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THE ARAB INVESTMENT COMPANY S.A.A.

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ANNUAL REPORT 2023

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2023

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THE ARAB INVESTMENT COMPANY

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01

Overview

The Arab Investment Company S.A.A (TAIC) was established in the middle of 1974, as a Pan-Arab joint-stock company under an international agreement. Its prime objective, according to the terms stipulated in its Memorandum of Association, is to «invest the Arab funds to develop the Arab resources through the participation in the investment projects in the sectors of agriculture, industry, trade, transportation and services on sound economic and commercial basis, in a manner that would support and develop the Arab economy». The Company enjoys all guarantees and concessions provided by the investment laws prevailing in the shareholding countries, including the guarantee of complete freedom to the movement of funds and its immunity against nationalization and confiscation.

TAIC is wholly owned by the governments of (17) Arab countries, with an authorized capital of US$1,200 million and a paid-up capital of US$1,050 million, distributed among the shareholding countries. The Company conducts its investment activities in two main lines of business, namely, the project equity and the banking services, from its Head Office in Riyadh, Kingdom of Saudi Arabia and from its banking branch in the Kingdom of Bahrain respectively.

Establishment

1974

Objective

To Invest Arab Funds

Ownership

17 Countries

Authorized Capital

US$ 1,200 Million

Paid-Up Capital

US$ 1,050 Million

Vision

To become a leading Arab financial institution focused on mobilizing resources to meet the investment and financing needs of investment and financing businesses, in order to achieve sustainable development in the Arab region.

Mission

Generate sound financial returns, support economic development and contribute to the improvement of the investment environment in the Arab world by playing a catalytic role in the establishment and implementation of projects in different economic sectors, based on sound economic and commercial criteria, and by mobilizing the Arab resources through the Company's banking activities to provide the necessary funding for investment projects and boost inter-Arab trade exchange designed to support the economic integration between Arab countries.

Board of Directors

His Excellency
Mr. Abdulaziz bin Salih Al-Furaih
Chairman of the Board
Kingdom of Saudi Arabia

Mr. Mishaal Bin Salem Al-Otaibi
Vice Chairman
State of Kuwait

Dr. Abdullah Bin Abdul Rahman Al-Namlah
Board Member
Kingdom of Saudi Arabia

Mr. Abdullah Bin Salim Al-Harthi
Board Member
Sultanate of Oman

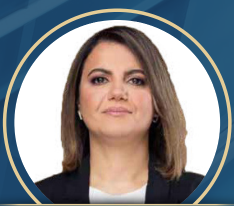
Mr. Majed Khamis Al Darmaki
Board Member
United Arab Emirates

Her Excellency
Mrs. Taif Sami Al Shakarchi
Board Member
Republic of Iraq

Mr. Khaled Hussein Al-Omar
Board Member
State of Kuwait

Mr. Ashraf Mohamed Mohamed Negm
Board Member
Arab Republic of Egypt

Mr. Sultan Ahmed Al Junaibi
Board Member
United Arab Emirates



H.E.Dr. Najlaa Mohmad EL-Mangoush
Board Member
State of Libya

Eng. Nawaf Hashem Alsadeh
Board Member
Kingdom of Bahrain

Sheikh
Khalid Bin Saoud Al-Thani
Board Member
State of Qatar

Committees of Board of Directors

Higher Investment Committee

His Excellency
Abdulaziz bin Salih Al-Furaih
Committee Chairman

Mr.
Mishaal Bin Salem Al-Otaibi
Committee Member

H.E.Dr.
Najlaa Mohmad EL-Mangoush
Committee Member

Mr.
Abdullah Bin Salim Al-Harthi
Committee Member

Mr.
Majed Khamis Al Darmaki
Committee Member

Audit Committee

Dr.
Abdullah Bin Abdul Rahman Al-Namlah
Committee Chairman

Her excellency
Mrs. Taif Sami Al Shakarchi
Committee Member

Mr.
Sultan Ahmed Al Junaibi
Committee Member

Risk and Compliance Committee

Mr.
Abdullah Bin Salim Al-Harthy
Committee Chairman

Mr.
Ashraf Mohamed Negm
Committee Member

Sheikh
Khalid Bin Saoud Al-Thani
Committee Member

Nominations & Remuneration Committee

Mr.
Majed Khamis Al Darmaki
Committee Chairman

Mr.
Khaled Hussein Al-Omar
Committee Member

Eng.
Nawaf Hashem Alsadeh
Committee Member

Head Office

Riyadh, Kingdom of Saudi Arabia

- **Acting Chief Executive Officer**
  Mr. Ibrahim Milad Zletni

- **Financial and Administrative Affairs**
  Mr. Fahad Abdullah Al-Haqbani

- **Investment**
  Mr. Dakheel Allah Abdullah Al Zahrani

- **Financial Affairs**
  Mr. Magdi M. Elkafrawy

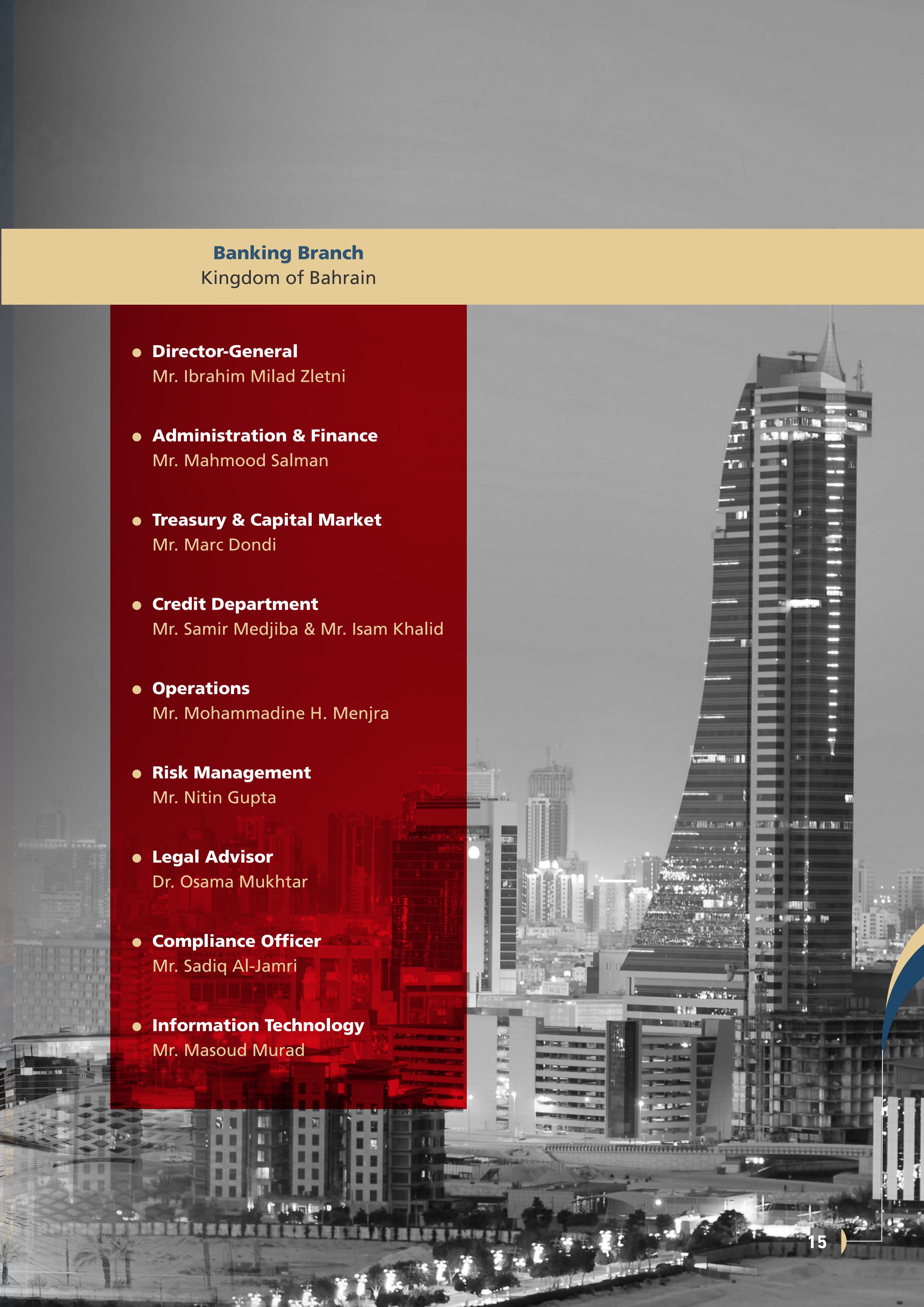
- **Human Resources and Administration**
  Mr. Abdulaziz A. Al-Furaih

- **Information Technology**
  Mr. Sayed Mahmoud Osman

- **Legal Advisor**
  Mr. Khalid Saleh Al-Zugaibi

- **Internal Audit**
  Mr. Yousif Sami Yousif

Banking Branch
Kingdom of Bahrain



- **Director-General**
  Mr. Ibrahim Milad Zletni

- **Administration & Finance**
  Mr. Mahmood Salman

- **Treasury & Capital Market**
  Mr. Marc Dondi

- **Credit Department**
  Mr. Samir Medjiba & Mr. Isam Khalid

- **Operations**
  Mr. Mohammadine H. Menjra

- **Risk Management**
  Mr. Nitin Gupta

- **Legal Advisor**
  Dr. Osama Mukhtar

- **Compliance Officer**
  Mr. Sadiq Al-Jamri

- **Information Technology**
  Mr. Masoud Murad

Statement of Chairman of Board of Directors

Dear Shareholders,

On behalf of my colleagues, members of the Board of Directors, and personally I am honored and pleased to present the annual report of the Arab Investment Company (TAIC) for the fiscal year ended on December 31, 2023, featuring and reflecting the key achievements realized by TAIC.

Despite the fears, crises, global risks, and environmental challenges that have snowballed into reality across the world over the course of recent years due to geopolitical tensions, economic crises, and uncertainty, the key goal of controlling high inflation rates while reducing the severity of the impact on economic growth has remained a priority for the global economy during 2023. Equally important, the inflation rates in the Arab Countries remained relatively high and were largely affected by the pressures on the local currency exchange rate in some Arab Countries, fluctuations in energy and food prices, and the economic growth becoming generally lower than expected.

In 2023, TAIC successfully demonstrated and showcased great resilience and prudent financial management of resources by adopting a cautious approach in managing TAIC investment portfolio and banking assets by entering into investment and banking opportunities with added value and desired returns. Of good note, TAIC took a selective approach to transactions to reduce risks in light of the economic uncertainty.

In response to the changes coming into play in the immediate vicinity of TAIC and beyond, while making concerted efforts to achieve the aspirations of shareholders, the Board of Directors approved TAIC new strategy coupled with a new roadmap and began developing detailed implementation plans. Inspired by its strategic direction, TAIC seeks to increase the shareholders' rights, with a special focus on achieving a positive impact across the region. Drawing on its well-developed strategy, TAIC will operate according to a new business model mainly in private and public markets, while seizing investment ample opportunities made available in venture capital and growth. Equally important, TAIC will also adopt a geographical approach compatible with its business specialization and expertise in the first place, by giving preference to the markets of the Arab Region, with some vital openness to investment across global markets.

Driven by the new strategy, TAIC has adopted the establishment of a new cultural identity for the work environment compatible with prevailing best practices by launching key values, including empowerment and focus on performance, and supporting the continued professional development for all staff to create the ideal cultural identity that can competitively keep pace with potential changes to lay the foundation for a more resilient and sustainable future, while achieving the aspirations of all stakeholders, including shareholders, the Board of Directors, staff, customers, and government entities, in addition to social and environmental responsibility.

In conclusion, on behalf of my colleagues, members of TAIC Board of Directors, and personally I would like to extend my appreciation and gratitude to the governments of the Shareholding Arab Countries and our valued customers for their precious confidence proudly placed TAIC and their constructive roles in supporting such progress. I would like also to express my warm appreciation for the outstanding efforts of my fellow members of the Board of Directors, the executive management, and all TAIC staff for their vital contribution to the results achieved in the fiscal year 2023, wishing TAIC further progress, success and prosperity.

Chairman of Board of Directors
Abdulaziz bin Saleh Al-Furaih

CEO Statement

Dear Shareholders,

Remarkably enough, TAIC celebrated the 2023 Fiftieth Anniversary, marked and cherished by several successes and achievements par excellence over five decades of focused and smooth flow of busienss. As TAIC entered a new phase full of challenges, TAIC Board of Directors was keen to develop an ambitious strategic plan that included qualitative and quantitative goals for the next five years. TAIC started the fiscal year 2023 with a positive outlook despite the events and developments coming into play across the global economy, which caused central banks to maintain interest rates at high levels as an attempt to curb high inflation rates.

Over the course of 2023, TAIC successfully moved forward in performing the roles and responsibilities it is entrusted and mandated with, while creating the fertile grounds and favorable factors contributory to adopting its inspiring strategy. TAIC concerted efforts were made to achieve the desired operational results and ensuring the fulfillment of the requirements of the strategy (2024-2028) that was perfectly crowned by the approval and adoption of TAIC Board of Directors.

The financial performance attracted and enjoyed a noticeable improvement, as TAIC achieved net profits at the end of the fiscal year 2023 standing at US$42 million, vis-à-vis US$38 million at the end of the fiscal year 2022, making up an increase of (10%). Of great note, the total operating revenues realized by TAIC various activities for the fiscal year 2023 stood at about US$76 million, compared to US$62 million for the fiscal year 2022, accounting for an increase of (23%). Equally important, TAIC will constantly make more concerted efforts to assess and distribute its investments in accordance with its new strategy, with the aim of raising the efficiency of the performance of its investment assets to achieve better results over the course of the coming years to enhance its financial position and sustainability.

TAIC will constantly implement the outcomes of the strategy (2024-2028), which aims to strengthen TAIC financial position and support its growth to meet future challenges by focusing on achieving promising investment goals and setting an implementation pathway through a whole host of well-informed and carefully examined initiatives, plans and measures, which will lead to the growth of TAIC financial returns through optimal investment in the management of financial resources.

In conclusion, I would like to express my sincere gratitude and appreciation to our shareholders, customers and success partners. I also pay tribute and express my appreciation to His Excellency the Chairman of the Board of Directors, and members of the Board of Directors for their highly valued trust and long-standing support wholeheartedly provided for TAIC. Equally important, many thanks go to all my colleagues, for their highly valued efforts made across 2023, which had a positive impact on TAIC business, looking forward with you to further success, growth and sustainability.

Chief Executive Officer

Ibrahim Milad Zletni

Subscriptions of Member Countries

		Country	Amount ($ Thousands)	Percentage (%)
1		Kingdom of Saudi Arabia	173,848	16.56
2		State of Kuwait	173,848	16.56
3		United Arab Emirates (Abu Dhabi)	142,641	13.58
4		Republic of Iraq	116,243	11.07
5		State of Qatar	90,841	8.65
6		Arab Republic of Egypt	77,268	7.36
7		State Of Libya	66,170	6.30
8		Syrian Arab Republic	63,396	6.04
9		Republic of the Sudan	29,696	2.83
10		Kingdom of Bahrain	18,960	1.81
11		Republic of Tunisia	18,960	1.81
12		Kingdom of Morocco	18,960	1.81
13		Sultanate of Oman	16,918	1.61
14		Republic of Lebanon	17,875	1.70
15		People's Democratic Republic of Algeria	17,875	1.70
16		Hashemite Kingdom of Jordan	3,569	0.34
17		Republic of Yemen	2,932	0.27
		Total	**1,050,000**	**100.00**

Summary of TAIC 2023 Financial Results

By the end of the fiscal year 2023, TAIC achieved net profits of US$ 41,621 thousand, vis-à-vis US$ 37,880 thousand by the end of the fiscal year 2022, making up an increase of 10%. The said increase in TAIC profits for the fiscal year 2023 compared to the fiscal year 2022 is due to the increase in net interest income as well as the profits of the investment portfolio through trading in stocks. The total operating revenues from TAIC various activities for the fiscal year 2023 accounted for about US$ 76,351 thousand, vis-à-vis US$ 62,031 thousand for the fiscal year 2022, making up an increase of 23%.

TAIC general and administrative expenses for the fiscal year 2023 accounted for US$ 23,377 thousand vis-à-vis US$ 21,288 thousand at the end of the fiscal year 2022, making up an increase of US$ 2,089 thousand (10%) as a result of the increase in financial consulting expenses resulting from the added cost of the development of TAIC strategy for (2024-2028). Equally important, TAIC investment and banking activities further contributed to achieving the said results despite the difficult economic conditions witnessed in the fiscal year 2023.

TAIC total assets at the end of the fiscal year 2023 made up about US$ 1,695,347 thousand vis-à-vis US$ 1,765,456 thousand at the end of the fiscal year 2022, accounting for a decrease of US$ 70,109 thousand (4%) mainly due to the decrease in accepted deposits.

The total TAIC shareholders' equity at the end of the fiscal year 2023 accounted for about US$ 1,386,717 thousand vis-à-vis US$ 1,350,454 thousand realized at the end of the fiscal year 2022, making up an increase of 2.7%. This is mainly due to the net profits achieved in 2023 along with the increase in the fair value of the securities portfolio, despite the distribution of cash dividends to TAIC Shareholders for 2022 at 2% of the paid-up capital. TAIC achieved a return on average assets of 2.4%, while the return on average shareholders' equity accounted for 3.1% at the end of the fiscal year 2023.

Reasons of Profit Increase

- Increase net interest income
- Investment portfolio profits by trading in stocks

2023 Net Profit

US$ 41,621
Thousand

Profit Increase Percentage

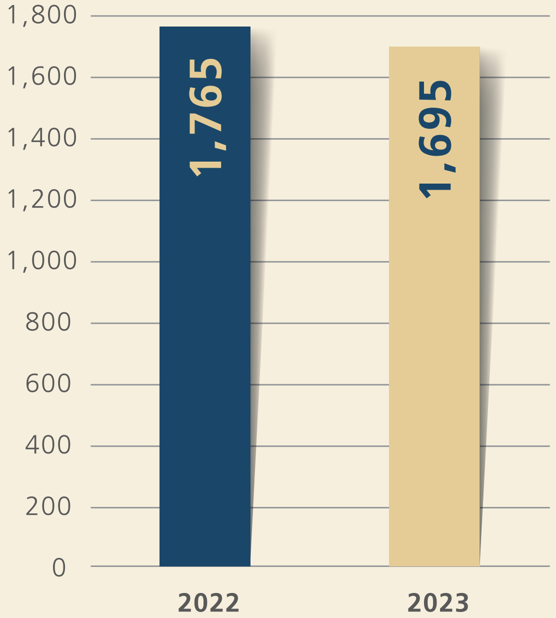
10%

The following table shows TAIC Key Performance Indicators (KPIs) for 2023, compared to the 2022 KPIs:

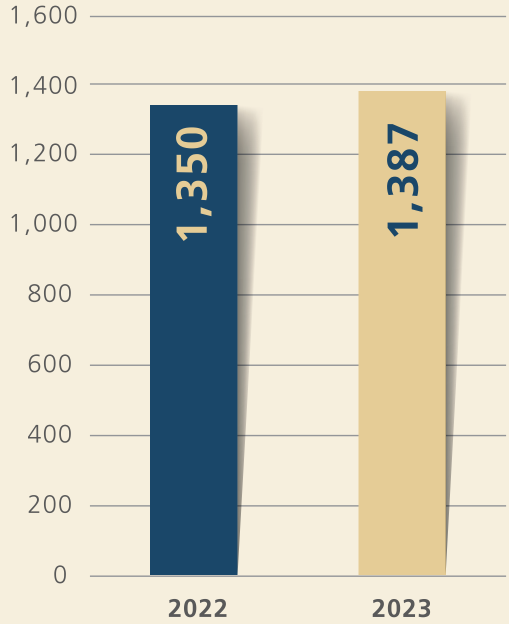
TAIC Key Performance Indicators (KPIs) 2022-2023

KPIs	2023	2022
Ratio of Return on Average Shareholders' Equity	3.1%	2.8%
Return on Capital	4.0%	3.6%
Return on Average Assets	2.4%	2.1%
Capital Adequacy	100%	100%

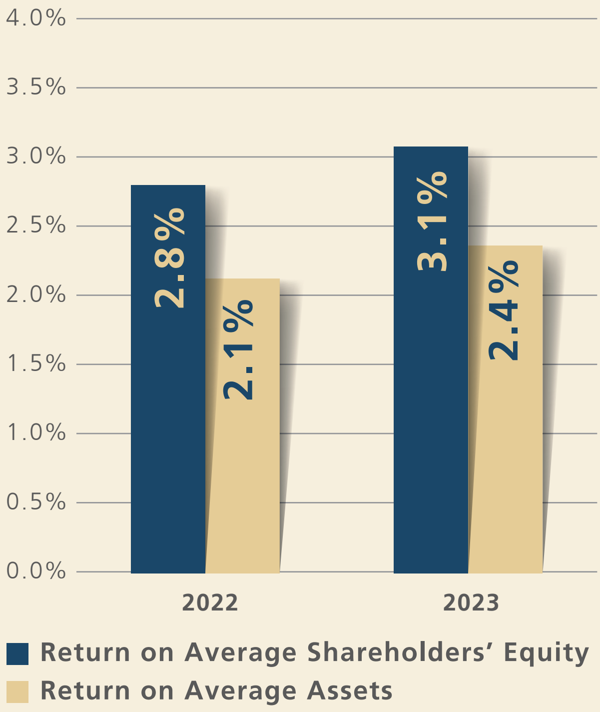
The following graphs reveal the change in TAIC assets, shareholders' equity growth, return on average assets, return on shareholders' equity, and net profits (2022-2023) expressed in millions of USD:

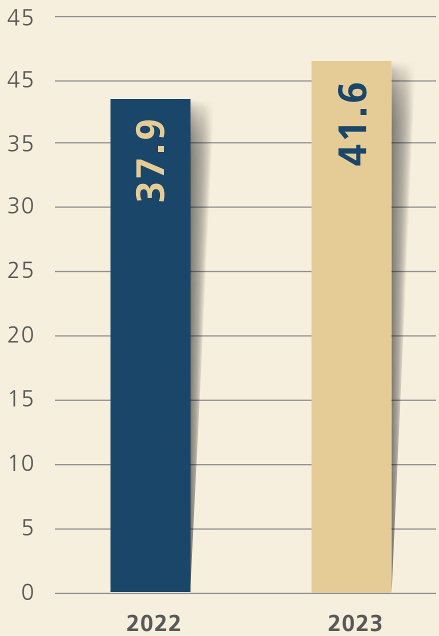


Total Assets
($ Million)



Total Shareholders' Equity
($ Million)





Annual Net Profit
($ Million)

TAIC Management

Driven and inspired to achieve the target investment and development mission, TAIC management is committed to applying the best practices and the latest and most effective ecosystems in management, investment and asset management, with a continued emphasis attached to its core driver that its all-out contribution to achieving sustainable development across the Arab Countries is at the forefront of its top priorities, cemented by the regulatory and organizational framework it always adopts.

Of great note, TAIC Board of Directors carries out the duties and responsibilities entrusted as outlined and determined by the corporate governance framework and TAIC regulations and by-laws. In a similar vein, TAIC Board of Directors held (5) periodic meetings in 2023, by virtue of which several decisions were made to further regulate the workflow mechanism and implementation tools in perfect harmony with the requirements of the regulatory authorities.

In the same vein, the Subject-Matter Expert (SME) Committees of TAIC Board of Directors exercised relevant duties and responsibilities, held several meetings, and made important decisions. Thanks to the several meetings held, the reports developed by the SME Committees, and the reports of executive management, the Board of Directors is reassured of progress and performance notched up by TAIC along with the continued success in achieving the target results. Taken together, TAIC has accomplished most of the quantitative and qualitative objectives included in its annual operational plan for 2023, within the framework of its general policies and the directives and decisions of the Board of Directors, which further contributed to maintaining TAIC notable position among the other relevant Arab Companies.

TAIC Board of Directors pays special and undivided attention to strategic planning to further strike a balance between implementing current business and developing such business to ensure continuity, overcome future challenges, and benefit from opportunities made favorably available to achieve TAIC general objectives. Based on TAIC shareholders' keen role to reconsider the strategic business directions, the Board of Directors approved TAIC strategic plan

(2024-2028), which included specific directions related to the strategic investment objectives, the target business scope, and a special focus on building the operational model in perfect harmony with the business sectors that the strategy focused on following the reconsideration of other sectors. The Board of Directors and associated various committees have set the stage to promote several pathways aimed at implementing the holistic strategy with all relevant core elements within a time frame that facilitates and heralds the transition and transformation from the current business reality all the way up to the target environment within the new strategy while achieving effective change management that addresses potential challenges appropriately.

The development of TAIC strategic plan for the next five years considered several main pillars, including reviewing TAIC objectives and vision based on its Articles of Association, regulations and statutory provisions and the aspirations and ambitions of TAIC shareholders, conducting a SWOT analysis, while assessing the current business model to identify the challenges and risks that could affect the continuity of TAIC activity, most notably among which is the financing sources needed by the banking activity provided by TAIC. In a similar vein, TAIC overall performance was also analyzed in comparison with similar companies and market indicators to further determine the appropriate business model and predict TAIC financial performance during the strategy implementation, including the operational costs, the strategy implementation costs, identifying the appropriate capital and financing available to initiate implementation. This also included analyzing the current organizational structure and proposing the required amendments, as well as developing a detailed road map for implementing the strategic plan according to a clear vision with specific features and goals.

Driven by the strategic direction, four basic strategic elements were assessed to determine TAIC core business and its long-term strategic direction. In line with the strategy adopted by the Board of Directors, TAIC goal have been set to be business-oriented, giving priority to commercial returns to raise value for shareholders, with a focus on achieving positive impact across the region. To best translate the strategy in place, TAIC will follow a new business model to be a pure investment company that invests its funds mainly in private and public markets while seizing investment opportunities in venture capital and growth. Equally important, TAIC will also adopt a geographically oriented approach consistent with TAIC core business in the first place, while giving preference to the markets of the Arab Region, enhanced with some openness to investment in global markets. Again, ceilings on the degree of openness will be set at the national level of countries in the Arab Region in order to manage any potential risks appropriately. Of great note, the allocation of funds in the investment portfolios will be set according to sectoral diversity by focusing on the target sectors that achieve strategic transformation goals and appropriate financial returns, while conducting a periodic review of priority sectors and refining their areas of focus in line with emerging opportunities.

To ensure the continuity of TAIC business and the strategy implementation, a special plan was developed to gradually implement the requirements of the strategy and the initiatives, according to an acceptable risk scenario and a specific transition period, in such a manner so that TAIC gradually transforms into a pure investment company. During this transformational stage, TAIC will set the stage to complete the governance framework, restructure TAIC current investment portfolio, promote capacity-building and develop expertise. TAIC will also be able to manage risks more effectively. During the transformational period, the personal funds employed in banking activity will be gradually transferred to investment portfolios. The said plan will provide sufficient flexibility to adapt to what market variables require, and high dynamics to accommodate all change scenarios that TAIC is likely to face during the various stages of the strategy implementation. TAIC is also reexamining and reviewing the current organizational structure and redesigning it in such a manner as to best fulfil and accommodate the requirements of the new strategy so that it becomes more flexible and effective. Of good note, the number of investment management employees will be equal to the number of employees of the supporting departments within the limits of the well-informed and guided ratios and best practices. This also includes developing human resources, building skillset, and enhancing performance in accordance with TAIC needs and future aspirations.

Key Pillars of Strategic Plan Development 2024-2028

01

Reviewing TAIC goals, vision, and ambitions of shareholders

02

Conducting an in-depth analysis of strengths and weaknesses

03

Conducting an in-depth analysis of opportunities, threats, and challenges

04

Carrying out a comprehensive assessment of the current business model to identify the key challenges and risks

05

Analyzing TAIC performance vis-à-vis similar companies to help determine the appropriate business model

06

Establishing a clear road map to implement the strategic plan

Support Services Development

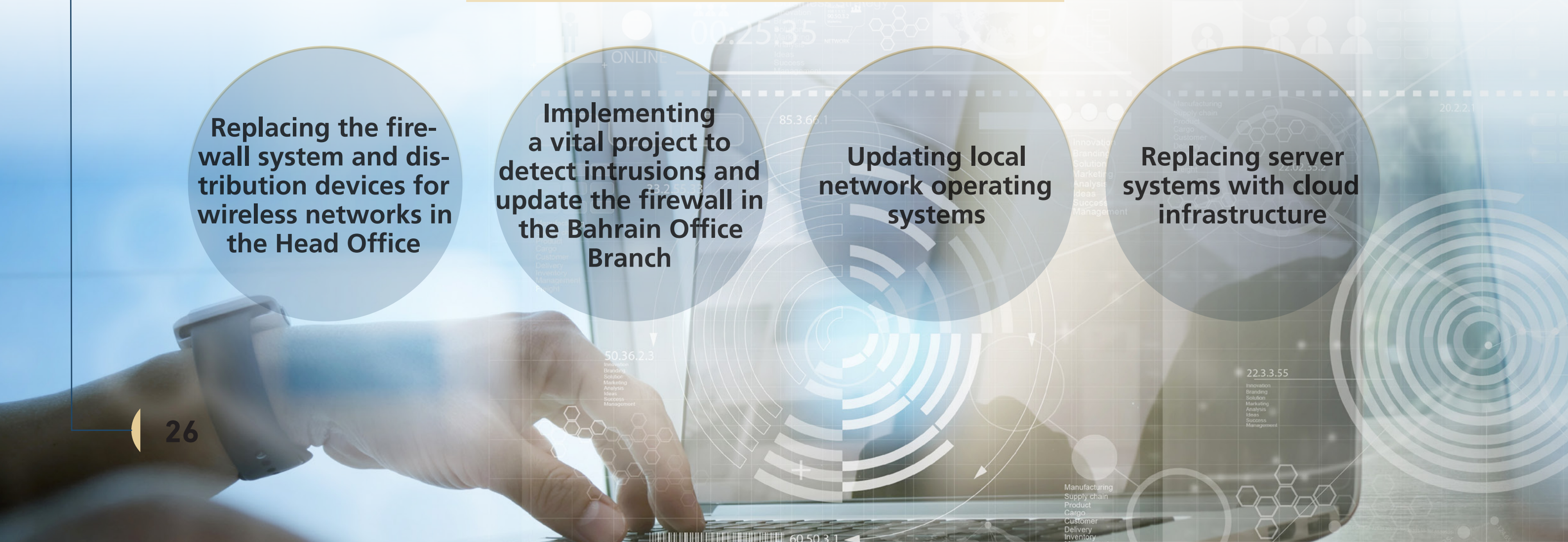
In light of TAIC management continued and concerted efforts to develop institutionalisation and create an attractive and professional work environment that achieves TAIC strategic goals and future aspirations, TAIC implemented during the fiscal year 2023 its approved programs to promote support services in developing Information Technology (IT) systems and developing human resources..

Information Technology Systems

Enormously keen to further keep pace with the state-of-the-art technology and related developments in information technology systems in 2023, TAIC put in great efforts to increase its relevant capabilities and capacities and to follow up on the continued changes in the areas of developing information technology systems, several projects and development programs were completed in 2023, which all aimed to improve and modernize TAIC information systems.

To further improve information security systems and confront the increase in cyber threats, a well-designed project was put into action to replace firewall systems and distribution devices for wireless networks at TAIC Headquarters. Equally important, a well-tailored project to detect intrusions and modernize the firewall and local networks was also implemented in the Bahrain TAIC Branch, in addition to modernizing local network operating systems to address security gaps and increase performance. In a similar vein, a project was implemented in 2023 to replace server systems with cloud infrastructure, and the virtual servers' operating system was upgraded to the latest version. The digital audio systems (AVAYA) project was also implemented and successfully linked to the audio systems of the Bahrain TAIC Branch. The SWIFT system was also updated to the latest version, in addition to developing digital storage systems solutions.

Key IT Systems Development Projects 2023



TAIC information technology department constantly pays a special attention to everything new and advanced in order to develop TAIC work environment and adopt the latest technical methods and techniques that achieve TAIC interests in perfect harmony with its strategic directions.

Human Resources

As part of TAIC continued endeavour to further develop Human Resources (HR) and adopt the best practices, and the must-adopt changes and developments to achieve the strategic requirements of human resources, hence, to meet future challenges and keep pace with best professional practices, several initiatives have been designed, set and launched to develop and restructure human resources. Continued progress is underway to implement such seminal initiative. To this end, a high-profile HR consulting entity with a special focus on HR research studies and strategies has been entrusted and assigned, under the supervision of the Nominations and Compensation Committee subsumed under the Board of Directors, to carefully cater for TAIC human capital management and change management to enable TAIC to achieve its future of growth and progress.

As part of TAIC efforts to raise the performance rates of employees, TAIC evinces constant engagement to develop and build skills to enhance performance and encourage self-development by participating in a group of training courses, forums and workshops related to TAIC investment and banking activity. Such programs include asset and liability management, rules for digital commercial transactions, security awareness about information security and cybersecurity risks, financial crimes and fraud prevention, combating money laundering and terrorist financing, trade finance, compliance management, business ethics and the profession, digital banking and digital transformation, and administrative communications. Some of TAIC employees also participated across the year in several forums and conferences, such as the Northern Borders Investment Forum (Kingdom of Saudi Arabia), the ASET Abu Dhabi Conference (United Arab Emirates), the Seventh Arab Gulf Forum for Accountants and Auditors (Kingdom of Bahrain), and the Arab Forum for Cybersecurity. (Kingdom of Bahrain), AAOIFI-Islamic Development Bank 18th Annual Islamic Banking and Finance Conference (Kingdom of Bahrain).

Driven by the new strategy, TAIC aims to develop a new identity for its internal corporate culture by launching basic values, including empowerment, performance-oriented emphasis, and supporting the professional advancement of its employees to create an ideal cultural identity capable of keeping pace with potential changes, and achieving the aspirations of TAIC shareholders, Board of Directors, and employees.

The company's efforts to raise employee performance

Participation in a number of courses, forums and workshops, including:

Strengthening Institutionalisation

Institutionalisation constitutes the key pillar of TAIC, as it adheres in all its activities to the applicable regulations and laws, guided by the principles of governance and transparency, the decisions of the Board of Directors, and the directives of the regulatory authorities, giving TAIC activities more flexibility and suitability with business requirements and developments.

Good Management and Governance Systems

In compliance with the principles and standards of good governance as part of TAIC philosophy to achieve its future aspirations and promising plans, TAIC has developed a package of measures and policies through which it defines and assigns roles and responsibilities to create an organized work environment that contributes to carrying out its activities with precision and comfort, taking into account the technical aspects and requirements of the regulatory authorities.

The Board of Directors is mandated and entrusted with monitoring the implementation of governance systems in such a manner consistent with the requirements of regulatory authorities and meeting the needs of the labour market in order to verify the validity and accuracy of the application of the systems and ensure adherence to the best governance and transparency practices. Therefore, the Board of Directors has established several permanent committees: Supreme Investment Committee, Audit Committee, Risk and Compliance Committee, and Nominations and Compensation Committee. In the same vein, permanent internal committees of the executive management also operate, most notably are Investment Committee, Credit Committee, Securities Committee, and Assets and Liabilities Committee. All the said committees are charged with varying tasks and powers in order to regulate and organize institutional work and achieve an integrated role between departments and divisions all over TAIC.

TAIC Activity in Project Investment

The goal of controlling high inflation rates while reducing the severity of the impact on economic growth remained a priority for the global economy in 2023, as the majority of central banks constantly continued raising interest rates, which are the key monetary policy tools, while monitoring such effects on economic activity as a whole. Like the rest of the world, the Arab Countries in 2023 experienced inflation rates, which remained relatively high and largely affected by the pressures on the local currency exchange rate in some Arab Countries and fluctuations in energy and food prices. Economic growth was generally lower than expected, reflecting the state of uncertainty caused by global price fluctuations, geopolitical developments, the continuation of some challenges facing supply chains, as well as unfavourable internal conditions in certain countries, and the repercussions of climate change on the agricultural sector directly and indirectly across some other sectors..

Distribution of TAIC Total Investments

Distribution of TAIC Total Investments

10	11	31
Arab Countries	Sectors	Projects

Despite the varying repercussions of investment risks in the Arab Countries in the midst of stringent monetary policy in 2023, the investment activity across TAIC made and welcomed several investment decisions, making it favourably conducive for TAIC to enhance the performance of the investment portfolio of projects by investing in new projects, while following up and assessing the existing portfolio, where new investments came into play in sectors that serve geographical and sectoral diversity and support strategic partnerships for the project investment portfolio.

Despite the aforementioned repercussions in 2023, TAIC put in all-out efforts to further increase the added value of the project portfolio by carefully seizing investment opportunities across the Arab Countries. In 2023, the project investment portfolio aimed to make two new contributions in two sectors with defensive characteristics: the health care sector and the public utilities sector, to be added to the investment portfolio projects with a total of (31) projects after implementing the new investments around the year.

In the same vein, TAIC invested in the capital of Dubai Electricity and Water Authority (DEWA), given that the project has appropriate financial indicators that contribute to the attractiveness of investment and achieve the objectives of the investment portfolio in the projects, by injecting a total of US$ 30 million. In addition, TAIC contributed to the capital of Al Sobh Investment Holding Company in Abu Dhabi by investing in preferred and common shares with US$ 22.3 million. The investment opportunity is consistent with TAIC strategic directions (2024-2028) in sectoral focus, by targeting a vital sector with a promising future, which is the health care sector.

The project consists of establishing and managing hospitals; the first nucleus of the project was initiated and snowballed into reality in Jeddah, Kingdom of Saudi Arabia, in partnership with Saudi German Hospitals, which has enjoyed a distinguished position in the health care sector for 35 years. The said hospital provides comprehensive hospital medical services covering all specialties, in addition to a special section for medical and psychological rehabilitation, which raises the level of health care services provided.

TAIC also strengthened its investment position in the capital of SALIC Company, listed on the Dubai Financial

Market in the United Arab Emirates (UAE), by increasing its investments in the project by a total of US$ 4,950 thousand, bringing the total investment value in the project to about US$ 8,511 thousand. Equally important, TAIC total investments in projects and investment funds as of 31 December of 2023 totalled to approximately US$ 519,592 thousand, representing (49.5%) of TAIC paid-up capital, an increase of approximately (12.1%) over TAIC total investments in 2022. The project portfolio included 31 investment projects with a total investment of about US$ 506,579 thousand, and the International Finance Corporation (IFC) Fund for the Middle East and North Africa (MENA) with an investment of about US$ 13,013 thousand.

TAIC total investments in projects were distributed geographically over 10 Arab Countries over (11) various sectors, including the healthcare, investment and finance, banking services, food production, basic materials, IT and communications, consumer services, real estate, public utilities, energy, and transportation. Within the framework of TAIC investment in the MENA IFC Fund, the contribution represents (12%), in partnership with regional and international institutions, including IFC, the Arab Fund for Economic and Social Development, and the Arab Petroleum Investments Company (APICORP), as well as the Japan International Cooperation Agency (JICA).

TAIC evinced much keen readiness to participate in the meetings held by the project Boards of Directors and their respective General Assemblies by making distinguished efforts to address the problems and overcome the obstacles that some projects experienced, in addition to seizing favourable opportunities in close coordination with the project departments and with other contributing parties through TAIC representatives in the project management boards and subject-matter committees. TAIC also devoted its concerted efforts to best seize favourable investment opportunities in various sectors, as it completed assessments and research studies aimed at identifying promising investment opportunities at the level of the Arab Region.

As part of TAIC Administration and Management efforts to prepare for TAIC strategy (2024-2028), TAIC began in 2023 to take proactive steps to actively and effectively develop for TAIC strategy (2024-2028) for all asset classes, including project investment. TAIC has pursued continued planning, implementation and follow-up in accordance with the new strategic directions by enhancing the portfolio performance in such a manner as to seize, analyse, and weigh up new opportunities in the target sectors, while following up and assessing currently existing projects, and putting in efforts to exit some investments, in addition to entering into new areas that contribute and serve to achieve investment returns, realizing positive effects, geographical and sectoral diversity, and strategic partnerships of the project investment portfolio.

To complement the strategic preparation efforts, TAIC reviewed the investment regulations, controls and instructions, taking into account the strategic directions, business model, geographical scope, sectoral coverage, organizational structure and general governance framework.

Banking Services

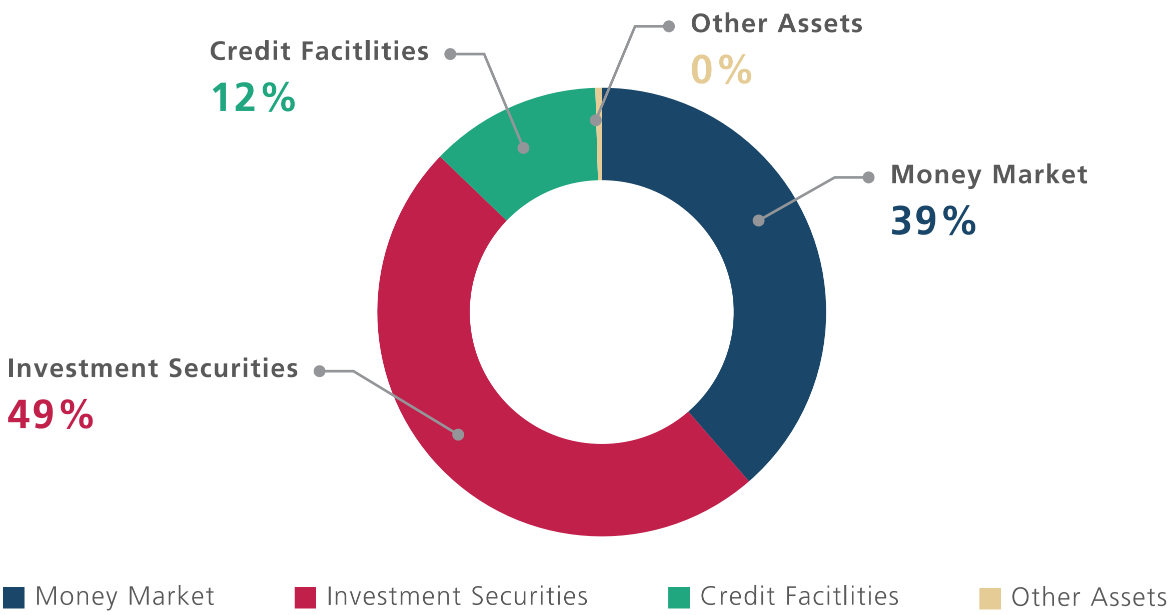
TAIC provides a whole host of comprehensive banking and financial services through its banking branch in the Kingdom of Bahrain, which operates as a wholesale sector bank licensed by the Central Bank of Bahrain. TAIC banking activity has made up an important and stable source of income over the past years. It has also played a vital role in enhancing its ability to invest in more projects by generating additional income directed to reinvestment and meeting the financing needs of the contributing countries, hence, enhancing its role as a catalyst for investment within the Arab Region. Equally important, the branch provides its services to its clients from governmental and semi-governmental institutions and private sector institutions, drawing on its wide network of relationships with many banks and international financial institutions. Of great note, the branch is further supported by its highly experienced and seasoned staff of subject-matter expertise who have high professional experience in various fields of banking business, supported by the state-of-the-art technologies and best banking practices.

Despite the difficult challenges prevailing in the global landscape due to ongoing geopolitical tensions, the economic crisis, and uncertainty, the branch has demonstrated great resilience and sound financial management by adopting a cautious approach in address TAIC banking assets, while focusing on four key areas: securing resources, maintaining liquidity through careful management, following a selective approach in prioritizing business transactions to reduce risks, and constantly keeping close monitoring for the components of credit and investment portfolios to ensure compliance with supervisory and regulatory directives and best market practices. Total banking assets made up US$ 1,093 million at the end of 2023 vis-à-vis US$ 1,215 million at the end of 2022, a decrease of 10%. The following table shows the components and ratios of banking assets at the end of 2023:

Banking Assets Composition as of 31/12/2023

Banking Assets	$ USA Million	Percentage %
Money Market	422	39%
Investment Securities	531	49%
Credit Facilities	135	12%
Other Assets	5	0%
Total	**1,093**	**100%**

Banking Assets Composition (2023)



The portfolio of banking assets has been distributed among the various activities of the business departments as follows:

Treasury and Securities Investment

The major central banks in the world continued to raise interest rates to curb the rise in the inflation rate in the fiscal year 2023, while seeking to strike a balance as required to maintain economic growth in light of the deep division between the countries of the world as a result of geopolitical instability in the Middle East and Asia, with the Russian-Ukrainian conflict ongoing. The global recovery remained slow and uneven at levels below 2022 levels, with a less severe decline than expected and more acceptable levels of inflation during Q4 of 2023, which encouraged major central banks to suspend their tight monetary policies.

The Treasury Department has maintained the provision of funding and liquidity required for the activities of the business lines and has constantly contributed strongly to TAIC profitability through its Assets and Liabilities Management (ALM) activities and investments in stocks and fixed-income securities. However, due to accruals in the fixed income portfolio and reinvestment of liquidity in the investment portfolio and treasury bills, the size of the securities investment portfolio stood at US$ 531 million at the end of 2023 compared to US$ 670 million in 2022, making up a decrease of (21%). While the money market portfolio (deposits with banks and treasury bills) at the end of 2023 stood at US$ 422 million, compared to US$ 408 million in 2022, with a slight increase of 3.4%, which reflects the stability of liquidity rates. Deposits accepted from customers, financial institutions and government entities made up US$ 276 million at the end of 2023 compared to US$ 382 million in 2022 (including repurchase agreements), accounting for a decrease of 28% due to the maturity of some deposits in Q4-2023.

Credit Facilities

The portfolio of outstanding loans and credit facilities recorded an increase of 2.3%, standing at US$ 135 million at the end of the year 2023, compared to US$ 132 million at the end of the year 2022. During the year maturing loans as well as loan prepayments amounted to US$ 41.3 million and US$ 5.5 million respectively, totaling US$ 46.8 million. In contrast, the new credit facilities granted in 2023 stood at US$ 50 million. The credit facilities granted to financial institutions controlled 80% of the total portfolio of loans and credit facilities, while the percentage of sovereign entities reached 20% of the total portfolio. In terms of geographical distribution, the portfolio of loans and credit facilities was distributed between the Gulf Cooperation Council (GCC) Countries and the (Middle East) countries.

In addition to lending credit facilities, TAIC, through its banking branch in Bahrain, provides trade financing services, with a special focus on the markets of the shareholding countries. Trade finance services include issuing, advising, enhancing and refinancing Letters of Credit (LC), discounting commercial papers and financing pre-export activity.

Asset quality is of utmost importance to the executive management of TAIC, which has remained constantly committed to putting in efforts to manage exposure to high-risk assets and markets by developing adequate and appropriate tools to mitigate risks, and fully complying with the regulations and policies approved by the Board of Directors.

Risk Management and Compliance

Risk Management

The banking and financial sectors continue to grow with increasing complexity, sophistication, changes in regulatory landscape and operating environment. Given such a dynamic environment, Risk Management Framework at TAIC continues to evolve and adapt to these changes, while reducing the multiple potential risks that TAIC faces while fully engaged in carrying out its various business activities, as sound risk management represents an integral part of TAIC business activities and decision-making processes. In principle and in practice, maintaining the sustainability of TAIC performance depends on its ability to hedge and manage risks at all levels.

In the course of performing its daily business, TAIC is exposed to multiple risks, most importantly are credit risks, market risks, liquidity risks, operational risks, information security and cybersecurity risks, compliance risks, reputation risks, and others. The process of designing and reviewing the business strategy and risk management is carried out in line with the level of risk to which TAIC is keen to be exposed. In this regard, TAIC has built a strong structure and framework to effectively manage these risks to ensure the appropriate balance between risks and returns. This framework consists of a comprehensive set of policies, standards, procedures, processes and systems designed to identify, measure, monitor, mitigate and report risks in a consistent and effective manner across TAIC departments. The said framework is essential to support TAIC strategic objectives and serves as a platform for growth. TAIC governance framework also defines and outlines the matrix of responsibilities and powers of the Board of Directors and executive management with regard to the effectiveness of the risk management framework and how to apply such a framework, while ensuring that the results revealed or yet to be revealed are followed up and appropriate corrective measures are taken while constantly providing update in accordance with the requirements of regulatory authorities and best practices.

Risk Governance

The risk governance structure ensures that there is a centralized oversight and control process with a clear ecosystem of accountability and risk ownership. The Board of Directors is responsible for determining the appetite for risk exposure, in addition to establishing and monitoring the risk management framework. To this end, the Risk and Compliance Committee (RCC) subsumed under the Board of Directors is responsible for ensuring the effective implementation and monitoring of the risk management framework in accordance with the directives of the regulatory authorities, and consistent with best practices followed in the banking industry through independent risk management. TAIC adopts the three lines of defense model, where the business departments represent the first line of defence, while the supporting departments, such as risk management, compliance, legal management, and other departments represent the second line of defence, while the internal audit department constitutes the third line of defence.

Risk Framework

Over the past years, TAIC developed a comprehensive and solid risk management structure to become highly efficient to face any challenges that may come into play while putting into action the day-to-day business activities. This includes establishing clear policies to manage credit risks, market risks, operational risks, liquidity risks, reputational risks, etc., arising from various business activities. TAIC monitors its risk appetite policy and tolerance thresholds approved by the Board of Directors for all major risks periodically through the monitoring, control, and reporting mechanism with the aim of assessing the level of exposure risks, while taking appropriate corrective measures to maintain risk appetite levels within the acceptable range.

Such policies are subject to annual review to ensure their compliance with regulatory directives and best practices in the banking industry. Equally important, risk management policies are complemented by risk management models that include an asset and Liability Management System, Market Risk, an Internal Credit Risk Rating, and a Capital Assessment Platform.

Stress Testing is an integral part of TAIC Risk Management Framework. Under critical conditions, Stress Testing provides a forward-looking assessment of the potential risks that may be exposed to during similar circumstances and forecasting potential financial losses or impacts that are likely to impact TAIC. Such virtual training enables TAIC to develop appropriate contingency plans to mitigate these risks and helps to efficiently manage any expected risks.

In accordance with regulatory requirements, TAIC conducts independent external validation of the effectiveness and efficiency of its risk frameworks for Credit Risk, Liquidity Risk, Stress Testing, Operational Risk, Internal Credit Risk Rating, and IFRS-9 ECL to ensure full compliance with applicable regulatory guidelines, hence, enhancing the robustness and integrity of TAIC risk management framework.

The key risks, inter alia, managed by the Risk Department are as follows:

1- Credit Risk

The principal objectives of Credit Risk Management are to maintain a robust culture of responsible lending and strong assets quality, in line with the items of the credit regulations for banking activity approved by the Board of Directors.

Credit risk is the most significant risk to which TAIC is exposed, and TAIC proactive management is key to ensuring the long-term success. TAIC has a comprehensive due diligence, detailed and well-defined procedures guides and a risk-based authority matrix for assessing and approving credit facilities. Risk management works to ensure consistency between business activities and the level of risk appetite approved by the Board of Directors. In this regard, a detailed examination of all potential business opportunities is thoroughly conducted. The integrity of the Credit Risk Assessment is also enhanced through the Internal Credit Risk Rating, which ensures the immediate identification of any deterioration in credit risk and the corrective measures that require action. The Risk Rating Model takes into account key quantitative and qualitative risk factors, such as business and financial risk factors including country risk, industry risk, competitive position, and leverage criteria, among others, including management and governance, financial policy, capital structure and business diversification, which are weighed to arrive at such rating. The Internal Credit Risk Rating for each customer is reviewed at least on an annual basis. TAIC follows strict standards in setting credit limits for countries, customers and counterparties, and applies the International Financial Reporting Standard (IFRS 9) and other rules of the Basel Committee to monitor, classify and provide allocations to productive and non-performing assets.

2- Market Risk

TAIC activities exposed to market risks are subject to the provisions contained in the policies and regulations approved by the Board of Directors, which require stringent and complete compliance with controls and limits, the separation of business and operations department tasks, and the submission of periodic reports on existing situations. The key market risks to which TAIC activities are exposed are interest rate risks and foreign exchange rate risks.

3- Operational Risk

TAIC Operational Risk Management Framework (ORMF) aims to integrate Operational Risk Management into TAIC daily business activities by finding the appropriate balance between operational risk, return and cost, in such a way that provides a better risk management practice that fully complies with all applicable regulatory guidelines. In this regard, TAIC applies a comprehensive and well-defined operational risk regulation approved by the Board of Directors in line with a systematic process for managing operational risks, including identifying, assessing, monitoring, and addressing risks on an ongoing basis. Operational Risk Management requirements and practices are appropriately included in all procedure manuals for business and operations departments and are taken into account when making decisions.

TAIC operational risks are measured periodically, using the Risk and Control Self-Assessment (RCSA) process, monitored using Key Risk Indicators (KRIs) and is mainly managed by managers of business lines and support departments, who identify and assess risks, and ensure that effective controls are in place to mitigate such risks. The Operational Risk Management function is independent of the risk generating business lines, responsible for the design, maintenance, ongoing development of the ORMF and provides necessary support to business and support departments in ensuring adherence to ORMF. In addition, TAIC applies an effective mechanism to collect and analyze Internal Loss Data (ILD) with the aim of providing the necessary information to evaluate the level of exposure to operational risks and the effectiveness of internal controls.

4- Information Security Risks

In light of the significant development in the risks that have snowballed and crept into information security and cybersecurity, TAIC has made and introduced additional enhancements to TAIC current information security and cybersecurity frameworks in line with international and regulatory standards, in such a manner as to ensure good management of TAIC information security risks, adequacy of controls to secure and protect critical assets and systems, sensitive proprietary information, customer data, etc.

The Board has entrusted its Risk and Compliance Committee (RCC) with the oversight responsibilities to ensure the implementation of effective Information and Cyber Security Frameworks. It has set up a specialized and independent function to manage Information Security and Cyber Security risks at TAIC and has appointed an Information Security Officer (ISO) to supervise TAIC Information Security and Cybersecurity Frameworks.

5- Liquidity Risk

Liquidity Risk Management ensures that the necessary funds are made available to meet TAIC financing requirements at all times. TAIC Asset and Liability Management Committee (ALCO) exercises its roles and responsibilities in accordance with the provisions of the Asset and Liability Management Regulations (ALMR) approved by the Board of Directors to ensure compliance with various liquidity standards, such as the minimum level of liquid assets, gap limits, the ratio of liquid assets to total assets, and other standards. TAIC aims to achieve a stable earnings growth rate through effectively managing the mix of assets and liabilities while selectively positioning itself to benefit from near-term changes in interest rate levels.

At TAIC, Asset and Liability Management Committee (ALCO) is responsible for effective management of Liquidity Risk, Liquidity Position, Liquidity Gap Limits, Funding Requirements, Contingency Funding Plan (CFP), Pricing, etc.

6- Business Continuity

TAIC Business Continuity Plan (BCP) is managed in accordance with the BCP regulations approved by the Board of Directors and in compliance with all applicable regulatory directives. TAIC BCP regulations clearly define the matrix of roles and responsibilities of all key stakeholders and provides the necessary guidance for sound business continuity, including periodic testing to ensure adequacy and effectiveness. In the event of a specific disaster or any business disruption, TAIC will act in accordance with the BCP regulations and provisions and associated procedures, which aim to protect lives and limit any losses that may come into play, such as financial loss, infrastructure loss, reputational deterioration, etc. this also includes ensuring the resumption of business continuity in a timely manner for critical and important operations and activities.

7- Reputational Risk

Management of reputational risk is an inherent feature of TAIC's corporate culture and is embedded as an integral part of the internal control systems. TAIC maintains the highest level of professional standards in conducting business and attaches paramount importance to its corporate reputation by promoting honesty, integrity, and codes of conduct and ethical standards.

Risk Culture

TAIC constantly instills and inculcates a strong risk culture to ensure that all business activities are undertaken in an ethical manner. Risk Culture is closely intertwined with the overall corporate culture and encompasses the general awareness, attitudes and behavior of employees towards risks and how it is managed within TAIC. In this regard, Risk Appetite Statement (RAS) approved by the Board of Directors reinforces the risk culture through governance, which explains the level of risks that TAIC is readily willing to accept.

Risk and Return Trade-Off

Since the risks associated with the business activities cannot be mitigated completely, the Risk Management Framework aims at ensuring effective management of such risks in order to achieve competitive returns that are commensurate with the perceived degree of risk. Of note, Risk Assessment is based on potential effects on the profitability and value of assets, taking cognizance of the changes in the political and economic conditions in the markets as well as the creditworthiness of customers.

Regulatory Compliance and Anti-Money Laundering and Combating Financing of Terrorism

TAIC is committed to complying with all applicable laws and regulations, regulatory rules, international principles and guidelines, and the requirements of international penal laws. Accordingly, TAIC has implemented robust regulatory frameworks to better manage and put into action money laundering, Anti-Money Laundering (AML), Combating Financing of Terrorism (CFT), and sanctions risks. Given the increasing requirements and expectations of key stakeholders, such as regulators and correspondent banks, TAIC has invested significantly in managing compliance risks through continued development and enhancement of capabilities and capacities at all levels.

TAIC compliance enjoys complete independence and develops and submits its reports to the Risk and Compliance Committee of the Board of Directors (RCC), which in turn periodically reviews the compliance regulations and anti-money laundering, AML, CFT, terrorist financing and sanctions policies, and then submits such reports to the Board of Directors annually for approval. Compliance with such regulations is subject to periodic review by the Internal Audit Unit, which then develops and submits its report to the Audit Committee subsumed under the Board of Directors. Compliance is also subject to annual review by TAIC external auditor, who conducts an independent review of compliance with the anti-money laundering policy and procedures, develops and submits report to the Board of Directors and supervisory authorities.

Regulatory Compliance

The Compliance Framework adopted by the Board of Directors reflects the principles of promoting sound compliance practices. The role of the Compliance is to assist senior management to ensure that all activities at TAIC are conducted and managed in accordance with applicable laws and regulations and best professional practices in the banking industry. Equally important, TAIC has completed a strong compliance program consistent with the policy approved by the Board of Directors, which includes risk assessment, development of policies, procedures and controls, continued staff training, regular monitoring and timely reporting of regulatory requirements and compliance testing and submitting periodic reports to the Risk and Compliance Committee (RCC) subsumed under the Board of Directors.

Anti-Money Laundering and Combating Financing of Terrorism

TAIC AML and CFT policies and procedures are fully compliant with the Financial Action Task Force (FATF) international standards on combating money laundering and terrorist financing. To this end, appropriately tailored systems and procedures have been put in place to ensure risk assessment, policies, procedure manuals, and proper customer due diligence and daily transaction monitoring, screening sanctions against local and international sanctions, procedures for detecting and reporting suspicious transactions, comprehensive staff training programs, independent auditing, and record keeping in accordance with supervisory requirements.

Compliance with FATCA and Automated Exchange of Information

The Compliance Framework is fully compliant with the Foreign Account Tax Compliance Act (FATCA) and the Common Reporting Standards (CRS), which together constitute the Automatic Exchange of Information (AEOI). It should be noted that the AEOI regulations have been approved by the Board of Directors, and FATCA and CRS reports are developed and submitted annually to the regulatory authorities.

In conclusion, Combined together while developing and presenting the annual report, the TAIC Board of Directors is pleased to express much appreciation and gratitude to the respective governments of the Arab Countries contributing to TAIC for their continued and unparalleled support. The TAIC Board of Directors especially pays tribute to the Government of the Kingdom of Saudi Arabia, which hosts the TAIC Headquarters, alongside the Government of the Kingdom of Bahrain, which hosts the TAIC banking branch, for the first-class facilities and utmost care, par excellence, that the two said countries provide to TAIC through its various institutions.

The TAIC Board of Directors also expresses much appreciation to all customers in the public and private sectors, while priding itself on their long-lasting trust. Equally important, it also pays tribute to the executive management and all the TAIC staff, each in their respective positions, while congratulating everyone on the fiscal year harvest and the results achieved all over 2023. Taken together, the TAIC Board of Directors is looking forward to making more concerted and all-out efforts to achieve the TAIC cherished goals and future aspirations.

THE ARAB INVESTMENT COMPANY S.A.A.

02

Financial Statements

December 31, 2023

and Independent Auditor Report

Independent auditor's report to the shareholders of The Arab Investment Company S.A.A

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Arab Investment Company S.A.A (the "Company") as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2023;
- the statement of income for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in shareholders' equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the "Code"), that is relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements.

Responsibilities of the Directors and those charged with governance for the financial statements.

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards and the Company's Memorandum and Article of Association, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company'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 Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance i.e., the Audit Committee is responsible for overseeing the Company's financial reporting process.

Auditor›s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, 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 financial statements.

As part of an audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation..

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

Price waterhouse Coopers　　Adel F. Alqahtani

License No. 614　　Date 28 April 2024 - 19 Shawal 1445H　　Signature

All amounts in United States Dollars thousands

	Notes	As at 31 December 2023	As at 31 December 2022
Assets			
Cash and balances with banks	5	535,253	507,654
Investments			
Securities	6	550,066	697,661
Equity participations at fair value through other comprehensive income (FVOCI)	1.7	409,465	378,402
Equity participations at fair value through statement of income (FVSI)	7.2	14,320	-
Investment in associates	8	23,748	20,554
Loans and advances	9	135,147	132,666
Other assets	10	6,167	6,490
Property and equipment	1.11	10,321	10,597
Investment properties	2.11	9,229	9,368
Intangible assets	12	1,631	2,064
Total assets		**1,695,347**	**1,765,456**

The accompanying notes from 1 to 28 form an integral part of these financial statements

	Notes	As at 31 December 2023	As at 31 December 2022
Liabilities and shareholders' equity			
Liabilities			
Deposits	13	275,609	381,722
Other liabilities	15	22,375	22,920
Employees' benefits	16	10,646	10,360
Total liabilities		**308,630**	**415,002**
Shareholders' equity			
Share capital	18	1,050,000	1,050,000
Statutory reserve	19	128,925	124,763
General reserve	20	22,799	22,799
Retained earnings		244,748	229,839
Other reserves	21	(59,755)	(76,947)
Total shareholders' equity		**1,386,717**	**1,350,454**
Total liabilities and shareholders' equity		**1,695,347**	**1,765,456**

All amounts in United States Dollars thousands

Statement of Income

For the year ended 31 December			
	Notes	**2023**	**2022**
Income			
Interest income	22	74,814	42,961
Interest expense	22	(16,820)	(5,248)
Net interest income		**57,994**	**37,713**
Rental income		4,506	4,262
Dividends		12,254	15,034
Net gain / (loss) on financial securities	23	1,062	(795)
Net foreign exchange gain / (loss)		29	(56)
Other income	24	734	3,923
General and administrative expenses	25	(23,377)	(21,288)
Provision for expected credit losses, net	26	(13,078)	(1,635)
Share of (losses) / earnings of associates	8	(228)	1,950
Reversed / (provision) for impairment of associates	8	1,725	(1,228)
Net income for the year		**41,621**	**37,880**

The accompanying notes from 1 to 28 form an integral part of these financial statements

Statement of Comprehensive Income

For the year ended 31 December			
	Notes	2023	2022
Net income for the year		41,621	37,880
Other comprehensive (loss) / income			
Items that will be reclassified to statement of income in subsequent periods:			
Debt investment at fair value through other comprehensive income:			
Net fair value movement during the year		(2)	(38,663)
Provision for expected credit losses	26	11,237	1,051
Recycling of loss / (gain) to the statement of income	21	6,647	(3)
		17,882	(37,615)
Exchange differences on translation of foreign operations	8, 21	732	(2,245)
Share of other comprehensive income of associates	8, 21	1,236	1,960
		19,850	(37,900)
Items that will not be reclassified to statement of income in subsequent periods:			
Fair value through other comprehensive income	21	(2,789)	17,131
Remeasurement of defined benefit obligations	16, 21	131	299
		(2,658)	17,430
Total other comprehensive income / (loss) for the year		**17,192**	**(20,470)**
Total comprehensive income for the year		**58,813**	**17,410**

The accompanying notes from 1 to 28 form an integral part of these financial statements

All amounts in United States Dollars thousands

Statement of Changes in Shareholders Equity

	Notes	Share capital
Balance at 31 December 2021		1,050,000
Net income for the year		-
Other comprehensive loss		-
Total comprehensive income / (loss)		**-**
Transfer to statutory reserve	19	-
Directors' bonuses paid	17	-
Transfer on disposal of FVOCI equity investments		-
Realised loss on reduction of capital of FVOCI equity investments	7	-
Dividend		-
Balance at 31 December 2022		**1,050,000**
Net income for the year		-
Other comprehensive income		-
Total comprehensive income		**-**
Transfer to statutory reserve	19	-
Directors' bonuses paid	17	-
Realised loss on reduction of capital of FVOCI equity investments	7	-
Dividend		-
Balance at 31 December 2023		**1,050,000**

The accompanying notes from 1 to 28 form an integral part of these financial statements

Statutory reserve	General reserve	Retained earnings	Other reserves	Total
120,975	22,799	211,217	(41,247)	1,363,744
-	-	37,880	-	37,880
-	-	-	(20,470)	(20,470)
-	**-**	**37,880**	**(20,470)**	**17,410**
3,788	-	(3,788)	-	-
-	-	(450)	-	(450)
-	-	15,230	(15,230)	-
-	-	(4,000)	-	(4,000)
-	-	(26,250)	-	(26,250)
124,763	**22,799**	**229,839**	**(76,947)**	**1,350,454**
-	-	41,621	-	41,621
-	-	-	17,192	17,192
-	**-**	**41,621**	**17,192**	**58,813**
4,162	-	(4,162)	-	-
-	-	(450)	-	(450)
-	-	(1,100)	-	(1,100)
-	-	(21,000)	-	(21,000)
128,925	**22,799**	**244,748**	**(59,755)**	**1,386,717**

All amounts in United States Dollars thousands

Statement of Cash Flows

For the year ended 31 December			
	Notes	2023	2022
Cash flows from operating activities			
Net income for the year		41,621	37,880
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for expected credit losses, net	26	13,078	1,635
Income from FVSI financial instruments	6	3,701	5,311
Amortisation of discount	6	(645)	247
Impairment loss on land	11-2	-	97
Provision for employee benefits		-	1,155
Share of earnings of associates	8	228	(1,950)
Impairment of associates	8	(1,725)	1,228
Depreciation	11	729	734
Amortisation	12	477	549
Foreign exchange movement	6	(849)	3,416
		56,615	**50,302**
Changes in operating assets and liabilities:			

The accompanying notes from 1 to 28 form an integral part of these financial statements

For the year ended 31 December			
	Notes	**2023**	**2022**
Deposits with banks with maturities longer than 3 months		(42,391)	(6,797)
Investments at fair value through statement of income		16,591	(20,277)
Loans and advances		(4,367)	135,643
Other assets		(815)	6,882
Deposits		(106,113)	(38,819)
Other liabilities		(7,118)	(5,359)
Employee benefits paid	16	(1,214)	(4,574)
Net cash (used in) / generated from operating activities		**(88,812)**	**117,001**
Cash flows from investing activities			
Purchase of equity participation investments	7	(49,452)	(58,062)
Proceeds from disposal of equity participations	7	-	40,430
Purchase of FVOCI debt investments	6	(83,760)	(147,616)
Proceeds from disposal of FVOCI debt investments	6	229,141	183,549
Purchase of property and equipment	11-1	(269)	(405)
Purchase of investment properties	11-2	(45)	(35)
Purchase of intangible assets	12	(44)	(124)
Dividends received from associates	8	271	1,447
Net cash generated from investing activities		**95,842**	**19,184**

All amounts in United States Dollars thousands

For the year ended 31 December			
	Notes	2023	2022
Cash flows from financing activities			
Dividends paid		(21,000)	(24,145)
Director's bonuses paid	17	(450)	(450)
Net cash used in financing activities		**(21,450)**	**(24,595)**
Net change in cash and cash equivalents		(14,420)	111,590
Cash and cash equivalents at the beginning of the year		463,354	351,764
Cash and cash equivalents at the end of the year		448,934	463,354
Supplemental non-cash information			
Net change in fair value reserve		(15,093)	20,484
Exchange differences on translation of foreign operations		(732)	2,245
Remeasurement on employee benefits		(131)	(299)
Associates' share of other comprehensive income		(1,236)	(1,960)

 The accompanying notes from 1 to 28 form an integral part of these financial statements

1 General

The Arab Investment Company S.A.A. (the "Company") is an Arab joint stock company formed in July 1974 and owned by 17 Arab states. The Company's primary objective is the encouragement of investment and development in the Arab world through participation in commercially and economically viable projects. The Company has been granted all guarantees and concessions applicable to national, Arab and foreign investments by the laws of shareholder countries. In particular, its assets are granted full freedom of movement and are guaranteed against nationalisation, expropriation and other non-commercial risks.

The Company's head office is located at the following address:

P.O. Box 4009

Riyadh 11491

Kingdom of Saudi Arabia

The Company has a branch which operates as a wholesale bank in the Kingdom of Bahrain (the "Branch") under a license granted by the Central Bank of Bahrain (the "CBB"). The principal activities of the Branch include trade financing, commercial lending, treasury services and Islamic banking.

The Kingdom of Saudi Arabia (the host country) exempts gross profits, dividends and reserves of the Company from all taxes, fees and royalties throughout the duration of the Company. Additionally, the Bahrain Branch is also exempted from all taxes in accordance with the laws of the Kingdom of Bahrain.

1-1 Basis of preparation

The Company's financial statements are prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").

These financial statements have been prepared under the historical cost convention, except for the measurement of derivatives, FVOCI, FVSI financial assets and liabilities at fair value and employee benefits which are stated at present value of their obligation. In addition, as explained fully in the related notes, financial assets and liabilities that are hedged under a fair value hedging relationship are adjusted to record changes in fair value attributable to the risks that are being hedged.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires Company to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Going concern

The Company's Directors have made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management has evaluated compliance with all applicable regulations, outcome of any perceived litigation and is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

2-1 Standards, interpretations, and amendments

The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2023, but do not have significant impact on the financial statements of the Company.

New standards, interpretations, and amendments adopted by the Company

Standard, interpretation, amendments	Description	Effective date
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	Annual periods beginning on or after 1 January 2023
IFRS 17, 'Insurance contracts'	This standard replaces IFRS 4, which permits a wide variety of practices in accounting for insurance contracts.	Annual periods beginning on or after 1 January 2023
Amendment to IAS 12 - International tax reform - pillar two model rules	These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.	Annual periods beginning on or after 1 January 2023
Amendment to IAS 12 - deferred tax related to assets and liabilities arising from a single transaction -	There amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.	Annual periods beginning on or after 1 January 2023

New standards, interpretations, and amendments not yet effective

Standard, interpretation, amendments	Description	Effective date
Amendment to IFRS 16, Leases on Sale and Lease back rules	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted..	1 January 2024
Amendments to IAS 1, Non-current Liabilities with Covenants	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.	1 January 2024
Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.	1 January 2024
Amendments to IAS 21 - Lack of Exchangeability	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.	1 January 2025

2 Material accounting policies

The material accounting policies applied in the preparation of these financial statements are set out below. These policies are consistently applied from year to year, unless otherwise stated.

A) Financial assets and financial liabilities

1) Classification of financial assets

On initial recognition, a financial asset is classified as measured at: amortized cost, FVOCI or FVSI.

Financial asset at amortised cost (AC)

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVSI:

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

Financial asset at FVOCI

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

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

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

Financial asset at FVSI

All other financial assets are classified as measured at FVSI.

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

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

Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether Directors' strategy focuses on earning mark-up revenue, maintaining a particular profit 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 performance of the portfolio is evaluated and reported to the Company's Directors;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; how managers of the business are compensated- e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected.
- 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 Company's stated objective for managing the financial assets is achieved and how cash flows are realized.

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

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

Assessments whether contractual cash flows are solely payments of principal and interest.

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

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company 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 Company considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company's claim to cash flows from specified assets (e.g., non-recourse asset arrangements); and
- features that modify consideration of the time value of money- e.g., periodical reset of profit rates.

Reclassification

The Company reclassifies the financial assets between FVSI, FVOCI and amortized cost if and only if under rare circumstances its business model objective for its financial assets changes so its previous business model assessment would no longer apply.

2) Classification of financial liabilities

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

Deposits are initially recognized at fair value less transaction costs.

Subsequently, financial liabilities are measured at amortized cost, unless they are required to be measured at fair value through statement of income.

3) Derecognition

a- Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

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

In transactions in which the Company neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

b- Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

4) Modifications of financial assets and financial liabilities

a- Financial assets

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

If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in statement of income. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as profit income.

b- Financial liabilities

The Company derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in statement of income.

5) Impairment

The Company recognizes loss allowances for ECL on the following financial instruments that are not measured at FVSI:

- financial assets that are debt instruments;
- lease receivables;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognized on equity investments.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- Debt investment securities that are determined to have low credit risk at the reporting date; and other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Company considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

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 Company 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: as the present value of the difference between the contractual cash flows that are due to the Company if the commitment is drawn down and the cash flows that the Company expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Company expects to recover.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized and ECL are measured as follows:

If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective profit rate of the existing financial asset.

Credit-impaired financial assets

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

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Company on terms that the Company 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.

A loan that has been renegotiated due to deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Company 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.

Presentation of allowance for ECL in the statement of financial position

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

- financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- debt investments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss is disclosed and recognised in the fair value reserve.

- where a financial instrument includes both a drawn and an undrawn component, and the Company cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Company presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

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 Company's procedures for recovery of amounts due.

6) Financial guarantees and loan commitments

«'Financial guarantees' are contracts that require the Company to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. 'Loan commitments' are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantees issued or commitments to provide a loan at a below-market profit rate are initially measured at fair value and the initial fair value is amortized over the life of the guarantee or the commitment. Subsequently, they are measured at the higher of this amortized amount and the amount of loss allowance.

The Company has issued no loan commitments that are measured at FVSI. For other loan commitments, the Company recognizes a provision in accordance with IAS 37 if the contract was considered to be onerous.

B) Foreign currency translation

a- Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements are presented in United States Dollars, which is the Company's functional and presentation currency. The figures shown in the financial statements are stated in USD thousands, except when indicated otherwise.

b- Transactions and balances

Foreign currency transactions are translated into the functional currency of the Company using exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income. Translation differences on non-monetary items, such as equities held as trading securities, are treated as part of fair value gain or loss in the statement of income. Translation differences on non-monetary items, are included in other comprehensive income.

c- Sale and repurchase agreements

Securities sold subject to repurchase agreements ('repos') are retained in the financial statements and the counterparty liability is included in deposits from banks. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest rate method.

d- Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

e- Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. All derivative financial instruments held by the Company are privately negotiated contracts and carried as assets when fair value is positive and as liabilities when fair value is negative. Fair values are obtained from counterparties or through the use of pricing services such as Bloomberg. Derivatives embedded in other financial instruments are treated as separate derivatives and recorded at fair value, when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried as fair value through income statement. The changes in the fair values of such embedded derivatives are recognised in the statement of income.

f- Interest income and expense

Interest income and expense for all interest-bearing financial instruments (except for those classified as held for trading or designated at fair value through income statement) are recognised within 'interest income' and 'interest expense' in the statement of income using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss,interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

g- Fees and commission income

Fees and commissions are generally recognised on an accrual basis, when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the Company has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants.

h- Dividend income

Dividends are recognised in the statement of income when the Company's right to receive payment is established usually when the investee declares the dividends.

i- Property and equipment

Property and equipment excluding land is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to operating expenses during the financial period in which they are incurred.

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- Building and its improvements: 5-50 years,
- Furniture and equipment: 3-5 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are recognised in the statement of income.

j- Investment property

Property held for long-term rental yields or for capital appreciation or both, which is not occupied by the Company is classified as investment property. Investment property principally comprises land, buildings (and equipment, fixtures and fittings which are an integral part of the buildings). Investment property is recorded at historical cost, net of accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the statement of income during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their costs over their estimated useful lives as indicated under property and equipment.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of income.

k- Intangible assets

The Company's intangible assets consist of software and are measured at cost upon initial recognition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any.

The useful lives of intangible assets are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

The amortisation expense on intangible assets is recognised in statement of income in the expense category consistent with the function of the intangible asset.

Amortisation of intangible assets is calculated on a straight-line basis over the useful life of the asset of ten years.

l- Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash, balances with banks and time deposits with an original maturity of less than three months at the date of acquisition.

m- Provisions

Provisions for restructuring costs and legal claims are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

n- Employee benefits

a) Compensation costs

Company employee benefits and entitlements including entitlement for annual leave, holiday, air passage and other short term benefits are recognised as they accrue to the employees.

b) Savings scheme

The Company's contributions to defined contribution savings scheme are charged to the statement of income in the year to which they relate. In respect of these plans, the Company has a legal and constructive obligation to pay the contributions as they fall due and no obligations exist to pay the future benefits.

c) Termination benefits

The staff indemnity provision is made based on an actuarial valuation of the Company's liability under the Branch's Employee By-laws and in accordance with the local statutory requirements.

The calculation of obligations in respect of the defined benefit plan are performed by qualified actuaries using the projected unit credit method. The Company's net obligation is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting the amount in order to determine the present value of the defined benefit obligation, and deducting the fair value of the plan assets (if any). The Company's defined benefit plan is presently unfunded, and consequently, there are no plan assets.

Re-measurement of the net defined benefit liability or asset, which comprise actuarial gains and losses, the return of plan assets (excluding interest) are recognized immediately in the other comprehensive income (OCI). The Company determines the net interest expense or income on the net defined benefit liability or assets for the year by applying the discount rate used to measure the defined benefit obligation at the beginning of the year to the opening net defined liability or asset. Net interest expense and other service cost are recognized in the statement of income.

o- Investment in associates

Associates are entities over which the Company exercises significant influence. Investments in associates are initially recognized at cost and subsequently accounted for under the equity method of accounting and are carried in the statement of financial position at the lower of the equity-accounted value or the recoverable amount.

Equity-accounted value represents the cost-plus post-acquisition changes in the Company's share of net assets of the associate (share of the results, reserves and accumulated gains / (losses) based on the latest available financial information) less impairment, if any.

After application of the equity method, the Company determines whether it is necessary to recognise an additional impairment loss on its investment in its associates. The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in 'Share of earnings/(losses) of associates' in the statement of income.

The previously recognized impairment loss in respect of investment in associate can be reversed through the statement of income, such that the carrying amount of the investment in the statement of financial position remains at the lower of the equity-accounted (before allowance for impairment) or the recoverable amount.

Unrealized gains and losses on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates.

3 Financial risk management

Risk is inherent in Company's business activities and is managed through a process of on-going identification, measurement and monitoring, subject to risk limits and other controls. The Company is exposed to Credit, Market, Liquidity and Operational as well as other forms of risk inherent in its financial operations.

The Company regularly reviews its risk management policies and systems to reflect changes in markets, products, regulatory requirements and emerging best practices.

The Company has independent Risk management Function reporting directly to the Board's Risk and Compliance Committee ("RCC"). The Board of Directors defines risk appetite, risk tolerance standards and risk policies.

3.1 Credit risk

Credit Risk represents the potential financial loss as a consequence of a customer's inability to honor the terms and conditions of the credit facility. Such risk is measured with respect to counterparties for both on-and off statement of financial position items.

The Company has well laid out procedures, not only to appraise but also to regularly monitor credit risk. Regular reviews are carried out for each account and risks identified are mitigated in a number of ways. In addition to rigorous credit analysis, the terms and conditions of all credit facilities are strictly implemented.

The Company follows stringent risk based criteria in setting credit limits for countries and financial institutions. Prudent norms have also been implemented to govern the Company's investment activities. Not only are regular appraisals conducted to judge the credit worthiness of the counterparty but day-to-day monitoring of financial developments across the globe ensures timely identification of any event affecting the risk profile.

Concentration of credit risk arises when the counterparties are engaged in similar business activities or conducting activities in the same geographic region. The risk associated with such concentration is that the exposure would be substantial in the event of a common trend affecting that industry/geographic. To mitigate this risk, the Company spreads its exposure, to the extent possible, over the various types of counterparties. However, where concentration is inevitable, the Company takes more than adequate precautions to reduce this additional risk to acceptable levels.

1- ECL – Significant increase in credit risk

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

For the Company's non-retail portfolio, the Company assesses for significant increase in credit risk (SICR) at a counterparty level as internal rating is currently carried out at a counterparty level and no internal rating is assigned at facility level. The Company maintains a facility level rating being the counterparty's internal rating at date of facility origination and date of assessment.

The Company applies the Low Credit Risk expedient on its investment in debt securities when their external rating is investment grade or above.

2- Determining whether credit risk has increased significantly

In determining whether credit risk has increased significantly since initial recognition, the Company uses its internal credit risk grading system, external risk ratings, quantitative changes in PDs, delinquency status of accounts, expert credit judgement and, where possible, relevant historical experience. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Company's quantitative modelling using its expert credit judgment and, where possible, relevant historical experience.

The Company may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

As a backstop, the Company considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

The Company monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

The Company classifies its financial instruments into stage 1, stage 2 and stage 3, based on the applied impairment methodology, as described below: -

Stage 1: For financial instruments where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired on origination, the Company recognises an allowance based on the 12-month ECL. All accounts at origination would be classified as Stage 1 only exceptions are Purchased or Originated Credit Impaired ("POCI") assets.

Stage 2: For financial instruments where there has been a significant increase in credit risk since initial recognition, but they are not credit-impaired, the Company recognises an allowance for the lifetime ECL.

For non-retail portfolio, there are various triggers which are used for moving the exposures to stage 2, these mainly include accounts with Obligor Risk Rating ("ORR") of greater than or equal to 7, DPD 30 or more as of 31 December 2023.

In addition to above, the account tagged as watch list / restructured as of 31 December 2023 including those which has been restructured over the last 12 being restructured in last 12 months, are classified in stage 2. Additionally, in case of sovereign exposures, the Company considers the Sovereign Debt Provisions Matrix prescribed by the Central Bank of Bahrain. Accordingly, sovereigns having a total score of below 10 may be considered under stage 2 on a case-to-case basis.

Stage 3: For credit-impaired financial instruments, the Company recognises the lifetime ECL. Default identification process i.e. DPD of 90 more is used as stage 3.

3- Credit risk grades

An internal credit rating system and review process ensures prompt identification of any deterioration in credit risk and consequent implementation of corrective action. The Company's internal ratings are based on a 7-point scale for non-defaulted borrowers that takes into account the financial strength of a borrower as well as qualitative aspects, to arrive at a comprehensive snapshot of the risk of default associated with the borrower.

These ratings scales are further sub-divided into categories which reflect estimates of the potential maximum loss if default occurs. Risk Ratings assigned to each borrower are reviewed at least on an annual basis. Regular monitoring of the portfolio enables the Company to exit accounts that evidence deterioration in risk profile. The Company also uses the ratings by established rating agencies, viz., Moody's, Standard & Poor and Fitch as part of the appraisal process while considering exposures to rated entities.

The Company allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each non-retail exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring of non-retail exposure involves use of the following data:

- Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections.
- Data from credit reference agencies, press articles, changes in external credit ratings
- Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities.

4- Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Company collects performance and default information about its credit risk exposures analyzed by type of product and borrower as well as by credit risk grading.

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

This analysis includes the identification and calibration of relationships between changes in default rates and macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macro-economic indicators include: GDP, Investments, Savings, Inflation, Net Lending, Net Debt, Government expenditure and Unemployment rates.

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

5- Definition of 'Default'

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or

- the borrower is past due more than 90 days on any material credit obligation to the Company. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding.

In assessing whether a borrower is in default. The Company considers indicators that are:

- qualitative- e.g. breaches of covenant;
- quantitative- e.g. overdue status and non-payment on another obligation of the same issuer to the Company; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

6- Incorporation of forward-looking information

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on consideration of a variety of external actual and forecast information, the Company formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome.

Externally available macroeconomic forecast from International Monetary Fund (IMF) are used for making base case forecast. For other scenarios, adjustment is made to base case forecast based on expert judgement. The Company uses multiple scenarios and probabilities are assigned to each scenario based on expert judgement. Adjustments to the base case macro-economic forecasts are subject to TAIC Credit Committee approval.

The base case represents a most-likely outcome and is aligned with information used by the Company for other purposes. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Company carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Company has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The economic scenarios used as at 31 December 2023 included the following ranges of key indicators.

- GDP
- Investments
- Savings
- Inflation
- Net lending
- Net debt
- Government expenditure
- Unemployment rates

7- Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognized and the renegotiated loan recognized as a new loan at fair value in accordance with the accounting policy.

The Company renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities' to maximize collection opportunities and minimize the risk of default. Under the Company's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants.

For financial assets modified as part of the Company's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Company's ability to collect interest and principal and the Company's previous experience of similar forbearance action. As part of this process, the Company evaluates the borrower's payment performance against the modified contractual terms and considers various behavioral indicators.

Forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired/in default. A customer needs to demonstrate consistently good payment behavior over a period of 12 months before the exposure is no longer considered to be credit-impaired/ in default.

8- Measurement of ECL

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

- probability of default (“PD”);
- loss given default (“LGD”);
- exposure at default (“EAD”).

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

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures.

The Company uses Through the Cycle (“TTC”) PDs as per the external rating agencies and macroeconomic adjustment is made to convert TTC PDs to Point in Time (“PiT”) PDs.

LGD is the magnitude of the likely loss if there is a default. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

For LGD estimation as of 31 December 2023, the Company used regulatory LGD estimate of 60% for unsecured exposure.

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

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

For non-retail portfolio, as of 31 December 2023, CCF estimate of 100% has been used.

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

3.2 Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortized cost, FVOCI debt investments. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

Cash and balances with banks

31 December 2023				
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Investment grade	270,217	-	-	270,217
Non-investment grade	265,092	-	-	265,092
Individually impaired	-	-	49	49
Total	**535,309**	**-**	**49**	**535,358**

31 December 2022				
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Investment grade	298,890	-	-	298,890
Non-investment grade	208,796	-	-	208,796
Individually impaired	-		51	51
Total	**507,686**	**-**	**51**	**507,737**

All amounts in United States Dollars thousands

Loans and advances

31 ديسمبر 2023				
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Standard	110,750	-	-	110,750
Watch	-	27,335	-	27,335
Total	**110,750**	**27,335**	**-**	**138,085**

31 December 2022				
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Standard	133,717	-	-	133,717
Total	**133,717**	**-**	**-**	**133,717**

Other assets

31 December 2023				
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Standard	835	-	-	835
Total	**835**	**-**	**-**	**835**

31 December 2022				
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Standard	4,223	-	-	4,223
Total	**4,223**	**-**	**-**	**4,223**

Debt investment securities at amortized cost

31 December 2023				
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Investment grade	27	-	-	27
Total	**27**	**-**	**-**	**27**

31 December 2022				
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Investment grade	48	-	-	48
Total	**48**	**-**	**-**	**48**

Debt investment securities at FVOCI

31 December 2023				
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Standard	483,500	-	-	483,500
Watch list	-	43,925	-	43,925
Total	**483,500**	**43,925**	**-**	**527,425**

31 December 2022				
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Standard	665,141	-	-	665,141
Watch list	-	400	-	400
Total	**665,141**	**400**	**-**	**665,541**

All amounts in United States Dollars thousands

The credit quality grades are defined below:

Investment grade: Financial assets that imply a low default risk which are rated AAA to BBB- (or equivalent) by external credit agency or rated (1 to 4-) as per the internal credit rating system.

Non-investment grade: Financial assets that carry a higher credit risk and lower credit rating than investment grade assets which are rated below BBB- (or equivalent) by external credit agency or rated higher than to 4- as per the internal credit rating system.

Performing assets (Standard/Regular): Performing Asset is one which does not disclose any problems and does not carry more than normal risk attached to the business. Such an asset should not be an non performing assets.

Watch list: Financial assets that have deteriorated in credit quality since initial recognition but offer no objective evidence of a credit loss event.

Loss: Non-performing assets for which the repayments of the instalments or interest thereon are past due for more than 360 days are termed as Loss Assets. They are considered no-recoverable assets and these accounts shall be fully provided in the Company's books as there is no justification from an objective point of view to delay the classification of the asset under doubtful category because of the probability of partial recovery in the future.

Credit risk profile by probability of default is explained below:

Credit risk profile by probability of default

31 December 2023	Unsecured gross carrying amount		Secured gross carrying amount	
(%)	12-months ECL	Lifetime ECL	12-months ECL	Lifetime ECL
0.00 – 0.10	364,416	-	-	-
0.11 – 0.40	153,559	-	-	-
0.41 – 1.00	107,886	-	-	-
1.01 – 3.00	504,576	-	-	-
20.01 – 25.00	-	70,935	-	-
25.01 – 50.00	-	353	-	-
Total	**1,130,437**	**71,288**	**-**	**-**

31 December 2022	Unsecured gross carrying amount		Secured gross carrying amount	
(%)	12-months ECL	Lifetime ECL	12-months ECL	Lifetime ECL
0.00 – 0.10	99,192	-	-	-
0.11 – 0.40	343,099	-	-	-
0.41 – 1.00	284,469	-	-	-
1.01 – 3.00	580,316	-	-	-
20.01 – 25.00	-	-	-	-
25.01 – 50.00	48	400	-	-
50.01+	-	-	-	-
Total	**1,307,124**	**400**	**-**	**-**

3.2.1 Risk limit control and mitigation policies

For effective credit risk management, the Board approved Policies stipulates risk acceptance criteria and risk-based methodology for establishments of Limits for Countries and borrower / counterparties. Further to mitigate Credit concentration risk, the Policies enumerates limits for sectors, products and portfolios.

Some specific control and mitigation measures are outlined below:

- Collateral: The Company employs a range of policies and practices to mitigate credit risk. The most traditional of these is obtaining security against funds advanced. The Company implements guidelines on the acceptability of specific classes of collateral for credit risk mitigation.
- Master netting arrangements: The Company further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions.

3.2.2 Maximum exposure to credit risk without taking account of any collateral or other credit enhancements.

The table shows the Company's maximum exposure to credit risk for the components of on and off statement of financial position exposures. The maximum exposure shown is before the effect of mitigation through the use of master netting and collateral arrangements, but net of any provision for impairment.

All amounts in United States Dollars thousands

	Maximum exposure	
	2023	**2022**
Credit risk exposures relating to funded exposures are as follows:		
Cash and balances with banks	535,253	507,654
Loans and advances to banks	110,137	64,500
Loans and advances to non-banks	25,010	68,166
Investment debt securities	527,425	665,541
Other assets	835	4,223
	1,198,660	**1,310,084**
Credit risk exposures relating to non-funded exposures are as follows:		
Contingent liabilities		
Loan commitments	-	50,000
	-	50,000
At 31 December	**1,198,660**	**1,360,084**

The above table represents a worst-case scenario of credit risk exposure of the Company as at 31 December 2023 and 2022, without taking into account any collateral held or other credit enhancements attached. For on statement of financial position assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position net of any impairment.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Company resulting from both its loans and advances portfolio and debt securities based on the following:

- 80% of the overdrafts, loans and advances portfolio is categorized under Standard Assets as per approved Credit Policy (31 December 2022: 100%);
- 100% of the overdrafts, loans and advances portfolio are considered to be neither past due nor impaired (31 December 2022: 100%); and
- Approximately 38% (31 December 2022: 31%) of the debt securities have at least A- credit rating.

3.2.3 Credit quality of financial assets

The credit exposure as at 31 December is summarised below. These amounts are shown gross without the related impairment provision:

	Neither past due nor Impaired		Past due but not Impaired	Individually Impaired	Total
	Regular	Watch list			
31 December 2023					
Cash and balances with banks	535,358	-		49	535,407
Debt securities	483,500	43,925		11,138	538,563
Loans and advances					
Loans and advances to banks	110,750	-		-	110,750
Loans and advances to non-banks	-	27,335		-	27,335
Other assets	835	-		-	835
	1,130,443	**71,260**		**11,187**	**1,212,890**
31 December 2022					
Cash and balances with banks	507,686	-	-	51	507,737
Debt securities	665,141	-	400	11,690	677,231
Loans and advances					
Loans and advances to banks	65,134	-	-	-	65,134
Loans and advances to non-banks	68,583	-	-	-	68,583
Other assets	4,223	-	-	-	4,223
	1,310,767	**-**	**400**	**11,741**	**1,322,908**

All amounts in United States Dollars thousands

Total provision for expected credit loss for loans and advances as at 31 December 2023 is US$ 2,937 thousand, (31 December 2022: US$ 1,051 thousand). Further information of the impairment allowance for loans and advances is provided in (Note 9). Total provision for expected credit loss for debt securities for amounts to US$ 24,988 thousand (31 December 2022: US$ 13,729 thousand).

3.2.4 Concentration of risks of financial assets with credit risk exposure

The following table breaks down the Company's main credit exposure at their carrying amounts, as categorised by geographical region. For this table, the Company has allocated exposures to regions based on the country of domicile of its counterparties.

	Gulf	Other Arab Countries	Asia	Western Europe and USA	Total
Cash and balances with banks	440,617	137	38,565	55,934	535,253
Loans and advances	107,813	27,334	-	-	135,147
Debt securities	228,915	43,600	24,918	229,992	527,425
Other assets	561	258	-	16	835
At 31 December 2023	**777,906**	**71,329**	**63,483**	**285,942**	**1,198,660**
Off statement of financial position items					
Undrawn loan commitment	-	-	-	-	-

	Gulf	Other Arab Countries	Asia	Western Europe and USA	Total
Cash and balances with banks	448,240	3,037	54,723	1,649	507,649
Loans and advances	64,575	68,091	-	-	132,666
Debt securities	234,510	67,332	34,599	329,100	665,541
Other assets	3,951	258	-	14	4,223
At 31 December 2022	**751,276**	**138,718**	**89,322**	**330,763**	**1,310,079**
Off statement of financial position items					
Undrawn loan commitment	**50,000**	-		-	**50,000**

3.3 Market risk

Market Risk is the risk of potential losses arising from movements in market prices of interest rate related instruments and equities in the trading portfolio and foreign exchange throughout the Company. For identification, assessment, measurement, management, control and mitigation of market risk, necessary policies, procedures and IT Systems are in place.

(a) Interest rate risk

Interest rate risk is measured by the extent to which changes in market interest rates impact margins, net interest income and the economic value of Company's equity. The Company's asset and liability management process is utilized to manage interest rate risk through the structuring of on-balance sheet and off-balance sheet portfolios. Net interest income will be affected as a result of volatility in interest rates to the extent that the re-pricing structure of interest-bearing assets differs from that of liabilities. The Company's goal is to achieve stable earnings growth through active management of the assets and liabilities mix while selectively positioning itself to benefit from near-term changes in interest rate levels.

The Company uses interest rate gap analysis to measure the interest rate sensitivity of its annual earnings due to re-pricing mismatches between rate sensitive assets, liabilities and derivatives positions. Modified Duration analysis is used to measure the interest rate sensitivity of the fixed income portfolio. Price Value Basis Point ("PVBP") analysis is used to calculates change in value of Assets and Liabilities given change of one Basis Point in the interest rates and its impact on Company's Shareholders' Equity.

The Treasurer is primarily responsible for managing interest rate risk. Reports on overall positions and risks are submitted to senior management for review and positions are adjusted if deemed necessary. In addition, ALCO regularly reviews the interest rate sensitivity profile and its impact on earnings. Strategic decisions are made with the objective of producing a strong and stable interest income over time.

The following table depicts the sensitivity to a reasonable change in interest rates, with other variables held constant, on the Company's statement of income. The sensitivity of the income is the effect of the assumed changes in interest rates on the floating rate non-trading financial assets and financial liabilities and fixed rate financial assets and liabilities that are re-measured to fair value held at 31 December. If market interest rates increase by the amounts shown in the table, net income and shareholders' equity will be affected as mentioned below. A similar decrease in the rates will result in an equal but opposite effect.

All amounts in United States Dollars thousands

	USD	EUR	AED	SAR	BHD	GBP	
	25BP	25BP	25BP	25BP	25BP	25BP	Total
Interest rate risk 31 December 2023							
Financial assets							
Cash and balances with banks	594	-	4	21	438	-	1,057
Loans and advances	332	-	-	-	-	-	332
Debt securities	751	134	-	-	-	-	885
Impact of financial assets	**1,677**	**134**	**4**	**21**	**438**	**-**	**2,274**
Financial liabilities							
Deposits	(815)	-	(1)	-	-	-	(816)
Impact of financial liabilities	**(815)**	**-**	**(1)**	**-**	**-**	**-**	**(816)**
Impact on the results of the Company	**862**	**134**	**3**	**21**	**438**	**-**	**1,458**

	USD	EUR	AED	SAR	BHD	GBP	
	25BP	**25BP**	**25BP**	**25BP**	**25BP**	**25BP**	**Total**
Interest rate risk 31 December 2022							
			Financial assets				
Cash and balances with banks	680	-	26	116	438	-	1,260
Loans and advances	332	-	-	-	-	-	332
Debt securities	751	134	-	-	-	-	885
Impact of financial assets	**1,763**	**134**	**26**	**116**	**438**	**-**	**2,477**
			Financial liabilities				
Deposits	(815)	-	(1)	-	-	-	(816)
Impact of financial liabilities	**(815)**	**-**	**(1)**	**-**	**-**	**-**	**(816)**
Impact on the results of the Company	**948**	**134**	**25**	**116**	**438**	**-**	**1,661**

Managing interest rate benchmark reform and associated risks

Following the decision by global regulators to phase out IBORs and replace them with alternative reference rates, the Branch has established a Transition from LIBOR Special Task (TLST) Committee to manage the transition for any of its contracts that could be affected. The TLST Committee is led by senior representatives from functions across the Branch including the business, Finance, Risk, Compliance, Operations, Technology and Legal. The objectives of the TLST Committee include evaluating the extent to which loans and advances, loan commitments, securities and liabilities reference IBOR cash flows, need to be amended as a result of the IBOR reform while assessing the financial and accounting impact of such amendments and how to manage the communication about IBOR reform with external counterparties and internal stakeholders. During 2021, the Branch migrated to new systems to accommodate the new RFRs and developed detailed plans, procedures and processes to support the transition.

While all new assets starting 2022 were booked using the Alternative Reference Rate, the branch prepared in parallel to move all USD floating rate assets maturing post 30 June 2023 to the Risk-Free Rate. Starting 2022, the Branch engaged with concerned counterparties and agreed on the approach to amend concerned assets as per the terms of the fallback language in preparation for LIBOR cessation. Accordingly, on June 30, 2023 the branch started the process of transition of all the concerned exposures. As at 31 December 2023. the Branch does not hold any US$ LIBOR based floating rate exposures indexed to LIBOR.

(b) Equity position risk

Equity position risk is defined as potential change in the current economic value of an equity or similar position due to changes in the associated underlying market risk factors. The Equity position risk includes equities booked under both Trading and Banking Book. The Company measures the equity position risk through daily revaluation of equity portfolio.

The table below shows the effect on profit and loss of an assumed 10% change in fair values of equity and investment funds:

	2023			2022		
Equity classification	**Change in equity price/ fund NAV %**	**Effect on net income**	**Effect on equity**	**Change in equity price/ fund NAV %**	**Effect on net income**	**Effect on equity**
Trading equity	±10	1,701	-	±10	2,603	-
Investment fund FVSI	±10	369	-	±10	411	-
Equity participations - quoted	±10	-	30,690	±10	-	23,604

The non-trading equity price risk arising from unquoted equity participations classified as fair value through OCI cannot be easily quantified. Fair value attributed to unquoted equity participation included within equity at the year-end amounted to US$ 130 million (2022: US$ 144 million) (Note 7.1).

(c) Foreign exchange risk

Foreign-exchange risk is the risk that an asset denominated in a foreign currency will lose value or a liability denominated in a foreign currency will increase as a result of unfavourable exchange rate fluctuations vis-à-vis Company's base / reporting currency.

The Company identifies foreign exchange risks at two levels: (a) Transaction, and (b) Structural. Transaction risk arises when Company extends exposure or borrows in foreign currency i.e. other than its reporting / base currency. Structural risk occurs when there is mismatch between respective foreign currency denominated cash inflows and outflows. The Structural foreign exchange risk is measured by identification of Currency-wise gaps between assets and liabilities bucketed in various time-bands according to their maturities, across the Company.

The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intraday positions, which are monitored daily.

The table below summarizes the Company exposure to foreign currency exchange rate risk at 31 December. Included in the table are the Company financial assets and financial liabilities at carrying amounts, categorised by major currencies.

All amounts in United States Dollars thousands

Concentrations of currency risk - financial instruments

As at 31 December 2023	USD	EUR	AED	SAR	BHD	GBP	Others	Total
Cash and balances with banks	170,055	54,876	13,025	53,921	243,087	51	238	535,253
Investment securities								
Financial assets at FVSI	2,192	-	-	17,009	-	-	3,440	22,641
Fair value through OCI	524,324	3,101	-	-	-	-	-	527,425
Equity participation	86,136	-	41,377	219,127	-	-	77,145	423,785
Loans and advances	135,147	-	-	-	-	-	-	135,147
Other assets	79	32	-	-	717	7	-	835
Total financial assets	**917,933**	**58,009**	**54,402**	**290,057**	**243,804**	**58**	**80,823**	**1,645,086**
Deposits	(219,268)	(55,447)	(894)	-	-	-	-	(275,609)
Other liabilities	1,248	(304)	-	(14,932)	(4,482)	-	(3,905)	(22,375)
Total financial liabilities	**(218,020)**	**(55,751)**	**(894)**	**(14,932)**	**(4,482)**	**-**	**(3,905)**	**(297,984)**

As at 31 December 2022	USD	EUR	AED	SAR	BHD	GBP	Others	Total
Cash and balances with banks	273,732	502	10,605	46,734	175,576	60	445	507,654
Investment securities								
Financial assets at FVSI	2,189	-	-	26,028	-	-	3,862	32,079
Fair value through OCI	612,403	53,138	-	-	-	-	-	665,541
Held at amortised cost	-	-	-	-	-	-	41	41
Equity participation	111,725	-	-	204,695	-	-	61,982	378,402
Loans and advances	132,666	-	-	-	-	-	-	132,666
Other assets	3,394	30	-	-	793	6	-	4,223
Total financial assets	**1,136,109**	**53,670**	**10,605**	**277,457**	**176,369**	**66**	**66,330**	**1,720,606**
Deposits	(327,411)	(53,444)	(867)	-	-	-	-	(381,722)
Other liabilities	4,029	(293)	-	(14,615)	(4,899)	-	(7,142)	(22,920)
Total financial liabilities	**(323,382)**	**(53,737)**	**(867)**	**(14,615)**	**(4,899)**	**-**	**(7,142)**	**(404,642)**

United States Dollars is the functional currency of the Company. The Company does not therefore have a foreign exchange risk to United States Dollars exposures and balances are provided for information only. The exposures to Saudi Riyal does not expose the Company to any currency risk and the Saudi Riyal is pegged with United States Dollars.

3.4 Liquidity risk

Liquidity risk is classified as the potential inability of the Company to meet its financial obligations on account of a maturity mismatch between assets and liabilities. Liquidity risk comprises of both funding liquidity risk and market Liquidity risk. Liquidity risk management ensures that funds are available at all times to meet the funding requirements of the Company. For assessment, measurement, management and control of liquidity risk, necessary policies, procedures and IT Systems are in place. The Company's ALCO operates a governance and control process that covers the liquidity risk management activities, which facilitates business decision process through informed Liquidity Management.

The Company measures the short and long term liquidity risk through Static Gap analysis approach. This analysis involves maturity profiling of entire Balance Sheet cash flows in specific time buckets to identify mismatches across time horizon based on contractual and expected cash flows. ALM Gap Limits are in place for effective monitoring of liquidity.

The Company has a contingency funding plan for managing liquidity in case of severe disruptions to the Company's ability to fund some or all of its activities in a timely manner and at a reasonable cost. The Company maintains adequate investments in liquid assets such as inter-bank placements and treasury bills. In addition, the Company also relies on trading assets and other marketable securities to provide secondary sources of liquidity.

3.4.1 Maturity analysis of financial assets and financial liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

As at 31 December 2023	Less than 12 months	Over 12 months	No fixed maturity	Total
Assets				
Cash and deposits with banks	535,253	-	-	535,253
Investments				
Securities	63,683	469,374	17,009	550,066
Equity participations	-	-	423,785	423,785
Loans and advances	45,358	-	89,789	135,147
Other assets	835	-	-	835
Total assets	**645,129**	**469,374**	**530,583**	**1,645,086**
Liabilities				
Deposits	275,609	-	-	275,609
Other liabilities	2,700	397	19,278	22,375
Total liabilities	**278,309**	**397**	**19,278**	**297,984**
Net	366,820	468,977	511,305	1,347,102
Cumulative liquidity gap	**366,820**	**835,797**	**1,347,102**	**-**

All amounts in United States Dollars thousands

As at 31 December 2022	Less than 12 months	Over 12 months	No fixed maturity	Total
Assets				
Cash and deposits with banks	507,654	-	-	507,654
Investments				
Securities	87,814	583,819	26,028	697,661
Equity participations	-	-	378,402	378,402
Loans and advances	51,445	81,221	-	132,666
Other assets	4,026	-	197	4,223
Total assets	**650,939**	**665,040**	**404,627**	**1,720,606**
Liabilities				
Deposits	381,722	-	-	381,722
Other liabilities	3,383	205	19,332	22,920
Total liabilities	**385,105**	**205**	**19,332**	**404,642**
Net	265,834	664,835	385,295	1,315,964
Cumulative liquidity gap	**265,834**	**930,669**	**1,315,964**	

3.4.2 Non-derivative cash flows

The table below presents the cash flows payable by the Company under non-derivative financial liabilities by remaining contractual maturities at the statement of financial position date. The amounts disclosed in the table are the contractual undiscounted cash flows:

As at 31 December 2023	1-3 months	3-12 months	Total
Liabilities			
Deposits	263,956	11,653	275,609
Other liabilities	2,699	18,563	21,262
Total liabilities (contractual maturity dates)	**266,655**	**30,216**	**296,871**

As at 31 December 2022	1-3 months	3-12 months	Total
Liabilities			
Deposits	317,576	64,146	381,722
Other liabilities	3,361	18,449	21,810
Total liabilities (contractual maturity dates)	**320,937**	**82,595**	**403,532**

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, and deposits with banks, items in the course of collection, loans and advances to banks, customer overdrafts; and loans and advances to customers. The Company would also be able to meet unexpected net cash outflows by selling securities and accessing additional funding sources.

3.4.3 Derivative cash flows

The table below sets out the Company's maturity of contractual cash flows of derivatives:

As at 31 December 2023	Up to 1 month	1-3 Months	Total
Derivatives designated as fair value through statement of income			
Foreign exchange derivatives			
Outflow	3,905	-	3,905
Inflow	3,890	-	3,890
Total outflow	**3,905**	**-**	**3,905**
Total inflow	**3,890**	**-**	**3,890**

All amounts in United States Dollars thousands

As of December 31 2022	Up to 1 month	1-3 Months	Total
Derivatives designated as fair value through statement of income			
Foreign exchange derivatives			
Outflow	7,142	-	7,142
Inflow	7,120	-	7,120
Total outflow	**7,142**	**-**	**7,142**
Total inflow	**7,120**	**-**	**7,120**

3.4.4 Loan commitments, financial guarantees, acceptances and other off-statement of financial position items

i. The maturities set out above are based on contractual re-pricing or maturity dates, whichever is earlier.

ii. Commitments to extend credit represent contractual commitments to make loans and revolving credits. Commitments generally have fixed expiration dates, or other termination clauses, and normally require the payment of a fee. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

iii. Standby letters of credit and guarantees commit the Company to make payments on behalf of customers contingent upon the failure of the customer to perform under the terms of the contract. Standby letters of credit would have market risk if issued or extended at a fixed rate of interest.

iv. The Company has approved investment commitments amounting to US$ 11.6 million (irrevocable US$ 3.6 million and revocable US$ 8 million as at 31 December 2023 (31 December 2022: US$ 25.7 million (irrevocable US$ 3.8 million and revocable US$ 21.9 million)).

3.5 Stress testing

Stress testing refers to a range of techniques used to assess the vulnerability of a financial institution or the entire system to exceptional but plausible events. Stress testing is an important risk management tool that is used by banks as part of their internal risk management. Stress testing alerts bank 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. Moreover, stress testing is a tool that supplements other risk management approaches and measures.

The Company has adopted Sensitivity Analysis and Scenario Methodologies for Stress testing due to its simplicity and combined the different sensitivity tests into a multi factor stress.

The Stressed Testing Framework covers credit, market, operational, interest rate risk in banking book (IRBB), credit concentration and liquidity risk and contains three levels of shocks under each scenario. These three levels of shocks are defined as (i) Low, (ii) Medium, and (iii) High. This classification reflects the intensity of the shocks and magnitude of their impact.

3.6 Fair value of financial assets and liabilities

(a) Financial instruments measured at fair value

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges (for example, FTSE, NYSE) and broker quotes from Bloomberg and Reuters.

A financial instrument is regarded as quoted in an active market 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. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques.

The fair value of over-the-counter ("OTC") derivatives is determined using valuation methods that are commonly accepted in the financial markets, such as present value techniques. The fair value of foreign exchange forwards is generally based on current forward exchange rates..

(b) Fair value hierarchy

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

- **Level 1 -** Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments quoted on exchanges.

All amounts in United States Dollars thousands

- **Level 2 -** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of the OTC derivative contracts, traded loans and issued structured debt. The sources of input parameters like LIBOR yield curve or counterparty credit risk are Bloomberg and Reuters.
- **Level 3 -** Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

Assets and liabilities measured at fair value

31 December 2023	Level 1	Level 2	Level 3	Total
Financial assets at FVSI				
Equity securities	17,009	-	-	17,009
Investment Funds	-	-	5,632	5,632
Equity participations – FVSI	-	-	14,320	14,320
Financial assets at FVOCI				
Debt securities	527,425	-	-	527,425
Equity participations - FVOCI	293,805	-	115,660	409,465
Investment in associates	104	-	23,644	23,748
Total assets	**838,343**	**-**	**159,226**	**997,599**
Financial liabilities at FVSI				
Derivative financial instruments	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**

Assets and Liabilities Measured at Fair Value

31 December 2022	Level 1	Level 2	Level 3	Total
Financial assets at FVSI				
Equity securities	26,029	-	-	26,029
Investment Funds	-	-	6,050	6,050
Financial assets at FVOCI				
Debt securities	665,541	-	-	665,541
Equity participations	234,399	-	144,003	378,402
Investment in associates	1,420	-	19,134	20,554
Total assets	**927,389**	**-**	**169,187**	**1,096,576**
Financial liabilities at FVSI				
Derivative financial instruments	-	22	-	22
Total liabilities	**-**	**22**	**-**	**22**

There were no transfers between the levels of fair value hierarchies during the year. Level 2 investments represent investment in mutual fund which are valued using the net asset value of the funds.

All amounts in United States Dollars thousands

Reconciliation of fair value measurements of Level 3 financial instruments

The Company has classified unquoted equity shares within the fair value hierarchy. These investment as fair valued using multiple valuation methods including dividend discount model, comparable investment model etc.

A reconciliation of the beginning and closing balances of the unquoted equity participation and associates including movements is summarised below:

	2023	2022
1 January	163,137	151,768
Addition	14,320	-
Disposed off	(1,100)	(16,700)
Total change in fair value	**(22,734)**	**28,069**
31 December	**153,623**	**163,137**

(c) Financial instruments not measured at fair value

At 31 December 2023, the estimated fair value of the other financial assets and liabilities including loans and advances was not significantly different from their respective carrying values.

3.7 Capital management

The Company's objectives when managing capital, which is a broader concept than 'equity' are:

- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

4 Critical accounting estimates and judgments in applying accounting policies

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continuously evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimates

Impairment of associates

At each reporting date, the Company measures the fair value of its associates using different valuation techniques to assess for any impairment indicators. Impairment if any, is recorded in the statement of income. Reversal in impairment is also recorded in the statement of income to the extent of the initial impairment recognised.

Impairment losses on financial assets

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Company's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Company's internal credit grading model, which assigns PDs to the individual grades
- The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Lifetime ECL basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs.
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

Determination of fair value

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 fair value of an asset or a liability is measured using assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest. The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price or dealer price quotations.

All other financial instrument not traded in an active market, the fair value is determined by using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e. using recent arm's length market transactions adjusted as necessary and with reference to the current market value of another instrument that is substantially the same) and the income approach (i.e. discounted cash flow analysis and option pricing models making as much use of available and supportable market data in a reasonably possible manner). 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.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between the levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. (See Note 3.6 (b)). For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy. (See Note 3.6 (b))

Judgements:

Classification of property as investment property or owner occupied property

The Company's Head Office comprise a portion that is held to earn rentals and another portion is held by the Company itself for its operations. These portions cannot be sold separately as they are under one title deed and the lease is under operating lease arrangement and, therefore, the Company has classified it as owner occupied property.

Accounting for investment in associates

The Company has multiple associates having varying financial period end and accounting framework that are different than the Company's financial year and framework. Moreover, the Company has used the latest available audited financial statements of the investee companies and whenever those are for a period greater than three months prior to 31 December 2023, the management has used the latest management accounts and extrapolated the results for the full year. The management believes that the impact of the varying reporting dates and accounting framework is insignificant to the financial statements of the Company as a whole.

5 Cash and balances with banks

Cash and balances with banks as of 31 December comprise of the following:

	2023	2022
Cash and cash equivalents:		
Cash on hand and in banks	15,540	22,250
Deposits with banks with original maturities of three months or less	190,541	265,746
Treasury bills maturing within three months of acquisition	242,853	175,358
Deposits with banks:	**448,934**	**463,354**
Deposits with banks with original maturities of more than three months but less than a year	86,424	44,383
Less: allowance for expected credit losses (Stage 1/3)	(105)	(83)
Total	**535,253**	**507,654**

All amounts in United States Dollars thousands

6 Investments - securities

Investment securities as of 31 December comprise of the following:

	2023	2022
a) Financial assets at FVSI		
Equity securities	17,009	26,029
Investment funds	5,632	6,050
Total	**22,641**	**32,079**
b) Financial assets at FVOCI		
Debt securities		
AA- to AA+	2,850	2,802
A- to A+	195,119	204,937
BBB- to BBB+	142,695	239,865
BB- to BB+	47,337	46,190
B- to B+	95,499	171,347
CCC to C	43,600	-
Unrated	325	400
Total	**527,425**	**665,541**
c) Financial assets at Amortised Cost (AC)		
Debt securities	27	48
Less: allowance for expected credit losses (Stage 3)	(27)	(7)
Total	**-**	**41**
Total investments	**550,066**	**697,661**

As at 31 December 2023, US$ 483,500 thousand of debt securities are classified as stage 1 (2022: US$ 665,182 thousand) and US$ 43,925 thousand are classified as stage 2 (2022: US$ 400 thousand) and US$ 11,138 thousand are classified as stage 3 (2022: US $ 11,690 thousand) for ECL purposes.

2023				
Financial assets at FVOCI	**12 month ECL**	**Life time ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
At the beginning of the year	1,016	1,016	11,690	13,722
Transfer to stage 2	(798)	798	-	-
Net measurement of loss allowance	(93)	11,882	(552)	11,237
At the end of the year	125	13,696	11,138	24,959

2022				
Financial assets at FVOCI	**12 month ECL**	**Life time ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
At the beginning of the year	981	-	11,690	12,671
Net measurement of loss allowance	35	1,016	-	1,051
At the end of the year	1,016	1,016	11,690	13,722

All amounts in United States Dollars thousands

The movement in investment securities is summarised below:

	FVSI	FVOCI debt	Amortised cost	Total 2023
At 1 January 2023	32,079	665,541	41	697,661
Exchange differences	(36)	885	-	849
Additions	158,511	83,760	-	242,271
Disposals (sale, maturity and redemption)	(171,614)	(229,141)	-	(400,755)
Change in fair value	3,701	6,645	(41)	10,305
Change in accrued interest	-	(910)	-	(910)
Accretion of discount	-	645	-	645
At 31 December 2023	**22,641**	**527,425**	**-**	**550,066**

	FVSI	FVOCI debt	Amortised cost	Total 2022
At 1 January 2022	17,221	735,339	41	752,601
Exchange differences	(108)	(3,308)	-	(3,416)
Additions	189,868	147,616	-	337,484
Disposals (sale, maturity and redemption)	(169,591)	(183,549)	-	(353,140)
Change in fair value	(5,311)	(37,612)	-	(42,923)
Change in accrued interest	-	7,302	-	7,302
Accretion of discount	-	(247)	-	(247)
At 31 December 2022	**32,079**	**665,541**	**41**	**697,661**

Investments in debt securities of US$ Nil (2022: US$ 68,050 thousand) are pledged under repurchase agreements with banks and financial institutions.

7 Investments - Equity Subscriptions and Contributions

Investments in equity participations comprise of the following:

	2023	2022
Quoted – FVOCI	293,805	234,399
Unquoted		
FVOCI	115,660	144,003
FVSI	14,320	-
Total	**423,785**	**378,402**

7.1 Fair value of equity participations – FVOCI

		2023		2022	
Country / Project	**Quoted / Unquoted shares**	**Fair value of participation**	**Percentage of shareholding**	**Fair value of participation**	**Percentage of shareholding**
Kingdom of Morocco					
Maroc Leasing Company	Quoted	5,740	5.74	5,385	5.74
Kingdom of Saudi Arabia					
Middle East Financial Investment Company	Unquoted	10,888	15.00	20,335	15.00
National Trigeneration CHP Company	Unquoted	3,260	9.94	2,427	9.94
Bidaya Home Finance	Unquoted	26,940	11.11	33,104	11.11
Saudi National Bank	Quoted	51,622	0.08	50,340	0.08
Saudi Arabian Oil Company	Quoted	42,657	0.002	37,721	0.002
International Company for Water and Power Projects (Acwa Power)	Quoted	48,058	0.10	28,424	0.10
Saudi Telecom Co.	Quoted	35,702	0.07	32,344	0.07
		219,127		**204,695**	

All amounts in United States Dollars thousands

		2023		2022	
Country / Project	Quoted / Unquoted shares	Fair value of participation	Percentage of shareholding	Fair value of participation	Percentage of shareholding
Republic of Sudan					
Kenana Sugar Company*	Unquoted	-	6.99	804	6.99
Sudatel Group for Communication	Quoted	811	2.18	1,697	2.18
Berber Cement Company*	Unquoted	-	16.40	2,340	16.40
		811		**4,841**	
Arab Republic of Egypt					
Egyptian Propylene and Polypropylene Company	Unquoted	38,647	10.00	49,604	10.00
International Company for Leasing	Unquoted	3,553	10.00	4,572	10.00
E Finance Investment Group	Quoted	20,439	2.03	27,736	2.03
		62,639		**81,912**	
People's Democratic Republic of Algeria					
Arab Banking Corporation	Unquoted	4,028	3.65	3,966	3.65
		4,028		**3,966**	
United Arab Emirates					
Salik Company	Quoted	11,059	0.17	4,255	0.08
Dubia Electricity & water Authority	Quoted	30,318	0.09	-	-
		41,377		**4,255**	
The Hashemite Kingdom of Jordan					
Arab Jordan Investment Bank	Quoted	28,175	10.25	27,504	10.25
Arab International Hotels Company	Quoted	2,979	8.17	3,127	8.17
		31,154		**30,631**	

* These investments are fully impaired.

Country / Project	Quoted / Unquoted shares	2023 Fair value of partici-pation	2023 Percentage of share-holding	2022 Fair value of partici-pation	2022 Percentage of share-holding
Kingdom of Bahrain					
Arab Banking Corporation	Quoted	4,015	0.42	3,497	0.42
State of Qatar					
Arab Jordan Investment Bank	Unquoted	7,516	15.00	7,482	15.00
Sultanate of Oman					
Taageer Finance Company	Quoted	12,230	18.79	12,369	18.79
Pan-Arab					
The Arab Company for Livestock Development	Unquoted	3,377	1.67	3,639	1.67
Arab Trade Financing Program	Unquoted	4,759	0.44	5,235	0.44
Arab Mining Company	Unquoted	12,692	1.10	10,495	1.10
		20,828		**19,369**	
		409,465		**378,402**	

7.2 Fair value of equity participations – FVSI

	2023	2022
United Arab Emirates		
Al-Sobh Investment Holding Company (Note 7.2.1) Unquoted	14,320	-
	14,320	**-**

7.2.1 During the year, the Company invested USD 14.32 million in preference shares of Al-Sobh Investment Holding Company (Investee Company). The Company has also paid a premium to one of the shareholders of the Investee Company which is convertible to 1,333 common shares upon purchase of the common shares of the Investee Company in future. The preference shares also provide the Company with a put option to put back preference shares to one of the owner of the Investee Company.

All amounts in United States Dollars thousands

The movement in investments – equity participation is summarised below:

	2023	2022
At 1 January	378,402	347,639
Additions during the year	49,452	58,062
Disposed off during the year	-	(40,430)
Written off	(1,100)	(4,000)
Change in fair value (Note 21)	(2,789)	17,131
At 31 December	423,785	378,402

8 Investments in associates

Investments in associate companies comprise of the following:

	2023	2022
Quoted	104	1,420
Unquoted	23,644	19,134
Total	**23,748**	**20,554**

		2023		2022	
Country / Project	**Quoted / Unquoted shares**	**Carrying value of associate**	**Percent-age of share-holding**	**Carrying value of associate**	**Percent-age of share-holding**
Kingdom of Morocco					
Société Ryad Soualem S.A.	Unquoted	432	33.00	814	33.00
Asma Club Plus Company	Unquoted	12,261	40.00	9,564	40.00
		12,693		**10,378**	

		2023		2022	
Country / Project	Quoted / Unquoted shares	Carrying value of associate	Percent-age of share-holding	Carrying value of associate	Percent-age of share-holding
Republic of Sudan					
Financial Investment Bank	Quoted	104	20.80	1,420	20.80
The Arab Leasing Company	Unquoted	400	30.00	800	30.00
		504		**2,220**	
People's Democratic Republic of Algeria					
Arab Leasing Corporation	Unquoted	10,551	18.15	7,956	18.15
		10,551		**7,956**	
Total investments		**23,748**		**20,554**	

- Société Ryad Soualem S.A.- The company is a raw land developer, the land is located in Casablanca, Morocco.
- Asma Club: The company is a real-estate developer which was established in 2017, and its all real-estate projects are based in Casablanca, Morocco.
- Financial Investment Bank: The bank is licensed by the central bank of Sudan, and the bank invests and manages investment funds in Sudan.
- The Arab Leasing Company is a financial leasing company, the main purpose of the company is leasing activities including equipment and real-estate, and the company is fully operating in Sudan.
- Arab Leasing Corporation was established in 2001, the main activities of company are financial leasing activities in Algeria. The company operations are 100% based in Algeria.

All amounts in United States Dollars thousands

Investments in associates as of 31 December comprise of the following:

	Financial Investment Bank	Société Ryad Soualem S.A.	Asma Club Plus Company	Arab Leasing Corporation	The Arab Leasing Company	Total
Balance at 31 December 2021	148	965	11,707	7,968	776	21,564
Amounts recognised in statement of income						
Share of earnings/(losses) of associates	364	(147)	416	642	675	1,950
(Impairment) / reversal	792	259	(1,098)	87	(1,268)	(1,228)
	1,156	**112**	**(682)**	**729**	**(593)**	**722**
Amounts recognised in statement of comprehensive income						
Exchange differences on translation of foreign operations	(334)	154	(1,461)	134	(738)	(2,245)
Share of other comprehensive income of associates	450	-	-	-	1,510	1,960
	116	**154**	**(1,461)**	**134**	**772**	**(285)**
Dividends	-	(417)	-	(875)	(155)	(1,447)
Balance at 31 December 2022	**1,420**	**814**	**9,564**	**7,956**	**800**	**20,554**
Amounts recognised in statement of income						
Share of earnings / (losses) of associates	-	(139)	28	768	(885)	(228)
(Impairment) / reversal	(1,861)	(270)	2,010	1,888	(42)	1,725
	(1,861)	**(409)**	**2,038**	**2,656**	**(927)**	**1,497**
Amounts recognised in statement of comprehensive income						
Exchange differences on translation of foreign operations	(56)	27	659	210	(108)	732
Share of other comprehensive income of associates	601	-	-	-	635	1,236
	545	**27**	**659**	**210**	**527**	**1,968**
Dividends	-	-	-	(271)	-	(271)
Balance at 31 December 2023	**104**	**432**	**12,261**	**10,551**	**400**	**23,748**

Summarised financial information of the associates are as follows:

	Financial Investment Bank	
	31 December 2023 (Unaudited)	31 October 2022 (Unaudited)
Total assets	20,847	15,300
Total liabilities	(11,398)	(8,480)
Net assets	**9,449**	**6,820**
Net revenue	2,345	2,288
Profit for period	280	1,749
Other comprehensive income	2,375	2,163
Total comprehensive income for the period	**2,655**	**3,912**

	Société Ryad Soualem S.A.	
	31 December 2023 (Audited)	31 December 2022 (Audited)
Total assets	2,987	3,228
Total liabilities	(1,680)	(1,580)
Net assets	**1,307**	**1,648**
Net revenue	134	2
Loss for period	(130)	(472)
Other comprehensive income	-	-
Total comprehensive loss for the period	**(130)**	**(472)**

All amounts in United States Dollars thousands

	Asma Club Plus Company	
	31 December 2023 (Audited)	31 December 2022 (Audited)
Total assets	46,256	60,387
Total liabilities	(15,604)	(31,453)
Net assets	**30,652**	**28,934**
Net revenue	12,249	16,266
Profit for period	320	1,040
Other comprehensive income	-	-
Total comprehensive income for the period	**320**	**1,040**

	Arab Leasing Corporation	
	31 December 2023 (Audited)	31 December 2022 (Audited)
Total assets	104,794	81,309
Total liabilities	(46,430)	(26,952)
Net assets	**58,364**	**54,357**
Net revenue	9,544	7,348
Profit for period	3,834	3,526
Other comprehensive income	-	-
Total comprehensive income for the period	**3,834**	**3,526**

	The Arab Leasing Company	
	31 December 2023 (Unaudited)	31 December 2022 (Audited)
Total assets	21,386	15,161
Total liabilities	(12,017)	(4,594)
Net assets	**9,369**	**10,567**
Net revenue	4,045	2,114
(Loss) / profit for period	(2,867)	2,250
Other comprehensive income	1,734	5,035
Total comprehensive (loss) / income for the period	**(1,133)**	**7,285**

The above information is presented from the financial statements and management accounts of the associates without accounting for impairment, foreign currency translation and other insignificant adjustments.

9 Loans and advances

Loans and advances as of 31 December comprise of the following:

	2023	2022
Loans and advances (9.1)	138,085	133,717
Allowance for expected credit losses (9.2)	(2,938)	(1,051)
Loans and advances, net	135,147	132,666

All amounts in United States Dollars thousands

9.1 The following table shows reconciliations from the opening to the closing gross carrying amount of the loans and advances:

	2023				2022
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit im-paired	Total	
At the beginning of the year	133,717	-	-	133,717	269,360
Loan disbursed during the year	50,000	-	-	50,000	116,500
Transfer to stage 2	(33,627)	33,627	-	-	-
Amortisation of fee	68	23	-	91	(354)
Change in accrued interest	1092	53	-	1,145	1,088
Loans repayment	(40,500)	(6,368)	-	(46,868)	(252,877)
At the end of the year	**110,750**	**27,335**	**-**	**138,085**	**133,717**

During the year ended 31 December 2023, the Company recovered principal amount of US$ Nil (2022: US$ 2,723 thousand) related to facilities written off (Note 24).

9.2 The following table shows reconciliations from the opening to the closing balance of the ECL allowance:

	2023			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit im-paired	Total
At the beginning of the year	1,051	-	-	1,051
Transfer to stage 2	(325)	325	-	-
Net measurement of loss allowance	(112)	1,999	-	1,887
At the end of the year	**614**	**2,324**	**-**	**2,938**

	2022			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
At the beginning of the year	678	-	-	678
Net measurement of loss allowance	373	-	-	373
At the end of the year	**1,051**	**-**	**-**	**1,051**

10 Other assets

Other assets as of 31 December comprise of the following:

	2023	2022
Dividend receivable	3,644	4,102
Rent receivables	-	121
Other receivables	2,523	2,267
Total	**6,167**	**6,490**

All amounts in United States Dollars thousands

11 Property and equipment and investment properties

11.1 Property and equipment

Property and equipment as of 31 December comprise the following:

	Land	Building and its equipment	Furniture and equipment	Work in progress	Total 2023
Cost					
At 1 January	4,439	20,791	8,842	80	34,152
Additions during the year	-	6	332	135	473
Disposals during the year	-	-	-	-	-
Reclassification	-	-	-	(204)	(204)
At 31 December	**4,439**	**20,797**	**9,174**	**11**	**34,421**
Accumulated depreciation					
At 1 January	-	15,374	8,181	-	23,555
Charge for the year	-	314	231	-	545
Disposals during the year	-	-		-	-
At 31 December	**-**	**15,688**	**8,412**	**-**	**24,100**
Net Book Value					
At 31 December 2023	**4,439**	**5,109**	**762**	**11**	**10,321**

	Land	Building and its equipment	Furniture and equipment	Work in progress	Total 2022
Cost					
At 1 January	4,439	20,776	8,642	40	33,897
Additions during the year	-	15	350	244	609
Disposals during the year	-	-	(150)	-	(150)
Reclassification	-	-	-	(204)	(204)
At 31 December	**4,439**	**20,791**	**8,842**	**80**	**34,152**

	Land	Building and its equipment	Furniture and equipment	Work in progress	Total 2022
Accumulated depreciation					
At 1 January	-	15,058	8,102	-	23,160
Charge for the year	-	316	229	-	545
Disposals during the year	-	-	(150)	-	(150)
At 31 December	**-**	**15,374**	**8,181**	**-**	**23,555**
Net Book Value					
At 31 December 2022	**4,439**	**5,417**	**661**	**80**	**10,597**

11.2 Investment properties

Investment properties as of 31 December comprises the following:

	Land	Building and its equipment	Furniture and equipment	Total / 2023
Cost				
At 1 January	7,982	27,714	1,676	37,372
Additions during the year	-	1	44	45
Disposals during the year	-	-	-	-
At 31 December	**7,982**	**27,715**	**1,720**	**37,417**
Accumulated depreciation				
At 1 January	-	24,155	1,586	25,741
Charge for the year	-	142	42	184
Disposals during the year	-	-	-	-
At 31 December	**-**	**24,297**	**1,628**	**25,925**

All amounts in United States Dollars thousands

	Land	Building and its equipment	Furniture and equipment	Total / 2023
Accumulated impairment				
At 1 January	2,263	-	-	2,263
Charge for the year	-	-	-	-
At 31 December	**2,263**	**-**	**-**	**2,263**
Net Book Value				
At 31 December	**5,719**	**3,418**	**92**	**9,229**

	Land	Building and its equipment	Furniture and equipment	Total / 2022
Cost				
At 1 January	7,982	27,714	1,687	37,383
Additions during the year	-	-	35	35
Disposals during the year	-	-	(46)	(46)
At 31 December	**7,982**	**27,714**	**1,676**	**37,372**
Accumulated depreciation				
At 1 January	-	24,011	1,587	25,598
Charge for the year	-	144	45	189
Disposals during the year	-	-	(46)	(46)
At 31 December	**-**	**24,155**	**1,586**	**25,741**
Accumulated impairment				
At 1 January	2,166	-	-	2,166
Charge for the year	97	-	-	97
At 31 December	**2,263**	**-**	**-**	**2,263**
Net Book Value				
At 31 December	**5,719**	**3,559**	**90**	**9,368**

The fair value of investment property at 31 December 2023 amounted to approximately US$ 16.9 Million (31 December 2022: US$ 16.3 Million).

12 Intangible assets

Software	2023	2022
Cost		
At 1 January	5,730	5,606
Additions during the year	44	124
At 31 December	**5,774**	**5,730**
Accumulated Amortization		
At 1 January	3,666	3,117
Charge for the year	477	549
At 31 December	**4,143**	**3,666**
Net Book Value		
At 31 December	**1,631**	**2,064**

13 Deposits

Deposits as of 31 December comprise the following:

	2023	2022
Deposits by banks	238,147	298,538
Deposits by non-banks	37,462	83,184
Total	275,609	381,722

Included in the above are deposits raised under repurchase agreements whose carrying value as at 31 December 2023 is US$ Nil (31 December 2022: US$ 63.6 million).

All amounts in United States Dollars thousands

14 Derivative financial instruments

In the ordinary course of business, the Company enters into various types of transactions that involve derivative financial instruments. The table below shows the positive (assets) and negative (liabilities) fair values of derivative financial instruments together with their notional amounts. The notional amounts indicate the volume of transactions outstanding at year end and are neither indicative of the market risk nor credit risk.

	2023		
	Contract/Notional Amount	Fair value Assets	Liabilities
Held for trading			
Foreign exchange derivatives			
Currency swaps	7,796	-	15

	2023		
	Contract/Notional Amount	Fair value Assets	Liabilities
Held for trading			
Foreign exchange derivatives			
Currency swaps	14,262	-	22

15 Other liabilities

Other liabilities comprise the following:

	2023	2022
Due to a related party (Note 17)	10,454	10,011
Accounts payable and accrued expenses	6,556	9,561
Dividends payable	4,235	2,105
Deferred income	1,115	1,080
Provision for expected credit losses on undrawn loan commitment	-	141
Derivative financial instruments (Note 14)	15	22
Total	**22,375**	**22,920**

16 Employees' benefits

Employees' benefits as of 31 December comprise of the following:

	Employ-ees saving schemes	Provision for end of service indemnity	Provision for leave	Total	
				2023	2022
At 1 January	1,642	7,477	1,241	10,360	14,078
Addition for the year	170	915	527	1,612	1,463
Provisions utilised	(178)	(586)	(450)	(1,214)	(4,574)
Staff contributing to saving scheme	77	-	-	77	70
Actuarial gain recognised in OCI	-	(131)	-	(131)	(299)
Other movement	-	-	(58)	(58)	(378)
At 31 December	**1,711**	**7,675**	**1,260**	**10,646**	**10,360**

The amount recognised in the statement of financial position is analysed as follows:

	2023	2022
Present value of defined benefit obligations	7,632	7,434
Net defined benefit liability in the statement of financial position	7,632	7,434

The principal actuarial assumptions used for actuarial valuation were as follows:

	2023	2022
Discount rate	4.65%	4.5%
Long term salary increase rate	4.65%	4.5%
Mortality rate according to world health organization- SA	WHO SA19	WHO SA19
Rate of employee Turnover	Light	Light

All amounts in United States Dollars thousands

Sensitivity information

The present value of the net defined benefit liability was calculated based on certain actuarial assumptions. In case any one of the key assumptions change by an amount that is probable while holding the other assumptions unchanged, the present value of the defined benefit liability would change as follows:

	2023	2022
Discount rate + 0.5%	7,426	7,223
Discount rate – 0.5%	7,850	7,655
Long term salary increases + 0.5%	8,514	7,493
Long term salary increases – 0.5%	8,135	7,371

The movement in the present value of defined benefit obligation were as follows:

		2023	2022
At 1 January		**7,434**	**11,141**
Amounts recognised in statement of income			
Current service cost		577	645
Interest expense		338	181
		915	**826**
Amounts recognised in statement of income			
Remeasurements	financial assumptions	(103)	(760)
	demographic assumptions	(2)	86
	experience adjustments	(26)	375
		(131)	**(299)**
Payments made to outgoing employees		(586)	(4,234)
At 31 December		**7,632**	**7,434**

The plan is exposed to following risks:

Mortality risks – The risk that the actual mortality experience is different. The effect depends on the beneficiaries' service/age distribution and the benefit.

Final salary risks – The risk that the final salary at the time of cessation of service is greater than what is assumed in the valuation. Since the benefit is calculated on the final salary, the benefit amount increases in direct proportion to the salary.

Withdrawal risks – The risk of higher or lower withdrawal experience than assumed. The final effect could go either way depending on the beneficiaries' service/age distribution and the benefit.

The weighted average duration of the plan is 4.12 – 6.14 years (2022: 4.13-6.68 years)

Maturity profile of the provision for end of service indemnity is as below:

Period (years)	2023	2022
1	780	424
2	1,751	1,453
3	437	1,532
4	669	420
5	816	643
6-10	5,563	5,303
Total	**10,016**	**9,775**

All amounts in United States Dollars thousands

17 Related party transactions and balances

In the ordinary course of its activities, the Company has following transactions with related parties.

1. The balances resulting from such transactions at 31 December are as follows:

	2023	2022
Executive management personnel		
End of service benefit	1,178	4,272

2. The amounts of compensation accrued and (or) paid to the Board of Directors and the executive management personnel during the years ended 31 December are as follows:

	2023	2022
Directors' expenses	1,089	1,001
Directors' bonuses paid	450	450
Salaries and short-term employee benefits	926	984
End of service benefits	186	473

3. Share of earnings from associates and impairment for the year ended 31 December are as follows:

	2023	2022
Share of (losses) / earnings of associates	(228)	1,950
Reversal of / (provision for) impairment of associates	1,725	(1,228)
Dividends	271	1,447

4. Amounts due to a related party as at the year-end is as follows:

Name of related parties	Nature of relationship	Nature of transaction	2023	2022
The State of Libya	Shareholder	Funding received	10,454	10,011

18 Share capital

Authorized and paid

The share capital with a par value of US$ 1,000 each as of 31 December comprises the following:

	2023		2022	
	No. of Shares	Amount	No. of Shares	Amount
Authorised	1,200,000	1,200,000	1,200,000	1,200,000
Fully paid	1,050,000	1,050,000	1,050,000	1,050,000

The ownership of the shareholders as at 31 December is as follows:

	Ownership Percentage (%)			
	2023	2022	2023	2022
Kingdom of Saudi Arabia	16.56	16.56	173,848	173,848
State of Kuwait	16.56	16.56	173,848	173,848
United Arab Emirates (Abu Dhabi)	13.58	13.58	142,641	142,641
Republic of Iraq	11.07	11.07	116,243	116,243
State of Qatar	8.65	8.65	90,841	90,841
Arab Republic of Egypt	7.36	7.36	77,268	77,268
The State of Libya	6.30	6.30	66,170	66,170
Syrian Arab Republic	6.04	6.04	63,396	63,396
Republic of Sudan	2.83	2.83	29,696	29,696
Kingdom of Bahrain	1.81	1.81	18,960	18,960
Republic of Tunisia	1.81	1.81	18,960	18,960
Kingdom of Morocco	1.81	1.81	18,960	18,960
Sultanate of Oman	1.61	1.61	16,918	16,918
Republic of Lebanon	1.70	1.70	17,875	17,875

All amounts in United States Dollars thousands

	Ownership Percentage (%)			
	2023	2022	2023	2022
People's Democratic Republic of Algeria	1.70	1.70	17,875	17,875
The Hashemite Kingdom of Jordan	0.34	0.34	3,569	3,569
Republic of Yemen	0.27	0.27	2,932	2,932
Total	**100%**	**100%**	**1,050,000**	**1,050,000**

19 Statutory reserve

In accordance with the Company's Memorandum and Articles of Association, 10% of the net income is transferred annually to the statutory reserve until the reserve equals 100% of the paid-up capital.

	2023	2022
Movement of statutory reserve		
At the beginning of the year	124,763	120,975
Additions during the year	4,162	3,788
At the end of the year	128,925	124,763

20 General reserve

During the year 2016 and pursuant to general assembly's resolution number 56 dated 4 June 2016. The general assembly resolved to transfer an amount of US$ 22,799 thousand from retained earnings to the general reserve. The general reserve can only be used through a resolution by the Directors. No transfers have been made in current and prior year.

21 Other reserves

The movements in other reserves for the years ended 31 December are summarised as follows:

	FVOCI debt	FVOCI equity	Foreign currency translation reserve	Associate share of other comprehensive income	Remeasurement reserve on employee benefits	Total
31 December 2023						
At beginning of year	(31,467)	(35,388)	(12,532)	4,389	(1,949)	(76,947)
Change in value	11,235	(2,789)	732	1,236	131	10,545
Transfer to statement of income	6,647	-	-	-	-	6,647
Transfer to retained earnings	-	-	-	-	-	-
At end of year	**(13,585)**	**(38,177)**	**(11,800)**	**5,625**	**(1,818)**	**(59,755)**
31 December 2022						
At beginning of year	6,148	(37,289)	(10,287)	2,429	(2,248)	(41,247)
Change in value	(37,612)	17,131	(2,245)	1,960	299	(20,467)
Transfer to statement of income	(3)	-	-	-	-	(3)
Transfer to retained earnings	-	(15,230)	-	-	-	(15,230)
At end of year	**(31,467)**	**(35,388)**	**(12,532)**	**4,389**	**(1,949)**	**(76,947)**

All amounts in United States Dollars thousands

22 Interest income and expense

	2023	2022
Interest income on		
Investment securities	33,786	25,615
Deposits with banks and treasury bills	29,322	10,047
Loans and advances	11,706	7,299
	74,814	**42,961**
Interest expense on		
Deposits by banks and financial institutions	(15,476)	(4,690)
Deposits by non-banks	(1,344)	(558)
	(16,820)	**(5,248)**

23 Net gain / (loss) on financial securities

	2023	2022
Equities	8,175	1,138
Debt securities (Note 21)	(6,647)	3
Unit trust funds	(466)	(1,936)
Total	**1,062**	**(795)**

24 Other income

	2023	2022
Remuneration for attending Projects' Directors	715	693
Recovery of loans previously written off (Note 9)	-	2,723
Others	19	507
Total	**734**	**3,923**

25 General and administrative expenses

	2023	2022
Salaries and related benefits	(13,796)	(13,953)
Professional and consultancy	(3,299)	(1,522)
Directors' expenses	(1,089)	(1,001)
Others	(5,193)	(4,812)
Total	**(23,377)**	**(21,288)**

Professional fee includes auditor's remuneration as below:

	2023	2022
Fee for audit services	**(164)**	**(164)**
Fee for other services		
Special purpose financial statements	(9)	(9)
Zakat / tax return and other filing service	(10)	(10)
Agreed upon procedures on prudential returns	(23)	(23)
Total	**(206)**	**(206)**

26 Provision for expected credit losses, net

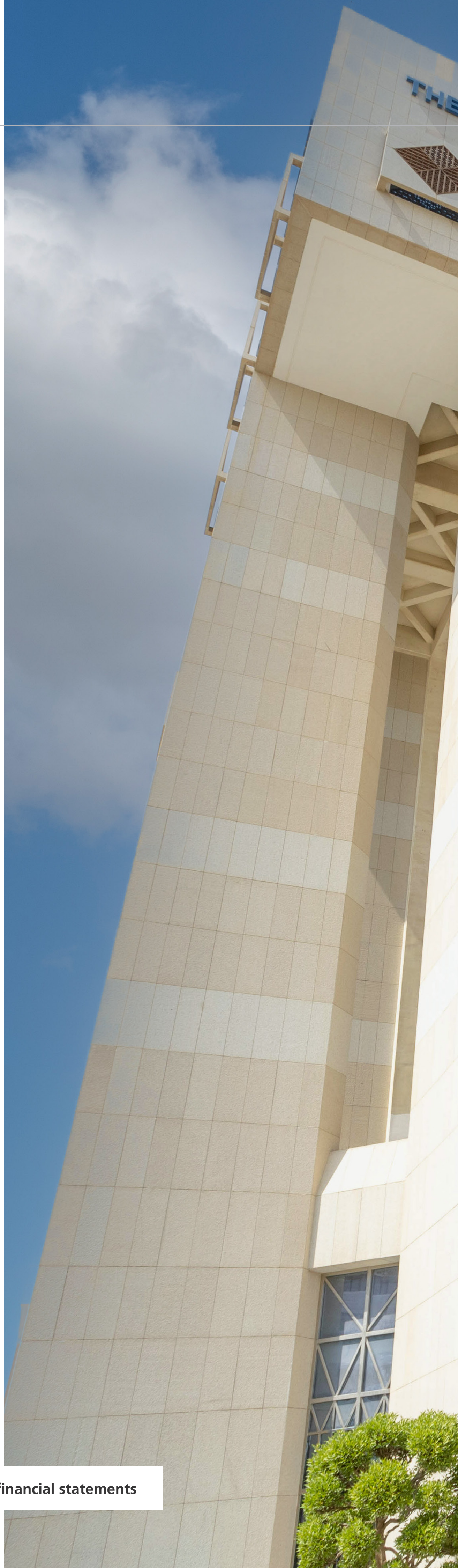
	2023	2022
Investment securities – FVOCI debt and amortised cost (Note 6)	**(11,257)**	**(1,051)**
Loans and advances (Note 9)	**(1,887)**	**(373)**
Undrawn loan commitments (Note 15)	141	(141)
Cash and balances with banks (Note 5)	(22)	(70)
Dividend receivable written off	(53)	-
Total	**(13,078)**	**(1,635)**

27 Political unrest

Certain Arab countries in which the Company has investments are undergoing political unrest. Management believes that the political situation in these countries to stabilise over the medium term. Based on available information as of the date of approval of these financial statements; management believes in the long-term viability and recoverability of the Company's longer-term investments (including equity participations and investment in associates).

28 Approval of financial statements

These financial statements were approved and authorised by the Directors of the Company on 25 April 2024.




ARAB INVESTMENT COMPANY

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