposures under these categories at the end of 2024 was US$1,175 million (2023: US$799 million). No significant credit derivative trading activities were undertaken during the year.

Geographical and maturity distribution of the balance sheet

Bank ABC Group has well diversified assets, primarily across the Arab world, the Americas and Western Europe. The Group's liabilities and equity are predominantly in the Arab world (52%; vs. 56% in 2023), followed by Latin America (18%; vs. 19% in 2023), chiefly in our Brazilian subsidiary, Banco ABC Brasil.

	Financial assets		Liabilities & equity		Loans & advances	
(%)	**2024**	2023	**2024**	2023	**2024**	2023
Arab world	**27**	31	**52**	56	**33**	34
Western Europe	**11**	11	**17**	13	**15**	13
Asia	**2**	2	**3**	2	**2**	1
North America	**30**	25	**9**	9	**10**	9
Latin America	**21**	25	**18**	19	**31**	35
Others	**9**	6	**1**	1	**9**	8
	100	100	**100**	100	**100**	100

An analysis of the maturity profile of financial assets according to when they are expected to be recovered or settled, or when they could be realised, shows that at the end of 2024, 69% (2023: 69%) had a maturity of one year or less. Loans and advances maturing within one year amounted to 66% (2023: 63%). The proportion of liabilities maturing within one year was 48% (2023: 51%).

	Financial assets		Liabilities & equity	
(%)	**2024**	2023	**2024**	2023
Within 1 month	**36**	32	**20**	20
1-3 months	**15**	18	**9**	12
3-6 months	**8**	9	**6**	7
6-12 months	**10**	10	**13**	12
Over 1 year	**23**	23	**35**	31
Undated	**8**	8	**17**	18
	100	100	**100**	100

Distribution of credit exposure

ABC Group's credit exposure (defined as the gross credit risk to which the Group is potentially exposed) as of 31 December 2024 is given below:

	Funded exposure		Credit commitments & contingent items		Derivatives*	
(US$ millions)	**2024**	2023	**2024**	2023	**2024**	2023
Customer type						
Banks	**5,645**	6,094	**1,601**	2,183	**207**	313
Non-banks	**19,798**	19,131	**7,337**	7,211	**1,014**	305
Sovereign	**17,276**	15,409	**1,132**	982	**4**	5
	42,719	40,634	**10,070**	10,376	**1,225**	623
Risk rating						
1 = Exceptional	**712**	895	**2**	964	**-**	-
2 = Excellent	**13,302**	10,738	**216**	157	**25**	48
3 = Superior	**3,696**	3,382	**812**	923	**86**	203
4 = Good	**2,652**	2,792	**1,522**	1,248	**12**	22
5 = Satisfactory	**11,526**	10,128	**5,252**	5,003	**940**	293
6 = Adequate	**8,870**	11,161	**1,769**	1,729	**146**	51
7 = Marginal	**1,404**	1,162	**294**	181	**13**	6
8 = Special Mention	**270**	137	**145**	109	**3**	-
9 = Substandard	**160**	186	**46**	49	**-**	-
10 = Doubtful	**53**	46	**6**	6	**-**	-
11 = Loss	**74**	7	**6**	7	**-**	-
	42,719	40,634	**10,070**	10,376	**1,225**	623

* Derivative exposures are computed as the cost of replacing derivative contracts represented by mark-to-market values where they are positive, and an estimate of the potential change in market values reflecting the volatilities that affect them.

Classified exposures and impairment provisions

The total of all impaired loans as at the end of 2024 was US$699 million (2023: US$710 million). ECL allowances including stage 3 provisions at the end of 2024 stood at US$617 million (2023: US$648 million).

The total of all impaired securities as at the end of 2024 was US$64 million (2023: US$74 million). ECL allowances, including stage 3 provisions, at the end of 2024 stood at US$75 million (2023: US$88 million).

The ageing analysis of impaired loans and securities is as follows:

Impaired loans

(US$ millions)	Principal	Provisions	Net book value
Less than 3 months	93	33	60
3 months to 1 year	163	59	104
1 to 3 years	297	190	107
Over 3 years	146	131	15
Total	699	413	286

Impaired securities

(US$ millions)	Principal	Provisions	Net book value
Less than 3 months	-	-	-
3 months to 1 year	-	-	-
1 to 3 years	-	-	-
Over 3 years	64	64	-
Total	64	64	-

Note: Impaired loans and off-balance sheet credits are formally defined as those in default on contractual repayments of principal or on payment of interest in excess of 90 days. In practice, however, all credits that give rise to reasonable doubt as to timely collection, whether or not they are in default as so defined, are treated as non-performing and specific provisions made, if required. Such credits are immediately placed on non-accrual status and related interest income reversed. Any release of the accumulated unpaid interest thereafter is made only as permitted by International Financial Reporting Standards.

Group capital structure and capital adequacy ratios

Bank ABC's balance sheet remains strong with capital and liquidity ratios well above the regulatory requirements. LCR and NSFR stood at 198% and 123% respectively as at year-end 2024, while liquid assets to deposits ratio maintained a healthy level at 50.0%.

The Group's capital base of US$4,748 million comprises Tier 1 capital of US$4,421 million (2023: US$4,544 million) and Tier 2 capital of US$327 million (2023: US$325 million).

The consolidated capital adequacy ratio (CAR) was at 31 December 2024, calculated in accordance with the prevailing Basel III rules, was 16.6% (2023: 16.1%), well above the 12.5% minimum set by the Central Bank of Bahrain. The CAR comprised predominantly Tier 1 ratio of 15.5% (2023: 15.0%), well above the 10.5% minimum set by the Central Bank of Bahrain.

All ABC Group subsidiaries meet the capital adequacy requirements of their respective regulatory authorities.

Resilient performance in an uncertain economic environment

Our core and network markets faced significant uncertainty and volatility in 2024, including from geopolitical and macroeconomic factors. The Russo-Ukrainian Conflict and the Gaza Conflict continued and threatened to widen, with ebbs and surges impacting global activity through channels such as commodity prices, maritime traffic and insurance costs, subdued tourism and private investment flows and weaker market sentiment. Elevated policy interest rates led to weaker credit demand and threatened credit quality. Against this background, global growth is estimated to have eased to 3.2% in 2024, down from 3.3% in 2023. Growth in MENA is estimated at 2.1% in 2024, slightly better than the 1.9% expansion in 2023.

Reflecting these headwinds, the EGP was devalued sharply in Egypt during the first quarter of 2024 to about EGP50 against the dollar from under EGP 31 previously to cope with a foreign currency scarcity triggered in part by lower Suez Canal revenues due to regional conflict. Elsewhere, rising fiscal deficits and poor market confidence led to the BRL depreciating by about a fifth during 2024, weakening to BRL6.2 against the US Dollar from under BRL5 at the end of 2023. Elevated policy interest rates have also pressured credit quality, including in the US commercial real estate market. However, with concerns about inflation easing and giving way to a desire to avert a pronounced, broader slowdown, major central banks embarked on a monetary easing cycle.

Looking ahead to 2025

Looking forward, global growth is expected to improve to 3.3% in 2025, supported by the recent easing in financial conditions. However, there is significant uncertainty due to increased economic and trade related protectionism, which poses downside risks to the outlook. The pace of growth in MENA is expected to rise to 3.3% as headwinds from OPEC+ related production curbs gradually ease and relaxed financial conditions support non-hydrocarbon activity.

The year ahead will present continuing challenges and opportunities for the industry to navigate. Ongoing geopolitical tensions may lead to extended economic stress on the more vulnerable economies in the region. Conversely, an early conclusion of regional hostilities could pave the way for reconstruction and boost activity and confidence. In many markets, the interest rate cycle has turned as inflation abates, presenting repricing challenges and refinancing opportunities. Increasing protectionism could impact trade volumes and business activity. Multiple factors will affect the competitive environment. New technologies, such as artificial intelligence (AI), will continue to emerge, while new banking regulations on capital and climate change will come into effect.

Bank ABC is positioned to capitalise on opportunities ahead

Despite these headwinds, Bank ABC is cautiously optimistic about the outlook and the prospects for a further improvement in the operating environment in 2025 which will be beneficial for all stakeholders. The Group is confident it can capitalise on its strengths and continue to accelerate its performance. We remain focused on executing our Group Strategy to drive both near-term and long-term value creation for our shareholders.

Bank ABC will remain vigilant on emerging risks, while continuing its focus on capital efficiency and balance sheet capacity, building on the momentum of the strong business pipeline achieved in 2024. We will reap the benefits of our investments in our digital capabilities and technology platforms, positioning Bank ABC to be at the forefront of AI and other developments in data, and digital product and service propositions to unleash greater efficiency, agility, and performance throughout the Group.

Corporate Governance

Corporate Governance

(All figures stated in US dollars unless otherwise indicated)

Arab Banking Corporation B.S.C. ("Bank ABC") follows internationally-recognised best practice principles and guidelines, having in place a corporate governance system that provides an effective and transparent control framework that is fair and accountable.

The Central Bank of Bahrain ("CBB") licenses Bank ABC as a conventional wholesale bank. Incorporated in 1980 as a Bahrain joint stock company, Bank ABC has an authorised capital of US$4.5 billion and a paid-up capital of US$3.11 billion as at 31 December 2024 (31 December 2023: US$3.11 billion).

Bank ABC communicates all relevant information to stakeholders punctually and clearly through a variety of channels, including a well-maintained website. In particular, it reports its profits on an annual, semi-annual and quarterly basis.

At least the last five years' consolidated financial statements are available on the Bank ABC corporate website.

Shareholders

Bank ABC's shares have been listed on the Bahrain Bourse since 1990. The Central Bank of Libya ("CBL"), one of Bank ABC's founding shareholders, owns a majority of the shares. The CBL increased its shareholding to 59.37% in 2010 by participating in that year's capital increase and acquiring the Abu Dhabi Investment Authority's 17.72% shareholding. The Kuwait Investment Authority, another of Bank ABC's founding shareholder, continues to own 29.69% of the shares. Each of the foregoing shareholders is either a governmental entity or is (directly or indirectly) owned by a governmental entity in its jurisdiction of establishment. International and regional investors hold the remaining shares of Bank ABC.

The following table shows the ownership structure of Bank ABC as at 31 December 2024:

Name of Shareholder	Percentage Shareholding	Nationality
Central Bank of Libya	59.37%	Libyan
Kuwait Investment Authority	29.69%	Kuwaiti
Other shareholders with less than 5% holdings	10.94%	Various
Total	**100%**	

The following table shows the distribution of shareholdings as at 31 December 2024 and 31 December 2023.

	2024			2023		
% of shares held	**No. of shares**	**No. of shareholders**	**% of total outstanding shares**	No. of shares	No. of shareholders	% of total outstanding shares
less than 1%	**128,344,432**	**1,329**	**4.1**	128,344,432	1,341	4.1
1% up to less than 5%	**211,976,668**	**3**	**6.8**	211,976,668	3	6.8
5% up to less than 10%	**-**	**-**	**-**	-	-	-
10% up to less than 20%	**-**	**-**	**-**	-	-	-
20% up to less than 50%	**923,289,191**	**1**	**29.7**	923,289,191	1	29.7
50% and above	**1,846,389,709**	**1**	**59.4**	1,846,389,709	1	59.4
Total	**3,110,000,000**	**1,334**	**100**	3,110,000,000	1,346	100

Bank ABC's Corporate Governance Charter

In 2010, the CBB substantially updated its corporate governance requirements (particularly the CBB Rulebook's High Level Controls Module) for financial institutions, which are incorporated in Bahrain (the "CBB Corporate Governance Requirements") and most recently updated via revisions to the High-Levels Control (HC) Module in April 2023, which came into effect from 1st October 2023. Such regulatory requirements largely correspond with the Corporate Governance Code of Bahrain of 2022 (the "Code"), which is issued by the Ministry of Industry and commerce. The Board of Directors adopted the Bank ABC Corporate Governance Charter in December 2010 (the "Corporate Governance Charter"), which substantially reflects the CBB Corporate Governance Requirements and the Code as they have evolved. Bank ABC reviews on a regular basis the Corporate Governance Charter and, whenever required, makes the necessary and appropriate amendments. The Corporate Governance Charter is published on the Bank ABC corporate website and deals with a number of corporate governance related matters, including:

/ the role and responsibilities of the Board and its committees;
/ the responsibilities of Directors to Bank ABC and the shareholders;
/ the appointment, training and evaluation of the Board;
/ remuneration of the Board and of Bank ABC employees;
/ Bank ABC's management structure;
/ communications with shareholders and the disclosure of information to relevant stakeholders; and
/ the detailed mandates of each of the committees of the Board.

Recent Corporate Governance Changes

In 2024, and as part of Bank ABC's commitment to aligning with the latest regulatory standards and corporate governance best practices, the Corporate Governance Charter has been updated following a comprehensive review of the revised CBB Rulebook's High Level Controls Module. The key changes fall into three main categories: (i) introduction of new sections, (ii) revisions to existing provisions, and (iii) minor adjustments and deletions to ensure compliance with regulatory requirements.

There were some changes to the Group Audit Charter, Group Compliance Charter, and Group Risk Committee Charter, mainly to align these charters with the revised CBB Rulebook's High Level Controls Module.

Compliance with CBB Corporate Governance Requirements and the Code

Bank ABC was compliant with the CBB Corporate Governance Requirements and the Code as at 31 December 2024, save that the Chairman of the Board is not an independent Director, the Corporate Governance Committee was comprised of less than three independent Directors (although the majority of Directors are independent) and the Board Audit Committee comprised of two independent Directors (including its Chairman) and two non-executive Directors (which requires that the Audit Committee shall comprise of at least three members, provided that the majority of them are independent). Despite the variance in the letter of the requirements, given the checks and balances in the decision making process and alignment with the CBB, Bank ABC is compliant with the CBB Corporate Governance Requirements.

BOARD OF DIRECTORS

Responsibilities of the Board

Bank ABC has previously adopted both a corporate governance charter for the Board and charters for the various Board committees (the "Bank ABC Board Mandates"). The Bank ABC Board Mandates are displayed on the Bank ABC corporate website. The Board of Directors is responsible for the overall direction, supervision and control of the Bank ABC Group. In particular, the Board's responsibilities include (but are not limited to):

a) those responsibilities assigned to the Board by the Articles of Association of Bank ABC;
b) establishing Bank ABC's objectives;
c) Bank ABC's overall business performance;
d) monitoring management performance;
e) the adoption and annual review of strategy;
f) monitoring the implementation of strategy by management;
g) causing financial statements to be prepared which accurately disclose Bank ABC's financial position;
h) convening and preparing the agenda for shareholder meetings;
i) monitoring conflicts of interest and preventing abusive related-party transactions;
j) assuring equitable treatment of shareholders, including minority shareholders;
k) the adoption and review of management structure and responsibilities;
l) the adoption and review of the systems and controls framework; and
m) overseeing the design and operation of the remuneration systems of the Bank ABC Group and ensuring that such systems are not primarily controlled by the executive management of the Bank ABC Group.

The Board meets regularly to consider key aspects of the Group's affairs, strategy and operations.

The Board exercises its responsibilities for best practice management and risk oversight mainly through the Board Risk Committee, which oversees the definition of risk/reward guidelines, risk appetite, risk tolerance standards and risk policies.

The Board is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal controls as the Board determines are necessary to enable the preparation of the consolidated financial statements that are free from any material misstatement, whether due to fraud or error.

Appointment of Directors

The shareholders appoint the Board for a term of three years, with the current term of the Board commencing on 23rd March 2022 and terminating in March 2025. At the 2024 year end, there were nine Directors on the Board, with diverse and relevant skills, who worked well together as a team. Collectively, they exercised independent and objective judgement in meeting their responsibilities. Currently, eight Directors are male (88.89%) and one is a female (11.11%).

In accordance with Bank ABC's Articles of Association, a shareholder or group of shareholders holding 25% or more of the share capital may nominate Directors proportionate to their respective shareholdings. Other Directors are elected.

In accordance with the Bank ABC Board Mandates, each proposal for the election or re-election of a Director shall be accompanied by a recommendation of the Board, and a summary of the advice of the Remuneration Committee (see the description of role of the Corproate Governance Committee in this report).

The Board also has the power under Bank ABC's Articles of Association to appoint new directors and fill any Board vacancies that may arise, subject to such appointments being subsequently ratified by shareholders.

When a new Director is inducted, the Chairman, or Bank ABC's Board Secretary or Compliance Officer, or other individual delegated by the Chairman, reviews the Board's role and duties with that person. In particular, they describe the legal and regulatory requirements of the Bank ABC Board Mandates, the Code and the CBB Corporate Governance Requirements. The Chairman of the Board (or other individual delegated by the Chairman of the Board) ensures that each new Director is provided with a comprehensive induction pack providing requisite materials to ensure his contribution to the Board from the beginning of his term.

Bank ABC has a written appointment agreement with each Director. This describes the Director's powers, duties, responsibilities and accountabilities, as well as other matters relating to his appointment including his term, the time commitment envisaged, the Board committee assignments (if any), Directors' remuneration and expense reimbursement entitlement, and Directors' access to independent professional advice when needed.

Biographies of the Board of Directors are included in appendix 1.

Assessment of the Board

The Bank ABC Board Mandates require that the Board evaluates its own performance each year, as well as the performance of each Board committee and individual Director. This evaluation includes:

a) assessing how the Board operates;

b) evaluating the performance of each Board committee in light of its specific purposes and responsibilities, which shall include reviews of the self-evaluations undertaken by each Board committee;

c) reviewing each Director's work, his attendance at Board and Board committee meetings, and his constructive involvement in discussions and decision making;

d) reviewing the Board's current composition against its desired composition in order to maintain an appropriate balance of skills and experience, and to ensure planned and progressive refreshing of the Board; and

e) recommendations for new Directors to replace long-standing Directors, or those Directors whose contribution to Bank ABC or its Board committees (such as the Group Audit Committee) is not adequate.

The Board has conducted an evaluation and self-assessment of its performance, and the performance of each Board committee and each individual Director in relation to the financial year ended on 31 December 2024.

Independence of Directors

The Bank ABC Board Mandates include detailed criteria to determine whether a Director should be classified as independent or not. The Bank ABC independence criteria are at least as restrictive as the formal criteria specified in the CBB Corporate Governance Requirements.

Bank ABC had four independent, non-executive Directors and five non-independent, non-executive Directors as at 31 December 2024. The CBB Corporate Governance Requirements require that at least a one-third of Bank ABC's Board of Directors is independent and also require that certain Board committees (including the Group Audit Committee, the Corproate Governance Committee, the Remuneration Committee, Group Compliance Committee, and Board Risk Committee) be comprised of a certain number of Directors, a certain proportion of independent Directors and/or that such Board committees be chaired by an independent Director. Save as may otherwise be disclosed in this section, Bank ABC is now fully compliant with such requirements. The CBB Corporate Governance Requirements also state that it is preferable for the Chairman of the Board to be an independent Director, whereas the Chairman of the Board is, in fact, classified as a non-executive, non-independent Director.

As a rule, Directors do not have any direct or indirect material interest in any contract of significance with Bank ABC, or any of its subsidiaries, or any material conflicts of interest. This remained the case in 2024.

The Bank ABC Board Mandates require that any transaction that causes a Director to have a material conflict of interest must be unanimously approved by the Board (other than the relevant Director). Each Director is required to inform the entire Board of any actual, or potential, conflicts of interest in their activities with, or commitments to, other organisations as they arise, and to abstain from voting on these matters. Such disclosures shall include all material facts.

Each Director has a legal duty of loyalty to Bank ABC, and can be personally sued by Bank ABC or shareholders for any violation.

Compensation & interests of Directors

The remuneration structure for the Board of Directors is determined in accrodnace with directors' remuneration policy (the **"Remuneration Policy"**) of Bank ABC. The Remuneraton Policy is adopted by the Annual General Meeting on 21 March 2021 in accordance with Article 28 (b) of the Articles of Association of Bank ABC, based on a proposal of the Board of Directors of Bank ABC. The Remuneration Policy is intended to remain in force until 2025.

The objective of the Remuneration Policy, amongst others, is for Bank ABC to be able to (at all times) to attract, retain, and motivate Directors of skills and expertise commensurate with the complexity and diversification of its global business and be able at the same time to provide value to such Directors in return of their value to Bank ABC.

The remuneration structure for the Board of Directors is composed of a flat fee (the **"Flat Fee"**), which is easy to manage, but also competitive enough to motivate Directors' behavior and attract and retain the quality needed to run Bank ABC successfully. Such Flat Fee is composed of a monthly cash retainer (the **"Retainer[1]"**); attendance fees payable to Directors attending different Board and Board Committee meetings (**"Attendance Fees[2]"**); and allowances to cover travelling, accommodation and subsistence costs incurred in connection with attending Board and Board Committee meetings (**"Allowances"**).

[1]This is refered to in the following table, according to the MOIC disclousre tables as " Remunerations of the chairman and BOD".
[2]This is refered to in the following table, according to the MOIC disclousre tables as " Total allowance for attending Board and committee meetings".

The aggregate remuneration paid to Board members in 2024 amounted to US$2,148,303 (2023: US$1,897,023), which was divided between the three elements as follows:

Name	Fixed remunerations					Variable remunerations					End-of-service award	**Aggregate amount** (Does not include expense allowance)	**Expenses Allowance**
	Remunerations of the chairman and BOD	Total allowance for attending Board and committee meetings	Salaries	Others*	Total	Remunerations of the chairman and BOD	Bonus	Incentive plans	Others	Total			
First: Independent Directors:													
Dr. Khaled Kawan	156,962	18,000	-	28,772	203,734	-	-	-	-	-	-	-	-
Dr. Ibrahim El Danfour	156,962	19,500	-	104,577	281,039	-	-	-	-	-	-	-	-
Mr. Abdullah Al Humaidhi	156,962	18,000	-	73,610	248,572	-	-	-	-	-	-	-	-
Mr. Khalil Nooruddin	174,402	19,500	-	32,491	226,394	-	-	-	-	-	-	-	-
Second: Non-Executive Directors:													
Mr. Saddek Omar El Kaber	204,283	9,000	-	57,667	270,950	-	-	-	-	-	-	-	-
Mr. Mohammad Saleem	172,736	10,500	-	40,185	223,421	-	-	-	-	-	-	-	-
Mr. Ashraf Mukhtar	127,895	9,000	-	51,905	188,800	-	-	-	-	-	-	-	-
Dr. Tarik Yousef	156,962	21,000	-	126,056	304,018	-	-	-	-	-	-	-	-
Ms. Huda Al Mousa	145,335	16,500	-	39,540	201,375	-	-	-	-	-	-	-	-
Third: Executive Directors:													
-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**1,452,500**	**141,000**	**-**	**554,803**	**2,148,303**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

* Travel and accommodation costs.

Note: The aggregate remuneration paid to the members of the Remuneration Committee with respect to their membership of such committee for the year 2024 was US$20,000, which sum is included in the Retainer fee (2023: US$20,000).

No Director owned or traded Bank ABC shares in 2024.

Board Committees

The Board and its committees are supplied with full and timely information to enable them to discharge their responsibilities. In this respect, the Board, its committees and all Directors have access to senior management, external consultants and advisors, as required. The Board Secretary is responsible for ensuring that the Board procedures, and applicable rules and regulations, are observed.

The Board has delegated specific responsibilities to a number of Board committees. Each such committee has its own formal written charter, which is set out in full in the Corporate Governance Charter. The main Board committees are:

/ The **Board Risk Committee,** which is responsible for the review and approval of the Group's Credit and Risk Policies, including the risk appetite statement (RAS). The Committee reviews and makes recommendations to the Board regarding the annual risk strategy/appetite, within which business strategy, objectives and targets are formulated. The Committee delegates authority to senior management to conduct day-to-day business within the prescribed policy and strategy parameters, while ensuring that processes and controls are adequate to manage the Group's Risk Policies and Strategy. The Board Risk Committee meets not less than three times a year.

/ The **Board Corporate Governance Committee,** which assists the Board in shaping and monitoring the Group's Corporate Governance policies and practices, reviewing and assessing the adequacy of these policies and practices, and evaluating the Group's compliance with them. The Corporate Governance Committee meets not less than once a year.

/ The **Group Board Audit Committee**, which is responsible to the Board for the integrity and effectiveness of the Group's system of financial and internal controls. This Committee also recommends the appointment, compensation and oversight of the external auditors, as well as the appointment of the Group Chief Internal Auditor. The Group Audit Committee meets not less than four times a year.

/ The **Board Remuneration Committee,** which is responsible for the formulation of the Group's executive and staff remuneration policy, as well as senior management appointments, ensuring that Bank ABC's remuneration levels remain competitive so it can attract, develop and retain the skilled staff needed to meet its strategic objectives. The Committee also ensures that the remuneration policy and philosophy of Bank ABC and the ABC Group are aligned with Bank ABC's long-term business strategy, business objectives, risk appetite, values and long-term interests, while recognising the interests of relevant stakeholders. The Remuneration Committee meets not less than twice per year.

/ The **Group Board Compliance Committee,** which is responsible to the Board for monitoring compliance of the Group in the various countries in which the Group operates. The Committee also assists the Board in discharging its governance and oversight responsibilities for the Compliance risk management framework of Bank ABC and of Bank ABC's compliance with applicable laws and regulations on a group wide basis. The Group Compliance Committee meets not less than four times a year.

/ Such as the **Strategy Committttee.** The Board has also delegated specific responsibilities for reviewing and overseeing the implementation of the strategy for Bank ABC and the Bank ABC Group to an ad-hoc Board Strategy Committee which shall meet as required to be effective.

As at 31 December 2024, the current members of each of the Board committees were as set out in the following table:

Board Committee	Member Name	Member Position	Classification of Director
The Board Risk Committee	Mr. Abdallah Al Humaidhi	Chairman	Independent
	Mr. Khalil Nooruddin	Member	Independent
	Dr. Ibrahim El Danfour	Member	Independent
	Mr. Mohammad Saleem	Member	Non-Independent
	Dr. Khaled Kawan	Member	Independent
The Board Corporate Governance Committee	Dr. Khaled Kawan	Chairman	Independent
	Mr. Abdallah Al Humaidhi	Member	Independent
	Dr. Tarik Yousef	Member	Non-Independent
The Group Board Audit Committee	Mr. Khalil Nooruddin	Chairman	Independent
	Ms. Huda Al Mousa	Member	Non-Independent
	Dr. Ibrahim Eldanfour	Member	Independent
	Dr. Tarik Yousef	Member	Non-Independent
The Board Remuneration Committee	Dr. Khaled Kawan	Chairman	Independent
	Mr. Abdallah Al Humaidhi	Member	Independent
	Dr. Ibrahim El Danfour	Member	Independent
The Group Board Compliance Committee	Mr. Khalil Nooruddin	Chairman	Independent
	Ms. Huda Al Mousa	Member	Non-Independent
	Dr. Ibrahim El Danfour	Member	Independent
	Dr. Tarik Yousef	Member	Non-Independent

Attendance of Directors

The details of Directors' 2024 attendance at Board and Board committee meetings are set out in the following table:

Board Members	Board	The Board Risk Committee	The Board Corporate Governance Committee	The Group Board Audit Committee	The Board Remuneration Committee	The Group Board Compliance Committee
Mr. Saddek Omar El Kaber Chairman	6(6)	N/A	N/A	N/A	N/A	N/A
Mr. Mohammad Saleem Deputy Chairman	4(6)	3(4)	N/A	N/A	N/A	N/A
Ms. Huda Al Mousa Director	5(6)	N/A	N/A	6(6)	N/A	4(4)
Mr. Abdallah Al Humaidhi Director	6(6)	4(4)	5(5)	N/A	2(2)	N/A
Dr. Ibrahim El Danfour Director	6(6)	4(4)	N/A	6(6)	2(2)	4(4)
Dr. Tarik Yousef Director	6(6)	N/A	5(5)	6(6)	N/A	4(4)
Mr. Ashraf Mukhtar Director	6(6)	N/A	N/A	N/A	N/A	N/A
Mr. Khalil Nooruddin Director	6(6)	4(4)	N/A	6(6)	N/A	4(4)
Dr. Khaled Kawan Director	6(6)	4(4)	5(5)	N/A	2(2)	N/A

Figures in brackets indicate the maximum number of meetings during the period of membership. "N/A" indicates that a Director was not a member of the relevant Board committee during 2024.

Meeting dates during 2024:

The Board and its committees meet as frequently as is necessary for them to discharge their respective responsibilities, but the Board meets no less than four times a year. The Group Audit Committee meets no less than four times a year, the Remuneration Committee meets no less than twice a year, the Board Risk Committee meets no less than three times a year, the Corporate Governance Committee meet no less than once a year, and the Group Complaince Committee meets no less than four times a year.

The Board Strategy Committee meets as required to be effective. In 2024, no meeting of the Board Strategy Committee was held. However, the Board had a dedicated session on strategy during 2024.

The details of the dates of the Board and Board committee meetings in 2024 are set out below:

	Dates of Meetings
The Board	11 February 2024 21 May 2024 22 July 2024 04 October 2024 05 October 2024 17 November 2024 18 November 2024 19 December 2024
The Board Risk Committee	07 February 2024 06 May 2024 04 June 2024 04 November 2024
The Board Corporate Governance Committee	10 February 2024 23 June 2024 21 July 2024 25 September 2024 18 December 2024
The Group Board Audit Committee	08 February 2024 21 March 2024 06 May 2024 08 August 2024 03 November 2024 05 December 2024
The Board Remuneration Committee	10 February 2024 18 December 2024
The Group Board Compliance Committee	08 February 2024 06 May 2024 03 November 2024 05 December 2024

INTERNAL CONTROLS

The Board of Directors is responsible for establishing and reviewing the Group's system of internal control. The Board receives minutes and reports from the Board Risk Committee ("BRC"), the Board Audit Committee and the Board Compliance Committee, identifying any significant issues relating to the adequacy of the Group's risk management policies and procedures, as well as reports and recommendations from the Corporate Governance Committee and the Remuneration Committee for any needed decision making and action(s) at their end.

Management informs the Board regularly about how the Group is performing versus budget, identifying major business issues and examining the impact of the external business, economic and regulatory environment.

Day-to-day responsibility for internal control rests with management. The key elements of the process for identifying, evaluating, and managing the significant risks faced by the Group can be summarised as:

/ well-defined management structure with clear authorities and delegation of responsibilities, documented procedures and authority levels to ensure that all material risks are properly assessed and controlled

/ internal control policies that require management to identify major risks, and to monitor the effectiveness of internal control procedures for adequate reporting and mitigation

/ robust compliance function, exercised through Group Compliance reports to the Board Compliance Committee over Compliance Risks

/ Group Audit function, which reports to the Group Audit Committee on the effectiveness of key internal controls in relation to the major risks faced by the Group, and conducts reviews of the efficacy of management oversight regarding delegated responsibilities, as part of its regular risk based and regulatory audits of Group departments and business units

/ comprehensive planning and budgeting process that delivers detailed annual financial forecasts and targets for Board approval, and

/ Group Risk Management function, comprising overarching Head Office risk management committees and a dedicated risk management function supporting the group.

Management structure

The Group Chief Executive Officer, supported by Head Office management, is responsible for managing the day-to-day operations of Bank ABC. There is a clear segregation of duties in the management structure at Bank ABC.

Senior managers did not hold or trade any shares in Bank ABC during 2024.

The management organisation chart is included in appendix 2.

COMPLIANCE

Compliance risk is the risk of legal or regulatory sanctions, material financial loss, or loss to reputation the Bank may suffer as a result of its failure to comply with the statutory, regulatory and supervisory requirements including industry codes with which the Group must by law comply with, or which it voluntarily adheres to.

Bank ABC is committed to maintaining the highest standards of ethical and professional conduct, including complying with all applicable rules and regulations. The Group Chief Compliance Officer (GCCO), together with the Heads of Compliance and Money Laundering Reporting Officers Group-wide, support the Board and Senior Management in effectively managing the compliance risks faced by the Bank.

The Bank has a dedicated Group Board Compliance Committee (BCC). The GCCO reports directly to the BCC and administratively to the Group Chief Executive Officer (GCEO).

The Group Compliance Oversight Committee (GCOC) is the Senior Management committee established by the BCC, that oversees compliance risk management group-wide. To support the GCOC, Compliance and Financial Crime Committees (CFCCs) are established in each jurisdiction group-wide, which report into their respective BCC, or equivalent.

As detailed in the Group's Risk Appetite Statement, the Bank has no tolerance for regulatory breaches that are intentional or due to gross negligence. In addition, the Bank has no appetite for the facilitation, aiding or abetting of any form of criminal activity.

It is recognized that operational risk, including Compliance Risk, is inherent in business operations, processes and systems and that inadvertent errors may occur. Nevertheless, the Bank is committed to conducting business in compliance with regulatory requirements and implementing appropriate risk management and risk mitigation mechanisms to ensure that a robust compliance culture is embedded within the organisation.

The Bank continues to enhance its compliance framework by investing in systems and the Compliance Function capability.

EXTERNAL AUDITORS

1. In 2024, the Bank ABC Group paid its external auditors US$2,256,000 in audit fees on a global basis.
2. Non-audit services were specifically pre-approved by the Audit Committee and provided by the external auditors including, but not limited to, anti money laundering reviews, prudential information reports reviews, quarterly reviews and tax related services amount to US$938,000 on a global basis.
3. Ernst & Young have expressed their willingness to continue as the auditors of the Group for the year ending 31 December 2025. Bank ABC's management, based on evaluation of services provided by its external auditors, has recommended the appointment of Ernst & Young and a resolution proposing their reappointment will be presented at the annual general meeting to be held in March 2025.

POLICY ON THE EMPLOYMENT OF RELATIVES AND APPROVED PERSONS

Bank ABC has a Board approved Policy on Employment of Relatives and Connected Persons. This Policy aims to ensure that Bank ABC has transparency in relation to the employment of relatives and Connected Persons in order to prevent actual, or perceived, conflicts of interest.

The Policy sets out that no relatives or near relatives of any Bank ABC employee, Executive or Board Member may enter into employment with Bank ABC. Exceptional approvals may be granted by an independent panel following a full and fair selection process.

REMUNERATION POLICIES OF BANK ABC IN COMPLIANCE WITH THE REQUIREMENTS OF THE CBB

Senior management and staff receive compensation based on several fixed elements, covering salary, allowances and benefits, as well as variable, performance-related elements.

In January 2014, the Central Bank of Bahrain (CBB) issued new rules relating to the remuneration of approved persons and material risk-takers and others, which were subsequently amended later during 2014 (the "CBB Sound Remuneration Practices"), with recent amendments via CBB HC Module in April 2023. Bank ABC has implemented remuneration policies and procedures to cover Bank ABC, ila Bank and Bank ABC Islamic, which are compliant with the CBB Remuneration Rules.

Bank ABC reviewed its remuneration practices and redesigned its variable compensation scheme in order to be fully compliant with the CBB's requirements. Key changes to Bank ABC's remuneration systems and governance processes were made to comply with the CBB regulations and included:

i. Ensuring the risk framework is extensive and captured in decisions around variable pay, including confirming risk-adjustments to any bonus pool.
ii. Separating control functions from the Group bonus pool and ensuring they are measured independently from the businesses they oversee.
iii. Introducing an equity-linked vehicle in which to deliver the appropriate amount of variable remuneration for covered persons.
iv. Introducing deferral arrangements that defer the appropriate amount of variable remuneration for the Group Chief Executive Officer (GCEO), deputies, top five most highly-paid business line employees, material risk takers and approved persons.
v. Introducing clawback and malus policies that apply to variable remuneration.

While maintaining the same Variable Compensation Scheme (VCS) and bonus multiples tables, further changes to the Employees' Performance Management System were introduced in early 2016 to encourage behaviours that will help fulfil the Group's strategic goals. Variable pay now depends on a more extensive matrix of factors, rather than just the income generated. These added factors facilitate measuring the quality of the income rather than just its magnitude. In addition, other non-financial factors have also been added as part of the performance matrix.

The Remuneration Committee (RemCo) reviews and approves Bank ABC's remuneration policy structure on an annual basis. Where rules on compensation exist in other jurisdictions in which Bank ABC operates, Bank ABC's Group policy is to take necessary steps to comply with local market regulations that are applicable to our foreign subsidiaries and branches. Where no rules are applicable, ABC adopts best local market practices.

A distinct and separate bonus pool has been created to reinforce the safeguarding role and independence of staff in Control Functions, and is measured by the impact and quality of their safeguarding role. These measures are based on department-specific objectives and targets, which are independent of company financial performance.

Bank ABC conducts business within a set of overarching goals and limits that, together, define its risk appetite and tolerance. This is approved by the Board Risk Committee as part of the Group Risk Strategy, which complements the budgets and strategic plans proposed by the business. The Bank's bonus pool is subject to potential adjustments based on the review of the RemCo, in the respect of the approved risk appetite, risk tolerance and risk policies during the fiscal year.

Variable compensation and performance management are linked. Performance expectations are clearly articulated for revenue-generating, support and control functions. Individual bonus payments reflect Group, business unit and individual performance.

Bank ABC has adopted a remuneration deferral policy in line with the CBB Sound Remuneration Practices. This defers a required amount of the variable remuneration for the GCEO, deputies, top five most highly-paid business line employees, defined material risk takers and approved persons.

Bank ABC has also adopted a malus policy, which allows any form of deferred variable remuneration to be reduced or cancelled in specific and exceptional circumstances. Exceptional circumstances are defined as material events. They may include a material restatement of the Bank's financial statements, the discovery of significant failures in risk management or exposure to material financial losses at Group, business unit or individual level. In respect of unvested awards, and depending on each specific circumstance, malus may be applied to either that portion of unvested awards linked to the performance year in question or the total outstanding set of unvested awards.

A clawback policy has been introduced to allow Bank ABC to recover part, or all, of the awards already paid to an employee or former employee if a material event is discovered. Clawback provisions may be enforced upon the discovery of an employee's, or former employee's, accountability or responsibility for, or direct implication in, material events that may bring the Bank into serious disrepute. Additionally, they may be enforced in the event of individual criminal or other substantial misconduct.

The design of the Bank's reward structure aligns pay outcomes with prudent risk management and sound governance practices. The mix of an individual employee's pay, allowances and variable compensation is dictated by the nature of the role he/she holds. Variable pay for the relevant emploees is delivered using a blend of cash and equity-linked instruments. It may be paid up-front in cash or deferred in accordance with the Bank's deferral policy. With Board approval, the variable pay multiples may be reviewed from time to time to ensure competitiveness with the market.

The remuneration disclosures have been reviewed and approved by the RemCo, which has confirmed they are aligned to the CBB rulebook requirements.

Bank ABC takes risk seriously. Reward practices embed and reinforce the Bank's desired risk culture, and risk behaviours directly impact variable pay, based on the following principles:

i. Financial performance is not the sole measure of performance; both quantitative and qualitative approaches are used to measure risk; bonus pools are adjusted for all types of risk, both tangible and intangible, reflecting both Group and business unit performance.
ii. Bonuses can be diminished (or nil) in light of excessive risk taking at Group, business or individual level.
iii. Bonus pools reflect the cost of capital required, and liquidity risk assumed, in the conduct of business.

In addition, Bank ABC has a process for assessing the performance of senior management against a set of pre-agreed audit, risk & compliance (ARC) objectives, which are cascaded down in the organisation. Their pay is linked to long-term profitability and sustainable value.

Pay principles

The following 'pay principles' apply at Bank ABC and govern all current and future remuneration decisions. These principles have been approved by the RemCo.

Summary

Principle	Theme
Principle 1	We pay for performance
Principle 2	We take risk seriously
Principle 3	We think long-term
Principle 4	Pay decisions are governed effectively
Principle 5	Clear and simple
Principle 6	Competitive, sustainable and affordable

Principle 1 | We pay for performance

Approach

/ Performance expectations are clearly articulated for revenue-generating, support and control functions.
/ Pay and performance management are linked.
/ Bank ABC rewards performance that delivers its strategy, and that delivers the behaviours, cultures and ways of working that underpin doing business with the Bank.

Delivery

/ Group and / or business unit underperformance can result in no bonus pool.
/ Bonuses can be diminished (or nil) in light of poor Group, business unit or individual performance.
/ Individual bonus payments reflect Group, business unit and individual performance.
/ Group and business units are expected to meet demanding but achievable performance targets.
/ Low performance ratings for any employee can result in no bonus.
/ High performing business units may pay bonuses, even if the Group underperforms.
/ Bank ABC differentiates high performance from average or low performance.
/ Bonuses can be paid for non-profitable business units in start-up or turn-around phases.
/ Bonus calculations reflect a measure of the appropriate behaviours which support doing business with Bank ABC.
/ Control functions are measured on the impact and quality of their safeguarding role.
/ Pay for employees engaged in control functions promotes impartiality and objectivity – it ensures that all employees at Bank ABC take risk seriously.
/ Bonuses can be paid to control function employees who exercise their roles effectively, even in light of poor Group or business unit performance.

Principle 2 | We take risk seriously

Approach

/ Reward practices embed and reinforce Bank ABC's desired risk culture.
/ Risk behaviours directly impact variable pay.

Delivery

/ Financial performance is not the sole measure of performance.
/ Bonuses can be diminished (or nil) in light of excessive risk taking at Group, business or individual level.
/ Bonus pools reflect the cost of capital required, and liquidity risk assumed, in the conduct of business.
/ Bonus pools are adjusted for all types of risk, both tangible and intangible, which are reflected in both Group and business unit performance.
/ Both quantitative and qualitative approaches are used to measure risk.
/ Pay for material risk takers is significantly weighted towards variable pay.
/ Material risk takers' performance is rewarded using a mix of cash and equity (or an equity-linked vehicle) to reflect their influence on the Bank's risk profile.
/ Risk behaviours of material risk takers have a direct impact on variable pay outcomes.

Principle 3 | We think long-term

Approach

/ Pay is linked to long-term profitability and sustainable value.

Delivery

/ Deferral mechanisms are used for approved persons / material risk takers.
/ Deferral mechanisms include an equity-linked vehicle.
/ 60% of variable pay for GCEO and the most highly-paid employees is deferred for three years.
/ 40% of variable pay for material risk takers and approved persons (paid over BHD100,000) is deferred for three years.
/ No form of guaranteed variable remuneration can be granted, except in exceptional circumstances, for a period of no more than one year following hire.
/ Unvested deferred bonuses can be recovered in light of discovering past failures in risk management, or policy breaches, that led to the award originally being granted.
/ Participation in deferral is reviewed on an annual basis, subject to meeting the minimum requirements under the CBB rules.

Principle 4 | Pay decisions are governed effectively

Approach

/ Variable pay schemes are owned and monitored by the RemCo.
/ The RemCo oversees remuneration practices across the Bank.

Delivery

/ The RemCo oversees the design and delivery of variable pay across the Bank.
/ The RemCo reviews and approves the Bank's remuneration policy on an annual basis.
/ The GCEO and senior management do not directly own or control remuneration systems.
/ The RemCo reviews and approves bonus pools and payouts across the Bank, and reviews and approves the pay proposals for material risk takers and approved persons.
/ Risk and Compliance provide information to the RemCo before it determines the bonus pool and Group performance.
/ HR controls remuneration policies, while line managers have suitable discretion to apply them.
/ HR develops compliance and monitoring practices to actively track global compliance with Group remuneration policy.

Principle 5 | Clear and simple

Approach

/ Reward communications are clear, user-friendly and written in plain language.
/ The aims and objectives of the new VCS are clear and transparent.

Delivery

/ Clearly communicate what is meant by malus and clawback, and the instances in which these provisions could be applied.
/ Open and easy access to the variable pay policy, plan rules and relevant communications.

Principle 6 | Competitive, sustainable and affordable

Approach

/ The VCS helps to attract and retain high-calibre talent.
/ The VCS structure can be maintained over the long term, and its total cost is always affordable to the Bank.

Delivery

/ Bonus pools vary year-on-year, based on Group performance, external market conditions, the internal climate and affordability.
/ Individual pay opportunities are driven by the external market and internal positioning.

Application of pay principles

Bank ABC will remunerate covered employees to attract, retain and motivate sufficient talent to safeguard the interests of the Bank and its shareholders, while ensuring the Bank avoids paying more than necessary. The remuneration systems fairly reward performance delivered within the risk appetite of the Bank, over an appropriate time horizon, to align with risk.

Variable remuneration is paid according to the scheme on the below categorisation:

/ **Approved persons in business lines:** For the GCEO and the five most highly-paid business line employees, variable pay in 2019 was paid as 40% upfront cash, 10% in deferred cash and 50% in a deferred equity-linked vehicle. For the others in the same category, the pay split was 50% upfront cash, 10% upfront equity-linked vehicle, 40% deferred equity-linked vehicle.

/ **Approved persons in control functions:** The variable pay for employees in this category was paid as 50% upfront cash, 10% upfront equity-linked vehicle, 40% deferred equity-linked vehicle.

/ **Other material risk takers:** The variable pay for employees in this category was paid as 50% upfront cash, 10% upfront equity-linked vehicle, 40% deferred equity-linked vehicle.

/ **Other staff of Bahrain operations:** The variable pay was paid fully in cash up front.

Remuneration arrangements are structured to promote sound risk behaviours. Their performance is measured against a range of financial and non-financial factors related to risk. Employees categorised as approved persons in control functions have their remuneration measured independently of the business that they oversee, so ensuring sufficient independence and authority. All variable pay is subject to malus and clawback.

Directors' Remuneration Policy

Renewal of the Directors' Remuneration Policy

To	:	**The Shareholders of Bank ABC**
Date	:	**March 2025**
Re	:	**Renewal of the Directors' Remuneration Policy**

1. Background and Context

1.1 The Directors' Remuneration Policy under Article 28 (b) of the Articles of Association of Bank ABC (the **"Policy"**) was adopted by the Annual General Meeting (the **"AGM"**) on 21 March 2021, with the intention of remaining in force for a period of four years, ending at the AGM of Bank ABC on 16 March 2025. It is now time to renew the Policy for three years.

2. Proposed revisions to the Policy

2.1 The policy has served Bank ABC well over the past four years, and **no major changes are proposed** for the renewed Policy.

2.2 However, **minor adjustments have been made** to reflect the updated cost of allowances during the year 2024, replacing the previous benchmark of 2019. This change ensures that the Policy remains aligned with current economic conditions.

(a) **Cash Retainer:** As per the Board resolutions in February 2024, the Board has not utilised the permitted 10% increase above the current levels for the Cash Retainer during the duration of the Policy. The Cash Retainer remains at USD 1.5 million and will continue at this level under the renewed Policy.

(b) **Attendance Fees:** No changes are proposed to the attendance fees as currently outlined in the Policy.

(c) **Allowances:** The allowances have been increased by not more than 20% in 2024, reflecting the updated cost of living and other relevant factors. For benchmarking purposes, the allowances paid for the year ending 2024 will serve as the reference point for the renewed Policy.

3. Request for Approval

In light of the above, the Shareholders of Bank ABC are requested to approve the renewal of the attached Policy.

Directors’ Remuneration Policy under Article 28 (b) of the Articles of Association of Bank ABC (March 2025)

1. Introduction

In accordance with the Commercial Companies Law of Bahrain and the Bahrain Corporate Governance Code, this directors’ remuneration policy (the **“Remuneration Policy”**) of the Arab Banking Corporation’s (B.S.C.) (**“Bank ABC”**), is prepared for adoption by the Annual General Meeting (the **“AGM”**) in accordance with Article 28 (b) of the Articles of Association of Bank ABC, based on a proposal of the Board of Directors of Bank ABC. This Remuneration Policy is adopted by the AGM on 16 March 2025, and it is intended to remain in force for three years, ending by the AGM of Bank ABC in 2028.

2. Policy objectives and considerations

2.1 In accordance with Bank ABC’s Corporate Governance Charter, the remuneration of Directors shall be in accordance with the requirements of the HC Module of the Central Bank of Bahrain, the Bahrain Corporate Governance Code, the Bahrain Commercial Company Law, the constitutional documents of the Company and such other legal and/or regulatory requirements which may from time to time be applicable to Bank ABC.

2.2 The authority to establish remuneration and other terms of service for Directors is vested in the Remuneration Committee. The overarching purpose of the Remuneration Committee is to consider, agree and recommend to the Board of Directors an overall remuneration policy for Bank ABC that is aligned with the long-term business strategy, objectives, values and best interests of Bank ABC and its shareholders.

2.3 The role and duties of Directors continue to expand beyond traditional governance expectations, in a more complex and dynamic environment where Directors are expected to fill an increasingly complex role. Bank ABC aims to develop the philosophy and process in determining Directors compensation’s structure to cope with such an increasing demand on Directors. The objective is for Bank ABC to be able to (at all times) to attract, retain, and motivate Directors of skills and expertise commensurate with the complexity and diversification of its global business and be able at the same time to provide value to such Directors in return of their value to Bank ABC.

2.4 In line with such overarching objectives, the proposition is for the Directors to be paid a flat fee (the **“Flat Fee”**) which is easy to manage, but also competitive enough to motivate Directors’ behavior and attract and retain the quality needed to run Bank ABC successfully. Such Flat Fee is composed of a monthly cash retainer (the **“Retainer”**); attendance fees payable to Directors attending different Board and Board Committee meetings (**“Attendance Fees”**); and allowances to cover travelling, accommodation and subsistence costs incurred in connection with attending Board and Board Committee meetings (**“Allowances”**). Attendance Fees are too modest to respond to the challenge of fairly compensating Directors, hence, the emergence of a cash Retainer, which has been in an increased prominence over the past twenty years in leading markets where Bank ABC operates.

3. The Composition of the Remuneration*

An aggregate Flat Fee shall be paid annually to members of the Board of Directors during the duration of this Remuneration Policy as follows:

Board Remuneration	(US$)	Maximum Opportunity
Cash Retainer	1,500,000	The Retainer may be reviewed annually by the Board of Directors having obtained advice from the Remuneration Committee. Various factors may be considered when determining any changes to the Retainer to ensure remuneration is fair, sensible and market competitive. Other than in exceptional circumstances, the Retainer will not increase by more than 10% above the current levels in total during the duration of the Remuneration Policy.
Attendance Fees		The Attendance Fee currently stands at US$1,500 per Director per meeting of the Board or Board Committee. The aggregate amount of Attendance Fees received by a Director depends on a number of factors, including the number of Board Committee on which he sits and how frequently those Board Committees have meetings.
Allowances		The amount of the Allowances paid to a Director depend on a number of factors, including the home location of the Director, the location of the Board and/or Board Committee meetings and the duration of the Board and/or Board Committee meetings. In 2024 the aggregate Allowances paid to Directors was US$554,803. While the cost of the Allowances during 2024 was US$554,803 (the **"2024 Allowances"**) and it is expected that the cost will be broadly similar on annual basis during the duration of the Remuneration Policy, the Allowances for the duration of the Remuneration Policy will be capped at 20% above the 2024 Allowances in total during the duration of the Remuneration Policy.

** The cash Retainer assumes that Bank ABC's Board will continue to stand at nine members. Although the Board does not intend to increase its current size, however, any increase in the Board size will require the adjustment of the overall amount of the Retainer to accommodate the change in the size. This will also result in the costs of the Board generally increasing vis– a- vis the Attendance Fees and Allowances. It should be noted that over the past decade the Retainer and the Allowances have remained to a large extent static, which confirms the discipline and objectivity with which the Flat Fee has been managed by the Board.*

Election of the members of the Board of Directors for the 15th Term

Election of the members of the Board of Directors for the 15th Term

To	**:**	**The Shareholders of Bank ABC**
Date	**:**	**March 2025**
Re	**:**	**Election of the members of the Board of Directors for the 15th Term**

1. On 6 January 2025, the Board of Directors of the Arab Banking Corporation (**"Bank ABC"**) announced the call for nominations for election or re-election to the Board of Directors for its 15th term for a new three-year (2025-2028) term pursuant to Article 19(a) of the Articles of Association of the Bank.
2. Nominations for election or re-election to the Board of Directors in the Kingdom of Bahrain necessitate a prior written approval from the Central Bank of Bahrain, which requires nominees to submit Applications for Approved Person Status "Form 3" and include in their Applications certified copies of the relevant documents. Accordingly, on 18 February 2025, the prior approval was obtained from the Central Bank of Bahrain (for each eligible nominee) in accordance with all relevant applicable regulations. The cleared candidates' names and summary of their CVs were also posted on the Bank ABC and Bahrain Bourse websites on 23 February 2025, simultaneously with the publication of the general meeting agenda in line with the date of posting the invitation for the Bank ABC's Annual General meeting.
3. Accordingly, the principal shareholders have submitted the following nominations for appointment to the Board of Directors for the upcoming term for a new three (3) year term:

   (A) **The Central Bank of Libya ("CBL")** nominated:

   1. H.E. Mr. Naji Mohamed Issa Belgasem
   2. Mr. Mohamed Hassadi; and
   3. Mr. Amer Karkar.

   (B) **Kuwait Investment Authority ("KIA")** nominated:

   1. Mr. Abdulaziz F. Alhudaib; and
   2. Mr. Edrees M E Ahmad.

(C) the nominations from the private sector (**"Election Nominees"**) for election to Bank ABC's Board of Directors are:

1. Mr. Manaf Al Hajeri.
2. Mr. Khalil Nooruddin.
3. Dr. Ibrahim El Danfour.
4. Dr. Marouane Elabassi.
5. Mr. Abdulfatah Ghaffar.
6. Dr. Ahmed Attiga.
7. Ms. Layla Al Qassab.
8. Ms. Fatima Ashoor.
9. Mr. Mahmood Radhi.
10. Dr. Jehad El-Nakla.
11. Mr. Ahmed Abdulghaffar.
12. Mr. Yusuf Hasan.
13. Mr. Ismail AlSarraf; and
14. Mr. Hussain Al Shehab.

4. Pursuant to HC-2.2.6 of the Central Bank of Bahrain Rulebook, each proposal by the Board of Directors of Bank ABC to the shareholders for election or re-election of a director must include, amongst other things, (a) a recommendation from the Board of Directors of Bank ABC; (b) a summary of the advice of Bank ABC's Corporate Governance Committee; and (c) the Chairman of Bank ABC's confirmation to the Shareholders regarding candidates proposed for re-election. The first requirement has been addressed in the details set forth in the announcement to the shareholders released on 6 January 2025, along with the subsequent information entered in the websites of both Bank ABC and Bahrain Bourse website. With respect to the last two requirements, Bank ABC would like to notify its shareholders of the following:

(a) **A Summary of the Corporate Governance Committee Advice to the Board:**

(1) With regard to the **independence of directors**, each of the eligible and cleared nominees classified as independent director are new candidates, except for two current Board members, Dr. Ibrahim El Danfour and Mr. Khalil Nooruddin. Each of such independent directors meets the criteria set out in Section 4.1.1 (c) of Bank ABC's Corporate Governance Charter, in particular the definition of Independent Director set out in Appendix A of the Corporate Governance Charter.

(2) The **"fit and proper"** requirements referred to in HC-2.2.6 and 2.2.4 of the of the CBB Rulebook have been met by each eligible nominee, and in particular, through the diligence carried out by the Corporate Governance Committee during its meeting of 8 February 2025 based on the information disclosed in Forms 3 by the nominees (which included more details about their professional qualifications, other directorship held, and particulars of other positions held by each one of them…etc.). Moreover, no other information was revealed to prompt us to doubt these conclusions and results.

(3) Accordingly, it was the advice of the Corporate Governance Committee to the Board of Directors in its meeting held on 8 February 2025 to recommend to the shareholders the approval of the names of the eligible candidates to the Board of Directors for the upcoming term, whose names are listed in paragraph (b) below.

(b) **The Board of Directors Recommendation:**

The Board of Directors resolved to approve the advice of the Corporate Governance Committee at its meeting held on 9 February 2025 regarding the candidates deemed eligible for the Board of Directors for the upcoming term, whose names are listed below.

As noted in Paragraph 3 above, five (5) members of the Board of Directors are expected to be appointed by the Bank's two largest shareholders in accordance with Article 19(b) of the Bank's Articles of Association. The other members of the Board of Directors are expected to be elected by the private shareholders, in addition to major shareholders with carryover votes that were not utilized for director appointments, in accordance with Article 175 of the Commercial Companies Law

The size of Board of Directors is only nine members. However, the number of nominees exceeds the available seats, noting that four seats will be contested at the AGM out of a total of fourteen (14) nominations in the Election Nominees category.

(i) the nominations for **appointment** are:

1. H.E. Mr. Naji Mohamed Issa Belgasem **(CBL)**.
2. Mr. Mohamed Hassadi **(CBL)**.
3. Mr. Amer Karkar **(CBL)**.
4. Mr. Abdulaziz F. Alhudaib **(KIA)**; and
5. Mr. Edrees M E Ahmad **(KIA)**.

(ii) the nominations from the **Election Nominees** are:

1. Mr. Manaf Al Hajeri.
2. Mr. Khalil Nooruddin.
3. Dr. Ibrahim El Danfour.
4. Dr. Marouane Elabassi.
5. Mr. Abdulfatah Ghaffar
6. Dr. Ahmed Attiga.
7. Ms. Layla Al Qassab.
8. Ms. Fatima Ashoor.
9. Mr. Mahmood Radhi.
10. Dr. Jehad El-Nakla.
11. Mr. Ahmed Abdulghaffar.
12. Mr. Yusuf Hasan.
13. Mr. Ismail AlSarraf; and
14. Mr. Hussain Al Shehab.

(c) **Chairman of Bank ABC's Confirmation to the Shareholders regarding Candidates proposed for re-election:**

The Chairman of the Board of Directors of Bank ABC confirms to shareholders when proposing re-election of a director that, following a formal performance evaluation carried out by the Corporate Governance Committee, Mr. Khalil Nooruddin's and Dr. Ibrahim El Danfour's performance continues to be effective, and they continue to demonstrate commitment to the role.

Appendices

Appendix 1: **Board of Directors Biographies**

Board of Directors Biographies

Mr. Saddek Omar El Kaber
Chairman

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MBA and MS in Public Accounting, University of Hartford, Connecticut, USA.

Governor of the Central Bank of Libya, Member of the Board of Trustees of the Libyan Investment Authority, Chairman of the Libyan National AML/CFT Committee, Chairman of the Libyan National Payments Council, and Chairman of Arab Banking Corporation – Egypt S.A.E, Previously, Mr. El Kaber was Chairman of ABC International Bank plc, U.K., and Chairman and General Manager of UMMA Bank, Libya. Mr. El Kaber has held past key positions in a number of banks and financial institutions including being the Deputy Chief Executive Officer of ABC International Bank plc, U.K., the Deputy Chairman of the Board of Arab Banking Corporation- Algeria, Country Manager and CEO of Arab Banking Corporation-Tunisia and a Director of Arab Financial Services Company B.S.C.(c). He joined the Board of Arab Banking Corporation (B.S.C.) in December 2011. He has more than 35 years of experience in international finance and banking.

Mr. Mohammad Abdulredha Saleem
Deputy Chairman

RC ‡ >|<

Bachelor of Business Administration in Finance from Kuwait University.

Mr. Saleem has gained professional experience from his service over 33 years at Kuwait Investment Authority since 1986 where he held various positions including the Treasury Department Manager from 2006 to date. He has been a member of Warba Bank's Board of Directors since March 2016 to date. He currently holds the position of Vice Chairman in the Arab Banking Corporation. He served previously in the State of Kuwait as Chairman and Board Member of audit and investment committees. He has been a Chairman or a member of the board of directors in a number of companies such as Generations Fund Holding Company, Kuwait Investment Company, the Egyptian Kuwaiti Real Estate Development Company, Gulf Custody Company, Kuwait Real Estate Holding Company, Kuwait Flour Mill & Bakeries Company. He also participated in many theoretical and practical courses at leading banks and global financial institutions in areas of portfolios management, investment, and capital markets.

Ms. Huda Al Mousa
Director

AC CC ‡ >|<

MBA degree in Business Management, Georgetown University.

Director of General Reserve Asset Department at the Kuwait Investment Authority (KIA), which she joined in 2018. Ms. Huda AlMousa also serves on the Board of Directors at Kuwait Credit Bank since 2019. She previously was on the board of directors at Kuwait Airways (2018-2020). She also serves as a Committee Member in the State of Kuwait Debt Management Committee and various other State level committees, Ms. Al Mousa joined the Board of Bank ABC in 2021 and has more than 15 years of experience in banking, asset management, and finance.

Mr. Abdallah Al Humaidhi
Director

RC RemCo GC ‡ §

MS, American University of Beirut.

Vice Chairman and Chief Executive Officer, Commercial Facilities Company, Kuwait; a Director of the Board of First National Bank S.A.L., Lebanon. Mr. Al Humaidhi is also a Member of the Board and honourary Treasurer of the Kuwait Chamber of Commerce & Industry and a Director of the Board of ABC International Bank plc, UK and a Member of the Board of Directors of Investcorp and chairman of the Audit and Risk Committee. Member of the Board of Directors of the Kuwait Red Crescent and Honorary Treasurer. Previously he served as Member of the Board and the Executive Committee of Kuwait Investment Authority. He has been a Director of Arab Banking Corporation B.S.C. since 2001 and has more than 40 years of experience in the banking and investment sectors.

Dr. Ibrahim El Danfour
Director

AC RC RemCo CC ‡ §

PhD in Accounting, Glasgow Caledonian University, Glasgow, The United Kingdom.

Chief Executive Officer of the Libyan African Investment Company (LAICO), Chairman of BSIC Gambian Bank, Gambia, Director of Libya for Investment Company, Egypt, Member of European Accounting Association (No. 95844), founding member of the Libyan Accountants Association, collaborator at Academic of Postgraduate Studies, Misurata, Libya. Previously Dr. El Danfour was the Chairman of Ensemble Hotel Holdings, South Africa, Chairman of LAICO Hotels & Resorts Management Company, Liechtenstein, Director of Waha Bank, Libya. Dr. El Danfour held various key positions in academia as well as the public and private sectors, mainly in accounting, financial management, corporate transformation and ERP systems, giving him more than 20 years of hands on experience in these domains, for which he has a number of publications and is an active participator in related high profile events and conferences.

Dr. Tarik Yousef
Director

AC GC CC ‡ >|<

PhD in Economics, Harvard University, USA.

Director of the Middle East Council on Global Affairs since 2022. Member of the Board of Directors of the Central Bank of Libya since 2012. Former Senior Fellow in the Global Economy & Development Program at the Brookings Institution between 2006 and 2020. Dr. Yousef worked at Georgetown University in Washington DC between 1998 and 2006 as Professor of Economics in the Edmund Walsh School of Foreign Service and Sheikh Al-Sabah Chair of Arab Studies at the Centre for Contemporary Arab Studies. His policy experience includes working as Economist in the Middle East and African Departments of the International Monetary Fund, Visiting Senior Economist in the Office of the Chief Economist of the Middle East and North Africa Region of the World Bank between 2002 and 2005 and Senior Advisor for the Millennium Project at the UN between 2004 - 2005. Dr. Yousef joined the Board of Bank ABC in 2015. He has 20 years of experience in the finance and business fields.

Mr. Ashraf Mukhtar
Director

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MSC Master of International Accounting from Malaysia.

Director of banking operations department, previously deputy of director of banking operations department, worked as a member of inspection team at the department of banking and monetary supervision, appointed in a managing position for ALRAHILA petroleum company, previous member of LCs foreign currency payment committee and deputy head of documents for collection committee, has 13 years of banking experience.

Mr. Khalil Nooruddin
Director

AC RC CC ‡ §

Bachelor of Science in Systems Engineering from King Fahad University of Petroleum and Minerals, Dhahran, Kingdom of Saudi Arabia; Master of Science in Quantitative Methods and Finance from Leonard N. Stern School of Business, New York University, New York, U.S.A; Chartered Financial Analyst from CFA Institute, Charlottesville, Virginia, U.S.A.

Mr. Nooruddin is a senior banker, with over 40 years' experience gained through serving local and international financial firms both at executive and board levels. Currently, he is the Managing Partner of Capital Knowledge, a management and financial consulting firm. Over the past twelve years, Mr. Nooruddin concluded several consulting and restructuring assignments for financial institutions, working on strategy formulation and implementation. Prior to this, Mr. Nooruddin was a member of the Management Committee of Investcorp Bank, Bahrain; Vice President UBS Asset Management in London and Zurich; Vice President Chase Manhattan Bank in Bahrain; and Operations Research Analyst, Bahrain Petroleum Company, Bahrain. He currently serves on the board of RA Holdings, formed under authorization of a US bankruptcy court to oversee the liquidation of Arcapita Investment Bank, Bahrain. Previously he served on the boards of Gulf International Bank, Bank Al Khair, Ithmaar Investment Bank, Bahrain Islamic Bank, Takaful Insurance Company and Bahrain Financing Company.

Dr. Khaled Kawan
Director

GC RemCo ‡ §

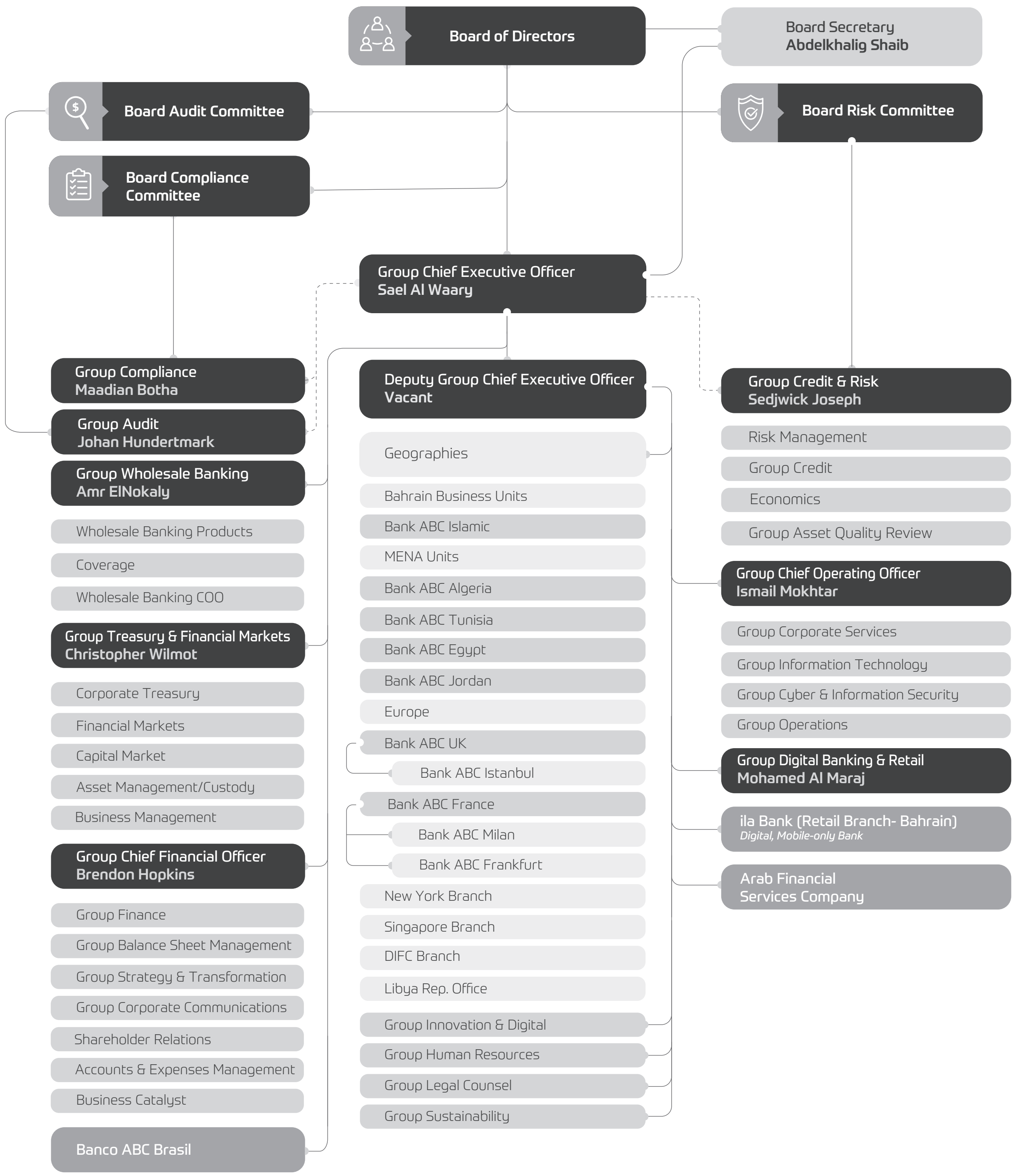
PhD (Doctorat D'Etat) in Banking Laws, University of Paris (Sorbonne), France.

Dr. Kawan has held various executive level positions at Bank ABC from 1991 until his retirement in 2022. He served as the Group Legal Counsel until December 2009, when he was appointed Deputy Group Chief Executive Officer. Subsequently, Dr. Kawan was elevated to Group Chief Executive Officer of Bank ABC in October 2013. He currently holds a number of Board offices within the Bank ABC Group, including Chairman of the Boards of ABC International Bank plc, Arab Banking Corporation SA and Banco ABC Brasil. He has more than 30 years of banking experience.

AC	Member of the Audit Committee
GC	Member of the Corporate Governance Committee
RemCo	Member of the Remuneration Committee
RC	Member of the Risk Committee
CC	Member of the Compliance Committee
‡	Non-Executive
§	Independent
>|<	Non-independent

Appendix 2:
Management Organisation Chart

Bank ABC Group Organisational Chart



Bank ABC