THE ARAB INVESTMENT COMPANY S.A.A.

ANNUAL REPORT 2022

بسم الله الرحمن الرحيم


الشركة العربية للاستثمار
THE ARAB INVESTMENT COMPANY
الشركة العربية للاستثمار

Contents

About the **Company**

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 $1,200 million and a paid-up capital of $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.

Head office
Kingdom of Saudi Arabia

Banking branch
Kingdom of Bahrain

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.

Paid-up capital	Authorized capital
1,050 US Dollars (MM)	**1,200 US Dollars (MM)**

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

H.E.Mr. Abdulaziz bin Salih Al-Furaih
Chairman of the Board
the Kingdom of Saudi Arabia

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

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

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

Mr. Majed Khamis Al Darmaki
Board Member
United Arab Emirates

H.E.Mrs. Taif Sami Al Shakarchi
Board Member
Republic of Iraq

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

Mr. Ashraf Mohamed Mohamed Negm
Board Member
The 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
the Kingdom of Bahrain

SKH. Khalid Bin Saoud Al-Thani
Board Member
the State of Qatar

Board Committees

Higher Investment Committee:

Name	Position
H.E.Mr. Abdulaziz bin Salih Al-Furaih	Chairman
Mr.Mishaal Salem Al-Otaibi	Member
H.E.Dr. Najlaa Mohmad EL-Mangoush	Member
Mr. Abdullah Salim Al-Harthi	Member
Mr. Majed Khamis Al Darmaki	Member

Risk and Compliance Committee:

Name	Position
Mr. Abdullah Salim Al-Harthy	Chairman
Mr. Ashraf Mohamed Mohamed Negm	Member
SKH. Khalid Bin Saoud Al-Thani	Member

Audit Committee

Name	Position
Dr. Abdullah bin Abdul Rahman Al-Namla	Chairman
H.E.Ms. Taif Sami Al Shakarchi	Member
Mr. Sultan Ahmed Al Junaibi	Member

Nominations & Remuneration Committee

Name	Position
Mr. Majed Khamis Al Darmaki	Chairman
Mr. Khaled Hussein Al-Omar	Member
Eng. Nawaf Hashem Alsadeh	Member

Executive Management

Head Office: Riyadh

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: Bahrain

General Manager	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
Internal Audit	Mr.Hasan Al Hashami
Compliance Officer	Mr. Shelly K. Jose
Information Technology	Mr. Masoud Murad

Chairman's Statement

Dear Shareholders,

On behalf of my colleagues, members of the Board of Directors, I am pleased to present before your hands the annual report of the Arab Investment Company (TAIC) for the fiscal year ended on December 31, 2022, which reflects the Company›s activity and financial results according to its performance, and the development of the workflow of its projects and banking activity.

Over the past 48 years, TAIC has continued its pioneering role in stimulating investment and development in the Arab world, and continues its unremitting efforts to develop its activities and diversify its investment and financial tools. The Board of Directors is keen to continue the success of the Company and to achieve growth and development of its business and profits as one of the long-term strategic goals that the Company seeks to achieve and ensure its continuity.

In 2022, the global economy faced a number of challenges, represented in the slowdown in levels of growth and trade exchange as a result of the restrictions that took place during the period of Corona pandemic. This made central banks reduce interest rates to nearly zero at the end of 2021. Because of these monetary policies, inflation levels rose, prompting central banks to intervene again and raise interest rates, starting from the first quarter of 2022, in order to curb inflation and restore balance to financial markets.

Despite the economic and political fluctuations that the world witnessed in 2022, TAIC was able to maintain sustainability and achieve growth in profits; its net profits at the end of fiscal year 2022 amounted to $37,880 thousand, compared to $31,854 thousand at the end of fiscal year 2021, an increase of 19%. It also maintained the strength and durability of its financial position thanks to its ability to manage and adapt to various circumstances and changes to achieve its development and investment goals. During 2022, TAIC was able to enhance the executive capabilities and the internal control system supported by the risk management framework and the IT management infrastructure. In accordance with the requirements of the regulatory authorities, TAIC has taken all technical and operational procedures and measures to prepare for the transition from LIBOR rates to alternative rates.

Under the direct supervision of the Board of Directors, and within the framework of its organizational approach, TAIC is currently working on preparing its new five-year strategic plan for the period (2024-2028), which includes a set of interim quantitative and qualitative goals that the Company aspires to achieve during this period, in order to meet its ambitions and the aspirations of its shareholders.

I take this opportunity to express my sincere thanks and gratitude to the governments of the shareholding countries, particularly the Government of the Kingdom of Saudi Arabia, which hosts the Company headquarter, and the Government of the Kingdom of Bahrain, which hosts the banking branch of the Company, for providing their support, interest and perseverance at various levels. I also extend my thanks to the Company›s investment partners and valued customers.

In conclusion, I would like to extend my thanks to all of my colleagues, members of the Board of Directors, the Executive Management and all employees, appreciating their outstanding efforts throughout the year in order to meet the aspirations of the shareholders, wishing the Company further progress and success.

May Allah grant success...

His Excellency

Mr. Abdulaziz bin Saleh Al-Furaih

Chairman of Board of Directors

CEO's Statement

Dear Shareholders,

The year 2022 witnessed great economic challenges, as inflation rates in some economies of developed countries exceeded 10%. Therefore, central banks raised interest rates at an accelerated pace, which caused an increase in the cost of financing, pressure on profit margins, and an increase in credit risks. Despite that situation, thanks to the directives of the Board of Directors and the keenness of the executive management to adhere to the desired level of risk, TAIC was able to achieve a level of profitability commensurate with the potential risks, maintain the composition of its portfolio of assets, and achieve a balance between risks and the level of liquidity.

TAIC continued its efforts to achieve the objectives of the shareholder countries by contributing to supporting the economy of the Arab countries, whether through a portfolio of projects or through banking activity that contributes to providing credit facilities to support commercial financing activities.

Despite all the geopolitical circumstances and challenges that the global economy is going through, TAIC was able to achieve net profits during the fiscal year 2022 amounted to 37,880 thousand US dollars compared to 31,854 thousand US dollars in 2021, an increase of 19%, and it seeks to raise profitability rates and achieve growth rates that meet the aspirations of its shareholder countries. Being a flexible and dynamic entity that is keen on its permanence, TAIC made some changes at the level of senior management, as a new CEO was chosen to succeed the previous CEO who retired.

The events that passed in 2022 were a wake-up call, which requires attention and vigilance to face the challenges of the future by developing a strategic business plan in order to develop the Company›s expansion strategy and develop new concepts to restructure many of its current operations. By next year, the Company aims to reformulate the general objectives and choose the appropriate business model. These changes will help TAIC identify opportunities and optimally employ capabilities to achieve continuity and set objectives.

Despite the difficult economic conditions worldwide in general and the region in particular, TAIC ended the fiscal year 2022 with stable rates of capital and the level of liquidity that will help move into the new year with confidence to achieve better positive results for all relevant parties.

Based on the fact that the senior management of TAIC is well aware of its role and the expectations of the shareholder countries, it has worked as one team with its full capacity, and harnessed the available capabilities to the maximum extent in order to preserve the funds of the shareholding countries, and the desire to achieve the expected growth and optimal investment in line with the Company›s objectives and the shareholders› aspirations.

TAIC also confirms its commitment to its mission, which includes building and strengthening possible partnerships and cooperation relations with local and international customers and partners that will enhance the investment portfolio and achieve positive returns for shareholding countries.

In conclusion, I would like to extend my sincere thanks and appreciation to the shareholding countries, customers and success partners, with the utmost thanks to His Excellency the Chairman of the Board of Directors, and members of the Board of Directors, and to my colleagues, male and female, in various departments and locations, for their efforts during the year.

May Allah grant success...

Mr. Ibrahim Milad Zletni
Chief Executive Officer

Subscription OF Member Countries*

NO	COUNTRY	AMOUNT (US$ 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	6.04
8	Syrian Arab Republic	63,396	6.30
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	The People's Democratic Republic of Algeria	17,875	1.70
16	The 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 Financial Results in 2022

By the end of fiscal year 2022, the Company was able to achieve net profits amounting to 37,880 thousand US dollars, compared to 31,854 thousand US dollars at the end of fiscal year 2021, an increase of 19%.

The increase in the company›s profits for the fiscal year 2022 compared to the previous year is due to the increase in net interest income as well as dividend earnings. The total operating income from the company's various activities amounted to about 62,031 thousand US dollars, compared to 48,696 thousand US dollars for the fiscal year 2021, an increase of 27%.

With regard to general and administrative expenses for the fiscal year 2022, they amounted to 21,288 thousand US dollars, compared to 18,647 thousand US dollars at the end of the fiscal year 2021, an increase of 2,641 thousand US dollars, or 14%, as a result of the increase in operating expenses. The company›s investment and banking activities contributed to achieving these results despite the difficult economic conditions witnessed in the fiscal year 2022.

The total assets of the company at the end of fiscal year 2022 amounted to about 1,765,456 thousand US dollars, compared to 1,815,691 thousand US dollars at the end of fiscal year 2021, a decrease of 50,235 thousand US dollars, or 3%, mainly due to the decrease in the loan portfolio, in addition to the decrease in fair value of the securities portfolio.

The total owner›s equity at the end of the fiscal year 2022 amounted to about 1,350,454 thousand US dollars, compared to 1,363,744 thousand US dollars at the end of the fiscal year 2021, a decrease of 1.0%, mainly due to the decrease in the fair value of the securities portfolio and the dividends distribution to shareholders compared to the results of 2021.

The company achieved a return on average assets of 2.1%, while the return on average equity reached 2.8% at the end of fiscal year 2022. The following table shows the company›s main performance indicators for the year 2022, compared to 2021:

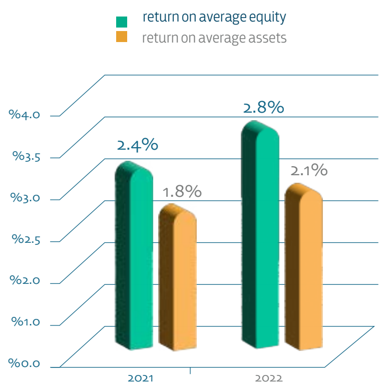
Net profit
37,880
Thousand USD

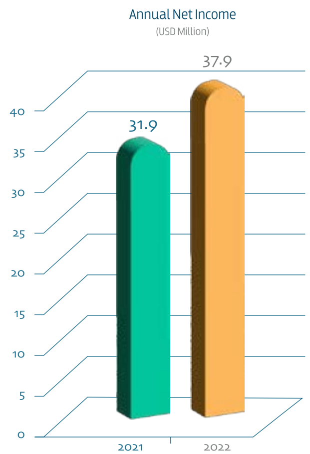
Increase in profits
19%

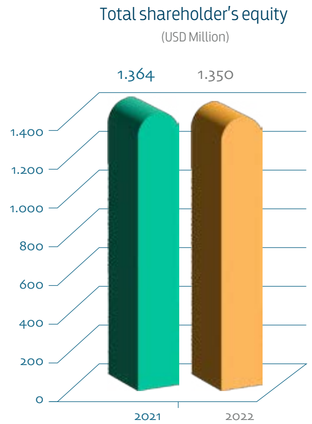
Key Performance Indicators (KPIs) of the Company during 2021and 2022

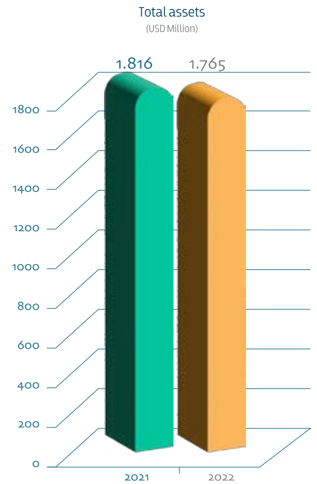
KPI	2022	2021
Return on average equity	2.8%	2.4%
Return on capital	3.6%	3.0%
Return on average assets	2.1%	1.8%
Capital adequacy Ratio	100%	96%

The following graphs show the growth in the annual net income of TAIC, its assets, and the equity during (2021-2022) in millions of USD:









In the Field of Company Management:

In order to achieve its investment and development mission, TAIC's company's management is committed to applying the best practices and the latest and most effective systems in the field of management, investment and asset management. The company always emphasizing that achieving sustainable development in the countries of the Arab region is at the head of its priorities, and within its organizational framework.

The Board of Directors continued to carry out its tasks and responsibilities that are determined by the corporate governance framework and the company›s internal regulations. During 2022, the Board held (6) periodic meetings, in which it took a set of decisions that regulate the workflow mechanism, and determined the tools by which those decisions are implemented in line with the requirements of the supervisory authorities.

During the reporting year, the Board of Directors, through its meetings, the reports of its specialized committees, and the reports of the executive management, was assured of the progress and performance of the Company and its success in achieving good results. In addition, the Company has accomplished most of the quantitative and qualitative objectives included in its annual operating plan, within the framework of its general policies, directives and decisions of the Board of Directors, which contributed to maintaining the Company's distinguished position among the joint Arab companies.

The Internal Audit Department approved by the Audit Committee conducted a periodic review of the company›s business, in order to objectively and independently verify the adequacy and effectiveness of the internal control systems for all operations and activities of the company, and to ensure the extent of its compliance with the rules and regulations set by the supervisory authorities.

The Board of Directors closely follows up the company›s performance and measures the results achieved in accordance with the objectives of the quantitative and qualitative operational plan specified within the framework of risk management and compliance approved by the Board. Of the same importance, the Board of Directors also pays special attention to strategic planning with the aim of creating a balance between implementing the current business and working to develop it to ensure continuity, overcome future challenges and take advantage of the opportunities available to achieve the company›s general objectives. And based on the role of the Board of Directors in setting the strategic plan for the company, following up on its implementation, and achieving its goals, the Board directed the executive management to communicate with a number of specialized international houses of expertise to present their offers to work on setting the appropriate strategy for the company. The preparation of the company›s strategic plan during the next five years entails taking into account several main pillars, including reviewing the company›s objectives and vision based on its Articles of Association, Statutes, and the aspirations of its shareholders, analyzing strengths and weaknesses, presenting opportunities and challenges, and evaluating the current business model to identify the challenges and risks that may affect in the continuity of the company›s activity, the most important of which are funding sources. The company›s performance will also be analyzed in comparison with similar companies and market indicators, in order to help determine the appropriate business model, and predict the company›s financial performance during the next five years, including operating costs, costs of implementing the strategy, knowing the appropriate capital and financing available to initiate its implementation, and analysis the current organizational structure and proposing the required amendments to it, in addition to developing a detailed road map for the implementation of the strategic plan according to a clear vision with specific features and objectives.

At the end of 2022, Mr. Ibrahim bin Hammoud Al-Mazyad retired after an era full of giving that extended for nearly ten years as CEO of the company, and the Board of Directors assigned the General Manager of the company›s branch in the Kingdom of Bahrain, Mr. Ibrahim Milad Zletni to be the CEO of the company. Mr. Zletni is considered one of the company›s leaders who contributed to the development of its business through his management of the banking branch in the Kingdom of Bahrain. The new CEO will commence his new duties and responsibilities on 01/01/2023, guided by the support and guidance of the members of the Board of Directors, and the assistance of his colleagues in the executive management and their experience and professional competence to follow up the journey of giving and achieve more success.

Development of support services:

In light of the continuous efforts of the company's management to develop institutional work and create an attractive and professional workplace that helps achieve strategic goals and future aspirations, the company implemented, during the fiscal year 2022, its approved programs to back up the support services in the areas of developing information technology systems and developing human resources.

Information Technology Systems:

During 2022, the company›s management continued its efforts to develop its capabilities and potentials in the field of information technology in order to achieve the set goals and future aspirations and keep pace with successive developments in the areas of developing information technology systems. In 2022, the company was able to complete a number of projects aimed at developing and upgrading information systems to comply with the best local and international standards. Within the framework of improving the company›s banking system, which is designed to support all banking and financial business, the company has upgraded the anti-money laundering banking systems to support the ISO 20022 standard.

The company has also succeeded in developing the Swift system to support the ISO 20022 standard, digital audio systems have also been upgraded, and network infrastructure has been developed after replacing local network systems at the headquarters and starting to develop virtual and cloud server systems.

Human Resources:

TAIC seeks to achieve integration in human resources practices that enhance interdependence and contribute to achieving better results by providing a suitable work environment that promotes personal growth and professional development for all its employees to enable them to participate in achieving the strategic objectives of the company. During the reporting year, the company focused on attracting specialized human cadres and expertise in various disciplines. It also focused on linking employee incentives to actual performance results, by developing and strengthening policies and mechanisms for granting rewards and incentives in the company that would retain qualified human cadres and attract new competencies.

And within the framework of its keenness to develop the efficiency of its functional staff and develop its capabilities, the company continued during 2022 its interest in supporting and enhancing the training activity according to its training needs and the objectives of its annual plan. During the reporting year, a number of the company›s employees participated in various events in the field of investment, asset and liability management, auditing, anti- money laundering and terrorist financing, operational risks, risk and compliance management, loans, and cybersecurity awareness. In the same way, the company participated during 2022 in a number of Arab economic events as one of the important channels for acquiring knowledge and creating strong relationships with workers in the financial and business sector in the countries of the Arab region.

Strengthening Institutional Work:

The institutional work constitutes the main pillar of the company, as it adheres in all its activities to the applicable laws and regulations, guided by the principles of governance and transparency, the decisions of the Board of Directors, and the directives of the supervisory authorities, which gives its activities more flexibility and suitability with work requirements and developments.

Prudent Management and Governance Systems

In compliance with the principles and standards of good governance as part of the company›s philosophy to achieve its future aspirations and implement its promising plans, the company has developed a package of measures and policies through which it defines roles and distributes responsibilities, to create an organized work environment that helps carry out its activities accurately and comfortably, taking into account the technical aspects and the requirements of the supervisory authorities. The Board of Directors follows up on the implementation of governance systems in line with the requirements of the supervisory authorities, and meets the needs of the labor market, in order to verify the correctness and accuracy of the implementation of the systems and ensure adherence to the best practices of governance and transparency. Therefore, the Board established several permanent committees: Higher Investment Committee, Audit Committee, Risks and Compliance Committee, and Nominations and Compensation Committee. There are also permanent internal committees from the executive management, the most important of which are: Investment Committee, Credit Committee, Securities Committee, and the Assets & Liabilities Committee. All these committees are entrusted with different tasks and powers in order to organize the institutional work and achieve the complementary role between the departments and divisions of the company.

Investing in Projects

Investing in Projects:

During 2022, the regional and global economy witnessed several crises related directly to the investment climate in Arab countries. Some of which the escalation of the Russian-Ukrainian crisis, the continuity of China's closures within the policy of (Zero Covid-19), the challenges of supply chains, and the rise of interest rates and lending costs. In addition, the flexible adoption of currency exchange regulations, the rise of energy and raw materials prices for goods and services, the volatilities of demand and supply factors for products, and the consumers affording a huge part of the rise costs. The crises and challenges mentioned above resulted in inflationary tendencies that had a huge impact on the Central Bank's trends to tighten monetary policy with aiming to restrain inflation while facilitating fiscal policy in some Arab countries to support the requirements of agricultural, food, and societal sectors.

Despite the diversity of the risks and conditions repercussions of the investment environment in the Arab countries in the midst of the tightening monetary policy, 2022 witnessed exceptional activity by the company›s investment portfolio in projects. These activities represented by initiating the enhancement of the investment portfolio performance in the projects by following up and evaluating the projects of the current portfolio, exit from some investments, in addition to entering new contributions in the targeted sectors and countries that benefit geographical and sectoral diversity as well as strategic partnerships of the investment portfolio in projects.In this view, the management proceeded to follow up and evaluate the performance of the investment portfolio in existing projects and reach the feasibility of partial selling of the Company's contribution in the capital (ACWA Power) Company that is listed in (TASI) by by liquidating 50% of the total shares, which equivalent to 701,242 shares, achieving profitable capital gains of about $19 million within a period not exceeding a year from the contribution date. Additionally, in 2022 all procedures for selling the Company's share were completed in the capital of the Arab International Company for Hotels and Tourism in Egypt amounting to 13.62%.

In terms of new investments, the investment portfolio in projects during 2022 aimed at entering three new contributions in two Arab countries, including (Communication sector, Transportation sector, and Banking sector). In this regard, the company enhanced its current investment position in SNB's capital by purchasing other additional shares with a total amount of $19,500 to be added to the Company's previous share amounting $21,136. Moreover, the company invested in the capital of (STC) given that the project has suitable financial indicators, by injecting a total amount of $35,000. Finally, the company added (SALIC) Company to the investment portfolio in projects listed on the Dubai Financial

29
investment
projects

Total investment of
450,407
Thousand USD

Market in UAE, which has unique characteristics that contribute to the investment attractiveness and achieve the objectives of the investment portfolio in the project. Accordingly, the IPO of (SALIC) Company was subscribed during the fourth quarter of 2022, and purchasing the planned share is still progressing amounting to $25,500.

By the end of 2022, the Company's total investments in projects and investment funds reached $463,420, representing 44% of the Company's paid-up capital with an increase of about 6.6% of the Company's total investments in 2021.This increase in the Company's total investments is due to the contributions operations during 2022. In the regard, the projects portfolio included 29 investment projects with a total investment of $450,407 and an investment of (IFC) fund for the Middle East and North Africa with about $13,013. The Company's investment projects have been distributed geographically to 10 Arab countries, and sectorally to 10 sectors in various fields, including: the investment sector, including investment and financing, banking, food production, and basic material sectors. In addition to, communications, consumer services, real estate, public utilities, energy, and transportation sectors. The Company invests in the International Finance Corporation (IFC) fund for the Middle East and North Africa region about $ 13,013 thousand, representing 12%, in partnership with regional and international institutions, including: (IFC), (AFFESD),(APICORP), and (JICA).

The company was keen to participate in the meetings held by the projects departments and their general assemblies by distinguished efforts to address the problems and overcome the obstacles faced by some projects. In addition, recommend seizing the opportunity coordinating with the project departments and other contributing parties through the company›s representatives in the project management boards and committees. Additionally, the company has devoted its efforts to searching for investment opportunities in various sectors, as it has completed an evaluation and studies of promising investment opportunities in Arabic countries.

The volume of investments is
463,420
Thousand USD

- 10 Arab countries
- 29 Projects
- 10 Sectors
- 1 Investment fund

Providing Financial Services:

In addition to its main activity of investment in equity projects, TAIC provides wide ranging and full-fledged financial services through its Branch in the Kingdom of Bahrain, which is licensed as a Conventional Wholesale Bank by the Central Bank of Bahrain. The banking activity constitutes an important and stable source of income and is instrumental in enhancing project equity by generating additional income for reinvestment and provision of financing needs for shareholders' countries, hence consolidating the role of TAIC as an investment catalyst in the Arab world. The Branch provides various financial services to its customers comprising of public, semi-public and private institutions. The branch also has a network of relationships with a large number of banks and financial institutions in many countries supported by highly skilled staff with an outstanding expertise in different banking areas, leveraged by state-of-the-art technology, and best banking practices.

Despite the prevailing global and regional economic conditions, the Branch pursued its efforts in the management of its banking activity by adopting a sound and prudent approach in dealing with the Company's banking assets to cope with the challenges caused by the adverse impact emanating from the global outbreak of the Coronavirus pandemic and the ongoing crisis between Russia and Ukraine on global economy and financial markets, stressed market conditions, and the requirements to achieve the goals of the Company. These efforts focused mostly on resource mobilization, liquidity management, selective approach in deal sourcing, and close monitoring of its credit and investment portfolios in accordance with the directives of regulatory authorities, best market practices and the requirements of International Financial Reporting Standards. At the end of the year 2022, total banking assets amounted to US$ 1,215 million against US$ 1,324 million at the end of previous fiscal year, reflecting a decrease of 8%. The following table shows the composition of banking assets at the end of 2022:

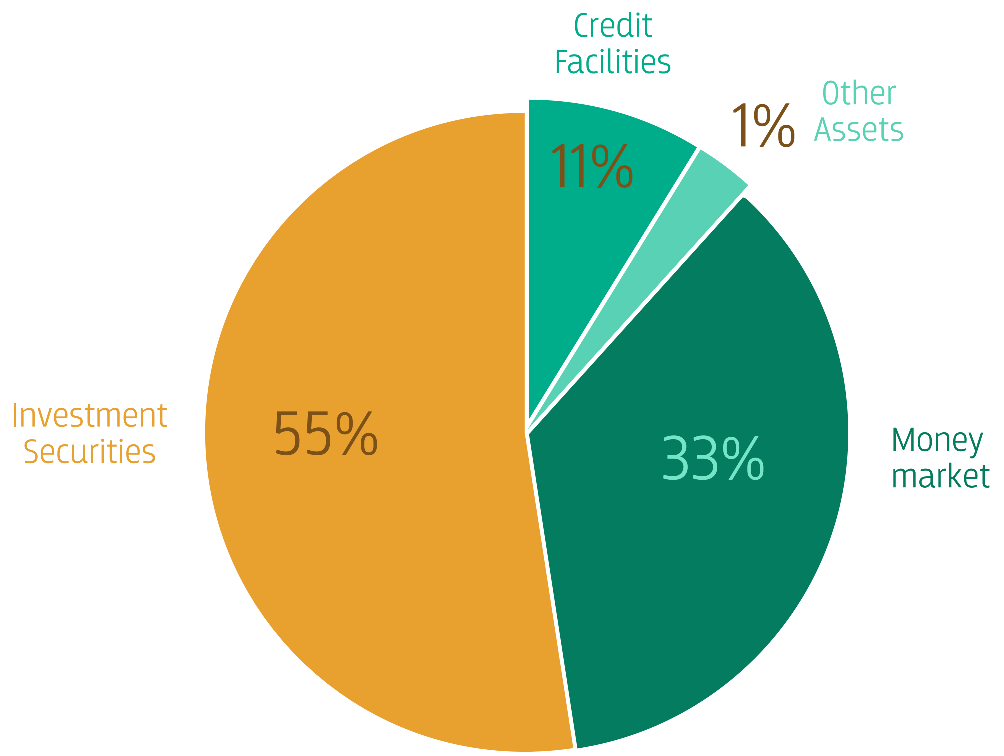
end of the year 2022, total banking assets amounted to
1,215
Million USD

Banking assets composition as of 31/12/2022

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

Banking Assets	USD Million	Total of %
Money market	408	33%
Investment Securities	670	55%
Credit facilities	132	11%
Other Assets	5	1%
Total	1,215	100%

Banking Assets Composition as of 31/12/2022



Treasury and Capital Market Portfolio:

408 million USD
Deposits with banks

318 million USD
Accepted deposit

In 2022, the global inflation rate reached its highest level since the period between 1970-1980 of the last century; the ample quantitative easing during lockdowns, the removal of COVID restrictions, the unexpected and ongoing Ukraine conflict and the longer China zero-COVID policy have all contributed to additional inflationary pressure forcing most central banks around the world to hike interest rates aggressively in an attempt to combat surging prices and return to their targeted rate. The sudden much higher level of interest rates had a negative impact slowing the global economy, affecting corporate earnings and causing substantial correction of both the stock and bond markets.

Our Treasury department maintained the required funding for our business lines activities and continued to strongly contribute to the company profitability through its ALM activities, equities and fixed income investments.

The investment securities portfolio stood at US$ 670 Million at the end of 2022 from US$ 742 million in the previous year reflecting a decrease of 10% due to revaluation and early calls of LIBOR based floating rate bonds.

Money market portfolio (placements with banks and treasury bills) amounted to US$ 408 million compared to US$ 301 million in 2021 reflecting an increase of 36% due to a higher level of short-term liquidity at the end of the year.

Accepted deposits from clients, financial institutions and Government entities stood at US$ 318 million at the end of the year compared to US$ 262 million in 2021 acting an increase of 21% following new non-bank deposits in Q4-2022.

Credit Facilities:

During 2022 the loan market in the Middle East and North Africa (MENA) region was healthy and mainly driven by jumbo deals in the Kingdom of Saudi Arabia (KSA) and the United Arab Emirates (UAE). Although loan volumes grew by just 2.4% to US$ 151.1 billion from US$ 147.5 billion a year earlier, the number of deals increased by 33 from 133 in 2021 to 166 at the end of 2022, surging by circa 24.8% y-o-y. The Kingdom of Saudi Arabia was the top leading issuer in the region with 45% of volumes, followed by UAE and the Arab Republic of Egypt with 30.9% and 7% respectively of total issuances. The stake of other debt issuers such as Qatar, Kuwait, Oman, Jordan, Tunisia, Morocco, etc. was below the bar of 4%.

(All amounts in United States Dollars thousands)

In terms of sectoral distribution, financial institutions were a key driver of loan volumes with a stake of 29%, followed by energy (27.4%), government (14.6%) and utilities (10.6%). The balance, being 18.4%, was split between sectors pertaining to materials, real estate, industrials, healthcare, food & beverage, consumer products, technology, computers & electronics, retail, etc.

Refinancing and debt repayment remained the key drivers of loan volumes in 2022 for the MENA region. Due to considerably high levels of liquidity, supported by high oil prices, most of the jumbo deals were tightly priced.

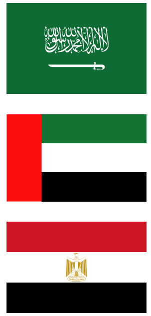
The large banking groups in the region were leading these transactions and successfully closed the most jumbo deals in the region during 2022 due to their ability to underwrite large tickets, hence reducing the opportunity for smaller banks to participate in such deals.

Amid this challenging environment, marked by market volatility and increased funding costs, The Arab Investment Company continued to provide credit facilities through its Bahrain-based branch, to customers directly or through participation in joint facilities in partnership with regional and international financial institutions, and was able to seize the best opportunities in the market, in line with its Credit Policy lending criteria, Board approved Credit Risk Appetite and pricing guidelines.

At the year-end, outstanding net loans and facilities reached US$ 132 million against US$ 269 million as at the end of 2021, representing a decrease of 51%; while loan commitments amounted to US$ 50 million. The sharp decrease in the loan portfolio was mainly attributable to maturing loans as well as unexpected loan prepayments, which amounted to US$ 183 million and US$ 70 million respectively, totaling US$ 253 million, as opposed to new credit facilities booked during the year totaling US$ 117 million.

As at year-end, the Credit portfolio was equally split between sovereign entities and financial

Credit Facilities



45%

30.9%

7%

Sectoral distribution of facilities:

Institutions	29%
Energy	27.4%
Government	14.6%

Distribution of
credit facilities

51%
MENA

49%
GCC

institutions at a proportion of 51:49 respectively, all of which are domiciled in the shareholders' countries with 51% of borrowers in the MENA region and 49% in the Gulf Cooperation Council (GCC).

In addition to lending activity, Bahrain Branch is engaged in the provision of trade finance services, particularly in the shareholders' countries, despite challenging Regulatory requirements, which have affected the overall business. Trade finance business services include opening, advising, confirming and refinancing Letters of Credit (LC), discounting commercial papers and financing pre-export activity.

Management continues to focus on the asset quality of the Credit Portfolio through building a sustainable loan portfolio based on sound distribution of risks across different geographies and management of high-risk exposures through adequate risk mitigation tools in strict compliance with the Board's approved policies.

117
Million USD
new credit facilities booked during the year totaling

Risk Management **and Compliance**

A. Risk Management:

The banking and financial sectors continue to grow with increasing complexity, sophistication, changes in regulatory landscape and operating environment. With this dynamic environment, Risk Management Framework at TAIC continues to evolve and adapt to these changes.

Sound Risk Management is an integral part of TAIC's business activities and decision-making process. TAIC's sustainable performance depends on its ability to manage risk at all levels.

In the course of doing its regular business activities, TAIC is exposed to multiple risks, notably Credit, Market, Liquidity, Operational, Information / Cyber Security and other risks like Compliance, Reputational, etc. To manage these risks effectively, a robust Risk Management Framework has been implemented that ensures a crucial balance between risk and reward.

The Risk Management tone is set at the top from the Board of Directors ("the Board") and is implemented through well-defined risk management Policies, Processes and Systems.

a. Risk Governance:

The risk governance structure ensures central oversight & control with clear accountability and ownership of risk. The Board has the ultimate responsibility for setting-up of risk appetite and establish / oversee the Risk Management Framework. For this purpose, a Board Risk and Compliance Committee (RCC) is in place which ensures effective implementation and oversight of Risk Management Framework in line with Regulatory guidelines / best industry practices through an independent Risk Management Department.

TAIC has adopted Three Lines of Defense model where the Business Departments are the "First Line of Defense", the support functions, such as Risk Management, Compliance, Legal, etc. forms the "Second Line of Defense" and Internal Audit acts as "Third Line of Defense".

b. Risk Framework:

The Company has over the years developed risk management into a core competence and remains well positioned to meet any challenges emanating from its day to day business activities. The Company has Board approved Risk Appetite and tolerance levels set, for all its material risks. The Company monitors the risk appetite, risk limits and thresholds periodically through its monitoring, control and reporting mechanism. This monitoring is performed with the aim of assessing the level of the Company's risk exposures and take the appropriate corrective measures required to maintain the appetite levels within acceptable ranges.

The robust Risk Management Framework at TAIC includes well defined Policies for managing - Credit, Market, Liquidity, Operational, Information / Cyber Security and Reputational risks, etc. These Policies are reviewed annually so as to ensure their compliance to Regulatory guidelines and industry best practices. Furthermore, the said Policies are supplemented with Risk Measurement Systems / Models namely – Asset & Liability Management, Market Risk, Internal Credit Risk Rating and Capital Assessment Platform.

Stress Testing is also an integral part of TAIC's Risk Management Framework. Stress Testing exercise provides a forward-looking assessment of risk exposures under stressed conditions and estimating potential financial losses / impact on the Company. It further enables the Company in developing appropriate risk-mitigating strategies and contingency plans across a range of stressed conditions.

Over the period, TAIC's has undertaken independent external validation of its risk frameworks - Credit risk, Liquidity risk, Stress Testing, Operational risk, Internal Rating and IFRS 9- ECL and these were found to be fully complying with the applicable regulatory guidelines. These assessments are reflective of the fact that Risk Management Framework is built around sold infrastructure.

The key risks, among others, which are managed by the Risk Management Department are as under:

Key Risks:

- Credit Risk
- Market Risk
- Operational Risk
- Informational Security Risk
- Cyber Security
- Liquidity Risk
- Reputation Risk

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 Board approved Credit Policies.

Credit risk is the most significant risk to which the Company is exposed and its proactive management is key to ensuring the long-term success. The Company has a comprehensive due diligence system to assess and approve credit facilities and well-defined policies for controlling and managing credit risk at the counter-party, group, economic sector and country levels.

Risk Management Department oversees that business activities are aligned with TAIC's Board approved risk appetite. In this regard detailed scrutiny is undertaken for all prospective business opportunities.

The soundness of credit risk is enhanced through a robust system of Internal Credit Risk Rating which ensures prompt identification of any deterioration in credit risk and consequent implementation of corrective action. The risk rating model takes into consideration key quantitative and qualitative risk factors, such as business and financial risk factors including country, industry, competitive position, leverage parameters, and other factors - management and governance, financial policy, capital structure and business diversification, which are duly weighted to arrive at the rating. Risk rating assigned to each customer is reviewed at least on an annual basis.

TAIC follows stringent criteria in setting credit limits for countries and customers / counterparties. The Company has implemented IFRS 9 and other Basel Practices for classification, provisioning and monitoring of performing/ non-performing assets.

2 - Market Risk:

TAIC's business activities that are exposed to market risks are governed through Board approved policies, stringent adherence to controls / limits, segregation of front and back office operations and regular reporting of positions. Among the key market risks pertinent to TAIC's operations are the Interest Rate and Foreign Exchange risks. .

ORMF at TAIC aims to integrate the management of Operational Risk in daily business activities.

3 - Operational Risk:

The Operational Risk Management Framework (ORMF) at TAIC aims to integrate the management of Operational Risk in daily business activities by providing an appropriate balance between operational risk, rewards and costs. It facilitates better risk management practices and fully complies with all applicable Regulatory guidelines.

In this regard, a well-defined & comprehensive Board approved Operational Risk Policy together with a systematic process for managing Operational Risk are in place for risk identification, assessment, treatment, monitoring and reporting, on an on-going basis.

Operational risk is measured periodically using the Risk & Control Self-Assessment (RCSA) process; monitored using Key Risk Indicators (KRIs) and managed primarily by Business, Operations and Support Department managers, who identify risks, assess risks and ensure robust mitigating controls are implemented. 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, there is an effective Internal Loss Data (ILD) collection and analysis process, which provides meaningful information for assessing exposure to operational risk and effectiveness of internal controls.

4 - Information Security Risk

During the year, TAIC's information Security and Cyber Security frameworks have been further strengthened, in view of the growing vulnerabilities and threats in this area, through following initiatives:

i. 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.

ii. Setting up of a specialized and independent function to manage Information Security and Cyber Security risks at TAIC.

iii. Hiring of qualified and experienced Information Security Officer (ISO) to oversee the Information Security and Cyber Security frameworks.

iv. Enhancement of existing Information Security and Cyber Security Policies, in line with the international / regulatory standards, with the key objective to ensure that Information Security Risk is well managed within the Company and adequate controls are in place to secure / protect critical assets, systems, sensitive proprietary information, customer data, etc.

5 - Liquidity Risk:

Liquidity risk management ensures the availability of funds at all times to meet the funding/ financing requirements of TAIC. The Asset and Liability management is governed by the Board approved Asset and Liability Management Policy, which ensures that various liquidity criteria are complied with, such as, minimum level of liquid assets, gap limits, ratio of liquid assets to total assets, etc.

TAIC'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. 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:

The Business Continuity Planning (BCP) and execution at TAIC is managed as per the Board approved Business Continuity Policy, which complies with all applicable Regulatory guidelines. The BCP policy stipulates the roles and responsibilities of all key stakeholders and provides essential guidelines for sound business continuity, including periodic testing for ensuring its adequacy and effectiveness.

In the event of an identified disaster or other business disruption, the Company operates as per the BCP policy and associated procedures which aims to protect lives, minimize losses, viz. financial loss, infrastructure loss, reputation loss, etc. and further ensure a timely resumption of critical and important processes.

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 its business and places paramount importance on its reputation through honesty, integrity, and ethical standards.

8 - Risk culture:

The Company continues to inculcate a strong risk culture to ensure that all business activities are undertaken in an ethical manner. The Risk culture is closely intertwined with the overall corporate culture and encompasses the general awareness, attitudes and behavior of employees towards risk and how it is managed within The Company..

The Board approved Risk Appetite Statement reinforces the risk culture through 'tone from the top', articulating the risks The Company. is willing to accept.

9 - 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 these risks in order to achieve competitive returns which commensurate with the perceived degree of risk. 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.

The necessary laws and procedures have been put in place to combat money laundering and terrorist financing.

The Board of Directors approved the regulations for the automatic exchange of information.

B. Regulatory Compliance and Anti-Money Laundering / Combating the Financing of Terrorism (AML/CFT):

TAIC is committed to comply with all applicable laws, regulations, international guidelines and global sanctions requirements and accordingly has implemented robust Regulatory Compliance, AML/CFT and Sanction Risk Management Frameworks.

In view of the increasing requirements and expectations of key stakeholders such as Regulators, Correspondent banks, etc., TAIC has invested significantly in managing compliance risks by continuously enhancing its capacity and capabilities across the Company.

The Compliance function independently reports to Board Risk and Compliance Committee (RCC).

The Regulatory Compliance, AML/CFT and Sanction Policies are reviewed and approved by the Board of Directors annually. Compliance with these Policies are reviewed periodically by the Internal Audit function, which reports to Board Audit Committee. The External Auditors annually conduct an independent review of compliance with the AML Policy and Procedures. The External Auditors report is presented to the Board of Directors and also submitted to the Regulator.

a. Regulatory Compliance:

The Compliance framework approved by the Board reflects the principles for promoting sound compliance practices. The role of the Compliance function is to assist senior management in ensuring that all business & operational activities are conducted in conformity with applicable laws, regulations and industry best practices.

b. Anti-Money Laundering / Combating the Financing of Terrorism (AML/CFT):

The AML/CFT Policies and Procedures are compliant with Financial Action Task Force (FATF) standards on combating money laundering and terrorism financing. Systems and Processes are in place to ensure sound customer due diligence, daily transaction monitoring, screening transactions against the local and international sanctions list; procedures for identifying / reporting suspicious transactions, comprehensive employee training programs and record keeping as per Regulatory requirements.

c. Commitment to Tax Compliance:

The Compliance Framework is committed to comply with the US Foreign Account Tax Compliance Act (FATCA) and the Common Reporting Standards (CRS), which together make up the Automatic Exchange of Information (AEOI). The AEOI Policy duly approved by the Board of Directors is in place. The FATCA and CRS reports are submitted annually to the Regulator.

IBOR Reform:

Following the decision by global regulators to phase out IBORs and replace them with alternative reference rates, the Company had 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 staff from functions across the Company, including the Business, Finance, Risk, Compliance, Operations, Technology and Legal. The objectives of the TLST Committee was to evaluate the extent to which loan advances, loan commitments, investment securities, and liabilities reference IBOR cash flows, whether contracts need to be amended as a result of the IBOR reform, assessing the financial and accounting impact of such amendments and how to manage the communication about IBOR reform with external counterparties and internal stakeholders. The Company has successfully completed all these requirements and upgraded the front and back-office systems. Considering the progress made so far, the Company is confident that it has operational capability to process the transitions to Risk Free Rates (RFRs) for interest rate benchmarks such as USD LIBOR that will cease to be available after 30 June 2023.

Conclusion

By presenting the annual report of Arab Investment Company, the Board of Directors is expressing its sincere gratitude to the Arab countries› governments that contributed to the company for continuous and unrivaled support. The Board especially expresses its gratitude to the Kingdoms governments of Saudi Arabia and Bahrain for the facilities and care provided by their various institutions. As Saudi Arabia hosts the company›s headquarters, and Bahrain hosts its banking branch. Moreover, the Board of Directors expresses its gratitude to the company›s clients in the public and private sectors assuring their trust and pride. It also extends sincere gratitude to the executive management and all the company`s employees and congratulates the fiscal year harvest and results achieved during the fiscal year 2022. The Board is looking forward to more efforts to achieve the company›s goals and its future aspirations.

Financial **Statements**

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

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Arab Investment Company (the "Company") as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2022;
- 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, which include significant accounting policies 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 for the financial statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the Company's Memorandum and Article of Association, and for such internal control as the Directors determines 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 intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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Independent auditor's report to the shareholders of The Arab Investment Company (continued)

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 audit.

PricewaterhouseCoopers

Adel F. Alqahtani
License No. 614
4 April 2023

PRICEWATERHOUSECOOPERS
CERTIFIED PUBLIC ACCOUNTANTS

2

(All amounts in United States Dollars thousands)

Statement of financial position

	Notes	As at 31 December 2022	As at 31 December 2021 (Restated)	As at 1 January 2021 (Restated)
Assets				
Cash and balances with banks	5	507,654	388,988	374,170
Investments				
Securities	6	697,661	752,601	795,478
Equity participations	7	378,402	347,639	245,437
Investment in associates	8	20,554	21,564	27,755
Loans and advances	9	132,666	268,682	292,709
Other assets	10	6,490	13,372	16,601
Property and equipment	1-11	10,597	10,737	10,955
Investment properties	2-11	9,368	9,619	9,869
Intangible assets	12	2,064	2,489	2,093
Total assets		**1,765,456**	**1,815,691**	**1,775,067**

	Notes	As at 31 December 2022	As at 31 December 2021 (Restated)	As at 1 January 2021 (Restated)
Liabilities and shareholders' equity				
Liabilities				
Deposits	13	381,722	420,541	431,332
Other liabilities	15	22,920	17,328	17,186
Employees' benefits	16	10,360	14,078	13,439
Total liabilities		**415,002**	**451,947**	**461,957**
Shareholders' equity				
Share capital	18	1,050,000	1,050,000	1,050,000
Statutory reserve	19	124,763	120,975	117,790
General reserve	20	22,799	22,799	22,799
Retained earnings		229,839	211,217	182,998
Other reserves	21	(76,947)	(41,247)	(60,477)
Total shareholders' equity		**1,350,454**	**1,363,744**	**1,313,110**
Total liabilities and shareholders' equity		**1,765,456**	**1,815,691**	**1,775,067**

The accompanying notes from 1 to 30 form an integral part of these financial statements.

(All amounts in United States Dollars thousands)

Statement of income

	Notes	For the year ended 31 December 2022	2021 (Restated)
Income			
Interest income	22	42,961	27,806
Interest expense	22	(5,248)	(1,618)
Net interest income		37,713	26,188
Rental income		4,262	4,261
Dividends		15,034	5,652
Net fees and commissions	23	-	1,313
Net (loss) / gain on financial securities	24	(795)	6,715
Net foreign exchange (loss)		(56)	(713)
Other income	25	3,923	4,039
General and administrative expenses	26	(21,288)	(18,647)
(Provision for) / reversal of expected credit losses, net	27	(1,635)	862
Share of earnings of associates	8	1,950	1,241
Impairment of associates	8	(1,228)	943
Net income for the year		**37,880**	**31,854**

Statement of comprehensive income

	Notes	For the year ended 31 December 2022	2021 (Restated)
Net income for the year		37,880	31,854
Other comprehensive 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		(38,663)	(12,715)
Provision for / (reversal of) expected credit losses	27	1,051	(79)
Recycling of gain to the statement of income	21	(3)	(4,593)
		(37,615)	(17,387)
Exchange differences on translation of foreign operations	8, 21	(2,245)	(10,287)
Share of other comprehensive income of associates	8, 21	1,960	2,429
		(37,900)	(25,245)
Items that will not be reclassified to statement of income in subsequent periods:			
Net fair value movement on equity investment measured at fair value through other comprehensive income	21	17,131	44,889
Remeasurement of defined benefit obligations	16, 21	299	(414)
		17,430	44,475
Total other comprehensive (loss) / income for the year		(20,470)	19,230
Total comprehensive income for the year		**17,410**	**51,084**

The accompanying notes from 1 to 30 form an integral part of these financial statements.

(All amounts in United States Dollars thousands)

Statement of changes in shareholders' equity

	Notes	Share capital	Statutory reserve	General reserve	Retained earnings	Other reserves	Total
Balance at 31 December 2020		1,050,000	117,790	22,799	191,861	(69,340)	1,313,110
Effect of restatement	29	-	-	-	(8,863)	8,863	-
Balance 1 January 2021 (Restated)		1,050,000	117,790	22,799	182,998	(60,477)	1,313,110
Net income for the year		-	-	-	31,854	-	31,854
Other comprehensive income		-	-	-	-	19,230	19,230
Total comprehensive income		-	-	-	31,854	19,230	51,084
Transfer to statutory reserve	19	-	3,185	-	(3,185)	-	-
Board of Directors' bonuses paid	17	-	-	-	(450)	-	(450)
Balance at 31 December 2021 (Restated)		1,050,000	120,975	22,799	211,217	(41,247)	1,363,744
Net income for the year		-	-	-	37,880	-	37,880
Other comprehensive loss		-	-	-	-	(20,470)	(20,470)
Total comprehensive income / (loss)		-	-	-	37,880	(20,470)	17,410
Transfer to statutory reserve	19	-	3,788	-	(3,788)	-	-
Board of Directors' bonuses paid	17	-	-	-	(450)	-	(450)
Transfer on disposal of FVOCI equity investments		-	-	-	15,230	(15,230)	-
Loss on reduction of capital of FVOCI equity investments	7	-	-	-	(4,000)	-	(4,000)
Dividend		-	-	-	(26,250)	-	(26,250)
Balance at 31 December 2022		1,050,000	124,763	22,799	229,839	(76,947)	1,350,454

The accompanying notes from 1 to 30 form an integral part of these financial statements.

(All amounts in United States Dollars thousands)

Statement of cash flows

	Notes	For the year ended 31 December 2022	2021 (Restated)
Cash flows from operating activities			
Net income for the year		37,880	31,854
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for / (reversal of) expected credit losses, net	27	1,635	(862)
Income from FVSI financial instruments	6	5,311	2,643
Amortisation of discount	6	247	726
Impairment loss on land		97	111
Provision for employee benefits		1,155	175
Share of earnings of associates	8	(1,950)	(1,241)
Impairment of associates	8	1,228	(943)
Depreciation	11	734	729
Amortisation	12	549	246
Foreign exchange movement	6	3,416	4,717
		50,302	38,155
:seitilibail dna stessa gnitarepo ni segnahC			
Deposits with banks with maturities longer than 3 months		(6,797)	23,687
Financial assets at fair value through statement of income		(20,277)	1,791
Loans and advances		135,643	24,106
Other assets		6,882	3,229
Deposits		(38,819)	(10,791)
Other liabilities		(5,359)	(2,947)
Employee benefits paid		(4,574)	(1,228)
Net cash generated from operating activities		117,001	76,002
Cash flows from investing activities			
Purchase of equity participation investments	7	(58,062)	(57,313)
Proceeds from disposal of equity participations	7	40,430	-
Purchase of FVOCI debt investments	6	(147,616)	(87,789)
Proceeds from disposal of FVOCI debt investments	6	183,549	107,996
Purchase of property and equipment	11	(405)	(292)
Purchase of investment properties	11	(35)	(80)
Purchase of intangible assets	12	(124)	(120)
Dividends received from associates	8	1,447	517

The accompanying notes from 1 to 30 form an integral part of these financial statements.

(All amounts in United States Dollars thousands)

	Notes	For the year ended 31 December 2022	2021 (Restated)
Net cash generated from / (used in) investing activities		19,184	(37,081)
Cash flows from financing activities			
Dividends paid		(24,145)	-
Board of Director's bonuses paid	17	(450)	(450)
Net cash used in financing activities		(24,595)	(450)
Net change in cash and cash equivalents		111,590	38,471
Cash and cash equivalents at the beginning of the year		351,764	313,293
Cash and cash equivalents at the end of the year		463,354	351,764
Supplemental non-cash information			
Net change in fair value reserve		24,481	(32,095)
Exchange differences on translation of foreign operations		2,245	10,287
Remeasurement on employee benefits		(299)	414
Associate share of other comprehensive income		(1,960)	(2,429)

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 International Financial Reporting Standards ("IFRS") 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.

1.2 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 2022, but do not have an impact on the financial statements of the Company.

(All amounts in United States Dollars thousands)

New standards, interpretations, and amendments adopted by the Company

Standard, interpretation, amendments	Description	Effective date
Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions Extension of the practical expedient	As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can select to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.	Annual periods beginning on or after 1 April 2021
A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16	Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items oduced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in statement of income. Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making. Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.	Annual periods beginning on or after 1 January 2022.

Standard, interpretation, amendments	Description	Effective date
Amendments to IAS 1, Presentation of financial statements', on classification of liabilities	These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. Note that the IASB has issued a new exposure draft proposing changes to this amendment.	Deferred until accounting periods starting not earlier than 1 January 2024
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
Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction	These 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.
IFRS 17, 'Insurance contracts', as amended in June 2020 and December 2021	This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.'	Annual periods beginning on or after 1 January 2023.

Standard, interpretation, amendments	Description	Effective date
A narrow-scope amendment to the transition requirements in IFRS 17 Insurance Contracts	The amendment relates to insurers' transition to the new Standard only it does not affect any other requirements in IFRS 17. IFRS 17 and IFRS 9 Financial Instruments have different transition requirements. For some insurers, these differences can cause temporary accounting mismatches between financial assets and insurance contract liabilities in the comparative information they present in their financial statements when applying IFRS 17 and IFRS 9 for the first time. The amendment will help insurers to avoid these temporary accounting mismatches and, therefore, will improve the usefulness of comparative information for investors. It does this by providing insurers with an option for the presentation of comparative information about financial assets.	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	The amendment will help to avoid these temporary accounting mismatches and, therefore, will improve the usefulness of comparative information for investors. It does this by providing insurers with an option for the presentation of comparative information about financial assets. These 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.

1.3 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.

2. Significant accounting policies

The significant 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 and at 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.

C) 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.

D) 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.

E) 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.

F) 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.

G) 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.

H) 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.

I) 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.

J) 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.

K) 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.

L) 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.

M) 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.

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, Liquidity, Market 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-balance sheet assets and off-balance sheet 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.

i) 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.

ii) 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 2022.

In addition to above, the account tagged as watch list / restructured as of 31 December 2022 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.

iii) 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.

iv) 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.

v) 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.

vi) 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 2022 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 2022, 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.

(All amounts in United States Dollars thousands)

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 2022, 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

a) 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 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**

31 December 2021

	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Investment grade	198,089	-	-	198,089
Non-investment grade	190,844	-	-	190,844
Individually impaired	-	-	68	68
Total	**388,933**	**-**	**68**	**389,001**

(All amounts in United States Dollars thousands)

Loans and advances

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**

31 December 2021

	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Standard	269,360	-	-	269,360
Total	**269,360**	**-**	**-**	**269,360**

Other Assets

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**

31 December 2021

	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Standard	11,324	-	-	11,324
Total	**11,324**	**-**	**-**	**11,324**

(All amounts in United States Dollars thousands)

Debt investment securities at amortized cost

31 December 2022

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

31 December 2021

	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 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**

31 December 2021

	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Standard	735,339	-	-	735,339
Total	**735,339**	**-**	**-**	**735,339**

(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 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	-	-	-
25,01 - 50,00	48	400	-	-
50,01+	-	-	-	-
Total	**1,307,124**	**400**	**-**	**-**

(All amounts in United States Dollars thousands)

31 December 2021	Unsecured gross carrying amount		Secured gross carrying amount	
(%)	12-months ECL	Lifetime ECL	12-months ECL	Lifetime ECL
0,00 – 0,10	514,056	-	-	-
0,11 - 0,40	283,953	-	-	-
0,41 - 3,00	595,930	-	-	-
3,01 - 6,00	7,500	-	-	-
25,01 - 50,00	48	-	-	-
50,01+	-	-	-	-
Total	**1,401,487**	**-**	**-**	**-**

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:

a. 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.

b. 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.

(All amounts in United States Dollars thousands)

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.

	Maximum exposure	
	2022	2021
Credit risk exposures relating to funded exposures are as follows:		
Cash and balances with banks	507,654	388,988
Loans and advances to banks	64,500	58,000
Loans and advances to non-banks	68,166	211,360
Investment debt securities	665,541	735,339
Other assets	4,223	11,324
	1,310,084	1,405,011
Credit risk exposures relating to non-funded exposures are as follows:		
Contingent liabilities		
Loan commitments	50,000	-
	50,000	-
At 31 December	1,360,084	1,405,011

The above table represents a worst-case scenario of credit risk exposure of the Company as at 31 December 2022 and 2021, 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:

- 100% of the overdrafts, loans and advances portfolio is categorized under Standard Assets as per approved Credit Policy (31 December 2021: 100%);
- 100% of the overdrafts, loans and advances portfolio are considered to be neither past due nor impaired (31 December 2021: 100%); and
- Approximately 31% (31 December 2021: 29%) of the debt securities have at least A- credit rating.

(All amounts in United States Dollars thousands)

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 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
31 December 2021					
Cash and balances with banks	388,933	-	-	68	389,001
Debt securities	735,339	-	-	11,690	747,029
Loans and advances					
- Loans and advances to banks	58,000	-	-	-	58,000
- Loans and advances to non-banks	211,360	-	-	-	211,360
Other Assets	11,324	-	-	-	11,324
	1,404,956	-	-	11,758	1,416,714

Total provision for expected credit loss for loans and advances as at 31 December 2022 is US$ 1,051 thousand, (31 December 2021: US$ 678 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$ 13,729 thousand (31 December 2021: US$ 12,768 thousand).

(All amounts in United States Dollars thousands)

3.2.4 Concentration of risks of financial assets with credit risk exposure

a. Geographical sectors

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	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
Cash and balances with banks	331,737	38	56,203	1,010	388,988
Loans and advances	219,822	41,360	7,500	-	268,682
Debt securities	245,204	60,663	40,256	389,257	735,380
Other assets	8,512	2,094	83	635	11,324
At 31 December 2021	805,275	104,155	104,042	390,902	1,404,374
Off statement of financial position Items					
Undrawn loan commitment	-	-		-	-

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)

	DSU PB52	RUE PB52	DEA PB52	RAS PB52	DHB PB52	GBP PB52	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

(All amounts in United States Dollars thousands)

	DSU PB52	RUE PB52	DEA PB52	RAS PB52	DHB PB52	GBP PB52	Total
Interest rate risk 31 December 2021							
Financial assets:							
Cash and balances with banks	353	-	2	20	414	-	789
Loans and advances	673	-	-	-	-	-	673
Debt securities	876	142	-	-	-	-	1,018
Impact of Financial Assets	1,902	142	2	20	414	-	2,480
Financial liabilities:							
Deposits	(907)	-	(1)	-	-	-	(908)
Impact of Financial Liabilities	(907)	-	(1)	-	-	-	(908)
Impact on the results of the Company	995	142	1	20	414	-	1,572

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 Company 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 and liabilities reference IBOR cash flows, whether such contracts need to be amended as a result of the IBOR reform, 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 Company migrated to new systems to accommodate the new RFRs and has developed detailed plans, procedures and processes to support the transition. Following that progress has been made during 2022, the Company is confident that it has operational capability to process the transitions to RFRs for interest rate benchmarks such as US$ LIBOR that will cease to be available after 30 June 2023. The TLST Committee collaborates with other business / support functions as needed.

The IBOR reform exposes the Company to various risks which the TLST Committee is monitoring and managing closely. The main risks to which the Company is exposed as a result of IBOR reform are operational, arising from changes to systems and processes to systems that use IBOR curves and revision of operational controls related to the reform. The Company is also exposed to conduct risk which may arise from negotiations and discussions with clients and market counterparties due to the amendments to existing contracts necessary to affect the IBOR reform. Financial risk is predominantly limited to interest rate risk.

The Company have agreed on the approach to amend existing loans and advances, including loan commitments relative to the adoption of the term of fallback language throughout the coming year, wherein such amendments shall be made to incorporate a fallback provision stating that the existing US dollar LIBOR benchmark rate will be replaced with an Alternative Reference Rate respectively when LIBOR ceases to exist. The Company has updated its policies to reflect the changes imposed due to transition to a risk free rate on existing floating-rate loan portfolio, loan commitments and securities indexed to IBORs that will be replaced as part of IBOR reform in other parts of the Company. Loans and advances to corporates will be amended in bilateral negotiations with the counterparties, where applicable.

The Company monitors the progress of transition from IBORs to new benchmark rates by reviewing the total amounts of contracts that have yet to transition to an alternative benchmark rate and the amounts of such contracts that include an appropriate fallback clause. The Company considers that a contract is not yet transitioned to an alternative benchmark rate when interest under the contract is indexed to a benchmark rate that is still subject to IBOR reform, even if it includes a fallback clause that deals with the cessation of the existing IBOR (referred to as an 'unreformed contract').

(All amounts in United States Dollars thousands)

The following table discloses details of all of the financial assets that the company holds at 31 December 2022 and will be maturing after 30 June 2023 for US LIBOR settings subject to IBOR reform and are required to transition to ARR benchmark. The table excludes exposure to IBOR that will expire before the transition is required.

Category	Currency	Instrument type	Total
Financial assets	US Dollar	Investment securities	144,100
		Loans and advances	37,231
			181,331

As at 31 December 2022, the Company does not hold US$ LIBOR based variable rate liabilities that will mature after the US$ LIBOR cessation date of 30 June 2023.

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:

	2022			2021 (معدلة)		
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 ±	2,603	-	10±	752	-
Investment fund FVSI	10 ±	411	-	10±	712	-
Equity participations - quoted	10 ±	-	23,604	10±	-	21,743

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$ 169.9 million (2021: US$ 130.4 million) (Note 7).

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.

(All amounts in United States Dollars thousands)

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.

Concentrations of currency risk - financial instruments:

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)	-	(24,975)	(4,899)	-	(7,142)	(33,280)
Total financial liabilities	**(323,382)**	**(53,737)**	**(867)**	**(24,975)**	**(4,899)**	**-**	**(7,142)**	**(415,002)**

(All amounts in United States Dollars thousands)

As at 31 December 2021 (Restated)	USD	EUR	AED	SAR	BHD	GBP	Others	Total
Cash and balances with banks	176,573	70	906	45,218	165,859	83	279	388,988
Investments securities:								
- Financial assets at FVSI	2,830	-	-	7,520	-	-	6,872	17,222
- Fair value through OCI	677,954	57,385	-	-	-	-	-	735,339
- Held at amortised cost	-	-	-	-	-	-	41	41
Equity participation	126,671	-	-	163,539	-	-	57,429	347,639
Loans and advances	268,682	-	-	-	-	-	-	268,682
Other assets	10,884	21	-	-	415	4	-	11,324
Total financial assets	**1,263,594**	**57,476**	**906**	**216,277**	**166,274**	**87**	**64,621**	**1,769,235**
Deposits	(362,879)	(56,786)	(861)	(14)	-	-	-	(420,540)
Other liabilities	(5,692)	(311)	-	(12,542)	(4,310)	-	(8,551)	(31,406)
Total financial liabilities	**(368,571)**	**(57,097)**	**(861)**	**(12,556)**	**(4,310)**	**-**	**(8,551)**	**(451,946)**

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.

(All amounts in United States Dollars thousands)

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 2022	Less than 12 months	Over 12	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	-

As at 31 December 2021 (Restated)	Less than 12 months	Over 12	No fixed maturity	Total
Cash and deposits with banks	388,988	-	-	388,988
Investments:				
- Securities	40,407	702,050	10,144	752,601
- Equity participations	-	-	347,639	347,639
Loans and advances	174,394	94,288	-	268,682
Other assets	11,324	-	-	11,324
Total assets	**615,113**	**796,338**	**357,783**	**1,769,234**
Liabilities				
Deposits	420,540	-	-	420,540
Other liabilities	4,220	113	12,995	17,328
Total liabilities	424,760	113	12,995	437,868
Net	190,353	796,225	344,788	1,331,366
Cumulative liquidity gap	190,353	986,578	1,331,366	-

(All amounts in United States Dollars thousands)

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 2022	3-1 months	12-3 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**

As at 31 December 2021			
Liabilities			
Deposits	261,913	158,628	420,541
Other liabilities	2,224	15,096	17,320
Total liabilities (contractual maturity (dates	**264,137**	**173,724**	**437,861**

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:

	Up to 1 month	1-3 Months	Total
As at 31 December 2022			
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**
As at 31 December 2021			
Derivatives designated as fair value through statement of income			
Foreign exchange derivatives:			
- Outflow	8,551	-	8,551
- Inflow	8,543	-	8,543
Total outflow	**8,551**	**-**	**8,551**
Total inflow	**8,543**	**-**	**8,543**

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

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

b. 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.

c. 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.

d. The Company has investment commitments amounting to US$ 25.7 million as at 31 December 2022 (31 December 2021: US$ 4.5 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.

(All amounts in United States Dollars thousands)

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.
- **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 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	1,644	-	19,136	20,780
Total assets	**927,613**	**-**	**169,189**	**1,096,802**
Financial liabilities at FVSI				
- Derivative financial instruments	-	22	-	22
Total liabilities	**-**	**22**	**-**	**22**

(All amounts in United States Dollars thousands)

31 December 2021 (Restated)	Level 1	Level 2	Level 3	Total
Financial assets at FVSI				
- Equity securities	7,520	-	-	7,520
- Investment funds	-	-	9,701	9,701
Financial assets at FVOCI				
- Debt securities	735,339	-	-	735,339
- Equity participations	217,287	-	130,352	347,639
Investment in associates	148	-	21,416	21,564
Total assets	**960,294**	**-**	**161,469**	**1,121,763**
Financial liabilities at FVSI				
- Derivative financial instruments	-	8	-	8
Total liabilities	**-**	**8**	**-**	**8**

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.

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:

	2022	2021 (Restated)
1 January - Restated	**151,768**	150,422
Disposed off	**(16,700)**	-
Total change in fair value	**28,069**	1,346
31 December	**163,137**	151,768

c. Financial instruments not measured at fair value

At 31 December 2022, 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.

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.

Going concern

The Company's Directors has 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.

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.

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))

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 2022, 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.

(All amounts in United States Dollars thousands)

5. Cash and balances with banks

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

	2022	2021
Cash and cash equivalents:		
Cash on hand and in banks	22,250	6,954
Deposits with banks with original maturities of three months or less	265,746	179,263
Treasury bills maturing within three months of acquisition	175,358	165,547
Deposits with banks:	463,354	351,764
Deposits with banks with original maturities of more than three months but less than a year	44,383	37,237
Less: allowance for expected credit losses (Stage 1)	(83)	(13)
Total	**507,654**	**388,988**

(All amounts in United States Dollars thousands)

6. Investments - securities

Investment securities as of 31 December comprise of the following:

	2022	2021
Financial assets at FVSI		
Equity securities	26,029	7,520
Investment funds	6,050	9,701
Total	**32,079**	**17,221**
Financial assets at FVOCI		
Debt securities		
AA- to AA+	2,802	3,257
A- to A+	204,937	216,451
BBB- to BBB+	239,865	313,189
BB- to BB+	46,190	32,081
B- to B+	171,347	170,361
Unrated	400	-
Total	**665,541**	**735,339**
Financial assets at Amortised Cost (AC)		
Debt securities	48	48
Less: allowance for expected credit losses (Stage 1)	(7)	(7)
Total	41	41
Total investments	**697,661**	**752,601**

As at 31 December 2022, US$ 665,182 thousand of debt securities are classified as stage 1 (2021: US$ 735,380 thousand) and US$ 400 thousand are classified as as stage 2 (2021: US$ nil) and US$ 11,690 thousand are classified as stage 3 (2021: US $ 11,690 thousand) for ECL purposes.

(All amounts in United States Dollars thousands)

31 December 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

31 December 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	1,060	-	11,690	12,750
Net measurement of loss allowance	(79)	-	-	(79)
At the end of the year	981	-	11,690	12,671

The movement in investment securities is summarised below:

	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
(noitpmeder dna ytirutam ,elas) slasopsiD	(169,591)	(183,549)	-	(353,140)

(All amounts in United States Dollars thousands)

	FVSI	FVOCI debt	Amortised cost	Total 2022
Change in fair value	(5,311)	(37,612)	-	(42,923)
Accrued interest	-	7,302		7,302
Accretion of discount	-	(247)	-	(247)
At 31 December 2022	**32,079**	**665,541**	**41**	**697,661**

	FVSI	FVOCI debt	Amortised cost	Total 2021

	FVSI	FVOCI debt	Amortised cost	Total 2022
At 1 January 2021	21,607	773,831	40	795,478
Exchange differences	48	(4,765)	-	(4,717)
Additions	137,074	87,789	-	224,863
Disposals (sale, maturity and redemption)	(138,865)	(107,996)	-	(246,861)
Change in fair value	(2,643)	(12,794)	1	(15,436)
Accretion of discount	-	(726)	-	(726)
At 31 December 2021	17,221	735,339	41	752,601

Investments in debt securities of US$ 68,050 thousand (2021: US$ 171,657 thousand) are pledged under repurchase agreements with banks and financial institutions. Assets pledged under these transactions may be re-pledged / sold by the counter-parties to whom they have been transferred. These transactions are conducted under the terms that are usual and customary to standard securities borrowing and lending activities.

(All amounts in United States Dollars thousands)

7. Investments - equity participations

Fair value of equity participations

Investments in equity participations comprise of the following:

	31 December 2022	31 December 2021 (Restated)	1 January 2021 (Restated)
Quoted	234,399	217,287	121,594
Unquoted	144,003	130,352	123,843
Total	**378,402**	**347,639**	**245,437**

		2022		2021 (Restated)	
	Quoted / Unquoted shares	Fair value of participation	Percentage of shareholding %	Fair value of participation	Percentage of shareholding %
Country / Project					
Kingdom of Morocco					
Maroc Leasing Company	Quoted	5,385	5.74	6,887	5.74
Kingdom of Saudi Arabia					
Middle East Financial Investment Company	Unquoted	20,335	15,00	13,580	15,00
National Trigeneration CHP Company	Unquoted	2,427	9,94	2,490	9,94
Bidaya Home Finance	Unquoted	33,104	11,11	30,965	11,11
Saudi National Bank	Quoted	50,340	0,08	46,844	0,18
Saudi Arabian Oil Company	Quoted	37,721	0,002	38,245	0,002
International Company for Water and Power Projects (Acwa Power)	Quoted	28,424	0,10	31,416	0,19
Saudi Telecom Co.	Quoted	32,344	0,07	-	-
		204,695		163,540	

 The accompanying notes from 1 to 30 form an integral part of these financial statements.

(All amounts in United States Dollars thousands)

	2022			2021 (Restated)	
	Quoted / Unquoted shares	Fair value of participation	Percentage of shareholding %	Fair value of participation	Percentage of shareholding %
Republic of Sudan					
Kenana Sugar Company	Unquoted	804	6,99	804	6,99
Sudatel Group for Communi cation	Quoted	1,697	2,18	387	2,18
Berber Cement Company	Unquoted	2,340	16,40	1,026	16,40
		4,841		2,217	
Arab Republic of Egypt					
Arab International Company for Hotels and Tourism	Unquoted	-	-	8,982	13,62
Egyptian Propylene and Polypropylene Company	Unquoted	49,604	10,00	43,709	10,00

	2022			2021 (Restated)	
	Quoted / Unquoted shares	Fair value of participation	Percentage of shareholding %	Fair value of participation	Percentage of shareholding %
International Company for Leasing	Unquoted	4,572	10,00	3,542	10,00
E Finance Investment Group	Quoted	27,736	2,03	45,821	2,03
		81,912		102,054	
People's Democratic Republic of Algeria					
Arab Banking Corporation	Unquoted	3,966	3,65	4,129	3,65
		3,966		4,129	

(All amounts in United States Dollars thousands)

		2022		2021 (Restated)	
	Quoted / Unquoted shares	Fair value of Participation	Percentage of share holding	Fair value of Participation	Percentage of share holding
Country / Project					
United Arab Emirates					
Salik Company	Quoted	4,255	0,08	-	-
The Hashemite Kingdom of Jordan					
Arab Jordan Investment Bank	Quoted	27,504	10,25	30,576	10,25
Arab International Hotels Company	Quoted	3,127	8,17	3,358	8,17
Kingdom of Bahrain					
Arab Banking Corporation	Quoted	3,497	0,42	4,844	0,42
State of Qatar					
Arab Jordan Investment Bank	Unquoted	7,482	15,00	8,399	15,00
Sultanate of Oman					
Tageer Finance Company	Quoted	12,369	18,79	8,909	18,79
Pan-Arab					
The Arab Company for Livestock Development	Unquoted	3,639	1,67	3,518	1,67
Arab Trade Financing Program	Unquoted	5,235	0,44	5,235	0,44
Arab Mining Company	Unquoted	10,495	1,10	3,973	1,10
		19,369		12,726	
		378,402		347,639	

The accompanying notes from 1 to 30 form an integral part of these financial statements.

(All amounts in United States Dollars thousands)

The movement in investment securities is summarised below:

	2022	2021 (Restated)
At 1 January - Restated	347,639	245,437
Additions during the year	58,062	57,313
Disposed off during the year	(40,430)	-
Written off	(4,000)	-
Change in fair value (Note 21)	17,131	44,889
At 31 December	378,402	347,639

8. Investments in associates

Investments in associate companies comprise of the following:

	31 December 2022	31 December 2021 (Restated)	1 January 2021 (Restated)
Quoted	1,420	148	1,176
Unquoted	19,134	21,416	26,579
Total	**20,554**	**21,564**	**27,755**

		2022		2021 (Restated)	
	Quoted / Unquoted shares	Carrying value of associate	Percentage of share holding	Carrying value of associate	Percentage of share holding
Country / Project					
Kingdom of Morocco					
Société Ryad Soualem S.A.	Unquoted	814	33,00	965	33,00
Asma Club Plus Company	Unquoted	9,564	40,00	11,707	40,00
		10,378		12,672	
Republic of Sudan					
Financial Investment Bank	Quoted	1,420	20,80	148	20,80
The Arab Leasing Company	Unquoted	800	30,00	776	30,00

(All amounts in United States Dollars thousands)

		2022		2021 (Restated)	
	Quoted / Unquoted shares	Carrying value of associate	Percentage of share holding	Carrying value of associate	Percentage of share holding
		2,220		924	
People's Democratic Republic of Algeria					
Arab Leasing Corporation	Unquoted	7,956	18,15	7,968	18,15
		7,956		7,968	
Total investments		**20,554**		**21,564**	

- 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 as at 31 December 2020	-	-	-	-	-	-
Effect of restatement	1,176	1,041	11,635	8,636	5,267	27,755
Balance as at 1 January 2021 (Restated)	1,176	1,041	11,635	8,636	5,267	27,755
Amounts recognised in statement of income						
Share of earnings/(losses) of associates	224	42	(104)	747	332	1,241
Impairment	1,132	(69)	687	(375)	(432)	943
	1,356	(27)	583	372	(100)	2,184
Amounts recognised in statement of comprehensive income						
Exchange differences on translation of foreign operations	(3,136)	(49)	(511)	(523)	(6,068)	(10,287)
Share of other comprehensive income of associates	752	-	-	-	1,677	2,429
	(2,384)	(49)	(511)	(523)	(4,391)	(7,858)
Dividends	-	-	-	(517)	-	(517)
Balance at 31 December 2021 (Restated)	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						

	Financial Investment Bank	Société Ryad Soualem S.A.	Asma Club Plus Company	Arab Leasing Corporation	The Arab Leasing Company	Total
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

Summarised financial information of the associates are as follows:

	Financial Investment Bank	
	31 October 2022 (Unaudited)	31 December 2021 (Audited)
Total assets	15,300	13,865
Total liabilities	(8,480)	(9,350)
Net assets	6,820	4,515
Net revenue	2,288	1,340
Profit for period	1,749	1,077
Other comprehensive income	2,163	3,615
Total comprehensive income for the period	**3,912**	**4,692**

(All amounts in United States Dollars thousands)

	Société Ryad Soualem S.A.	
	31 October 2022 (Unaudited)	31 October 2021 (Audited)
Total assets	3,228	4,564
Total liabilities	(1,580)	(854)
Net assets	1,648	3,710
Net revenue	2	169
(Loss) / profit for period	(472)	127
Other comprehensive income	-	-
Total comprehensive (loss) / income for the priod	**(472)**	**127**

	Asma Club Plus Company	
	31 October 2022 (Unaudited)	31 October 2021 (Audited)
Total assets	60,387	53,417
Total liabilities	(31,453)	(21,870)
Net assets	28,934	31,547
Net revenue	16,266	6,429
Profit / (loss) for period	1,040	(261)
Other comprehensive income	-	-
Total comprehensive income / (loss) for the period	**1,040**	**(261)**

	Arab Leasing Corporation	
	31 October 2022 (Unaudited)	31 December 2021 (Audited)
Total assets	81,309	71,447
Total liabilities	(26,952)	(16,547)
Net assets	54,357	54,900
Net revenue	7,348	8,495
Profit for period	3,526	4,102
Other comprehensive income	-	-
Total comprehensive income for the period	**3,526**	**4,102**

(All amounts in United States Dollars thousands)

	The Arab Leasing Company	
	30 September 2022 (Unaudited)	31 December 2021 (Audited)
Total assets	15,161	11,682
Total liabilities	(4,594)	(5,424)
Net assets	10,567	6,258
Net revenue	2,114	1,406
Profit for period	2,250	1,107
Other comprehensive income	5,035	5,589
Total comprehensive income for the period	**7,285**	**6,696**

The above information is presented from the financial statements 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:

	2022	2021
Loans and advances (9.1)	133,717	269,360
Allowance for expected credit losses (9.2)	(1,051)	(678)
Loans and advances, net	132,666	268,682

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

	31 December 2022				
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total	2021
At the beginning of the year	269,360	-	-	269,360	294,136
Loan disbursed during the year	116,500	-	-	116,500	82,372
Unamortised loan fee	(354)	-	-	(354)	-
Accrued interest	1,088	-	-	1,088	-
Loans repayment	(252,877)	-	-	(252,877)	(107,148)
At the end of the year	133,717	-	-	133,717	269,360

During the year ended 31 December 2022, the Company recovered principal amount of US$ 2,723 thousand (2021: US$ 3,035 thousand) related to facilities written off (Note 25).

(All amounts in United States Dollars thousands)

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

	31 December 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

	31 December 2021			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
At the beginning of the year	1,427	-	-	1,427
Net measurement of loss allowance	(749)	-	-	(749)
At the end of the year	678	-	-	678

10. Other assets

Other assets as of 31 December comprise of the following:

	2022	2021
Accrued income	4,102	11,219
Rent receivables *	121	105
Other receivables	2,267	2,048
Total	**6,490**	**13,372**

*** The rent receivables as at 31 December 2022 are collected in January 2023.**

(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 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
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

	Land	Building and its equipment	Furniture and equipment	Work in progress	Total 2021
Cost:					
At 1 January	4,439	20,588	8,578	-	33,605
Additions during the year	-	26	64	713	803
Reclassification	-	162	-	(673)	(511)
At 31 December	4,439	20,776	8,642	40	33,897
Accumulated depreciation:					
At 1 January	-	14,752	7,898	-	22,650
Charge for the year	-	306	204	-	510
At 31 December	-	15,058	8,102	-	23,160
Net Book Value:					
At 31 December 2021	4,439	5,718	540	40	10,737

The accompanying notes from 1 to 30 form an integral part of these financial statements.

(All amounts in United States Dollars thousands)

11.2 Investment properties:

Investment properties as of 31 December comprises the following:

	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

	Land	Building and its equipment	Furniture and Equipment	Work in progress	Total 2021
Cost:					
At 1 January	7,982	27,660	1,643	18	37,303
Additions during the year	-	-	44	36	80
Reclassification	-	54	-	(54)	-
At 31 December	7,982	27,714	1,687	-	37,383
Accumulated depreciation:					
At 1 January	-	23,861	1,518	-	25,379
Charge for the year	-	150	69	-	219

(All amounts in United States Dollars thousands)

At 31 December	-	24,011	1,587	-	25,598
Accumulated impairment:					
At 1 January	2,055	-	-	-	2,055
Charge for the year	111	-	-	-	111
At 31 December	2,166	-	-	-	2,166
Net Book Value					
At 31 December	5,816	3,703	100	-	9,619

The fair value of investment property at 31 December 2022 amounted to approximately US$ 16.3 Million (31 December 2021: US$ 19.3 million).

12. Intangible assets

Software	2022	2021
Cost:		
At 1 January	5,606	6,055
Additions during the year	124	619
Write-off during the year	-	(1,567)
Reclassification	-	499
At 31 December	5,730	5,606
Accumulated Amortization:		
At 1 January	3,117	3,962
Charge for the year	549	484
Write-off during the year	-	(1,567)
Reclassification	-	238
At 31 December	3,666	3,117
Net Book Value:		
At 31 December	2,064	2,489

13. Deposits

Deposits as of 31 December comprise the following:

	2022	2021
Deposits by banks	298,538	395,905
Deposits by non-banks	83,184	24,636
Total	**381,722**	**420,541**

Included in the above are deposits raised under repurchase agreements whose carrying value as at 31 December 2022 is US$ 63.6 million (31 December 2021: US$ 158.1 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.

	31 December 2022		
	Contract/Notional Amount	Fair value Assets	Liabilities
Held for trading			
Foreign exchange derivatives:			
Currency swaps	14,262	-	22
	31 December 2021		
Held for trading			
Foreign exchange derivatives:			
Currency swaps	17,094	-	8

15. Other liabilities

Other liabilities comprise the following:

	31 December 2022	31 December 2021 (Restated)	1 January 2021 (Restated)
Due to related party (Note 17)	10,011	9,865	9,855
Accounts payable and accrued expenses	9,561	5,231	5,029
Dividends payable	2,105	-	-
Deferred income	1,080	2,066	1,830
Interest payable	-	158	425
Provision for expected credit losses on undrawn loan commitment	141	-	-
Derivative financial instruments (Note 14)	22	8	47
Total	**22,920**	**17,328**	**17,186**

(All amounts in United States Dollars thousands)

16. Employees' benefits

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

	Employees saving schemes	Provision for end of service indemnity	Provision for leave	Total		
				2022	2021 (Restated)	2020 (Restated)
At 1 January	1,463	11,184	1,431	14,078	13,439	11,908
Addition for the year	109	826	528	1,463	1,588	1,509
Provisions utilised	-	(4,234)	(340)	(4,574)	(1,228)	(930)
Staff contributing to saving scheme	70	-	-	70	67	66
Actuarial (gain) / loss recognised in OCI	-	(299)	-	(299)	414	1,038
Other movement	-	-	(378)	(378)	(202)	(152)
At 31 December	1,642	7,477	1,241	10,360	14,078	13,439

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

	31 December 2022	31 December 2021
Present value of defined benefit obligations	7,434	11,141
Net defined benefit liability in the statement of financial position	7,434	11,141

(All amounts in United States Dollars thousands)

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

	31 December 2022	31 December 2021
Discount rate	4,5٪	1.90٪
Long term salary increase rate	4,5٪	1,90٪
Mortality rate according to world health organization- SA	WHO SA19	WHO SA19 - 75%
Rate of employee Turnover	Light	Light

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:

	31 December 2022	31 December 2021
Discount rate + 0.5%	7,223	10,863
Discount rate – 0.5%	7,655	11,436
Long term salary increases + 0.5%	7,493	11,271
Long term salary increases – 0.5%	7,371	10,988

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

	2022	2021
At 1 January	11,141	10,705
Amounts recognised in statement of income		
Current service cost	645	716
Interest expense	181	165
Total	**826**	**881**
Amounts recognised in statement of income		
Remeasurements		
- financial assumptions	(760)	(293)
- demographic assumptions	86	(2)
- experience adjustments	375	709
Total	**(299)**	**414**
Payments made to outgoing employees	(4,234)	(859)
At 31 December	7,434	11,141

(All amounts in United States Dollars thousands)

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 4.136.68- years (2021: 5.035.48- years)
Maturity profile of the provision for end of service indemnity is as below:

No.	2022	2021
1	424	3,860
2	1,453	864
3	1,532	1,016
4	420	1,436
5	643	237
10-6	5,303	3,837
Total	**9,775**	**11,250**

(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:

	2022	2021
Executive management personnel:		
End of service benefit	4,272	3,799

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::

	2022	2021
Directors' expenses	1,001	529
Board of directors' bonuses paid	450	450
Salaries and short-term employee benefits	984	909
End of service benefits	473	331

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

	2022	2021
Share of earnings of associates	1,950	1,241
Impairment of associates	(1,228)	943
Dividends	1,447	517

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

Name of related parties	Nature of relationship	Nature of transaction	2022	2021
The State of Libya	Shareholder	Funding received	10,011	9,865

(All amounts in United States Dollars thousands)

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:

	2022		2021	
	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 (%)			
	2022	2021	2022	2021
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
Syrian Arab Republic	6.04	6.04	63,396	63,396
The State of Libya	6.30	6.30	66,170	66,170
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
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

	2022	2021 (Restated)
Movement of statutory reserve:		
At the beginning of the year - Restated	120,975	117,790
Additions during the year	3,788	3,185
At the end of the year	124,763	120,975

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.

(All amounts in United States Dollars thousands)

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 2022						
At beginning of year (Restated)	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)

	FVOCI debt	FVOCI equity	Foreign currency translation reserve	Associate share of other comprehensive income	Remeasurement no evreseremployee benefits	Total
At beginning of year	23,535	(91,041)	-	-	(1,834)	(69,340)
Effect of restatement	-	8,863	-	-	-	8,863
At beginning of year - Restated	23,535	(82,178)	-	-	(1,834)	(60,477)
Change in value	(12,794)	44,889	(10,287)	2,429	(414)	23,824
Transfer to statement of income	(4,593)	-	-	-	-	(4,593)
At end of year (Restated)	6,148	(37,289)	(10,287)	2,429	(2,248)	(41,247)

(All amounts in United States Dollars thousands)

22. Interest income and expense

	2022	2021
Interest income on:		
Investment securities	25,615	19,150
Loans and advances	7,299	5,564
Deposits with banks and treasury bills	10,047	3,092
Total	**42,961**	**27,806**

	2022	2021
Interest expense on:		
Deposits by banks and financial institutions	4,690	1,375
Deposits by non-banks	558	243
Total	**5,248**	**1,618**

23. Net fees and commissions

	2022	2021
Loans		216
Islamic banking	-	1,103
Others	-	(6)
Net fees and commissions	-	1,313

24. Net (loss) / gain on financial securities

	2022	2021
Equities	1,138	4,279
Debt securities (Note 21)	3	4,593
Unit trust funds	(1,936)	(2,157)
Total	**(795)**	**6,715**

25. Other income

	2022	2021
Remuneration for attending Projects' Board of directors	**693**	459
Sale of project previously written off	-	144
Recovery of loans previously written off (Note 9)	**2,723**	3,035
Others	**507**	401
Total	**3,923**	**4,039**

(All amounts in United States Dollars thousands)

26. General and administrative expenses

	2022	2021
Salaries and related benefits	(13,953)	(12,392)
Professional and consultancy	(1,522)	(1,272)
Directors' expenses	(1,001)	(529)
Others	(4,812)	(4,454)
Total	**(21,288)**	**(18,647)**

27. (Provision for) / reversal of expected credit losses, net

	2022	2021
Investment securities – FVOCI debt (Note 6)	(1,051)	79
Loans and advances (Note 9)	(373)	749
Undrawn loan commitments (Note 15)	(141)	-
Cash and balances with banks (Note 5)	(70)	34
Total	**(1,635)**	**862**

28. Political unrest

Certain Arab countries in which the Company has investments are undergoing political unrest. Management expects the political situation in these countries to stabilise over the medium term. In the case of shorter-term instruments, the Company has received settlement upon maturity of the instruments. Based on available information as of the date of approval of these financial statements; management is confident of the long-term viability and recoverability of the Company's longer-term investments (including equity participations and investment in associates).

29. Corresponding figures

Correction of errors

During the year, the Company discovered that the accounting treatment for certain investment where the Company holds directly 20 percent or more of the voting power and exercise significant influence were classified as investments at fair value though other comprehensive income rather than investments in associates and accounted for using the equity method as required by International Accounting Standard 28.

(All amounts in United States Dollars thousands)

The error has been corrected by restating each of the affected financial statement line items for the prior periods as follows in accordance with IAS 8:

Financial statement line item	Statements	Balance as at 31 December 2020	Effect of restatement	Balance as at 1 January 2021 (Restated)
Investments - Equity Participations	Statement of financial position	273,192	(27,755)	245,437
Investment in associates	Statement of financial position	-	27,755	27,755
Other reserves	Statement of financial position	(69,340)	8,863	(60,477)
Retained earnings	Statement of financial position	191,861	(8,863)	182,998
Financial statement line item	**Statements**	**Balance as at 31 December 2021**	**Effect of restatement**	**Balance as at 31 December 2021 (Restated)**
Investments - Equity Participations	Statement of financial position	369,203	(21,564)	347,639
Investment in associates	Statement of financial position	-	21,564	21,564
Other reserves	Statement of financial position	(48,443)	7,196	(41,427)
Other reserves - Associate share of other comprehensive income	Statement of financial position	-	2,429	2,429
Other reserves – Foreign currency translation reserve	Statement of financial position	-	(10,287)	(10,287)
Retained earnings	Statement of financial position	218,579	(7,362)	211,217
Statutory reserve	Statement of financial position	120,809	(166)	120,975

Financial statement line item	Statements	For the year ended 31 December 2021	Effect of restatement	For the year ended 31 December 2021 (Restated)
Dividend income	Statement of income	6,165	*(513)	5,652
Share of earnings of associates	Statement of income	-	1241	1241
Impairment of associates	Statement of income		943	943
Net fair value movement on equity investment measured at fair value through other comprehensive income	Statement of comprehensive income	38,698	6,191	44,889
Share of other comprehensive income of associates	Statement of comprehensive income	-	2,429	2,429
Net cashflows generated from operating activities	Statement of cash flows	76,519	(517)	76,002
Net cashflows used in investing activities	Statement of cash flows	(37,598)	517	(37,081)

* net of tax

(All amounts in United States Dollars thousands)

Reclassifications

Below figures have been reclassified to conform with the current year presentation.

Financial statement line item	Statements	Balance as at 31 December 2020	Effect of reclassification	Balance as at 1 January 2021 (Restated)
Other liabilities	Statement of financial position	30,625	(13,439)	17,186
Employee benefits	Statement of financial position	-	13,439	13,439

Financial statement line item	Statements	Balance as at 31 December 2021	Effect of reclassification	Balance as at 31 December 2021 (Restated)
Other liabilities	Statement of financial position	31,406	(14,078)	17,328
Employee benefits	Statement of financial position		14,078	14,078

Certain other immaterial reclassifications were made in the current year without changing the comparative balances.

30. Approval of financial statements

These financial statements were approved and authorised by the Board of Directors of the Company on 15 March 2023.

THE ARAB INVESTMENT COMPANY S.A.A.