



THE ARAB INVESTMENT COMPANY S.A.A.

ANNUAL REPORT 2024





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THE ARAB INVESTMENT COMPANY



EMERGENCY



01

Overview

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

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



Board of Directors



His Excellency Eng.
Saad Abdulaziz Al-Khalb
Chairman of Board of Directors
Kingdom of Saudi Arabia



Mr.
Mishaal Salem Al-Otaibi
Vice Chairperson of Board of Directors
State of Kuwait



Dr.
Abdullah Abdulrahman Al-Namlah
Board Member
Kingdom of Saudi Arabia



Mr.
Abdullah Salim Al Harthi
Board Member
Sultanate of Oman



Mr.
Majed Khamis Al Darmaki
Board Member
United Arab Emirates



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



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



Mr.
Ashraf Mohamed Negm
Board Member
Arab Republic of Egypt



Mr.
Sultan Ahmed Al Junaibi
Board Member
United Arab Emirates



Her Excellency Dr.
Najlaa Mohamad EL-Mangoush
Board Member
State of Libya



Eng.
Nawaf Hashem Alsadeh
Board Member
Kingdom of Bahrain



Sheikh
Khalid Saoud Al-Thani
Board Member
State of Qatar



Mr.
Abdelkarim Achir
Board Member
Kingdom of Morocco

Board Committees

The TAIC Board of Directors is assisted by several specialized committees to perform the roles and responsibilities it is entrusted with, as follows:

Steering Committee

His Excellency Eng. **Saad Abdulaziz Al-Khalb** / **Chairman**

Mr. Mishaal Salem Al-Otaibi Committee Member	Her Excellency Dr. Najlaa Mohmad EL-Mangoush Committee Member	Dr. Abdullah Abdulrahman Al-Namlah Committee Member	Mr. Abdullah Salim Al Harthi Committee Member	Mr. Majed Khamis Al Darmaki Committee Member
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Higher Investment Committee

His Excellency Eng. **Saad Abdulaziz Al-Khalb** / **Chairman**

Mr. Mishaal Salem Al-Otaibi Committee Member	Her Excellency Dr. Najlaa Mohmad EL-Mangoush Committee Member	Dr. Abdullah Abdulrahman Al-Namlah Committee Member	Mr. Abdullah Salim Al Harthi Committee Member
	Mr. Majed Khamis Al Darmaki Committee Member	Mr. Abdulatif Ali Al Saif Independent Committee Member	

Governance, Risk and Compliance Committee

Mr. **Abdullah Salim Al Harthi** / **Chairman**

Mr. Ashraf Mohamed Negm Committee Member	Sheikh Khalid Saoud Al-Thani Committee Member	Mr. Abdelkarim Achir Committee Member
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Audit Committee

Dr. **Abdullah Abdulrahman Al-Namlah** / **Chairman**

Her Excellency Mrs. Taif Sami Al Shakarchi Committee Member	Mr. Sultan Ahmed Al Junaibi Committee Member
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Nominations & Remuneration Committee

Mr. **Majed Khamis Al Darmaki** / **Chairman**

Mr. Khaled Hussein Al-Omar Committee Member	Eng. Nawaf Hashem Alsadeh Committee Member
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Executive Management



Mr.
Abdullah S. Bakhraibah
Chief Executive Officer



Mr.
Fahad A. Al-Haqbani
Senior Advisor to CEO



Mr.
Dakheel A. Al Zahrani
Chief Investment Officer



Mr.
Mahmood Salman
Acting General Manager –
Bahrain Branch



Mr.
Magdi M. Elkafrawy
Director of Financial Affairs



Mr.
Yousif Sami Yousif
Internal Audit Head



Mr.
Khalid S. Alzughaibi
Advisor to CEO for Board and
Shareholder Affairs

Statement of Chairman of Board of Directors



Dear Shareholders,

On behalf of my colleagues, members of the Board of Directors, and personally, I am pleased to present to you the annual report of the Arab Investment Company for the fiscal year 2024, coinciding with about half a century of the company's life, where we succeeded - thank God - in achieving the desired goals since its establishment in the middle of 1970s to the present time, and the company has proven its ability to compete in various conditions and challenges, by using appropriate business models for each stage.

There is no doubt that today we live in a phase characterized by its accelerated pace and the strength of competition in all fields, and in response to this, the strategic plan came to achieve the company's goals in accordance with the requirements of the next stage.

The year 2024 saw the launch of the company's strategic plan for the period (2024-2028), in cooperation with the best houses of expertise, an ambitious and comprehensive plan that draws a roadmap for the company during the coming period, to keep pace with the development in the financial and business world. In line with the requirements of this phase, the Board of Directors began updating the company's organizational structure, investment policy, vision and mission, as well as the human resources system. In accordance with the strategic plan, the executive management is in the process of developing the identity and logo, investment processes, regulations, procedures, services and products have been restructured to keep pace with the modern developments in the investment industry globally, work systems have been updated to improve outputs, and improvement and development will continue in order to invest in excellence, innovation, growth and sustainability to serve the company's clients better than ever before.

Despite the challenges faced by the financial sector, the company's financial results for FY2024 showed a net profit of USD 65,617k, compared to USD 41,621k at the end of FY2023, an increase of 58%.

I would like to point out that the commitment to excellence in performance, achieving good financial results, and applying the directives of the regulatory authorities in the field of governance, compliance and risk management, reinforces our strategic approach in developing work mechanisms and renewing tools optimally, including attention to human resources, and keenness to raise their efficiency to match the transitional stage the company is witnessing, by providing it with leadership cadres with technical expertise and full knowledge, in addition to attention to qualitative training and development programs.

In conclusion, on behalf of my colleagues, members of TAIC Board of Directors, and personally I would like to extend my appreciation and gratitude to the governments of the Shareholding Arab Countries and our valued customers for their precious confidence proudly placed TAIC and their constructive roles in supporting such progress. I would like also to express my warm appreciation for the outstanding efforts of my fellow members of the Board of Directors, the executive management, and all TAIC staff for their vital contribution, which had a great impact on advancing the company's progress, and our customers for their great trust, hoping that our services will gain their satisfaction.

Chairman of Board of Directors

Saad Abdulaziz Al-Khalb

Statement of Chief Executive Officer



Dear Esteemed Shareholders,

I am pleased to share with you all the key highlights of 2024 in the TAIC annual report, which showcases our all-out efforts and achievements over the past year, as well as our ambitious plans for the future. The 2024 trajectory marked a pivotal turning point in the TAIC journey. Of a good note, the official launch of our 2024–2028 strategy came into play, which was approved halfway in 2023.

The results revealed have shown that our strategic steps are already bearing fruit, they have clearly reflected in our financial and operational performance and further contributed to making achievements that go beyond expectations. Combined together, this strengthens our confidence burgeoning in the new direction and motivates us to further build with unwavering confidence and determination. Through these concerted efforts, we aim to solidify the TAIC position as a leading investment institution with sustainable performance and maximize value for our shareholders, especially in an environment that faces change and challenges.

It is my honor to have joined the TAIC team around halfway last year. Together with my colleagues, we have moved forward in fulfilling our roles and responsibilities, creating the key enablers needed to implement the new strategic plan, based on inclusivity and the expansion of asset classes, with a special focus on realizing alignment between programs, initiatives, and targets. Our efforts were equally divided between achieving tangible results and ensuring the phased success of the new business model, keeping pace with recent developments and laying the foundation for solid institutional practices.

The results revealed this year reflect the mature and robust foundations of the new direction, driven by a crystal-clear vision and actionable steps. It is noteworthy that we have already put into action the strategic transformation roadmap, which was carefully tailored, engineered and developed to cover and address four main pillars as follows:

Institutional Structure: We have reformed and reorganized our institutional structure and human capital to better align with our future goals by enhancing competitiveness, connecting performance with achievements, offering appealing incentives to long-serving employees, and promoting professional development and growth. These strategies contribute to building a more efficient and cohesive workforce.

Operational Mode: The operational model has been developed to establish a clear institutional approach to identifying, assessing, and making decisions on investment opportunities. This includes opening the door wide to specialized partnerships and expert consultancies, as well as updating operational policies and regulations to further support greater efficiency and stronger governance.

Portfolio Management: We have initiated a steady transformation and makeover of our portfolio, steering it toward carefully selected targets that reflect our strategic priorities for both geographic and sectoral distribution across diverse asset classes, while divesting from investments that were not aligned with the new direction. We also restructured the banking unit to ensure optimal resource utilization and achieve a balance between return and risk.

Corporate Branding: We have launched a holistic program to revitalize our visual identity, revealing a renewed mission and set of corporate values. We also enhanced the TAIC presence at regional conferences and forums, creating a positive workplace culture based on transparency, learning, and feedback, and building an environment that encourages performance.

Combined together, we translated the key pillars into 15 executive strategic initiatives covering various aspects of institutional transformation. With this in mind, we have put into action many initiatives, with direct support from the Board of Directors, driven and inspired by the increased confidence entrusted to us by the contributing countries.

This integrated approach contributed to achieving outstanding financial results in 2024, with net profits reaching USD 65.6 million, exceeding the estimated budget by 58%. Total assets also increased to USD 1.75 billion, and shareholders' equity grew by 5% to USD 1.46 billion, achieving a return on assets of 3.7% and a return on shareholders' equity of 4.6%.


















We believe the results revealed mark the start of a new chapter and an ambitious path as part of a broader and larger transformation in the future. As TAIC continues to invest in value-added projects, it prioritizes and places special emphasis on human capital, recognizing that excellence begins from within. In this context, we have focused on creating an inspiring workplace environment, offering professional development programs, and strengthening a culture of performance, all of which enhance the TAIC adaptability and professionalism in risk management.

Under the direction of the Board of Directors, the executive management continues to maximize value for the TAIC shareholders by enhancing the efficiency of financial resource management, achieving optimal returns, implementing the highest standards of governance, and maintaining a firm commitment to total quality in our investments. These concerted efforts further strengthen confidence in our performance and reinforce our position in the market.

In conclusion, I would like to express my sincere gratitude and appreciation to our shareholders, customers and success partners. I also pay tribute and express my appreciation to His Excellency the Chairman of the Board of Directors, and members of the Board of Directors for their highly valued trust and long-standing support wholeheartedly provided for TAIC. Equally important, many thanks go to all my colleagues, for their highly valued efforts made across 2024, which had a positive impact on TAIC business, looking forward with you to further success, growth and sustainability.

Abdullah S. Bakhraibah
Chief Executive Officer

Subscriptions of Member Countries

Country	Amount (Stocks)	Value (USD)	percentage %
 Kingdom of Saudi Arabia	173,848	173,848,000	16.40
 State of Kuwait	173,848	173,848,000	16.40
 Republic of the Sudan	29,696	29,696,000	2.80
 Arab Republic of Egypt	77,268	77,268,000	7.29
 State of Qatar	90,841	90,841,000	8.57
 United Arab Emirates (Abu Dhabi)	142,641	142,641,000	13.46
 Kingdom of Bahrain	18,960	18,960,000	1.79
 Syrian Arab Republic	63,396	63,396,000	5.98
 Republic of Iraq	116,243	116,243,000	10.97
 Hashemite Kingdom of Jordan	3,569	3,569,000	0.34
 Republic of Tunisia	18,960	18,960,000	1.79
 Kingdom of Morocco	18,960	18,960,000	1.79
 State Of Libya	75,928	75,928,000	7.16
 Sultanate of Oman	16,918	16,918,000	1.60
 Republic of Yemen	2,932	2,932,000	0.28
 Republic of Lebanon	17,875	17,875,000	1.69
 People's Democratic Republic of Algeria	17,875	17,875,000	1.69
Total	1,059,758	1,059,758,000	100.00

Summary of TAIC 2024 Financial Results

By the end of the fiscal year 2024, TAIC achieved net profits of \$65,617 thousand, vis-à-vis \$41,621 thousand by the end of the fiscal year 2023, making up an increase of 58%. The said increase in the TAIC profits is attributable to higher revenues from the investment portfolio and the reversal of impairment provisions related to the securities portfolio of the Arab Republic of Egypt. The total operating revenues from the TAIC various activities for the fiscal year 2024 accounted for about \$82,556 thousand, vis-à-vis \$76,351 thousand for the fiscal year 2023, making up an increase of 8%. Equally important, general and administrative expenses for the fiscal year 2024 made up \$25.959 thousand, vis-à-vis \$23.376 thousand at the end of fiscal year 2023, reflecting an increase of \$2.583 thousand or 11%. This increase is primarily due to higher staff costs and Board of Directors expenses. Despite the challenging economic conditions that marked the fiscal year 2024, the TAIC investment and banking activities jointly contributed to achieving such outcomes. The TAIC total assets at the end of the fiscal year 2024 made up about \$1,750,301 thousand vis-à-vis \$1,695,347 thousand at the end of the fiscal year 2023, accounting for a decrease of \$54,954 thousand (3%) mainly due to the increase in net profits and the increase in the fair value of the securities portfolio.

The total TAIC shareholders equity at the end of the fiscal year 2024 accounted for about \$1,458,136 thousand vis-à-vis \$1,386,717 thousand realized at the end of the fiscal year 2023, making up an increase of 5%. This is mainly due to the net profits achieved in 2024 along with the increase in the fair value of the securities portfolio, despite the distribution of cash dividends to the TAIC Shareholders for 2023 at 2% of the paid-up capital. TAIC achieved a return on average assets of 3.7%, while the return on average shareholders equity accounted for 4.6% at the end of the fiscal year 2024. The following table shows the TAIC Key Performance Indicators (KPIs) for 2024, compared to the 2023 KPIs:

Net Profit in 2024

65,617
US\$

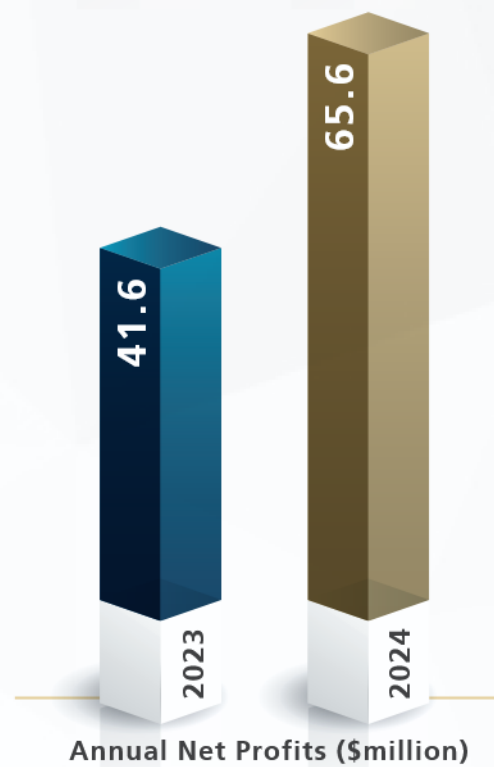
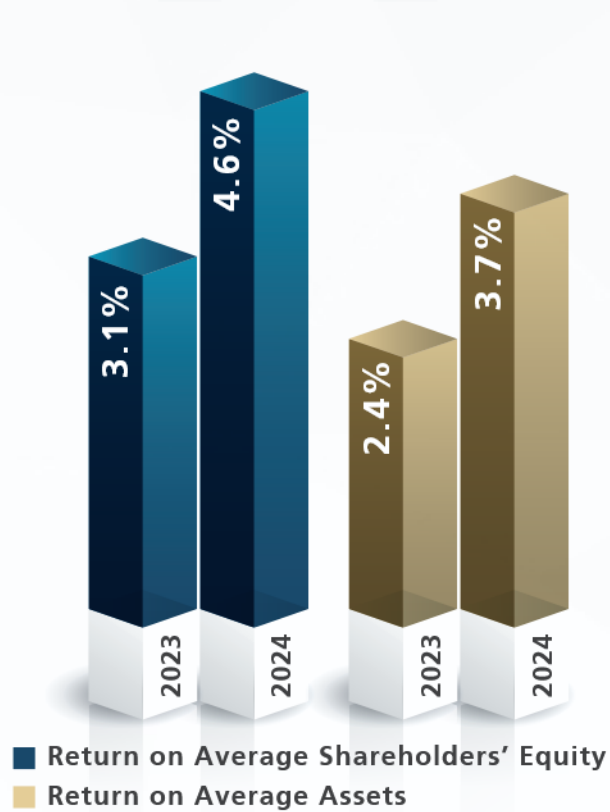
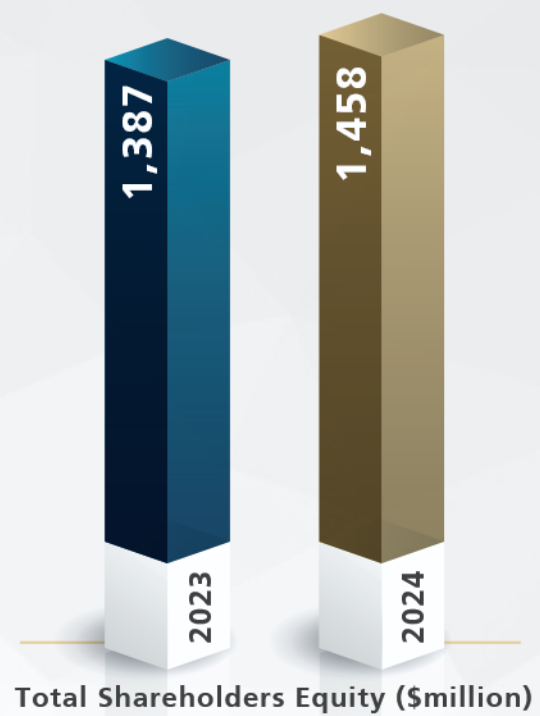
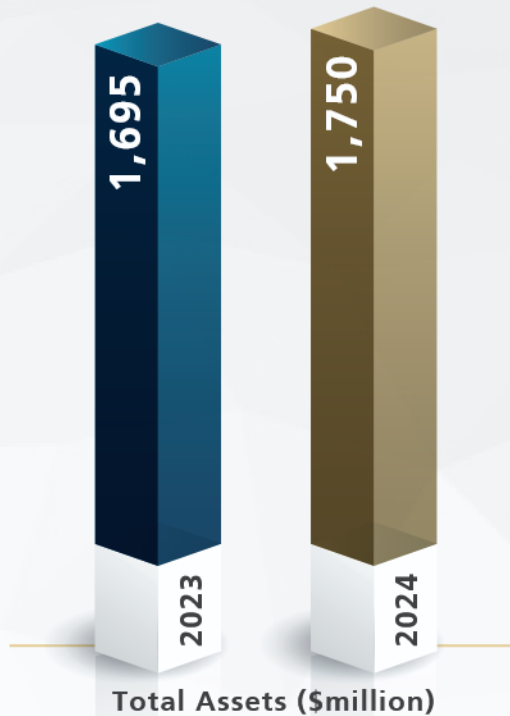
Percentage
increase
from 2023

58%

TAIC KPIs (2023-2024)

KPIs	2024	2023
Ratio of Return on Average Shareholders Equity	3.1%	2.8%
Return on Capital	4. %	3.6%
Return on Average Assets	2.4%	2.1%
Capital Adequacy	100%	100%

The following graphs reveal the change made to the TAIC assets, shareholders’ equity growth, return on average assets, return on shareholders’ equity, and net profits (2023-2024):



TAIC Management

Of great note, The TAIC Board of Directors continued to carry out its roles and responsibilities, holding (7) meetings, three of which were extraordinary meetings, to achieve the requirements of implementing the new strategic plan. In a similar vein, the TAIC Board of Directors held several periodic meetings in 2024, by virtue of which several decisions were made to further regulate the workflow mechanism and implementation tools in perfect harmony with the requirements of the regulatory authorities. Through the TAIC meetings, reports developed by the specialized committees, and reports developed by the executive management, the Board of Directors was reassured of the TAIC progress, performance and success in achieving the target results. It is worth noting that the (16) session of the Board of Directors ended in the middle of 2024, and the (17) session began, during which His Excellency Engineer Saad Abdulaziz Al-Khalb was elected Chairman of the Board of Directors. His Excellency Al-Khalb has been the CEO of the Saudi Export-Import Bank since 2021. His Excellency has extensive experience and expertise in the banking sector, strategic planning, financial management, bank credit, and corporate finance, which he gained during his tenure in several senior leadership positions across various sectors. The TAIC Board of Directors issued a decision to appoint Mr. Abdullah bin Saleh Bakhribeh as CEO of the Company, effective August 18, 2024. Based on his extensive experience in the

Key management decisions to improve workflow



financial and investment fields at the local and global levels, Mr. Bakhribeh will be an added value to the Company, further develop business and achieve the strategic goals. The first initiative of the new management was to implement the strategic plan. This is a truly challenging phase, one that faces various obstacles and challenges, particularly as the Company has adopted a new direction across investments and adopted a different approach to its activities, after about half a century of performance.

Based on the keenness evinced by the Board of Directors to implement the TAIC strategic plan (2024-2028), follow up on the implementation progress, and achieve the target objectives, international subject-matter expertise and think-thanks in human resources have been sought and attracted, while organizing the regulations and policies followed and updated by the Company in such a manner appropriate the TAIC business environment and nature on the one hand, and with the potential challenges that may face the implementation of the strategy on the other hand.



In the same vein, the executive management issued several administrative decisions to improve workflow and keep pace with aspirations, including the setup of the TAIC Executive Management Committee to enhance communication between all departments; restructuring the Investment Committee in line with the strategic objectives, with membership comprised of relevant and experienced investment professionals and Subject-Matter Expertise (SMEs), and attracting an experienced independent member. A grievance committee was also formed and set up, headed by an independent member from outside TAIC, to ensure employees' contractual rights. Upon reviewing the strategy, several initiatives and pathways were developed to enhance effective implementation, and a roadmap was developed to this end. This includes adopting a human resources restructuring policy, including a new organizational structure and career ladder aligned with the requirements of the TAIC strategy. The TAIC Administration has also approved several partnerships and businesses, holding more than (60) meetings with external advisors to build various strategic partnerships in investment, finance, governance, human resources, marketing, and legal management. Of good note, (7) non-disclosure agreements were signed with potential service providers, and (3) agreements were signed with law and human resources firms. Operationally, the TAIC Administration introduced new operating regulations and policies that had not previously existed, including the development of a personal trading and disclosure policy in collaboration with Mercer. In the same vein, a succession plan has been developed for critical positions within the Company, and concerted efforts are currently underway with a human resources consultant. A gift and hospitality policy is also being developed to comply with the requirements of global regulatory authorities. The procurement policy is also being restructured to ensure due diligence is conducted during transactions and agreements with any service provider, protecting the Company from any suspicious financial transactions. All policies and regulations in place have also been reviewed, updated, and officials appointed to oversee the business flow.

To put strategy into action, the TAIC Administration introduced (4) pathways, producing (22) initiatives, 137 tasks, and 673 steps to implement the strategy in a practical and effective manner. The plan includes a roadmap that outlines tasks and defines responsibilities in accordance with market best practices and a specific implementation timeline. The TAIC Administration also launched the TAIC official website with a new interface and an attractive design that easily reflects the TAIC activities, identity, vision, mission, and business outcomes. To achieve digital transformation, the TAIC Administration replaced all paper transactions with digital forms available in drop-down menus on the official website, pioneering the "Paperless Management" initiative. The TAIC Administration, across various departments, is developing the Company's identity and logo in line with the strategic plan and directions. It is also strengthening its governance framework and

improving performance, launching continued education and training programs to develop the staff employees, developing and further attracting investment, risk, and compliance operations, conducting a comprehensive review of its articles of association and bylaws, updating its salary scale, assessing talent, filling vacant positions, enhancing competencies, attracting expertise, and creating and updating job titles in accordance with the new organizational structure.

The Committees set up by the Board of Directors also carried out their assigned roles and responsibilities, each according to their relevant specialization. Each committee contributed to laying the foundations for developing the strategy. Several meetings were held on the sidelines of the regular meetings of the Board of Directors, during which many challenges were addressed and recommendations and decisions made based on business needs and the requirements of modern management were issued. Equally important, the TAIC Administration organized various educational workshops for the Board of Directors and associated committees as one of the strategic initiatives. The Board of Directors is thus moving towards optimal implementation of the strategy and closely reviewing its implementation outcomes on a timely basis. It also re-evaluates the resulting impact from a comprehensive perspective, shouldering the responsibility for developing the TAIC business and growing the profits for the shareholders. Combined together, it fully assumes its entrusted roles and legal responsibilities before the General Assembly. Under the guidance of the Board of Directors, coupled with the concerted efforts and the staff cooperation, the Company driven by all synergies works in concert to overcome any obstacles that hinder growth in order to achieve the target goals and ambitions.

Support Services Development

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



Information Technology Systems

Enormously keen to further keep pace with the rapid development of the state-of-the-art technology and related developments in information technology and communications systems, while responding to the requirements of implementing the corporate strategy, TAIC has put in great efforts and conducted a comprehensive review during the year to determine the TAIC needs to transform all its operations from paper to digital and automate possible internal processes. Comprehensive plans for digital transformation were developed, encompassing all activities and services within the Company, including human resources, financial management, procurement, and investment operations. As part of this ambitious project, TAIC launched a digital archiving project for all paper documents and records. The goal is to improve data quality and speed up access anytime, anywhere, while also enhancing data security, reducing costs, and avoiding resource waste by using digital technologies instead of paperwork. Concerted efforts have already come into play with several digital transformation service providers to submit their technical and financial offers for review. This step aims to develop the IT services infrastructure and review the financial and human resources available, a step that makes up the cornerstone of the project success. A digital platform for the documents and services of the Board of Directors has also been completed, in addition to updating the TAIC official website to provide a bright interface that reflects the significant development and qualitative leap the Company is introducing across all levels.

The TAIC IT Department continues to focus on new and advanced developments in order to improve the TAIC business environment and adopt the latest technical methods and approaches that serve the TAIC interests in perfect harmony with its strategic directions.

Human Resources and Administrative Affairs

TAIC seeks to achieve integrated human resources practices that support cohesion and contribute to achieving better outcomes by providing a suitable work environment that fosters personal growth and professional development for all employees enabling them to achieve the TAIC strategic goals.

As part of the continued endeavour for further development, the Board of Directors of TAIC approved a new organizational structure, replacing the past structure. In the same vein, the Board of Directors also approved a new ladder for job positions and levels, salaries, and benefits, in accordance with the requirements of the TAIC strategic plan. As part of the efforts and commitment to continued development, capacity-building and building skills, competencies, and capabilities to raise the performance levels of employees, TAIC placed more focus throughout the year on supporting and enhancing training activities, workshops, courses, and forums to best support the TAIC investment and banking activities. Of good note, many employees participated in several events, covering investment, asset and liability management, certified corporate valuation, auditing, anti-money laundering and counter-terrorism financing, operational risk, risk management and compliance, human resources,

loans, compliance, and cybersecurity awareness. Through its new strategy, TAIC aims to develop a new identity for its internal corporate culture by launching core values, including empowerment, a focus on performance, and support for the career advancement of all employees. This will create an ideal cultural identity capable of achieving the aspirations of the TAIC Shareholders, Board of Directors, and employees. In a similar vein, the Administrative Affairs Department conducted a comprehensive review of the TAIC real estate assets. Throughout 2024, significant progress came into play to better manage real estate assets and improve revenues, with tangible achievements, thus increasing financial returns. TAIC is committed to continued development of administrative performance and enhancing operational efficiency to ensure asset sustainability and maximize investment returns.

Strengthening Institutionalisation

Institutionalisation per se lies at the core of TAIC foundation, serving as a key pillar in all its operations. The Company conducts its activities in strict adherence to applicable laws and regulations, guided by principles of sound governance and transparency, the resolutions of the Board of Directors, and the directives of regulatory authorities. This approach enhances the flexibility and adaptability of TAIC operations in line with evolving business needs and developments.

Good Management and Governance Systems

In compliance with the principles and standards of good governance as part of TAIC philosophy to achieve its future aspirations and promising plans, TAIC has developed a package of measures and policies through which it defines



and assigns roles and responsibilities to create an organized work environment that contributes to carrying out its activities with precision and comfort, taking into account the technical aspects and requirements of the regulatory authorities. The Board of Directors is mandated and entrusted with overseeing the implementation of governance systems in full compliance with regulatory requirements and aligned with labor market needs. This oversight ensures the validity and accuracy of system application, as well as adherence to best practices in governance and transparency. Accordingly, the Board has established several permanent committees, including the Higher Investment Committee, Audit Committee, Governance, Risk and Compliance Committee, and Nominations and Compensation Committee. Similarly, the executive management operates its own set of permanent internal committees, notably the Investment Committee, Credit Committee, Securities Committee, and Assets and Liabilities Committee. Each of these committees is assigned specific responsibilities and authorities aimed at regulating and organizing institutional operations, thereby fostering seamless coordination across departments and divisions throughout TAIC.

TAIC Project Investment

The global and regional economy faced significant challenges throughout 2024 that directly impacted the investment climate in Arab Countries. Such challenges included rising energy prices, ongoing conflicts in Europe and the Middle East, disruptions to global supply chains, and rising living costs. Climate change also impacted agricultural production, increasing inflationary pressures in some countries.

Global inflation remained a major problem in several advanced and emerging economies, prompting central banks to adopt tight monetary policies, including raising interest rates to curb inflation. With inflation progressively slowing throughout the year, some central banks began gradually reducing interest rates to stimulate economic growth and enhance market competitiveness. Governments also played a significant role in supporting stability through expansionary fiscal policies in some countries, including tax incentives and targeted support programs for key sectors, such as technology and renewable energy. Despite ongoing geopolitical challenges and high global debt levels, which have heightened uncertainty, the growing trend toward sustainable development, digital transformation, and the adoption of more flexible economic models strengthens expectations for a more stable economic future. National focus on innovation, infrastructure investment, and strengthening economic partnerships indicates the potential for balanced and sustainable growth in the coming years.

Despite the challenges facing the investment environment in the Arab Region throughout 2024 due to the repercussions of strict monetary policy, TAIC continued to implement its initiatives within its strategic plan (2024-2028), enhancing the investment portfolio performance. TAIC adopted a well-thought-out investment approach based on clear policies to support existing projects, with a special focus on monitoring and assessing performance to ensure the highest levels of efficiency and returns.

TAIC continued to expand its investment portfolio by increasing its exposure to new sectors and markets, thereby enhancing both geographic and sectoral diversification. Such efforts are aligned with the TAIC strategic objectives and contribute to long-term sustainability and growth. In this regard, the management conducted feasibility studies for the expansion of select existing projects that demonstrate stable returns and strong growth potential, based on a thorough analysis of performance indicators and available investment opportunities. Notably, TAIC increased its stake in the Saudi Arabian Oil Company (Aramco) through participation in a secondary public offering valued at \$13.3 million.

As part of ongoing efforts to maintain a balanced investment portfolio aligned with the core pillars of the TAIC strategy, a comprehensive review and evaluation of the existing investment assets were carried out to maximize efficiency and aligning with future strategic directions. Based on this review, TAIC identified five existing equity investments across various sectors, namely energy, basic materials, and investment and finance, from which it plans to divest in line with the strategic objectives for the target sectors and the financial performance of these investments. To ensure the divestment process is carried out professionally and in such a manner that maximizes value, TAIC has enhanced its engagement with leading advisory firms and third parties. These partnerships, involving specialized investment and financial advisory entities, are focused on supporting the execution of the TAIC strategy through market outreach, identification of potential buyers, and the management of negotiations in accordance with best market practices.

In line with the TAIC commitment to enhancing transparency, accuracy, and independence in the preparation of its financial reports, as part of the implementation of one of its strategic initiatives (2024–2028), the process of evaluating non-listed companies is currently being entrusted to specialized consulting firms with extensive expertise in financial valuation. This measure aims to promote adherence to best accounting practices and international standards, as well as to strengthen robust governance.

Investment Portfolio Performance and Future Growth Strategy:

As of December 31, 2024, the total investments of TAIC made up about \$532.9 million, accounting for 50.1% of the TAIC paid-up capital. The investment portfolio included (31) investment projects with a total investment value of \$519.9 million, alongside an investment of \$13 million in the International Finance Corporation's Middle East and North Africa Fund.

Geographical and Sectoral Distribution of Investments:

The TAIC investments span ten Arab Countries and encompass eleven key sectors aimed at supporting sustainable economic development, including:

Investment and Finance Sector: Supporting entrepreneurial projects and enhancing growth opportunities.

Banking Sector: Strengthening banking activities and stimulating financial development.

Food Production Sector: Contributing to food security.

Basic Materials Sector: Supporting manufacturing industries and enhancing supply chains.

Telecommunications Sector: Driving digital transformation and strengthening technological infrastructure.

Consumer Services Sector: Meeting the growing needs of individuals and boosting local consumption.

Real Estate Sector: Serving as a fundamental driver of economic growth.

Public Utilities Sector: Supporting infrastructure projects and essential services.

Energy Sector: Enhancing production and consumption efficiency and supporting renewable energy projects.

Transportation Sector: Developing logistics services and improving supply chain efficiency.

Healthcare Sector: Advancing the quality of medical services and fostering innovation in health care.

Strengthening Regional and International Partnerships

As part of expanding its investment collaboration horizons, the TAIC 12% contribution to the International Finance Corporation's Middle East and North Africa Fund has enabled it to establish strategic partnerships with leading global and regional entities, most notably:

The International Finance Corporation (IFC): to promote sustainable development and investment in emerging markets.

The Arab Fund for Economic and Social Development: to support development projects across the Arab Region.

The Arab Petroleum Investments Corporation (APICORP): specializing in financing energy projects.

The Japan International Cooperation Agency (JICA): which provides technical and financial support to enhance economic and social development.

Company Strategy (2024–2028): Planning and Expansion

In line with the strategic plan for the period 2024–2028, TAIC has kicked off the implementation of comprehensive plans to enhance the performance of the investment portfolio, which include the following:

Identifying and conducting in-depth analysis of promising investment opportunities, with a clear focus on targeted asset classes.

Updating investment policies and procedures to ensure alignment with global best practices.

Reviewing the organizational structure and human capital requirements to enhance operational efficiency.

Establishing strategic partnerships and agreements at the local, regional, and international levels with leading investment entities.

Strengthening the outsourcing of specialized third-party services to improve the quality of investment decisions.

Participating actively in regional and international investment conferences and forums to foster engagement with investors and potential partners.

Monitoring and evaluating existing projects, while exploring exit options for strategically non-aligned investments to maximize returns.

Enhancing Investment Presence and Portfolio Management

TAIC has continued to intensify its concerted efforts to strengthen its presence throughout the Arab and international markets by actively participating in the Boards of Directors of its invested companies and contributing to strategic decision-making aimed at addressing challenges faced by certain investments. TAIC has also capitalized on investment opportunities through close coordination with its shareholders, leveraging its representatives on Boards of Directors and specialized committees.

Organizational Improvements and Governance Enhancement

As part of its all-out efforts to enhance the efficiency of investment operations, TAIC has undertaken a comprehensive review and update of policies, regulations, and guidelines in collaboration with specialized consulting firms to ensure compliance with best international standards. TAIC also focused on implementing effective governance principles to support the sustainability of its investment activities and



to achieve a balanced approach between growth and geographic and sectoral diversification.

Towards a Sustainable Investment Future

These efforts underscore the TAIC commitment to strengthening its role as a key contributor to economic development, fostering innovation, enhancing profitability, and delivering sustainable investment returns. This is achieved through a balanced strategic approach that combines prudent expansion, effective partnerships, and targeted investments in vital sectors.

Providing Banking 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. Over the course of years, 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 difficult challenges prevailing on the global scene due to the ongoing geopolitical tensions, the economic crisis, and uncertainty, the branch exerted its



efforts to remain clearly committed to the directions of the TAIC board approved strategic plan for the period from 2024 to 2028, which called for building a new business model by focusing on pure investment activity, and showed great flexibility and sound financial management by adopting a cautious approach in dealing with the TAIC banking assets, and maintaining and sustaining the required high liquidity levels, and improving its returns to support the TAIC profitability through careful management, and continuous close monitoring of the components of the credit portfolios and investment portfolios to ensure Compliance with regulatory directives and market best practices. Thanks to successful risk management strategies, the branch was able to relatively maintain the asset size during the year 2024, with total banking assets reaching \$1,054 million by the end of 2024 compared to \$1,093 million at the end of 2023, representing a decrease of only 4%. The following table shows the components and proportions of the banking assets at the end of 2024:

Banking Assets Composition as of 31/12/2024

Banking Assets	\$ Million	% of Total
Money Market	620	59%
Investment Securities	429	40%
Other Assets	5	1%
Total	1,054	100%

Banking Assets Composition (end of 2024)



The banking assets portfolio was distributed among the various business departments activities in the branch as follows:

Treasury and Securities Investment

The global markets experienced mixed outcomes throughout 2024. The U.S. economy demonstrated resilience, supported by robust consumer spending, despite the Federal Reserve's interest rate cuts aimed at boosting growth. This resilience underpinned the continued strong performance of the U.S. stock market. However, the Eurozone economy weakened, grappling with geopolitical tensions and slowing economic growth. This divergence in economic performance across regions created a cautious market sentiment, with investors navigating interest rates and the ever-present threat of a global recession. The Middle East was not immune to these global headwinds, with the oil-dependent economies facing challenges from fluctuating oil prices and the ongoing geopolitical tensions.

Throughout 2024, Treasury Department continued to prioritize the implementation of the TAIC new strategy and business model by sustaining a highly liquid Fixed Income portfolio and strategically allocating its excess liquidity into short-term deposits and investments. This approach ensures the readiness to capitalize on emerging investment opportunities that align with the new business model mandate focused on the pure investment business, while maintaining flexibility in a dynamic market environment.

The Treasury department maintained consistent and adequate funding for all operational activities. Through effective ALM practices and prudent investment decisions in equity and fixed-income markets, Treasury made a substantial contribution to the TAIC overall financial performance. The investment securities portfolio amounted to \$429 million in 2024 compared to \$531 million at the end of 2023, representing 19% decrease, primarily attributed to bond maturities and sales.

Maintaining stable short-term liquidity, the money market portfolio (consisting of bank placements and treasury bills) grew to \$620 million by year-end 2024 compared to \$422 million in 2023 representing 47% increase, mainly due to loan repayments and bond maturities. Accepted deposits from clients, financial institutions, and government entities amounted to \$262 million at year-end, compared to the \$276 million recorded in 2023 representing 5% decrease.

Credit Facilities

At the year-end 2024, outstanding net loans and facilities have decreased to zero from \$135 million at the end of the year 2023 due to loan repayments. During the year maturing loans as well as loan prepayments amounted to \$25 million and \$110 million respectively, totaling \$135 million, while no new credit facilities were booked during the year 2024 as a result of the TAIC strategic decision to follow a new business model to be a pure investment company.

Risk Management and Compliance

Risk Management

The banking and financial sectors continue to grow with increasing complexity, sophistication, changes in regulatory landscape and operating environment. With this dynamic environment, the TAIC Risk Management Framework continues to evolve and acclimatize to these changes. Sound Risk Management is an integral part of the TAIC business activities and decision-making process. The TAIC sustainable performance depends on its ability to manage risk at all levels.

In the course of performing its day-to-day business activities, TAIC is exposed to multiple risks, most notably Credit, Market, Liquidity, Operational, Information and Cyber Security, Data Privacy, Compliance, Reputational, among others. The Business Strategy and Risk Management Strategy are designed and reviewed in alignment with the level of risk TAIC is willing to assume. In this context, TAIC has established a strong structure and robust Risk Management Framework to effectively manage these risks and ensure the appropriate balance between Risk and Return. This Framework consists of a comprehensive set of Policies, Standards, Procedures, Processes, and Systems designed to identify, measure, monitor, mitigate, and report risks in a consistent and effective manner across the Company. The Framework is essential for supporting the TAIC Strategic Objectives and serves as a platform for growth. The Governance Framework defines the roles and responsibilities of both the Board of Directors and Executive Management with regard to the effectiveness and implementation of the Risk Management Framework, ensuring that outcomes are monitored, corrective actions are taken, and the Framework is continuously updated in line with Regulatory Requirements and Best Practices.

Risk Governance

The risk governance structure ensures central oversight & control with clear accountability and ownership of risk. The Board has the ultimate responsibility for the setup of risk appetite, establish/oversee the Risk Management Framework and approve Policies. 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".

Risk Framework

TAIC has over the years developed risk management into a core competence and remains well positioned to meet any challenges emanating from its business operations. 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 TAIC risk exposures and take the appropriate corrective measures required to maintain the appetite levels within acceptable ranges.

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 the TAIC 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.

In line with Regulatory requirements, external validation of the TAIC risk frameworks, Credit risk, Liquidity risk, Stress Testing, Operational risk, Internal Rating and IFRS 9, ECL are carried out to ensure they are fully compliant to the applicable regulatory guidelines.

The key risks, among others, are the following:

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 well defined policies for identifying, managing and controlling credit risk at the counter-party, group, economic sector and country levels. This is supplemented by a comprehensive due diligence system, detailed procedures and risk-based approval authority matrix to assess and approve credit facilities. Risk Management Department oversees that business activities are aligned with the TAIC 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 models take 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. These risk rating models are validated through independent external consultants in line with regulatory guidelines and these models have been assessed to be fully complying with the standards stipulated by regulatory/international bodies. TAIC follows stringent criteria in setting up 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.

Market Risk

The TAIC 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 the TAIC operations are the Interest Rate and Foreign Exchange risks.

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 ongoing 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, and 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.

Information Security Risk

In view of the significant developments in Information Security and Cyber Security risks, TAIC has undertaken additional improvements to its existing Information and Cyber Security Frameworks, in alignment with international and regulatory standards. These enhancements aim to ensure sound management of Information Security Risk across the Company and the adequacy of controls to secure and protect critical assets, systems, sensitive proprietary information, customer data, and more. The Board of Directors has delegated oversight responsibility to its Governance, Risk, and Compliance Committee (GRCC) to ensure the effective implementation of these frameworks. Additionally, TAIC has established a specialized and independent function to manage Information and Cyber Security risks, under the leadership of a qualified Information Security Officer (ISO), who oversees the TAIC Information and Cyber Security Frameworks.

Data Privacy Risk

TAIC has continued to prioritize data privacy and data security to protect the personal information of our customers, employees, and partners. Robust measures, including policy updates, periodic system vulnerability assessments, threat monitoring and incident response management, have been implemented to ensure compliance with the applicable personal data protection regulations and to safeguard the company against data breaches.

Liquidity Risk

Liquidity Risk Management ensures the availability of funds at all times to meet the financing requirements of TAIC. The Asset and Liability Committee 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. the TAIC 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.

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. BCP is reviewed/updated periodically after a comprehensive Risk Assessment/BIA which

includes all business and support functions. The BCP is annually tested, which covers all the key components of the recovery strategy including the IT Infrastructure. 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.

Reputational Risk

Management of reputational risk is an inherent feature of the TAIC 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.

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

Risk and Return Trade-Off

Since the risks associated with the business activities cannot be mitigated completely, the Risk Management Framework aims at ensuring effective management of 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.

Regulatory Compliance and Anti-Money Laundering (AML)/Combating Financing of Terrorism (CFT)/Combating Proliferation Financing (CPF)

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/CPF 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 operates independently and reports directly to the Board Risk and Compliance Committee (RCC). Our compliance framework undergoes periodic review, consistently demonstrating full compliance with applicable regulatory guidelines.

The Regulatory Compliance, AML/CFT/CPF and Sanction Policies are reviewed and approved by the Board of Directors annually. Compliance with these Policies is 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.

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. TAIC has implemented a robust Compliance program in line with Board approved Policy which covers risk assessment, development of policies, procedures, and controls, an ongoing employee training program, regular monitoring, timely submission of Regulatory reports/requirements, compliance testing, an independent audit function to test the system, and periodic reporting to the Board RCC.

Anti-Money Laundering/Combating Financing of Terrorism (AML/CFT/CPF)

The AML/CFT/CPF 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 risk assessment, sound customer due diligence, daily transaction monitoring, sanctions obligations and freezing without delay, identifying/reporting suspicious transactions, comprehensive employee training programs, independent audit and record keeping as per Regulatory requirements.

Commitment to FATCA and AEOL

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

In conclusion, the Board of Directors of TAIC is pleased to present this report and extend its deepest gratitude and sincere appreciation to the Governments of the Arab States that are shareholders in TAIC for their steadfast and ongoing support. The Board extends special thanks to the Government of the Kingdom of Saudi Arabia, host of the TAIC headquarters, and to the Government of the Kingdom of Bahrain, host of its banking branch, for the exceptional support and facilitation provided through their respective institutions.

The Board also expresses its appreciation to the TAIC clients across both the public and private sectors, reaffirming its pride in their continued trust and strong partnership built over the years. Furthermore, the Board conveys its sincere thanks to the Executive Management and all TAIC employees, congratulating them on the achievements and performance of the 2024 financial year. The Board looks forward to building on this success through continued dedication to realizing the TAIC goals and future ambitions.





115	233	1 095	196 851	40 530	90
194	1 073	178 549	36 214	33 985	45 044
993	191 055	31 161	27 722	77 767	39 068
190 130	29 728	21 610	..	36 120	25 365
26 826	18 284	..	62 582	23 884	1 44
13 067	..	56 959	34 175	1 302	707
..	52 818	33 533	24 399	637 339	1 44
IS (..	31 799	24 674	1 318	30 879	15 829
onesia	25 434	1 271	594 017	643 336	1 9
an	1 204	537 787	27 616	47	47
Iraq	463 881	25 675	12 766	1 735	1 805
Ireland	23 088	12 588	550 842	282 717	12 6
Isle of Man	11 491	486 422	494 607	1 805	11
Israel	452 472	1 602	259 828	1 732	11
Italy	1 569	496 804	1 732	1 732	11
Jamaica	516 539	259 828	1 732	1 732	11
Japan	242 419	1 747	1 732	1 732	11
Kenya	1 747	1 747	1 732	1 732	11
..	1 747	1 747	1 732	1 732	11



02

Financial Statements

and Independent Auditor's Report for
the Year Ended 31 December 2024

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

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Arab Investment Company S.A.A (the "Company") as at 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS Accounting standards).

What we have audited

The Company's financial statements comprise:
the statement of financial position as at 31 December 2024;
the statement of income for the year then ended;
the statement of comprehensive income for the year then ended;
the statement of changes in shareholders' equity for the year then ended;
the statement of cash flows for the year then ended; and
the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Responsibilities of the board of directors and those charged with governance for the financial statements

The board of directors is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards and the Company's Memorandum and Article of Association, and for such internal control as the management 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 board of directors is 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 board of directors either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

Auditors 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 board of directors.

Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 those charged with governance 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.

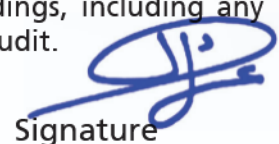
Price waterhouse Coopers

Adel F. Alqahtani

License No. 614

Date 23 April 2025 - 25 Shawal 1446H

Signature



All amounts are stated in thousands of US dollars

Statement of financial position

	Notes	As at 31 December 2024	As at 31 December 2023
Assets			
Cash and balances with banks	5	779,414	535,253
Investment in securities	6	474,902	550,066
Equity participations at fair value through other comprehensive income (FVOCI)	7.1	423,759	409,465
Equity participations at fair value through statement of income (FVSI)	7.2	12,987	14,320
Investment in associates	8	21,840	23,748
Loans and advances	9	-	135,147
Other assets	10	17,040	6,167
Property and equipment	11.1	9,962	10,321
Investment properties	11.2	9,105	9,229
Intangible assets	12	1,292	1,631
Total assets		1,750,301	1,695,347

Following Statement of financial position

	Notes	As at 31 December 2024	As at 31 December 2023
Liabilities and shareholders' equity			
Liabilities			
Deposits	13	262,427	275,609
Other liabilities	15	19,809	22,375
Employees' benefits	16	9,929	10,646
Total liabilities		292,165	308,630
Shareholders' equity			
Share capital	18	1,059,758	1,050,000
Statutory reserve	19	135,487	128,925
General reserve	20	22,799	22,799
Retained earnings		282,008	244,748
Other reserves	21	(41,916)	(59,755)
Net shareholders' equity		1,458,136	1,386,717
Total liabilities and shareholders' equity		1,750,301	1,695,347

All amounts are stated in thousands of US dollars

Statement of income

For the year ended 31 December			
	Notes	2024	2023
Interest income	22	69,931	74,814
Interest expense	22	(13,310)	(16,820)
Net interest income		56,621	57,994
Rental income		4,776	4,506
Dividends		18,760	12,254
Net gain on financial securities	23	76	1,062
Net foreign exchange (loss) / gain		(323)	29
Other income	24	900	734
General and administrative expenses	25	(29,361)	(23,377)
Expected credit losses reversal / (charge), net	26	14,579	(13,078)
Share of profit / (loss) of associates	8	1,729	(228)
Impairment (charge) / reversal of impairment on associates	8	(2,140)	1,725
Net income for the year		65,617	41,621

Statement of comprehensive income

For the year ended 31 December			
	Notes	2024	2023
Net income for the year		65,617	41,621
Other comprehensive income			
Items that will be reclassified to statement of income in subsequent periods:			
Debt investments at FVOCI:			
Net fair value movement during the year		11,421	(2)
Expected credit losses (reversal) / charge, net		(11,619)	11,237
Recycling of loss to the statement of income	21	4,208	6,647
		4,010	17,882
Exchange differences on translation of foreign operations	8,21	(380)	732
Share of other comprehensive (loss) / income of associates	8,21	(41)	1,236
		3,589	19,850
Items that will not be reclassified to statement of income in subsequent periods:			
Equity investments at FVOCI:			
Net fair value movement during the year	21	14,294	(2,789)
Remeasurement of defined benefit obligations	16, 21	(44)	131
		14,250	(2,658)
Total other comprehensive income for the year		17,839	17,192
Total comprehensive income for the year		83,456	58,813

All amounts are stated in thousands of US dollars

Statement of changes in shareholders' equity

	Notes	Share capital
Balance as at 31 December 2022		1,050,000
Net income for the year		-
Other comprehensive income for the year		-
Total comprehensive income		-
Transfer to statutory reserve	19	-
Directors' remunerations paid	17	-
Realised loss on reduction of capital of FVOCI equity investments	7	-
Dividend		-
Balance as at 31 December 2023		1,050,000
Net income for the year		-
Other comprehensive income for the year		-
Total comprehensive income		-
Capital increase	18	9,758
Transfer to statutory reserve	19	-
Directors' remunerations paid	17	-
Dividend		-
Balance as at 31 December 2024		1,059,758

Statutory reserve	General reserve	Retained earnings	Other reserves	Total
124,763	22,799	229,839	(76,947)	1,350,454
-	-	41,621	-	41,621
-	-	-	17,192	17,192
-	-	41,621	17,192	58,813
4,162	-	(4,162)	-	-
-	-	(450)	-	(450)
-	-	(1,100)	-	(1,100)
-	-	(21,000)	-	(21,000)
128,925	22,799	244,748	(59,755)	1,386,717
-	-	65,617	-	65,617
-	-	-	17,839	17,839
-	-	65,617	17,839	83,456
-	-	-	-	9,758
6,562	-	(6,562)	-	-
-	-	(600)	-	(600)
-	-	(21,195)	-	(21,195)
135,487	22,799	282,008	(41,916)	1,458,136

All amounts are stated in thousands of US dollars

Statement of cash flows

For the year ended 31 December			
	Notes	2024	2023
Cash flows from operating activities			
Net income for the year		65,617	41,621
Adjustments to reconcile net income to net cash provided by operating activities:			
Expected credit losses (reversal) / charge, net	26	(14,579)	13,078
Net (gain) / loss on financial securities		(76)	3,701
Amortisation of discount	6	(92)	(645)
Reversal Impairment loss on land	11-2	(18)	-
Share of (profit) / loss of associates	8	(1,729)	228
Impairment charge / (reversal) of impairment on associates	8	2,140	(1,725)
Depreciation	11	769	729
Amortisation	12	385	477
Foreign exchange movement, net	6	190	(849)
		52,607	56,615

For the year ended 31 December			
	Notes	2024	2023
Changes in operating assets and liabilities:			
Deposits with banks with maturities longer than 3 months		(107,236)	(42,391)
Investments at fair value through statement of income		(26,216)	16,591
Loans and advances		138,085	(4,367)
Other assets		(8,464)	(815)
Deposits		(13,182)	(106,113)
Other liabilities		7,192	(7,118)
Employees' benefits		(761)	(1,214)
Net cash generated from / (used in) operating activities		42,025	(88,812)
Cash flows from investing activities			
Purchase of equity participation investments	7	-	(49,452)
Purchase of FVOCI debt investments	6	(25,087)	(83,760)
Proceeds from disposal of FVOCI debt investments		142,074	229,141
Purchase of property and equipment	11.1	(239)	(269)
Purchase of investment properties	11.2	(29)	(45)
Purchase of intangible assets	12	(46)	(44)
Dividends received from associates	8	-	271
Net cash generated from investing activities		116,673	95,842

All amounts are stated in thousands of US dollars

For the year ended 31 December			
	Notes	2024	2023
Cash flows from financing activities			
Dividends paid		(21,195)	(21,000)
Director's bonuses paid	17	(600)	(450)
Net cash used in financing activities		(21,795)	(21,450)
Net change in cash and cash equivalents		136,902	(14,420)
Cash and cash equivalents at the beginning of the year		448,934	463,354
Cash and cash equivalents at the end of the year		585,836	448,934
Supplemental non-cash information			
Net change in fair value reserve		(18,303)	(15,093)
Exchange differences on translation of foreign operations	8	(380)	(732)
Remeasurement on employee benefits	16	44	(131)
Associates' share of other comprehensive income	8	(41)	(1,236)
Capital increase	18	9,758	-
Transfer of equity participation at FVSI to other assets	7.2	1,333	-

1 General

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

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

P.O. Box 4009

Riyadh 11491

Kingdom of Saudi Arabia

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

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

1-1 Basis of preparation

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

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

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

Going concern

The Company's board of 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.

1-2 Standards, interpretations, and amendments

The Company has not early adopted any standard, interpretation or amendment that have been issued but are not yet effective. Several amendments apply for the first time in 2024, but do not have significant impact on the financial statements of the Company.

New standards, interpretations, and amendments adopted by the Company

Accounting Standards, interpretations, amendments	Description	Effective from periods beginning on or after
Amendment to IFRS 16 – Leases on sale and leaseback	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.	1 January 2024
Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.	1 January 2024
Amendment to IAS 1 – Non-current liabilities with covenants and Classification of liabilities as current or non-current	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.	1 January 2024

New standards, interpretations, and amendments not yet effective

Accounting Standards, interpretations, amendments	Description	Effective from periods beginning on or after
Amendments to IAS 21 - Lack of exchangeability	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is Not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.	1 January 2025
IFRS 18 - Presentation and Disclosure in Financial Statements	<p>The IASB has issued IFRS 18, the new standard on presentation and disclosure in financial statements, with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to:</p> <p>the structure of the statement of profit or loss;</p> <p>required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and</p> <p>enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.</p> <p>IFRS 18 will replace IAS 1; many of the other existing principles in IAS 1 are retained, with limited changes. IFRS 18 will not impact the recognition or measurement of items in the financial statements, but it might change what an entity reports as its 'operating profit or loss'.</p>	1 January 2027

All amounts are stated in thousands of US dollars

Accounting Standards, interpretations, amendments	Description	Effective from periods beginning on or after
Amendments to IFRS 10 and IAS 28- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Partial gain or loss recognition for transactions between an investor and its associate or joint venture only apply to the gain or loss resulting from the sale or contribution of assets that do not constitute a business as defined in IFRS 3 Business Combinations and the gain or loss resulting from the sale or contribution to an associate or a joint venture of assets that constitute a business as defined in IFRS 3 is recognized in full.	Effective date deferred indefinitely
Amendment to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments	<p>These amendments:</p> <p>clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;</p> <p>clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;</p> <p>add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and</p> <p>make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI).</p>	1 January 2026

Accounting Standards, interpretations, amendments	Description	Effective from periods beginning on or after
IFRS 19 Subsidiaries without Public Accountability: Disclosures	<p>This new standard works alongside other IFRS Accounting Standards. An eligible subsidiary applies the requirements in other IFRS Accounting Standards except for the disclosure requirements and instead applies the reduced disclosure requirements in IFRS 19. IFRS 19's reduced disclosure requirements balance the information needs of the users of eligible subsidiaries' financial statements with cost savings for preparers. IFRS 19 is a voluntary standard for eligible subsidiaries.</p> <p>A subsidiary is eligible if:</p> <ul style="list-style-type: none"> it does not have public accountability; and it has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards. 	1 January 2027
IFRS S1, 'General requirements for disclosure of sustainability-related financial information'	This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.	1 January 2024 subject to endorsement from SOCPA
IFRS S2, 'Climate-related disclosures'	This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities.	1 January 2024 subject to endorsement from SOCPA

2 Material accounting policies

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.

The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Financial asset at FVSI

All other financial assets are classified as measured at FVSI.

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

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

Business model assessment

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

The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether Directors' strategy focuses on earning mark-up revenue, maintaining a particular profit rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;

How the performance of the portfolio is evaluated and reported to the Company's Directors;

the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

How managers of the business are compensated, e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected;

The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realized.

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

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

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

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

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that

could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers: contingent events that would change the amount and timing of cash flows; leverage features; prepayment and extension terms; terms that limit the Company's claim to cash flows from specified assets (e.g., non-recourse asset arrangements); and features that modify consideration of the time value of money, e.g., periodical reset of profit rates.

Reclassification

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

2) Classification of financial liabilities

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

Deposits are initially recognized at fair value less transaction costs.

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

3) Derecognition

a- Financial assets

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

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

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

b- Financial liabilities

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

4) Modifications of financial assets and financial liabilities

a- Financial assets

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

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

b- Financial liabilities

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

5) Impairment

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

- financial assets that are debt instruments;
- 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- Employees' 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.

N- 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 profits / (losses) of associates' in the statement of income.

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

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

3 Financial risk management

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

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

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

3-1 Credit risk

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

The Company has well laid out procedures, not only to appraise but also to regularly monitor credit risk. Regular reviews are carried out for each account and risks identified are mitigated in a number of ways. In addition to rigorous credit analysis, the terms and conditions of all credit facilities are strictly implemented. The Company follows stringent risk based criteria in setting credit limits for countries and financial institutions. Prudent norms have also been implemented to govern the Company's investment activities. Not only are regular appraisals conducted to judge the credit worthiness of the counterparty but day-to-day monitoring of financial developments across the globe ensures timely identification of any event affecting the risk profile.

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

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 judgment 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 at 31 December 2023. In addition to above, the account tagged as watch list / restructured as at 31 December 2023 including those which has been restructured over the 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 judgment. The Company uses multiple scenarios and probabilities are assigned to each scenario based on expert judgment. Adjustments to the base case macro-economic forecasts are subject to TAIC Credit Committee approval.

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

The Company has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables

and credit risk and credit losses. The economic scenarios used as at 31 December 2023 included the following ranges of key indicators.

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

vii) 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.

viii) 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 at 31 December 2024, the Company used regulatory LGD estimate of 60% for unsecured exposure.

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

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

For non-retail portfolio, as at 31 December 2024, CCF estimate of 100% has been used.

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

3-2 Credit quality analysis

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

Cash and balances with banks

	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
31 December 2024				
Investment grade	410,984	-	-	410,984
Non-investment grade	368,509	-	-	368,509
Individually impaired	-	-	49	49
Total	779,493	-	49	779,542
31 December 2023				
Investment grade	270,217	-	-	270,217
Non-investment grade	265,092	-	-	265,092
Individually impaired	-	-	49	49
Total	535,309	-	49	535,358

All amounts are stated in thousands of US dollars

Loans and Advances

	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
31 December 2024				
Standard	-	-	-	-
Watch	-	-	-	-
Total	-	-	-	-
31 December 2023				
Standard	110,750	-	-	110,750
Watch	-	27,335	-	27,335
Total	110,750	27,335	-	138,085

Other assets

	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
31 December 2024				
Standard	761	-	-	761
Total	761	-	-	761
31 December 2023				
Standard	835	-	-	835
Total	835	-	-	835

Debt investment securities at amortized cost

	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
31 December 2024				
Investment grade	27	-	-	27
Total	27	-	-	27
31 December 2023				
Investment grade	27	-	-	27
Total	27	-	-	27

Debt investment securities at FVOCI

	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
31 December 2024				
Standard	-	-	-	-
Watch list	427,353	-	-	427,353
Loss	-	-	16,138	16,138
Total	427,353	-	16,138	443,491
ديسمبر 31 2023				
Standard	483,500	-	-	483,500
Watch list	-	43,925	-	43,925
Loss	-	-	11,138	11,138
Total	483,500	43,925	11,138	538,563

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

As at 31 December 2024	Unsecured gross carrying amount		Secured gross carrying amount	
(%)	12-months ECL	Lifetime ECL	12-months ECL	Lifetime ECL
0.00 – 0.10	808,597	-	-	-
0.11 – 0.40	-	-	-	-
0.41 – 1.00	399,010	-	-	-
1.01 – 3.00	-	-	-	-
20.01 – 25.00	-	28	-	-
25.01 – 50.00	-	-	-	-
Total	1,207,607	28	-	-

As at 31 December 2024	Unsecured gross carrying amount		Secured gross carrying amount	
(%)	12-months ECL	Lifetime ECL	12-months ECL	Lifetime ECL
0.00 – 0.10	364,416	-	-	-
0.11 – 0.40	153,559	-	-	-
0.41 – 1.00	107,886	-	-	-
1.01 – 3.00	504,576	-	-	-
20.01 – 25.00	-	70,935	-	-
25.01 – 50.00	-	353	-	-
Total	1,130,437	71,288	-	-

3-2-1 Risk limit control and mitigation policies

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

Some specific control and mitigation measures are outlined below:

Collateral: The Company employs a range of policies and practices to mitigate credit risk. The most traditional of these is obtaining security against funds advanced. The Company implements guidelines on the acceptability of specific classes of collateral for credit risk mitigation.

Master netting arrangements: The Company further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions.

3-2-2 Maximum exposure to credit risk without taking account of any collateral or other credit enhancements

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

All amounts are stated in thousands of US dollars

	Maximum exposure	
	2024	2023
Credit risk exposures relating to funded exposures are as follows:		
Cash and balances with banks	779,414	535,253
Loans and advances to banks	-	110,137
Loans and advances to non-banks	-	25,010
Investment debt securities	427,678	527,425
Other assets	761	835
	1,207,853	1,198,660

Credit risk exposures relating to non-funded exposures are as follows:

Contingent liabilities	-	-
Loan commitments	-	-
As at 31 December	1,207,853	1,198,660

The above table represents a worst-case scenario of credit risk exposure of the Company as at 31 December 2024 and 2023, 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:

As at 31 December 2024, none of the overdrafts, loans, and advances portfolio is classified under Standard Assets in accordance with the approved Credit Policy (31 December 2023: 80%).

As at 31 December 2024, none of the overdrafts, loans, and advances portfolio is considered to be neither past due nor impaired (31 December 2023: 100%); and Approximately 36% (31 December 2023: 38%) of the debt securities have at least A- credit rating.

3-2-3 Credit quality of financial assets

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

	Neither past due nor impaired		Past due but not impaired	Individually impaired	Total
	Regular	Watch list			
As at 31 December 2024					
Cash and balances with banks	779,493	-	-	49	779,542
Debt securities	427,353	-	-	16,138	443,491
Loans and advances:	-	-	-	-	-
Loans and advances to banks	-	-	-	-	-
Loans and advances to non-banks	-	-	-	-	-
Other assets	761	-	-	-	761
	1,207,607	-	-	16,187	1,223,794
As at31 December 2023					
Cash and balances with banks	535,358	-	-	49	535,407
Debt securities	483,500	43,925	-	11,138	538,563
Loans and advances:					
Loans and advances to banks	110,750	-	-	-	110,750
Loans and advances to non-banks	-	27,335	-	-	27,335
Other assets	835	-	-	-	835
	1,130,443	71,260	-	11,187	1,212,890

All amounts are stated in thousands of US dollars

Total provision for expected credit loss for loans and advances as at 31 December 2024 is US\$ nil, (31 December 2023: US\$ 2,937 thousands) as there is no loan outstanding as at 31 December 2024. 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 stage 1 and 2 is US\$ 13,368 thousands (31 December 2023: US\$ 24,988 thousands).

3-2-4 Concentration of risks of financial assets with credit risk exposure

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

	Gulf	Other Arab Countries	Asia	Western Europe and USA	Total
Cash and balances with banks	672,863	32	51,778	54,739	779,412
Loans and advances	-	-	-	-	-
Debt securities	171,657	-	25,173	230,848	427,678
Other assets	487	258	16	-	761
As at 31 December 2024	845,007	290	76,967	285,587	1,207,851

Off statement of financial position items

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

Off statement of financial position items

Undrawn loan commitment	-	-	-	-	-
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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 assets and liabilities 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 are stated in thousands of US dollars

	USD	EUR	AED	SAR	BHD	GBP	
	25BP	25BP	25BP	25BP	25BP	25BP	Total
Interest rate risk as at 31 December 2024							
Financial assets:							
Cash and balances with banks	792	132	7	271	733	-	1935
Debt securities	614	7	-	-	-	-	621
Impact of financial assets	1,406	139	7	271	733	-	2,556
Financial liabilities:							
Deposits	(519)	(130)	(2)	-	-	-	(651)
Impact of financial liabilities	(519)	(130)	(2)	-	-	-	(651)
Impact on the results of the Company	887	9	5	271	733	-	1,905
	USD	EUR	AED	SAR	BHD	GBP	
	25BP	25BP	25BP	25BP	25BP	25BP	Total
Interest rate risk as at 31 December 2023							
Financial assets:							
Cash and balances with banks	594	-	4	21	438	-	1,057
Loans and advances	332	-	-	-	-	-	332
Debt securities	751	134	-	-	-	-	885
Impact of financial assets	1,677	134	4	21	438	-	2,274

	USD	EUR	AED	SAR	BHD	GBP	
	25BP	25BP	25BP	25BP	25BP	25BP	Total
Financial liabilities							
Deposits	(815)	-	(1)	-	-	-	(816)
Impact of financial liabilities	(815)	-	(1)	-	-	-	(816)
Impact on the results of the Company	862	134	3	21	438	-	1,458

Managing interest rate benchmark reform and associated risks

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

While all new assets starting from 2022 were recorded using the Alternative Reference Rate, the company prepared in parallel to move all USD floating rate assets maturing post June 30, 2023 to the Risk-Free Rate. Starting from financial year 2022, the Company engaged with concerned counterparties and agreed on the approach to amend concerned assets as per the terms of the fallback language in preparation for LIBOR cessation. Accordingly, on 30 June 2023, the Company formally engaged in the process of transition of all the concerned exposures. As at 31 December 2024, the Company does not hold any USD LIBOR based floating rate exposures indexed to LIBOR.

(b) Equity position risk

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

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

Equity classification	2024			2023		
	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	-	2,961	-	±10	1,701	-
Investment fund FVSI	-	147	-	±10	369	-
Equity participations – quoted	-	-	33,200	±10	-	30,690

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\$ 106 million (2023: US\$ 130 million) Note 7.1.

(c) Foreign exchange risk

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

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

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

The table below summarizes the Company exposure to foreign currency exchange rate risk as 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 2024	USD	EUR	AED	SAR	BHD	GBP	Others	Total
Cash and balances with banks	319,328	53,532	2,831	108,535	294,335	38	815	779,414
Investment securities:								
Financial assets at FVSI	2,381	-	-	29,646	-	-	1,472	33,499
Fair value through OCI	424,767	2,911	-	-	-	-	-	427,678
Equity participation	83,417	-	-	238,115	-	-	128,937	450,469
Loans and advances	-	-	-	-	-	-	-	-
Other assets	925	31	-	-	594	7	-	1,557
Total financial assets	830,818	56,474	2,831	376,296	294,929	45	131,224	1,692,617
Deposits	(209,378)	(52,145)	(904)	-	-	-	-	(262,427)
Other liabilities	(1,098)	(286)	-	(16,388)	(2,037)	-	-	(19,809)
Total financial liabilities	(210,476)	(52,431)	(904)	(16,388)	(2,037)	-	-	(282,236)

All amounts are stated in thousands of US dollars

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

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 do not expose the Company to any currency risk and the Saudi Riyal is pegged with United States Dollars

3-4 Liquidity risk

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

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

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

3-4-1 Maturity analysis of financial assets and financial liabilities

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

As at 31 December 2024	No fixed maturity	Less than 12 months	Over 12 months	Total
Assets				
Cash and deposits with banks	-	779,414	-	779,414
Investments:				
Securities	29,646	55,194	376,337	461,177
Equity participations	450,470	-	-	450,470
Other assets	797	760	-	1,557
Total assets	480,913	835,368	376,337	1,692,618

All amounts are stated in thousands of US dollars

As at 31 December 2024	No fixed maturity	Less than 12 months	Over 12 months	Total
Liabilities				
Deposits	-	262,427	-	262,427
Other liabilities	16,212	3,329	268	19,809
Total liabilities	16,212	265,756	268	282,236
Net	464,701	569,612	376,069	1,410,382
Cumulative liquidity gap	1,410,382	569,612	945,681	-
As at 31 December 2023	No fixed maturity	Less than 12 months	Over 12 months	Total
Assets				
Cash and deposits with banks	-	535,253	-	535,253
Investments				
- Securities	17,009	63,683	469,374	550,066
- Equity participations	423,785	-	-	423,785
Loans and advances	89,789	45,358	-	135,147
Other assets	-	835	-	835
Total assets	530,583	645,129	469,374	1,645,086
Liabilities				
Deposits	-	275,609	-	275,609
Other liabilities	19,278	2,700	397	22,375
Total liabilities	19,278	278,309	397	297,984
Net	511,305	366,820	468,977	1,347,102
Cumulative liquidity gap	1,347,102	366,820	835,797	-

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 2024	1-3 months	3-12 months	Total
Liabilities			
Deposits	262,427	-	262,427
Other liabilities	3,329	15,369	18,698
Total liabilities (contractual maturity dates)	265,756	15,369	281,125

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

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

3-4-3 Derivative cash flows

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

As at 31 December 2024	Up to 1 month	1-3 months	Total
Derivatives designated as fair value through statement of income			
Foreign exchange derivatives:			
Outflow	3,995	-	3,995
Inflow	4,035	-	4,035
Total outflow	3,995	-	3,995
Total inflow	4,035	-	4,035

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

3-4-4 Loan commitments, financial guarantees, acceptances and other off-statement of financial position items

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

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.

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.

The Company does not have any approved investment commitments revocable

or irrevocable as at 31 December 2024 (31 December 2023: US\$ 11.6 million (irrevocable US\$ 3.6 million and revocable US\$ 0.8 million).

3-5 Stress testing

Stress testing refers to a range of techniques used to assess the vulnerability of a financial institution or the entire system to exceptional but plausible events. Stress testing is an important risk management tool that is used by banks as part of their internal risk management. Stress testing alerts bank management to adverse unexpected outcomes related to a variety of risks and provides an indication of how much capital might be needed to absorb losses should large shocks occur. Moreover, stress testing is a tool that supplements other risk management approaches and measures.

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

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

3-6 Fair value of financial assets and liabilities

(a) Financial instruments measured at fair value

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

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

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

The fair value of over-the-counter ("OTC") derivatives is determined using

valuation methods that are commonly accepted in the financial markets, such as present value techniques. The fair value of foreign exchange forwards is generally based on current forward exchange rates.

(b) Fair value hierarchy

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

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

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

As at 31 December 2024	Level 1	Level 2	Level 3	Total
Financial assets at FVSI				
Equity securities	43,371	-	-	43,371
Investment Funds	-	-	3,853	3,853
Equity participations – FVSI	-	-	12,987	12,987
Financial assets at FVOCI				
Debt securities	427,678	-	-	427,678
Equity participations – FVOCI	318,206	-	105,553	423,759
Total assets	789,255	-	122,393	911,648
Financial liabilities at FVSI				
Derivative financial instruments	40	-	-	40
Total liabilities	40	-	-	40

As at 31 December 2023	Level 1	Level 2	Level 3	Total
Financial assets at FVSI				
Equity securities	17,009	-	-	17,009
Investment Funds	-	-	5,632	5,632
Equity participations – FVSI	-	-	14,320	14,320
Financial assets at FVOCI				
Debt securities	527,425	-	-	527,425
Equity participations – FVOCI	293,805	-	115,660	409,465
Total assets	838,239	-	135,612	973,851
Financial liabilities at FVSI				
Derivative financial instruments	104	-	-	104
Total liabilities	104	-	-	104

Level 2 investments represent investment in mutual fund which are valued using the net asset value of the funds.

Key Inputs and Valuation Techniques

The following table summarizes the significant unobservable inputs used in Level 3 fair value measurements:

Investment type	Valuation techniques	Significant unobservable inputs	Range of Inputs 2024	Range of Inputs 2023
Unlisted Equity Securities	Discounted Cash Flow (DCF)	Discount rate	8% – 24%	8% – 24%
		Long-term revenue growth	0% – 2%	0% – 2%

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:

	2024	2023
As at 1 January	152,290	163,137
Addition during the year	-	12,987
Disposed of during the year	-	(1,100)
Total change in fair value	(11,910)	(22,734)
As at 31 December	140,380	152,290

(c) Sensitivity Analysis

The fair value of Level 3 investments is sensitive to changes in key unobservable inputs. The following table illustrates the impact of reasonably possible alternative assumptions on fair value measurements:

		2024	2023
Discount rate (Equity)	+100 basis points	- 4.163%	- 4.435%
	-100 basis points	+ 4.804%	+ 5.074%
Revenue growth rate	+100 basis points	+ 2.457%	+ 2.478%
	-100 basis points	- 2.451%	- 2.472%

(d) Financial instruments not measured at fair value

As at 31 December 2024, 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" is:

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

4 Critical accounting estimates and judgments in applying accounting policies

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

Estimates

Impairment of associates

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

Impairment losses on financial assets

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgment, 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 judgments and estimates include:

The Company's internal credit grading model, which assigns PDs to the individual grades

The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Lifetime ECL basis and the qualitative assessment

The segmentation of financial assets when their ECL is assessed on a collective basis

Development of ECL models, including the various formulas and the choice of inputs

Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs.

Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

Determination of fair value

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

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

All other financial instrument not traded in an active market, the fair value is determined by using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e. using recent arm's length market transactions adjusted as necessary and with reference to the current market value of another instrument that is substantially the same) and the income approach (i.e. discounted cash flow analysis and option pricing models making as much use of available and supportable market data in a reasonably possible manner). A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

Judgments

Classification of property as investment property or owner occupied property

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

Accounting for investment in associates

The Company has multiple associates having varied 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 2024, the management has used the latest management accounts and extrapolated the results for the full year. The management believes that the impact of the varying reporting dates and accounting framework is insignificant to the financial statements of the Company as a whole.

5 Cash and balances with banks

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

	2024	2023
Cash and cash equivalents:		
Cash on hand and in banks	17,259	15,540
Deposits with banks with original maturities of three months or less	275,547	190,541
Treasury bills maturing within three months of acquisition	293,030	242,853
	585,836	448,934
Deposits with banks:	448,934	463,354
Deposits with banks with original maturities of more than three months but less than a year	193,660	86,424
Less: allowance for expected credit losses (Stage 1/3)	(82)	(105)
Total	779,414	535,253

6 Investments in securities

Investment securities as at 31 December comprise of the following:

	2024	2023
Financial assets at FVSI		
Equity securities	43,371	17,009
Investment funds	3,853	5,632
Total	47,224	22,641
Financial assets at FVOCI		
Debt securities:		
AA- to AA+	2,774	2,850
A- to A+	150,430	195,119
BBB- to BBB+	149,706	142,695
BB- to BB+	43,957	47,337
B- to B+	80,486	95,499
CCC to C	-	43,600
Unrated	325	325
Total	427,678	527,425
Financial assets at Amortised Cost (AC)		
Debt securities	27	27
Less: allowance for expected credit losses (Stage 3)	(27)	(27)
Total	-	-
Total investments	474,902	550,066

As at 31 December 2024, US\$ 427,353 thousands of debt securities are classified as stage 1 (2023: US\$ 483,500 thousands) and no debt are classified as stage 2 (2023: US\$ 43,925 thousands) and US\$ 16,138 thousands are classified as stage 3 (2023: US\$ 11,138 thousands) for ECL purposes.

2024				
Financial assets at FVOCI	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
At the beginning of the year	125	13,696	11,138	24,959
Transfer to stage 3	-	(982)	982	-
Net measurement of loss allowance	(109)	-	1,204	1,095
Written-back / recoveries	-	(12,714)	-	(12,714)
At the end of the year	16	-	13,324	13,340

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

All amounts are stated in thousands of US dollars

The movement in investment securities during the year is summarised below:

	FVSI	FVOCI debt	Amortised cost	Total
As at 1 January 2024	22,641	527,425	-	550,066
Exchange differences	(8)	(182)	-	(190)
Additions	121,475	25,087	-	146,562
Disposals (sale, maturity and redemption)	(95,259)	(138,081)	-	(233,340)
Change in fair value	(1,625)	15,629	-	14,004
Change in accrued interest	-	(2,292)	-	(2,292)
Accretion of discount	-	92	-	92
As at 31 December 2024	47,224	427,678	-	474,902

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

7 Investments - equity participations

Investments in equity participations as at 31 December comprise of the following:

	2024	2023
Quoted investments – FVOCI	318,206	293,805
Unquoted investments – FVOCI	105,553	115,660
Unquoted investments – FVSI	12,987	14,320
Total	436,746	423,785

7-1 Fair value of equity participations – FVOCI

	As at 31 December 2024			As at 31 December 2023	
Country / Project	Quoted / Unquoted shares	Fair value of participation	Percentage of share-holding	Fair value of participation	Percentage of share-holding
Kingdom of Morocco					
Maroc Leasing Company	Quoted	5,837	5.74	5,740	5.74
Kingdom of Saudi Arabia					
Middle East Financial Investment Company	Unquoted	10,885	15.00	10,888	15.00
National Trigenation CHP Company	Unquoted	3,661	9.94	3,260	9.94
Bidaya Home Finance	Unquoted	18,417	11.11	26,940	11.11
Saudi National Bank	Quoted	44,610	0.08	51,622	0.08
Saudi Arabian Oil Company	Quoted	36,258	0.002	42,657	0.002
International Company for Water and Power Projects (Acwa Power)	Quoted	75,211	0.10	48,058	0.10
Saudi Telecom Co.	Quoted	35,349	0.07	35,702	0.07
		224,391		219,127	

All amounts are stated in thousands of US dollars

Country / Project	As at 31 December 2024			As at 31 December 2023	
	Quoted / Unquoted shares	Fair value of participation	Percent-age of share-holding	Fair value of participation	Percent-age of share-holding
Republic of Sudan					
Kenana Sugar Company*	Unquoted	-	6.99	-	6.99
Sudatel Group for Communication	Quoted	852	2.18	811	2.18
Berber Cement Company*	Unquoted	-	16.40	-	16.40
		852		811	
Arab Republic of Egypt					
Egyptian Propylene and Polypropylene Company	Unquoted	37,250	10.00	38,647	10.00
International Company for Leasing	Quoted	1,462	10.00	3,553	10.00
E Finance Investment Group	Quoted	16,639	1.95	20,439	2.03
		55,351		62,639	
People's Democratic Republic of Algeria					
Arab Banking Corporation	Unquoted	5,888	3.65	4,028	3.65
		5,888		4,028	
United Arab Emirates					
Salik Company	Quoted	19,201	0.17	11,059	0.17
Dubia Electricity & water Authority	Quoted	35,000	0.09	30,318	0.09
		54,201		41,377	
The Hashemite Kingdom of Jordan					
Arab Jordan Investment Bank	Quoted	28,175	10.25	28,175	10.25
Arab International Hotels Company	Quoted	2,979	8.17	2,979	8.17
		31,154		31,154	

Country / Project	As at 31 December 2024			As at 31 December 2023	
	Quoted / Unquoted shares	Fair value of participation	Percent-age of share-holding	Fair value of participation	Percent-age of share-holding
Kingdom of Bahrain					
Arab Banking Corporation	Quoted	4,339	0.42	4,015	0.42
State of Qatar					
Arab Jordan Investment Bank	Unquoted	7,776	15.00	7,516	15.00
Sultanate of Oman					
Taageer Finance Company	Quoted	13,756	18.79	12,230	18.79
Pan-Arab					
The Arab Company for Livestock Development	Unquoted	3,955	1.67	3,377	1.67
Arab Trade Financing Program	Unquoted	4,376	0.44	4,759	0.44
Arab Mining Company	Unquoted	11,883	1.10	12,692	1.10
		20,214		20,828	
Total		423,759		409,465	

* These investments are fully impaired

7-2 Fair value of equity participations – FVSI

	2024	2023
United Arab Emirates		
Al-Sobh Investment Holding Company – Unquoted (Note 7.2.1)	12,987	14,320
	12,987	14,320

The movement in investments – equity participations (FVOCI and FVSI) is summarised below:

	2024	2023
As at 1 January	423,785	378,402
Additions during the year	-	49,452
Transfer to other assets (Note 7.2.1)	(1,333)	-
Written off	-	(1,100)
Change in fair value (Note 21)	14,294	(2,969)
As at 31 December	436,746	423,785

7-2-1 During the year ended 2023, the Company invested US\$ 14.32 million in preference shares of Al-Sobh Investment Holding Company (Investee Company). The Company has also paid a premium to one of the shareholders of the Investee Company which is convertible to 1,333 common shares upon purchase of the common shares of the Investee Company. During 2024, the Company made an advance payment against common shares of US\$ 8 million to Al-Sobh Company and obtained the right to convert the premium paid in 2023 to common shares. However, as at 31 December 2024, the common shares are yet to be issued by the investee, thus, the Company treated such amount as advance payment against common shares in other assets.

8 Investments in associates

Investments in associate companies as at 31 December comprise of the following:

	2024	2023
Quoted investments	74	104
Unquoted investments	21,766	23,644
Total	21,840	23,748

2024				2023	
Country / Project	Quoted / Unquoted shares	Carrying value of associate	Percent- age of share- holding	Carrying value of associate	Percent- age of share- holding
Kingdom of Morocco					
Société Ryad Soualem S.A.	Unquoted	424	33.00	432	33.00
Asma Club Plus Company	Unquoted	11,949	40.00	12,261	40.00
		12,370		12,693	
Republic of Sudan					
Financial Investment Bank	Quoted	74	20.80	104	20.80
The Arab Leasing Company	Unquoted	442	30.00	400	30.00
		516		504	
People’s Democratic Republic of Algeria					
Arab Leasing Corporation	Unquoted	8,954	18.15	10,551	18.15
		8,954		10,551	
Total		21,840		23,748	

Société Ryad Soualem S.A.- The entity is a raw land developer and its land is located in Casablanca, Morocco.

Asma Club: The entity is a real-estate developer which was established in 2017, and all its real-estate projects are based in Casablanca, Morocco.

Financial Investment Bank: The bank is licensed by the Central Bank of Sudan and it 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 and its main activities of the entity are financial leasing activities in Algeria. The company operations are 100% based in Algeria.

All amounts are stated in thousands of US dollars

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

	Financial Investment Bank	Société Ryad Soualem S.A.	Asma Club Plus Compa- ny	Arab Leasing Corpora- tion	The Arab Leasing Company	Total
Balance as at 31 December 2022	1,420	814	9,564	7,956	800	20,554
Amounts recognised in statement of income						
Share of (losses) / profit of associates	-	(139)	28	768	(885)	(228)
Impairment (Charge) / reversal during the year	(1,861)	(270)	2,010	1,888	(42)	1,725
	(1,861)	(409)	2,038	2,656	(927)	1,497
Amounts recognised in statement of other comprehensive (loss) / income						
Exchange differences on translation of foreign operations	(56)	27	659	210	(108)	732
Share of other comprehensive income of associates	601	-	-	-	635	1,236
	545	27	659	210	527	1,968
Dividends declared	-	-	-	(271)	-	(271)
Balance as at 31 December 2023	104	432	12,261	10,551	400	23,748
Amounts recognised in statement of income						
Share of (losses) / profit of associates (Note 17)	(234)	-	-	833	1,130	1,729
Impairment reversal / (Charge) during the year	245	-	-	(1,255)	(1,130)	(2,140)
	11	-	-	(422)	-	(411)
Amounts recognised in statement of other comprehensive loss						
Exchange differences on translation of foreign operations	-	(10)	(265)	(105)	-	(380)
Share of other comprehensive (loss) / income of associates (Note 17)	(41)	-	-	-	-	(41)
	(41)	(10)	(265)	(105)	-	(421)
Dividends declared	-	-	-	(1,076)	-	(1,076)
Balance as at 31 December 2024	74	422	11,996	8,948	400	21,840

Summarised financial information of the associates are as follows:

	Financial Investment Bank	
	31 Dec 2024 (Unaudited)	31 Dec 2023 (Unaudited)
Total assets	20,847	20,847
Total liabilities	(12,723)	(11,398)
Net assets	8,124	9,449
Net revenue	2,329	2,345
(Loss) / profit for year	(1,047)	280
Other comprehensive income	(124)	2,375
Total comprehensive income for the year	(1,171)	2,655

	Société Ryad Soualem S.A.	
	31 Dec 2024 (Unaudited)	31 Dec 2023 (Audited)
Total assets	2,984	2,987
Total liabilities	(1,709)	(1,680)
Net assets	1,275	1,307
Net revenue	338	134
(Loss) / profit for year	-	(130)
Other comprehensive income	-	-
Total comprehensive income for the year	-	(130)

All amounts are stated in thousands of US dollars

	Asma Club Plus Company	
	31 Dec 2024 (Unaudited)	31 Dec 2023 (Audited)
Total assets	40,643	46,256
Total liabilities	(10,774)	(15,604)
Net assets	29,869	30,652
Net revenue	5,198	12,249
(Loss) / profit for year	-	320
Other comprehensive income	-	-
Total comprehensive income for the year	-	320

	Arab Leasing Corporation	
	31 Dec 2024 (Unaudited)	31 Dec 2023 (Audited)
Total assets	126,274	104,794
Total liabilities	(66,811)	(46,430)
Net assets	59,463	58,364
Net revenue	12,324	9,544
(Loss) / profit for year	5,319	3,834
Other comprehensive income	-	-
Total comprehensive income for the year	5,319	3,834

	The Arab Leasing Company	
	31 Dec 2024 (Unaudited)	31 Dec 2023 (Audited)
Total assets	15,138	21,386
Total liabilities	(5,800)	(12,017)
Net assets	9,338	9,369
Net revenue	4,017	4,045
(Loss) / profit for year	-	(2,867)
Other comprehensive income	-	1,734
Total comprehensive income for the year	-	(1,133)

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

9 Loans and advances

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

	2024	2023
Loans and advances (note 9.1)	-	138,085
Allowance for expected credit losses (note 9.2)	-	(2,938)
Loans and advances, net	-	135,147

All amounts are stated in thousands of US dollars

9-1 The following table shows reconciliations from the opening to the closing gross carrying amount of the loans and advances:

	2024				2023
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total	
At the beginning of the year	138,085	-	-	138,085	133,717
Loan disbursed during the year	-	-	-	-	50,000
Amortisation of fee	264	-	-	264	91
Change in accrued interest	(2,233)	-	-	(2,233)	1,145
Loans repayment	(136,116)	-	-	(136,116)	(46,868)
At the end of the year	-	-	-	-	138,085

9-2 The following table shows reconciliations from the opening to the closing balance of the ECL allowance:

	2024			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
At the beginning of the year	613	2,324	-	2,937
Recoveries	(613)	(2,324)	-	(2,937)
At the end of the year	-	-	-	-

	2023			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
At the beginning of the year	1,051	-	-	1,051
Transfer to stage 2	(325)	325	-	-
Net measurement of loss allowance	(113)	1,999	-	1,886
At the end of the year	613	2,324	-	2,937

10 Other assets

Other assets as at 31 December comprise of the following:

	2024	2023
Advance payment against common shares - Al Sobh Company (Note 7.2.1)	9,333	-
Dividend receivable	4,938	3,644
Rent receivables	40	-
Other receivables	2,729	2,523
Total	17,040	6,167

11 Property and equipment and investment properties

11-1 Property and equipment

Property and equipment as at 31 December comprise the following:

	2024				
	Land	Building and its equipment	Furniture and equipment	Work in progress	Total
Cost					
As at 1 January	4,439	20,797	9,174	11	34,421
Additions during the year	-	-	232	7	239
Disposals during the year	-	-	(98)	-	(98)
As at 31 December	4,439	20,797	9,308	18	34,562
Accumulated depreciation					
As at 1 January	-	15,688	8,412	-	24,100
Charge for the year	-	316	282	-	598
Disposals during the year	-	-	(98)	-	(98)
As at 31 December	-	16,004	8,596	-	24,600
Net book value	4,439	4,793	712	18	9,962

All amounts are stated in thousands of US dollars

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

11-2 Investment properties

Investment properties as at 31 December comprises the following:

2024				
	Land	Building and its equipment	Furniture and equipment	Total
Cost				
As at 1 January	7,982	27,715	1,720	37,417
Additions during the year	-	-	29	29
As at 31 December	7,982	27,715	1,749	37,446
Accumulated depreciation				
As at 1 January	-	24,297	1,628	25,925

2024				
	Land	Building and its equipment	Furniture and equipment	Total
Charge for the year	-	133	38	171
As at 31 December	-	24,430	1,666	26,096
Accumulated impairment				
As at 1 January	2,263	-	-	2,263
Reversal during the year	(18)	-	-	(18)
As at 31 December	2,245	-	-	2,245
Net book value	5,737	3,285	83	9,105

2023				
	Land	Building and its equipment	Furniture and equipment	Total
Cost				
As 1 January	7,982	27,714	1,676	37,372
Additions during the year	-	1	44	45
As at 31 December	7,982	27,715	1,720	37,417
Accumulated depreciation				
As at 1 January	-	24,155	1,586	25,741
Charge for the year	-	142	42	184
As at 31 December	-	24,297	1,628	25,925
Accumulated impairment				
As at 1 January	2,263	-	-	2,263
As at 31 December	2,263	-	-	2,263
Net book value	5,719	3,418	92	9,229

The fair value of investment property at 31 December 2024 amounted to approximately US\$ 16.1 Million (31 December 2023: US\$ 16.9 Million).

All amounts are stated in thousands of US dollars

12 Intangible assets

Software	2024	2023
Cost		
As at 1 January	5,774	5,730
Additions during the year	46	44
Disposal during the year	(2,454)	-
As at 31 December	3,366	5,774
Accumulated Amortization:		
As at 1 January	4,143	3,666
Charge for the year	385	477
Disposal during the year	(2,454)	-
As at 31 December	2,074	4,143
Net Book Value:	1,292	1,631

13 Deposits

Deposits as at 31 December comprise the following:

	2024	2023
Deposits by banks	234,585	238,147
Deposits by non-banks	27,842	37,462
Total	262,427	275,609

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.

	2024		
	Contract / notional amount	Fair value assets	Liabilities
Held for trading			
Foreign exchange derivatives:			
Currency swaps	8,031	-	40

	2023		
	Contract / notional amount	Fair value assets	Liabilities
Held for trading			
Foreign exchange derivatives:			
Currency swaps	7,796	-	15

15 Other liabilities

Other liabilities comprise the following:

	2024	2023
Accounts payable and accrued expenses	10,573	6,556
Dividends payable (Note 17)	7,080	4,235
Deferred income	1,104	1,115
Due to a related party (Note 17)	1,012	10,454
Derivative financial instruments (Note 14)	40	15
Total	19,809	22,375

16 Employees' benefits

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

	Employ- ees saving schemes	Provision for end of service indemnity	Provision For leave	Total	
				2024	2023
As at 1 January	1,711	7,675	1,260	10,646	10,360
Addition for the year	204	895	532	1,631	1,612
Provisions utilised	(105)	(1,824)	(383)	(2,312)	(1,214)
Staff contributing to saving scheme	95	-	-	95	77
Actuarial gain recognised in OCI	-	44	-	44	(131)
Other movement*	-	-	(175)	(175)	(58)
As at 31 December	1,905	6,790	1,234	9,929	10,646

* This pertains to the leave provisions for employees who, upon their departure from the Company, received a cash settlement for their accrued unused leave balances as per their entitlement.

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

	2024	2023
Present value of defined benefit obligations	6,812	7,632
Net defined benefit liability in the statement of financial position	6,812	7,632

	2024	2023
Discount rate	5,25%	4,65%
Long term salary increase rate	5,25%	4,65%
Mortality rate according to world health organization- SA	WHO SA19	WHO SA19
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:

	2024	2023
Discount rate + 0.5%	6.651	7.426
Discount rate – 0.5%	6.982	7.850
Long term salary increases + 0.5%	6.847	8.514
Long term salary increases – 0.5%	6.772	8.135

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

	2024	2023
As at 1 January	7,632	7,434
Amounts recognised in statement of income		
Current service cost	544	577
Interest expense	350	338
	894	915
Amounts recognised in statement of income		
financial assumptions	44	(103)
Remea- surements		
demographic assumptions	-	(2)
experience adjustments	-	(26)
	44	(131)
Payments made to outgoing employees	(1,759)	(586)
As at 31 December	6,811	7,632

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 3.96 – 6.14 years (2023: 4.12-6.14 years)

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

	2024	2023
1	1,659	780
2	434	1,751
3	632	437
4	789	669
5	1,686	816
6-10	4,752	5,563
Total	9,952	10,016

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:

	2024	2023
Executive management personnel		
End of service benefit	1,348	1,178

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:

	2024	2023
Board of directors and committees' expenses	2,531	1,089
Board of Directors' remunerations paid	600	450
Salaries and short-term employee benefits	979	926
End of service benefits	170	186

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

	2024	2023
Share of profit / (losses) of associates	1,729	(228)
Share of other comprehensive (loss) / income of associates	(41)	1,236
Impairment (charge) / reversal of associates	(2,140)	1,725
Dividends	1,076	271

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

Name of related parties	Nature of relationship	Nature of transaction	2024	2023
The State of Libya	Shareholder	Funding received	-	10,454
The State of Libya	Shareholder	Account payable	1,012	-

18 Share capital

Authorized and paid

During the extraordinary general assembly meeting (EGM) held on June 29, 2024, and pursuant to the Board of Directors' proposal, the shareholders unanimously approved a resolution to increase the Company's paid-up capital from US\$ 1,050,000 thousands to US\$ 1,059,758 thousands. The resolution further authorized the issuance of 9,758 shares at their nominal value to the State of Libya. Additionally, the shareholders approved amendments to the Company's Memorandum and Articles of Association, which were formalized under resolution number 4024 G. The share capital with a par value of US\$ 1,000 each as at 31 December comprises the following:

	2024		2023	
	No, of Shares	Amount	No, of Shares	Amount
Authorised	1,200,000	1,200,000	1,200,000	1,200,000
Fully paid	1,059,758	1,059,758	1,050,000	1,050,000

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

	Ownership percentage (%)		Ownership amount	
	2024	2023	2024	2023
Kingdom of Saudi Arabia	16.40	16.56	173,848	173,848
State of Kuwait	16.40	16.56	173,848	173,848
United Arab Emirates (Abu Dhabi)	13.46	13.58	142,641	142,641
Republic of Iraq	10.97	11.07	116,243	116,243
State of Qatar	8.57	8.65	90,841	90,841
Arab Republic of Egypt	7.29	7.36	77,268	77,268
Syrian Arab Republic	5.98	6.04	63,396	63,396
The State of Libya	7.16	6.30	75,928	66,170
Republic of Sudan	2.80	2.83	29,696	29,696
Kingdom of Bahrain	1.79	1.81	18,960	18,960

	Ownership percentage (%)		Ownership amount	
	2024	2023	2024	2023
Republic of Tunisia	1.79	1.81	18,960	18,960
Kingdom of Morocco	1.79	1.81	18,960	18,960
Sultanate of Oman	1.60	1.61	16,918	16,918
Republic of Lebanon	1.69	1.70	17,875	17,875
People's Democratic Republic of Algeria	1.69	1.70	17,875	17,875
The Hashemite Kingdom of Jordan	0.34	0.34	3,569	3,569
Republic of Yemen	0.28	0.27	2,932	2,932
Total	100%	100%	1,059,758	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

	2024	2023
Movement of statutory reserve		
At the beginning of the year	128,925	124,763
Additions during the year	6,562	4,162
At the end of the year	135,487	128,925

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 thousands from retained earnings to the general reserve. The general reserve can only be used through a resolution by the Directors.

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
2024						
At the beginning of year	(13,585)	(38,177)	(11,800)	5,625	(1,818)	(59,755)
Change in value	(198)	14,294	(380)	(41)	(44)	13,631
Transfer to statement of income	4,208	-	-	-	-	4,208
At the end of year	(9,575)	(23,883)	(12,180)	5,584	(1,862)	(41,916)
2023						
At the beginning of year	(31,467)	(35,388)	(12,532)	4,389	(1,949)	(76,947)
Change in value	11,235	(2,789)	732	1,236	131	10,545
Transfer to statement of income	6,647	-	-	-	-	6,647
At the end of year	(13,585)	(38,177)	(11,800)	5,625	(1,818)	(59,755)

22 Interest income and expense

For the year ended 31 December		
	2024	2023
Interest income on		
Investment securities	37,513	33,786
Deposits with banks and treasury bills	26,222	29,322
Loans and advances	6,196	11,706
	69,931	74,814
Interest expense on		
Deposits by banks and financial institutions	(11,885)	(15,476)
Deposits by non-banks	(1,425)	(1,344)
	(13,310)	(16,820)

23 Net gain on financial securities

For the year ended 31 December		
	2024	2023
Equities	5,310	8,175
Debt securities (Note 21)	(4,208)	(6,647)
Unit trust funds	(1,026)	(466)
Total	76	1,062

All amounts are stated in thousands of US dollars

24 Other income

For the year ended 31 December		
	2024	2023
Remuneration for attending board meetings	808	715
Others	92	19
Total	900	734

25 General and administrative expenses

For the year ended 31 December		
	2024	2023
Salaries and related benefits	(15,238)	(13,796)
Restructuring expenses	(3,419)	-
Professional and consultancy fees	(2,952)	(3,299)
Directors' expenses	(2,531)	(1,089)
Others	(5,221)	(5,193)
Total	(29,361)	(23,377)

Professional fee includes auditor's remuneration as below:

For the year ended 31 December		
	2024	2023
Fee for audit services	(180)	(164)
Fee for other services		
Special purpose financial statements	(11)	(9)
Zakat / tax return and other filing service	(11)	(10)
Agreed upon procedures on prudential returns	(23)	(23)
Total	(225)	(206)

26 Expected credit losses reversal / (charge), net

For the year ended 31 December		
	2024	2023
Investment securities – FVOCI debt and amortised cost (Note 6)	11,619	(11,257)
Loans and advances (Note 9)	2,937	(1,887)
Cash and balances with banks (Note 5)	23	(22)
Undrawn loan commitments (Note 15)	-	141
Dividend receivable written-off	-	(53)
Total	14,579	(13,078)

27 Political unrests

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

28 Approval of financial statements

These financial statements were approved and authorised by the board of directors of the Company on 12 April 2025.

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