



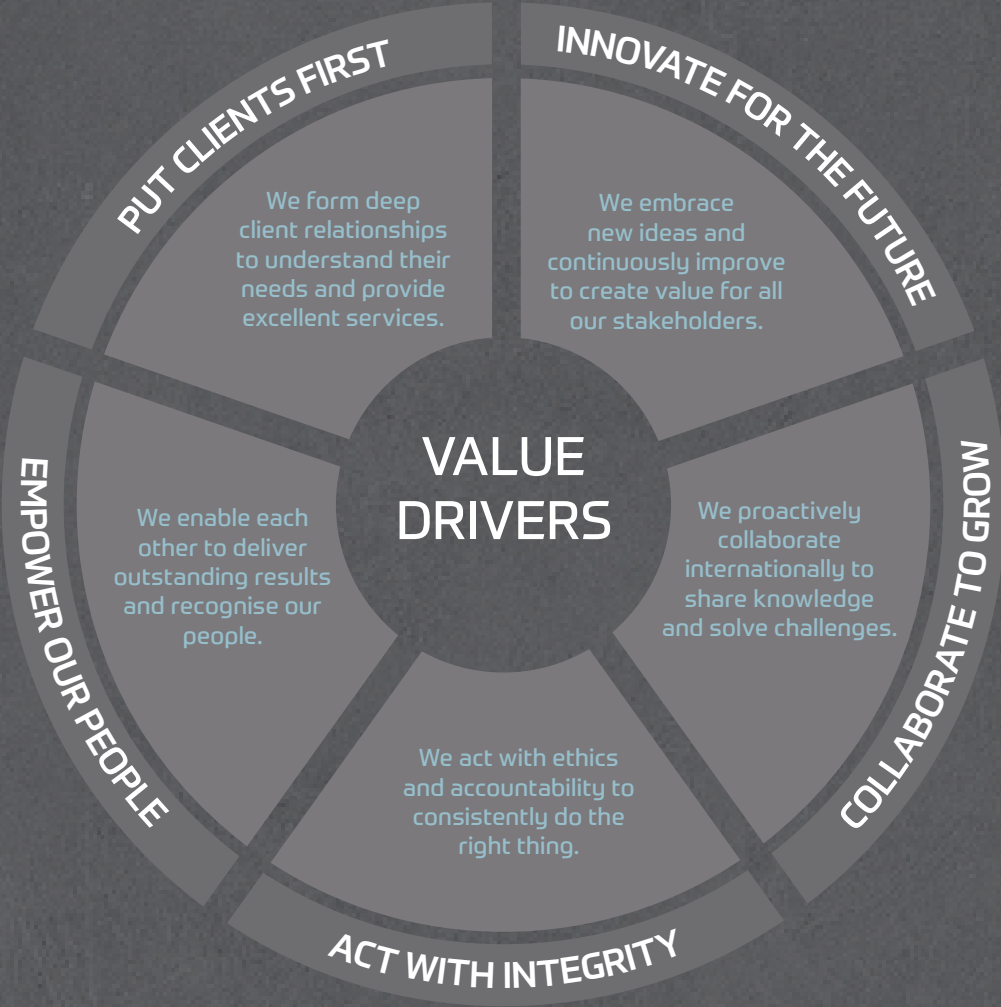
Performance with  
**purpose**

# STRATEGIC INTENT

MENA'S INTERNATIONAL  
BANK OF THE FUTURE

## OUR VALUES

CLIENT-CENTRICITY  
COLLABORATION  
CONSISTENCY





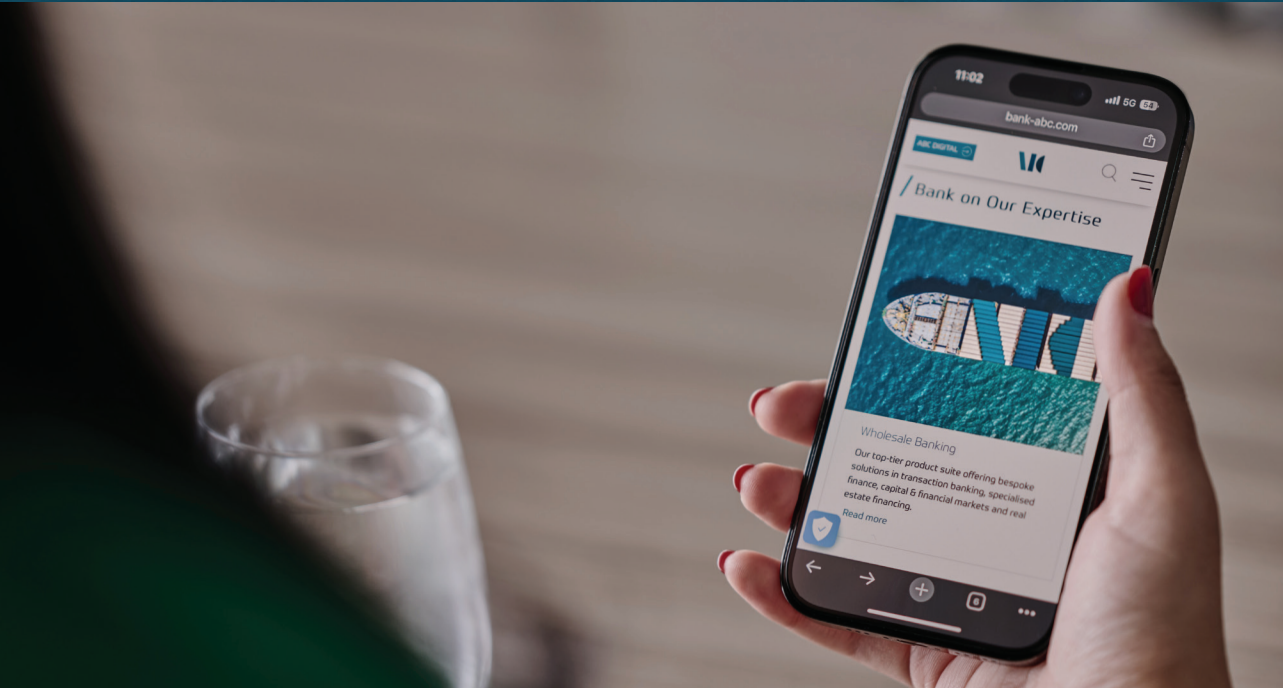
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# BANK ABC GROUP SNAPSHOT







# BANK ABC AT A GLANCE

Renowned as one of MENA’s leading international banks, Bank ABC (incorporated as Arab Banking Corporation BSC) was founded in 1980 and is headquartered in Manama, Kingdom of Bahrain. Our vast global network spans 15 countries across the Middle East, North Africa, Europe, the Americas, and Asia, and actively covers 25+ markets.

5,000+  
Diverse Workforce

## A LEADING UNIVERSAL BANKING PROPOSITION

		Wholesale Banking and Treasury	<ul style="list-style-type: none"><li>Transaction Banking</li><li>Specialised Finance</li><li>Real Estate Finance</li><li>Financial Markets</li><li>Capital Markets</li><li>Corporate Treasury</li></ul>
		Islamic Finance	<ul style="list-style-type: none"><li>Full range of Shari’a-compliant wholesale banking products offered across our global network</li><li>Retail Islamic banking products offered in Bahrain and Algeria</li></ul>
		Retail Banking	<ul style="list-style-type: none"><li>Full suite of retail products &amp; services offered in Bahrain, Egypt, Jordan, Algeria &amp; Tunisia</li></ul>
		Payments	<ul style="list-style-type: none"><li>Processing</li><li>Merchant Acquiring</li><li>Fintech services</li></ul>

## OWNERSHIP STRUCTURE OF BANK ABC (Controlling Shareholders)

Central Bank of Libya	59.37%
Kuwait Investment Authority (KIA)	29.69%
Others, including Free Float	10.94%

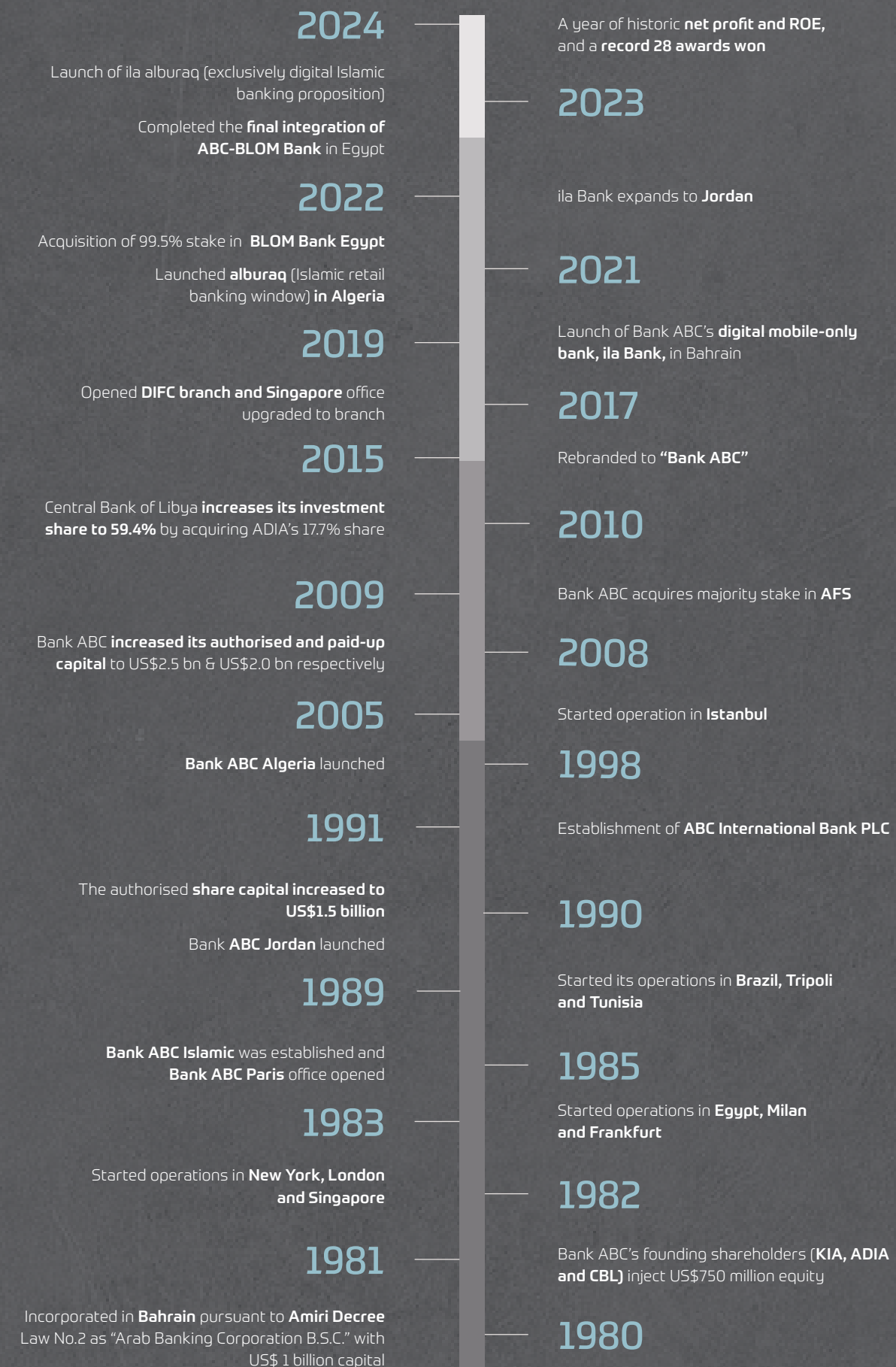


# GLOBAL FOOTPRINT

Your business partner across  
5 continents & 15 countries



# KEY MILESTONES





# FINANCIAL HIGHLIGHTS

As at 31 December 2024

Net Profit

285

(US\$ million)

ROE

7%

Total Assets

46,265

(US\$ million)

Shareholders' Funds

3,817

(US\$ million)

Risk Asset Ratio - Tier 1

15.5%

# FINANCIAL HIGHLIGHTS

As at 31 December 2024

	2024	2023	2022	2021*	2020
<b>Earnings (US\$ million)</b>					
Net interest income	902	935	786	592	516
Other operating income	437	344	315	262	130
Total operating income	1,339	1,279	1,101	854	646
Profit before credit loss expense, taxation and non-controlling interests	566	515	411	285	160
Credit loss expense	(143)	(145)	(119)	(106)	(329)
Profit (loss) before taxation and non-controlling interests	423	370	292	179	(169)
Net profit (loss) for the year from continuing operations	285	235	154	100	(89)
<b>Financial Position (US\$ million)</b>					
Total assets	46,265	43,892	36,639	34,901	30,407
Loans and advances	18,649	19,096	18,190	16,716	15,656
Placements with banks and other financial institutions	2,071	2,231	2,226	3,031	1,803
Trading securities	838	1,070	590	902	171
Non-trading investments	16,117	11,368	8,080	8,390	6,696
Shareholders' funds	3,817	3,910	3,705	3,872	3,767
Additional / perpetual tier-1 capital	390	390	390	-	-
<b>Ratios (%)</b>					
<b>Profitability</b>					
Net interest margin	2.4	2.8	2.5	2.0	1.9
Cost: Income ratio (costs as % of gross operating income)	58	60	63	67	75
Net profit (loss) as % of average shareholders' funds	7.0	5.8	3.7	2.6	(2.4)
Net profit as % of average assets	0.64	0.60	0.44	0.31	(0.30)
Dividend cover (times)	3.33	3.36	3.30	3.22	-
<b>Capital</b>					
Risk weighted assets (US\$ million)	28,556	30,226	27,546	25,595	24,483
Capital base (US\$ million)	4,748	4,869	4,626	4,324	4,285
Risk asset ratio - Tier 1	15.5	15.0	15.7	15.9	16.6
Risk asset ratio - Total	16.6	16.1	16.8	16.9	17.5
Average shareholders' funds as % of average total assets	9.5	10.5	11.6	11.9	12.4
Loans and advances as a multiple of shareholders' funds (times)	4.9	4.9	4.9	4.3	4.2
Total debt (including non-controlling interests) as a multiple of shareholders' funds (times)	11.0	10.1	8.8	8.0	7.1
Borrowings as multiple of shareholders' funds (times)	0.36	0.33	0.35	0.31	0.48
<b>Assets</b>					
Loans and advances as % of total assets	40.3	43.5	49.6	47.9	51.5
Securities as % of total assets	36.6	28.3	23.7	26.6	22.6
Impaired loans as % of gross loans	3.6	3.6	3.5	3.4	5.2
Aggregate provisions as % of impaired exposures	87.1	93.5	101.1	112.2	101.1
Loans provisions as % of gross loans	3.2	3.3	3.6	4.0	5.3
Impaired securities as a % of gross non-trading debt securities	0.4	0.6	0.9	1.1	1.3
Securities provisions as a % of gross non-trading debt instruments	0.46	0.77	1.07	1.24	1.47
<b>Liquidity</b>					
Liquid assets ratio	29.5	32.1	33.3	37.8	36.1
Deposits to loans cover (times)	1.5	1.5	1.4	1.5	1.4
<b>Share Information</b>					
Basic earnings per share - Profit for the year	\$0.086	\$0.070	\$0.047	\$0.032	(\$0.029)
Dividends per share - Cash	\$0.0275	\$0.0225	\$0.015	\$0.010	-
Net asset value per share	\$1.23	\$1.26	\$1.20	\$1.25	\$1.22
<b>Capitalisation (US\$ million)</b>					
Authorised	4,500	4,500	4,500	3,500	3,500
Issued, Subscribed and fully paid-up	3,110	3,110	3,110	3,110	3,110
Treasury Shares	(6)	(6)	(6)	(6)	(6)

\*Comparative figures restated to conform with the presentation in the current year.



# YEAR IN REVIEW

## JANUARY

Successfully closed a EUR24.9 million sustainability-linked credit facility for Saudi Paper Manufacturing Company.

Committed to supporting climate action and taking a holistic and collaborative approach to sustainability, Bank ABC was the lead partner of the Sustainability Forum Middle East Forum.



## FEBRUARY

Announced financial results for the year ended 31 December 2023. Net profit attributable to the shareholders of the parent surged 53% year on year to US\$235 million.

Won awards for 'Best Cash Management Services in the Middle East' and 'Best Receivable Finance Services in the Middle East' from EMEA Finance.

Hosted a Co-Creation @ ABC Labs session in collaboration with the Institute of International Finance (IIF) on Digital Innovations in Financial Services.

## MARCH

Launched the Career development and employee growth initiative 'ABC Rise' in Group Head Office.

Bank ABC Egypt successfully completed its merger with BLOM Bank Egypt, marking the beginning of a new era of growth for the Bank.

## APRIL

Bank ABC won 'Best Trade Finance Provider in the Middle East' award for the second consecutive year by Global Finance.

ila Bank recognised as the 'Fastest-Growing Digital Bank in MENA Central – 2023' by Mastercard.

## JUNE

Bank ABC participated as an arranger and hedge provider in the US\$1 billion Sustainability-linked syndicated loan (SLL) facility for RGE's agribusiness group consisting of Asian Agri and Apical.

The deal was recognised as the 'Natural Resources Finance Deal of the Year' at the Bonds, Loans & Sukuk Middle East Awards 2024.



## JULY

Published inaugural report disclosing excellent progress on sustainable financing and environmental impact.

Won the Best Digital Bank in Bahrain title by Euromoney Awards for Excellence 2024.

## AUGUST

Announced the Group's H1 2024 results, recording a 24% growth over the same period last year, reaching a net profit of US\$150 million.

The Banker (FT) names Bank ABC Middle East's Best Bank for Transaction Banking for the second time.

## SEPTEMBER

Won the prestigious 'Best Trade Finance Bank in the Middle East' award at the Global Trade Review (GTR) Leaders in Trade Awards 2024.

ila Bank launched first-of-its-kind investment solution for Government Securities, allowing customers in Bahrain to invest in Government Securities issued by the Central Bank of Bahrain (CBB) on behalf of the Government of the Kingdom of Bahrain.

Bank ABC won four leading titles at Global Finance's World's Best Treasury & Cash Management Bank Awards 2024.



## OCTOBER

Proud partner of Fintech Forward 2024, organised by Bahrain EDB and Bahrain FinTech Bay, showcasing Group's latest innovations, new Gen-AI capabilities as part of our bank of the future.

Acted as Sole Arranger in the US\$500 million 5-year 144a/RegS Sukuk for AerCap, the world's largest owner of commercial aircraft and leader in aviation leasing, the first Sukuk for a European firm.

## NOVEMBER

Bank ABC's innovation and digitisation center 'ABC Labs' named one of the World's Best Financial Innovation Labs for the third time.

Planted over 80 trees in the Diplomatic Area, in Bahrain in collaboration with the National Initiative for Agricultural Development (NIAD) in Bahrain, underscoring its commitment to reduce the environmental impact and support local communities.

Bank ABC in Singapore signed a Memorandum of Understanding (MOU) with CG Cooperative in Korea for bonding facilities up to US\$100 million.

## DECEMBER

ila Bank joined forces with Bahrain's national carrier Gulf Air, to launch a co-branded Mastercard credit card offering customers exceptional travel and lifestyle benefits.

Bank ABC Islamic declared 'Best Islamic Financial Institution in Bahrain' for the second consecutive year by Global Finance.

The Banker (FT) named Bank ABC Middle East's Best Bank for Innovation in Digital Banking for the second time.





# GROUP PERFORMANCE

(US\$ million)

## Bank ABC Group

2024 Highlights	ABC Parent (ABC B.S.C.)	ABC Group
Total Assets	28,267	46,265
Total Non-trading Investments	12,240	16,117
Total Loans and Advances	5,572	18,649
Total Deposits	12,605	27,303
Shareholders' Funds and Perpetual Instrument Holders	4,207	4,207

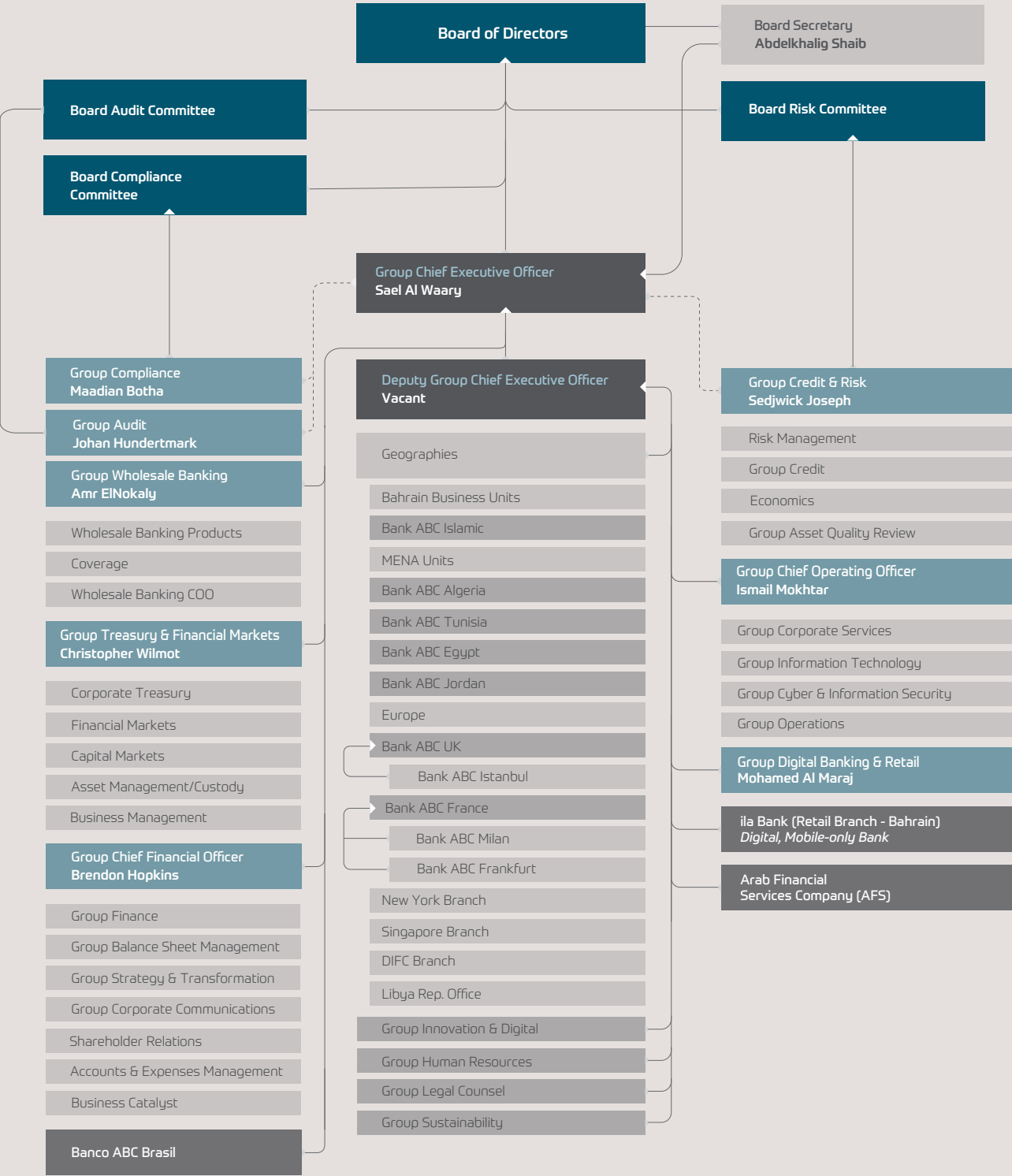
## MENA Subsidiaries

2024 Highlights	ABC Algeria	ABC Jordan	ABC Egypt	ABC Tunisia
Total Assets	701	1,951	1,639	582
Total Non-trading Investments	70	404	434	61
Total Loans and Advances	510	1,069	607	170
Total Deposits	455	1,580	1,380	487
Shareholders' Funds	217	232	200	41
Number of Branches	24	19	57	16

## Wholesale Banking and Other Subsidiaries

2024 Highlights	ABCIB (London)	ABC SA	Banco ABC Brasil	ABC Islamic Bank	AFS
Total Assets	4,367	1,270	10,623	2,875	118
Total Non-trading Investments	649	50	961	1,258	-
Total Loans and Advances	2,656	930	6,045	1,089	-
Total Deposits	3,087	1,034	7,500	2,463	37
Shareholders' Funds	735	203	1,047	364	36
Number of Branches	1	2	11	-	-

# BANK ABC GROUP ORGANISATIONAL CHART



# PERFORMANCE REVIEW





# CHAIRMAN'S STATEMENT



**Saddek Omar El Kaber**  
Chairman

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

## 2024 Economic Review

The global economic environment has been characterised by volatility, with elevated interest rates affecting credit demand at the start of the year, followed by softening of inflation concerns prompting major central banks to initiate monetary easing actions. Subsequently, post the US election, fears of inflationary pressures re-emerged, shifting sentiment

## 2024 - A YEAR OF PERFORMANCE WITH PURPOSE

On behalf of the Board of Directors of Bank ABC Group, I am honoured to present the 2024 Directors' Report to our esteemed shareholders. The past year has been marked by remarkable achievements, characterised by outstanding performance, resilience and innovation. Bank ABC has not only met but exceeded expectations, focusing on our strategic intent to remain MENA's International Bank of the Future.

back towards a slower pace of interest rate cuts. Global GDP growth was also dampened, decelerating to an estimated 3.2%, down from 3.3% in 2023. MENA region's growth was an estimated 2% in 2024, up from 1.9% in 2023, with OPEC related oil production curbs in major oil producing economies weighing on headline activity. Real GDP growth in the GCC – a major oil producing region - was an estimated 1.3%, up from 0.4% in 2023, veiling strong non-oil growth estimated at 3.7%, up from 3.6% in 2023.

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

## Record Financial Performance

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

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

## US\$46.3b

Total asset base, supported by underlying growth in loans and securities.

## US\$285m

Total Net Profit, representing a 21% rise year-on-year.

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

## Excellent Progress on Strategic Plan

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

### – Pillar 1: Accelerating Our Core Businesses:

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

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

### – Pillar 2: Maximising the Value of Our Digital Units

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

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

AFS continued its regional expansion with another year of excellent revenue growth, enlarging its banking processing and merchant acquiring



businesses and boosting transaction volumes. Another key milestone was securing a license in the UAE to launch operations in January 2025, allowing access to another strategic market to leverage its infrastructure and further accelerate performance.

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

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

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

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

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

**2024 Sustainability Update**

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

Environmental, Social and Governance (ESG) indicators were tracked to measure and manage our sustainability journey effectively, creating a ‘baseline’ data set that

will inform the three-year action plan. These efforts extended to capturing vital environmental metrics from our operations and suppliers and initiating analysis of the Group’s scope 3 financing emissions.

The Bank’s 2025 focus includes pursuing its clear strategic direction, **prioritising operational resilience** and continuing to maintain its **strong balance sheet and capital ratios**.

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

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

**Recognition of Excellence**

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

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

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

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

Bank ABC’s leadership in **innovation, digital transformation, and client-centric solutions** was reaffirmed in 2024 with a **record number of prestigious awards**.

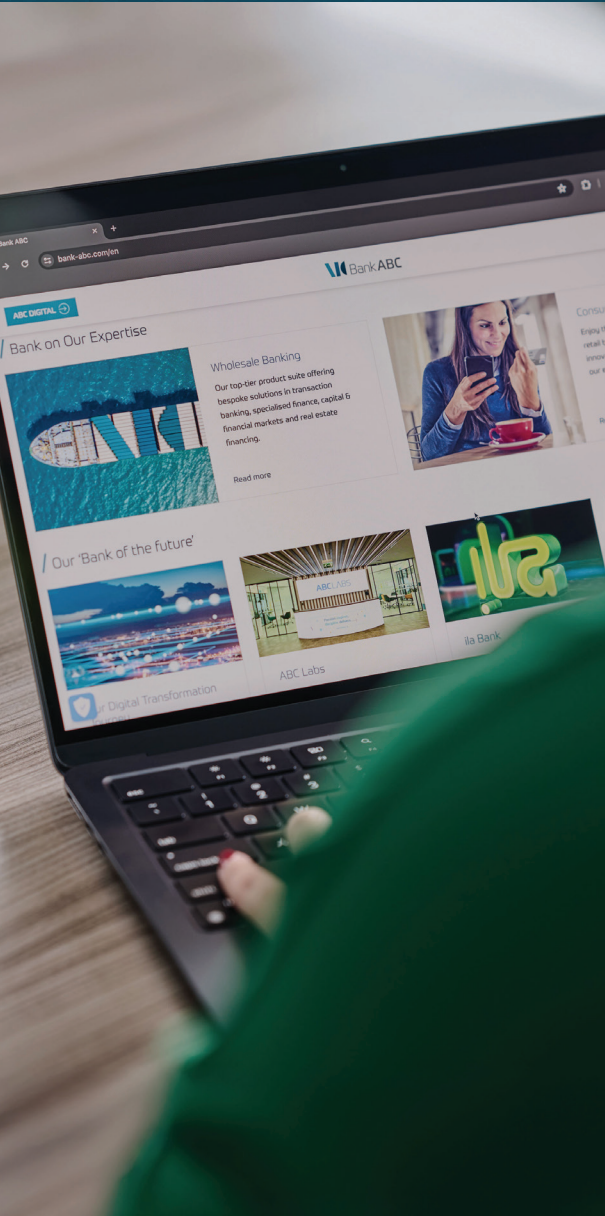
**Looking Ahead to 2025**

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

**Acknowledgements**

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

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





Board of Directors’ Remuneration Details

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

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

\*Travel and accommodation costs.

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

No Director owned or traded Bank ABC shares in 2024.

Executive Management Remuneration Details:

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

**Note:** All amounts stated are in US Dollars.



Saddek Omar El Kaber  
Chairman  
9 February 2025



Mohammad Abdulredha Saleem  
Deputy Chairman



# GROUP CEO'S STATEMENT



**Sael Al Waary**  
Group CEO

Reflecting on 2024, I take great pride in an exceptional year for Bank ABC. We advanced on every front - delivering record financial performance, strengthening our business model and achieving multiple milestones and industry awards that further position us as bank of the future.

While our Group Chairman's statement gives a comprehensive overview of the economic backdrop, financial results and progress across the three pillars of our strategic plan, I will use this statement to give a deeper perspective on four key themes that I personally sponsor: accelerated growth with balance sheet strength; innovation in digital technology and AI; embedding our sustainability strategy; and empowering our people with enhanced culture and values. In a rapidly evolving industry landscape, these are critical levers that will sustain Bank ABC's excellent performance momentum and reinforce our long-term shareholder value creation.

## STRATEGIC GROWTH, INNOVATION, SUSTAINABILITY FOCUS.

### Accelerated Growth Underpinned by Balance Sheet Strength

Our strategy is successfully delivering accelerated asset and earnings growth across our core businesses - Wholesale Banking and Treasury, Retail Banking and our franchise business; Banco ABC Brasil. Many aspects of our business model enhancements have already been outlined, such as the digital product transformation in wholesale and retail banking capabilities. However, achieving sustained growth over many years also requires a strong balance sheet with effective capital and liquidity management - this is key to improving the Group's returns to shareholders. The Group reported a solid capital and liquidity position with its Tier 1 capital ratio at 15.5% and NSFR at 123%. This strategic emphasis on accelerated growth backed by balance sheet strength underpins our record level of 7% ROE in 2024.

In **Wholesale Banking and Treasury**, we have deepened customer relationships through use of risk adjusted return on capital (RAROC) and increased the emphasis on "capital-lite" products, building strengths in areas such as transaction banking and capital markets, winning major mandates in both conventional and sukuk issuance.

**Retail Banking** continues to be a high return on capital business, with lower funding costs and wider lending margins. We have achieved a record-breaking double-digit increase in deposits and a 16% increase in the retail customer base, boosting cross-sell of asset products. To further enhance returns, we are rationalising the branch footprint across our key markets such as Egypt and Jordan, harnessing the capabilities of our digital mobile-only bank **ila**.

**Banco ABC Brasil (BAB)** is also a high return, high growth business, which is solidifying its market presence and profitability. Return on capital is being boosted by a focus on higher margin middle-market corporate clients and building strong sector expertise in areas such as agriculture, energy and services.

### Innovation in Digital Technology and AI

Bank ABC has always been at the forefront of innovation, and in 2024 we made significant strides on this agenda. Our digital units **ila Bank** and **AFS** continue to scale rapidly, creating excellent longer-term value for our shareholders. We are now preparing **ila Bank** for its next strategic phase - carving it out as a standalone digital bank with flexibility to raise capital, expand regionally and form new strategic partnerships. A major development in 2024 was **AFS'** entry into the UAE acquiring market having secured a Retail Payment Services License from the Central Bank of UAE.

Another important development is the upgrade of our **next-generation core banking system**. This is nearing completion of its first phase in Bahrain, which will create the foundation for new products and capabilities in **ila Bank** and across our wider franchise.

We also fully recognise that creating a bank of the future, requires a 'mind-set' shift where all our

## 7% ROE

achieved in 2024 - driven by **strategic growth** and **strong balance sheet performance**.

Solid capital and liquidity position with **Tier 1 capital ratio at 15.5%** and **NSFR at**

## 123%

**Record double-digital deposit growth** and increase of the retail customer base by

## 16%

employees embrace the widespread technological changes that our industry is facing. Radical developments in generative and agentic AI techniques are sparking widespread innovations in product and service enhancement. To raise our management focus, our award-winning **ABC Labs** has been tasked with exploring new AI business models, use cases and hosting innovation events, while the introduction of generative AI assistants, co-pilots and robotic automation are boosting employee productivity, engagement and value add.



### Embedding our Sustainability Strategy

Our sustainability strategy is being embedded across the Group's franchise, as we work towards creating a more resilient and inclusive future. In 2024, we published our inaugural **Group Sustainability Disclosure Report**, establishing key ESG performance metrics. We also launched an environmental reduction plan for our global operations and accelerated sustainability training across the Group.

Sustainability is also leading to tangible business benefits: over the past year, we **mobilised US\$2.8 billion in sustainable finance** – up 24% from 2023 – with over 90% directed towards developing countries, significantly increasing Bank ABC's impact in 'green financing' across emerging markets.

Beyond finance, **we delivered 90 CSR (Corporate Social Responsibility) initiatives**, investing over US\$1.27 million into our communities. Our Diversity, Equity and Inclusion (DEI) efforts expanded with leadership, mentoring and postgraduate scholarship programs for our female employees.

### Empowering our People with Enhanced Culture and Values

At the heart of Bank ABC's success is our people. As we grow, we are focused on being 'employer of choice'—nurturing talent, developing careers and strengthening our culture. **'ABC Rise'** is one example - a new platform for talent development, promoting secondments, postgraduate sponsorships and mentoring programmes to invest in our future leaders.

We also recognise that our culture and values are critical foundations to effective delivery of our strategic vision. One of my personal mantras is *passion inspires, but discipline delivers* - a spirit that is embodied in our organisational culture. Moreover, in late 2024, our Board approved a refreshed set of value drivers, co-created by surveying employees across our global network, to guide conduct and decisions that will shape the Bank's future. These will be officially launched in 2025 and embedded across all levels of the organisation through a comprehensive activation campaign.

## US\$2.8b

mobilised in sustainable finance – up **24%** from 2023.

### Looking Ahead

As we progress into 2025, we are determined to sustain and build on the momentum generated over the past year, and deliver better returns, maintaining a firm focus on our strategy execution. While navigating an increasingly volatile geopolitical landscape, we remain committed to relentlessly pursuing our strategic objectives with disciplined execution, generating greater value through three distinct lenses of product innovation, geographic expansion, and continued commitment to our clients.

I extend my sincere thanks to the outgoing Board for their steadfast guidance, and warmly welcome our new Board as we embark on the next chapter of Bank ABC's journey. We are immensely grateful for the continuing unwavering support of our shareholders. We also extend our kind appreciation to our home regulator, the Central Bank of Bahrain and the regulatory authorities across our network. Finally, I would like to recognise the incredible dedication and drive of our employees across all markets. Together, we are rapidly growing Bank ABC to deliver exceptional shareholder value as MENA's international bank of the future.



**Sael Al Waary**  
Group Chief Executive Officer





# Five years of ila Bank

In November 2019, Bahrain witnessed the launch of what can only be described as a true disruptor- a digital mobile-only bank that knew and understood its customers like no other bank had, and has since been one of the most compelling fintech stories in the region.

From the beginning, ila has been about more than just banking—it has been about enabling dreams; and enabling the dreams of its customers has not just been ila's promise but a commitment. Irrespective of ethnicity, age, or net worth, ila is everybody's bank, proving that banking can truly reflect the diverse aspirations of its customers. This is the "ila impact," and it continues to gain momentum, touching lives and creating value.

## The Road to 'Iconic'

2019

- ila Bank launched in Bahrain-**featuring fully digital onboarding, instant virtual debit card and multi-currency accounts**

2020

- Launch of **Hassala (Savings pot)**
- Introduction of **charity donations and referrals**

2021

- Launched community fund feature "**Jamiyah**" and **ila credit cards**
- Partnership with **ApplePay** and **Garmin Pay**
- Introduction of **ila offers** and **Private Mode**

2022

- Introduction of **Al Kanz; a new raffle prize-linked account**
- ila Bank **launched in Jordan**
- Introduction of **Fixed Deposits**

2023

- Launch of **alburaq - a new Islamic banking experience**
- Introduction of **Wakala investments**
- Launch of **rewards loyalty platform** for credit cards
- Integration with **Samsung Pay**

2024

- Launch of **CBB government securities investment solution**
- Launch of **ila Gulf Air credit card**

ila's distinct brand identity, built around the promise of "banking that reflects you," combined with innovative, market-first offerings like Hassala, Jamiyah, government securities investment solution, and virtual debit cards, has firmly established it as a pioneering force in digital banking.



**Best Consumer Digital Bank in Bahrain award**  
by Global Finance

2020-2024



**30 prestigious industry awards**



2020

**Gartner Eye on Innovation Award**

2021

**Most innovative digital bank** – Global Finance

2022

**Leading digital bank in the Middle East**  
IBSi NeoChallenger

2023

**Best Consumer Digital Bank** – Global Finance

2024

**Best digital bank in Bahrain**  
MENA Banking Excellence Award by MEED

**Fastest growing digital bank in MENA** - By MasterCard



**59**

Net Promoter Score in 2024

Maintained outstanding app ratings

4.9/5 ★★★★★

4.7/5 ★★★★★

## The journey continues

ila's journey has only just begun and with the momentum we've built, the future looks bright for ila, its customers, and the banking industry in the region.

ilabank.com



ila Bank Bahrain

Download the ila app





# BOARD OF DIRECTORS



**Mr. Saddek Omar El Kaber**  
Chairman

‡ >|<

Term ended March 2025

MBA and MS in Public Accounting, University of Hartford, Connecticut, USA.

Former governor of the Central Bank of Libya, Member of the Board of Trustees of the Libyan Investment Authority, Chairman of the Libyan National AML/CFT Committee, Chairman of the Libyan National Payments Council, and Chairman of Arab Banking Corporation – Egypt S.A.E, Previously, Mr. El Kaber was Chairman of ABC International Bank plc, U.K., and Chairman and General Manager of UMMA Bank, Libya. Mr. El Kaber has held past key positions in a number of banks and financial institutions including being the Deputy Chief Executive Officer of ABC International Bank plc, U.K., the Deputy Chairman of the Board of Arab Banking Corporation- Algeria, Country Manager and CEO of Arab Banking Corporation-Tunisia and a Director of Arab Financial Services Company B.S.C.(c). He joined the Board of Arab Banking Corporation (B.S.C.) in December 2011. He has more than 35 years of experience in international finance and banking.



**Mr. Mohammad Abduredha Saleem**  
Deputy Chairman

RC ‡ >|<

Term ended March 2025

Bachelor of Business Administration in Finance from Kuwait University.

Mr. Saleem has gained professional experience from his service over 33 years at Kuwait Investment Authority since 1986 where he held various positions including the Treasury Department Manager from 2006 to date. He has been a member of Warba Bank's Board of Directors since March 2016 to date. He currently holds the position of Vice Chairman in the Arab Banking Corporation. He served previously in the State of Kuwait as Chairman and Board Member of audit and investment committees. He has been a Chairman or a member of the board of directors in a number of companies such as Generations Fund Holding Company, Kuwait Investment Company, the Egyptian Kuwaiti Real Estate Development Company, Gulf Custody Company, Kuwait Real Estate Holding Company, Kuwait Flour Mill & Bakeries Company. He also participated in many theoretical and practical courses at leading banks and global financial institutions in areas of portfolios management, investment, and capital markets.



**Ms. Huda Al Mousa**  
Director

AC CC ‡ >|<

Term ended March 2025

MBA degree in Business Management, Georgetown University.

Director of General Reserve Asset Department at the Kuwait Investment Authority (KIA), which she joined in 2018. Ms. Huda Al Mousa also serves on the Board of Directors at Kuwait Credit Bank since 2019. She previously was on the board of directors at Kuwait Airways (2018-2020). She also serves as a Committee Member in the State of Kuwait Debt Management Committee and various other State level committees. Ms. Al Mousa joined the Board of Bank ABC in 2021 and has more than 15 years of experience in banking, asset management, and finance.



**Mr. Abdallah Al Humaidhi**  
Director

RC RemCo GC ‡ §

Term ended March 2025

MS, American University of Beirut.

Vice Chairman and Chief Executive Officer, Commercial Facilities Company, Kuwait; a Director of the Board of First National Bank S.A.L., Lebanon. Mr. Al Humaidhi is also a Member of the Board and honorary Treasurer of the Kuwait Chamber of Commerce & Industry and a Director of the Board of ABC International Bank plc, UK and a Member of the Board of Directors of Investcorp and Chairman of the Audit and Risk Committee. Member of the Board of Directors of the Kuwait Red Crescent and Honorary Treasurer. Previously he served as Member of the Board and the Executive Committee of Kuwait Investment Authority. He has been a Director of Arab Banking Corporation B.S.C. since 2001 and has more than 40 years of experience in the banking and investment sectors.



**Dr. Ibrahim El Danfour**  
Director

AC RC RemCo CC ‡ §

Re-elected March 2025

PhD in Accounting, Glasgow Caledonian University, Glasgow, The United Kingdom.

Chief Executive Officer of the Libyan African Investment Company (LAICO), Chairman of BSIC Gambian Bank, Gambia, Director of Libya for Investment Company, Egypt, Member of European Accounting Association (No. 95844), founding member of the Libyan Accountants Association, collaborator at Academic of Postgraduate Studies, Misurata, Libya. Previously Dr. El Danfour was the Chairman of Ensemble Hotel Holdings, South Africa, Chairman of LAICO Hotels & Resorts Management Company, Liechtenstein, Director of Waha Bank, Libya. Dr. El Danfour held various key positions in academia as well as the public and private sectors, mainly in accounting, financial management, corporate transformation and ERP systems, giving him more than 20 years of hands on experience in these domains, for which he has a number of publications and is an active participator in related high profile events and conferences.



**Dr. Tarik Yousef**  
Director

AC GC CC ‡ >|<

Term ended March 2025

PhD in Economics, Harvard University, USA.

Director of the Middle East Council on Global Affairs since 2022. Member of the Board of Directors of the Central Bank of Libya since 2012. Former Senior Fellow in the Global Economy & Development Program at the Brookings Institution between 2006 and 2020. Dr. Yousef worked at Georgetown University in Washington DC between 1998 and 2006 as Professor of Economics in the Edmund Walsh School of Foreign Service and Sheikh Al-Sabah Chair of Arab Studies at the Centre for Contemporary Arab Studies. His policy experience includes working as Economist in the Middle East and African Departments of the International Monetary Fund, Visiting Senior Economist in the Office of the Chief Economist of the Middle East and North Africa Region of the World Bank between 2002 and 2005 and Senior Advisor for the Millennium Project at the UN between 2004 - 2005. Dr. Yousef joined the Board of Bank ABC in 2015. He has 20 years of experience in the finance and business fields.



**Mr. Ashraf Mukhtar**  
Director

‡ >|<

Term ended March 2025

MSC Master of International Accounting from Malaysia.

Director of banking operations department, previously deputy of director of banking operations department, worked as a member of inspection team at the department of banking and monetary supervision, appointed in a managing position for ALRAHILA petroleum company, previous member of LCs foreign currency payment committee and deputy head of documents for collection committee, has 13 years of banking experience.



**Mr. Khalil Nooruddin**  
Director

AC RC CC SC ‡ §

Re-elected March 2025

Bachelor of Science in Systems Engineering from King Fahad University of Petroleum and Minerals, Dhahran, Kingdom of Saudi Arabia; Master of Science in Quantitative Methods and Finance from Leonard N. Stern School of Business, New York University, New York, U.S.A; Chartered Financial Analyst from CFA Institute, Charlottesville, Virginia, U.S.A.

Mr. Nooruddin is a senior banker, with over 40 years' experience gained through serving local and international financial firms both at executive and board levels. Currently, he is the Managing Partner of Capital Knowledge, a management and financial consulting firm. Over the past twelve years, Mr. Nooruddin concluded several consulting and restructuring assignments for financial institutions, working on strategy formulation and implementation. Prior to this, Mr. Nooruddin was a member of the Management Committee of Investcorp Bank, Bahrain; Vice President UBS Asset Management in London and Zurich; Vice President Chase Manhattan Bank in Bahrain; and Operations Research Analyst, Bahrain Petroleum Company, Bahrain. He currently serves on the board of RA Holdings, formed under authorization of a US bankruptcy court to oversee the liquidation of Arcapita Investment Bank, Bahrain. Previously he served on the boards of Gulf International Bank, Bank Al Khair, Ithmaar Investment Bank, Bahrain Islamic Bank, Takaful Insurance Company and Bahrain Financing Company.



**Dr. Khaled Kawan**  
Director

GC RemCo ‡ §

Term ended March 2025

PhD (Doctorat D'Etat) in Banking Laws, University of Paris (Sorbonne), France.

Dr. Kawan has held various executive level positions at Bank ABC from 1991 until his retirement in 2022. He served as the Group Legal Counsel until December 2009, when he was appointed Deputy Group Chief Executive Officer. Subsequently, Dr. Kawan was elevated to Group Chief Executive Officer of Bank ABC in October 2013. He currently holds a number of Board offices within the Bank ABC Group, including Chairman of the Boards of ABC International Bank plc, Arab Banking Corporation SA and Banco ABC Brasil. He has more than 30 years of banking experience.

AC	Member of the Audit Committee
GC	Member of the Corporate Governance Committee
RemCo	Member of the Remuneration Committee
RC	Member of the Risk Committee
CC	Member of the Compliance Committee
SC	Member of the Strategy Committee

‡	Non-Executive
§	Independent
> <	Non-independent



# BOARD OF DIRECTORS



**H.E. Mr. Naji Mohamed Issa Belgasem**  
Chairman

SC ‡ >|<

Appointed March 2025

Bachelor's degree in Accounting, University of Tripoli (1993); Master's degree in International Banking and Finance, University of Bedfordshire, UK (2010).

Governor of the Central Bank of Libya.

Mr. Belgasem previously held several key positions at the Central Bank of Libya, including Director of the Banking and Monetary Supervision Department, Director of the Research and Statistics Department, and Deputy Director of the Research and Statistics Department for Research Affairs. He joined the Central Bank of Libya in 1995 as a researcher and financial analyst in the Research and Statistics Department. Earlier in his career, he was a lecturer in accounting at the Center for Administrative and Financial Sciences. Mr. Belgasem served on the Boards of the National Commercial Bank, Banque BIA Paris, and the Arab Monetary Fund. His expertise covers macroeconomic policies, financial stability, and monetary control, supported by extensive training from international financial institutions. He has over 25 years of experience in banking and finance, specifically at the Central Bank.



**Mr. Abdulaziz Fahad Alhudaib**  
Deputy Chairman

RC SC ‡ >|<

Appointed March 2025

Bachelor of Business Administration, International Business Richmond, the American International University.

Executive Director for Planning and Senior Management at the Kuwait Investment Authority (KIA).

Mr. Alhudaib previously served as Chairman of Kuwait Flour Mills & Bakeries, Chairman of TRI International Consulting Group (TICG), and Board Member at Kuwait Investment Company. He has over 17 years of experience in sovereign wealth fund management and global investment strategies. Extensive expertise in strategic asset allocation, risk management, financial governance, and sustainability integration.



**Mr. Amer Mohamed Karkar**  
Director

RemCo ‡ >|<

Appointed March 2025

Postgraduate degree in Strategic Accounting and Finance, Nottingham Trent University (2012).

Board Member of the Central Bank of Libya (appointed in October 2024).

Mr. Karkar previously served as a Board Member of Al-Waha Bank (October 2023 - October 2024), where he was assigned to the Governance and Internal Audit Committees. He held several senior roles at the Ministry of Finance and Planning, including Deputy Head of the Macroeconomic and Financial Analysis Department, Budget Analyst, and Head of the Internal Audit Department. Mr. Karkar began his career at Jumhouria Bank in 1996. He has over 25 years of experience in accounting, financial analysis, and internal auditing.



**Mr. Mohamed Hassadi**  
Director

AC CC GC SC ‡ >|<

Appointed March 2025

Bachelor's degree, Queen Mary University, University of London.

Advisor to Governor of the Central Bank of Libya on Foreign Relations and International Cooperation Affairs.

Mr. Hassadi served as Governor's Advisor on AML, CFT, and International Relations at the Central Bank of Libya, Financial Crime Governance SME at ABC International Bank in London, and Director of the Libyan FIU. He held key positions at the Central Bank of Libya, including Foreign Relations Section Head and served as Director of Retail Banking at United Bank for Commerce and Investment (Part of AUB Group) and held multiple roles at Libyan Qatari Bank and Sahara Bank BNP Paribas.

Deputy Chairman at Arab Turkish Bank in Turkiye. Previously served as Deputy Chairman of the Board of Directors at Andalus Bank and as a Board Member at the same institution.

Mr. Hassadi has extensive experience in financial governance, international relations, anti-money laundering (AML), and counter-financing of terrorism (CFT). His expertise extends to strategic committees and international high-level delegations.



**Mr. Edrees Ahmad**  
Director

AC CC ‡ >|<

Appointed March 2025

Master's degree from Kuwait University in Economics, and Undergraduate Degree of Science in Economic and Minors in Political Science and History from Virginia Tech.

Mr. Ahmed has 19 years of international investment experience as part of the Equities Department at Kuwait Investment Authority. As the Manager of the European Equity Division, he overlooks investments in publicly listed European securities. He's been appointed to various Board of Directorships such as Jordan Phosphate Mines Company, Bank of Bahrain and Kuwait, China WOFE Company and Asiya Capital Investment Company. As a Board Member, he has been assigned to various Board committees like the Audit, Risk, Investments and Governance.

AC	Member of the Audit Committee
GC	Member of the Corporate Governance Committee
RemCo	Member of the Remuneration Committee
RC	Member of the Risk Committee
CC	Member of the Compliance Committee
SC	Member of the Strategy Committee



**Dr. Marouane El Abassi**  
Director

GC SC RemCo RC ‡ §

Elected March 2025

Doctorate in Economics, University of Paris 1, Panthéon Sorbonne.

Dr. El Abassi has expertise in political economy, fiscal policy, and monetary policy, contributing to macroeconomic stability.

As Governor of the Central Bank of Tunisia and World Bank Representative to Libya, he led key reforms and fostered strong stakeholder relationships.

His academic career includes lecturing globally and publishing extensively on economics. His insights into financial systems and global trends are widely recognised.

In 2019, he was awarded "Best Governor of a Central Bank in MENA" for his leadership.



**Mr. Manaf Abdulaziz Al Hajiri**  
Director

GC RemCO RC ‡ §

Elected March 2025

M.Sc. in Civil Engineering from Kuwait University. B.Sc. in Civil Engineering (Distinction) from Kuwait University.

Currently an independent advisor. Mr. Al Hajiri previously served as the State of Kuwait's Minister of Finance and Minister of State for Economic Affairs and Investments. He is the former CEO of Kuwait Financial Centre Markaz.

He has over 35 years of experience in business, investments, and finance, with several affiliations across different sectors.

‡	Non-Executive
§	Independent
> <	Non-independent



# EXECUTIVE MANAGEMENT



**Mr. Sael Al Waary**  
Group Chief Executive Officer

B.Sc. (Hons) degree in Computer Sciences, University of Reading, United Kingdom. Executive Management Courses, Harvard Center for Middle East Studies and London Business School.

Mr. Al Waary is the Group Chief Executive Officer of Bank ABC Group, with over 35 years of banking, leadership and management experience garnered from the many senior positions he has held in both London and Bahrain. Mr. Al Waary represents the Bank as Chairman of Bank ABC Jordan, Chairman of the Arab Financial Services Company, and Deputy Chairman of Bank ABC in Egypt. Most recently, Mr. Al Waary has been appointed as a Director at the Institute of International Finance (IIF) Emerging Markets Advisory Council (EMAC), a leading global association of financial services firms headquartered in emerging markets advising the IIF Board of Directors on compelling financial issues to drive continued growth in financial services across emerging markets. He is also Chairman of the ila Bank Advisory Board.



**Mr. Brendon Hopkins**  
Group Chief Financial Officer

Chartered Accountant, (ICAEW), Chartered Tax Advisor (CIOT), MBA, Henley Management College, B.Sc. (Hons) Industrial Mathematics, University of Birmingham.

Mr. Hopkins joined Bank ABC in 2014 as the Group Chief Financial Officer, responsible for overseeing Finance, Strategy, Mergers & Acquisitions, Balance Sheet Management, Taxation, Corporate Communications and Investor Relations. He has more than 30 years of previous experience in the financial services sector, including periods with Standard Chartered Bank, Deloitte and Guardian Royal Exchange. His previous senior roles at Standard Chartered Bank included Chief Executive Officer, Europe and Group Head of Strategy, Western Hemisphere. He is also a Director on the Board of Banco ABC Brasil.



**Mr. Christopher Wilmot**  
Group Head of Treasury and Financial Markets

MBA, University of Strathclyde Business School.

Mr. Wilmot joined Bank ABC in June 2016 with global responsibility for the Bank's Corporate Treasury, Financial Markets, Capital Markets and Asset Management businesses. He is a senior banker with over 35 years of treasury, investment and financial markets experience, covering both conventional and Islamic banking disciplines, of which the last 28 years have been within the MENA region. He is also a Board Member of ABC Islamic and a Member of the Audit, Risk and Corporate Governance Committees. He joined the Bank ABC Group from First Gulf Bank, Abu Dhabi. Prior to joining FGB, Mr. Wilmot held Group Treasurer positions with Ahli United Bank, Bahrain, and Saudi Hollandi Bank, Riyadh (ABN Amro Group).



**Mr. Amr ElNokaly**  
Group Head of Wholesale Banking

B.A & Commerce Degree (major Business Administration) from Helwan University, and completed the Investment Appraisal, Risk Analysis & Project Finance Programme, Harvard University.

Mr. ElNokaly joined Bank ABC in 2018 as the Global Head of Corporates and is currently serving as the Group Head of Wholesale Banking. He leads the delivery of Bank ABC's wholesale banking capabilities through a single platform to clients across the Bank's global network, formulating and executing business strategies, driving performance, developing customer relationships, and building franchise values for the Group. He is also serving as the Chairman of the Board of Bank ABC Islamic, and Director on the Board of Bank ABC Egypt. Prior to joining Bank ABC, he served as Division Head of Corporate Banking at Mashreq Bank U.A.E, and as the Chairman of the Wholesale Banking Committee at Union of Banks Federation of the U.A.E. Previously, he was with Citigroup Egypt as Resident Vice President between 1994 to 2003.



**Mr. Mohamed Almaraj**  
Group Head of Retail Banking & ila Bank CEO

B.S., Finance and Accounting, Wharton School of Business.

Mr. Almaraj is the Group Head of Retail Banking and the Chief Executive Officer of the digital mobile-only 'ila Bank' in Bahrain. Having joined Bank ABC in 2015, he also serves as a director on the Board of Bank ABC Jordan. Prior to his current roles, he served as the COO of ila Bank and previously, played a key role in several Group level initiatives including the establishment of Bank ABC's DIFC office, launch of the Debt Capital Markets practice, and the overall fintech strategy for Bank ABC. Prior to joining Bank ABC, Mr. Almaraj was a Senior Associate with the investment bank, Perella Weinberg Partners, in New York with a focus on mergers & acquisitions transactions and corporate restructurings in the technology, media, telecom and financial services sectors. He has 15 years' experience in corporate finance, investments, restructurings, and digital transformations across the GCC and the US.



**Mr. Sedjwick Joseph**  
Group Chief Credit & Risk Officer

MBA, Cochin University of Science and Technology, B. Tech (Engineering) – National Institute of Technology, Calicut.

Mr. Joseph joined ABC International Bank plc in December 2015 as the Chief Risk Officer. He was subsequently appointed the Group Chief Credit and Risk Officer in July 2020. He has over 25 years of banking experience across credit, risk management, portfolio management and analytics. His experience spans across wholesale, retail, private and business (SME) banking products. Previously, he was the Chief Risk Officer for Habib Bank AG Zurich (HBZ). Prior to HBZ, Mr. Joseph was with Barclays and Standard Chartered Bank holding both country and regional roles across multiple geographies in Europe, US, Asia, Middle East and Africa.



**Mr. Ismail Mokhtar**  
Group Chief Operating Officer

Master's degree in management - Economics, Sciences and Management University - Tunisia.

Mr. Mokhtar has held several senior roles with Bank ABC for over two decades. He served Bank ABC in Tunisia as the Deputy General Manager and Chief Operating Officer before moving to the Head Office in Bahrain as Business Catalyst, Project Coordinator at the Group Chief Operating Officer's Office in 2015. He was appointed Regional MENA COO in May 2018. Subsequently, Mr. Mokhtar was appointed Group Chief Operating Officer in August 2019 to support the delivery of key support areas across the Group, and to oversee the functional and country COOs across the Group. Before joining Bank ABC, Mr. Mokhtar held several roles at the Treasury Department of Banque Nationale Agricole (Tunisia). Mr. Mokhtar represents the Bank ABC Group as a Director on the Boards of Bank ABC in Jordan and previously served Bank ABC Board in Algeria.



**Mr. Johan Hundertmark**  
Group Chief Financial Contoller Auditor

Chartered Accountant (Royal NBA), Chartered Financial Contoller (VRC), M.Sc. (Hons) Business Economics, University of Tilburg, Certified Internal Auditor.

Mr. Hundertmark is a Chartered Accountant and member of the Royal Netherlands Institute of Chartered Accountants, a Chartered member of the Dutch Institute of Financial Controllers. He was trained at Ernst & Young and KPMG in the Netherlands before joining ABN Amro Bank N.V. where he was appointed Senior Vice President for the bank before accepting the Chief Audit Executive role at its subsidiary, Saudi Hollandi Bank in Riyadh, Saudi Arabia. He joined Deutsche Bank AG in Sydney, Australia, in 2008 as the Head of Audit for Australia and New Zealand and transferred to Singapore as the Head of Audit for Singapore and ASEAN in August 2012. Mr. Hundertmark joined the Bank ABC Group in July 2016 as Group Chief Auditor. He has almost 30 years' experience in the finance field.



**Mr. Maadian Botha**  
Group Chief Compliance Officer

Fellow Member (CISA), Admitted Attorney (RSA), LLM and MBA, University of Pretoria.

Mr. Botha is a Fellow Member of the Compliance Institute of Southern Africa. He holds Master's degrees in Law and Business Administration from the University of Pretoria. He has more than 30 years' previous experience in the financial services sector. His previous senior roles include the Group Chief Compliance Officer at Barclays (Absa) and leading the Compliance Practice at PWC for Southern Africa, and member of the Compliance Executive team at Nedbank. He previously held the position as Chairman of the Compliance Institute of Southern Africa. Mr. Botha joined the Bank ABC Group in April 2020 as Group Head of Compliance, and he oversees the functional and country Compliance Officers and MLRO's across the Group.



**Mr. Nicholas Church**  
Group Head of Legal

B.Ec (Soc.Sc), Sydney University, Juris Doctor, Bond University, Solicitor (England and Wales).

Mr. Church joined Bank ABC in February 2021 as the Group Head of Legal, with responsibility for the Group's legal affairs. He is admitted as a solicitor in England and Wales. Mr. Church has worked at leading international law firms in Europe, the Middle East and Asia Pacific, where he advised banks and companies on various high-profile financing transactions. Immediately prior to joining Bank ABC, Mr. Church was a partner in Baker McKenzie's Bahrain office. He currently serves as a director on the Board of Banco ABC Brasil.



# GROUP FINANCIAL REVIEW

**Bank ABC** reported a surge in 2024 annual Net Profit attributable to its shareholders of **21% YOY** reaching **US\$285 million**.

This success was due to strong core business growth, cost discipline, and a stable funding base, along with interest rate tailwinds and steady cost of credit.

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

**Achieving Excellent Earnings Growth**

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

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

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

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

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

**Sources and Uses of Funds**

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

US\$1,339m

Total Operating Income, representing a 5% rise year-on-year

to the shareholders of the parent at a negative US\$12 million, compared to a positive US\$258 million reported last year (when the currencies remained broadly stable).

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

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

Total assets of the Group at the end of the year stood at US\$46,265 million, 5% higher than at US\$43,892 million as at year-end 2023. Average assets for the

year were US\$44,366 million (2023: US\$39,480 million) and average liabilities, including non-controlling interests, were US\$40,138 million (2023: US\$35,320 million).

**Credit Commitments, Contingent Items and Derivatives**

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

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



Geographical and Maturity Distribution of the Balance Sheet

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

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

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

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

Distribution of Credit Exposure

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

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

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

Classified Exposures and Impairment Provisions

The total of all impaired loans as at the end of 2024 was US\$699 million (2023: US\$710 million). ECL allowances including stage 3 provisions at the end of 2024 stood at US\$617 million (2023: US\$648 million). The total of all impaired securities as at the end of 2024 was US\$64 million (2023: US\$74 million). ECL allowances, including stage 3 provisions, at the end of 2024 stood at US\$75 million (2023: US\$88 million).



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

Impaired Loans

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

Impaired Securities

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

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

Group Capital Structure and Capital Adequacy Ratios

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

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

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

of 15.5% (2023: 15.0%), well above the 10.5% minimum set by the Central Bank of Bahrain.

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

Resilient Performance in an Uncertain Economic Environment

Our core and network markets faced significant uncertainty and volatility in 2024, including from geopolitical and macroeconomic factors. The Russo-Ukrainian Conflict and the Gaza Conflict continued and threatened to widen, with ebbs and surges impacting global activity through channels such as commodity prices, maritime traffic and insurance costs, subdued

tourism and private investment flows and weaker market sentiment. Elevated policy interest rates led to weaker credit demand and threatened credit quality. Against this background, global growth is estimated to have eased to 3.2% in 2024, down from 3.3% in 2023. Growth in MENA is estimated at 2.1% in 2024, slightly better than the 1.9% expansion in 2023.

Reflecting these headwinds, the EGP was devalued sharply in Egypt during the first quarter of 2024 to about EGP50 against the US Dollar from under EGP31 previously to cope with a foreign currency scarcity triggered in part by lower Suez Canal revenues due to regional conflict. Elsewhere, rising fiscal deficits and poor market confidence led to the BRL depreciating by about a fifth during 2024, weakening to BRL6.2 against the US Dollar from under BRL5 at the end of 2023. Elevated policy interest rates have also pressured credit quality, including in the US commercial real estate market. However, with concerns about inflation easing and giving way to a desire to avert a pronounced, broader slowdown, major central banks embarked on a monetary easing cycle.

Looking Ahead to 2025

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

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

Bank ABC is Positioned to Capitalise on Opportunities Ahead

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

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



# STRATEGY IN MOTION

## Accelerating ahead as MENA’s international bank of the future

Bank ABC’s refreshed 3-year Strategy launched in 2023, turbocharged the Group’s growth and transformation agenda. A solid action plan of priorities and initiatives was set in motion across three key pillars, giving a clear roadmap to achieve the strategic vision. Just two years into its execution, many key performance indicators (KPIs) have been achieved, reflecting strong value realisation across all business segments.



# STRATEGIC ACHIEVEMENTS IN 2024

<b>Accelerating our core performance</b>	<ul style="list-style-type: none"><li>- Wholesale Banking (WB) exceeding historical benchmarks, deepening client coverage and developing its market leading product capabilities.</li><li>- Franchise-wide rollout of digital platforms for Group Transaction Banking offering market-leading automated solutions on cash, documentary trade and supply chain finance.</li><li>- Continued leadership in region's Capital Markets, with award-winning deals in both conventional and Islamic finance.</li><li>- A client-centric model offering fully digital on-boarding with a front-line platform for business lines resulting in greater insights and enhanced client service.</li><li>- Remarkable growth in Retail and Digital Banking business with significant increase in customer base, as a result of digitising the product and service offering and leveraging the strengths of digital bank, ila.</li><li>- Banco ABC Brasil (BAB) strengthens market presence with a focus on middle-market corporate clients, new product offering, reducing credit concentration, and efficient capital allocation.</li></ul>
<b>Maximising value of our digital units - ila &amp; AFS</b>	<ul style="list-style-type: none"><li>- ila Bank deepens market share in Bahrain and Jordan, with the launch of new products and features.</li><li>- Plans set in motion to 'carve-out' ila into a digital banking subsidiary that has greater flexibility to raise financing, form strategic partnerships and expand operations in other markets.</li><li>- AFS reported strong revenue growth in its bank processing and merchant acquiring businesses, with rising transaction volumes in both Bahrain and Oman.</li><li>- Strengthened MENA franchise by securing a merchant acquiring license in UAE, with operations already being successfully launched and gaining market traction.</li></ul>
<b>Strengthening our operating model</b>	<ul style="list-style-type: none"><li>- ABC AI programme gains momentum, with new AI business models, use cases and generative AI assistants being piloted.</li><li>- Next-generation core banking system in Bahrain nearing full deployment, laying the foundation for new asset products across ila and our wider franchise.</li><li>- Taking the lead in conducting several regional-first, instant large volume cross-border B2B transactions in 2024, utilising tokenised deposits and distributed ledger technologies, with partner JP Morgan and CBB.</li><li>- A programme of continuous improvement to streamline process and operating models in areas such as credit, portfolio management and our IT organisation.</li></ul>



# BANK ABC

## THE INVESTMENT CASE

An attractive investment proposition supported by record results, a clear strategic focus to accelerate performance momentum, a robust balance sheet and a brand that is strengthening throughout the region.

Participate in the exciting journey of one of MENA's leading international financial institutions, as we deepen our franchise, deliver record growth, accelerate on our strategic roadmap, and build a sustainable, digital-led banking powerhouse in the region.



### Record financial performance while maintaining a strong balance sheet

- Innovative banking that is delivering results despite market headwinds - the Bank reached historic revenue levels, with TOI increasing 5% YOY at US\$ 1.34 billion (3-year CAGR 16%) in 2024.
- Growth of 21% YOY in net profits to reach US\$285 million (3-year CAGR 42%), driven by volume growth in our core business across our markets and successful delivery of our strategic objectives.
- Dividend pay-out increased by 22% year-on-year, increased in-line with profit growth (3-year CAGR- 22%).
- ROE 7%, up 1.2% from 2023 and at record level from continuing business operations.
- A strong balance sheet with capital and liquidity ratios well above the regulatory requirements: Tier 1 Capital ratio at 15.5%, of which CET1 at 13.6%. LCR and NSFR at 198% and 123% respectively.

### Strategic growth as MENA's International bank of the future

- A focused strategic roadmap that is delivering results and creating a resilient and high-performing future-proof organisation.
- Accelerated growth in Core Businesses of Wholesale Banking and Treasury, Retail, and the Brazil franchise, Banco ABC Brasil (BAB) including:
  - Capital Markets leadership with several landmark, award-winning deals.
  - Successfully completed the final stages of integrating BLOM Bank Egypt with Bank ABC Egypt, creating a new platform to turbocharge growth in the core MENA market.
  - Market leading transaction banking capabilities, leveraging our digital platforms for cash management, documentary trade and supply chain finance.
- Continuing investment into maximising the value of our digital units.
  - ila Bank's deepening market share with new innovative products and fast-paced regional expansion.
  - AFS' growing strength and leadership in driving transformation of digital payments at scale across the region, underscored by expansion into UAE.
- A strong and respected brand and customer value proposition.

### Exemplary industry leader fostering innovative & sustainable transformation

- At the forefront of digital innovation with a radical transformation agenda and Group CEO sponsored programme to explore new AI business models and use cases.
- Leveraging AI and data analytics to maximise the adoption of digitisation and automation.
- Recognised as the 'Best Bank in Middle East for Innovation in Digital Banking' by The Banker (FT); the Group's innovation & digitisation centre, ABC Labs, consistently named one of the 'World's Best Financial Innovation Labs' by the Global Finance Innovators Awards.
- A holistic, collaborative, and committed approach to sustainability; mobilised US\$2.9 billion in sustainable finance in 2024 with over 90% directed towards developing countries, diving impact in emerging markets.
- A responsible corporate citizen, delivered 90 CSR initiatives, investing over US\$1.27 million into our communities in 2024; expanded its Diversity, Equity and Inclusion (DEI) efforts to include new career development, leadership and mentoring programmes.

### Effective and experienced management, committed to robust governance and risk management

- Highly experienced C-suite team with multiple years of experience in Bank ABC and other major regional and international banks.
- Diverse and highly experienced representation across Group Boards to ensure balanced and effective governance.
- Continued focus on proactive management of risk and improving risk culture, improving credit, operational and market risk practices with stable cost of risk.



# BUSINESS & OPERATIONS REVIEW

## Global Business lines

### Global Wholesale Banking

Global Wholesale Banking (GWB) delivered a record-breaking performance in 2024, exceeding previous benchmarks and surpassing key performance indicators across the network. Enhanced profitability was reflected in improved RAROC and TOI/RWA, supported by a capital-light strategy and effective capital utilisation.

GWB's success was rooted in its differentiated value proposition: advanced end-to-end digital capabilities, product innovation, and a restructured client coverage model focused on industry specialisation across all customer segments. Operating across the geographic franchise, the Bank continued to scale its impact and deliver tailored solutions to a diversified client base.

Customer acquisition remained a key growth lever, with digital transformation in GTB and bespoke financing solutions driving new income streams—particularly within MENA. The Bank also deepened its footprint in international markets, notably Europe, Asia, and the United States.

#### Global Corporate Banking

The Global Corporate Banking (GCB) delivered an impressive performance in 2024, with record-breaking double-digit revenue growth compared to the previous year. Leveraging Bank ABC's comprehensive product suite and expansive global presence, GCB successfully executed its strategy to deepen corporate client penetration. This was achieved through the acquisition of new to bank (NTB) clients, with a particular focus on the Mid Cap\* segment. Additionally, revenue expansion was driven by increasing wallet share working with product teams to develop new-to-product customers, particularly in cash management, and by capitalising on trade corridor opportunities across Bank ABC's global franchise.

#### Global Financial Institutions & Sovereigns

The Global Financial Institutions and Sovereigns (GFIS) business delivered outstanding revenue growth in 2024, exceeding set targets. This success was underpinned by strategic transactions with MENA sovereign entities and an expanded, capital-efficient product suite, featuring structured and fund financing solutions.

Throughout the year, the Bank broadened its client portfolio, extending its reach to financial sponsors and non-bank financial institutions (NBFIs), particularly across the United States and Europe. Looking ahead, the Group aims to strengthen its banking franchise within core markets, including the Gulf Cooperation Council (GCC), Türkiye, and MENA, while capitalising on its growing success with NBFIs to expand into the GCC and Asia.

#### Global Transaction Banking (GTB)

As a cornerstone of the GWB product offering, GTB delivered an exceptional performance in 2024, surpassing financial targets by double-digit margins. A key contributor to this success was the continued growth in documentary trade flows, including bonding facilities tied to infrastructure projects in core markets. In parallel, the increased utilisation of supply chain (receivables finance) solutions by strategic clients, coupled with substantial growth in cash management liabilities, led to record volumes and revenue generation.

A major milestone in 2024 was the successful completion of the GTB platform digital transformation across all product segments, including Documentary Trade, Supply Chain Finance, and Payments and Cash Management. The comprehensive rollout was complemented by training across all business units, resulting in high adoption rates and strong client engagement. Digital penetration continued to rise, with an increasing number of clients onboarded onto the new, integrated GTB ecosystem.

GTB's outstanding achievements and strategic initiatives have garnered widespread industry recognition. In 2024, the business line was honoured with multiple prestigious awards, including 'Middle East's Best Bank for Transaction Banking' by The Banker (FT) and 'Best Trade Finance Bank in the Middle East' by GTR Leaders

Top honours in 2024 with multiple prestigious awards including 'Middle East's Best Bank for Transaction Banking' by The Banker (FT).

in Trade. Global Finance also recognised GTB with five awards, including 'Best Trade Finance Provider in Middle East,' 'Best Corporate Cross-Border Payment Solution in the Middle East,' 'Best Cash Management Bank in Bahrain & Tunisia,' 'Best Bank for Long-Term Liquidity Management in Africa,' and 'Best Trade Finance Provider in Bahrain.'

#### Specialised Finance

The operating landscape for Specialised Finance (SF) remained complex in 2024, shaped by the challenges of elevated oil prices, and subdued capital expenditure appetite amid amid geopolitical uncertainties, and tighter loan margins due to increased market liquidity. Despite these hurdles, SF successfully executed new transactions exceeding US\$1 billion, reinforcing its ability to navigate a shifting financial environment.

The fund finance segment was a key area of expansion, particularly in subscription line financing, where Bank ABC acquired high-quality, low-risk assets at competitive pricing. This positioned the Bank as a preferred partner for fund managers across its core markets, and laid the groundwork for continued growth in 2025 and beyond.

Throughout the year, SF maintained a diversified and resilient portfolio, carefully balancing sectoral exposure and geographic concentration. The team focused on leading and originating mandates in Metals, Oil & Gas, Transport & Logistics, Telecommunications and Technology, and fund finance.

#### Real Estate Finance

Real Estate Finance delivered strong growth in 2024, outperforming expectations despite continued market headwinds, including the lingering effects of remote work trends and elevated interest rates.

In the United Kingdom, Bank ABC's residential real estate finance business demonstrated resilience, maintaining strong origination levels amid evolving market conditions.

Meanwhile, in the United States, the Bank has adopted a selective approach, focusing on high-quality asset classes to ensure prudent portfolio growth and risk management. This strategic stance has enabled Bank ABC to navigate a complex real estate landscape while capitalising on key opportunities in its core markets.

The team continued to enhance its client offering, providing financing solutions tailored to shifting market needs, while reinforcing Bank ABC's position as a trusted and agile partner in its focus markets.

#### Islamic Finance

The Islamic banking team under Bank ABC Islamic reported continuous growth and impressive financial results in 2024. Net income after Zakah rose by double digits. Growth stemmed from NTB clients and enhanced returns from existing customers, successfully navigating pricing pressures in the market. Bank ABC Islamic also leveraged its expertise and reputation in the Sukuk market, leading several high-profile transactions for clients, actively tapping into Islamic liquidity in the Gulf region.

Bank ABC Islamic continued on it's accelerated growth strategy for the Islamic financing business, aligning to the overall Group strategy, raising Islamic liabilities, scaling up capital-light business, and cross-selling products. With an ongoing emphasis on digitisation, the strategy also focuses on penetration of the 'alburraq' Islamic offering, through ila Bank, which will further strength the Islamic franchise across ABC Group.

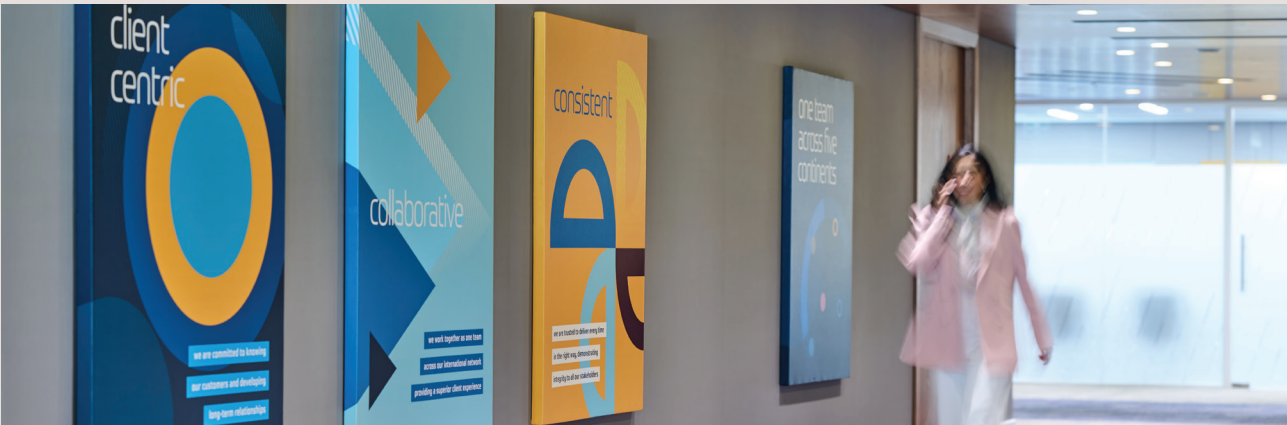
Bank ABC Islamic was named 'Best Islamic Bank in Bahrain 2024' by Global Finance.

### Group Treasury & Financial Markets

In 2024, Bank ABC's Treasury and Financial Markets division delivered robust performance, leveraging market expertise, client relationships, and prudent risk management to support the Group's growth and resilience.

\* Mid Cap being a segmentation of corporates just below the largest global and regional players.





Syndications

The Syndications team achieved a record-breaking year, underwriting over US\$2.5 billion and surpassing the previous year’s benchmark, delivering its highest performance to date, reflecting its strong market positioning and strategic execution.

This success was driven by a continued emphasis on optimising the originate-to-distribute model in an increasingly competitive landscape where spreads have tightened. Secondary loan markets played a pivotal role, enabling the team to secure highly profitable trades on both the buy and sell sides. This dynamic approach reinforced Bank ABC’s leadership in syndicated lending space while ensuring sustained growth and profitability.

Debt Capital Markets

The Bank’s Debt Capital Markets (DCM) team continued to lead high-profile transactions in 2024. The team successfully executed Sukuk and bond issuances spanning the UAE, Oman, Bahrain, Kuwait, Qatar, Türkiye, and Europe. A major milestone was the team’s role as the sole arranger for AerCap’s landmark US\$500 million Sukuk issuance, further reinforcing its leadership in Islamic and conventional capital markets.

Financial Market Sales & Trading

The team continued its strategic focus on expanding over-the-counter product sales, actively creating a market in SAR interest rates for regional financial institutions. This was complemented by the Bank’s core offerings in commodity, foreign exchange and structured interest rate solutions. Additionally, the digitisation of foreign exchange services remained a priority, with the further development of electronic foreign exchange systems aligning with the Group’s broader digitisation strategy.

Corporate Treasury

Corporate Treasury (CT) maintained its strategic focus on liquidity management, balance sheet optimisation and the integration of the marketable securities function.

On the liquidity front, CT played a crucial role in ensuring the Group maintained robust liquidity levels despite elevated geopolitical challenges. By proactively managing funding across units, it safeguarded the Group’s ability to meet financial obligations seamlessly. Despite ongoing market volatility, CT maintained strong liquidity, as evidenced by a Net Stable Funding Ratio above 120% and a Liquidity Coverage Ratio well above regulatory thresholds.

Furthermore, CT was instrumental for the growth in the Group’s total assets to an unprecedented US\$46 billion and supporting the proactive management of the Bank’s exposures.

The integration of the marketable securities function into CT was successfully completed and delivered outstanding results, significantly exceeding targeted expectations.

Group Digital Banking and Retail

In 2024, Group Digital Banking & Retail (GDRB) witnessed strong delivery on its key strategic aspirations as well as financial metrics, reflecting the success of its digital transformation strategy, robust customer acquisition and disciplined execution. The business recorded double-digit deposit growth across all operating markets, with strong loan portfolio expansion, and a rapid rise in customer numbers with increased focus on digital acquisition.







Digitisation and automation remained central to GRDB’s strategy. A key milestone was the launch of the “Blue App” in Egypt utilising ila’s technology, with further releases planned for 2025 that will ease the onboarding journey to exponentially increase customer acquisition. Preparations for the launch of the Blue App in Algeria and Tunisia are also well underway with both launches planned for 2025. GRDB has also achieved significant progress in the digitisation and automation of key processes, with the delivery of “Instant Account Opening” completed in Algeria with Egypt to follow. These initiatives reflect the Group’s commitment to delivering accessible, intuitive digital banking across the region.

Customer acquisition and sales growth continued to be a key performance driver. Retail in Algeria achieved record new customer and sales bookings, while Jordan achieved significant deposit growth through ila Bank. Retail in Egypt saw strong momentum in credit card issuance, including the launch of Visa Infinite. GRDB also introduced several innovative products, such as Instapay and corporate card solutions, aligning with evolving market demand and reinforcing the Bank’s digital-first positioning.

In line with its hybrid banking strategy, GRDB continued to deliver on its branch strategy across the MENA units by integrating digital services and refreshing the in-branch experience. This model enabled greater operational efficiency while enhancing customer experience, blending the convenience of digital banking with the personal touch of in-person support. A network efficiency plan was also executed to streamline operations and upgrade select locations.

Digital sales efforts based on the ila best-in-class approach were rolled out across the MENA units, driving a marked increase in social media presence, customer interaction and acting as another source of customer and sales acquisition. These efforts supported brand visibility, accelerated digital adoption, and deepened customer loyalty.

With its strong momentum in customer and sales growth, digitisation and innovation, GRDB remains a key engine of growth for the Group, driving retail banking excellence across the MENA region.

“One Bank” Matrix Across our Units & Businesses						
A matrix model that enables efficient use of resources and improves global cross-country collaboration						
		4 Core businesses				2 Digital Investments
		 Wholesale Banking	 Treasury	 Group Retail	 BANCO ABC BRASIL	 ila  afs
MENA Core markets	Bank ABC 18 units					
	Bank ABC BSC (Bahrain BU* + Group)	•	•			
	Bank ABC Islamic	•	•			
	Bank ABC Tripoli	•	•			
	Bank ABC DIFC	•	•			
	Bank ABC Tunisia	•	•	•		
	Bank ABC Egypt	•	•	•		
	Bank ABC Jordan	•	•	•		•
	Bank ABC Algeria	•	•	•		
	Arab Financial Services					•
Network Market	ila Bank					•
	ABCIB (London)	•	•			
	ABC Istanbul	•	•			
	ABC SA (Paris)	•	•			
	ABC Milan	•	•			
	ABC Frankfurt	•	•			
	ABC New York	•	•			
	ABC Singapore	•	•			
					•	

\*Bahrain Business Unit covers the GCC

# Network subsidiaries

## Bank ABC Europe (ABCIB)

ABC International Bank (ABCIB), covering the Group's European business, built on the momentum of 2023 to achieve another year of outstanding performance in 2024. The Bank delivered record revenues with a net profit of US\$34.1 million (after tax), marking an impressive 22% year-on-year growth.

Wholesale Banking delivered exceptional results, generating total operating income above budget. GTB was the key driver, supported by outstanding results in documentary credit and trade lending. Real Estate Finance also recorded a robust year, with a focus on student accommodation and build-to-rent projects. The team successfully co-funded significant developments in Bristol and London, in partnership with leading investors such as ADIA.

ABCIB continued its digital transformation journey, successfully launching ABC Trade, as part of the Bank's new digital banking portal, and the launch of a Frontline platform for relationship managers. It completed the technical rollout of ABC Cash, and the digital supply chain finance platform is now also live, driving significant operational efficiencies, with further client onboarding progressing well. Additionally, ABCIB's Real Estate team was shortlisted for 'Best Commercial Real Estate Lender' at the prestigious Property Week Awards.

## Banco ABC Brasil

In 2024, Banco ABC Brasil (BAB) continued to deliver on its strategic priorities, achieving strong financial performance, driven by disciplined execution, product mix optimisation, and enhanced capital efficiency, while optimising its business model for long-term sustainability. Revenues from low or non-capital-intensive products grew rapidly, underscoring the success of the Bank's strategy to shift toward higher-margin, lower-risk products.

BAB saw a notable asset growth in 2024, particularly in wholesale credit origination. The Expanded Credit Portfolio grew by double digits year-on-year, in line with broader market momentum. The Brazilian debt capital markets experienced a record year, with primary issuance volumes almost doubling previous year figures. BAB's Investment Banking franchise capitalised on this surge, positioning itself for another record year in revenue generation.

In addition to core banking operations, BAB reinforced its balance sheet by issuing BRL1 billion in Perpetual AT1 Notes across two successful transactions, which bolstered its regulatory capital.

BAB's commitment to governance, transparency, and investor relations was recognised once again, earning the Bank its fourth consecutive nomination for the APIMEC & IBRI IR Awards. This consistent recognition reflects BAB's strong market reputation, effective communication with stakeholders, and focus on sustainable, long-term value creation.

## Bank ABC Algeria

In 2024, Bank ABC Algeria delivered strong financial results and advanced its strategic priorities in a complex operating environment. Net profit rose to US\$15.8 million, representing a 20% year-on-year increase, supported by solid revenue growth, portfolio expansion, and strengthened operational execution.

The Bank made significant strides in expanding its Islamic banking offering, opening seven new alburaq windows across retail branches, bringing the total to thirteen by year-end. This expansion reflects the growing demand for Shari'a-compliant financial solutions in the Algerian market and the Bank's agility in meeting evolving customer needs.

With a strategic focus on liability growth, Bank ABC Algeria launched a high-impact, year-long promotional campaign featuring monthly prize draws to drive deposit growth and enhanced customer engagement.

Operational excellence remained a core priority for the Bank; it strengthened its leadership and governance framework with multiple new hires and internal process optimisation.

## Bank ABC Egypt

Bank ABC Egypt played a pivotal role in the Group's success, improving its return on equity and increasing its net profit by 58% to US\$46 million, driven by efficiency gains, digital innovation, and strategic client growth. These results underscore the Bank's continued transformation and its ability to navigate Egypt's evolving economic landscape.

Key strategic milestones of the year included the successful launch of the Blue App, a major step forward in expanding digital banking services to retail customers. Early in 2024, the Bank completed the final migration of its retail customer base from BLOM bank Egypt

To further deepen its market presence and support underserved sectors, the Bank established a dedicated Business Banking Unit, targeting the small and medium-sized enterprise (SME) segment. This has contributed to meeting the Central Bank of Egypt's (CBE) SME lending ratio requirement, reflecting its proactive support for Egypt's economic development agenda.

In 2024, ABC Egypt also introduced new products tailored to evolving customer needs, including Visa Infinite, Instapay, and Corporate Cards, which were met with strong market uptake. These offerings supported both individual and business customers, reinforcing the Bank's commitment to financial inclusion and service innovation.

Through a blend of digital transformation, product innovation, and customer-focused execution, Bank ABC Egypt strengthened its position as a leading player in the local market while supporting the Group's broader growth ambitions in the region.

## Bank ABC Jordan

Despite the challenging regional geopolitical conditions, Bank ABC Jordan has achieved a net profit of US\$2,656,807, while advancing its strategic goals across digital transformation, and client acquisition. The Bank demonstrated clear momentum in modernising its services and enhancing its role within the wider Group network.

Digital innovation was a cornerstone of progress during the year. Wholesale Banking successfully launched ABC Trade, expanding its documentary trade capabilities, and piloted ABC Cash, enhancing real-time cash management services.

ila the digital, mobile-only banking application also continued to gain traction, particularly through its fully digital savings and prize-linked accounts. ila enabled the Bank to expand its reach across diverse customer segments, fostering greater adoption of digital banking services among younger demographics and digitally-savvy users. Additionally, a new feature enabling customers to monitor and manage their loans through the app further enhanced user engagement and accessibility. Retail continued to offer a range of products to meet diverse customer needs. The Bank also ran promotional campaigns, rewarding credit card users with cash prizes and discounts.

Another key highlight was the Bank's participation in a syndication facility supporting the King Hussein Cancer Centre, one of Jordan's most critical healthcare institutions, reflecting on its broader commitment to impactful finance, serving both community needs and the country's development objectives. The Bank also prioritised growth in the SME segment, establishing a foundation for long-term engagement with this vital economic sector.

With a strategic focus on innovation, community engagement, and cross-market growth, Bank ABC Jordan is well-positioned to continue driving value in 2025 and beyond.

## Bank ABC Tunisia

In 2024, Bank ABC Tunisia reinforced its position as a key financial partner in the local market. The unit's net profit increased by 43.3% to US\$10.1 million, supported by targeted portfolio growth and a commitment to sustainable development.

Bank ABC Tunisia played a vital role in supporting critical infrastructure projects, with a particular focus on desalination and wastewater treatment—two areas central to addressing Tunisia's water scarcity challenges. These projects contributed not only to economic development but also to improved access to clean water for vulnerable communities, aligning with the Group's sustainability goals.

In the area of financial inclusion, the Bank expanded its partnerships with microfinance institutions, financing over 6,800 micro-entrepreneurs, including 3,500 women. This initiative underscores a commitment to empowering underserved segments and fostering inclusive economic growth.

Digital transformation remained a strategic priority and the Bank made significant strides in onboarding wholesale banking clients to its digital platforms, with over 60% adoption of ABC Digital and the successful launch of ABC Trade. These platforms have improved transactional efficiency and client engagement, enhancing the Bank's competitiveness in the transactional banking space, which will strengthen the Bank's digital footprint and reinforce its leadership in innovative banking solutions.



ila Bank

ila Bank continued its exceptional growth trajectory in 2024, strengthening its position as one of the region’s leading digital banks. The Bank rapidly expanded its customer and deposits base, reflecting increasing trust in its seamless, mobile-first experience and customer-centric approach.

Over the past five years, ila Bank has redefined the digital banking landscape in Bahrain by combining intuitive design with cutting-edge technology to deliver a truly modern banking experience. Its ability to scale rapidly while maintaining high levels of customer engagement and service efficiency has made it a standout performer within the Group.

In 2024, ila Bank introduced several innovative features aimed at expanding access and functionality. Customers can now invest in government securities issued by the Central Bank of Bahrain, including treasury bills, bonds, and sukuk, directly through the app—an industry-first for retail users in Bahrain. The launch of Easy Pay Plans enabled users to convert credit card transactions into manageable instalments, improving financial flexibility. In addition, the introduction of the co-branded ila Gulf Air Mastercard credit card brought together banking and travel benefits in one seamless product.

These product enhancements reflect ila’s ongoing commitment to delivering tailored solutions that resonate with customer lifestyles and financial goals. Backed by advanced analytics and user feedback, ila continues to roll out new features that enhance digital engagement, drive loyalty, and expand its user base.

ila’s excellence was recognised through multiple industry awards in 2024. It was named the ‘Fastest-Growing Digital Bank in MENA Central’ by Mastercard and ‘Best Digital Bank in Bahrain’ by MEED and won seven titles at Global Finance’s World’s Best Digital Bank Awards including ‘Best Consumer Digital Bank in Bahrain’. These accolades reinforce ila’s reputation as a digital pioneer and innovation leader.

With a forward-looking strategy and strong momentum, ila Bank remains a key growth engine for the Group and a benchmark for digital banking innovation in the region.

ila recognised as ‘Best Consumer Digital Bank in Bahrain’ for the 4th consecutive year.

Arab Financial Services (AFS)

AFS achieved strong revenue growth in 2024, driven by an increase in its Processing and Acquiring business lines. Key developments included entry into the UAE acquiring market, a new ERP system, automation initiatives and product innovations like AFS Pro. AFS also expanded its market presence, strengthened compliance and received multiple industry awards for excellence. Recognitions included ‘Most Innovative Payments Solution Provider’ from the MEA Finance Banking and Technology Awards, ‘Best Digital Payments Solution Provider’ from Global Business Magazine, and ‘Excellence in Finance & Payments Innovation’ from the FiNext Conference.



Support functions

Group Finance and Group Strategy & Transformation (GST) and Group Balance Sheet Management (GBSM)

Group Finance continued to deliver on its role as partner to the leadership team in driving the Group’s strategic goals and enhancing shareholder value through financial goal setting, regular and timely measurement and reporting of financial performance to all stakeholders - both within and outside the Bank. The function was a key participant in driving the strategic initiatives of the Bank while maintaining a strong focus on controls and a sound framework for compliance with regulations and accounting standards.

To track and monitor the execution of the strategy more closely, GST launched a new Transformation Office in 2024. The function also launched new strategic KPI framework across the Group to assess value realisation.

GBSM continued with its key role to affectively monitor and plan the Group’s balance sheet strength. New initiatives included a refresh of Group Funds Transfer Pricing framework and working with the Wholesale Bank on creation of its portfolio management function.

Group Human Resources

Reaffirming its commitment to career growth and empowerment of employees, Bank ABC launched ABC Rise in 2024, an initiative that provides employees with opportunities to explore career development through skill-building workshops and structured programmes designed to enhance professional capabilities. The ABC Rise-Mentoring Programme further strengthened the Bank’s culture by fostering cross-organisational relationships, aligning mentees with experienced mentors to support long-term growth.

To enhance employee engagement, the Bank launched an engagement survey, gathering insights from 4,500 employees. The survey, with an 87% participation rate, highlighted strong leadership trust and organisational values while identifying opportunities for growth in recognition and development.

Leadership development was also prioritised through the Unleashing Leadership Potential programme,

which equipped leaders with critical skills in feedback, performance management, coaching, and leadership styles. The Pathways to Excellence sponsorship programme provided financial support for employees pursuing bachelor’s and master’s degrees. These initiatives, combined with the HR Business Partnering Model, ensured strategic alignment, talent retention, and optimised performance, contributing to the Bank’s overall growth and success. Additionally, Bank ABC advanced its well-being initiatives in 2024, offering support sessions, financial literacy workshops, and in-house health check-ups.

Group Credit & Risk

Group Credit and Risk played a key role in enhancing the Bank’s operating model by implementing initiatives to identify, measure, and manage risks effectively. Key achievements include a 60% improvement in credit turnaround times, updates to the Group Risk Appetite Statement and credit policies, independent validation of IFRS 9 models, and the successful delivery of the Operational Risk Transformation Plan six months ahead of schedule. Additionally, major system upgrades were completed for the Credit Management System and Governance Risk and Compliance tool.

Group Operations

Group Operations focused on strengthening the Bank’s operational infrastructure for the future, playing a key role in developing the new core banking system set to launch in 2025. It also supported key initiatives to streamline future Core Banking migrations and aligned Wholesale units on core banking solutions, including further deployment of the Treasury back-office system. Enhancements to Bank ABC’s SWIFT infrastructure were made to prepare for the mandatory ISO 20022 rollout in 2025.

Operational excellence remained a priority, with over 99% of client transactions processed accurately and on time, exceeding service level targets. Group Operations, in collaboration with Group IT, received awards from JP Morgan and Citibank for exceptional Straight Through Payments rates and recognition for integrating artificial intelligence into trade finance.

ABC Labs won global acclaim, including being featured as one of the ‘World’s Best Financial Innovation Labs’ by Global Finance

Additionally, the function continued to drive process digitisation and simplification using Lean Six Sigma, delivering higher-quality services at lower costs across the Bank.

Group Information Technology

Group Information Technology (IT) dedication to digital transformation has been crucial to Bank ABC’s growth, financial performance and operational excellence.

Aligned with the Bank’s strategic objectives and in coordination with business lines it implemented several advanced solutions to enhance efficiency, improve customer experience, and mitigate risks. Significant strides were made in data management and Cloud migration, most notably the implementation of a Cloud-based, Core Banking system. The function also supported the Group’s Strategy and contributed in executing cutting-edge solutions such as mobile banking applications, advanced analytics, and new transaction banking platforms, leveraging technology to enhance existing products and services.

Group Cyber and Information Security

Group Cyber and Information Security (GCIS) continued to strengthen cyber security and data protection across the Group, embedding ‘Security and Privacy-by-Design’ across all IT-driven initiatives. It played a pivotal role in securing cloud adoption, advising on the security framework for the new Core Banking System, and supporting the adoption of artificial intelligence-driven automation.

Continuous enhancement and maturity of cyber resilience was a key focus, with investments in advanced threat detection, incident response, and leadership awareness. GCIS also supported subsidiaries and branches, aligning with evolving regulatory requirements.

Group Compliance

Group Compliance continued to spearhead Bank ABC’s compliance with laws and regulations. The function reviewed, updated, and implemented Group-wide the Group Customer Risk Assessment Methodology in line with best practices and guidance. Additionally, Group Compliance continues to enhance its Compliance Risk Management Framework, which includes the Bank’s Conduct Framework and maturing the Compliance risk identification, assessment, and monitoring process Group-wide.

Group Innovation & Digital

In 2024, Group Innovation and Digital (GID), continued to lead key digital initiatives across the Group across three portfolios.

Under the “Execution” portfolio, dedicated to new value creation, the function significantly advanced the ABC AI Programme, with the implementation of several AI and automation use cases, introducing intelligent automations and Gen AI applications. GID also supported Wholesale Bank in the rollout of the Frontline Platform MVP across the Group improved digital capabilities for managing wholesale banking client relationships and enhanced credit processes with real-time holistic views. Additionally, the Digital Onboarding Platform was enhanced to streamline the journey for new client segments.

As part of its “Enabling” Portfolio, aimed at facilitating innovation, the function organised Innovation Focus Days, training and awareness sessions, particularly on Gen AI and prompt engineering.

Under the “Exploring” portfolio, dedicated to identifying new opportunities, the function is looking at new business models and products in collaboration with the Group’s Business Lines.

The GID’s innovation centre, ABC Labs, earned several accolades, including one of the World’s Best Financial Innovation Labs Award and recognition for its tokenised deposits for cross-border payments initiative as a key payment innovation in the Middle East from Global Finance.

Group Sustainability

Sustainability remains a strategic priority and underpins the Group strategy as it creates a more resilient, inclusive and sustainable growth across its markets of presence. The Bank made remarkable progress in 2024, in reducing its environmental impact and supporting its clients’ transition strategies. This included publishing its inaugural Group Sustainability Disclosures Report and developing a three-year programme to reduce the environmental impact of our operations.

A key element of Bank ABC’s sustainability strategy is accelerating the sustainable and transition finance that is provided to customers. In 2024, the Bank mobilised US\$2.8 billion of sustainable finance, a 24% rise on the US\$2.3 billion provided in 2023. This was equivalent to 15% of our loans and advances in 2024 with 86% of these funds allocated to developing countries. Our high allocation of sustainable finance to the global south, reinforces Bank ABC’s role as a positive impact enabler with the ability to leverage off its geographical footprint.

In addition to financing, the Bank also strengthened its internal capabilities. A global training programme was launched for our client-facing teams to build capacity and awareness on these topics, ahead of launching several new initiatives including the integration of a Client ESG Risk Assessment into our lending process. To support the various initiatives, the Bank expanded its team of sustainability specialists across its global network; with dedicated experts across Bahrain, Brazil, Egypt, Tunisia, Paris, and London. The Group also strengthened its diversity, equity, and inclusion initiatives, social ESG KPI tracking, and conducted an employee engagement survey to promote an inclusive transformation. Beyond financing, Bank ABC delivered 90 CSR initiatives in 2024, investing over US\$1.27 million into our communities.

Group Corporate Services

Group Corporate Services (GCS) continued to provide comprehensive facilities management, procurement, insurance, and health & safety services across the Group. Major strategic achievements in 2024 included the completion of renovation of several branches across the Group in line with the Group Retail strategy. On the procurement front, GCS implemented Group-wide optimisation initiatives, enforcing best practices and generating savings. A new Digital Procurement tool was identified, set to drive process efficiencies and savings.

Aligned with the ESG strategy, GCS achieved significant improvements in energy efficiency, waste management, and carbon tracking. Environmental audits were also conducted across six major operations (Bahrain, London, Jordan, Egypt, Tunisia, and Algeria), targeting significant reduction in water, energy and carbon emissions over the next three years.

Group Corporate Communications

Group Corporate Communications (GCC) played a critical role in advancing the Group’s strategic initiatives by driving effective communications strategies, supporting innovation programmes, and promoting the sustainability agenda. Over the year, the team successfully developed the Group’s inaugural Sustainability Disclosures Report, underscoring our commitment to transparency and accountability. They also delivered a series of impactful internal campaigns, including ABC Rise, Fraud Awareness Week, and Data Protection Week, which strengthened awareness and engagement among employees. In parallel, the team sharpened the Group’s digital communications strategy, significantly enhancing channel engagement and ensuring that key messages consistently reach and resonate with target audiences.





# CONSISTENT RECOGNITION FOR CONTINUED EXCELLENCE

Bank ABC has reinforced its position as an international banking powerhouse, towering over the MENA banking landscape and beyond. The Bank has been recognised extensively for path-breaking innovation, product enhancements, prudence and performance in a challenging environment and leading landmark deals. **With 28 distinguished awards won in 2024, Bank ABC sets another record in excellence.**



**Best Bank for ‘Innovation in Digital Banking in the Middle East’ - Innovative Banking triumphs again.**

“This victory reflects our unwavering commitment to deliver a new kind of banking experience in the region. Our agile digital strategy leverages the latest technology and innovation to enhance efficiency and deliver exceptional value to our stakeholders. I would like to thank The Banker (FT) for recognising Bank ABC’s vision and execution, and my thanks to the Bank ABC Team for their unwavering commitment to excellence.”

Sael Al Waary  
Group CEO, Bank ABC

**Bank ABC Islamic recognised as Best Islamic Financial Institution in Bahrain by Global Finance for the second consecutive year.**

“This award strengthens our resolve to continue on the journey to digital transformation, expand our reach in the MENA region, and fulfil our clients’ needs with personalised Islamic Banking solutions. I thank the team at Bank ABC Islamic for their continued dedication, and our parent, Bank ABC, for their unwavering support and trust.”

Hammad Hassan  
Managing Director, Bank ABC Islamic

**ila Bank named ‘Bahrain’s Best Consumer Digital Bank’ for the fourth year running.**

ila won seven prestigious titles by Global Finance’s World’s Best Consumer Digital Bank Awards, including the leading title ‘Best Consumer Digital Bank in Bahrain’ for the fourth consecutive year and the newly introduced regional title ‘Best Opening Banking APIs in the Middle East.’

“We are extremely proud to have created a unique banking experience in the region and seek to continuously raise the bar to deliver on our promise of ‘banking that reflects you.’ This consistent recognition attests to our steadfast commitment of not settling with the status quo, and improving upon our own selves to offer accessible, inclusive, and innovative solutions that enable our customers’ financial aspirations and lifestyle needs.”

Mohamed Almaraj  
CEO, ila Bank

# 28 DISTINGUISHED AWARDS WON IN 2024

## Regional Awards

‘Best Corporate Cross-Border Payments Solution in the Middle East’ - Global Finance	‘Best Bank for Long-term Liquidity Management - Africa’ - Global Finance
World’s Best Financial Innovation Labs Award for ABC Labs - Global Finance	‘Best Trade Finance Provider in the Middle East’ - Global Finance
‘Best Trade Finance Bank in the Middle East’ - Global Trade Review (GTR)	‘Fastest Growing Digital Bank in MENA Central’ for ila Bank - Mastercard
‘Best Open Banking APIs in the Middle East’ for ila Bank - Global Finance	

## Country Awards

‘Best Trade Finance Provider in Bahrain’ Global Finance	‘Best Trade Finance Provider in Tunisia’ Global Finance
‘Best Bank for Cash Management - Bahrain’ Global Finance	‘Best Bank for Cash Management-Tunisia’ Global Finance
‘Bahrain’s Best Digital Bank’ Euromoney Awards for Excellence	‘Best Islamic Financial Institution in Bahrain’ for ABC Islamic- Global Finance
‘Bahrain’s Most Transformed Islamic Bank’ Euromoney	‘Best Islamic Bank in 2023’ IFN Best Banks Polls
‘Best Digital Bank in Bahrain’ for ila Bank - MENA Banking Excellence Awards by MEED	‘Best Consumer Digital Bank in Bahrain’ for ila Bank Global Finance
‘Best in Innovation’ for ila Bank Global Finance	‘Best in Social Media & Marketing Services’ for ila Bank- Global Finance
‘Best in Transformation’ for ila Bank Global Finance	‘Best in User Experience Design’ for ila Bank Global Finance
‘Best Opening Banking APIs in Bahrain’ for ila Bank Global Finance	

## Deals

‘Global Sovereign Sukuk Deal of the Year’ for Bank ABC’s role as JLM & Bookrunner in US\$1 billion Sukuk for Ministry of Finance & National Economy, Bahrain - BLS Middle East	‘IFN Hybrid Deal of the Year’ for ABC Islamic’s role as JLM & Bookrunner in US\$1billion hybrid jarah- Tawarrua Sukuk transaction for Energy Development Oman - IFN News
‘Global Corporate Sukuk Deal of the Year’ for Bank ABC’s role as JLM & Bookrunner in US\$1 billion Sukuk transaction for EDO Gas - BLS Middle East	‘Islamic Finance Deal of the Year’ - North America’ for Bank ABC’s role as JLM & Bookrunner in US\$600 million corporate Sukuk transaction for Air Lease Corp. - Euromoney Islamic



# RISK MANAGEMENT

This document comprises of the Group’s (as defined below) capital and risk management disclosures as at 31 December 2024 and for the year then ended.

The disclosures in this section are in addition to the disclosures set out in the consolidated financial statements for the year ended 31 December 2024 presented in accordance with IFRS Accounting Standards issued by International Accounting Standards Board (IASB).



The principal purpose of these disclosures is to meet the disclosure requirements of the Central Bank of Bahrain (CBB) through their directives on public disclosures under the Basel III framework. This document describes the Group’s risk management and capital adequacy policies and practices – including detailed information on the capital adequacy process and incorporates all the elements of the disclosures required under Pillar III. It is organised as follows:

- An overview of the approach taken by Bank ABC (Arab Banking Corporation (B.S.C.)) [hereinafter referred to as “the Bank” and together with its subsidiaries “the Group”] to Pillar I, including the profile of the risk-weighted assets (RWAs) according to the standard portfolio, as defined by the CBB.
- An overview of risk management practices and framework at the Bank with specific emphasis on credit, market, and operational risk. Also covered are the related monitoring processes and credit mitigation initiatives.
- Other disclosures required under the Public Disclosure Module of the CBB Rulebook Volume 1.

The CBB supervises the Bank on a consolidated basis. Individual banking subsidiaries are supervised by the respective local regulator. The Group’s regulatory capital disclosures have been prepared based on the Basel III framework and Capital Adequacy Module of the CBB Rulebook Volume 1.

For regulatory reporting purposes under Pillar I, the Group has adopted the standardised approach for credit risk, market risk and operational risk.

The Group’s total risk-weighted assets as at 31 December 2024 amounted to US\$28,556 million (2023: US\$30,226 million), comprising 87% (2023: 91%) credit risk, 6% (2023: 3%) market risk and 7% (2023: 6%) operational risk. The total capital adequacy ratio (CAR) was 16.6% (2023: 16.1%), compared to the minimum regulatory requirement of 12.5%.

**The Group had a total CAR of 16.6% in 2024, significantly higher than the regulatory minimum of 12.5%.**

### 1. The Basel III Framework

The CBB implemented the Basel III framework from 1 January 2015.

The Basel Accord is built on three pillars:

- **Pillar I** defines the regulatory minimum capital requirements by providing rules and regulations for measurement of credit risk, market risk and operational risk. The requirement of capital must be covered by a bank’s eligible capital funds.
- **Pillar II** addresses a bank’s internal processes for assessing overall capital adequacy in relation to material sources of risks, namely the Internal Capital Adequacy Assessment Process (ICAAP). Pillar II also introduces the Supervisory Review and Evaluation Process (SREP), which assesses the internal capital adequacy.
- **Pillar III** complements Pillar I and Pillar II by focusing on enhanced transparency in information disclosure, covering risk and capital management, including capital adequacy.

#### a. Pillar I

Banks incorporated in the Kingdom of Bahrain are required to maintain a minimum CAR of 12.5% and a Tier 1 ratio of 10.5%. Tier 1 capital comprises of share capital, treasury shares, reserves, retained earnings, non-controlling interests, profit for the period and cumulative changes in fair value.

In case the CAR of the Group falls below 12.5%, additional prudential reporting requirements apply and a formal action plan setting out the measures to be taken to restore the ratio above the target should be submitted to the CBB. The Group has defined its risk appetite above the CBB thresholds. The Group will recourse to its recovery planning measures prior to the breach of its Board approved risk thresholds.

The CBB allows the following approaches to calculate the RWAs (and hence the CAR).

Credit risk	Standardised approach
Market risk	Standardised, Internal models approach
Operational risk	Standardised, Basic indicator approach

The Group applies the following approaches to calculate its RWAs:

- **Credit risk – Standardised approach:** the RWAs are determined by multiplying the credit exposure by a risk weight factor dependent on the type of counterparty and the counterparty’s external rating, where available.
- **Market risk – Standardised approach.**
- **Operational risk – Standardised approach:** regulatory capital is calculated by applying a range of beta coefficients from 12% - 18% on the average gross income for the preceding three years – applied on the relevant eight Basel defined business lines.

#### b. Pillar II

Pillar II comprises of two processes, namely:

- an Internal Capital Adequacy Assessment Process (ICAAP); and
- a Supervisory Review and Evaluation Process (SREP).

The ICAAP incorporates a review and evaluation of all material risks to which the Bank is exposed to and an assessment of capital required relative to those risks under business as usual and stressed conditions. The ICAAP compares this against available capital resources to assess adequacy of capital. The ICAAP and the internal processes that support it should be proportionate to the nature, scale, and complexity of the activities of a bank.

The Basel Pillar II guidelines require each bank to be individually assessed to determine an individual minimum capital adequacy ratio. All the banks incorporated in the Kingdom of Bahrain are required to maintain a 12.5% minimum capital adequacy ratio and a Tier 1 ratio of 10.5% for the consolidated group. This already includes a 2.5% capital conservation buffer as part of Pillar I capital requirements.



Pillar II guidelines also encourage institutions to develop and apply enhanced risk management techniques for the measurement and monitoring of risks, in addition to the credit, market and operational risks addressed in the core Pillar I framework. Other risk types, which are not covered by the minimum capital requirements in Pillar I, include concentration risk, liquidity risk, interest rate risk in the banking book, climate change risk, pension obligation risk, strategic risk and reputational risk. These are covered either by capital, or risk mitigation processes.

The Group’s ICAAP meets the CBB’s ICAAP regulatory requirements and has also been benchmarked to international practice, and adapted as appropriate, relevant, and proportionate to Bank ABC’s business model.

c. Pillar III

Pillar III prescribes how, when and at what level information should be disclosed about an institution’s risk management and capital adequacy assessment practices.

Pillar III complements the minimum risk-based capital requirements and other quantitative requirements (Pillar I) and the supervisory review process (Pillar II) and aims to promote market discipline by providing meaningful regulatory information to investors and other interested parties on a consistent basis. The disclosures comprise detailed qualitative and quantitative information.

The disclosures are designed to enable stakeholders and market participants to assess an institution’s risk appetite, risk exposures and capital-related information, and to encourage all banks, via market pressures, to move towards more advanced forms of risk management.

The Group’s disclosures meet the minimum regulatory requirements and provide disclosure of the risks to which it is exposed, both on and off-balance sheet.

2. Group Structure and Overall Risk

a. Group Structure

The parent bank, Arab Banking Corporation (B.S.C.) (referred to as “Bank ABC” or “Bank”), was incorporated in 1980 in the Kingdom of Bahrain under an Amiri Decree and operates under a conventional wholesale banking license issued by the CBB.

The Bank’s consolidated financial statements are prepared on a full consolidation basis in accordance

with IFRS Accounting Standards. The CBB’s capital adequacy framework allows subsidiaries in other regulatory jurisdictions reporting under Basel III framework to be aggregated based on that jurisdiction’s framework, rather than based on the CBB’s guidelines subject to the CBB approval. Under this aggregation methodology, risk-weighted assets of subsidiaries are aggregated with those of the rest of the Group based on the guidelines of their respective regulator to determine the Group’s total capital adequacy ratio.

During the year, the Bank got an approval to apply aggregation approach from the CBB and accordingly one of its subsidiary, Banco ABC Brasil SA, which is regulated by the Central Bank of Brazil (BACEN), has calculated its risk weighted assets in accordance with BACEN’s guidelines and aggregated with the rest of the Group’s risk weighted assets as at 31 December 2024. Rest of the subsidiaries in the table below have been consolidated based on full consolidation approach under CBB guidelines. However, the risk weighted assets and consequently capital adequacy ratio as at 31 December 2023 was calculated in accordance with the consolidation approach.



The principal subsidiaries as at 31 December 2024, all of which have 31 December as their year-end, are as follows:

	Country of Incorporation	Shareholding % of Arab Banking Corporation (B.S.C.)
ABC International Bank plc	United Kingdom	100.0
ABC SA	France	100.0
ABC Islamic Bank (E.C.)	Bahrain	100.0
Arab Banking Corporation (ABC) — Jordan	Jordan	87.0
Banco ABC Brasil S.A.	Brazil	63.7
ABC Algeria	Algeria	88.9
Arab Banking Corporation - Egypt [S.A.E.]	Egypt	99.6
ABC Tunisie	Tunisia	100.0
Arab Financial Services Company B.S.C. (c)	Bahrain	98.0

b. Risk and Capital Management

Governance

The Governance framework within the Bank is driven by the Board of Directors (“Board”) with clearly defined roles and responsibilities for Board-level committees, Management committees and Executive Management within the Bank.

Board Level

The Board has five committees, amongst which the Board Risk Committee (BRC) is tasked with oversight of all key risk matters in the Bank. The Board, under advice from the BRC, sets the Group’s Risk Strategy/ Appetite and Policy Guidelines. Executive management is responsible for their implementation.

Within the broader governance infrastructure, the Board Committees carry the main responsibility for best practice management and risk oversight. At this level, the BRC oversees the definition of risk/reward guidelines, risk appetite, risk tolerance standards, and risk policies and standards.

Management Committees

The current committee structure provides for the Group Risk Committee (GRC) and Group Asset Liability Committee (GALCO) reporting to the BRC and the Group Compliance Oversight Committee (GCOC) to the Board Compliance Committee.

The primary objective of the GRC is to define, develop and monitor the Group’s overarching risk management framework considering the Group’s strategy and business plans. The GALCO is responsible for overseeing the implementation of the Group’s Asset / Liability Management Framework which includes capital, liquidity & funding, and market risk in line with the Risk Appetite Framework. The GCOC is responsible for strengthening the focus on compliance within the Group’s risk management framework.

The Group’s subsidiaries are responsible for managing their risks through local equivalents of the head office committees described above with appropriate Group oversight.

Three Lines Model

The Bank employs the three lines model to protect value of the Group. Some of the key responsibilities split by each line are presented below:

First Line: (Ownership & Management)

- Day-to-day identification, measurement, management, and control of relevant risk related to their area of responsibility;
- Designing and implementing controls to respond to any changes in the risk profile;
- Identification, evaluation and reporting their key risk exposure;

- Root cause analysis of risk events and action planning to prevent recurrence;
- Tracking of action plans and performance assurance/testing to ensure that completed actions are proved effective; and
- Maintaining appropriate and adequate documentation to evidence compliance with their risk accountabilities and responsibilities.

**Second Line: (Provide oversight on the management of risks)**

- Development and maintenance of the Risk Policy and Framework;
- Oversight of 1st line’s compliance with the Risk Policy & Framework;
- Review and challenge of actions being undertaken by the 1st Line in respect of relevant risks; and
- Reporting to relevant committees on significant risks and control weaknesses and progress undertaken by the 1st Line in mitigating risks outside of the risk appetite.

**The Bank’s Risk Management model is built on three lines of defence**

- First line: **(Ownership & Management)**
- Second line: **(Oversight)**
- Third line: **(Assurance)**

**Third Line: (Assurance)**

- Independent assurance of the effectiveness of Controls;
- Risk-based programme of audit activity; and
- Reporting to the Audit Committee.

The Credit & Risk Group (CRG) is the second line risk function responsible for independently overseeing and managing credit, market, operational and other material risks arising from the Group’s activities. It makes recommendations to the relevant central committees about the appropriateness of the 1st line’s compliance with policies and procedures for managing these risks. All areas of risk are overseen by the Group Chief Credit & Risk Officer, who reports into the Group CEO and the Chairman of the BRC.

The Group Balance Sheet Management (GBSM) function is a second line function responsible for capital planning and management, coordinating Internal Capital Adequacy and Assessment Process (ICAAP), efficient capital allocation through administering risk adjusted return on capital (RAROC), liquidity planning and analysis, structural funding assessment, developing Internal Liquidity Adequacy Assessment Process (ILAAP), dynamic Balance Sheet modeling to assess potential emerging impact on capital and liquidity metrics and facilitating Balance Sheet optimisation.

Group Audit functions as a third line of defence and has a reporting line, independent of management, directly to the Board Audit Committee. The primary objective of Group Audit is to provide an independent opinion and risk-based review on the design and operating effectiveness of the control environment across the group on all aspects of risk management, including Bank’s policies and procedures.

**c. Risk in Pillar I**

Pillar I addresses three specific types of risks, namely credit, market and operational risk. The Pillar I process describes the basis for the calculation of regulatory capital.

**Credit Risk**

Credit risk is the risk that a customer or counterparty to a financial asset, fails to meet its contractual obligations, and causes the Bank to incur a financial loss.

Credit Risk Management ensures that the 1st line complies with the Bank’s policies, standards and procedures designed to manage risk.

In particular it ensures that the obligor risk rating is accurate and reviewed on a timely basis.

The Group’s portfolio and credit exposures are managed in accordance with the Group Credit Policy, which applies Group-wide qualitative and quantitative guidelines, with particular emphasis on avoiding undue concentrations or aggregations of risk.

The Group’s banking subsidiaries are governed by policies and standards aligned with the Group Credit Policy and its associated standards but may be adapted to suit local regulatory and legal requirements as well as individual units’ product and sectoral needs.

The Group’s retail lending is managed under a framework that considers the entire credit cycle. Retail

obligor facilities are offered under product programs. The product programs are governed by a set of policies and standards describing the product programme approval, monitoring, reporting and recovery processes.

Additionally, Credit Risk ensures that where obligors default, losses are kept to a minimum through timely remedial actions.

Refer note 26.4 to the 31 December 2024 audited consolidated financial statement for definition and policies for management of credit risk.



**Market Risk**

Refer note 26.6 to the 31 December 2024 audited consolidated financial statement for definition and policies for management of Market risk.

The Group is exposed to the following types of market risk:

**Currency Rate Risk**

The Group’s trading book has exposures to foreign exchange risk arising from cash and derivatives trading. Additionally, structural balance sheet positions relating to net investment in foreign subsidiaries expose the Group to foreign exchange risk. These positions are reviewed regularly and an appropriate strategy for managing structural foreign exchange risk is established by the GALCO. Group Treasury is responsible for executing the agreed strategy.

**Interest Rate Risk**

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Group is exposed to interest rate risk because of client trades and positional trading strategies which is managed by setting appropriate market risk limits.

**Equity Price Risk**

Equity position risk arises from the possibility that changes in the prices of equities, or equity indices, will affect the future profitability, or the fair value of financial instruments. The Group is exposed to equity risk in its trading position and investment portfolio, primarily in its core international and GCC markets.

Equity positions in the banking book	
Quoted Equities	9
Unquoted Equities	12
	<b>21</b>
Realised gain during the year	-
Realised gain during the period	4
Unrealised gain at 31 December 2024	

There were no sales with respect to equity positions in the banking book for the period ended 31 December 2024.



Operational Risk

Refer note 26.10 to the 31 December 2024 audited consolidated financial statement for definition and policies for management of Operational Risk.

d. Risks in Pillar II

The following section captures some of the risks considered for the Pillar II assessment. The Pillar 2A measurement framework for risks considered is detailed in “CAPITAL MANAGEMENT” section.

Liquidity Risk

Liquidity risk is the risk that maturing and cashable assets may not cover cash flow obligations (liabilities) as they fall due, without incurring unacceptable costs or losses. The Group’s Liquidity Management Framework (GLMF) ensures that the Group proactively manages liquidity and structural funding risks to support prudent business growth while having the ability to withstand a range of liquidity stress events. The Group undertakes a detailed assessment to identify all material sources of liquidity and funding risks and have assessed appropriate levels of required Liquid Assets Buffers and contingency funding actions. The Group’s liquidity risk appetite sets appropriate liquidity metrics to monitor all material sources of liquidity risks and the liquidity risk appetite framework extends to all entities within the Group.

The Group maintains high quality liquid assets (HQLA) at prudent levels to ensure that cash can quickly be made available to honour all its obligations, even under adverse conditions. The Group is generally in a position of surplus liquidity, its principal sources of liquidity being its high-quality liquid assets and marketable securities.

A maturity gap report, which reviews mismatches, is used to monitor medium and long-term liquidity and funding positions.

All offshore subsidiaries of the Group manage principally on a self-funded basis to meet their liquidity and funding requirements.

The GLMF ensures that the key risk indicators are monitored proactively, including daily monitoring of Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) amongst a range of other liquidity risk indicators, and these are regularly reported to the senior management. The Group conducts daily liquidity stress testing to ensure that the Liquidity

Survival Horizon (LSH) is always maintained above the established risk appetite threshold.

The Group also carries out a comprehensive Integrated Stress Testing and ILAAP (Internal Liquidity Adequacy Assessment Process) that includes, amongst other things, scenario- based liquidity stress tests to evaluate the robustness of the liquidity management framework and the effectiveness of the contingency funding plan. The Group’s Liquid Assets Buffer (LAB) and the Group’s Contingency Funding Plan (GCFP) ensure that the Group can withstand potential liquidity shocks and market disruptions.

Interest Rate Risk In Banking Book (IRRBB)

Interest rate risk in the banking book refers to current or prospective risk to the Bank’s capital and earnings arising from adverse movements in interest rates that affect the Bank’s banking book positions. The Group is exposed to interest rate risk as a result of mismatches of interest rate repricing of assets and liabilities. This risk is minimised as the Group’s rate sensitive assets and liabilities are mostly floating rate, where the duration risk is lower. The Group has set risk limits for both earnings at risk (EAR) and economic value of equity (EVE) for interest rate risk in the banking book (IRRBB). In general, the Group uses matched currency funding and executes interest rate swaps to hedge the price risk, where appropriate, to better manage the duration in the asset book.

Quantitative measures employed include limits, interest rate sensitive gap analysis and stress testing to measure and control the impact of interest rate volatility on the Bank’s earnings and economic value of equity. These measures are applied separately for each currency and consolidated at the Group’s level.

As at 31 December 2024, the adverse impact of a 200 basis points (2%) parallel shift in interest rates on earnings over 12 months and change in economic value of equity (EVE) is provided below.

In summary, the adverse impact on Group’s earnings is estimated at US\$28.5 million (representing ~3.16% of Net Interest Income) from parallel down shift and the adverse impact of change in economic value of equity is estimated at US\$111.7 million (< 3% of Tier 1 capital) for parallel up shift. The impact on both metrics were well below the Group’s risk appetite (GRAS) thresholds for IRRBB.

Currency-wise details of the impact from a parallel shift of 200bps are as follows:

All amounts in US\$ Million				
Currency	Impact on Group's Earnings		Economic Value of Equity Impact	
	Parallel Up	Parallel Down	Parallel Up	Parallel Down
United States Dollar (US\$)	(1.9)	1.9	(50.1)	52
Pound Sterling (GBP)	3.3	(3.3)	4.7	(5.1)
Euro (EUR)	7.2	(7.2)	(4.4)	5
Brazilian Real (BRL)	13.9	(13.9)	(22)	22.9
Algerian Dinar (DZD)	3.9	(3.9)	(18.6)	21.1
Egyptian Pound (EGP)	2.1	(2.1)	(2.4)	2.5
Jordanian Dinar (JOD)	2.9	(2.9)	(7.8)	8.3
Tunisian Dinar (TND)	(0.9)	0.9	(3.6)	3.8
Other	(2)	2	(2.8)	3
Total	28.5	(28.5)	(111.7)*	(5.1)*

\* For aggregation of EVE across currencies only negative values are considered as per Basel



The repricing profile of the Group's assets and liabilities are set out in the table below:

US\$ Million	Less than 1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year	Non- Interest Bearing	TOTAL
ASSETS							
Liquid funds	3,604	(2)	18	16	-	-	3,636
Trading securities	627	-	-	160	35	16	838
Placements with banks and other financial institutions	1,805	233	22	5	6	-	2,071
Securities bought under repurchase agreements	1,034	86	15	153	-	-	1,288
Non-trading investments	6,302	3,346	583	587	5,278	21	16,117
Loans and advances	8,195	5,126	2,477	1,448	1,403	-	18,649
Other assets	-	-	-	-	-	3,666	3,666
TOTAL ASSETS	21,567	8,789	3,115	2,369	6,722	3,703	46,265
LIABILITIES & EQUITY							
Deposits from customers	13,562	4,197	1,971	1,410	618	673	22,431
Deposits from banks	2,469	890	682	512	63	12	4,628
Certificates of deposit	49	28	20	10	137	-	244
Securities sold under repurchase agreements	6,617	2,967	103	156	243	-	10,086
Other Liabilities	-	-	-	-	-	3,288	3,288
Term notes, Bonds & other term financing	940	175	4	3	20	239	1,381
Total Equity	-	-	-	-	390	3,817	4,207
TOTAL LIABILITIES & EQUITY	23,637	8,257	2,780	2,091	1,471	8,029	46,265
OFF B/S ITEMS							
Foreign Exchange Contracts	-	-	-	-	-	-	-
Interest rate contracts	1,478	1,829	(110)	109	(3,306)	-	-
TOTAL OFF B/S ITEMS	1,478	1,829	(110)	109	(3,305)	-	-
Interest rate sensitivity gap	(592)	2,361	225	387	1,945	(4,326)	-
Cumulative interest rate sensitivity gap	(592)	1,769	1,994	2,381	4,326	-	-

The interest rate gap analysis set out in the table above assumes that all positions run to maturity, i.e., no assumptions on loan prepayments. Deposits without a fixed maturity have been considered in the ‘less than one month’ bucket.

## Concentration Risk

Refer to note 26.3.2 to the 31 December 2024 audited consolidated financial statements for the definition and policies for management of concentration risk.

Under the single obligor regulations of the CBB and other host regulators, the Bank must obtain approval for any planned exposures above specific thresholds to single counterparties, or groups of connected counterparties.

As at 31 December 2024, the Group's exposures in excess of the 15% obligor limit to individual counterparties were as shown below:

US\$ Million	On Balance Sheet Exposure	Off Balance Sheet Exposure	Total Exposure
Counterparty A	8,577	-	8,577
Counterparty B	2,412	-	2,412
Counterparty C	1,399	-	1,399
Counterparty D	-	1,049	1,049

## Compliance Risk

Compliance risk is the risk of legal or regulatory sanctions, material financial loss, or loss to reputation the Bank may suffer because of its failure to comply with the statutory, regulatory and supervisory requirements including industry codes with which the Bank must by law comply with, or which it voluntarily adheres to.

Front-line functions within the units are responsible for the management of their specific compliance risks and control environment. The compliance function is responsible for assuring, on an ongoing basis, that key compliance related control processes within the first line of defence are in place and operating effectively.

## Legal Risk

Examples of legal risk include inadequate documentation, loss of power and/or authority arising from legal or regulatory action, insufficient authority of a counterparty and contract invalidity/unenforceability. Group Head of Legal bears responsibility for identification and management of this risk. The Group

Legal department consults with internal and external legal counsels. All major Group subsidiaries have their own in-house legal departments.

The Group is currently engaged in various legal and/or regulatory matters which have arisen in the ordinary course of business. Bank ABC does not currently expect to incur any liability with respect to any actual or pending legal and/or regulatory matter which would be materially prejudicial to the financial condition or operations of the Group.

## Reputational Risk

Reputational risk is multidimensional and reflects the perception of market participants. It exists throughout the organisation and exposure to reputational risk is essentially a function of the adequacy of the entity's internal risk management processes, as well as the manner and efficiency with which management responds to external influences.

The Bank implements a robust governance and management framework, which has a significant involvement of senior management to proactively address any risk(s) to the Bank's reputation.

Furthermore, the management believes that reputation risk requires active administration and involvement of senior members of the Bank. The Group Reputational Risk Committee, reporting to the GCOC, oversees the reputational risk framework.

## Climate Change Risk

Climate change risk is the financial risk that arises from the impact of adverse changes in climate and specifically global warming. As the world transitions to a low-carbon economy, financial institutions, such as Bank ABC, may face significant and rapid developments which could impact their lending activities, as well as the risks associated with its other activities. Refer to the Group Sustainability Disclosures Report 2024 for the Bank's Strategy and policies for management of Climate Change Risk.



3. Regulatory Capital Requirements and the Capital Base

The Group manages its capital structure and maintains capital based on its strategic business plans considering anticipated economic conditions and the risk characteristics of its activities. The objective is to maintain a strong capital base to support the risks inherent in the Group's businesses and markets, meeting both local and consolidated regulatory capital requirements at all times.

The Group manages the capital position through various measures that include administering a dividend policy that balances financial stability and growth objectives with shareholders returns; raising capital via equity, additional tier 1 capital (AT1) and subordinated debt instruments based on a set of defined capital triggers; risk distribution or risk participation to reduce capital demand; and deleveraging to create capital capacity.

The determination of dividend payout will depend upon, amongst other things, the Group's earnings, its dividend policy, the requirement to set aside minimum statutory reserves, capital requirements to support growth (organic and inorganic), regulatory capital requirements, approval from the CBB and applicable requirements under Bahrain Commercial Companies Law, as well as other factors that the Board of Directors and the shareholders may deem relevant.

While the capital management objectives remain unchanged, the policies are reviewed regularly to ensure that they support the principal objective of maintaining financial strength and stability.

The Group's total capital adequacy ratio as at 31 December 2024 was 16.6% compared with the minimum regulatory requirement of 12.5%. The Tier 1 ratio was 15.5% for the Group. The composition of the total regulatory capital requirement was as follows:

Risk-Weighted Assets (RWA)	Group excluding Banco ABC Brasil	Banco ABC Brasil under aggregation approach	Total
Credit risk	17,489	7,410	24,899
Market risk	909	812	1,721
Operational risk	1,375	560	1,935
Total	19,773	8,782	28,555
CET 1 Ratio			13.6%
Tier 1 Ratio			15.5%
Capital Adequacy Ratio			16.6%

The Group ensures adherence to the CBB's requirements by monitoring its capital adequacy against higher internal limits detailed in the Bank's Board-approved risk appetite statement under the" Solvency" strategic risk objective.

Each banking subsidiary in the Group is directly regulated by its local banking supervisor, which sets and monitors local capital adequacy requirements. The Group ensures that each subsidiary maintains sufficient levels of capital.

The Tier 1 and total capital adequacy ratio of the significant banking subsidiaries (those whose regulatory capital amounts to over 5% of the Group's consolidated regulatory capital) under the local regulations were as follows:

Subsidiaries (over 5% of Group's regulatory capital)	Tier 1 Ratio	CAR (Total)
ABC Islamic Bank (E.C.)	44.8%	45.9%
ABC International Bank Plc*	15.5%	17.0%
Banco ABC Brasil S.A.*	14.1%	16.5%

\* CAR has been computed after mandatory deductions from the total of Tier 1 and Tier 2 capital.

a. Capital requirement for credit risk

For regulatory reporting purposes, the Group calculates the capital requirements for credit risk based on the standardised approach. Under the standardised approach, on- and off-balance sheet credit exposures are assigned to exposure categories based on the type of counterparty or underlying exposure. The exposure categories are referred to in the CBB's Basel III capital adequacy framework as standard portfolios. The primary standard portfolios are claims on sovereigns, claims on banks and claims on corporates. Following the assignment of exposures to the relevant standard portfolios, the RWAs are derived based on prescribed

risk weightings. Under the standardised approach, the risk weightings are provided by the CBB and are determined based on the counterparty's external credit rating. The external credit ratings are derived from eligible external credit rating agencies approved by the CBB. The Group uses ratings assigned by Standard & Poor's, Moody's, Fitch Ratings and Capital Intelligence.

Provided below is a counterparty asset class-wise breakdown of the Credit RWA and associated capital charge. The definition of these asset classes (as per the standard portfolio approach under the CBB's Basel III Capital Adequacy Framework) is set out in section 5.

Credit exposure and risk-weighted assets

US\$ Million	Gross Credit Exposure [1+2]	Funded Exposure [1]	Unfunded Exposure [2]	Cash Collateral	Eligible Guarantees	Risk-weighted Assets	Capital Charge
Cash	54	54	-	-	-	-	-
Claims on sovereigns	17,541	17,277	264	245	36	1,000	125
Claims on public sector entities	2,221	2,109	112	8	217	1,643	205
Claims on multilateral development banks	587	581	6	-	-	165	21
Claims on banks	11,480	10,664	816	6,628	317	2,891	361
Claims on corporate portfolio	25,238	20,673	4,565	5,658	527	16,260	2,033
Regulatory retail exposures	1,022	1,013	9	-	-	1,009	126
Past due loans	286	286	-	-	-	286	36
Residential retail portfolio	-	-	-	-	-	-	-
Commercial mortgage	165	165	-	44	-	365	46
Equity portfolios	53	53	-	-	-	116	15
Other exposures	1,194	941	253	-	-	1,164	146
	59,841	53,816	6,025	12,583	1,097	24,899	3,114

\*RWAs of the Group's subsidiary Banco ABC Brasil have been calculated and included in this table under aggregation approach as explained in section 2(a) above.

Monthly average gross credit exposures and the risk-weighted assets for 12-month ended 31 December 2024 were US\$51,262 million and US\$26,946 million respectively.

b. Capital requirement for market risk

In line with the standardised approach to calculating market risk, the capital charge for market risk is as follows:

US\$ Million	RWA	Year-end Capital Charge	Capital Charge - Minimum*	Capital Charge - Maximum*
Interest rate risk	778	97	78	114
- Specific interest rate risk	-	-	2	9
- General interest rate risk	778	97	76	105
Equity position risk	20	2	2	2
Foreign exchange risk	111	14	14	22
Options risk	-	-	-	-
RWA of subsidiary under aggregation approach **	812	-	-	-
Total	1,721	113	94	138

\* The information in these columns shows the minimum and maximum capital charge for each of the market risk categories during the year ended 31 December 2024.

\*\* Market RWAs of the Group’s subsidiary Banco ABC Brasil have been calculated and included in this table under aggregation approach as explained in section 2(a) above.

c. Capital requirement for operational risk

The Group applies the “Standardised Approach” for calculating its Pillar I operational risk capital. As at 31 December 2024, the total capital charge in respect of operational risk was US\$242 million. A breakdown of the operational risk capital charge is provided below:

US\$ Million Basel Business Line	Average 3 Years Gross Income	Beta Factors	Capital charge	RWA
Corporate finance	19	18%	5	43
Trading and sales	172	18%	49	387
Payment and settlement	41	18%	12	92
Commercial banking	368	15%	86	689
Agency services	-	15%	-	-
Retail banking	85	12%	16	128
Asset management	17	12%	3	26
Retail brokerage	7	12%	1	10
Total	709		172	1,375
RWA of subsidiary under aggregation approach *	444		70	560
Total	1,153		242	1,935

\* Operational RWAs of the Group’s subsidiary Banco ABC Brasil have been calculated and included in this table under aggregation approach as explained in section 2(a) above.

d. Capital base

The Group’s capital base primarily comprises of:

- i. **Core Equity Tier 1 capital:** Share capital, treasury shares, reserves, retained earnings, non-controlling interests, profit for the year and cumulative changes in fair value;
- ii. **Additional Tier 1 capital:** Eligible portion of a perpetual financial instrument issued by the Bank or any subsidiary of the Bank; and
- iii. **Tier 2 capital:** eligible subordinated term debt and expected credit losses.

The portion of Tier 1 and Tier 2 instruments attributable to non-controlling interests are added to the respective capital tiers in accordance with the regulatory definitions and are subject to regulatory limits for inclusion.

The issued and paid-up share capital of the Bank is US\$3,110 million at 31 December 2024, comprising 3,110 million shares of US\$1 each.

The Additional Tier 1 (AT1) capital includes the eligible portion of a perpetual financial instrument issued by the Bank or any subsidiary of the Bank.

The outstanding of total AT1 issue amounted to US\$535 million at 31 December 2024. This includes US\$390 million issued by the Bank and US\$145 million issued by the Bank’s subsidiary in Brazil. These instruments meet all the threshold conditions for inclusion in AT1 as per the CBB requirements. The details of these issues are described in appendix PD 3 of this document. The AT1 instrument issued by the Bank has a conversion feature into equity with the trigger being a non-viability event as determined by the CBB.

AT 1 instrument issued by the subsidiary has a trigger of 5.125% of CET 1 ratio (of the subsidiary) for permanent extinction in compliance with the local regulations and Basel Standards.

Both instruments have features that enable coupon suspension (without cumulating) upon insufficiency of profits.

AT1 issuance by the subsidiary has been approved by its local regulator for inclusion in AT1 capital of the Group. The impact on the Group’s capital is immaterial.

The details of the AT1 issuances are described in appendix PD 3 of this document.

The Group’s capital base and risk weighted assets is summarised below:

Capital Base and Risk-Weighted Assets (RWA)	US\$ Million
Capital base	
CET 1	3,886
AT 1	535
Total Tier 1 capital	4,421
Tier 2	327
Total capital base	4,748
Risk-weighted assets	
Credit risk	24,899
Market risk	1,722
Operational risk	1,935
Total Risk-weighted assets	28,556
CET 1 ratio	13.6%
Tier 1 ratio	15.5%
Capital adequacy ratio	16.6%

The details about the composition of capital are provided in appendices PD 2 and PD 4.



e. Leverage ratio

The leverage ratio serves as a supplementary measure to the capital requirements mentioned above. The leverage ratio is computed on a consolidated basis and Bahraini conventional bank licensees must meet a 3.0% leverage ratio minimum requirement at all times.

Leverage ratio components	US\$ Million
Total Tier 1 capital	4,421
Total exposures	52,022
Leverage ratio	8.5%

Basel III – Risk and Pillar III disclosures 31 December 2024

US\$ Million	Net Credit Exposure (after credit risk mitigation)	Rated Exposure	Unrated Exposure
Cash	54	-	54
Claims on sovereigns	17,296	17,197	99
Claims on public sector entities	2,213	1,039	1,174
Claims on multilateral development banks	587	587	-
Claims on banks	4,852	4,085	767
Claims on corporate portfolio	19,580	3,022	16,558
Regulatory retail exposure	1,022	-	1,022
Past due loans	286	-	286
Commercial mortgage	121	-	121
Equity portfolios	53	-	53
Other exposures	1,194	280	914
	47,258	26,210	21,048

The Group has a policy of maintaining accurate and consistent risk methodologies. It uses a variety of financial analytics, combined with market information, to support risk ratings that form the main inputs for the measurement of counterparty credit risk. All internal ratings are tailored to the various categories and are derived in accordance with the Group’s credit policy.

4. Credit risk - Pillar III Disclosures

a. Definition of exposure classes

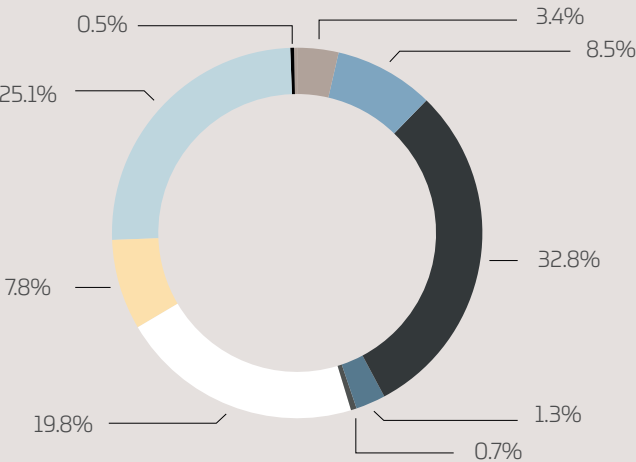
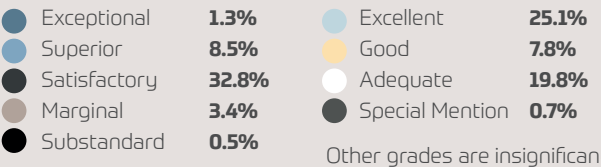
The Group has a diversified funded and unfunded credit portfolio. The exposures are classified as per the standard portfolio approach under the CBB’s Basel III Capital Adequacy Framework, covering the standardised approach for credit risk.

b. External credit rating agencies

The Group uses external credit ratings from Standard & Poor’s, Moody’s, Fitch Ratings and Capital Intelligence (accredited external credit assessment institutions). The breakdown of the Group’s exposure into rated and unrated categories is as follows:

They are assessed and updated regularly. Each risk rating class is mapped to grades equivalent to Standard & Poor’s, Moody’s, Fitch, and Capital Intelligence rating agencies. The Credit Risk Management framework ensures that the credit portfolio is managed in line with the Group Risk Appetite Statement.

The Group’s credit risk distribution (based on internal risk ratings) at 31 December 2024 is shown below:



c. Credit risk presentation under Basel III

The credit risk exposures detailed here differ from the credit risk exposures reported in the consolidated financial statements, due to different methodologies applied respectively under Basel III and IFRS Accounting Standards. These differences are as follows:

- As per the CBB Basel III framework, off balance sheet exposures are converted into on balance sheet equivalents by applying a credit conversion factor (CCF). The CCF varies between 20%, 50% or 100% depending on the type of contingent item.
- The consolidated financial statements categorise financial assets based on asset class (i.e. securities, loans and advances, etc.). This document categorises financial assets into credit exposures.

as per the “Standard Portfolio” approach set out in the CBB’s Capital Adequacy Module. In the case of exposures with eligible guarantees, it is reported based on the category of guarantor.

- Eligible collateral is taken into consideration in arriving at the net exposure under the Basel III framework, whereas collateral is not netted in the interim condensed consolidated financial statements.
- Under the Basel III framework, certain items are considered as a part of the regulatory capital base, whereas these items are netted off against assets in the consolidated financial statements.

d. Credit exposure

Geographical distribution of exposures

The geographical distribution of exposures, impaired loans and the related specific provisions (Stage 3) can be analysed as follows:

US\$ Million	Gross Credit Exposure	Cash Collateral	Impaired Loans	Specific/ Stage 3 ECL Impaired Loans	Impaired Debt Securities	Specific/ Stage 3 ECL Impaired Debt Securities
North America	16,090	8,088	47	10	63	63
Western Europe	14,420	936	55	18	-	-
Other Europe	2,127	1,185	-	-	-	-
Arab World	15,181	1,523	401	297	1	1
Other Africa	76	35	2	-	-	-
Asia	1,029	-	-	-	-	-
Australia/New Zealand	139	23	-	-	-	-
Latin America	10,779	793	194	88	-	-
	59,841	12,583	699	413	64	64

In addition to the above specific provisions the Group has ECL under Stage 1 and 2 aggregating to US\$236 million for all credit exposures.

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

US\$ Million	North America	Western Europe	Other Europe	Arab World	Other Africa	Asia	Australia/ New Zealand	Latin America	Total
Cash	-	-	-	54	-	-	-	-	54
Claims on sovereigns	11,258	825	172	4,014	-	183	1	1,088	17,541
Claims on public sector entities	11	107	-	1,831	-	130	3	139	2,221
Claims on multilateral development banks	159	9	-	293	51	75	-	-	587
Claims on banks	1,930	4,499	1,732	2,133	-	130	27	1,029	11,480
Claims on corporate portfolio	2,632	8,711	217	5,211	23	507	108	7,829	25,238
Regulatory retail exposures	-	-	-	839	-	-	-	183	1,022
Past due loans	37	37	-	104	2	-	-	106	286
Residential retail portfolio	-	-	-	-	-	-	-	-	-
Commercial mortgage	-	121	-	44	-	-	-	-	165
Equity portfolios	-	1	-	51	-	1	-	-	53
Other exposures	63	110	6	607	-	3	-	405	1,194
Gross credit exposure	16,090	14,420	2,127	15,181	76	1,029	139	10,779	59,841
Collateral	8,088	936	1,185	1,523	35	-	-	793	12,560

The Bank uses different credit mitigation techniques such as collaterals, guarantees and netting agreements to reduce credit risk. The recognised credit risk mitigation activities are undertaken with various counterparties to ensure no additional credit or market risk concentrations occur. The Bank holds collateral against its credit facilities in the form of physical

assets, cash deposits, securities and guarantees. Only guarantees provided by eligible Corporate and Financial Institutions of acceptable credit quality are accepted by the Bank.

The ageing analysis of past due loans by geographical distribution can be analysed as follows:

US\$ Million	Less than 3 Months	3 Months to 1 Year	1 to 3 Years	Over 3 Years	Total
North America	-	37	-	-	37
Western Europe	-	29	8	-	37
Arab World	13	21	55	15	104
Other Africa	-	-	2	-	2
Latin America	47	17	42	-	106
	60	104	107	15	286

Industrial sector analysis of exposures

The industrial sector analysis of exposures, impaired assets and the related specific provisions (Stage 3) can be analysed as follows:

US\$ Million	Gross Exposure [1+2]	Funded Exposure [1]	Unfunded Exposure [2]	Cash Collateral	Impaired Loans	Specific/ Stage 3 ECL Impaired Loans	Impaired Debt Securities	Specific/ Stage 3 ECL Impaired Debt Securities
Manufacturing	3,531	2,774	757	114	101	85	-	-
Mining and quarrying	175	141	34	3	13	8	-	-
Agriculture, fishing, and forestry	1,551	1,356	195	8	57	24	-	-
Construction	829	660	169	-	107	60	-	-
Financial services	20,303	18,154	2,149	11,938	13	-	64	64
Trade	414	305	109	21	60	16	-	-
Personal / Consumer finance	1,227	1,194	33	-	61	55	-	-
Commercial real estate financing	990	981	9	82	54	17	-	-
Government	19,398	19,124	274	288	2	2	-	-
Technology, media, and telecommunications	571	502	69	3	1	1	-	-
Transport	843	613	230	4	32	17	-	-
Energy	1,441	1,247	194	1	-	-	-	-
Utilities	1,622	1,190	432	30	-	-	-	-
Distribution	917	827	90	9	-	-	-	-
Retailers	310	267	43	2	-	-	-	-
Other services	5,114	4,279	835	67	198	128	-	-
Infrastructure	40	39	1	2	-	-	-	-
Contracting	565	163	402	11	-	-	-	-
	59,841	53,816	6,025	12,583	599	413	64	64



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

US\$ Million	Manufacturing	Mining and Quarrying	Agriculture, Fishing and Forestry	Construction	Financial Services	Trade	Personal / Consumer Finance	Commercial Real Estate Financing	Government	Technology, Media and Telecommunications	Transport	Energy	Utilities	Distribution	Retailers	Other Services	Infrastructure	Contracting	Total
Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	54	-	-	54
Claims on sovereigns	50	-	-	-	88	-	-	-	17,259	-	-	13	131	-	-	3	-	-	17,541
Claims on public sector entities	299	61	-	-	5	-	-	-	1,292	-	167	332	58	-	-	-	-	4	2,221
Claims on multilateral development banks	-	-	-	-	80	-	-	-	507	-	-	-	-	-	-	-	-	-	587
Claims on banks	-	-	-	-	11,381	-	-	-	99	-	-	-	-	-	-	-	-	-	11,480
Claims on corporate portfolio	3,132	108	1,498	754	8,592	370	155	861	194	571	652	1,082	1,418	916	310	4,024	40	561	25,238
Regulatory retail exposures	-	-	-	-	-	-	1,022	-	-	-	-	-	-	-	-	-	-	-	1,022
Past due loans	16	5	33	47	13	44	6	37	-	-	15	-	-	-	-	70	-	-	286
Residential retail portfolio	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Commercial mortgage	-	-	-	28	-	-	-	92	45	-	-	-	-	-	-	-	-	-	165
Equity portfolios	1	-	-	-	33	-	3	-	-	-	-	-	-	-	-	16	-	-	53
Other exposures	33	1	20	-	111	-	41	-	2	-	9	14	15	1	-	947	-	-	1,194
	3,531	175	1,551	829	20,303	414	1,227	990	19,398	571	843	1,441	1,622	917	310	5,114	40	565	59,841

The ageing analysis of past due loans, by industrial sector can be analysed as follows:

US\$ Million	Less Than 3 Months	3 months to 1 Year	1 to 3 Years	Over 3 Years	Total
Manufacturing	12	1	3	-	16
Mining and quarrying	5	-	-	-	5
Agriculture, fishing and forestry	9	11	13	-	33
Construction	7	38	2	-	47
Financial services	7	-	6	-	13
Trade	-	-	44	-	44
Personal / Consumer finance	4	1	1	-	6
Commercial Real Estate Financing	-	30	7	-	37
Technology, media & telecommunications	-	-	-	-	-
Transport	1	3	11	-	15
Other sectors	15	20	20	15	70
	60	104	107	15	286

Maturity analysis of funded exposures

Residual contractual maturity of the Group’s major types of funded credit exposures is as follows:

US\$ Million	Within 1 Month	1 - 3 Months	3 - 6 Months	6 - 12 Months	Total within 12 Months	1 - 5 Years	5 - 10 Years	10 - 20 Years	Over 20 Years	Undated	Total over 12 Months	Total
Cash	54	-	-	-	54	-	-	-	-	-	-	54
Claims on sovereigns	9,369	3,314	385	338	13,406	2,082	1,593	151	-	45	3,871	17,277
Claims on public sector entities	198	448	14	31	691	541	631	29	-	217	1,418	2,109
Claims on multilateral development banks	-	8	31	184	223	308	50	-	-	-	358	581
Claims on banks	6,321	1,119	781	896	9,117	1,473	71	-	-	3	1,547	10,664
Claims on corporate portfolio	4,099	5,865	1,975	2,653	14,592	4,707	579	151	-	644	6,081	20,673
Regulatory retail exposures	12	24	38	49	123	225	529	112	20	4	890	1,013
Past due loans	22	56	3	122	203	68	13	-	-	2	83	286
Residential retail portfolio	-	-	-	-	-	-	1	-	-	-	-	-
Commercial mortgage	35	10	44	11	100	65	-	-	-	-	65	165
Equity portfolios	-	-	-	-	-	-	-	-	-	53	53	53
Other exposures	10	-	-	-	10	-	-	-	-	931	931	941
	20,120	10,844	3,271	4,284	38,519	9,469	3,466	443	20	1,899	15,297	53,816

In accordance with the calculation of credit risk-weighted assets in the CBB's Basel III Capital Adequacy Framework, unfunded exposures are divided into the following exposure types:

- (i)

**Credit-related contingent items** comprising letters of credit, acceptances, guarantees and commitments.
- (ii)

**Derivatives** including futures, forwards, swaps and options in the interest rate, foreign exchange, equity and credit markets.

In addition to counterparty credit risk, derivatives are also exposed to market risk, which requires a separate capital charge as prescribed under the Basel III guidelines.

The residual contractual maturity analysis of unfunded exposures is as follows:

US\$ Million	Within 1 Month	1 - 3 Months	3 - 6 Months	6 - 12 Months	Total within 12 Months	1 - 5 Years	5 - 10 Years	10 - 20 Years	Over 20 Years	Undated	Total over 12 Months	Total
Claims on sovereigns	36	43	95	14	188	76	-	-	-	-	76	264
Claims on public sector entities	16	23	9	24	72	19	-	-	21	-	40	112
Claims on multilateral development banks	-	1	-	3	4	2	-	-	-	-	2	6
Claims on banks	216	243	61	100	620	114	42	3	37	-	196	816
Claims on corporate portfolio	212	391	808	839	2,250	1,983	200	51	81	-	2,315	4,565
Regulatory retail exposures	-	2	-	1	3	6	-	-	-	-	6	9
Other exposures	-	-	-	-	-	-	-	-	-	253	253	253
	480	703	973	981	3,137	2,200	242	54	139	253	2,888	6,025

e.      **Impaired assets and provisions for impairment**

The Group manages the risk rating of obligors in accordance with the obligor risk rating standard. Changes in risk ratings are used to identify credit migration and significant increase in credit risk since

origination of obligor facility to assess the staging of obligors in accordance with the IFRS 9 impairment policy of the Group. The amount of ECL charged per obligor facility is subject to calculations executed in line with the IFRS 9 impairment policy.

**Industry sector analysis of the specific and ECL provisions charges and write-offs**

US\$ Million	Provision (Write-back/recovery)	Write-offs
<b>Energy</b>	(1)	-
Distribution	29	-
Manufacturing	15	20
Construction	22	13
Mining and quarrying	1	2
Personal / consumer finance	13	4
Commercial real estate financing	(2)	-
Transport	(10)	2
Trade	3	9
Agriculture, fishing & forestry	12	3
Other Services	48	72
ECL	13	-
	<b>143</b>	<b>125</b>

**Restructured facilities**

The carrying amount of restructured facilities amounted to US\$ 333 million as at 31 December 2024. Out of the total restructured facilities 46% relate to performing customers on which an ECL of US\$ 11 million is being held. Restructuring concessions mainly related to deferral of loan installments to assist customers overcome temporary cash flow situations or to realign the repayment with the borrower’s revised cash flow projections. These restructured facilities are individually assessed for adequacy of ECL charge. Since these restructurings did not have material concessions, there was no impact on carrying values and thereby no modification loss was recorded on these. The Group continues to record interest on performing customers as normal and interest on non-performing customers is recorded on receipt basis.

**Ageing analysis of impaired loans and securities**

In accordance with the guidelines issued by the CBB, credit facilities are placed on non-accrual status and interest suspended when either principal or interest is overdue by 90 days, whereupon interest credited to income is reversed. Following an assessment of impairment, specific provision is established if there is objective evidence that a credit facility is impaired, as mentioned above.

An ageing analysis of all impaired loans, POCI and securities on non-accrual basis, together with their related provisions is as follows:

US\$ Million <i>As at 31 December 2024</i>	Principal	Provisions	Net Book Value
<b>Loans</b>			
Less than 3 months	93	33	60
3 months to 1 year	163	59	104
1 to 3 years	297	190	107
Over 3 years	146	131	15
	<b>699</b>	<b>413</b>	<b>286</b>

US\$ Million <i>As at 31 December 2024</i>	Principal	Provisions	Net Book Value
<b>Securities</b>			
Less than 3 months	-	-	-
3 months to 1 year	-	-	-
1 to 3 years	-	-	-
Over 3 years	64	64	-
	<b>64</b>	<b>64</b>	<b>-</b>

**Movement in expected credit losses**

US\$ Million	Expected Credit Losses		
	Stage 1	Stage 2	Stage 3
<b>Loans</b>			
At beginning of the year	139	74	436
Changes due to financial assets recognised in opening balance that have:			
Transfer to stage 1	3	(3)	-
Transfer to stage 2	(1)	1	-
Transfer to stage 3	(1)	(10)	11
Net remeasurement of loss allowance	9	3	231
Write-backs / recoveries	-	-	(103)
Amounts written-off	-	-	(116)
Exchange adjustments and other movements	(13)	2	(46)
<b>Balance at reporting date</b>	<b>136</b>	<b>67</b>	<b>413</b>



US\$ Million	Expected Credit Losses		
	Stage 1	Stage 2	Stage 3
<b>Investments</b>			
At beginning of the year	14	-	74
Changes due to financial assets recognised in opening balance that have:			
Transfer to stage 1	-	-	-
Transfer to stage 2	-	-	-
Transfer to stage 3	-	-	-
Net remeasurement of loss allowance	(1)	-	-
Write-backs / recoveries	-	-	(1)
Amounts written-off	-	-	(9)
Exchange adjustments and other movements	(2)	-	-
<b>Balance at reporting date</b>	<b>11</b>	<b>-</b>	<b>64</b>

US\$ Million	Expected Credit Losses		
	Stage 1	Stage 2	Stage 3
<b>Other financial assets and off-balance sheet items</b>			
At beginning of the year	10	13	19
Changes due to financial assets recognised in opening balance that have:			
Transfer to stage 1	-	-	-
Transfer to stage 2	-	-	-
Transfer to stage 3	-	-	-
Net remeasurement of loss allowance	3	-	3
Write-backs / recoveries	-	-	-
Amounts written-off	-	-	-
Exchange adjustments and other movements	(2)	(2)	(2)
<b>Balance at reporting date</b>	<b>11</b>	<b>11</b>	<b>20</b>

## 5. Off balance sheet exposure and securitisations

### a. Credit related contingent items

As mentioned previously, for credit-related contingent items the nominal value is converted to an exposure through the application of a credit conversion factor (CCF). The CCF is set at 20%, 50% or 100% depending on the type of contingent item and is used to convert off-balance sheet notional amounts into an equivalent on-balance sheet exposure.

Undrawn loans and other commitments represent commitments that have not been drawn down or utilised at the reporting date. The nominal amount is

the base upon which a CCF is applied for calculating the exposure. The CCF ranges between 20% and 50% for commitments with original maturities of up to one year and over one year respectively. The CCF is 0% for commitments that can be unconditionally cancelled at any time.

The table below summarises the notional principal amounts and the relative exposure before the application of credit risk mitigation:

US\$ Million	Notional Principal	Credit Exposure*
Short-term self-liquidating trade and transaction-related contingent items	4,135	1,364
Direct credit substitutes, guarantees and acceptances	2,861	1,599
Undrawn loans and other commitments	3,073	1,337
	<b>10,069</b>	<b>4,300</b>
<b>RWA</b>		<b>3,591</b>

\* Credit exposure is after applying CCF.

At 31 December 2024, the Group held eligible guarantees as collateral in relation to credit-related contingent items amounting to US\$483 million.

### b. Derivatives

Most of the Group's derivative trading activities relate to sales, positioning and arbitrage. Sales activities involve offering products to customers. Positioning involves managing market risk positions with the expectation of profiting from favourable movements in prices, rates or indices. Arbitrage involves identifying and profiting from price differentials between markets or products. Appropriate limits are approved by the Board. After approval, these limits are monitored and reported along with the Group Risk Appetite Statement.

The Group uses forward foreign exchange contracts, currency options and currency swaps to hedge against specifically identified currency risks. Additionally, the Group uses interest rate swaps and interest rate futures to hedge against the interest rate risk arising

from specifically identified loans and securities bearing fixed interest rates. The Group can participates in both exchange-traded and over-the-counter derivative markets.

Credit risk in respect of derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations and is limited to the positive fair value of instruments that are favourable to the Group. The majority of the Group's derivative contracts are entered into with other financial institutions, and there was no significant concentration of credit risk in respect of contracts with positive fair value with any individual counterparty as at 31 December 2024.

The aggregate notional amounts for interest rate and foreign exchange contracts as at 31 December 2024 were as follows:

US\$ Million	Derivatives		
	Interest Rate Contracts	Foreign Exchange Contracts	Total
Notional – Trading book	21,261	25,792	47,053
Notional – Banking book	3,641	326	3,967
	<b>24,902</b>	<b>26,118</b>	<b>51,020</b>
Credit RWA (replacement cost plus potential future exposure)	488	265	753
Market RWA	1,053	122	1,175

c. Counterparty Credit Risk

Counterparty Credit Risk (CCR) is the risk that a counterparty to a contract in the interest rate, foreign exchange, equity or credit markets defaults prior to the maturity of the contract.

The counterparty credit risk for derivative and foreign exchange instruments is subject to credit limits on the same basis as other credit exposures. Counterparty credit risk arises in both the trading book and the banking book.

In accordance with the credit risk framework in the CBB’s Basel III Capital Adequacy Framework, the Group uses the current exposure method to calculate counterparty credit risk exposure of derivatives. Counterparty credit exposure is defined as the sum of replacement cost and potential future exposure. The potential future exposure is an estimate that reflects possible changes in the market value of the individual contract and is measured as the notional principal amount multiplied by an add-on factor.

In addition to the default risk capital charge for CCR, the Group also holds capital to cover the risk of mark-to-market losses on the expected counterparty risk arising out of over-the-counter derivative transactions, namely a Credit Valuation Adjustment (CVA). The Standardised CVA Risk Capital Charge, as prescribed under CBB’s Basel III guidelines, is employed for the purpose. As at 31 December 2024, the CVA Portfolio Risk weighted assets was US\$473 million.

6. Capital Management

Our strategy and business objectives underpin our capital management framework which is designed to maintain sufficient levels of capital to support our organic and inorganic growth strategy, and to withstand extreme but plausible stress conditions. The capital management objective aims to maintain an optimal capital structure to enhance shareholders’ returns while operating within the Group’s risk appetite limits and comply with regulatory requirements at all times.

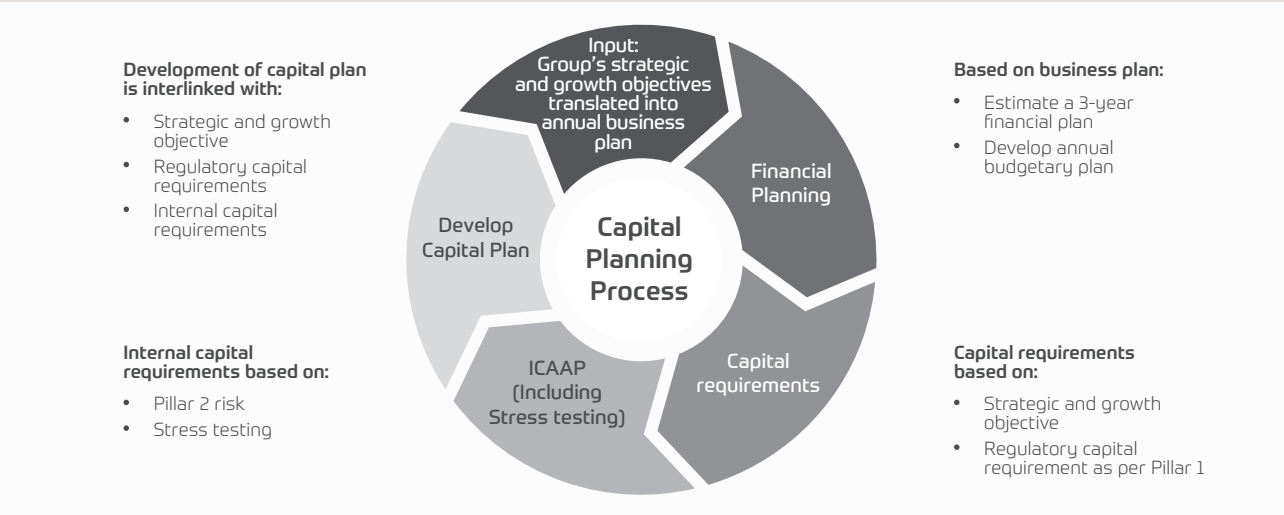
Our approach to capital management is driven by our strategic objectives, considering the regulatory, economic and business environment in our major markets. It is our objective to maintain a strong capital base to support the risks inherent in our businesses and markets, meeting both local and consolidated regulatory and internal capital requirements at all times.

The Group’s capital management approach is supported by a **Capital Management Framework** that includes an **ICAAP framework**.

Internal Capital Adequacy Assessment Process (ICAAP)

Our capital management approach is supported by a Capital Management Framework that includes an ICAAP framework, which enables us to manage our capital in a proactive and consistent manner. The framework incorporates a variety of approaches to assess capital requirements for different material sources of risks and is evaluated on an economic and regulatory capital basis. The Group’s ICAAP is designed to:

- Inform the Board of the ongoing assessment of the Bank’s risks, and how the Bank intends to mitigate those risks. It also evaluates the current and future capital requirements that is necessary, having considered other mitigating factors;
- Ensure that the Bank’s capital position remains adequate in the event of an extreme but plausible global and regional economic stress conditions;
- Demonstrate that the Bank establishes and applies a strong and encompassing governance framework in addition to a robust risk and capital management, planning and forecasting process; and
- Provide a forward-looking view, in relation to solvency on the Bank’s risk profile to ensure that it is in line with the Board’s Risk Appetite limits.



The ICAAP assesses capital required for each of the material sources of risks and compares the overall capital requirements for Pillar 1 and Pillar 2 risks against available capital. Our assessment of capital adequacy is aligned to our assessment of risks. These include credit, market, operational, concentration risk (geographic, sectoral and obligor), liquidity risk, strategic risk, ESG,

pension fund obligation, residual risks, and interest rate risk in the banking book.

In addition to the assessment of capital requirements under Pillar 1 and Pillar 2A of the regulatory capital framework, the Group assesses capital requirements for stress events under Pillar 2B.

Pillar 2A Risks

The Pillar 2A measurement framework for the key risk categories is summarised below:

Material Sources of Risk (Pillar 2A)	Methodology
Credit Risk	Additional capital required for credit risk under ICAAP based on the Foundation Internal Ratings based approach
Concentration Risk <ul style="list-style-type: none"><li>• Name Concentration</li><li>• Sector Concentration</li><li>• Geographic Concentration</li></ul>	Capital requirements assessed for Name, Sector and Geographic concentration risks using the Herfindahl- Hirschman Index (HHI) approach.
Counterparty Credit Risk	No capital add-on under ICAAP as Pillar 1 is assessed to be sufficient
Market Risk	The Bank uses SMM for market risk capital charge computation as prescribed by the local regulator the CBB. The Bank’s own assessment has identified that additional capital charge maybe required for the marginal illiquidity of its market portfolio and movements in market prices. The capital charge for market risk assessed under Pillar 1 is sufficient to cover these risks.



<b>Operational Risk</b> <ul style="list-style-type: none"><li>• <i>Conduct Risk</i></li><li>• <i>Non-Conduct Risk</i></li></ul>	Under ICAAP the Bank re-assess operational risk within two categories of realised risk factors and compares this to Pillar 1 risk.
	<ul style="list-style-type: none"><li>• Conduct risk</li><li>• Non-conduct risk</li></ul>
	Conduct risk losses are defined as losses described in the Basel loss event type of ‘Client, Products and Business Practices (CPBP)’ and legal losses. The CPBP loss events includes Regulatory fines, Sanctions (covering AML/KYC), Mis-selling and product risk (defects), Client confidentiality breaches, Non-compliance with disclosures.  Non-Conduct risk losses are the Basel loss event types other than CPBP and legal losses. This category of loss events includes Internal fraud losses, External fraud losses, System break-down losses, Cyber security breach losses, Business disruption losses (BCP), Execu- tion and transaction delivery loss, Documentation risk related losses.
<b>Liquidity and Funding Risk</b>	Liquidity and funding risk is covered under ILAAP and sufficient High Quality Liquid Asset Buffers (LAB) are held to address this risk.
<b>Interest Rate Risk in the Banking Book (IRRBB)</b>	Capital requirements assessed based on six stress scenarios in alignment with Basel IRRBB 2016 guidelines (BCBS 368). Capital requirements is assessed against internal threshold for EAR and EVE.
<b>Pension Obligation Risk</b>	Capital requirements assessed based on an actuarial assessment of pension fund obliga- tions by computing the gap between the present value of all defined pension obligations and the value of the pension fund scheme assets which is complemented with a stress assessment using a set of stress scenarios.
<b>Strategic Risk</b>	Regular review of strategy in view of the changing technology, regulatory and business landscape.
<b>Reputational Risk</b>	Robust governance and management framework with significant involvement of senior management to proactively address any risk(s) to the Group’s reputation
<b>Climate Change Risk</b>	Impact on capital reviewed and assessed based on stress scenario.

Pillar 2B - Stress Testing

Pillar 2B represents capital requirements to be assessed through Stress Testing and Scenario Analysis. Stress testing alerts the Bank’s management to adverse unexpected outcomes related to a variety of risks and provides an indication of how much capital might be needed to absorb losses should large shocks occur.

The Bank applies an Integrated Stress Testing (IST) framework to assess the impact of a continuum of stress scenarios including market-wide, idiosyncratic and combined scenarios on its capital, asset quality, earnings and liquidity. IST also enhances the Bank’s ability to integrate the feedback loop and interplay between different risks when a stress event occurs.

The market-wide scenarios generated from Moody’s data on macro-economic forecasts allow the Bank to assess its vulnerabilities under mild, moderate, severe and reverse scenarios using the same macro variables

as those used to compute the Group’s Expected Credit Loss. Idiosyncratic scenarios have been identified for its material and emerging risks. The Bank assesses the impact of these scenarios or new events for various risk drivers on a multi-dimensional basis, that is, at an entity, country, sector, business area, product, customer or any other applicable levels.

Finally, the Bank has considered the management actions (MMA) identified under its ICAAP, ILAAP and RP processes to complete the impact analysis by assessing the adequacy of these actions to resolve the adverse impact from these scenarios. The results of the IST process are aligned with the Bank’s risk appetite setting at an entity and group level. The Bank incorporates the post-MMA IST results to complete its ICAAP.

Based on its ICAAP assessment, the Group maintains adequate levels of capital buffers to meet its business growth over the planning horizon as well as withstand extreme but plausible stress.

Annual Planning Cycle

Our annual budget results in an assessment of RWA and capital requirements to support the Bank’s growth plans and compares this with the available Capital. The annual budget, the 3-year forecasts and the ICAAP are approved by the Board. Regular assessments of RWA, Capital resources and the capital ratios are monitored and reported to the Board.

Capital Allocation

The responsibility for Group’s capital allocation principles rests with the Group’s Asset & Liability Management Committee. The capital allocation disciplines are enforced through the Group Balance Sheet Management function that operates under the oversight of the Group Chief Financial Officer. Through our internal governance processes, we seek to maintain discipline over our investment and capital allocation decisions and seek to ensure that returns on capital meet the Group’s management objectives. Our strategy is to allocate capital to businesses and entities to support growth objectives where above hurdle returns have been identified based on their regulatory and economic capital needs.

We manage our new business returns with a Risk Adjusted Return on Capital (RAROC) measure to drive higher returns while balancing risks.

7. Related Party Transactions

Related parties represent associated companies, major shareholders, directors and key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group’s senior management and are based on arm’s length rationale. Details of the transactions and balances with related parties have been disclosed in Note 29 of the consolidated financial statements for the year ended 31 December 2024.

In addition to note 29, exposures to related parties as at 31 December 2024 are as follows:

US\$ Million	
Claims on shareholders*	245
Claims on directors & senior management	5
Claims on staff	39
<i>*Unfunded exposures after applying CCF.</i>	
Liabilities to related parties	
Connected deposits	3,948

The interest expense in respect of connected deposits is US\$92 million.

8. Repurchase and Resale Agreements

Proceeds from assets sold under repurchase agreements as at 31 December 2024 amounted to US\$10,086 million. The carrying value of securities sold under repurchase agreements at the period end amounted to US\$10,295 million.

Amounts paid for assets purchased under resale agreements at the period end amounted to US\$ 1,288 million and relate to customer product and treasury activities. The market value of the securities purchased under resale agreements at the period end amounted to US\$1,480 million.

9. Material Transactions

Transactions requiring approval by the Board include large credit transactions, related party transactions and any other significant strategic, investment or major funding decisions in accordance with Board approved policies and procedures.

APPENDIX I – REGULATORY CAPITAL DISCLOSURES

PD 1: Post 1 January 2019 disclosure template

Basel III Common Disclosure Template		PIR as at 31 December 2024	Reference
Common Equity Tier 1 capital: instruments and reserves			
1	Directly issued qualifying common share capital plus related stock surplus	3,104	A
2	Retained earnings	1,202	B
3	Accumulated other comprehensive income (and other reserves)	(454)	c1+c2+c3+c4+c5
4	Not applicable	-	
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	248	D
6	Common Equity Tier 1 capital before regulatory adjustments	4,100	
Common Equity Tier 1 capital: regulatory adjustments			
7	Prudential valuation adjustments	-	
8	Goodwill (net of related tax liability)	25	
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	140	E
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	15	F
11	Cash-flow hedge reserve	-	
12	Shortfall of provisions to expected losses	-	
13	Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)	-	
14	Not applicable	-	
15	Defined-benefit pension fund net assets	34	c6
16	Investments in own shares	-	
17	Reciprocal crossholdings in common equity	-	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the Bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-	
20	Mortgage servicing rights (amount above 10% threshold)	-	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
22	Amount exceeding the 15% threshold	-	
23	of which: significant investments in the common stock of financials	-	

PD 1: Post 1 January 2019 disclosure template (continued)

Basel III Common Disclosure Template		PIR as at 31 December 2023	Reference
Common Equity Tier 1 capital: regulatory adjustments (continued)			
24	of which: mortgage servicing rights	-	
25	of which: deferred tax assets arising from temporary differences	-	
26	CBB specific regulatory adjustments	-	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	
28	Total regulatory adjustments to Common equity Tier 1	214	
29	Common Equity Tier 1 capital (CET1)	3,886	
Additional Tier 1 capital: instruments			
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	390	
31	of which: classified as equity under applicable accounting standards	390	
32	of which: classified as liabilities under applicable accounting standards	-	
33	Directly issued capital instruments subject to phase out from Additional Tier 1	-	
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in Group AT1)	145	9
35	of which: instruments issued by subsidiaries subject to phase out	-	
36	Additional Tier 1 capital before regulatory adjustments	535	
Additional Tier 1 capital: regulatory adjustments			
37	Investments in own Additional Tier 1 instruments	-	
38	Reciprocal crossholdings in Additional Tier 1 instruments	-	
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the Bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
41	CBB specific regulatory adjustments	-	
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
43	Total regulatory adjustments to Additional Tier 1 capital	-	
44	Additional Tier 1 capital (AT1)	5,354	
45	Tier 1 capital (T1 = CET1 + AT1)	4,421	



APPENDIX I – REGULATORY CAPITAL DISCLOSURES  
(continued)

PD 1: Post 1 January 2019 disclosure template (continued)

Basel III Common Disclosure Template		PIR as at 31 December 2023	Reference
Tier 2 capital: instruments and provisions			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	-	i
47	Directly issued capital instruments subject to phase out from Tier 2	-	
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in Group Tier 2)	91	
49	of which: instruments issued by subsidiaries subject to phase out	-	
50	Provisions	236	h*
51	Tier 2 capital before regulatory adjustments	327	
Tier 2 capital: regulatory adjustments			
52	Investments in own Tier 2 instruments	-	h*
53	Reciprocal crossholdings in Tier 2 instruments	-	
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the Bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-	
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
56	National specific regulatory adjustments	-	
57	Total regulatory adjustments to Tier 2 capital	-	
58	Tier 2 capital (T2)	327	
59	Total capital (TC = T1 + T2)	4,748	
60	Total risk weighted assets	28,556	
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	13.6%	h*
62	Tier 1 (as a percentage of risk weighted assets)	15.5%	
63	Total capital (as a percentage of risk weighted assets)	16.6%	
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB buffer requirement, expressed as a percentage of risk weighted assets)	2.5%	
65	of which: capital conservation buffer requirement	2.5%	
66	of which: bank specific countercyclical buffer requirement	N/A	
67	of which: G-SIB buffer requirement	N/A	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	4.6%	

PD 1: Post 1 January 2019 disclosure template (continued)

Basel III Common Disclosure Template		PIR as at 31 December 2023	Reference
National minima including CBB (where different from Basel III)			
69	CBB Common Equity Tier 1 minimum ratio	9%	
70	CBB Tier 1 minimum ratio	10.5%	
71	CBB total capital minimum ratio	12.5%	
Amounts below the thresholds for deduction (before risk weighting)			
72	Non-significant investments in the capital of other financials	18	
73	Significant investments in the common stock of financials	32	
74	Mortgage servicing rights (net of related tax liability)	-	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	172	
Applicable caps on the inclusion of provisions in Tier 2			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	2236	h*
77	Cap on inclusion of provisions in Tier 2 under standardised approach	311	
78	N/A		
79	N/A		
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2019 and 1 Jan 2023)			
80	Current cap on CET1 instruments subject to phase out arrangements	N/A	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	N/A	
82	Current cap on AT1 instruments subject to phase out arrangements	N/A	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	N/A	
84	Current cap on T2 instruments subject to phase out arrangements	N/A	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	N/A	

\* As adjusted based on CBB circular “OG/226/2020”

APPENDIX I – REGULATORY CAPITAL DISCLOSURES  
(continued)

PD 2: Reconciliation of Regulatory Capital

i) Step 1: Disclosure of Balance Sheet under Regulatory scope of Consolidation

US\$ Million	Balance Sheet as in Published Financial Statements	Consolidated PIR Data
Liquid funds	3,636	-
Cash and balances at central banks	-	3,617
Placements with banks and similar financial institutions	2,071	3,382
Reverse repurchase agreements and other similar secured lending	1,288	-
Financial assets at fair value through P&L	838	838
Non-trading investments	16,117	-
Investment at Amortised Cost	-	9,283
Investments at FVOCI	-	6,845
Loans and advances	18,649	18,852
Investment properties	-	-
Interest receivable	-	532
Other assets	3,442	2,711
Investments in associates and joint ventures	-	32
Goodwill and intangible assets	-	165
Property, plant and equipment	224	225
TOTAL ASSETS	44,265	46,482
Deposits from banks	4,628	7,741
Deposits from customers	22,431	19,318
Certificate of deposits issued	244	244
Repurchase agreements and other similar secured borrowing	10,086	10,086
Interest payable	-	1,071
Taxation	69	-
Other liabilities	2,783	1,762
Borrowings	1,381	1,143
Subordinated liabilities	-	-
Additional Tier 1 Instrument	390	628
TOTAL LIABILITIES	42,012	41,993
Paid-in share capital	3,110	3,110
Treasury shares	(6)	(6)
Reserves	713	713
Non - controlling interest	436	436
Expected credit losses	-	236
TOTAL SHAREHOLDERS' EQUITY	4,253	4,489

PD 2: Reconciliation of Regulatory Capital (continued)

ii) Step 2: Expansion of the Balance Sheet under Regulatory scope of Consolidation

US\$ Million	Balance Sheet as in Published Financial Statements	Consolidated PIR Data	Reference
ASSETS			
Liquid funds	3,636	-	
Cash and balances at central banks	-	3,617	
Placements with banks and similar financial institutions	2,071	3,382	
Reverse repurchase agreements and other similar secured lending	1,288	-	
Financial assets at fair value through P&L	838	838	
Loans and advances	18,649	18,852	
Non-trading investments	16,117	16,128	
Of which investment NOT exceeding regulatory threshold	-	16,128	
Interest receivable	-	532	
Other assets	3,442	2,711	
Of which deferred tax assets arising from carryforwards of unused tax losses, unused tax credits and all other	-	15	F
Of which deferred tax assets arising from temporary differences	-	172	
Investments in associates and joint ventures	-	32	
Of which Significant investment exceeding regulatory threshold	-	-	
Of which Significant investment NOT exceeding regulatory threshold	-	32	
Goodwill and intangible assets	-	165	
Of which goodwill	-	25	
Of which other intangibles (excluding MSRs) phased in at 100%	-	140	E
Of which MSRs	-	-	
Property, plant and equipment	224	225	
TOTAL ASSETS	46,265	46,482	



APPENDIX I – REGULATORY CAPITAL DISCLOSURES  
(continued)

PD 2: Reconciliation of Regulatory Capital (continued)

ii) Step 2: Expansion of the Balance Sheet under Regulatory scope of Consolidation (continued)

US\$ Million	Balance Sheet as in Published Financial Statements	Consolidated PIR Data	Reference
LIABILITIES & SHAREHOLDERS' EQUITY			
Deposits from banks	4,628	7,741	
Deposits from customers	22,431	19,318	
Certificate of deposits issued	244	244	
Repurchase agreements and other similar secured borrowing	10,086	10,086	
Interest payable	-	1,071	
Taxation	69	-	
Other liabilities	2,783	1,762	
Borrowings	1,381	1,143	
Subordinated liabilities	-	-	
Of which amount eligible for T1I	-	-	
Of which amount Ineligible	-	-	
Additional Tier 1 Instrument	390	628	
Of which amount eligible for AT1	-	106	G
Of which amount eligible for T1I	-	27	I
Of which amount Ineligible	-	495	
TOTAL LIABILITIES	42,012	41,993	
Paid-in share capital	3,110	3,110	
Treasury shares	(6)	(6)	
Of which form part of CET1			
Ordinary Share Capital	3,110	3,110	a
Treasury shares	(6)	(6)	A
Reserves	713	713	
Of which form part of CET1			
Retained earnings/(losses) brought forward	1,173	1,201	b
Net profit for the current year	285	285	c1
Legal reserve	598	570	c2
General (disclosed) reserves	100	100	c3
Fx translation adjustment	(1,437)	(1,437)	c4
Cumulative changes in fair value	28	28	c5
Pension fund reserve	(34)	(34)	c6
Non - controlling interest	436	436	
Of which amount eligible for CET1	-	248	d
Of which amount eligible for AT1	-	39	g
Of which amount eligible for T1I	-	64	I
Of which amount ineligible	-	85	
Expected credit losses	-	236	
Of which amount eligible for T1I (Maximum 1.25% of RWA)	-	236	h
Of which amount Ineligible	-	-	
TOTAL SHAREHOLDERS' EQUITY	4,253	4,489	

PD 3: Main features of regulatory capital instruments

Disclosure template for main features of regulatory capital instruments					
1	Issuer	Arab Banking Corporation	Arab Banking Corporation	Banco ABC Brasil	Banco ABC Brasil
2	Unique identifier	ABC	XS2426192261	LFSC19000 (series with various suffixes)	LFSC24000 (series with various suffixes)
3	Governing law(s) of the instrument	Laws of Bahrain	English and Bahrain Law	Laws of the Federative Republic of Brazil	Laws of the Federative Republic of Brazil
Regulatory treatment					
4	Transitional CBB rules	Common Equity Tier 1	N/A	N/A	N/A
5	Post-transitional CBB rules	Common Equity Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1
6	Eligible at solo/group/group & solo	Group & Solo	Group & Solo	Group	Group
7	Instrument type (types to be specified by each jurisdiction)	Common equity shares	Perpetual NC 6 Additional Tier 1 Capital Securities	Perpetual NC 5, Sub-ordinated to all except Shareholders' Equity	Perpetual NC 5, Sub-ordinated to all except Shareholders' Equity
8	Amount recognised in regulatory capital (Currency in million, as at most recent reporting date)	US\$3,110	US\$390	BRL499 million (of which US\$37 million equivalent eligible for AT1)	BRL1,068 million (of which US\$72 million equivalent eligible for AT1)
9	Par value of instrument	1	1	300,000	300,00
10	Accounting classification	Shareholders' equity	Shareholders' equity	Liability- Amortised cost	Liability- Amortised cost
11	Original date of issuance	Various	28th March 2022	Various	Various
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual
13	Original maturity date	No maturity	No maturity	No maturity	No maturity
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	N/A	28th March 2028 and every interest payment date thereafter	Yes	Yes
16	Subsequent call dates, if applicable	N/A	Every interest payment date after the first call date	N/A	N/A
Coupons / dividends					
17	Fixed or floating dividend/coupon	Floating (Dividend as decided by the shareholders)	Fixed	Floating	Floating
18	Coupon rate and any related index	N/A	N/A	1.25 times the current Selic Rate of 12.15% p.a.	143 times the current Selic Rate of 12.15% p.a.
19	Existence of a dividend stopper	N/A	Yes	No	No

APPENDIX I – REGULATORY CAPITAL DISCLOSURES  
(continued)

PD 3: Main features of regulatory capital instruments (continued)

Disclosure template for main features of regulatory capital instruments					
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Partly discretionary (Insufficiency of profits)	Partly discretionary (Insufficiency of profits)	Partly discretionary (Insufficiency of profits)
21	Existence of step up or other incentive to redeem	No	No	No	No
22	Non-cumulative or cumulative	N/A	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	N/A	Convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A	Non-Viability Event	N/A	N/A
25	If convertible, fully or partially	N/A	Fully	N/A	N/A
26	If convertible, conversion rate	N/A	Conversion Price as defined	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	Mandatory	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	Ordinary Shares	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	ABC	N/A	N/A
30	Write-down feature	No	No	Yes	Yes
31	If write-down, write-down trigger(s)	N/A	N/A	CET 1 at 5.125% or below*	CET 1 at 5.125% or below*
32	If write-down, full or partial	N/A	N/A	Fully discretionary	Fully discretionary
33	If write-down, permanent or temporary	N/A	N/A	Permanent	Permanent
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to all depositors and creditors (including subordinated debt) of the Bank	Subordinated to all senior obligations of the Bank and in priority to the Junior obligations (such as equity shares)	AT1 capital bills	AT1 capital bills
36	Non-compliant transitioned features	No	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A	N/A

\*AT 1 instrument issued by the subsidiary has a trigger of 5.125% of CET 1 ratio (of the subsidiary) for permanent extinction in compliance with the Brazilian local regulations and Basel Standards. The equivalent trigger under CBB rules stands at 7%.





# CORPORATE GOVERNANCE REPORT



# CORPORATE GOVERNANCE

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

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

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

At least the last five years’ consolidated financial statements are available on the Bank ABC corporate website (bank-abc.com).

(All figures stated in US Dollars unless otherwise indicated)



### Shareholders

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

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

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

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

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

### Bank ABC’s Corporate Governance Charter

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

- the role and responsibilities of the Board and its committees;
- the responsibilities of Directors to Bank ABC and the shareholders;

- the appointment, training and evaluation of the Board;
- remuneration of the Board and of Bank ABC employees;
- Bank ABC’s management structure;
- communications with shareholders and the disclosure of information to relevant stakeholders; and
- the detailed mandates of each of the committees of the Board.

### Recent Corporate Governance Changes

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



Compliance with CBB Corporate Governance Requirements and the Code

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

Board of Directors

Responsibilities of the Board

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

- a. those responsibilities assigned to the Board by the Articles of Association of Bank ABC;
- b. establishing Bank ABC’s objectives;
- c. Bank ABC’s overall business performance;
- d. monitoring management performance;
- e. the adoption and annual review of strategy;
- f. monitoring the implementation of strategy by management;
- g. causing financial statements to be prepared which accurately disclose Bank ABC’s financial position;
- h. convening and preparing the agenda for shareholder meetings;

- i. monitoring conflicts of interest and preventing abusive related-party transactions;
- j. assuring equitable treatment of shareholders, including minority shareholders;
- k. the adoption and review of management structure and responsibilities;
- l. the adoption and review of the systems and controls framework; and
- m. overseeing the design and operation of the remuneration systems of the Bank ABC Group and ensuring that such systems are not primarily controlled by the executive management of the Bank ABC Group.

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

The Board exercises its responsibilities for best practice management and risk oversight mainly through the Board Risk Committee, which oversees the definition of risk/reward guidelines, risk appetite, risk tolerance standards and risk policies. The Board is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal controls as the Board determines are necessary to enable the preparation of the consolidated financial statements that are free from any material misstatement, whether due to fraud or error.

Appointment of Directors

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

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

The current Board consists of nine Directors from diverse backgrounds, of which seven were newly appointed in March 2025.

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

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

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

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

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



Assessment of the Board

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

- a. assessing how the Board operates;
- b. evaluating the performance of each Board committee in light of its specific purposes and responsibilities, which shall include reviews of the self-evaluations undertaken by each Board committee;
- c. reviewing each Director’s work, his attendance at Board and Board committee meetings, and his constructive involvement in discussions and decision making;
- d. reviewing the Board’s current composition against its desired composition in order to maintain an appropriate balance of skills and experience, and to ensure planned and progressive refreshing of the Board; and
- e. recommendations for new Directors to replace long-standing Directors, or those Directors whose contribution to Bank ABC or its Board committees (such as the Group Audit Committee) is not adequate.

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

Independence of Directors

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

Bank ABC had four independent, non-executive Directors and five non-independent, non-executive Directors as at 31 December 2024. The CBB Corporate Governance Requirements require that at least a one-third of Bank ABC’s Board of Directors is independent and also require that certain Board committees (including the Group Audit Committee, the Corporate Governance Committee,

The Board has four independent, non-executive Directors and five non-independent, non-executive Directors.

the Remuneration Committee, Group Compliance Committee, and Board Risk Committee) be comprised of a certain number of Directors, a certain proportion of independent Directors and/or that such Board committees be chaired by an independent Director. Save as may otherwise be disclosed in this section, Bank ABC is now fully compliant with such requirements. The CBB Corporate Governance Requirements also state that it is preferable for the Chairman of the Board to be an independent Director, whereas the Chairman of the Board is, in fact, classified as a non-executive, non-independent Director.

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

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

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

Compensation & Interests of Directors

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

The objective of the Remuneration Policy, amongst others, is for Bank ABC to be able to (at all times) to attract, retain, and motivate Directors of skills and expertise commensurate with the complexity and diversification of its global business and be able at the

same time to provide value to such Directors in return of their value to Bank ABC.

The remuneration structure for the Board of Directors is composed of a flat fee (the “**Flat Fee**”), which is easy to manage, but also competitive enough to motivate Directors’ behavior and attract and retain the quality needed to run Bank ABC successfully. Such Flat Fee is composed of a monthly cash retainer (the “**Retainer1**”); attendance fees payable to Directors attending different Board and Board Committee meetings (“**Attendance Fees2**”); and allowances to cover travelling, accommodation and subsistence costs incurred in connection with attending Board and Board Committee meetings (“**Allowances**”).



<sup>1</sup>This is referred to in the following table, according to the MOIC disclosure tables as “Remunerations of the Chairman and Board”.

<sup>2</sup>This is referred to in the following table, according to the MOIC disclosure tables as “Total allowance for attending Board and Committee meetings”.



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

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

\*Travel and accommodation costs.

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

No Director owned or traded Bank ABC shares in 2024.

Board Committees

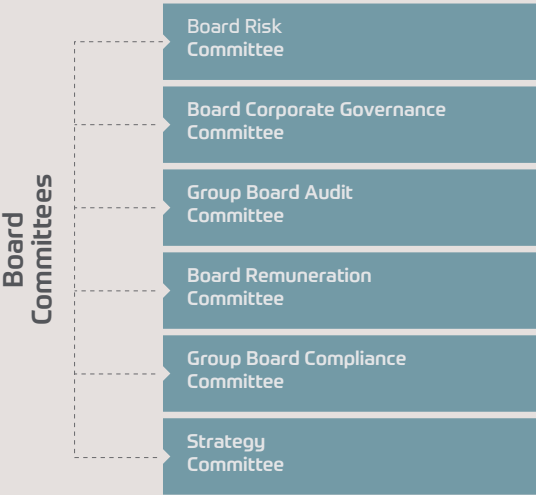
The Board and its committees are supplied with full and timely information to enable them to discharge their responsibilities. In this respect, the Board, its committees and all Directors have access to senior management, external consultants and advisors, as required. The Board Secretary is responsible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

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

- The **Board Risk Committee**, which is responsible for the review and approval of the Group's Credit and Risk Policies, including the risk appetite statement (RAS). The Committee reviews and makes recommendations to the Board regarding the annual risk strategy/appetite, within which business strategy, objectives and targets are formulated. The Committee delegates authority to senior management to conduct day-to-day business within the prescribed policy and strategy parameters, while ensuring that processes and controls are adequate to manage the Group's Risk Policies and Strategy. The Board Risk Committee meets not less than three times a year.
- The **Board Corporate Governance Committee**, which assists the Board in shaping and monitoring the Group's Corporate Governance policies and practices, reviewing and assessing the adequacy of these policies and practices, and evaluating the Group's compliance with them. The Corporate Governance Committee meets not less than once a year.
- The **Group Board Audit Committee**, which is responsible to the Board for the integrity and effectiveness of the Group's system of financial and internal controls. This Committee also recommends the appointment, compensation and oversight of the external auditors, as well as the appointment of the Group Chief Internal Auditor. The Group Audit Committee meets not less than four times a year.
- The **Board Remuneration Committee**, which is responsible for the formulation of the Group's

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

- The **Group Board Compliance Committee**, which is responsible to the Board for monitoring compliance of the Group in the various countries in which the Group operates. The Committee also assists the Board in discharging its governance and oversight responsibilities for the Compliance risk management framework of Bank ABC and of Bank ABC's compliance with applicable laws and regulations on a group wide basis. The Group Compliance Committee meets not less than four times a year.
- Such as the **Strategy Committee**. The Board has also delegated specific responsibilities for reviewing and overseeing the implementation of the strategy for Bank ABC and the Bank ABC Group to an ad-hoc Board Strategy Committee which shall meet as required to be effective.



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

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

Attendance of Directors

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

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

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



Meeting Dates During 2024

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

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

The details of the dates of the Board and Board committee meetings in 2024 are set out below:

Dates of Meetings	
Board of Directors	11 February 2024 21 May 2024 22 July 2024 04 October 2024 05 October 2024 17 November 2024 18 November 2024 19 December 2024
Board Risk Committee	07 February 2024 06 May 2024 04 June 2024 04 November 2024
Board Corporate Governance Committee	10 February 2024 23 June 2024 21 July 2024 25 September 2024 18 December 2024
Group Board Audit Committee	08 February 2024 21 March 2024 06 May 2024 08 August 2024 03 November 2024 05 December 2024
Board Remuneration Committee	10 February 2024 18 December 2024
Group Board Compliance Committee	08 February 2024 06 May 2024 03 November 2024 05 December 2024

Internal Controls

The Board of Directors is responsible for establishing and reviewing the Group's system of internal control. The Board receives minutes and reports from the Board Risk Committee (“BRC”), the Board Audit Committee and the Board Compliance Committee, identifying any significant issues relating to the adequacy of the Group's risk management policies and procedures, as well as reports and recommendations from the Corporate Governance Committee and the Remuneration Committee for any needed decision making and action(s) at their end.

Management informs the Board regularly about how the Group is performing versus budget, identifying major business issues and examining the impact of the external business, economic and regulatory environment.

Day-to-day responsibility for internal control rests with management. The key elements of the process for identifying, evaluating, and managing the significant risks faced by the Group can be summarised as:

- well-defined management structure with clear authorities and delegation of responsibilities, documented procedures and authority levels to ensure that all material risks are properly assessed and controlled;
- internal control policies that require management to identify major risks, and to monitor the effectiveness of internal control procedures for adequate reporting and mitigation;
- robust compliance function, exercised through Group Compliance reports to the Board Compliance Committee over Compliance Risks;
- Group Audit function, which reports to the Group Audit Committee on the effectiveness of key internal controls in relation to the major risks faced by the Group, and conducts reviews of the efficacy of management oversight regarding delegated responsibilities, as part of its regular risk based and regulatory audits of Group departments and business units;
- comprehensive planning and budgeting process that delivers detailed annual financial forecasts and targets for Board approval; and

- Group Risk Management function, comprising overarching Head Office risk management committees and a dedicated risk management function supporting the Group.

Management Structure

The Group Chief Executive Officer, supported by Head Office management, is responsible for managing the day-to-day operations of Bank ABC. There is a clear segregation of duties in the management structure at Bank ABC.

Senior managers did not hold or trade any shares in Bank ABC during 2024.

The management organisation chart is included on page 17.

Compliance

Compliance risk is the risk of legal or regulatory sanctions, material financial loss, or loss to reputation the Bank may suffer as a result of its failure to comply with the statutory, regulatory and supervisory requirements including industry codes with which the Group must by law comply with, to which it voluntarily adheres.

Bank ABC is committed to maintaining the highest standards of ethical and professional conduct, including complying with all applicable rules and regulations. The Group Chief Compliance Officer (GCCO), together with the Heads of Compliance and Money Laundering Reporting Officers Group-wide, support the Board and Senior Management in effectively managing the compliance risks faced by the Bank.

The Bank has a dedicated Group Board Compliance Committee (BCC). The GCCO reports directly to the BCC and administratively to the Group Chief Executive Officer (GCEO).

The Group Compliance Oversight Committee (GCOC) is the Senior Management Committee established by the BCC, that oversees compliance risk management group wide. To support the GCOC, Compliance and Financial Crime Committees (CFCCs) are established in each jurisdiction group-wide, which report into their respective BCC, or equivalent.

As detailed in the Group's Risk Appetite Statement, the Bank has no tolerance for regulatory breaches that are intentional or due to gross negligence. In addition, the Bank has no appetite for the facilitation, aiding or abetting of any form of criminal activity.

It is recognised that operational risk, including Compliance Risk, is inherent in business operations, processes and systems and that inadvertent errors may occur. Nevertheless, the Bank is committed to conducting business in compliance with regulatory requirements and implementing appropriate risk management and risk mitigation mechanisms to ensure that a robust compliance culture is embedded within the organisation.

The Bank continues to enhance its compliance framework by investing in systems and the Compliance Function capability.

External Auditors

- 1. In 2024, the Bank ABC Group paid its external auditors US\$2,256,000 in audit fees on a global basis.
- 2. Non-audit services were specifically pre-approved by the Audit Committee and provided by the external auditors including, but not limited to, anti money laundering reviews, prudential information reports reviews, quarterly reviews and tax related services amount to US\$938,000 on a global basis.
- 3. Ernst & Young have expressed their willingness to continue as the auditors of the Group for the year ending 31 December 2025. Bank ABC's management, based on evaluation of services provided by its external auditors, has recommended the appointment of Ernst & Young and a resolution proposing their reappointment will be presented at the annual general meeting to be held in March 2025.

Policy on the employment of relatives and approved persons

Bank ABC has a Board approved Policy on Employment of Relatives and Connected Persons. This Policy aims to ensure that Bank ABC has transparency in relation to the employment of relatives and Connected Persons in order to prevent actual, or perceived, conflicts of interest.

The Policy sets out that no relatives or near relatives of any Bank ABC employee, Executive or Board Member may enter into employment with Bank ABC. Exceptional approvals may be granted by an independent panel following a full and fair selection process.

Remuneration policies of Bank ABC in compliance with the requirements of the CBB

Senior management and staff receive compensation based on several fixed elements, covering salary, allowances and benefits, as well as variable, performance-related elements.

In January 2014, the Central Bank of Bahrain (CBB) issued new rules relating to the remuneration of approved persons and material risk-takers and others, which were subsequently amended later during 2014 (the “CBB Sound Remuneration Practices”), with recent amendments via CBB HC Module in April 2023. Bank ABC has implemented remuneration policies and procedures to cover Bank ABC, ila Bank and Bank ABC Islamic, which are compliant with the CBB Remuneration Rules.

Bank ABC reviewed its remuneration practices and redesigned its variable compensation scheme in order to be fully compliant with the CBB's requirements. Key changes to Bank ABC's remuneration systems and governance processes were made to comply with the CBB regulations and included:

- i. Ensuring the risk framework is extensive and captured in decisions around variable pay, including confirming risk-adjustments to any bonus pool.
- ii. Separating control functions from the Group bonus pool and ensuring they are measured independently from the businesses they oversee.
- iii. Introducing an equity-linked vehicle in which to deliver the appropriate amount of variable remuneration for covered persons.
- iv. Introducing deferral arrangements that defer the appropriate amount of variable remuneration for the Group Chief Executive Officer (GCEO), deputies, top five most highly-paid business line employees, material risk takers and approved persons.
- v. Introducing clawback and malus policies that apply to variable remuneration.

While maintaining the same Variable Compensation Scheme (VCS) and bonus multiples tables, further changes to the Employees’ Performance Management System were introduced in early 2016 to encourage behaviours that will help fulfil the Group's strategic goals. Variable pay now depends on a more extensive matrix of factors, rather than just the income generated. These added factors facilitate measuring the quality of the income rather than just its magnitude. In addition, other non-financial factors have also been added as part of the performance matrix.

The Remuneration Committee (RemCo) reviews and approves Bank ABC's remuneration policy structure on an annual basis. Where rules on compensation exist in other jurisdictions in which Bank ABC operates, Bank ABC's Group policy is to take necessary steps to comply with local market regulations that are applicable to our foreign subsidiaries and branches. Where no rules are applicable, ABC adopts best local market practices.

A distinct and separate bonus pool has been created to reinforce the safeguarding role and independence of staff in Control Functions, and is measured by the impact and quality of their safeguarding role. These measures are based on department-specific objectives and targets, which are independent of company financial performance.

Bank ABC conducts business within a set of overarching goals and limits that, together, define its risk appetite and tolerance. This is approved by the Board Risk Committee as part of the Group Risk Strategy, which complements the budgets and strategic plans proposed by the business. The Bank's bonus pool is subject to potential adjustments based on the review of the RemCo, in the respect of the approved risk appetite, risk tolerance and risk policies during the fiscal year.

Variable compensation and performance management are linked. Performance expectations are clearly articulated for revenue-generating, support and control functions. Individual bonus payments reflect Group, business unit and individual performance.

Bank ABC has adopted a remuneration deferral policy in line with the CBB Sound Remuneration Practices. This defers a required amount of the variable remuneration for the GCEO, deputies, top five most highly-paid business line employees, defined material risk takers and approved persons.

Bank ABC has also adopted a malus policy, which allows any form of deferred variable remuneration to be reduced or cancelled in specific and exceptional circumstances. Exceptional circumstances are defined as material events. They may include a material restatement of the Bank's financial statements, the discovery of significant failures in risk management or exposure to material financial losses at Group, business unit or individual level. In respect of unvested awards, and depending on each specific circumstance, malus may be applied to either that portion of unvested awards linked to the performance year in question or the total outstanding set of unvested awards.

A clawback policy has been introduced to allow Bank ABC to recover part, or all, of the awards already paid to an employee or former employee if a material event is discovered. Clawback provisions may be enforced upon the discovery of an employee's, or former employee's, accountability or responsibility for, or direct implication in, material events that may bring the Bank into serious disrepute. Additionally, they may be enforced in the event of individual criminal or other substantial misconduct.

The design of the Bank's reward structure aligns pay outcomes with prudent risk management and sound governance practices. The mix of an individual employee's pay, allowances and variable compensation is dictated by the nature of the role he/she holds. Variable pay for the relevant employees is delivered using a blend of cash and equity-linked instruments. It may be paid up-front in cash or deferred in accordance with the Bank's deferral policy. With Board approval, the variable pay multiples may be reviewed from time to time to ensure competitiveness with the market.

The remuneration disclosures have been reviewed and approved by the RemCo, which has confirmed they are aligned to the CBB rulebook requirements.

Bank ABC takes risk seriously. Reward practices embed and reinforce the Bank's desired risk culture, and risk behaviours directly impact variable pay, based on the following principles:

- i. Financial performance is not the sole measure of performance; both quantitative and qualitative approaches are used to measure risk; bonus pools are adjusted for all types of risk, both tangible and intangible, reflecting both Group and business unit performance.



- ii. Bonuses can be diminished (or nil) in light of excessive risk taking at Group, business or individual level.
- iii. Bonus pools reflect the cost of capital required, and liquidity risk assumed, in the conduct of business.

In addition, Bank ABC has a process for assessing the performance of senior management against a set of pre-agreed audit, risk & compliance (ARC) objectives, which are cascaded down in the organisation. Their pay is linked to long-term profitability and sustainable value.

Bank ABC’s reward structure balances risk, governance, and role-based compensation for fair pay outcomes.

Pay Principles

The following ‘pay principles’ apply at Bank ABC and govern all current and future remuneration decisions. These principles have been approved by the RemCo.

Summary

Principle	Theme
Principle 1	We pay for performance
Principle 2	We take risk seriously
Principle 3	We think long-term
Principle 4	Pay decisions are governed effectively
Principle 5	Clear and simple
Principle 6	Competitive, sustainable and affordable

Principle 1 | We pay for performance

Approach

- Performance expectations are clearly articulated for revenue-generating, support and control functions.
- Pay and performance management are linked.
- Bank ABC rewards performance that delivers its strategy, and that delivers the behaviours, cultures and ways of working that underpin doing business with the Bank.

Delivery

- Group and / or business unit underperformance can result in no bonus pool.
- Bonuses can be diminished (or nil) in light of poor Group, business unit or individual performance.
- Individual bonus payments reflect Group, business unit and individual performance.
- Group and business units are expected to meet demanding but achievable performance targets.
- Low performance ratings for any employee can result in no bonus.
- High performing business units may pay bonuses, even if the Group underperforms.
- Bank ABC differentiates high performance from average or low performance.
- Bonuses can be paid for non-profitable business units in start-up or turn-around phases.
- Bonus calculations reflect a measure of the appropriate behaviours which support doing business with Bank ABC.
- Control functions are measured on the impact and quality of their safeguarding role.
- Pay for employees engaged in control functions promotes impartiality and objectivity – it ensures that all employees at Bank ABC take risk seriously.
- Bonuses can be paid to control function employees who exercise their roles effectively, even in light of poor Group or business unit performance.

Principle 2 | We take risk seriously

Approach

- Reward practices embed and reinforce Bank ABC’s desired risk culture.
- Risk behaviours directly impact variable pay.

Delivery

- Financial performance is not the sole measure of performance.
- Bonuses can be diminished (or nil) in light of excessive risk taking at Group, business or individual level.
- Bonus pools reflect the cost of capital required, and liquidity risk assumed, in the conduct of business.
- Bonus pools are adjusted for all types of risk, both tangible and intangible, which are reflected in both Group and business unit performance.
- Both quantitative and qualitative approaches are used to measure risk.
- Pay for material risk takers is significantly weighted towards variable pay.
- Material risk takers’ performance is rewarded using a mix of cash and equity (or an equity-linked vehicle) to reflect their influence on the Bank’s risk profile.
- Risk behaviours of material risk takers have a direct impact on variable pay outcomes.

Principle 3 | We think long-term

Approach

- Pay is linked to long-term profitability and sustainable value.

Delivery

- Deferral mechanisms are used for approved persons/material risk takers.
- Deferral mechanisms include an equity-linked vehicle.
- 60% of variable pay for GCEO and the most highly-paid employees is deferred for three years.

- 40% of variable pay for material risk takers and approved persons (paid over BHD100,000) is deferred for three years.
- No form of guaranteed variable remuneration can be granted, except in exceptional circumstances, for a period of no more than one year following hire.
- Unvested deferred bonuses can be recovered in light of discovering past failures in risk management, or policy breaches, that led to the award originally being granted.
- Participation in deferral is reviewed on an annual basis, subject to meeting the minimum requirements under the CBB rules.

Principle 4 | Pay decisions are governed effectively

Approach

- Variable pay schemes are owned and monitored by the RemCo.
- The RemCo oversees remuneration practices across the Bank.

Delivery

- The RemCo oversees the design and delivery of variable pay across the Bank.
- The RemCo reviews and approves the Bank’s remuneration policy on an annual basis.
- The GCEO and senior management do not directly own or control remuneration systems.
- The RemCo reviews and approves bonus pools and payouts across the Bank, and reviews and approves the pay proposals for material risk takers and approved persons.
- Risk and Compliance provide information to the RemCo before it determines the bonus pool and Group performance.
- HR controls remuneration policies, while line managers have suitable discretion to apply them.
- HR develops compliance and monitoring practices to actively track global compliance with Group remuneration policy.

Remuneration arrangements are structured to **promote sound risk behaviours.**

Principle 5 | Clear and simple

Approach

- Reward communications are clear, user-friendly and written in plain language.
- The aims and objectives of the new VCS are clear and transparent.

Delivery

- Clearly communicate what is meant by malus and clawback, and the instances in which these provisions could be applied.
- Open and easy access to the variable pay policy, plan rules and relevant communications.

Principle 6 | Competitive, sustainable and affordable

Approach

- The VCS helps to attract and retain high-calibre talent.
- The VCS structure can be maintained over the long term, and its total cost is always affordable to the Bank.

Delivery

- Bonus pools vary year-on-year, based on Group performance, external market conditions, the internal climate and affordability.

Individual pay opportunities are driven by the external market and internal positioning.

Application of Pay Principles

Bank ABC will remunerate covered employees to attract, retain and motivate sufficient talent to safeguard the interests of the Bank and its shareholders, while ensuring the Bank avoids paying more than necessary. The remuneration systems fairly reward performance delivered within the risk appetite of the Bank, over an appropriate time horizon, to align with risk.

Variable remuneration is paid according to the scheme on the below categorisation:

- **Approved persons in business lines:** For the GCEO and the five most highly-paid business line employees, variable pay in 2019 was paid as 40% upfront cash, 10% in deferred cash and 50% in a deferred equity-linked vehicle. For the others in the same category, the pay split was 50% upfront cash, 10% upfront equity-linked vehicle, 40% deferred equity-linked vehicle.
- **Approved persons in control functions:** The variable pay for employees in this category was paid as 50% upfront cash, 10% upfront equity-linked vehicle, 40% deferred equity-linked vehicle.
- **Other material risk takers:** The variable pay for employees in this category was paid as 50% upfront cash, 10% upfront equity-linked vehicle, 40% deferred equity-linked vehicle.
- **Other staff of Bahrain operations:** The variable pay was paid fully in cash up front.

Remuneration arrangements are structured to promote sound risk behaviours. Their performance is measured against a range of financial and non-financial factors related to risk. Employees categorised as approved persons in control functions have their remuneration measured independently of the business that they oversee, so ensuring sufficient independence and authority. All variable pay is subject to malus and clawback.

Remuneration

a) 2024

Employee Group	Number of Employees (as at on 31/12/24)	Fixed Remuneration US\$ Million	Variable Remuneration US\$ Million
Approved Persons in Business Lines	10	9.4	7.0
Approved Persons in Control Functions	32	13.3	5.3
Other Material Risk Takers	81	19.6	8.6
Other staff of Bahrain operations not covered above	458	63.1	18.3
Total	581	105.4	39.2

Employee-related expenses such as government charges, recruitment agency fees, etc, related to Head Office staff are excluded from the above table.

Employee Group	Variable Remuneration Details*			
	Upfront Cash US\$ Million	Deferred Cash US\$ Million	Upfront Equity-Linked Instrument US\$ Million	Deferred Equity Linked Instrument US\$ Million
Approved Persons in Business Lines	2.9	0.6	0.1	3.4
Approved Persons in Control Functions	2.8	0.0	0.5	2.0
Other Material Risk Takers	5.1	0.0	0.7	2.9
Other staff of Bahrain operations not covered above	18.3	0.0	0.0	0.0
Total	29.1	0.6	1.3	8.3

\*no guaranteed bonus was awarded in 2024

Employee Group	Sign on bonuses (Cash/Shares)		Severance Payments	
	Number of employees	Amount US\$ Million	Number of employees	Amount US\$ Million
Approved Persons in Business Lines	0	0	1	0.2
Approved Persons in Control Functions	0	0	0	0.0
Other Material Risk Takers	0	0	0	0.0
Other staff of Bahrain operations not covered above	0	0	2	0.3
Total	-	-	3	0.5

Deferred awards	Cash US\$ Million	Shares		Total US\$ Million
		Number	US\$ Million	
Opening Balance	1.5	15.3	19.0	20.5
Awarded during the period	0.6	7.7	9.5	10.1
Paid out/released through performance adjustments	(0.3)	(4.4)	(5.6)	(5.9)
Other adjustments	(0.3)	0.5	(0.4)	(0.7)
Closing Balance	1.5	19.1	22.5	24.0



# Remuneration (continued)

b) 2023

Employee Group	Number of Employees (as at 31/12/23)	Fixed Remuneration US\$ Million	Variable Remuneration US\$ Million
Approved Persons in Business Lines	12	9.9	7.4
Approved Persons in Control Functions	32	12.7	5.1
Other Material Risk Takers	78	18.5	7.9
Other staff of Bahrain operations not covered above	417	55.2	15.7
<b>Total</b>	<b>539</b>	<b>96.3</b>	<b>36.1</b>

Employee-related expenses such as government charges, recruitment agency fees, etc, related to Head Office staff are excluded from the above table.

Employee Group	Variable Remuneration Details*			
	Upfront Cash US\$ Million	Deferred Cash US\$ Million	Upfront Equity- Linked Instrument US\$ Million	Deferred Equity Linked Instrument US\$ Million
Approved Persons in Business Lines	3.2	0.5	0.2	3.5
Approved Persons in Control Functions	2.7	0.1	0.4	2.0
Other Material Risk Takers	4.7	-	0.6	2.6
Other staff of Bahrain operations not covered above	15.7	-	-	-
<b>Total</b>	<b>26.3</b>	<b>0.6</b>	<b>1.2</b>	<b>8.1</b>

\*no guaranteed bonus was awarded in 2023

Employee Group	Sign on bonuses (Cash/Shares)		Severance Payments	
	Number of employees	Amount US\$ Million	Number of employees	Amount US\$ Million
Approved Persons in Business Lines	-	-	-	-
Approved Persons in Control Functions	-	-	1	0.2
Other Material Risk Takers	-	-	3	0.9
Other staff of Bahrain operations not covered above	-	-	10	1.8
<b>Total</b>	<b>-</b>	<b>-</b>	<b>14</b>	<b>2.9</b>

Deferred awards	Cash US\$ Million	Shares		Total US\$ Million
		Number	US\$ Million	
Opening Balance	1.2	11.4	13.9	15.1
Awarded during the period	0.6	7.3	9.2	9.8
Paid out/released through performance adjustments	(0.3)	(4.0)	(4.8)	(5.1)
Other adjustments	-	0.6	0.7	0.7
<b>Closing Balance</b>	<b>1.5</b>	<b>15.3</b>	<b>19.0</b>	<b>20.5</b>





# FINANCIAL RESULTS





Independent Auditor’s Report to the Shareholders of Arab Banking Corporation (B.S.C.)



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Report on the audit of the consolidated financial statements

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the ‘Auditor’s responsibilities for the audit of the consolidated financial statements’ section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards) (“IESBA Code”) together with the ethical requirements that are relevant

to our audit of the financial statements in the Kingdom of Bahrain, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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

Independent Auditor’s Report to the Shareholders of Arab Banking Corporation (B.S.C.)

Impairment provision for loans and advances

Description of key audit matter	How the key audit matter was addressed in the audit
<p>IFRS 9 Financial Instruments (IFRS 9) requires use of expected credit loss (“ECL”) models for the purposes of calculating impairment loss against loans and advances carried at amortised cost and FVOCI. The process for estimating the impairment provision on loans and advances in accordance with IFRS 9 is a significant and complex area, due to the subjective nature of ECL calculation and the level of estimation involved.</p> <p>Additional subjectivity and judgement has been introduced into measurement of ECL due to the uncertainty associated with the impact of current economic outlook and uncertain geopolitical situation in countries where the Group and its customers operate. Due to the complexity of ECL related IFRS 9 requirements, effect of the matters stated above, significance of the judgements applied in determination of ECL and the Group’s exposure to loans and advances forming a major portion of the Group’s assets, the audit of ECL is a key area of focus.</p>	<p>Our approach included testing the controls associated with the relevant processes for estimating ECL and performing substantive procedures on such estimates. Our procedures, among others, focused on following:</p> <ul style="list-style-type: none"><li>• We assessed:<ul style="list-style-type: none"><li>- the compliance of Group’s IFRS 9 based impairment provisioning policy including the determination of significant increase in credit risk criteria with the requirements of IFRS 9 and regulatory guidelines;</li><li>- the Group’s ECL modelling techniques, methodology and underlying assumptions against the requirements of IFRS 9;</li><li>- the basis of determination of any management overlays applied by the Group’s management to incorporate the effects of the current and future economic outlook;</li><li>- the theoretical soundness and tested the mathematical integrity of the models on a sample basis.</li></ul></li><li>• We obtained an understanding of the design and tested the operating effectiveness of relevant controls over the ECL models, including approvals for any changes to the models, ongoing monitoring / validation, model governance and mathematical accuracy. We have also tested the completeness and accuracy of the data used and evaluated the reasonableness of the management assumptions.</li><li>• We understood and assessed the significant modelling assumptions adopted by the Group for calculating ECL against exposures as well as process and basis for arriving at ECL related management overlays.</li></ul>

Independent Auditor’s Report to the Shareholders of Arab Banking Corporation (B.S.C.)



Impairment provision for loans and advances (continued)

Description of key audit matter	How the key audit matter was addressed in the audit
<p>As at 31 December 2024, the Group’s gross loans and advances amounted to US\$ 19,266 million and the related ECL amounted to US\$ 617 million, comprising US\$ 204 million of ECL against Stage 1 and 2 exposures and US\$ 413 million of ECL against exposures classified under Stage 3.</p> <p>The basis of calculation of ECL is presented in note 4 “summary of material accounting policies” and note 26 “risk management” to the consolidated financial statements. Material accounting judgements, estimates and assumptions and disclosures of loans and advances and credit risk are included in notes 4, 9 and 26 respectively to the consolidated financial statements.</p>	<ul style="list-style-type: none"><li>• For a sample of exposures, we performed procedures to evaluate:</li><li>- Appropriateness of exposure at default, probability of default and loss given default (including collateral values used) in the calculation of ECL;</li><li>- Timely identification of exposures with a significant increase in credit risk and appropriateness of the Group’s staging; and</li><li>- Appropriateness of the ECL calculation.</li><li>• For forward looking information used by the Group’s management in its ECL calculations, we held discussions with management and checked internal approvals by management for the economic outlook used for purposes of calculating ECL;</li><li>• We considered the adequacy of the disclosures included in the consolidated financial statements in relation to impairment of loans and advances as required under IFRS Accounting Standards.</li></ul> <p>We also involved our specialists in performing the above procedures.</p>

Independent Auditor’s Report to the Shareholders of Arab Banking Corporation (B.S.C.)

Other information included in the Group’s 2024 annual report

Other information consists of the information included in the Group’s 2024 annual report, other than the consolidated financial statements and our auditor’s report thereon. The Board of Directors is responsible for the other information. Prior to the date of this auditor’s report, we obtained the Directors report which forms part of the annual report, and the remaining sections of the annual report are expected to be made available to us after that date.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of the auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards and for such internal control as the Board of Directors determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

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

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



Independent Auditor’s Report to the Shareholders of  
Arab Banking Corporation (B.S.C.)



- 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 audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that

a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

- As required by the Bahrain Commercial Companies Law and Volume 1 of the Central Bank of Bahrain (CBB) Rule Book, we report that:
- a) the Bank has maintained proper accounting records and the consolidated financial statements are in agreement therewith;
  - b) the financial information contained in the Directors report is consistent with the consolidated financial statements;
  - c) we are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 1 and applicable provisions of Volume 6) and CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse or the terms of the Bank’s memorandum and articles of association during the year ended 31 December 2024 that might have had a material adverse effect on the business of the Bank or on its consolidated financial position; and
  - d) satisfactory explanations and information have been provided to us by management in response to all our requests.

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




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


31 December 2024 (All figures in US\$ Million)


# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

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

  
**Saddek El Kaber**  
Chairman

  
**Mohammad Abduredha Saleem**  
Deputy Chairman


  
**Sael Al Waary**  
Group Chief Executive Officer

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


Year ended 31 December 2024 (All figures in US\$ Million)

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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



**Saddek El Kaber**  
Chairman



**Mohammad Abdulredha Saleem**  
Deputy Chairman



**Sael Al Waary**  
Group Chief Executive Officer

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

Year ended 31 December 2024 (All figures in US\$ Million)

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

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



Year ended 31 December 2024 (All figures in US\$ Million)

# CONSOLIDATED STATEMENT OF CASH FLOWS

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

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

Year ended 31 December 2024 (All figures in US\$ Million)

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**1 Incorporation and Activities**

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

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

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

**2 Basis of preparation**

**2.1 Statement of compliance**

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

**2.2 Accounting convention**

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

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

**2.3 Basis of consolidation**

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

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

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

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

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When

necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group’s accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Bank loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interests and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value at the date of loss of control.

**2.4 Presentation of consolidated financial statements**

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

**3 New and amended standards and interpretations**

**3.1 Standards effective for the year**

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

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

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

The amendments in IFRS 16 specify the requirements

that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

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

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

The amendments to IAS 1 specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

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

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

**3.2 New and amended standards and interpretations issued but not yet effective**

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

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

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

**4      Summary of material accounting policies**

**4.1      Liquid funds**

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

**4.2      Cash and cash equivalents**

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

**4.3      Trading securities**

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

**4.4      Placements with banks and other financial institutions**

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

**4.5      Investments in associates**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions

of the investee, but is not control or joint control over those policies.

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

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

**4.6      Premises and equipment**

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

**4.7      Intangible assets**

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

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

Intangible assets with finite lives are amortised over the useful economic life (ranging from 3 to 10 years) and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level.

**4.8      Leases - Group as a lessee**

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract

conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

***Right-of-use assets***

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

***Lease liabilities***

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

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the

carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group discloses lease liabilities under other liabilities.

***Short-term leases and leases of low-value assets***

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

**4.9      Collateral repossessed**

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

**4.10      Repurchase and reverse repurchase agreements**

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

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**4.11 Employee pension and other end of service benefits**

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

**4.12 Recognition of income and expenses**

**4.12.1 The effective interest rate (EIR) method**

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

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

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

corresponding increase or decrease in interest revenue/expense calculated using the effective interest method.

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

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

**4.12.2 Interest and similar income/expense**

Net interest income comprises interest income and interest expense calculated using the effective interest method.

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

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

**4.12.3 Fee and commission income**

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

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. When the Group

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

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

**Asset management fees**

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

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

**Loan commitment and other fees**

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

**4.13 Treasury shares**

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

**4.14 Dividends on ordinary shares**

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

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

**4.15 Financial instruments**

**4.15.1 Date of recognition**

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

**4.15.2 Initial measurement**

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

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss (FVTPL), transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried



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at FVTPL are expensed in profit or loss. Immediately after initial recognition, an expected credit loss (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognised in the consolidated statement of profit or loss when an asset is newly originated. When the fair value of financial assets and liabilities at initial recognition differs from the transaction price, the Group accounts for the Day 1 profit or loss, as described in note 4.15.3.

4.15.3 Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination, the difference is treated as follows:

- (a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses data only from observable markets, the difference is recognised as a day 1 gain or loss.
- (b) In all other cases, the difference is deferred and the timing of recognition of deferred day 1 profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or when the instrument is derecognised.

4.16 Financial assets

4.16.1 Debt type instruments - classification and subsequent measurement

The classification requirements for financial assets is as below.

Classification and subsequent measurement of debt instruments depend on:

- (i) the Group's business model for managing the asset; and
- (ii) the cash flow characteristics of the asset i.e. solely payments of principal and interest (SPPI) test.

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

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent SPPI, and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any ECL allowance recognised and measured. Interest income from these financial assets is included in 'Interest and similar income' using the EIR method.
- Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent SPPI, and that are not designated at FVTPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through other comprehensive income (OCI), except for the recognition of expected credit losses or writebacks, interest income and foreign exchange gains and losses. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'Other operating income' as 'Gain or loss on disposal of non-trading debt investments'. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate (EIR) method.
- Fair value through profit or loss (FVTPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. The Group may also designate a financial asset at FVTPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised and presented in the consolidated statement of profit or loss within 'Other operating income' as 'Gain from trading book' in the year in which it arises. Interest income from these financial assets is included in 'Interest and similar income' using the EIR method.

4.16.2 Business model

The Group determines its business model at the level that best reflects how it manages groups of financial

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

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

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

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

4.16.3 SPPI test

The Group assesses the contractual terms of financial

asset to identify whether they meet the SPPI test.

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

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

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

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

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

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

4.16.4 Reclassification

The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the year.

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**4.16.5 Equity type instruments - classification and subsequent measurement**

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

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

Gains and losses on equity investments at FVTPL are included in the ‘Other operating income’ as ‘Income from trading book’ line in the consolidated statement of profit or loss.

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

**4.16.6 Modified or forbearance of loans**

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

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.

- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

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

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

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

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

Once the terms have been renegotiated, any impairment

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

**4.16.7 Derecognition other than on a modification**

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

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

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

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

**4.16.8 Derecognition of financial instruments in the context of IBOR reform**

As explained in note 4.16.6 and 4.17.2, the Group derecognises financial assets and financial liabilities if there has been a substantial modification of their terms

and conditions. In the context of IBOR reform, all of the financial instruments have already been amended during 2023 and 2024 as they have transitioned from IBORs to Accounting Rate of Returns (ARRs) without any derecognition.

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

**4.17 Financial liabilities**

**4.17.1 Classification and subsequent measurement**

Financial liabilities are classified as subsequently measured at amortised cost, except for:

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



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- Financial guarantee contracts and loan commitments.

4.17.2 *Derecognition*

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

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

4.18 **Financial instruments measured using amortised cost measurement and lease receivables**

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

4.19 **Impairment of financial assets**

The Group assesses on a forward-looking basis, the expected credit loss (ECL) associated with its debt instruments carried at amortised cost and FVOCI and against the exposure arising from loan commitments and financial guarantee contracts. The Group recognises

an ECL for such losses on origination and reassess the expected losses at each reporting date. The measurement of ECL reflects:

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

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

*Measurement of ECL*

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

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

payments to reimburse the holder for a credit loss that it incurs less any amounts that the guarantor expects to receive from the holder, the debtor or any other party. If a loan is fully guaranteed, the ECL estimate for the financial guarantee contract would be the same as the estimated cash shortfall estimate for the loan subject to the guarantee.

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

- Stage 1 – Performing: when financial assets are first recognised, the Group recognises an allowance based up to 12-month ECL.
- Stage 2 – Significant increase in credit risk: when a financial asset shows a significant increase in credit risk, the Group records an allowance for the lifetime ECL.
- Stage 3 – Impaired: the Group recognises the lifetime ECL for these financial assets.
- Purchased or originated credit impaired ('POCI'): when financial assets are purchased or are originated at a deep discount or are credit-impaired on initial recognition. These are subject to lifetime ECLs. It also includes recognition of previously written off loans of the Group where the expectation of recovery has improved.

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

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

No impairment is recorded on equity instruments.

*Stage 1*

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

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

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

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

*Stage 2*

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

The Group considers whether there has been a significant increase in credit risk of an asset by comparing the rating migration upon initial recognition of the asset against the risk of a default occurring on the asset as at the end of each reporting period. In each case, this assessment is based on forward-looking assessment, in order to recognise the probability of higher losses associated with more negative economic outlooks. In addition, a significant increase in credit risk is assumed if the borrower falls 30 days or more past due in making its contractual payments, or if the Group expects to grant the borrower forbearance or facility has been restructured owing to credit related reasons. Further, any facility having an internal credit risk rating of 8 are also subject to stage 2 ECL calculation.

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

For revolving facilities such as credit cards and overdrafts and similar other working capital facilities, the Group measures ECLs by determining the period

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over which it expects to be exposed to credit risk, taking into account the credit risk management actions that it expects to take once the credit risk has increased and that serve to mitigate losses.

**Stage 3**

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

Evidence that a financial asset is credit-impaired includes the following observable data among others:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

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

- The market’s assessment of creditworthiness as reflected in the bond yields.
- The rating agencies’ assessments of creditworthiness.
- The country’s ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as ‘lender of last resort’ to that country, as well as the intention, reflected in public statements, of governments

and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

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

**Purchased or originated credit impaired (‘POCI’)**

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

**Forward looking information**

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

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

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

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

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

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: as a provision under other liabilities; and
- debt instruments measured at FVOCI: The ECL for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the consolidated statement of financial position, which remains at fair value. Instead,

an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to the consolidated statement of profit or loss. The accumulated loss recognised in OCI is recycled to the consolidated statement of profit and loss upon derecognition of the assets.

**Limitation of estimation techniques**

The models applied by the Group may not always capture all characteristics of the market at a point in time as they cannot be recalibrated at the same pace as changes in market conditions. Although the Group uses data that is as current as possible, models used to calculate ECLs are based on data that is up to date except for certain macro-economic factors for which the data is updated once it is available.

**Experienced credit adjustment**

The Group’s ECL allowance methodology requires the Group to use its experienced credit judgement to incorporate the estimated impact of factors not captured in the modelled ECL results, in all reporting periods. Refer note 26.4.1 for additional details.

**4.20 Impairment of non-financial assets**

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

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

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

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

**4.21 Provisions**

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

**4.22 Financial guarantee contracts and loan commitments**

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

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

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

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer.

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

**4.23 Derivatives and hedging activities**

The Group applies IFRS 9 for hedge accounting.

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

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

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

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

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

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

**(a) Fair value hedge**

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

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

**(b) Cash flow hedge**

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

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

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

**(c) Net investment hedge**

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

**4.24 Fair value measurement**

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

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

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

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

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

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

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

- Level 1 valuation: Directly observable quotes for the same instrument.
- Level 2 valuation: Directly observable proxies for the same instrument accessible at valuation date.
- Level 3 valuation: Derived proxies (interpolation of proxies) for similar instruments that have not been observed.

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

**4.25 Taxation on foreign operations**

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

**Current tax**

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

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

**Deferred tax**

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

In assessing the recoverability of deferred tax assets, the Group relies on forecasts used for its budgeting

purposes and in other management reports.

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

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

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

### 4.26 Foreign currencies

#### Transactions and balances

Transactions in foreign currencies are initially recorded at the spot rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities in foreign currencies are translated into functional currency at the rates of exchange ruling at the reporting date. Any gains or losses are taken to the consolidated statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was

determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

#### Group companies

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

### 4.27 Trade and settlement date accounting

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

### 4.28 Fiduciary assets

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

### 4.29 Offsetting

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

### 4.30 Borrowings

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

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

### 4.31 Write-off

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

### 4.32 Collateral valuation

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

To the extent possible, the Group uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using internal valuation techniques as appropriate. Non-financial collateral, such



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as real estate, is valued based on data provided by third parties such as mortgage brokers, or based on housing price indices.

**4.33 Business combination and goodwill**

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

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

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

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill

has been allocated to a cash-generating unit (CGU) and part of the business within that unit is disposed of, the goodwill associated with the disposed business operation is included in the carrying amount of the business operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

*Impairment of non-financial assets*

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

**4.34 Material accounting judgements, estimates and assumptions**

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Group's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Existing circumstances and assumptions about future developments may change due to circumstances beyond the Group's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the consolidated financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

*Going concern*

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

*Measurement of the expected credit loss allowance (ECL)*

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

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

- Internal credit rating model, which assigns probability of defaults (PDs) to the individual ratings;
- Determining criteria for significant increase in credit risk (SICR);
- Choosing appropriate models and assumptions for the measurement of ECL;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as GDP, oil prices, equity indices,

unemployment levels and collateral values, and the effect on PD, exposure at default (EAD) and loss given default (LGD);

- Selection and relative weightings of forward-looking scenarios to derive the economic inputs into the ECL models;
- Establishing groups of similar financial assets for the purposes of measuring ECL; and
- Determining relevant period of exposure with respect to the revolving credit facilities and facilities undergoing restructuring at the time of the reporting date.

*Classification of financial assets*

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

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

*Fair value of financial instruments*

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

**4.35 Corresponding figures**

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

31 December 2024 (All figures in US\$ Million)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Classification of financial instruments

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

At 31 December 2024	FVTPL	FVOCI	Amortised cost	Total
ASSETS				
Liquid funds	-	-	3,636	3,636
Trading securities	838	-	-	838
Placements with banks and other financial institutions	-	-	2,071	2,071
Securities bought under repurchase agreements	-	-	1,288	1,288
Non-trading investments	-	6,835	9,282	16,117
Loans and advances	63	484	18,102	18,649
Other assets	1,225	-	1,743	2,968
	2,126	7,319	36,122	45,567
LIABILITIES				
Deposits from customers	-	-	22,431	22,431
Deposits from banks	-	-	4,628	4,628
Certificates of deposit	-	-	244	244
Securities sold under repurchase agreements	-	-	10,086	10,086
Other liabilities	786	-	1,909	2,695
Borrowings	-	-	1,381	1,381
	786	-	40,679	41,465

At 31 December 2023	FVTPL	FVOCI	Amortised cost	Total
ASSETS				
Liquid funds	-	-	4,466	4,466
Trading securities	1,070	-	-	1,070
Placements with banks and other financial institutions	-	-	2,231	2,231
Securities bought under repurchase agreements	-	-	2,191	2,191
Non-trading investments	-	5,405	5,963	11,368
Loans and advances	39	754	18,303	19,096
Other assets	952	-	1,681	2,633
	2,061	6,159	34,835	43,055
LIABILITIES				
Deposits from customers	-	-	23,705	23,705
Deposits from banks	-	-	4,135	4,135
Certificates of deposit	-	-	142	142
Securities sold under repurchase agreements	-	-	6,933	6,933
Other liabilities	779	-	1,851	2,630
Borrowings	-	-	1,303	1,303
	779	-	38,069	38,848

6 Liquid funds

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

7 Trading securities

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



31 December 2024 (All figures in US\$ Million)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 Non-trading investments

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

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

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

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

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

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

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

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

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

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

31 December 2024 (All figures in US\$ Million)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9      Loans and advances

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

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

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

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

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

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

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

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

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

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



31 December 2024 (All figures in US\$ Million)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Credit loss expense

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

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

11 Other assets

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

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

Allowances for ECL against other financial assets subject

to credit risk amounts to US\$ 8 million (2023: US\$ 9 million).

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

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

12 Taxation on foreign operations

12.1 Taxation charge and liability

	2024	2023
<b>Consolidated statement of financial position</b>		
Current tax liability	40	44
Deferred tax liability - net *	29	102
Taxation - net	69	146
* Deferred tax asset amounting to US\$ 195 million has been offset against the deferred tax liability of US\$ 224 million as it met offsetting conditions as at 31 December 2024. Refer deferred tax asset in note 11.		
<b>Consolidated statement of profit or loss</b>		
Current tax on foreign operations	65	91
Deferred tax on foreign operations	7	(17)
	72	74
<b>Consolidated statement of cash flows</b>		
Taxes paid during the year	60	70
	60	70
<b>Analysis of tax charge</b>		
At Bahrain (income tax rate of nil)	-	-
On profits of subsidiaries operating in other jurisdictions	72	72
Charge arising from tax treatment of hedging currency movements	-	2
Income tax expense reported in the consolidated statement of profit or loss	72	74

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

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

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

12.2 Pillar Two Rules

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

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

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

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

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

On 23 May 2023, the IASB issued International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12 (the Amendments). The Amendments clarify that IAS 12 applies to income taxes arising from tax law enacted or

31 December 2024 (All figures in US\$ Million)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12      Taxation on foreign operations (continued)

12.1    Taxation charge and liability (continued)

12.2    Pillar Two Rules (continued)

substantively enacted to implement the Pillar Two model rules published by the OECD, including tax law that implements a QDMTT. The Group has adopted these amendments, which introduce:

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

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

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

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

12.3    Domestic Minimum Tax Top-up (DMTT) Rules

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

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

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

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

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

13      Other liabilities

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

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

The negative fair value of derivatives amounting to US\$

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

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

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



31 December 2024 (All figures in US\$ Million)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 Borrowings

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

Total obligations outstanding at 31 December 2024

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

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

\*\*Perpetual

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

Total obligations outstanding at 31 December 2023

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

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

\*\*Perpetual

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

15 Equity

a) Share capital

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

b) Treasury shares

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

reserve totals 50% of the paid up share capital. The reserve is not available for distribution except in such circumstances as stipulated in the Bahrain Commercial Companies Law and following the approval of the CBB.

c) Statutory reserve

As required by the Articles of Association of the Bank and the Bahrain Commercial Companies Law, 10% of the profit for the year is transferred to the statutory reserve. Such annual transfers will cease when the

d) General reserve

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

e) Cumulative changes in fair value

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

16 Additional / perpetual tier-1 capital

The Group issued Basel 3 compliant additional / perpetual Tier 1 Capital securities amounting to US\$ 390 million during the year ended 31 December 2022. These securities are perpetual, subordinated and unsecured and carry an interest of 4.75% per annum payable

semi-annually. The holders of these securities do not have a right to claim the interest and such an event of non-payment will not be considered an event of default. Further, the corresponding interest paid to investors is accounted for as an appropriation of profits.

31 December 2024 (All figures in US\$ Million)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 Interest and similar income

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

18 Interest and similar expense

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

19 Other operating income

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

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

20 Other operating expenses

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

21 Group information

21.1 Information about subsidiaries

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

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

21.2 Significant restrictions

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

and comply with other ratios. In certain jurisdictions, distribution of reserves is subject to prior supervisory approval.

21.3 Material partly-owned subsidiaries

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

Banco ABC Brasil S.A.

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



31 December 2024 (All figures in US\$ Million)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21

Group information (continued)

21.1

Information about subsidiaries (continued)

21.2

Significant restrictions (continued)

21.3

Material partly-owned subsidiaries (continued)

The summarised financial information of this subsidiary is provided below.

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

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

22

Derivatives and hedging

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

The table below shows the positive and negative fair values of derivative financial instruments. The notional

amount is that of a derivative’s underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year end and are not indicative of either market or credit risk.

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 Derivatives and hedging (continued)

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

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

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

**Derivatives held or issued for trading purposes**

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

**Derivative related credit risk**

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

**Derivatives held or issued for hedging purposes**

The Group has adopted a comprehensive system for the measurement and management of risk. Part of the risk management process involves managing the Group's exposure to fluctuations in foreign exchange rates (currency risk) and interest rates through asset and liability management activities. It is the Group's policy to reduce its exposure to currency and interest rate risks to acceptable levels as determined by the Board of Directors. The Board has established levels

of currency risk by setting limits on currency position exposures. Positions are monitored on an ongoing basis and hedging strategies used to ensure positions are maintained within established limits. The Board has established levels of interest rate risk by setting limits on the interest rate gaps for stipulated periods. Interest rate gaps are reviewed on an ongoing basis and hedging strategies used to reduce the interest rate gaps to within the limits established by the Board of Directors

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

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

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

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

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

Only the interest rate risk element is hedged and therefore other risks, such as credit risk, are managed but not hedged by the Group. The interest rate risk component is determined as the change in fair value of the long-term variable / fixed rate loans and securities

arising solely from changes in the benchmark rate of interest. Such changes are usually the largest component of the overall change in fair value. The Group primarily designates the benchmark rate as the hedged risk and, accordingly, enters into interest rate swaps whereby the fixed legs represent the economic risks of the hedged items. This strategy is designated as a fair value hedge and its effectiveness is assessed by critical terms matching and measured by comparing changes in the fair value of the loans / securities attributable to changes in the benchmark rate of interest with changes in the fair value of the interest rate swaps.

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

(i) differences between the expected and actual volume of prepayments, as the Group hedges to the expected repayment date taking into account expected prepayments based on past experience;

(ii) hedging derivatives with a non-zero fair value at the date of initial designation as a hedging instrument; and

(iii) counterparty credit risk which impacts the fair value of uncollateralised interest rate swaps but not the hedged items.

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

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

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

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

**Hedge ineffectiveness**

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

quantitative hedge effectiveness testing using the dollar offset method to assess effectiveness.

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

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

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

31 December 2024 (All figures in US\$ Million)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 Credit commitments and contingent items

Credit commitments and contingent items include commitments to extend credit, standby letters of credit,

acceptances and guarantees, which are structured to meet the various requirements of customers.

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

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

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

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

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

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

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

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

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

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

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

The Group is engaged in litigation in various jurisdictions. The litigation involves claims by and against the Group which have arisen in the ordinary course of business. The Directors of the Bank, after reviewing the claims pending against Group companies and based on the

advice of relevant professional legal advisors, are satisfied that the outcome of these claims will not have a material adverse effect on the financial position of the Group.

24 Significant net foreign currency exposures

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

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



31 December 2024 (All figures in US\$ Million)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 Fair value of financial instruments

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

25.1 31 December 2024

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

Financial assets measured at fair value:

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

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

Financial liabilities measured at fair value:

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

Fair values of financial instruments not carried at fair value

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

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

25.2 31 December 2023

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

Financial assets measured at fair value:

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

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

Financial liabilities measured at fair value:

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

Fair values of financial instruments not carried at fair value

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

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

Financial instruments in level 1

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

Financial instruments in level 2

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

Financial instruments in level 3

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

Transfers between level 1, level 2 and level 3

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

26 Risk management

26.1 Introduction

Risk is inherent in the Group's activities and is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The Group is exposed to financial and non-financial risks including credit risk, liquidity risk, operational risk, market risk, legal risk, strategic risk as well as other forms of risk inherent in its financial operations, all of which are captured and detailed in the Group's Risk Taxonomy.

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

26.2 Risk management structure

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

31 December 2024 (All figures in US\$ Million)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 Risk management (continued)

26.2 Risk management structure (continued)

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

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

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

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

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

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

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

26.3 Risk mitigation techniques

26.3.1 Risk mitigation

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

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

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

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

26.3.2 Excessive credit risk concentration

Credit concentration risk is the risk posed by excessive exposures to a single type or class of exposures that share similar characteristics. A common type of credit concentration risk is having excessive exposure to a single obligor or single group of closely-related counterparties. Risk concentration can also occur across economic activity, geographic areas or bank products. High levels of concentration in the event of a negative

event e.g. default, changes in economic, political or other conditions may cause the Group to suffer higher than expected losses.

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

26.4 Credit risk

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

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

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

26.4.1 Credit risk assessment and mitigation

Exposure at default (EAD)

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

To calculate the EAD for a Stage 1 loan, the Group

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

Obligor Risk Rating (ORR) and the Probability of Default (PD) estimation process

The Group assigns an ORR to each obligor which maps to the Group’s assessment of PD for the obligor. The ORR scale is aligned to that of the international rating agencies (see below). An obligor’s ORR is reviewed at least annually.

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

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

Credit Risk Rating Scale

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

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 Risk management (continued)

26.4 Credit risk (continued)

26.4.1 Credit risk assessment and mitigation (continued)

Loss given default (LGD)

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

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

Definition of default and cure

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

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

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

- Principal and/or interest and / or fees are past due for 90 days or more after the last billing date and/or scheduled payment date, ignoring technical defaults and / or data errors. However, the Group can rebut 90 days past due assumption on a case-by-case basis, only upon prior approval from Group Chief Credit Officer (GCCO) / Group Chief Credit and Risk Officer (GCCRO) (at Head Office level) / Chief Risk Officer (CRO) or CRO (at Subsidiary level), as applicable;
- Any account put on non-accrual status i.e. interest suspended;
- A loan is classified as “Substandard”, “Doubtful”

or “Loss”;

- A covenant breach not waived by the Group;
- Bankruptcy, liquidation, administration, insolvency or similar proceedings have been filed by or against the obligor;
- The purchase or origination of a financial asset at a deep discount that reflects an incurred loss; and
- Other cases where the assessment of the Bank’s GCC / GCCRO / GCCO suggests customers unlikelihood to pay.

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

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

Credit risk grading and PD estimation process

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

Wholesale portfolio

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

At the request of the obligor the Bank’s first line of defense generates a paper to be considered at a business acceptance committee to confirm the facility is in line with the Bank’s strategy and meets the Bank’s profitability criteria. If approved at the business acceptance committee, a credit application form (CAF), is presented to the second line of defense which confirms that the request is factually correct and in line with the

Bank’s policies and standards relating to the risk being underwritten. The credit risk units of the Group validate the ORR being proposed. The CAF is then presented to a credit committee appropriate to the geography, product, ORR, maturity and amount requested for approval.

At a minimum the CAF contains the following information:

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

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

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

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

Retail portfolio

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

Treasury portfolio

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

Significant increase in credit risk

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

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

Further, the Group has used the low credit risk (LCR) expedient which includes all exposures meeting the following criteria:

- All local currency sovereign exposures funded in local currency;
- All local currency exposures to the government of the Kingdom of Bahrain or Central Bank of Bahrain; and
- All exposures with external rating A- or above.

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

ECL measurement

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

- A financial instrument that is not credit-impaired on initial recognition or where the credit risk has not significantly increased since initial recognition is classified in ‘Stage 1’ and has its credit risk continuously monitored by the Group.
- If a SICR since initial recognition is identified, the financial instrument is moved to ‘Stage 2’ but



31 December 2024 (All figures in US\$ Million)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 Risk management (continued)

26.4 Credit risk (continued)

26.4.1 Credit risk assessment and mitigation (continued)

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

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

Change in credit quality since initial recognition

←

→

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

Measuring ECL – Explanation of inputs, assumptions and estimation techniques

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

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

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

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

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

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

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

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

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

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

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

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

Assessment and calculation of ECL in the current macroeconomic environment

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

The Group’s models have been constructed and calibrated using historical trends and correlations as well as forward looking economic scenarios. The complexity

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

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

Economic variable assumptions

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 Risk management (continued)

26.4 Credit risk (continued)

26.4.1 Credit risk assessment and mitigation (continued)

Assumptions used in 2024

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

Assumptions used in 2023

Key macroeconomic variables used	ECL scenario and assigned weightage	2024	2025	2026	2027	2028
GDP growth rate*	Base (40%)	[ 0.4%, 5.8%]	[ 1.4%, 10.4%]	[ 2.7%, 15.3%]	[ 4.2%, 20.9%]	[ 5.9%, 26.8%]
	Upside (30%)	[ 2.9%, 8.0%]	[ 5.0%, 13.2%]	[ 6.5%, 18.2%]	[ 8.0%, 24.0%]	[ 10.0%, 30.0%]
	Downside (30%)	[ - 9.9%, 0.63%]	[ - 6.8%, 4.5%]	[ - 4.0%, 10.7%]	[ - 0.8%, 16.9%]	[ 1.1%, 23.1%]
Oil price	Base (40%)	-2.5%	-12.2%	-12.5%	-12.2%	-11.9%
	Upside (30%)	0.2%	-12.1%	-12.5%	-12.2%	-11.9%
	Downside (30%)	-29.3%	-25.1%	-15.1%	-14.8%	-13.9%
Equity index*	Base (40%)	[ - 17%, 14.4%]	[ - 0.6%, 25.9%]	[ 6.2%, 42.5%]	[ 11%, 58.2%]	[ 14.3%, 70.3%]
	Upside (30%)	[ 4.9%, 32.9%]	[ 4.8%, 43.2%]	[ 9.4%, 57.3%]	[ 13.3%, 66.4%]	[ 16.7%, 76.3%]
	Downside (30%)	[ - 33.8%, -13.2%]	[ - 26.3%, -2.0%]	[ -9.8%, 24.9%]	[ 2.4%, 43.1%]	[ 5.5%, 59.3%]

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

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

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

Sensitivity analysis

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

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

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

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

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

31 December 2024 (All figures in US\$ Million)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 Risk management (continued)

26.4 Credit risk (continued)

26.4.3 Risk concentration of the maximum exposure to credit risk

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

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

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

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

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

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

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

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



31 December 2024 (All figures in US\$ Million)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 Risk management (continued)

26.4 Credit risk (continued)

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

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

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

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

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

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

31 December 2024 (All figures in US\$ Million)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 Risk management (continued)

26.4 Credit risk (continued)

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

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

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

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

31 December 2024 (All figures in US\$ Million)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 Risk management (continued)

26.4 Credit risk (continued)

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

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

	Net maximum exposure	
	2024	2023
Financial services	2,205	3,736
Government	871	53
Other services	1,342	836
Manufacturing	1,515	1,296
Agriculture, fishing and forestry	173	170
Construction	339	405
Utilities	811	825
Energy	341	366
Distribution	200	177
Personal /consumer finance	23	316
Transport	414	464
Commercial real estate financing	19	57
Technology, media and telecommunications	146	104
Trade	201	114
Retailers	77	98
Mining and quarrying	53	58
Residential mortgage	-	0
Infrastructure	2	56
Contracting	849	930
Total	9,581	10,061

26.4.4 Credit quality per class of financial assets

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

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

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

\* Including exposures categorised as watchlist.



31 December 2024 (All figures in US\$ Million)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 Risk management (continued)

26.4 Credit risk (continued)

26.4.4 Credit quality per class of financial assets (continued)

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

			Placements with banks and other financial institutions	Securities bought under repurchase agreements	Non-trading debt investments	Loans and advances
31 December 2024	Liquid funds	Trading debt securities				
Stage 1 (12-month ECL)						
Rating grades 1 to 4-	3,163	332	1,000	-	12,610	3,336
Rating grades 5+ to 5-	193	482	558	1,037	1,867	7,169
Rating grades 6+ to 6-	196	4	392	251	1,555	6,231
Rating grade 7+ to 7-	24	10	121	-	64	1,112
Carrying amount (net)	3,576	828	2,071	1,288	16,096	17,848
Stage 2 (Lifetime ECL but not credit-impaired)						
Rating grades 1 to 4-	5	-	-	-	-	-
Rating grades 5+ to 5-	1	-	-	-	-	70
Rating grades 6+ to 6-	-	-	-	-	-	176
Rating grade 7+ to 7-	-	-	-	-	-	174
Rating grade 8	-	-	-	-	-	95
Carrying amount (net)	6	-	-	-	-	515
Stage 3 (Lifetime ECL and credit-impaired)						
Rating grades 9 to 11	-	-	-	-	-	286
Carrying amount (net)	-	-	-	-	-	286
Total	3,582	828	2,071	1,288	16,096	18,649

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

			Placements with banks and other financial institutions	Securities bought under repurchase agreements	Non-trading debt investments	Loans and advances
31 December 2023	Liquid funds	Trading debt securities				
Stage 1 (12-month ECL)						
Rating grades 1 to 4-	4,267	504	780	545	8,067	3,630
Rating grades 5+ to 5-	76	556	542	844	1,349	6,783
Rating grades 6+ to 6-	103	-	795	802	1,878	6,992
Rating grade 7+ to 7-	3	-	114	-	53	675
Carrying amount (net)	4,449	1,060	2,231	2,191	11,347	18,080
Stage 2 (Lifetime ECL but not credit-impaired)						
Rating grades 1 to 4-	4	-	-	-	-	-
Rating grades 5+ to 5-	-	-	-	-	-	55
Rating grades 6+ to 6-	-	-	-	-	-	210
Rating grade 7+ to 7-	-	-	-	-	-	339
Rating grade 8	-	-	-	-	-	137
Carrying amount (net)	4	-	-	-	-	741
Stage 3 (Lifetime ECL and credit-impaired)						
Rating grades 9 to 11	-	-	-	-	-	275
Carrying amount (net)	-	-	-	-	-	275
Total	4,453	1,060	2,231	2,191	11,347	19,096

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

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

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

	2024	2023
Loans and advances	333	406

26.4.6 Overview of modified or forborne loans

From a risk management point of view, once an asset is forborne or modified, the Group's Remedial Loan

Unit (RLU) continues to monitor the exposure until it is completely and ultimately derecognised.

26.4.7 Collateral and other credit enhancements

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

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

Credit exposure loan to value ratios of real estate portfolio

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 Risk management (continued)

26.4 Credit risk (continued)

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

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

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

26.5 Settlement risk

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

26.6 Market risk

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

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

The Group manages market risk by classifying into two types: a) trading market risk; and b) investment market risk. Trading market risk arises primarily from positions held in the trading books from market-making to support client activities. This involves the management of client originated exposures in interest rates, equities, corporate and sovereign debt, foreign exchange rates,

commodities and derivatives of these asset classes, such as forwards, futures, options and swaps. Trading market risk may also arise from positions originated by the Bank subject to the market risk appetite and limits defined by the GALCO and BRC.

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

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

26.7 Interest rate risk in the banking book

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

instruments to floating rate to better manage the duration in the asset book.

The sensitivity of the consolidated statement of profit or loss is the effect of the assumed changes in interest rates on the net interest income for one year, based on financial assets and financial liabilities held at 31 December, including the effect of hedging instruments. The sensitivity of equity is calculated by revaluing fixed rate FVOCI financial assets, including the effect of any

associated hedges and swaps. Substantially all the FVOCI non-trading securities held by the Group are floating rate assets. Hence, the sensitivity to changes in equity due to interest rate changes is minimal.

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

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

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

Managing interest rate benchmark reform and associated risks

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

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

26.8 Currency risk

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 Risk management (continued)

26.8 Currency risk (continued)

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

26.9 Equity price risk

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

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

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

26.10 Operational risk

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

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

The Group Operational Risk Committee (GORCO), as a sub-committee of Group Risk Committee (GRC) assists with the management of Operational Risks across the

Group to ensure that the Operational Risk Framework and Policy as approved by the BRC, is implemented and monitored across the Group.

The GORCO:

- Defines the policy for the management of Operational Risks and recommends for approval by the GRC and BRC.
- Review and recommend the Operational Risk Appetite and Group Risk Taxonomy for approval by the GRC and BRC.
- Monitors and reviews the Operational Risk profile across various Group businesses and its subsidiaries.
- Defines the various components of the

Operational Risk Management Framework at the Group and oversees the implementation of the framework across the Group.

- Oversees the actions taken are in line with the Operational Risk Appetite.

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

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

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

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

Operational risk appetite

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

26.10.1 Operational resilience

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

The Group Operational Resilience Committee (“GORC”) assists GRC with the oversight of the Bank’s Operational resilience practices that is driven by the activities in the

following areas:

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

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

26.11 Liquidity risk

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

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

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



31 December 2024 (All figures in US\$ Million)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 Risk management (continued)

26.11 Liquidity risk (continued)

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

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

31 December 2024 (All figures in US\$ Million)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 Risk management (continued)

26.11 Liquidity risk (continued)

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

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2024 based on contractual undiscounted repayment obligations. See the next table for the expected maturities of these liabilities. Repayments which are subject to notice

are treated as if notice were to be given immediately. However, the Group expects that many customers will not request repayment on the earliest date the Group could be required to pay and the table does not reflect the expected cash flows indicated by the Group's deposit retention history.

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

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

31 December 2024 (All figures in US\$ Million)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 Risk management (continued)

26.11 Liquidity risk (continued)

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

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

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

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

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

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



31 December 2024 (All figures in US\$ Million)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 Operating segments

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

- MENA subsidiaries** cover retail, corporate and treasury activities of subsidiaries in North Africa and Levant;
- International wholesale banking** encompasses corporate and structured finance, trade finance, Islamic banking services and syndications;

- Group treasury** comprises treasury activities of Bahrain Head Office, New York and London;
- ABC Brasil** primarily reflects the commercial banking and treasury activities of the Brazilian subsidiary Banco ABC Brasil S.A., focusing on the corporate and middle market segments in Brazil and its related holding Company; and
- Other** includes activities of Arab Financial Services Company B.S.C. (c) and ila Bank.

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

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

Geographical information

The Group operates in six geographic markets: Middle East and North Africa, Western Europe, Asia, North America, Latin America and others. The following table show the external total operating income of the major

units within the Group that covers these markets, based on the country of domicile of the entity for the years ended 31 December 2024 and 2023:

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

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

31 December 2024 (All figures in US\$ Million)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 Repurchase and resale agreements

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

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

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

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

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

	2024	2023
Commission income	22	18
Interest expense	250	257
Compensation of the key management personnel is as follows:		

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

30 Fiduciary assets

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

31 Islamic deposits and assets

Deposits from customers, banks and borrowings include Islamic deposits of US\$ 2,649 million (2023: US\$ 3,769

29 Transactions with related parties

Related parties represent the ultimate parent, major shareholders, associates, directors and key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

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

million). Loans and advances, non-trading investments and placements include Islamic assets of US\$ 1,161 million (2023: US\$ 1,021 million), US\$ 1,258 (2023: US\$ 809 million) and US\$ nil (2023: US\$ nil).

32 Assets pledged as security

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

33 Basic and diluted earnings per share and proposed dividends and transfers

33.1 Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the parent for the year by the weighted average number of shares during the year. Diluted EPS is calculated by dividing the profit attributable to shareholders of the parent by the weighted average

number of shares outstanding during the year plus the weighted average number of shares that would be issued on conversion of all the dilutive potential shares into shares.

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

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

33.2 Proposed dividends and transfers

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

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

34 Capital Adequacy

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

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital to shareholders or

issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

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

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

31 December 2024 (All figures in US\$ Million)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

RISK WEIGHTED EXPOSURES

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

The Group's capital base primarily comprises:

- (a) Tier 1 capital: share capital, treasury shares, reserves, retained earnings, non controlling interests, profit for the year and cumulative changes in fair value;
- (b) Additional Tier 1 Capital: eligible portion of a perpetual financial instrument issued by the Bank's subsidiary; and

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

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

35 Changes in liabilities arising from financing activities

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

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

36 Goodwill on business acquisition

36.1 Goodwill on acquisition of BLOM Bank Egypt

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

36.2 Impairment testing of Goodwill and CDI acquired

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

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

- Discount rate of 21% (2023: 20%), which is derived using a capital asset pricing model and comparing it with cost of capital rates produced by external sources. Long-term profit growth rate of 3% (2023: 7%), adjusted for expected changes in benchmark interest rates and sector growth rates over time, applied to projected periods beyond 2032.

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

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

Interest margins

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

Discount rates

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

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

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

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

Other intangibles

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

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

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

37 Subsequent events

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



# APPENDICES

# 05

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