

BAHRAIN DEVELOPMENT BANK B.S.C. (c)

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

31 DECEMBER 2024

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BAHRAIN DEVELOPMENT BANK B.S.C. (c)
CORPORATE INFORMATION

Commercial Registration no.	26226 obtained on 20 January 1992
Directors	Mr. Ghassan Ghaleb Abdulaal – Chairman Ms. Marwa AlSaad- Board Member Ms. Amna AlArrayedh – Board Member Mr. Sandeep Bose – Board Member Mr. Yousif AlNefaiei – Board Member Mr. Hani Redha – Board Member Ms. Aysha Abdulmalek – Board Member Ms. Manal AlBayat – Board Member
Registered Office	Building 170 Road 1703 Diplomatic Area PO Box 20501 Manama Kingdom of Bahrain
External Auditors	Ernst & Young - Middle East PO Box 140 Manama Kingdom of Bahrain

Bahrain Development Bank B.S.C. (c)
REPORT OF THE BOARD OF DIRECTORS

The Board of Directors has pleasure in submitting its report and the audited consolidated financial statements for the year ended 31 December 2024.

Principal activities and review of business developments

Bahrain Development Bank B.S.C. (c) ("the Bank" or "BDB") is operating as a retail bank with special waivers under a license issued by the Central Bank of Bahrain ("CBB"). The core activities of the Bank consist of advancing loans for project finance, working capital, premises and equipment for developing industries and service sectors such as Tourism, Health and Education in the Kingdom of Bahrain, and also invests in the share capital of such entities.

Consolidated operating income for the year has increased by 7% from BD 9,022 thousand for the year ended 31 December 2023 to BD 9,654 thousand for the year ended 31 December 2024. The net profit for the year, attributable to the owners of the Bank, was BD 719 thousand as compared to a net profit of BD 596 thousand in the previous year representing a growth of 21%.

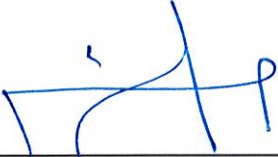
Accumulated losses

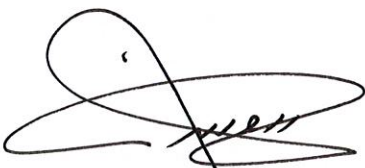
Movements in the accumulated losses during the year were as follows:

	<i>BD '000</i>
Balance at 1 January 2024	(1,404)
Net profit for the year attributable to the Owners of the Bank	719
Balance at 31 December 2024	(685)

Auditors

Ernst & Young - Middle East have expressed their willingness to continue in office and a resolution proposing their reappointment as auditors of the Bank, for the year ending 31 December 2025, will be submitted at the forthcoming Annual General Meeting.


Chairman of the Board of Directors


Board Member



Bahrain Development Bank B.S.C. (c)
REPORT OF THE BOARD OF DIRECTORS (continued)

Disclosure forms for the remuneration of members of the board of directors and the executive management in the report of the board of directors

First: Board of directors' remuneration details:

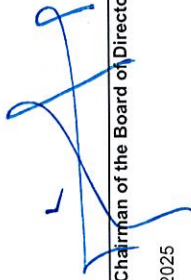
Name	Fixed remunerations				Variable remunerations						End-of-service award	Aggregate amount (Does not include expense allowance)	Expenses Allowance	
	Remunerations of the chairman and BOD	Total allowance for attending Board and committee meetings	Others*	Total	Remunerations of the chairman and BOD (2023)****	Remunerations of the chairman and BOD (2024)*****	Bonus	Incentive plans	Others**	Total				
First: Independent Directors:														
1. Ghassan Ghaleb Abdullaal	-	-	-	-	12,020	-	-	-	-	-	12,020	-	12,020	-
2. Marwa Khaled Alsaad	-	4,400	-	4,400	8,600	-	-	-	-	-	8,600	-	13,000	-
3. Hani Hussein Redha	-	4,400	-	4,400	8,600	-	-	-	-	-	8,600	-	13,000	-
4. Sandeep Bose	-	6,400	-	6,400	8,600	-	-	-	-	-	8,600	-	15,000	3,781
5. Yousif Mohamed Alnefaiei	-	4,400	-	4,400	8,600	-	-	-	-	-	8,600	-	13,000	-
6. Manal Shawqi Al Bayat	-	2,000	-	2,000	8,600	-	-	-	-	-	8,600	-	10,600	2,328
7. Aysha Mohamed Abdulmalek	-	2,000	-	2,000	8,600	-	-	-	-	-	8,600	-	10,600	-
8. Amna Ali Alarayedh	-	1,500	-	1,500	8,600	-	-	-	-	-	8,600	-	10,100	-
Total	-	25,100	-	25,100	72,220	-	-	-	-	-	72,220	-	97,320	6,109
Note: All amounts must be stated in Bahraini Dinars.														
Other remunerations:														
* It includes in-kind benefits – specific amount - remuneration for technical, administrative and advisory works (if any).														
** It includes the board member's share of the profits - Granted shares (insert the value) (if any).														
*** Accrued in 2024 yet to be paid														

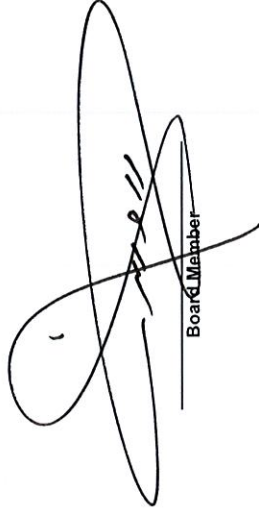
Bahrain Development Bank B.S.C. (c)
REPORT OF THE BOARD OF DIRECTORS (continued)

Second: 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
Top 6 remunerations for executives, including CEO* and Senior Financial Officer**	648,276	156,016	-	804,292
Note: All amounts must be stated in Bahraini Dinars.				
* The highest authority in the executive management of the company, the name may vary: (CEO, President, General Manager (GM), Managing Director...etc).				
** The company's highest financial officer (CFO, Finance Director, ...etc)				

Signed on behalf of the Board


Chairman of the Board of Directors
23 February 2025


Board Member

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BAHRAIN DEVELOPMENT BANK B.S.C. (c)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Bahrain Development Bank B.S.C. (c) (the "Bank") and its subsidiaries (together "the Group"), which comprise of the consolidated statement of financial position as at 31 December 2024, and the consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (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 consolidated financial statements in the Kingdom of Bahrain, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Other information consists of Report of the Board of Directors, set out on page 4 to 6, other than the consolidated financial statements and our auditor's report thereon. The Board of Directors is responsible for the other information.

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BAHRAIN DEVELOPMENT BANK B.S.C. (c) (continued)

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

Responsibilities of the Board of Directors for the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BAHRAIN DEVELOPMENT BANK B.S.C. (c) (continued)

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

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the Group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the performance of the Group audit. We remain solely responsible for our audit opinion.

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

Report on Other Legal and Regulatory Requirements

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

- a) the Bank has maintained proper accounting records and the consolidated financial statements are in agreement therewith;
- b) the financial information contained in the Report of the Board of Directors is consistent with the consolidated financial statements;
- 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, 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
BAHRAIN DEVELOPMENT BANK B.S.C. (c) (continued)**

Report on Other Legal and Regulatory Requirements (continued)

- d) satisfactory explanations and information have been provided to us by the Board of Directors in response to all our requests.




Partner's registration no. 295
23 February 2025
Manama, Kingdom of Bahrain

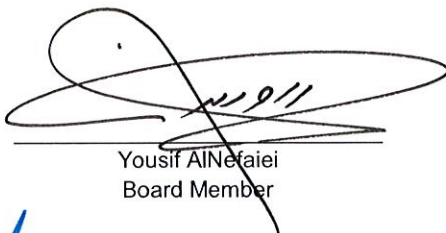
Bahrain Development Bank B.S.C. (c)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Note	2024 BD '000	2023 BD '000
ASSETS			
Cash and balances with Central Bank of Bahrain	7	3,123	3,972
Placements with banks and other financial institutions	7	24,769	48,994
Islamic financing and loans to customers	8	99,223	112,885
Investment securities	9	72,848	57,456
Investment in associates	10	809	397
Investment properties	11	9,611	8,012
Property and equipment	12	3,338	3,282
Other assets	13	3,472	5,315
TOTAL ASSETS		217,193	240,313
LIABILITIES AND EQUITY			
Liabilities			
Term loans	14	23,644	25,359
Deposits	15	120,962	145,908
Other liabilities	16	8,472	5,065
Total liabilities		153,078	176,332
Equity			
Share capital	17	63,669	63,669
Statutory reserve	18	1,186	1,186
Fair value reserve		(242)	274
Accumulated losses		(685)	(1,404)
Equity attributable to owners of the Bank		63,928	63,725
Non-controlling interests		187	256
Total equity		64,115	63,981
TOTAL LIABILITIES AND EQUITY		217,193	240,313


Ghassan Ghaleb Abdulaal
Chairman


Yousif AlNetaiei
Board Member


Dalal Al Qais
Chief Executive Officer

The accompanying notes 1 to 38 form part of these consolidated financial statements.




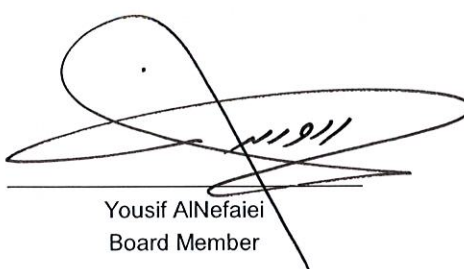
Bahrain Development Bank B.S.C. (c)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2024

	Notes	2024 BD '000	2023 BD '000
Income			
Islamic financing and interest income	19	9,908	8,397
Islamic financing and interest expense	20	(2,196)	(1,269)
Net Islamic financing and interest income		7,712	7,128
Fee and commission income	21	392	380
Rental income		683	630
Other income		867	884
Total operating income		9,654	9,022
Expenses			
Staff costs		(4,512)	(4,293)
Other operating expenses		(4,079)	(3,635)
Total operating expenses before allowance for expected credit losses		(8,591)	(7,928)
Allowance for expected credit losses	22	(749)	(136)
Net operating income		314	958
Share of profit from associates	10	412	3
Investment loss	23	(76)	(424)
Net profit for the year		650	537
Net profit for the year attributable to:			
Owners of the Bank		719	596
Non-controlling interest		(69)	(59)
		650	537


Ghassan Ghaleb Abdulaal
Chairman


Yousif AlNefaei
Board Member


Dalal Al Qais
Chief Executive Officer

The accompanying notes 1 to 38 form part of these consolidated financial statements.



Bahrain Development Bank B.S.C. (c)

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	2024 BD '000	2023 BD '000
Net profit for the year	650	537
Other comprehensive income / (loss):		
<i>Items that will be reclassified to profit or loss in subsequent periods:</i>		
Changes in fair value of investments classified as fair value through other comprehensive (loss) / income on debt instruments	(419)	843
Net unrealised loss in cash flow hedges	(37)	(264)
Net amount transferred to consolidated statement of profit or loss on sale of debt instruments	(60)	-
Total comprehensive income for the year	134	1,116
Total comprehensive income / (loss) attributable to:		
Owners of the Bank	203	1,175
Non-controlling interest	(69)	(59)
	134	1,116

The accompanying notes 1 to 38 form part of these consolidated financial statements.

Bahrain Development Bank B.S.C. (c)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

<i>Equity attributable to owners of the Bank</i>					
Share capital BD '000	Statutory reserve BD '000	Other reserves BD '000	Accumulated losses BD '000	Non - controlling interest BD '000	Total equity BD '000
63,669	1,186	274	(1,404)	256	63,981
-	-	-	719	(69)	650
-	-	(516)	-	-	(516)
-	-	(516)	719	(69)	134
63,669	1,186	(242)	(685)	187	64,115

As at 1 January 2024

Net profit / (loss) for the year

Other comprehensive loss for the year

Total comprehensive (loss) / income for the year

As at 31 December 2024

<i>Equity attributable to owners of the Bank</i>					
Share capital BD '000	Statutory reserve BD '000	Other reserves BD '000	Accumulated losses BD '000	Non - controlling interest BD '000	Total equity BD '000
63,669	1,186	(305)	(2,000)	315	62,865
-	-	-	596	(59)	537
-	-	579	-	-	579
-	-	579	596	(59)	1,116
63,669	1,186	274	(1,404)	256	63,981

As at 1 January 2023

Net profit / (loss) for the year

Other comprehensive income for the year

Total comprehensive income / (loss) for the year

As at 31 December 2023

The accompanying notes 1 to 38 form part of these consolidated financial statements.

Bahrain Development Bank B.S.C. (c)
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2024

	Notes	2024 BD '000	2023 BD '000
OPERATING ACTIVITIES			
Net profit for the year		650	537
Adjustments for:			
Depreciation		1,169	830
Allowance for expected credit losses	22	749	136
Changes in fair value of investments classified as FVTPL	23	180	474
Lease expense		34	-
Gain on the disposal of the securities sold		(104)	-
Changes in revaluation of free interest rate loan and deposit - net		(432)	890
Dividend income	23	-	(50)
Share of profit from associates	10	(412)	(3)
Gain on foreign currency translation		(119)	(70)
Operating profit before changes in operating assets and liabilities		1,716	2,744
Changes in operating assets and liabilities:			
Mandatory reserve deposits with central banks		750	966
Islamic financing and loans to customers		15,713	19,388
Other assets		1,838	701
Deposits		(24,569)	14,376
Other liabilities		703	(1,563)
Net cash flow (used in) / from operating activities		(3,849)	36,612
INVESTING ACTIVITIES			
Net additions to property and equipment	12	(950)	(808)
Purchase of investment securities		(37,988)	(40,705)
Proceeds from sale and maturity of investment securities		22,195	45,581
Addition to investment properties	11	(1,874)	(3,113)
Dividend income received	23	-	50
Net cash flow (used in) / from investing activities		(18,617)	1,005
FINANCING ACTIVITIES			
Repayment of term loans	14	(6,239)	(6,968)
Addition of term loans	14	4,524	4,524
Lease Repayment		(143)	-
Cash flow used in financing activities		(1,858)	(2,444)
NET CHANGE IN CASH AND CASH EQUIVALENTS		(24,324)	35,173
Cash and cash equivalents at 1 January		49,480	14,307
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	7	25,156	49,480
Additional information:			
Islamic financing and interest received		9,414	8,255
Islamic financing and interest paid		(2,268)	1,518
Discount relating to islamic financing and loan carried at free interest rate		(8,028)	(10,257)
Discount relating to deposit carried at free interest rate		10,202	9,825

The accompanying notes 1 to 38 form part of these consolidated financial statements.

1 INCORPORATION AND ACTIVITIES

Bahrain Development Bank B.S.C. (c) ("the Bank" or "BDB") was established as a Bahraini closed shareholding company by Legislative Decree number 19 dated 11 December 1991 and commenced operations on 20 January 1992. The Bank is registered with the Ministry of Industry and Commerce ("MOIC") under Commercial Registration ("CR") number 26226. The Bank's registered office is in the Kingdom of Bahrain, P.O Box 20501. The Bank is operating as a retail bank with special waivers under a license issued by the Central Bank of Bahrain ("CBB"). The majority shareholding of the Bank is owned by the Government of the Kingdom of Bahrain ("Parent") and Pension Fund Commission, Pension Fund Commission (Military) and General Organisation For Social Insurance.

The core activities of the Bank consist of advancing loans for project finance, working capital, premises and equipment for developing industries and service sectors such as Tourism, Health and Education in the Kingdom of Bahrain, and also invests in the share capital of such entities. As part of this activity, the Bank also renders management consultancy services and subscribes to ordinary and preference shares in locally incorporated companies. Additionally, loans are advanced for Agriculture, Fisheries and Higher Education purposes. Other activities of the Bank comprise making a direct contribution towards the economic development of the Kingdom of Bahrain.

These consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors of the Bank on 23 February 2025.

2 BASIS OF PREPARATION**2.1 Statement of Compliance**

The consolidated financial statements of the Group have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB") and are in conformity with the Bahrain Commercial Companies Law ("BCCL") and 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, and the terms of the Bank's memorandum and articles of association.

2.2 Accounting convention

These consolidated financial statements are prepared on a historical cost basis, except for certain investment securities carried at fair value through profit or loss, or through other comprehensive income, that have been measured at fair value.

These consolidated financial statements are prepared in Bahraini Dinars which is the functional and presentation currency of the Bank and all values are rounded off to the nearest thousand, unless otherwise indicated.

2.3 Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Bank and its subsidiaries (the "Group"), all of which have 31 December as their year end and are incorporated in the Kingdom of Bahrain. All intra-group transactions and balances including unrealised gains and losses on transactions between the Group companies have been eliminated on consolidation.

The Bank has the following principal subsidiaries:

	<i>Ownership interest</i>		<i>Principal activity</i>
	<i>2024</i>	<i>2023</i>	
Bahrain Business Incubator Centre S.P.C.	100%	100%	Development and assistance to emerging Bahraini entrepreneurs
Al-Waha Venture Capital Fund Company	99%	99%	Trusts, Funds and Similar Financial Entities - Fund Company
Neotech W.L.L.	78%	78%	Management consultancy activities

2 BASIS OF PREPARATION (continued)**2.3 Basis of consolidation (continued)**

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

- a) The contractual arrangement with the other vote holders of the investee;
- b) Rights arising from other contractual arrangements; and
- c) 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 statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

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

- a) Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- b) Derecognises the carrying amount of any non-controlling interests;
- c) Derecognises the cumulative translation differences recorded in equity;
- d) Recognises the fair value of the consideration received;
- e) Recognises the fair value of any investment retained;
- f) Recognises any surplus or deficit in profit or loss; and
- g) Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

3 MATERIAL ACCOUNTING JUDGMENT AND ESTIMATES

In the process of applying the Group's accounting policies, management has exercised judgment and estimates in determining the amounts recognised in the consolidated financial statements. The most significant uses of judgment and estimates are as follows:

Going concern

The Group'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.

3 MATERIAL ACCOUNTING JUDGMENT AND ESTIMATES (continued)

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, these are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data is not available, judgment is applied to establish fair values. These judgments include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities.

Business model in classifying financial instruments

In making an assessment of whether a business model's objective is to hold assets in order to collect contractual cash flows, the Group considers at which level of its business activities such assessment should be made. Generally, a business model is a matter of fact which can be evidenced by the way business is managed and the information provided to management.

In determining whether its business model for managing financial assets is to hold assets in order to collect contractual cash flows, the Group considers:

- a) Management's stated policies and objectives for the portfolio and the operation of those policies in practice;
- b) Management's evaluation of the performance of the portfolio; and
- c) Management's strategy in terms of earning contractual interest revenues or generating capital gains.

Impairment of financial instruments

Assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of Expected Credit Losses (ECL). Refer to note 6 for further details.

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

The Group's ECL calculation are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. A number of significant judgments are also required in applying the accounting requirements for measuring ECL, such as:

- a) The Group calculates PIT PD estimates under three scenarios, a base case, good case and bad case. An appropriate probability weighted ECL is then calculated by assigning probabilities, based on current market conditions, to each scenario;
- b) Determining criteria for significant increase in credit risk;
- c) Choosing appropriate models and assumptions for the measurement of ECL;
- d) Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs;
- e) Selection and relative weightings of forward-looking scenarios to derive the economic inputs into the ECL models;
- f) Establishing segments of similar financial assets for the purposes of measuring ECL; and
- g) Determining relevant period of exposure with respect to the revolving facilities and facilities undergoing restructuring at the time of the reporting date.

3 MATERIAL ACCOUNTING JUDGMENT AND ESTIMATES (continued)*Impairment of financial instruments (continued)*

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment and including forward-looking information.

In determining whether credit risk has increased significantly since initial recognition, the Group uses delinquency status of accounts, expert credit judgement and relevant historical experience. The Group may also determine that an exposure has undergone a Significant Increase in Credit Risk ("SICR") based on particular qualitative indicators that it considers are indicative of such, and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

4 NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

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

4.1 IAS 21: Lack of Exchangeability

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

The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted, but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.

The amendments are not expected to have a material impact on the Group's consolidated financial statements.

4.2 IFRS 19: Subsidiaries without Public Accountability: Disclosures

In May 2024, the IASB issued IFRS 19, which allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with IFRS accounting standards.

IFRS 19 will become effective for reporting periods beginning on or after 1 January 2027, with early application permitted.

The amendments are not expected to have a material impact on the Group's consolidated financial statements.

4.3 IFRS 18: Presentation and Disclosures in Financial Statements

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

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

4 NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (continued)**4.3 IFRS 18: Presentation and Disclosures in Financial Statements (continued)**

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

IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively.

The management is currently assessing the impacts of these amendments on the consolidated financial statements of the Group.

5 NEW AND AMENDED STANDARDS AND INTERPRETATIONS ISSUED AND EFFECTIVE

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements in previous year, except for the adoption of the following new and amended standards and interpretation applicable to the Group, which became effective for annual periods beginning on or after 1 January 2024. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

5.1 Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The transition rules clarify that an entity is not required to provide the disclosures in the year of initial application of the amendments.

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

5.2 Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

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

5.3 Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- 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, a requirement has been introduced whereby an entity must 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.

6 SUMMARY OF MATERIAL ACCOUNTING POLICIES

6.1 Investment in associated companies

The Group's investments in its associated companies are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost.

The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

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 statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate is eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is charged to the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss in the consolidated statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

6.2 Property and equipment

All items of property and equipment are initially recorded at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of all premises and equipment, other than freehold land which is deemed to have an indefinite life.

6.2.1 Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised within other income in the consolidated statement of profit or loss.

6.2.2 Subsequent measurement

Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

6 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)**6.2 Property and equipment (continued)****6.2.3 Depreciation**

Depreciation is calculated to write off the cost of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in the consolidated statement of profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated. The estimated useful lives of significant items of property and equipment are as follows:

Buildings on freehold premises	15 - 40 years
Furniture, fixtures, vehicles, computers and office equipment	3 - 5 years
System and software	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

6.3 Leases - Group as a lessee

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.

a) 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 re-measurement 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. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right of use assets are subject to impairment. The carrying value of right-of-use assets are recognised under premises and equipment in the consolidated statement of financial position.

b) 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. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable, in this case BIBOR. 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 in-substance fixed lease payments or a change in the assessment to purchase the underlying asset and is recognised under other liabilities in the consolidated statement of financial position.

6.4 Investment property

Investment properties are those which are held by the Group to earn rental income or for capital appreciation or both. Investment properties are stated at cost less accumulated depreciation and any impairment losses. Depreciation is calculated on cost using the straight-line method at annual rates which are intended to write off the cost of the investment property over their estimated useful lives that range from 5 to 30 years. Any gain or loss on disposal of the investment property (calculated as the difference between the net proceed from the disposal and the carrying amount of the item) is recognized in the consolidated statement of profit or loss.

6.4.1 Reclassification to investment property

When the use of a property changes from owner occupied to investment property, the property is classified to investment property and carried at cost in line with the accounting policy as stated above.

As at 31 December 2024

6 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

6.5 Trade receivables

Accounts receivable are stated at original invoice amount net of discounts and provisions for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

6.6 Term loans

Term loans are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the Effective Interest Rate ("EIR") method.

6.7 Deposits

Deposits are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

6.8 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

6.9 Employees' end of service benefits

Pension rights (and other social benefits) for Bahraini employees are covered by the General Organisation for Social Insurance scheme to which employees and employers contribute monthly on a fixed-percentage-of salaries basis. The Group's share of contributions to this scheme, which is a defined contribution scheme under IAS 19 - Employees Benefits, is recognised as an expense in the consolidated statement of profit or loss.

Expatriate employees are entitled to leaving indemnities payable under the Bahraini Labour law. Effective 1 March 2024, pursuant to an Edict number 109 of 2023 issued by His Royal Highness the Prime Minister of the Kingdom of Bahrain, certain portion of the end of service benefits' liability has been transferred to the Social Insurance Organization (SIO), representing the amounts paid by the Bank to the SIO on a monthly basis starting March 2024. Such portion of liability would be settled directly by the SIO when the relevant employees leave the Bank.

6.10 Income recognition

Interest income and expense are recognised in profit or loss using the EIR method. The effective interest ratio is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period to the carrying amount of the financial asset or financial liability). When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes transaction costs and fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition of a financial asset or financial liability.

6.11 Dividend income

Dividend income is recognised when the right to receive income is established.

6.12 Fee and commission income

Fee and commission income and related expenses that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate.

Other fee and commission income including account servicing fees, investment management fees, sales commission, placement fees and syndication fees are recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment.

Other fee and commission expense relate mainly to transaction and service fees, which are expensed as the service is received.

As at 31 December 2024

6 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

6.13 Rental income

Rental income from investment property is recognised as revenue on a straight line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

6.14 Foreign currencies

Transactions in foreign currencies are translated into the functional currency at the spot exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Foreign currency differences arising on translation are generally recognised in the consolidated statement of profit or loss.

6.15 Cash and cash equivalents

Cash and cash equivalents includes notes and coins on hand, unrestricted balances held with the Central Bank and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the consolidated statement of financial position.

6.16 Derivatives

In the ordinary course of business, the Bank enters into transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payment is dependent upon movements in price in one or more underlying financial instruments, reference rate or index. Derivative financial instruments include forward exchange contracts.

Forwards are contractual agreements to either buy or sell a specified currency, commodity or financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market.

6.17 Financial assets and financial liabilities

The Bank's key accounting policies in compliance with IFRS 9 are summarised below:

6.17.1 Recognition and initial measurement

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. Regular way purchases or sales are 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.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

6 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

6.17 Financial assets and financial liabilities (continued)

6.17.2 Classification

Financial assets

On initial recognition, a financial asset is classified as at amortised cost, FVOCI or FVTPL. A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets designation at fair value through profit or loss

The Group designated certain financial assets as at FVTPL because the assets were managed, evaluated and reported internally on a fair value basis.

Business model assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- 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, realising cash flows through the sale of the assets and holding it for liquidity purposes;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are 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.

Financial assets that are held for trading or managed 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.

6 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)**6.17 Financial assets and financial liabilities (continued)****6.17.2 Classification (continued)***Assessment whether contractual cash flows are solely payments of principal and interest*

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition, which may change over the life of the financial asset. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- Features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

Financial liabilities

The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost.

6.17.3 Derecognition*Financial assets*

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

A financial asset (in whole or in part) is derecognised where:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of ownership or (b) when it has neither transferred or retained substantially all the risks and rewards and when it no longer has control over the financial asset, but has transferred control of the asset.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired.

6 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

6.17 Financial assets and financial liabilities (continued)

6.17.4 Expected credit loss (ECL)

The Bank recognises ECL on the following financial assets that are not measured at fair value through profit or loss:

- a) Debt investments;
- b) Placements with banks and other financial institutions;
- c) Islamic financing and loans to customers;
- d) Letters of credit and bank guarantees; and
- e) Irrevocable undrawn commitments.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the other financial assets on which credit risk has not increased significantly since their initial recognition, for which ECL is measured as 12-month ECL. 12-month ECL are the portion of ECL that result from default events on a financial asset that is possible within the 12 months after the reporting date.

6.17.5 Presentation of allowance for ECL in the consolidated statement of financial position

Allowances for ECL are presented in the statement of financial position as follows:

- a) financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets; and
- b) where a financial instrument includes both a drawn and an undrawn component (as in the case of overdraft, letter of credit / bank guarantee limits etc.), the Bank presents a loss allowance for the approved limit of the facility in 'other liabilities'.

Refer to note 28 for further details.

6.17.6 Write-offs

Financial assets are written off either partially or in their entirety only when the Bank has thoroughly explored most avenues of recovery and it is recognized thereafter that the outstanding amount of the debt is clearly not recoverable. However, in all written-off cases, the Bank's efforts towards the recovery of the outstanding amount continues and periodic updates are provided to the Board of Directors. 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 'other income' in the consolidated statement of profit or loss.

6.18 Non-controlling interests

Non-controlling interests represents the portion of profit or loss and net assets in the subsidiaries not attributable to the Bank's equity shareholders. Any change in Group's ownership interest in the subsidiary that does not result in a loss of control is accounted for as an equity transaction.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

7 CASH AND CASH EQUIVALENTS

	2024 BD '000	2023 BD '000
Cash and balances with Central Bank of Bahrain	3,123	3,972
Placements with banks and other financial institutions	24,769	48,994
	27,892	52,966
Less: reserve with Central Bank of Bahrain	(2,736)	(3,486)
Cash and cash equivalents at end of the year	25,156	49,480
Cash and balances with Central Bank of Bahrain (excluding reserves)	387	486
Placements with banks and other financial institutions having original maturity of 90 days or less	24,769	48,994
	25,156	49,480

8 ISLAMIC FINANCING AND LOANS TO CUSTOMERS

	2024 BD '000	2023 BD '000
Project finance - Islamic	88,778	104,281
Project finance - conventional	15,343	13,333
Fisheries and agriculture	6,354	6,505
Other loans	2,337	2,356
	112,812	126,475
Less: expected credit losses*	(13,589)	(13,590)
	99,223	112,885

* This includes credit losses of BD 7,618 thousand (31 December 2023: BD 7,490 thousand) against Islamic financing to customers.

Included in Islamic financing and loans to customers are certain facilities at zero interest rate, which are carried at a discount of BD 8,028 thousand (31 December 2023: BD 10,257 thousand) with an undiscounted amount of BD 42,000 thousand (31 December 2023: BD 48,000 thousand).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

8 ISLAMIC FINANCING AND LOANS TO CUSTOMERS (continued)

Included in Islamic financing and loans to customers are certain guaranteed facilities, under Stage 1 BD 53,568 thousand (31 December 2023: BD 63,696 thousand), Stage 2 BD 1,027 thousand (31 December 2023: BD 2,767 thousand), and Stage 3 BD 16,654 thousand (31 December 2023: BD 17,294 thousand).

Below is the movement for expected credit losses on Islamic financing and loans to customers:

	2024			
	Stage 1 12-months ECL BD '000	Stage 2 Life time ECL not credit impaired BD '000	Stage 3 Lifetime ECL credit- impaired BD '000	Total BD '000
Balance at 1st January	2,052	224	11,314	13,590
Changes due to financial assets recognised in opening balances that have:				
- transferred to 12-month ECL	-	-	-	-
- transferred to Stage 2 (lifetime ECL not credit-impaired)	(11)	11	-	-
- transferred to Stage 3 (lifetime ECL credit-impaired)	(22)	(48)	70	-
Net re-measurement of loss allowance	(128)	216	695	783
Amount written offs during the year	-	-	(784)	(784)
Balance at 31 December	1,891	403	11,295	13,589
	2023			
	Stage 1 12-months ECL BD '000	Stage 2 Life time ECL not credit impaired BD '000	Stage 3 Lifetime ECL credit- impaired BD '000	Total BD '000
Balance at 1st January	2,149	501	13,616	16,266
Changes due to financial assets recognised in opening balances that have:				
- transferred to 12-month ECL	147	(147)	-	-
- transferred to Stage 2 (lifetime ECL not credit-impaired)	(14)	16	(2)	-
- transferred to Stage 3 (lifetime ECL credit-impaired)	(12)	(31)	43	-
Net re-measurement of loss allowance	(218)	(115)	792	459
Amount written offs during the year	-	-	(3,135)	(3,135)
Balance at 31 December	2,052	224	11,314	13,590

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

8 ISLAMIC FINANCING AND LOANS TO CUSTOMERS (continued)

At 31 December 2024, interest in suspense on past due loans that are credit impaired amounted to BD 1,100 thousand (31 December 2023: BD 1,573 thousand).

The following table sets out information about the credit quality of Islamic financing and loans to customers, distributed by sector:

31 December 2024				
	Stage 1	Stage 2	Stage 3	
	12-month	Life time	Lifetime	
	ECL	ECL not	ECL credit	
	impaired	credit	impaired	
	BD '000	BD '000	BD '000	Total
	BD '000	BD '000	BD '000	BD '000
Govern	36,404	-	-	36,404
Corporate	13,387	1,063	9,439	23,889
SME	25,465	1,923	18,301	45,689
Education	3	-	117	120
Agriculture & fisheries	2,804	282	3,268	6,354
Others	55	-	301	356
	78,118	3,268	31,426	112,812
Less: expected credit losses	(1,891)	(403)	(11,295)	(13,589)
	76,227	2,865	20,131	99,223
31 December 2023				
	Stage 1	Stage 2	Stage 3	
	12-month	Life time	Lifetime	
	ECL	ECL not	ECL credit	
	impaired	credit	impaired	
	BD '000	BD '000	BD '000	Total
	BD '000	BD '000	BD '000	BD '000
Govern	38,995	-	-	38,995
Corporate	15,437	727	9,408	25,572
SME	31,417	3,305	18,684	53,406
Education	6	-	132	138
Agriculture & fisheries	2,506	318	3,681	6,505
Others	1,559	-	300	1,859
	89,920	4,350	32,205	126,475
Less: expected credit losses	(2,052)	(224)	(11,314)	(13,590)
	87,868	4,126	20,891	112,885

The fair value of the collateral consisting of cash, securities and real estate that the Group holds relating to loans individually determined to be impaired at 31 December 2024 amounts to BD 15,717 thousand (31 December 2023: BD 17,575 thousand).

The contractual amount outstanding on financing assets written off by the Group as at 31 December 2024 and that are still subject to enforcement activity was BD 13,520 thousand (31 December 2023: BD 29,262 thousand).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

8 ISLAMIC FINANCING AND LOANS TO CUSTOMERS (continued)

A reconciliation of changes in gross carrying amount by stage is as follows:

	<i>Stage 1 BD '000</i>	<i>Stage 2 BD '000</i>	<i>Stage 3 BD '000</i>	<i>Total BD '000</i>
1 January 2024	89,920	4,350	32,205	126,475
Loan	2,229	-	-	2,229
New assets originated	18,840	1,157	7,353	27,350
Payments and assets derecognised	(29,531)	(1,919)	(10,835)	(42,285)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(1,366)	1,366	-	-
Transfers to Stage 3	(1,974)	(1,686)	3,660	-
Amounts written-off during the year	-	-	(957)	(957)
At 31 December 2024	78,118	3,268	31,426	112,812
	<i>Stage 1 BD '000</i>	<i>Stage 2 BD '000</i>	<i>Stage 3 BD '000</i>	<i>Total BD '000</i>
1 January 2023	109,348	13,365	27,587	150,300
Loan	318	-	-	318
New assets originated	23,686	1,668	9,102	34,456
Payments and assets derecognised	(38,554)	(8,452)	(8,004)	(55,010)
Transfers to Stage 1	2,151	(2,151)	-	-
Transfers to Stage 2	(3,049)	3,100	(51)	-
Transfers to Stage 3	(3,980)	(3,180)	7,160	-
Amounts written-off during the year	-	-	(3,589)	(3,589)
At 31 December 2023	89,920	4,350	32,205	126,475

9 INVESTMENT SECURITIES

	<i>2024 BD '000</i>	<i>2023 BD '000</i>
At fair value through profit or loss:		
Investment	3,571	3,516
Equities	3,755	3,774
	7,326	7,290
At fair value through other comprehensive income:		
Conventional debt securities	65,500	36,812
Equity instruments	22	22
Sukuk	-	6,097
	65,522	42,931
At amortized cost:		
Conventional debt securities	-	7,235
	72,848	57,456

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

10 INVESTMENT IN ASSOCIATES

	Ownership interest		Principal activity
	2024	2023	
Arabian Taxi Company ("ATC") *	20.00%	20.00%	Operating and managing taxi services.
EBDA Bank ("EBDB")	21.13%	21.13%	Providing microfinance and related advisory services.

* As a 31 December 2024, the Group carried its share in Arabian Taxi Company at cost (31 December 2023: same).

Associates are incorporated in Kingdom of Bahrain and accounted for using the equity method in these consolidated financial statements.

	2024	2023
	BD '000	BD '000
Carrying amount of investment in associates		
At 1 January	397	486
Share of profit from associates	20	3
Reversal / (charge) of impairment on investment in associates	392	(92)
At 31 December	809	397

11 INVESTMENT PROPERTIES

	2024	2023
	BD '000	BD '000
At 1 January	8,012	5,130
Addition to investment property	1,874	3,113
Depreciation charge for the year	(275)	(231)
At 31 December	9,611	8,012

As of 31 December 2024, the fair values and carrying values of the three buildings are as follows:

	2024		2023	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	BD '000	BD '000	BD '000	BD '000
Bahrain Business Incubator Centre	1,954	1,954	2,060	2,470
Farmers Market	148	218	185	198
Bahrain Business Incubator Centre (Sitra Mall)	7,509	9,152	5,767	12,660
	9,611	11,324	8,012	15,328

The fair value measurement of the investment properties has been categorized as a Level 3 fair value based on the inputs to the valuation technique used by the management. The discounted cash flows model considers the present value of net cash flows to be generated from the property, taking into account the expected rental growth rate, void periods, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants. The expected net cash flows are discounted using risk-adjusted discounted rates. Among other factors, the discount rate estimation considers quality of a building and its location, tenant credit quality and lease terms.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

12 PROPERTY AND EQUIPMENT

	<i>Freehold land BD '000</i>	<i>Right of Use assets BD '000</i>	<i>Softwares BD '000</i>	<i>Furniture, fixtures, vehicles and office equipment BD '000</i>	<i>Work in process BD '000</i>	<i>Total BD '000</i>
2024						
Cost:						
At 1 January 2024	293	-	4,040	1,671	148	6,152
Addition	-	309	199	74	368	950
Transfers	-	-	148	-	(148)	-
At 31 December 2024	293	309	4,387	1,745	368	7,102
Deprecia						
At 1 January 2024	-	-	1,441	1,429	-	2,870
Charge for the year	-	120	506	268	-	894
At 31 December 2024	-	120	1,947	1,697	-	3,764
Net book values:						
At 31 December 2024	293	189	2,440	48	368	3,338
				<i>Furniture, fixtures, vehicles computers and office equipment BD '000</i>	<i>Work in process BD '000</i>	<i>Total BD '000</i>
2023						
Cost:						
At 1 January 2023	293	-	2,573	1,569	909	5,344
Additions	-	-	1,048	82	148	1,278
Disposals / write offs	-	-	(470)	-	-	(470)
Transfer	-	-	889	20	(909)	-
At 31 December 2023	293	-	4,040	1,671	148	6,152
Depreciation:						
At 1 January 2023	-	-	1,025	1,284	-	2,309
Charge for the year	-	-	454	145	-	599
Disposals / write offs	-	-	(38)	-	-	(38)
Transfer	-	-	-	-	-	-
At 31 December 2023	-	-	1,441	1,429	-	2,870
Net book values:						
At 31 December 2023	293	-	2,599	242	148	3,282

As of 31 December 2024, the Group has fully depreciated assets of BHD 1,659 thousands which are still in use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

13 OTHER ASSETS

	2024 BD '000	2023 BD '000
Rent and other accounts receivable	3,806	5,350
Interest receivable	1,171	677
Receivable related to Sitra Mall	553	553
Receivable from Ministry of Finance and National Economy	253	543
Prepayments and other assets	520	1,018
	<hr/>	<hr/>
Gross carrying amount	6,303	8,141
Provision for impairment	(2,831)	(2,826)
	<hr/>	<hr/>
Net carrying amount	3,472	5,315
	<hr/>	<hr/>

Movements in provision for expected credit losses during the year is as follows:

	2024 BD '000	2023 BD '000
At 1 January	2,826	3,179
Charge for the year	5	-
Reversed during the year	-	(353)
	<hr/>	<hr/>
At 31 December	2,831	2,826
	<hr/>	<hr/>

14 TERM LOANS

	2024 BD '000	2023 BD '000
Saudi Fund for Development	5,510	6,019
Arab Fund for Economic and Social Development	18,134	19,340
	<hr/>	<hr/>
	23,644	25,359
	<hr/>	<hr/>

The movement of the term loans during the year is as follows:

	2024 BD '000	2023 BD '000
At 1 January	25,359	27,803
Addition of term loan	4,524	4,524
Repayment of loans	(6,239)	(6,968)
	<hr/>	<hr/>
At 31 December	23,644	25,359
	<hr/>	<hr/>

Saudi Fund for Development

During 2012, the Bank obtained a loan of SAR 100 million from Saudi Fund for Development. The facility has been fully availed and is repayable semi-annually over 25 years (5 years grace period for principal) at an interest rate of 2.0%. The Ministry of Finance is a guarantor to the loan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

14 TERM LOANS (continued)**Arab Fund for Economic and Social Development**

During 2014, the Bank had obtained a second loan of USD 50 million from AFESD. The facility has been fully availed and is repayable semi-annually over 10 years (3 years grace period for principal) at an interest rate of 3.0%. During 2016, the Bank had obtained a third loan of USD 50 million from AFESD. The facility has been fully availed and is repayable semi-annually over 10 years (3 years grace period for principal) at an interest rate of 3.0%. During the year ended 31 December 2021, Arab Fund had allowed an interim grace period for one year as concessionary measure in response of COVID-19 pandemic. During 2023, the Bank had obtained a fourth loan of USD 30 million from AFESD, and is repayable semi-annually over 7 years (2 years grace period for principal) at an interest rate of 3.5%. USD 12 million each has been availed during the years ended 31 December 2023 and 2024.

15 DEPOSITS

	2024	2023
	BD '000	BD '000
Deposits from banks	15,918	23,456
Deposits from non-banks	105,044	122,452
	120,962	145,908

Non-banks deposits include BD 1,296 thousand (31 December 2023: BD 867 thousand) kept as margin deposits against financing provided.

Included in the deposits, a deposit with zero interest rate provided by Ministry of Finance and National Economy and carried at a discount of BD 10,202 thousand (31 December 2023: BD 9,825 thousand) while the undiscounted amount is BD 60,000 thousand (31 December 2023: BD 63,000 thousand).

16 OTHER LIABILITIES

	2024	2023
	BD '000	BD '000
Accrued expenses and payables	2,550	2,102
Interest payable	662	734
Lease liabilities*	200	-
Other liabilities	5,060	2,229
	8,472	5,065

*The movement in lease liabilities during the year are as follows:

	2024	2023
	BD '000	BD '000
At 1 January	-	-
Addition to lease liabilities	309	-
Charge during the year	34	-
Repayments	(143)	-
At 31 December	200	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

17 SHARE CAPITAL

	2024 BD '000	2023 BD '000
Authorized:		
100 million (2023: 100 million) shares of BD 1 each	100,000	100,000
Issued and fully paid-up:		
63.7 million (2023: 63.7 million) shares of BD 1 each	63,669	63,669

18 STATUTORY RESERVE

In accordance with the provisions of the Bahrain Commercial Companies Law and the Bank's articles of association, an amount equivalent to 10% of the net profit for the year is transferred to the statutory reserve. The Bank may resolve to discontinue such annual transfers when the reserve totals 50% of the paid up share capital. This reserve is not distributable, but can be utilised for the purposes of a distribution in such circumstances as stipulated in the Bahrain Commercial Companies Law and following the approval of the CBB. No such transfers have been made during the years ended 31 December 2024 and 2023, as the Bank is having accumulated losses.

19 ISLAMIC FINANCING AND INTEREST INCOME

	2024 BD '000	2023 BD '000
Profit on Islamic financing	3,716	3,712
Interest on conventional loans	876	317
Profit and interest on securities	4,034	2,874
Profit and interest on placements	1,282	1,494
	9,908	8,397

20 ISLAMIC FINANCING AND INTEREST EXPENSE

	2024 BD '000	2023 BD '000
Interest on term loans	780	724
Interest on deposits from non-banks	513	149
Profit on deposits from Islamic banks	510	308
Interest on deposits from conventional banks	393	88
	2,196	1,269

21 FEE AND COMMISSION INCOME

	2024 BD '000	2023 BD '000
On Islamic financing and loans to customers	349	321
On contingent liabilities	43	59
	392	380

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

22 ALLOWANCE FOR EXPECTED CREDIT LOSSES

	2024 BD '000	2023 BD '000
Placements with banks and other financial institutions	-	(1)
Islamic financing and loans to customers (note 8)	783	459
Other assets (note 13)	5	(353)
Contingent liabilities and commitments (note 24)	(39)	31
	749	136

23 INVESTMENT (LOSS) / GAIN

	2024 BD '000	2023 BD '000
Changes in fair value of investments classified as FVTPL	(180)	(474)
Changes in fair value of investments classified as FVOCI	104	-
Dividend income	-	50
	(76)	(424)

24 CONTINGENT LIABILITIES AND COMMITMENTS

The Bank issues letters of credit and guarantees to its existing customers. These instruments commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import of goods.

Irrevocable commitments to extend credit are the Islamic financing and loans, which have been approved by the Bank but have not been disbursed as of the reporting date.

Details of contingent liabilities and commitments are given below:

	2024 BD '000	2023 BD '000
Contingent liabilities:		
Letters of	861	818
Letters of	454	376
	1,315	1,194
Commitments:		
Irrevocable commitments to extend credit *	989	2,418
Commitment to invest in equity **	848	1,083
	1,837	3,501

* The Bank carries an allowance of ECL of BD 65 thousand (31 December 2023: BD 104 thousand) against these off-balance sheet items which is classified under other liabilities.

** This represents the Bank's commitment to invest a 10% equity portion in Al-Waha Venture Capital Fund established with a total value of USD 100 million (equivalent BD 37.7 million). During the year, the Bank paid BD 235 thousand (2023: BD 190 thousand) toward this commitment. As at 31 December 2024, the Bank has a remaining commitment of BD 848 thousand (2023: BD 1,083 thousand).

As at 31 December 2024, the Bank had an outstanding loan exposure of BD 9,137 thousand (2023: BD 9,137 thousand), which is managed in a fiduciary capacity on behalf of another entity, and is not included in the consolidated financial statements.

As at 31 December 2024

25 FAIR VALUES OF FINANCIAL INSTRUMENTS

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

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability, the principal or the most advantageous market must be accessible to by the Group.

Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

The Group measures fair values of financial instruments using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes instruments where the valuation technique includes inputs not based on market observable data.

Term loans obtained by the Bank are from Development Funds in Kuwait and the Kingdom of Saudi Arabia. There is no secondary market for such loans which are at lower than market rates due to the nature of these loans. The Bank has estimated that its financing rates and terms are comparable to that of the objectives of other similar development banks in the region and accordingly believes the carrying value of term loans obtained are a close approximation of their fair values.

There is no change in the valuation techniques used for valuation of investments during the year as compared to the year ended 31 December 2023.

The valuation technique for Level 2 financial assets is arrived on the basis of the market multiples approach and discounted cash flows. The key inputs used include a range of weighted average cost of capital used for discounting cash flows, discount for lack of marketability, control premium etc.

The fair value of deposits approximates the carrying value as at the reporting date given their short term nature.

The bank uses various valuation techniques such as discounted cash flows, market multiples and adjusted net assets value to arrive at the fair value of Level 3 financial assets. The key inputs used are discount rate and growth rate, price earning multiple and net assets value. The reasonable potential shift in any of the above mentioned inputs will not have any significant effect on the consolidated statement of profit and loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

25 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

The table below analyses financial instruments, measured at fair value as at both reporting dates, in the fair value hierarchy into which the fair value measurement is categorised. The fair values of financial assets and financial liabilities carried at amortised cost approximate their carrying values as at the reporting dates.

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total fair value</i>	<i>Total carrying value</i>
<i>Financial assets measured at fair value:</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>

31 December 2024

Investment securities - equity	-	-	7,348	7,348	7,348
Investment securities - debt	65,500	-	-	65,500	65,500

31 December 2023

Investment securities - equity	-	21	7,291	7,312	7,312
Investment securities - debt	42,909	-	-	42,909	42,909

The Bank has outstanding forward forex contracts to buy USD, BD and SAR from Central Bank of Bahrain ("CBB") and other local banks with a fair value of BD 5,275 thousand (2023: BD 12,072 thousand) with tenors of one year and less.

There were no transfers between level 1 and level 2 during the years ended 31 December 2024 and 2023.

Below is the reconciliation of Level 3 financial assets carried at fair value:

	2024	2023
	BD '000	BD '000
At beginning of the year	7,291	7,575
Changes in fair value recognised in the consolidated statement of profit or loss	(180)	(474)
Additions during the year	265	200
Redemptions made during the year	(28)	(10)
At end of the year	7,348	7,291

Sensitivity analysis

FVTPL investments comprises investments in private equity entities and funds. The main principles, estimates and assumptions adopted to arrive at fair value include estimated future cash flows which have been provided by the management of the investee companies but have been reviewed for reasonableness by the Group and the external valuer. Cash flows have been projected for an initial period of five years or over the project life in certain cases and then a terminal value has been estimated at a growth rate of 2% to 4% (2023: 2% to 3%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

25 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)**Sensitivity analysis (continued)**

The potential effect of using reasonable possible alternative assumptions for fair valuing the investments at FVTPL are summarised below:

<i>Valuation technique used</i>	<i>Key unobservable inputs</i>	<i>Fair value at 31 December 2024 BD '000</i>	<i>Reasonable possible shift +/- (in any input)</i>	<i>Impact on profit or loss BD '000</i>
Discounted cash flow	Discount rate	1,736	+/- 0.5%	(43) / 43
	Growth rate		+/- 0.5%	(162) / 162
Adjusted Net Assets Value	NAV	5,876	+/- 5%	(294) / 294
<i>Valuation technique used</i>	<i>Key unobservable inputs</i>	<i>Fair value at 31 December 2023 BD '000</i>	<i>Reasonable possible shift +/- (in any input)</i>	<i>Impact on profit or loss BD '000</i>
Discounted cash flow	Discount rate	2,364	+/- 0.5%	(54) / 54
	Growth rate		+/- 0.5%	(153) / 153
Adjusted Net Assets Value	NAV	2,599	+/- 5%	(130) / 130

26 RELATED PARTY TRANSACTIONS

The Group enters into transactions with related parties which comprise major shareholders, associates, directors, senior management and entities controlled jointly or significantly influenced by such related parties in the ordinary course of business at agreed rates. Amounts due from related parties are unsecured.

The year end balances in respect of related parties included in the consolidated statement of financial position are as follows:

	<i>Associates BD '000</i>	<i>Shareholders, directors and related companies BD '000</i>	<i>Total BD '000</i>
31 December 2024			
Islamic financing and loans to customers	1,059	2,590	3,649
Investment in associated companies	809	-	809
Other assets	-	253	253
Deposits	525	96,004	96,529
	<i>Associates BD '000</i>	<i>Shareholders, directors and related companies BD '000</i>	<i>Total BD '000</i>
31 December 2023			
Islamic financing and loans to customers	1	1,155	1,156
Investment in associated companies	397	-	397
Other assets	-	590	590
Deposits	404	115,982	116,386

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

26 RELATED PARTY TRANSACTIONS (continued)

The transactions with related parties included in the consolidated statement of profit or loss are as follows:

	Associates	Shareholders, directors and related companies	Total
	BD '000	BD '000	BD '000
31 December 2024			
Islamic financing and interest income	35	53	88
Share of profit for associated companies	20	-	20
Islamic financing and interest expense	1	-	1

	Associates	Shareholders, directors and related companies	Total
	BD '000	BD '000	BD '000
31 December 2023			
Islamic financing and interest income	-	36	36
Share of profit for associated companies	3	-	3
Islamic financing and interest expense	-	2	2

Director	Client	Transaction Value & Details	Relationship
Aysha Abdulmalek & Marwa Alsaad	Aluminium Bahrain B.S.C (ALBA)	BHD 5M – Overdraft Facility under Supply Chain Finance	Employees of Bahrain Mumtalakat Holding Co. B.S.C. who is a shareholder owning 69.38% of the company. Kindly note that the Directors have declared their conflict of interest in advance and abstained from voting on such transaction.
Aysha Abdulmalek & Marwa Alsaad	Bahrain International Circuit Company W.L.L.	BHD 1.5M – Term Loan BHD 820K - Deposit	Employees of Bahrain Mumtalakat Holding Co. B.S.C. who is the ultimate beneficial owner of the company through a holding company. Kindly note that the Directors have declared their conflict of interest in advance and abstained from voting on such transaction.
Ghassan Abdulaal	Payment International Enterprise B.S.C ©	BHD 700K – Overdraft Facility BHD 12K - Deposits	Spouse is a 4.9% shareholder in Mohammed Ebrahim AlSaffar Co. B.S.C (c) which owns 34% of the borrowing company and in parallel has secured the facility by a corporate guarantee. Kindly note that the Director has declared his conflict of interest in advance and abstained from voting on such transaction.

26 RELATED PARTY TRANSACTIONS (continued)

During the year ended 31 December 2024, the Group has not recorded ECL towards amounts owed by related parties (2023: nil).

Compensation of key management personnel is as follows:

	2024	2023
	BD '000	BD '000
Salary and short-term employee benefits	1,215	1,132
Termination benefits	146	158
Board remuneration and sitting fees	112	106
	1,473	1,396

27 RISK MANAGEMENT

Risk is inherent in the Bank's activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. In the course of its regular business, the Bank is exposed to multiple risks notably credit risk, liquidity risk, market risk, operational risk and other risks like compliance risk, strategic risks and reputational risks. A well-established risk governance and ownership structure ensures oversight and accountability of the effective management of risk at the Bank. The Bank's risk governance is manifested in a set of established policies, procedures and controls through which the existing organizational structure meets its strategic targets. This philosophy revolves around the knowledge of various risks and their willingness to accept the same commensurating with their risk appetite and strategic plan approved by the Board of Directors.

a) Organizational structure

A cohesive organizational structure is established within the Bank in order to identify, assess, monitor, and mitigate risks.

b) Board of Directors

The Board of Directors ("BOD") is responsible for the overall direction, supervision and control of the Bank. Oversight of the day-to-day management of the Bank is conducted by the BOD committees, the Chairman and the Chief Executive Officer ("CEO"). The BOD has overall responsibility for the Bank including approving and overseeing the implementation of its strategic objectives, risk strategy, corporate governance and corporate values within the agreed framework in accordance with relevant statutory and regulatory structures. The BOD currently comprises eight members.

As at 31 December 2024

27 RISK MANAGEMENT (continued)

c) Audit & Governance Committee of the board

The Audit & Governance Committee ("AGC") comprises three members of the Board and the Head of Internal Audit is the AGC's Secretary. This AGC is principally responsible for reviewing the internal audit program and assist the Board in carrying out its duties regarding the integrity of the Bank's financial reporting system, adequacy of the Bank's internal control and risk management processes, to oversee the external and internal audit functions, and the Bank's compliance with legal and regulatory requirements.

d) Nomination & Remuneration Committee of the board

The Nomination & Remuneration Committee ("NRC") comprises three members of the BOD (including the Chairman) and the Head of Human Resources & Corporate Communications is the committee's Secretary. NRC has the overall responsibility of setting the criteria and processes for identification of candidates for the Board level committees and senior management. The Committee also assists the Board of Directors in establishing a fair and transparent process for the remuneration of directors, other Board Committees and the Chief Executive Officer and of the Executive Management. The Committee approves and oversees reward design and ensures that the reward is appropriate and consistent with the Bank's culture, business and risk strategy, performance as well as with any legal or regulatory requirements. NRC also oversees the Bank's HR policies and rewards policy framework, corporate governance practices.

e) Investment & Credit Committee of the Board

The Investment & Credit Committee ("ICC") comprises four members of the management. The Committee has overall responsibility of setting the criteria for managing credit and investment risks and oversee the investment and credit strategies and objectives of the Bank. The Committee assists the Board of Directors in managing credit risk and reviews internal credit policies, grants approvals for credit and investment facilities in addition to reviewing the quality and performance of the Bank's lending portfolio and investment in line with the agreed risk appetite and best credit risk management practices.

f) Risk Committee of the Board

The Risk Committee ("RC") comprises three members of the BOD. The Committee has overall responsibility of overseeing the Bank's enterprise risk management framework, approach and pertinent policies. The Committee recommends to the Board, guidelines in relation to the Bank's current and potential future risk exposures and risk strategy, determination of risk appetite including risk limits and tolerance levels as well as the Bank's capital and liquidity strategy.

g) Executive Management

Executive Management is responsible for the day to day operations towards achieving the strategic goals within the pre-defined risk appetite and approved strategy as a whole.

h) Management Executive Committee

The Management Executive Committee ("MEC") comprises ten members of the management and is a senior management level committee that has been entrusted with the role of supporting the CEO to determine and implement the Bank's strategic plan as approved by the BOD. The responsibilities of MEC include approving and monitoring the Bank's various business activities in accordance with the strategic plan approved by the Board.

In order to fulfil its responsibilities, the Committee has appointed other Sub-Committees and delegated specific tasks and adequate powers and authorities for effectively and efficiently carrying out the responsibilities assigned to them. The composition, guiding principles and detailed roles and responsibilities of MEC are covered in the MEC's charter.

i) Risk Executive Committee

The Risk Executive Committee ("REC") comprises five members of the management and has the primary responsibility of overseeing the Bank's activities in managing credit risk, market risk, liquidity risk, operational risk, legal risk and other risks. REC has to ensure that the Bank has adequate risk management framework, policies, procedures and processes in place in order to identify, measure, monitor, mitigate and manage risks across all of its operations.

As at 31 December 2024

27 RISK MANAGEMENT (continued)

j) Asset and Liability Committee

The Assets and Liabilities Committee ("ALCO") comprises four members of the management and is mainly responsible for defining long-term strategic plans and short-term tactical initiatives for directing asset and liability allocation prudently for the achievement of the Bank's strategic goals. ALCO monitors the Bank's liquidity and market risks and the Bank's risk profile in the context of economic developments and market fluctuations, to ensure that the Bank's ongoing activities are compatible with the risk / reward guidelines approved by the Delegated Approval Authority / Board.

k) Risk management

Risk Management Department is an independent function responsible for the preparation, implementation and updating the policies and procedures within the framework of the Bank's strategy and in line with the guidelines of the CBB. They are also responsible for the identification and continuous evaluation of all significant risks, design and implementation of appropriate internal controls to mitigate the risks and the processes involved in the remedial function. The risk management department is overseen by the Chief Risk Officer.

l) Legal Department

The Bank has engaged a panel of external legal counsels to handle all legal cases initiated for recovery of difficult loan cases. The progress and outcomes on such cases are monitored by the Head of Legal.

m) Internal Audit Department

Risk Management processes are audited annually by Internal Audit, which examines the adequacy of the controls in place in addition to compliance with the policies by the respective departments. The internal audit results are discussed with the MEC and the findings, together with recommendations, to mitigate the findings are presented to the Audit & Governance Committee of the Board.

n) Treasury Department

The Treasury Department is responsible for the day to day operations necessary to fund banking activities and implement ALCO's strategies in managing / optimizing interest rate and liquidity risks.

o) Risk Measurement and Reporting Systems

Monitoring and controlling risks is primarily performed based on the approved limits and the strong internal control structures established by the Board. The limits reflect the business strategy and the market environment in which the Bank operates as well as the level of risk that the Bank is willing to accept.

Strict assessment processes are factored during the review and approval processes. In addition, the Bank monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities. Specifically tailored risk reports are prepared and distributed to ensure that all business divisions have access to extensive, necessary and up-to-date information.

Quarterly updates are provided to the BOD and on a monthly basis to all other members of the management on the utilization of market limits, proprietary investments, liquidity and other developments.

p) Risk Mitigation

Significant risk mitigation activities are focused in the credit area. The risk mitigation process comprises of an appropriate and adequate structure for the credit facilities at the initial stage followed by ongoing and regular monitoring, enforceable documentation and collateral.

The various risks to which the Group is exposed and how the Group manages them is discussed in the notes below.

As at 31 December 2024

28 CREDIT RISK

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's loans and Islamic financing to customers, placements and debt securities.

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the banking business, and these risks are an inevitable consequence of participating in financial markets. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Bank's financial performance.

The Group's risk management policies, procedures and systems are designed to identify and analyze these risks and to set appropriate risk mitigants and controls. The Bank reviews its risk management policies and systems on an ongoing basis to reflect changes in markets, products and emerging best practices.

Risk management is performed by the Credit Risk Management Unit under policies approved by the Board of Directors. The Credit Risk Management Unit identifies and evaluates financial risks in close co-operation with the Bank's operating units. The most important types of risks identified by the Bank are credit risk, liquidity risk and market risk. Market risk includes currency risk, profit rate risk, and price risk.

28.1 Credit risk

Credit risk is considered to be the most significant and pervasive risk for the Bank. The Bank takes on exposure to credit risk, which is the risk that the counter-party to a financial transaction will fail to discharge an obligation causing the Bank to incur a financial loss. Credit risk arises principally from financing (credit facilities provided to customers), deposits held with other banks and investments made in debt type instruments. Further, there is credit risk in certain off-balance sheet financial instruments, including guarantees relating to the purchase and sale of foreign currencies, letters of credit, acceptances and commitments to extend the credit. Credit risk monitoring and control is performed by the Credit Risk Management Unit (CRMU) which sets parameters and thresholds for the Bank's financing activities.

28.2 Significant Increase In Credit Risk (SICR)

To determine whether credit risk has significantly increased since initial recognition, the Group compares the risk of default at the assessment date with the risk of default at initial recognition. This assessment is to be carried out at each assessment date.

Using its expert credit judgment and, where possible, relevant historical experience, the Bank may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such an increase and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis. The Bank monitors the effectiveness of the criterion used to identify SICR by regular reviews and validations.

The Bank classifies its financial instruments into Stage 1, Stage 2 and Stage 3, based on the applied methodology, as described below:

Stage 1: for financial instruments where there has not been a SICR since initial recognition and that are not credit-impaired on origination, the Bank recognises an allowance based on the 12-month ECL. All accounts at origination are classified as Stage 1.

Stage 2: for financial instruments where there has been a SICR since initial recognition but are not credit-impaired, the Bank recognises an allowance for the lifetime ECL for all financings and loans categorised in this stage based on the actual / expected maturity profile including restructuring or rescheduling of facilities.

Stage 3: for credit-impaired financial instruments, the Bank recognises the lifetime ECL. A customer is classified under Stage 3 based on a default identification process i.e. Days Past Due (DPD) of 90 days or more.

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28 CREDIT RISK (continued)**28.3 Measurement of ECL**

ECL is a probability-weighted estimate of credit losses. It is measured as follows:

	<i>Type of financial instrument</i>	<i>Measurement basis</i>
a)	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 Bank expects to receive).
b)	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.
c)	Irrevocable undrawn commitments	As the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive.
d)	Letters of credit and bank guarantees	As the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

The Bank measures an ECL at an individual instrument level taking into account the projected cash flows, Probability of Default (PD), Loss Given Default (LGD), Credit Conversation Factor (CCF) and discount rate.

The key inputs into the measurement of ECL are the term structure of the following variables:

- a) Probability of Default (PD);
- b) Loss Given Default (LGD); and
- c) Exposure At Default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

Linear Regression has been used to develop macroeconomic models specific to portfolios of the bank. Department variable has been the default rate specific to portfolios and independent variables considered are Macro variables.

The Modelling methodology adopted by the Bank involved a systematic approach with statistically rigorous analyses' to arrive at the final model for each of the portfolios. The underlying development process involved steps of data transformation, variable reduction, model performance, check for variable collinearity etc.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount. For undrawn commitments, letters of credit and bank guarantees, the EAD represents the potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

The period of exposure limits the period over which possible defaults are considered and thus affects the determination of PDs and measurement of ECLs (especially for Stage 2 accounts with lifetime ECL).

As at 31 December 2024

28 CREDIT RISK (continued)

28.3 Measurement of ECL (continued)

Subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

For facilities that include both a drawn and an undrawn commitment component, the Bank measures ECL over a period longer than the maximum contractual period if the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Bank's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Bank can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management but only when the Bank becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Bank expects to take and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and / or turning the outstanding balance into a loan with fixed repayment terms.

28.4 Generating the term structure of PD

The Bank collects performance and default information about its credit risk exposures analyzed by type of product and borrower as well as by credit risk grading.

The Bank employs statistical models to analyze the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macro-economic indicators include: gross domestic product / economic growth, interest rates, unemployment rates and inflation.

Based on consideration of a variety of external actual and forecast information, the Bank formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios (i.e. on incorporation of forward-looking information). The Bank then uses these forecasts to adjust its estimates of PDs.

For the financing portfolio, through the yearly review of the corporate portfolio, the Bank observes yearly performances to compute a count based PD over the one year horizon for the past 5 years.

PDs for each segment are measured using observed default estimation and PD is calculated based on a Days Past Due (DPD) bucket level for each segment separately. Under this analysis, the delinquency status of accounts is tracked at an interval of one year with a moving month cycle. A minimum of 5 year DPD data is considered.

28.5 Restructured financial assets

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original effective interest rate as calculated before the modification of terms and the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur.

In project finance, there could be delays in implementation of the project and in some cases, the projects may take a longer time to generate surplus. The Bank has in such cases, where there is a genuine need and commitment from the customer, approved a restructuring.

Maximum tenor of the facility post restructuring does not exceed 15 years from the first disbursement of the facility. As has been prescribed by the CBB, restructured accounts are transferred to Stage 2 directly for a minimum period of 12 months.

28 CREDIT RISK (continued)**28.6 Credit-impaired financial assets**

At each reporting date, the Bank assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

28.7 Definition of 'Default' and 'Cure'

The Bank's definition of default is aligned with regulatory guidelines and internal Credit Risk Management practices. Defaulted assets will fall under the Stage 3. In general, a counterparty is considered in default and hence a relevant financial asset or a group of financial assets is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. It may not be possible to identify a single, discrete event that caused the impairment; rather the combined effect of several events may have caused the expected credit losses as a result of future events, no matter how likely, are not recognised. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the holder of the asset. The following are certain indicators to identify the impairment of assets (indicators are not necessarily to be observed on an individual basis):

- a) significant financial difficulty of the issuer or the obligor;
- b) material breach of facility covenants, conditions and contract (subject to management discretion);
- c) grant to the borrower a concession that the lender would not otherwise consider except for economic or legal reasons relating to the borrower's financial difficulty;
- d) imminent bankruptcy or other financial reorganization of the borrower;
- e) significant downgrading in credit rating by an external credit rating agency;
- f) disappearance of an active market because of financial difficulties;
- g) presence of past due contractual payments of either principal or profit; and
- h) deterioration in the value of security and likelihood of successfully realising it.

In general, counterparties with facilities exceeding 90 days past dues are considered in default.

A financial instrument is considered as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least six consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit review, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

28.8 Incorporation of forward looking assumptions

The Bank incorporates forward-looking assumptions into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Bank annually sources macro-economic forecast data for various variables from many databases including the International Monetary Fund (IMF) database for Bahrain, Bloomberg, Reuters and World Bank.

Macro-economic variables are checked for correlation with the PD for the past five years and only those variables for which the movement can be explained are used. Management judgment is exercised when assessing the macroeconomic variables.

i) Limits and concentrations

Limits are assigned for each individual counterparty group and for each industrial segment. The Bank also monitors credit exposures, and continually assesses the creditworthiness of counterparties to the transactions. In addition, the Bank obtains security, where appropriate, enters into master netting agreements and collateral arrangements with counterparties, and limits the duration of exposures.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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28 CREDIT RISK (continued)**28.8 Incorporation of forward looking assumptions (continued)****i) Limits and concentrations (continued)**

In order to avoid excessive concentrations of risk, the Bank's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

ii) Maximum exposure to credit risk without taking account of any collateral

The table below shows the maximum exposure to credit risk as at the reporting date.

	2024 BD '000	2023 BD '000
Balances with Central Bank of Bahrain	2,921	3,737
Placements with banks and other financial institutions	24,769	48,994
Islamic financing and loans to customers	99,223	112,885
Investment securities	65,500	50,144
Other assets	3,000	5,033
	195,413	220,793
Contingent liabilities	1,315	1,194
Commitments	989	2,418
	2,304	3,612
Maximum credit risk exposure	197,717	224,405

iii) External credit assessment

The Bank does not use any external credit assessment institutions and the risk rating for the exposures are based on the internal credit framework and policy guidelines of the Bank.

iv) Concentration of credit risk

Since the Group's operations are restricted only to the Kingdom of Bahrain, it is primarily effected by the changes in the economic and other conditions prevailing in the Kingdom of Bahrain.

	2024 BD '000	2023 BD '000
Industry sector		
Banks and financial institutions	93,190	102,875
Government	36,404	38,995
Trading and manufacturing	20,476	24,322
Hospitality, media and transportation	9,528	9,368
Food processing	8,236	9,469
Fisheries, agriculture and dairy	6,015	6,271
Education and health	3,318	4,494
Others	20,550	28,611
	197,717	224,405

v) Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the facility structure and the associated credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters. The main types of collateral obtained are cash margin, bank guarantees and real estate title deeds.

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28 CREDIT RISK (continued)**28.8 Incorporation of forward looking assumptions (continued)****v) Collateral and other credit enhancements (continued)**

Market value of collateral is closely monitored by the Bank in addition to requesting additional collateral in accordance with the underlying agreement and evaluation of the adequacy of the allowance for impairment / ECL.

It is the Bank's policy to normally dispose off repossessed collateral in an orderly fashion after due notice has been provided to the defaulting customer. The proceeds are used to reduce or settle the outstanding claim. The Bank did not occupy repossessed properties for its own business use, as at the reporting date.

The Group holds collateral and other credit enhancements against certain of its credit exposures. The Group closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Group will take possession of the collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

	2024				
	Gross Exposures	Expected Credit Loss	Carrying Amount	Fair Value of Collateral Held	Guarantee Available
	<i>BD 000</i>	<i>BD 000</i>	<i>BD 000</i>	<i>BD 000</i>	<i>BD 000</i>
Project finance - Islamic	22,208	6,787	15,421	14,744	2,388
Project finance - conventional	7,841	3,933	3,908	9	2,926
Fisheries and agriculture	748	-	748	748	748
Other loans - overdrafts	629	576	53	216	-
Total	31,426	11,296	20,130	15,717	6,062
Letters of guarantee	861	11	850	-	850
Letters of credit	454	28	426	-	426
	32,741	11,335	21,406	15,717	7,338
	2023				
	Gross Exposures	Expected Credit Loss	Carrying Amount	Fair Value of Collateral Held	Guarantee Available
	<i>BD 000</i>	<i>BD 000</i>	<i>BD 000</i>	<i>BD 000</i>	<i>BD 000</i>
Project finance - Islamic	23,231	6,822	16,409	17,575	2,870
Project finance - conventional	7,606	3,962	3,644	-	2,790
Fisheries and agriculture	838	-	838	-	838
Other loans - overdrafts	530	530	-	-	-
Total	32,205	11,314	20,891	17,575	6,498
Letters of guarantee	818	-	818	-	850
Letters of credit	376	-	376	-	426
	32,287	11,307	20,980	15,717	6,912

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28 CREDIT RISK (continued)**28.8 Incorporation of forward looking assumptions (continued)****vi) Carrying amount per class of financial assets whose terms have been renegotiated**

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. The table below shows the carrying amount for renegotiated financial assets during the year.

	2024 BD '000	2023 BD '000
Islamic financing and loans to customers	8,337	2,180

vii) Credit quality per class of financial assets

The following table sets out information about the credit quality of financial assets measured at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

	31 December 2024			
	Stage 1 12-months ECL BD '000	Stage 2 Life time ECL not credit impaired BD '000	Stage 3 Lifetime ECL credit impaired BD '000	Total BD '000
Balances with Central Bank of Bahrain	2,921	-	-	2,921
Placements with banks and other financial institutions	24,769	-	-	24,769
Investment securities	65,500	-	-	65,500
Less: expected credit losses	-	-	-	-
	93,190	-	-	93,190
Islamic financing and loans to customers				
Government	36,404	-	-	36,404
Corporate	13,387	1,063	9,439	23,889
SME	25,465	1,923	18,301	45,689
Education loans	3	-	117	120
Agriculture & fisheries	2,804	282	3,268	6,354
Others	55	-	301	356
	78,118	3,268	31,426	112,812
Less: expected credit losses	(1,891)	(403)	(11,295)	(13,589)
	76,227	2,865	20,131	99,223
Contingent liabilities and commitments				
Letters of credit and bank guarantees	1,304	-	11	1,315
Undrawn commitments	989	-	-	989
Less: expected credit losses	(54)	-	(11)	(65)
	2,239	-	-	2,239
Other assets	83	7	2,910	3,000
Less: expected credit losses	-	(2)	(2,829)	(2,831)
	83	5	81	169

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28 CREDIT RISK (continued)**28.8 Incorporation of forward looking assumptions (continued)****vii) Credit quality per class of financial assets (continued)**

	31 December 2023			
	Stage 1 12-months ECL BD '000	Stage 2 Life time ECL not credit impaired BD '000	Stage 3 Lifetime ECL credit impaired BD '000	Total BD '000
Balances with Central Bank of Bahrain	3,737	-	-	3,737
Placements with banks and other financial institutions	48,994	-	-	48,994
Investment securities	50,144	-	-	50,144
	102,875	-	-	102,875
Islamic financing and loans to customers				
Government	38,995	-	-	38,995
Corporate	15,437	727	9,408	25,572
SME	31,417	3,305	18,684	53,406
Education loans	6	-	132	138
Others	1,559	-	300	1,859
	87,414	4,032	28,524	119,970
Less: expected credit losses	(2,052)	(224)	(11,314)	(13,590)
	85,362	3,808	17,210	106,380
Contingent liabilities and commitments				
Letters of credit and bank guarantees	1,194	-	-	1,194
Undrawn commitments	2,418	-	-	2,418
Less: expected credit losses	(104)	-	-	(104)
	3,508	-	-	3,508
Other assets	1,996	19	3,018	5,033
Less: expected credit losses	-	(5)	(2,821)	(2,826)
	1,996	14	197	2,207

29 MARKET RISK

Market risk is the risk of loss attributable to adverse changes in the values of financial instruments, whether on or off-balance sheet, as a result of changes in market rates (such as interest rates and foreign exchange rates) or price.

i) Interest rate risk

Interest rate risk arises from the possibility that changes to the interest rates will affect future profitability or the fair values of the financial instruments. The Bank is exposed to interest rate risk due to mismatches of interest rate repricing of assets and liabilities. Positions are monitored periodically to ensure that this is maintained within the established limits.

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29 MARKET RISK (continued)**i) Interest rate risk (continued)**

The Bank primarily deals with 4 currencies, namely Bahraini Dinars, Kuwaiti Dinars, Saudi Riyals and United States Dollars, in which the Bank's interest sensitive financial instruments are denominated predominantly. The following table demonstrates the Bank's sensitivity to a reasonable possible change in interest rates, with all other variables held constant.

	<i>Change in basis points</i>	<i>Impact of change on net interest Income</i>	
		2024	2023
		BD '000	BD '000
Bahraini Dinars	+100/-100	(427) / 427	(822) / 822
Kuwaiti Dinars	+100/-100	-	(6) / 6
Saudi Riyals	+100/-100	(56) / 56	(5) / 5
United States Dollars	+100/-100	(269) / 269	(85) / 85

ii) Currency risk

Currency risk is the risk that the value of the financial instrument will fluctuate due to changes in foreign exchange rates. Net open positions are monitored on a daily basis to ensure compliance within the established limits.

The Bank views the Bahraini Dinar as its functional currency. In the opinion of the Bank's management, the currency risk for any position held in US Dollar is insignificant since the Bahraini Dinar is pegged to the US Dollar. The Bank had the following significant net open exposures denominated in foreign currencies as of 31 December 2024 and 2023:

	<i>Equivalent long / (short)</i>	
	2024	2023
	BD '000	BD '000
Kuwaiti Dinars	30	-
US Dollars	20,142	(24,483)
Euros	3	36
Great Britain Pounds	4	69
Saudi Riyals	(298)	(188)
UAE Dirhams	15	3

iii) Derivatives

A derivative is a financial contract between two parties where payments are dependent upon movements in the price of one or more underlying financial instrument, reference rate or index. In the ordinary course of business, the Group enters into forex forward contracts. The use of derivatives is governed by the Group's policies approved by the Board of Directors. The Group enters into derivative contracts for the purpose of reducing risks from potential movements in foreign exchange rates. The Group has entered into forex forward contracts with the Central Bank of Bahrain and other local banks with a nominal value of BD 5,275 thousand (31 December 2023: BD 12,072 thousand). The positive and negative fair values on derivative contracts as at 31 December 2024 was BD Nil (31 December 2023: BD 24 thousand) and BD 13 thousand (31 December 2023: BD Nil), respectively.

30 EQUITY PRICE RISK

Equity price risk is the risk that the fair values of equities or managed funds decrease as a result of changes in the corresponding value of equity indices or the value of individual equity stocks. The Group manages this risk through diversification of investments in terms of geographical distribution and industry concentration.

During the year ended 31 December 2024, the effect on profit or loss (as a result of a change in the fair value of equity instruments held as FVTPL) due to a reasonably possible change (i.e. +/-5%) in the value of equity investments, with all other variables held constant is BD 366 thousand (31 December 2023: BD 365 thousand).

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31 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below summarises the maturity profile of the Group's assets and liabilities as at 31 December 2024 and 2023 based on expected maturities.

	<i>Up to 1 month BD '000</i>	<i>1 to 3 months BD '000</i>	<i>3 to 6 months BD '000</i>	<i>6 months to 1 year BD '000</i>	<i>1 to 3 years BD '000</i>	<i>Over 3 years BD '000</i>	<i>Total BD '000</i>	<i>Carrying amount BD '000</i>
31 December 2024								
Assets								
Cash and balances with Central Bank of Bahrain	3,123	-	-	-	-	-	3,123	3,123
Placements with banks and other financial institutions	24,769	-	-	-	-	-	24,769	24,769
Islamic financing and loans to customers	2,680	4,776	6,126	15,617	36,810	41,530	107,539	99,223
Investment securities	-	1,955	3,500	-	10,386	57,007	72,848	72,848
Investment in associates	-	-	-	-	-	809	809	809
Investment properties	-	-	-	-	-	9,611	9,611	9,611
Property and equipment	-	-	-	-	-	3,338	3,338	3,338
Other assets	985	-	2,487	-	-	-	3,472	3,472
Total assets	31,557	6,731	12,113	15,617	47,196	112,295	225,509	217,193
Liabilities								
Term loans	-	251	2,488	3,983	9,147	7,775	23,644	23,644
Deposits	30,722	2,931	1,302	591	28,655	56,761	120,962	120,962
Other liabilities	13	149	8,102	6	202	-	8,472	8,472
Total liabilities	30,735	3,331	11,892	4,580	38,004	64,536	153,078	153,078
Net liquidity gap	822	3,400	221	11,037	9,192	47,759		
Cumulative liquidity gap	822	4,222	4,443	15,480	24,672	72,431		

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31 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

	<i>Up to 1 month BD '000</i>	<i>1 to 3 months BD '000</i>	<i>3 to 6 months BD '000</i>	<i>6 months to 1 year BD '000</i>	<i>1 to 3 years BD '000</i>	<i>Over 3 years BD '000</i>	<i>Total BD '000</i>	<i>Carrying amount BD '000</i>
<i>31 December 2023</i>								
Assets								
Cash and balances with								
Central Bank of Bahrain	3,972	-	-	-	-	-	3,972	3,972
Placements with banks and other								
financial institutions	48,994	-	-	-	-	-	48,994	48,994
Islamic financing and loans to customers	3,514	6,494	9,264	21,184	39,670	43,427	123,553	112,885
Investment securities	10,289	-	-	5,000	6,266	35,901	57,456	57,456
Investment in associates	-	-	-	-	-	397	397	397
Investment properties	-	-	-	-	-	8,012	8,012	8,012
Property, plant and equipment	-	-	-	-	-	3,282	3,282	3,282
Other assets	676	-	4,639	-	-	-	5,315	5,315
Total assets	67,445	6,494	13,903	26,184	45,936	91,019	250,981	240,313
Liabilities								
Term loans	-	251	3,242	2,739	9,891	9,236	25,359	25,359
Deposits	36,807	2,709	273	396	-	105,723	145,908	145,908
Other liabilities	29	103	4,341	592	-	-	5,065	5,065
Total liabilities	36,836	3,063	7,856	3,727	9,891	114,959	176,332	176,332
Net liquidity gap	30,609	3,431	6,047	22,457	36,045	(23,940)		
Cumulative liquidity gap	30,609	34,040	40,087	62,544	98,589	74,649		

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32 LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The table below summarises the maturity profile of the Bank's financial liabilities at 31 December 2024 and 2023 based on the contractual undiscounted repayment obligations. See note 30 for the expected maturities of these liabilities.

	<i>On demand BD '000</i>	<i>Up to 1 month BD '000</i>	<i>1 to 3 months BD '000</i>	<i>3 to 6 months BD '000</i>	<i>6 months to 1 year BD '000</i>	<i>1 to 3 years BD '000</i>	<i>Over 3 years BD '000</i>	<i>Total BD '000</i>
31 December 2024								
Term loans	-	-	306	2,704	4,394	10,071	8,376	25,852
Deposits	14,538	16,196	3,011	1,376	614	28,655	56,760	121,150
Other liabilities	-	-	-	7,269	-	-	-	7,269
Total liabilities	14,538	16,196	3,317	11,349	5,008	38,726	65,136	154,270
	<i>On demand BD '000</i>	<i>Up to 1 month BD '000</i>	<i>1 to 3 months BD '000</i>	<i>3 to 6 months BD '000</i>	<i>6 months to 1 year BD '000</i>	<i>1 to 3 years BD '000</i>	<i>Over 3 years BD '000</i>	<i>Total BD '000</i>
31 December 2023								
Term loans	-	-	390	3,567	3,167	14,227	8,780	30,131
Deposits	12,292	24,556	2,786	284	413	-	105,722	146,053
Other liabilities	-	29	103	3,360	-	-	-	3,492
Total liabilities	12,292	24,585	3,279	7,211	3,580	14,227	114,502	179,676

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32 LIQUIDITY RISK (continued)

The table below summarises the maturity profile of the Bank's contingent liabilities and commitments at 31 December 2024 and 2023 based on the contractual undiscounted repayment obligations.

	<i>On demand BD '000</i>	<i>Less than 3 months BD '000</i>	<i>3 to 12 months BD '000</i>	<i>1 to 5 years BD '000</i>	<i>Total BD '000</i>
31 December 2024					
Contingent liabilities	58	456	96	705	1,315
Commitments	1,837	-	-	-	1,837
Total	1,895	456	96	705	3,152
	<i>On demand BD '000</i>	<i>Less than 3 months BD '000</i>	<i>3 to 12 months BD '000</i>	<i>1 to 5 years BD '000</i>	<i>Total BD '000</i>
31 December 2023					
Contingent liabilities	562	238	322	72	1,194
Commitments	3,501	-	-	-	3,501
Total	4,063	238	322	72	4,695
				2024	2023
Liquidity Coverage Ratio (%)				528%	442%

The Bank expects that not all of the commitments will be drawn before expiry of the commitments.

33 OPERATIONAL RISK

Operational risk is the exposure to loss resulting from inadequate or failed internal processes, people and systems, or from external events. The Group has clearly defined operations procedures for each of its products and services. It also has computer systems that enable it to run operations with speed and accuracy. The operational risk management unit operates independently from other units of the Bank and reports to the Chief Risk Officer. It conducts regular reviews of all business areas of the Bank and reports control deficiencies and exceptions to the Bank's policies and procedures. It also recommends measures to mitigate operational risk, which are implemented by management immediately. The Bank also has a contingency plan to take care of any failure of its computer systems. Regular back-ups are made for all important datasets, and stored outside the Bank's premises. This ensures that in case of any system failure, the Bank will be able to continue its operations without losing critical data or business transactions. As part of its disaster recovery plan, the Bank has established a back-up site which would operate during an emergency.

Legal risk is the risk arising from the potential that unenforceable contracts, lawsuits or adverse judgments can disrupt or otherwise negatively affect the operations of the Group. The Group has developed controls and procedures to identify legal risks and believes that losses, if any will not be material.

The Bank has a specific Business Continuity Plan ("BCP") team. The main objective of the BCP is to ensure that in the event of full or partial disaster, the Bank should be able to continue providing essential services to customers minimizing any adverse effects on the Bank's business, through business impact analysis, business restoration plans and procedures, for the identified critical functions. The Bank is conducting risk and control self assessments and capturing operational loss data in accordance with Basel III / CBB guidelines.

34 CAPITAL ADEQUACY

The risk asset ratio, calculated in accordance with the capital adequacy guidelines approved by the CBB, for the Bank is as follows:

	2024	2023
	BD '000	BD '000
Capital base		
Tier 1 capital	62,152	61,806
Tier 2 capital	896	949
Total capital base (a)	63,049	62,755
Risk-weighted exposures (b)	89,701	93,109
Capital adequacy ratio (a/b*100)	70.29%	67.40%
Minimum requirement	12.5%	12.5%

The CBB sets and monitors capital requirements for the Bank as a whole. In implementing current capital requirements, the CBB requires the Bank to maintain a prescribed ratio of total capital to total risk-weighted assets. The capital adequacy regulations of the CBB are based on the principles of Basel III of the IFSB guidelines.

The Bank's regulatory capital is analysed into two tiers:

- Tier 1 capital, includes CET1 and AT1.

CET1 comprise of ordinary share capital that meet the classification as common shares for regulatory purposes, disclosed reserves including share premium, general reserves, legal / statutory reserve, common shares issued by consolidated banking subsidiaries of the Bank and held by third parties, retained earnings after regulatory adjustments relating to goodwill and items that are included in equity which are treated differently for capital adequacy purposes.

34 CAPITAL ADEQUACY (continued)

AT1 comprise of instruments that meet the criteria for inclusion in AT1, instruments issued by consolidated banking subsidiaries of the Bank held by third parties which meet the criteria of AT1, and regulatory adjustments applied in calculation of AT1.

Tier 2 capital, includes instruments issued by the Bank that meet the criteria for inclusion in Tier 2 capital, stock surplus resulting from issue of Tier 2 capital, instruments issued by consolidated banking subsidiaries of the Bank held by third parties that meet the criteria for inclusion in Tier 2, general provisions held against unidentified losses on financing and qualify for inclusion within Tier 2, asset revaluation reserve from revaluation of fixed assets and instruments purposes and regulatory adjustments applied in the calculation of Tier 2 capital.

The regulatory adjustments are subject to limits prescribed by the CA module, these deductions would be effective in a phased manner through transitional arrangements from 2015 to 2018. The regulations prescribe higher risk weights for certain exposures that exceed materiality thresholds. These regulatory adjustments are required for certain items such as goodwill on mortgage service right, deferred tax assets, cash flow hedge reserve, gain on sale of related securitization transactions, defined benefit pension fund assets and liabilities, investment in own shares and reciprocal cross holdings in the capital of Banking and financial entities, investment in the capital of Banking and financial entities that are outside the scope of regulatory consolidation and where the bank does not own more than 10% of issued common share capital of the entity and significant investments in the capital of banking and financial entities that are outside the scope of regulatory consolidation.

Banking operations are categorised as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

Capital management

The primary objectives of the Bank's capital management are i) to ensure that the Bank complies with externally imposed capital requirements ii) maintain healthy capital ratios in order to support its business and iii) to maximise shareholders' value. The Bank manages its capital structure and makes adjustments to it in the light of changes in business conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders or issue capital securities.

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35 CLASSIFICATION OF ASSETS AND LIABILITIES

The following table provides a reconciliation between line items in the consolidated statement of financial position and categories of assets and liabilities:

	<i>Designated as at FVTPL BD '000</i>	<i>FVOCI – debt instruments BD '000</i>	<i>FVOCI – equity instruments BD '000</i>	<i>Amortised cost BD '000</i>	<i>Total BD '000</i>
31 December 2024					
Assets					
Cash and balances with Central Bank of Bahrain	-	-	-	3,123	3,123
Placements with banks and other financial institutions	-	-	-	24,769	24,769
Islamic financing and loans to customers	-	-	-	99,223	99,223
Investment securities	7,326	65,500	22	-	72,848
Investment in associated companies	-	-	-	809	809
Investment properties	-	-	-	9,611	9,611
Property and equipment	-	-	-	3,338	3,338
Other assets	-	-	-	3,472	3,472
Total assets	7,326	65,500	22	144,345	217,193
Liabilities					
Term loans	-	-	-	23,644	23,644
Deposits	-	-	-	120,962	120,962
Other liabilities	-	-	-	8,472	8,472
Total liabilities	-	-	-	153,078	153,078
	<i>Designated as at FVTPL BD '000</i>	<i>FVOCI – debt instruments BD '000</i>	<i>FVOCI – equity instruments BD '000</i>	<i>Amortised cost BD '000</i>	<i>Total BD '000</i>
31 December 2023					
Assets					
Cash and balances with Central Bank of Bahrain	-	-	-	3,972	3,972
Placements with banks and other financial institutions	-	-	-	48,994	48,994
Islamic financing and loans to customers	-	-	-	112,885	112,885
Investment securities	7,290	42,909	22	7,235	57,456
Investment in associated companies	-	-	-	397	397
Investment properties	-	-	-	8,012	8,012
Property and equipment	-	-	-	3,282	3,282
Other assets	24	-	-	5,291	5,315
Total assets	7,314	42,909	22	190,068	240,313
Liabilities					
Term loans	-	-	-	25,359	25,359
Deposits	-	-	-	145,908	145,908
Other liabilities	-	-	-	5,065	5,065
Total liabilities	-	-	-	176,332	176,332

36 DEPOSIT PROTECTION SCHEME

Deposits held with the Bahrain operations of the Bank are covered by the Deposit Protection Scheme established by the CBB regulation concerning the establishment of the Deposit Protection Scheme and Deposit Protection Board. This scheme covers eligible "natural persons" (individuals) up to a maximum of BD 20,000 as set by the CBB requirements. A periodic contribution, as mandated by CBB, is paid by the Bank under this scheme.

37 NET STABLE FUNDING RATIO

The Net Stable Funding Ratio ("NSFR") ratio is calculated in accordance with the Liquidity Risk Management Module guidelines, issued by the CBB. The minimum NSFR ratio limit as per CBB is 100%. The Group's consolidated NSFR ratio as of 31 December 2024 was 158% (31 December 2023: 160%).

The NSFR (as a percentage) as at 31 December 2024 is calculated as follows:

	Unweighted Values (i.e. before applying relevant factors)				
Item	No specified maturity BD '000	Less than 6 months BD '000	More than 6 months and less than one year BD '000	Over one year BD '000	Total weighted value BD '000
Available Stable Funding (ASF):					
Capital:					
Regulatory Capital	62,152	-	-	896	63,049
Wholesale funding:					
Other wholesale funding	-	38,596	4,580	102,337	115,838
Other liabilities:					
All other liabilities not included in the above categories	-	7,608	-	202	202
Total ASF	62,152	46,204	4,580	103,435	179,089
Required Stable Funding (RSF):					
Total NSFR high-quality liquid assets (HQLA)	94,407	-	-	-	3,322
Deposits held at other financial institutions for operational purposes	-	215	-	-	108
Performing financing and loans / securities:					
Performing loans to financial institutions secured by non-level 1 HQLA and unsecured performing to loans financial institutions	-	-	-	-	-
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	4,814	3,227	-	4,021
With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines	-	-	-	73,345	62,343
Other assets:					
All other assets not included in the above categories	43,725	-	-	-	43,725
Off-Balance sheet items	3,152	-	-	-	158
Total RSF	141,284	5,029	3,227	73,345	113,676
NSFR (%) - As at 31 December 2024					158%

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37 NET STABLE FUNDING RATIO (continued)

The NSFR (as a percentage) as at 31 December 2023 is calculated as follows:

<i>Item</i>	<i>Unweighted Values (i.e. before applying relevant factors)</i>				
	<i>No specified maturity BD '000</i>	<i>Less than 6 months BD '000</i>	<i>More than 6 months and less than one year BD '000</i>	<i>Over one year BD '000</i>	<i>Total weighted value BD '000</i>
<u>Available Stable Funding (ASF):</u>					
Capital:					
Regulatory Capital	61,806	-	-	949	62,755
Wholesale funding:					
Other wholesale funding	-	44,010	3,139	124,849	136,684
Other liabilities:					
All other liabilities not included in the above categories	-	4,333	-	-	-
Total ASF	61,806	48,343	3,139	125,798	199,439
<u>Required Stable Funding (RSF):</u>					
Total NSFR high-quality liquid assets (HQLA)	99,599	-	-	-	2,491
Performing financing and loans / securities:					
Performing loans to financial institutions secured by non-level 1 HQLA and unsecured performing to loans financial institutions	-	3,298	-	-	1,649
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	3,121	7,239	-	5,180
With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines	-	-	-	81,634	69,389
Other assets:					
All other assets not included in the above categories	45,423	-	-	-	45,423
Off-Balance sheet items	17,943	-	-	-	897
Total RSF	162,965	6,419	7,239	81,634	125,029
NSFR (%) - As at 31 December 2023					160%

38 COMPARATIVES

Certain prior year figures have been regrouped to conform to the current year's presentation wherever necessary. Such regrouping did not affect previously reported profit or equity.