Bahrain Middle East Bank B.S.C.

REPORT OF THE BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICER, INDEPENDENT AUDITOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2024

BAHRAIN
MIDDLE EAST
BANK
بنك البحرين والشرق الاوسط

Board of Directors and Chief Executive Officer's Report - 2024

On behalf of the Board of Directors and Management of Bahrain Middle East Bank B.S.C. ("**BMB**" or the "**Bank**") we submit the Annual Report and Audited Financial Statements for the year ended 31 December 2024.

2024 was another challenging year for BMB. The key focus for the Board and Management was on recovery efforts relating to its non-performing assets. Several decisions were taken to maintain and reduce to the extent possible the operational expenses and to divert all available resources towards recovery efforts.

2024 Financial Results:
Based on the Directive of the CBB dated 26 November 2018, all direct and indirect exposures to TFC were reclassified as related party exposures and since 16 November 2018 TFC has failed to meet its payment obligations on $194.8 million of outstanding principal exposures (amounting to 86% of the Bank's assets). This caused a net loss for the year 2018 of US$189.4 million.

During 2024, due to the majority of the Bank's assets being non-performing and the need to utilize the available liquidity and resources to pursue the recovery of those assets, the Bank's income generation was very limited. Total Operating Income increased to $0.9 million ($0.3 million in 2023) and total Operating expenses increased slightly to $1.51 million ($1.5 million in 2023).

Going Concern:
The continuing non-performance of the TFC exposures has materially impacted the liquidity position, capital position and the business activities of the Bank. Keeping in view the financial position, the Bank's auditors' have not expressed any opinion on the financial statements (disclaimer of opinion) due to conditions that may affect the Bank's ability to continue as a going concern. As required by the Bank's Articles of Association and in compliance with Article (210) (e) of the Commercial Companies Law No. 21 of 2001, as amended, the Board called for an Extra-Ordinary General Meeting ("EGM") to decide whether the Bank should continue or should be put under voluntary liquidation. There was no quorum for an EGM to be convened in the meetings called on 23 December 2019, 30 December 2019 and 6 January 2020 and as such this could not be deliberated on.

Subject to any developments or changes to the facts and information currently available, and which may affect the Bank, and the conditions set out in note 2 of the financial statements, the Board of Directors and the Management believe that the Bank will continue to be operational for at least the next twelve months. The Board and Management are working on different options to restructure the Bank and to maintain and reduce to the extent possible its operational costs by downsizing and to continue its operations, with the objective of prudently utilizing the available liquidity and other resources and identifying means to generate additional liquidity required to continue the Bank's operations. In addition, the Management have taken several initiatives including negotiations with the related parties (in 2019) to restructure while considering various legal options that led to filing legal cases with the objective of achieving recovery. The steps taken by the Board and Management so far, and steps planned for the future are also explained further in notes to the financial statements.

Activities during the year
Due to the restrictions levied by the Central Bank of Bahrain and the continuing non-performance of a large proportion of the Bank's loan book, the Bank has limited its business activities to managing its remaining liquidity and focusing on recovery.
The primary strategic objective of the Bank is to continue achieving recovery of the outstanding debts on behalf of its customers and itself. It has directed all resources and efforts toward achieving this objective in recognition

that it is key for the continuity of the Bank and the safeguarding of the interests of the stakeholders. To help achieve this objective, and to ensure that the available liquidity is efficiently utilized, the process of thoroughly reducing the operational expenses will continue to be carried out.

Achievements:

Up to date, with their extensive efforts, the Board and Management successfully achieved the following:

- A judgment was issued in favor of the Bank related to a non-performing loan from a related party entity located in the GCC. Furthermore, the Bank enforced the judgment and reached a settlement.
- A judgment was issued in favor of the Bank related to criminal and civil proceedings involving a previous member of Management. Furthermore, the Bank is currently in the final stages of enforcing the judgment in the GCC.
- A judgment was issued in favor of the Bank related to a defaulting placement with a locally incorporated wholesale Islamic Financial Institution. Furthermore, the Bank enforced the judgment and reached a settlement, whereby, as part of settlement, the Bank received investment properties located in Amwaj Bahrain and unquoted Sukuk. The Bank managed to sell majority of the investment properties. Moreover, the Bank received the coupon of those unquoted Sukuk for the current period.
- Continued to enhance the internal controls by reviewing and updating the policies, procedures and systems to further strengthen the Bank's internal frameworks.

Outlook:

The key focus for the Board and Management will continue to be on recovery efforts relating to the non-performing assets. To the best of its knowledge and belief, the Board and Management recognize that the continuation of the Bank in this manner and following this strategy would be to the benefit of its depositors, customers and shareholders.

We are pleased to attach the remuneration of members of the Board of Directors and the Executive Management for the fiscal year ending 31 December 2024.

First: Board of directors' remuneration details:

Name	Fixed remunerations				Variable remunerations				End-of-service award	Aggregate amount (Does not include expense allowance)	Expenses Allowance
	Remunerations of the chairman and BOD	Total allowance for attending Board and committee meetings	Others*	Total	Remunerations of the chairman and BOD	Incentive plans	Others**	Total			
First: Independent Directors:											
1- Sh. Khalifa bin Duaij Al Khalilfa*	-	3,770	-	3,770	-	-	-		-	-	3,770
2- Mr. Emad Yousef AlMonayea*	-	4,147	-	4,147	-	-	-	-	-	-	4,147
3- Mr. Khalil Ismaeel Al Meer*	-	4,713	-	4,713	-	-	-	-	-	-	4,713

4- Mr. Nader Ahmed Mahmood*	-	4,524	-	4,524	-	-	-	-	-	-	4,524
Second: Non-Executive Directors:											
1-	-	-	-	-	-	-	-	-	-	-	-
Third: Executive Directors:											
1- Mr. Abdulla Mohamed Dawood*	-	3,770	-	3,770	-	-	-	-	-	-	3,770
Total	**-**	**20,924**	**-**	**20,924**	**-**	**-**	**-**	**-**	**-**	**-**	**20,924**

Note:

1- All amounts must be stated in Bahraini Dinars.
2- The Bank does not have any variable remuneration payments, end of service benefits, or expense allowances paid to its directors.
3- Salaries and other benefits in their capacity as employees are reported in the second table below.

* The Directors were appointed in the Ordinary General Meeting held on 11th October 2022 for a three-year term from 11th October 2022 to 11th October 2025.

Second: Executive management remuneration details:

Executive management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration for 2024	Aggregate Amount
Top 6 remunerations for executives, including CEO* and Senior Financial Officer**	173,454	-	-	173,454

Note:

1- All amounts must be stated in Bahraini Dinars.
2- Remuneration information above excludes any Board remuneration earned by executive management from their role as a Board member.

* The highest authority in the executive management of the company, the name may vary: (CEO, President, General Manager (GM), Managing Director...etc).

** The company's highest financial officer (CFO, Finance Director, ...etc).

Khalifa Bin Duaij AlKhalifa
Chairman
of the Board of Directors

Abdulla Mohamed Dawood
Chief Executive Officer
Board member

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BAHRAIN MIDDLE EAST BANK B.S.C.

Report on the Audit of the Consolidated Financial Statements

Disclaimer of opinion

We were engaged to audit the consolidated financial statements of Bahrain Middle East Bank B.S.C. ("the Bank") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as of 31 December 2024, and the consolidated statements of comprehensive income, cash flows and changes in equity for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

We do not express an opinion on the accompanying consolidated financial statements. Because of the significance of the matters described in the Basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the consolidated financial statements.

Basis for disclaimer of opinion

a) As disclosed in Note 2, the consolidated financial statements have been prepared on a basis other than going concern whereby, the assets are required to be stated at their net realisable values and liabilities at amounts at which they are expected to be settled. In preparing the consolidated financial statements, the management and the board of directors have considered and adopted several assumptions and judgments to best reflect the assets at net realisable values and the liabilities at amounts at which they are expected to be settled. However, they have been unable to make a reliable estimate of the net realizable value of a substantial portion of the Group's non-performing assets amounting to US$ 193.7 million included in exposures to related parties and US$ 4.162 million included in investment securities. Exposures to related parties have been fully provided for and the Group has chosen to value these at US$ nil while investment securities had been assessed to have a net realisable value of US$ 4.162 million. We have not been provided with and have not been able to assess the reasonableness of the basis of preparation nor the net realisable value of these assets.

b) As disclosed in notes 24 to the consolidated financial statements, the Group had reversed unclaimed dividends payable in 2011. As at 31 December 2024, the Group did not reflect the liability of US$ 2,566 thousand towards its shareholders for these unclaimed dividends declared in prior years on the consolidated statement of financial position. The Group continues to disclose the same as a commitment in the notes to the consolidated financial statements. Liabilities are accordingly understated, and equity is overstated in the consolidated statement of financial position by US$ 2,566 thousand as at 31 December 2024.

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

Basis for Disclaimer of opinion (continued)

c) As disclosed in note 24 to the consolidated financial statements, the Group's current board of directors and management (who commenced their roles in 2019) have concerns on certain transactions that took place from 2012 to 2018, with a sanctioned foreign government entity, and voluntarily appointed a law firm in 2019 to review the transactions entered by the Group from 2012 with the sanctioned foreign government entity.

The appointed law firm stated in its report issued in June 2020, that based on a preliminary high-level limited review, the Group is at risk of being found to have breached sanctions due to an action of roll-over of such sanctioned funds in its books only, and there is a likelihood of unasserted possible claim or assessment by the relevant enforcement agencies. The law firm has further reported that it did not independently analyze all relevant transactions, instead just a sample, nor did it detail the full scope of the Group's potential activities related to sanctioned parties or countries, whereby instead, the law firm analyzed those records and transaction documents that the Group provided to them. The law firm had also stated that the preliminary assessment does not constitute and should not be misconstrued as an independent internal investigation report. The Group is of the understanding that this assertion is subject to a more detailed review of the underlying facts and transactions, to establish whether an actual breach took place.

The Group's current management has disclosed the legal opinion to the Central Bank of Bahrain (the "CBB"), and the Group has also initiated corrective actions that were suggested by the law firm, where appropriate. The Group has informed us that, regarding the above they are unaware of any claims, proceedings or regulatory actions that have been filed against the Group by any regulatory agency till the date of approval of the consolidated financial statements. It is the Group's assessment that it is not possible to estimate an amount or range of potential loss in case any sanction breaches are ascertained and therefore it is unable to reliably quantify an amount of potential claim or a range of potential claims. Consequently, no provision for possible obligations has been recognised by the Group in the consolidated financial statements. Further, the Group continue to recognise the sanctioned funds under "Due to financial institutions" without any interest being accrued on these balances. We have not been provided with the basis for non-accrual. As such we have been unable to assess whether a potential interest liability exist in this respect.

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

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

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

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

Auditor's Responsibilities for the audit of the consolidated financial statements
Our responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with International Standards on Auditing. However, because of the matters described in the Basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Kingdom of Bahrain, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Report on Other Legal and Regulatory Requirements

As required by the Bahrain Commercial Companies Law and Volume 1 of the Central Bank of Bahrain ("the CBB") Rule Book, we report that except for the matters disclosed in our Basis for disclaimer of opinion section above and Note 3 to the consolidated financial statements:

a) the Group has maintained proper accounting records and the consolidated financial statements are in agreement therewith;

b) the financial information contained in the Board of Director and Chief Executive Officer's Report is consistent with the consolidated financial statements; and

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

Report on Other Legal and Regulatory Requirements (continued)

c) we are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 1 and applicable provisions of Volume 6) and the CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse or the terms of the Group's memorandum and articles of association during the year ended 31 December 2024 that might have had a material adverse effect on the business of the Group or on its consolidated financial position.

The partner in charge of the audit resulting in this independent auditor's report is Abdullatif AlMahmood.

Ernst + Young

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

Bahrain Middle East Bank B.S.C.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

	Note	**2024 US$ '000**	2023 US$ '000
ASSETS			
Balances with banks and financial institutions	7	**185**	67
Placements with financial institutions	8	**1,309**	1,069
Investment securities	9	**4,162**	4,162
Loans and advances	10	**-**	-
Exposures to related parties	11	**-**	-
Investment property	12	**1,129**	2,494
Other assets	13	**25**	60
TOTAL ASSETS		**6,810**	7,852
LIABILITIES AND EQUITY			
LIABILITIES			
Due to financial institutions	14	**127,374**	127,632
Due to customers	15	**1,176**	1,188
Other liabilities	16	**2,366**	2,526
Total liabilities		**130,916**	131,346
EQUITY			
Share capital	17	**100,000**	100,000
Accumulated losses		**(224,106)**	(223,494)
Total equity		**(124,106)**	(123,494)
TOTAL LIABILITIES AND EQUITY		**6,810**	7,852

Khalifa Bin Duaij Bin Khalifa AlKhalifa
Chairman

Emad Yousef Al Monayea
Vice Chairman

Abdulla Mohamed Dawood
Chief Executive Officer

The attached notes 1 to 25 form part of these consolidated financial statements.

Bahrain Middle East Bank B.S.C.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Note	**2024 US$ '000**	2023 US$ '000
OPERATING INCOME			
Interest and profit income		**402**	81
Interest expense		**(2)**	(1)
Net interest income		**400**	80
Fee and commission income		**-**	19
Other income		**152**	222
Foreign exchange gain / (loss)		**341**	(44)
Total operating income		**893**	277
Impairment reversal - net		**8**	-
NET OPERATING INCOME		**901**	277
OPERATING EXPENSES			
Staff expenses		**790**	792
Other operating expenses	18	**723**	674
Total operating expenses		**1,513**	1,466
NET LOSS AND OTHER COMPREHENSIVE LOSS FOR THE YEAR		**(612)**	(1,189)
BASIC AND DILUTED EARNINGS PER SHARE (IN US$ CENTS)	19	**(0.15)**	(0.30)

Khalifa Bin Duaij Bin Khalifa AlKhalifa
Chairman

Emad Yousef Al Monayea
Vice Chairman

Abdulla Mohamed Dawood
Chief Executive Officer

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	Note	**2024** **US$ '000**	2023 US$ '000
OPERATING ACTIVITIES			
Net loss for the year		**(612)**	(1,189)
Adjustments for:			
Depreciation and amortisation		**2**	14
Foreign exchange (gain) / loss		**(341)**	44
Loss on sale of investment properties		**3**	-
Changes in operating assets and liabilities:			
Other assets		**47**	5
Due to financial institutions		**-**	(166)
Due to customers		**(12)**	(748)
Other liabilities		**(91)**	183
Net cash used in operating activities		**(1,004)**	(1,857)
INVESTING ACTIVITIES			
Proceeds from disposal of investment property	12	**1,362**	**-**
Net cash flows used in investing activities		**1,362**	**-**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**358**	(1,857)
Cash and cash equivalents at 1 January		**1,136**	2,993
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**1,494**	1,136
CASH AND CASH EQUIVALENTS COMPRISE:			
Balances with banks and financial institutions	7	**185**	67
Placements with financial institutions with original maturities of three months or less	7	**1,309**	1,069
TOTAL		**1,494**	1,136

The attached notes 1 to 25 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2024

	Share capital US$ '000	*Accumulated losses US$ '000*	*Total equity US$ '000*
Balance at 1 January 2023	100,000	(222,305)	(122,305)
Net loss and total comprehensive loss for the year	-	(1,189)	(1,189)
Balance at 31 December 2023	100,000	(223,494)	(123,494)
Net loss and total comprehensive loss for the year	-	(612)	(612)
Balance at 31 December 2024	**100,000**	**(224,106)**	**(124,106)**

The attached notes 1 to 25 form part of these consolidated financial statements.

1 INCORPORATION AND ACTIVITIES

Bahrain Middle East Bank B.S.C. ("the Bank" or "BMB") is a Bahraini Shareholding Company incorporated in the Kingdom of Bahrain on 5 July 1982 and was granted a license by the Central Bank of Bahrain ("CBB") to carry out banking services. On 9 April 2007, the CBB changed their licenses categories and have issued BMB a Conventional Wholesale Banking license. The commercial registration ("CR") number of the Bank is 12266 and its CBB license number is WBS/023. The Bank is listed on the Bahrain Bourse under the ticker 'BMB'. The principal activities of the Bank and its subsidiaries (together also referred to as "the Group") are trade finance, private & corporate banking, institutional banking and asset management services.

The registered office of the Bank is BMB Centre, Building 135, Road 1702, Block 317, Diplomatic Area, Manama, Kingdom of Bahrain.

AN Investment W.L.L., a limited liability company incorporated in the Kingdom of Bahrain, is the Parent company of the Bank.

These consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 18 February 2025.

2 GOING CONCERN

As at 31 December 2024, the Group's accumulated losses amounted to US$ 224.1 million (31 December 2023: US$ 223.5 million) and its total liabilities significantly exceeded its total assets by US$ 124.1 million (31 December 2023: US$ 123.5 million). Furthermore, the current contractual liabilities of the Group also exceeded its liquid assets. Although the current contractual liabilities of US$ 127.4 million (31 December 2023: US$ 127.6 million) is to a single counterparty and are not expected to be settled based on certain restrictions, the ability of the Bank to meet its obligations when due, depends on its ability to recover its fully provided non-performing assets that are due from related parties with an exposure of US$ 193.7 million (31 December 2023: US$ 194.5 million) and an investments with a locally incorporated wholesale islamic bank, which is being carried at a net realisable value of US$ 4.162 million (31 December 2023: US$ 4.162 million).

To address these factors, the Board and management have taken a number of initiatives in the past including negotiating with the related parties to restructure the exposures. The management has taken various legal actions with the objective of achieving recovery from all the defaulting parties. In addition, the Board and management are continuing to work on different continuity options, which include the restructuring of the Bank with the objective of prudently utilizing the available liquidity and other resources to continue the Bank's operations.

Despite the above steps being taken by the Board and the management, the Bank's liquidity position remains uncertain and based on the liquidity projections prepared by the management, the Bank will not be able to meet its obligations for the next twelve months from the date of approval of these consolidated financial statements, unless the Bank is able to recover its above mentioned non-performing exposures either fully or partially. Considering these facts, these consolidated financial statements have been prepared on basis other than going concern whereby, the assets are stated at their net realisable values and liabilities are stated at the amounts at which they are expected to be settled.

The consolidated financial statements of the Bank for the prior year were also prepared on basis other than going concern basis and therefore the comparative amounts disclosed in these consolidated financial statements follow the same basis of preparation and measurement.

The Board and management of the Bank will continue to work on the recovery of non-preforming exposures while prudently utilizing the available liquidity of the Bank.

3 NON-COMPLIANCE WITH LEGAL AND REGULATORY REQUIREMENTS

a Non-compliance with Central Bank Of Bahrain Rulebook relating to minimum capital, capital adequacy, large exposures and public disclosure requirements

1 As at 31 December 2024, the Bank's equity was negative US$ 124.1 million (2023: negative US$ 123.5 million) which is less than US$ 100 million, being the minimum required by the CBB for wholesale bank licensees. Furthermore, the capital adequacy ratio of the Bank was negative compared to 12.5%, being the minimum required total capital ratio by the CBB and accordingly, the Bank is not in compliance with the minimum capital and capital adequacy requirements set out in the regulations issued by the CBB. In addition, the Bank is not in compliance with the liquidity coverage ratio ("LCR"), net stable funding ratio ("NSFR") and leverage ratio ("LR") requirements set out in these regulations.

2 The Group has exposures to related parties amounting to US$ 193.7 million as at 31 December 2024 (31 December 2023: US$ 194.5 million) which is in not in compliance with section CM-2.5.3 and CM-2.5.15 of CBB Rulebook. Further due to the negative equity position, the Bank is not in compliance with the other exposure limits as defined in CM-2 and elsewhere in the CBB Rulebook Volume 1.

3 The Bank has not published its reviewed interim condensed consolidated financial statements for the periods ended 31 March, 30 June and 30 September 2024, 2023 and 2022 within the time prescribed in section PD-3.1.4 of Public Disclosure Module. However, the Bank had formally requested an exemption from preparation of the interim condensed consolidated financial statements for 2024 from the CBB and was granted the same. Furthermore, the Bank did not submit consolidated financial statements for the year ended 31 December 2023 to CBB within the prescribed time as per section BR-1.1.2. In addition, due to delay in publication of consolidated financial statements for the year ended 31 December 2023, the Bank is not in compliance with various requirements of CBB Rulebook relating to supplementary reporting.

4 BASIS OF CONSOLIDATION

These consolidated financial statements incorporate the financial statements of the Bank, its subsidiary and the investment holding companies of the Bank as at 31 December 2024.

The Bank's principal and wholly owned subsidiary was BMB Property Services W.L.L., which was incorporated in the Kingdom of Bahrain and was engaged in property management. BMB Property Services W.L.L was liquidated on 29 February 2024.

The investment holding companies are wholly-owned Special purpose vehicles (SPVs) of the Bank, incorporated and registered in the Cayman Islands and New Jersey.

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

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

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

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

4 BASIS OF CONSOLIDATION (continued)

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

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

5 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION

These consolidated financial statements have been prepared on a basis other than going concern as mentioned in detail in note 2 of these consolidated financial statements.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), the requirements of the Commercial Companies Law and the Central Bank of Bahrain and Financial Institutions Law 2006, along with applicable rules and regulations issued by the CBB.

5.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and are in conformity with the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 1 and applicable provisions of Volume 6) and CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse and the terms of the Bank's memorandum and articles of association.

5.2 Accounting convention

The consolidated financial statements have been prepared on a basis other than going concern whereby, the assets are stated at their net realisable values and liabilities are stated at the amounts at which they are expected to be settled.

The consolidated financial statements are presented in United States Dollars ("US$"), this being the functional currency of the Bank, and are rounded to the nearest thousand unless otherwise stated.

6 MATERIAL ACCOUNTING POLICY INFORMATION

6.1 New and amended standards and interpretations effective as of 1 January 2024

The following new amendments to the accounting standards became effective in 2024 and have been adopted by the Group in preparation of these consolidated financial statements as applicable. Further, the Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller- lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. This standard had no impact on the Group.

6 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

6.1 New and amended standards and interpretations effective as of 1 January 2024 (continued)

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

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

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. This standard had no impact on the Group.

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The amendments had no impact on the Group's consolidated financial statements as the Group does not have any supplier finance agreements recognised in accordance with IFRS 7, as at 31 December 2024.

6.2 New standards and interpretations issued but not yet effective

Lack of exchangeability – Amendments to IAS 21

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

The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted, but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information. The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

IFRS 18 Presentation and Disclosure in Financial Statements

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

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

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

6 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

6.2 New standards and interpretations issued but not yet effective (continued)

IFRS 18 Presentation and Disclosure in Financial Statements (continued)
IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively. The Group is currently assessing the impact the amendments will have on current practice.

IFRS 19 Subsidiaries without Public Accountability: Disclosures
In May 2024, the IASB issued IFRS 19, which allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with IFRS accounting standards. IFRS 19 will become effective for reporting periods beginning on or after 1 January 2027, with early application permitted. The Group is currently assessing the impact the amendments will have on current practice.

6.3 Financial instruments

i) Financial assets

Recognition and initial measurement
All “regular way” purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

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

Classification
On initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income (FVOCI) or FVTPL. A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

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

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

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

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

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

All other financial assets are classified as measured at FVTPL.

6 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

6.3 Financial instruments (continued)

i) Financial assets (continued)

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

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

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, realising cash flows through the sale of the assets and holding it for liquidity purposes;

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

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

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

Assessment whether contractual cash flows are solely payments of principal and interest
For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

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

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

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as described below:

6 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

6.3 Financial instruments (continued)

i) Financial assets (continued)

Amortised cost
After initial measurement, financial asset are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as 'interest income' in the profit or loss.

Investment securities - FVTPL
These include financial assets held for trading and financial assets designated at FVTPL. Financial assets at FVTPL are carried in the consolidated statement of financial position at fair value with net changes in fair value presented in the consolidated profit or loss.

Investment securities - FVOCI
For debt securities measured at FVOCI, gains and losses are recognised in other comprehensive income (OCI), except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- Interest revenue using the effective interest method;
- Expected Credit Loss and reversals; and
- Foreign exchange gains and losses.

When debt securities measured at FVOCI are derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

When the Group elects to present the changes in the fair value of certain equity instruments in OCI, any gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss, unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an equity investment. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

Derecognition
The Group derecognises 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 Group 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 derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, the original financial asset is derecognised and a new financial asset is recognised at either amortised cost or fair value. If the cash flows are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss.

6 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

6.3 Financial instruments (continued)

i) Financial assets (continued)

Expected credit loss
The Group recognises allowances for Expected credit loss ("ECL") on the following financial instruments that are not measured at FVTPL:

- Financial assets that are debt instruments;
- Financial guarantee contracts issued; and
- Loan commitments issued.

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

-financial assets (cash and cash equivalents and debt investment securities) that are determined to have low credit risk at the reporting date; and

-financial instruments on which credit risk has not increased significantly since their initial recognition.

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

In determining whether credit risk has increased significantly since initial recognition, the Group uses its internal credit risk grading system, external risk ratings, delinquency status of accounts, expert credit judgement and, where possible, relevant historical experience. The Group may also 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 Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due (Stage 2).

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in the probability of default (PDs) and qualitative factors, including whether the exposure has been watch-listed, whether the exposure is more than 30 days past due (Stage 2) and as a backstop based on delinquency.

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); and
• Exposure at default (EAD).

These parameters are generally derived from historical and relevant external market data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a certain date, and are calculated using the external rating data published by Standard & Poor's, after consideration of the contractual maturities of exposures and estimated prepayment rates that are derived using the Vasicek model. The Through-the-cycle (TTC) PD are converted to cumulative Point in Time ("PIT") PD for exposures that have tenors in excess of one year and that are assessed on lifetime PDs. The lifetime PDs are calculated by compounding the 12-month PIT PDs.

6 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

6.3 Financial instruments (continued)

i) Financial assets (continued)

Expected credit loss (continued)

Measurement of ECL (continued)
Given the nature of the Group's exposures and availability of historical statistically reliable information, the Group derives the point-in-time PD using the adjusted through-the-cycle PD data published by Standard & Poor's (S&P) for each rating category.

The Group has identified economic factors such those under the International Monetary Fund (IMF) World Economic Outlook database which it weights to arrive to an average that I factored into its Vasicek model to link the TTC PDs with forward looking economic factors to drive PIT PD estimates for each rating category. The relationship between the economic factors and default and loss rates have been developed using internal historical data and relevant external market data.

LGD is the magnitude of the likely loss if there is a default. The LGD models consider the forecasted collateral value (including credit insurance) and recovery costs of any collateral that is integral to the financial asset.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount.

Subject to a maximum of 12-month PD for financial assets for which credit risk has not significantly increased, the Group measures ECL considering the risk of default over the maximum contractual period over which it is exposed to credit risk.

The Group calculates its ECL by weighting in three scenarios, a base case, positive case and negative case (stressed), where a weighted ECL is then calculated for each Stage.

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

Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

The determination of the IFRS 9 provision results from a two-step approach.

As step 1, the financial assets are allocated to one of the three impairment stages by determining whether a significant increase in credit risk has occurred since initial recognition or whether the financial asset is credit impaired.

As step 2, the expected credit loss is calculated i.e., 12-month expected loss for all financial assets in stage 1 and lifetime expected credit loss for all financial assets in stage 2. The financial assets in stage 3 are covered by specific provisions.

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

6 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

6.3 Financial instruments (continued)

i) Financial assets (continued)

Expected credit loss (continued)

Credit-impaired financial assets (continued)
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 Group on terms that the Group would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

In making an assessment of whether an investment in sovereign debt, other than that of the home country sovereign (i.e. Bahrain), is credit-impaired, the Group considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.

The exposure to the home country sovereign i.e. Bahrain is considered to be low risk and fully recoverable and hence no ECL is calculated.

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

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets; and
- Loan commitments and financial guarantee contracts: generally, as a provision.

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 derecognised and the renegotiated loan recognised as a new loan at fair value. Where possible, the Group seeks to restructure loans rather than to take possession of collateral, if available. This may involve extending the payment arrangements and documenting the agreement of new loan conditions.

The Group continuously renegotiates loans to debtors in financial difficulties to maximise collection opportunities and minimise the risk of default. The Group grants forbearance on a selective basis if there is evidence that the debtor has made all reasonable efforts to honour the original contractual terms and the debtor is expected to be able to meet the revised terms. Forbearance is a qualitative indicator of a significant increase in credit risk, and a debtor would need to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired, or in default, or the PD has decreased such that the provision for credit-impairment reverts to being measured at an amount equal to the 12-month ECL. The accounts which are restructured due to credit reasons in past 12 months are classified under Stage 2. The 12 months period is considered sufficient to test the adequacy of the cash flows to test satisfactory performance under the revised terms of restructuring.

6 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

6.3 Financial instruments (continued)

i) Financial assets (continued)

Expected credit loss (continued)

Definition of default
The Group considers a financial asset to be in default when:

• The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as liquidating collateral;
• The borrower is past due more than 90 days on any credit obligation to the Group; and
• The borrowers rating drops to G.

In assessing whether a borrower is in default, the Group considers both qualitative factors such as breaches of covenants and quantitative factors such as overdue status and non-payment on another obligation of the same issuer to the Group.

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

Write-off
Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

ii) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified into one of the following two categories:

- financial liabilities at amortised cost; or
- financial liabilities at fair value through the profit or loss (FVTPL).

Financial liabilities are initially recognised at fair value, representing the proceeds received net of premiums, discounts and transaction costs that are directly attributable to the financial liability.

The Group's financial liabilities comprise due to financial institutions, due to customers and other liabilities.

Subsequent measurement
Subsequent to initial measurement, financial assets and liabilities are measured at either amortised cost or fair value.

Financial liabilities at amortised cost
All financial liabilities, other than those classified as financial liabilities at FVTPL, are classified as financial liabilities at amortised cost and are measured at amortised cost using the effective interest rate method.

Financial liabilities at fair value through profit or loss
Financial liabilities not otherwise classified above are classified as financial liabilities at FVTPL. This classification includes derivatives that are liabilities measured at fair value.

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

6 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

6.3 Financial instruments (continued)

ii) Financial liabilities (continued)

Derecognition (continued)
The Group derecognises 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 recognised at either amortised cost or fair value. The difference between the carrying amount of the financial liability derecognised and the new financial liability with modified terms is recognised in the profit or loss.

iii) Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if (i) there is a currently enforceable legal right to offset the recognised amounts and (ii) there is an intention to settle on a net basis in order to realise the assets and settle the liabilities simultaneously.

iv) Fair values
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 accessible by the Group.

The fair value of an asset or a liability is measured using the assumption that market participants would use when pricing the asset or liability, and that market participants act in their economic best interest.

The fair value of financial instruments that are quoted in an active market is determined by reference to market bid prices at the close of business on the reporting date.

In case of unquoted investments, the Group uses the net asset values provided by the fund managers or uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

6.4 Foreign currencies
Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Income and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date that the fair value was determined. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in profit or loss.

6.5 Borrowings
After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as interest expense in profit or loss.

6 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

6.6 Payables, accruals and provisions

Provision for employee benefit costs is made in accordance with contractual and statutory obligations and other benefit plans approved by the Board of Directors.

Provisions are recognised when the Group has a present obligation as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

6.7 Dividends and any other appropriations

Proposed dividends are disclosed as appropriations within equity until the time they are approved by the shareholders. On approval by shareholders, these are transferred to liabilities until paid out.

Any other appropriations from equity can only be recognised subject to the approval of the shareholders. These are subsequently transferred to liabilities once approved by the shareholders.

6.8 Treasury shares

Treasury shares are stated at acquisition cost and are shown as a deduction to equity. Any surplus arising from the subsequent sale of treasury shares at a price greater than cost is taken directly to equity and not through profit or loss. Any deficit arising from the subsequent sale of treasury shares at a price lower than cost is charged first against the cumulative surplus from past transactions in treasury shares, and where such surplus is insufficient, then any difference is charged to accumulated losses.

6.9 Segment reporting

An operating segment is a component of the Group that (i) engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, (ii) whose operating results are reviewed regularly by the Chief Executive Officer (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and (iii) for which discrete financial information is available.

6.10 Cash and cash equivalents

Cash and cash equivalents comprise cash and short term funds, treasury bills, placements with financial institutions and other liquid assets that are readily convertible into cash and are subject to insignificant risk of changes in value with an original maturity of three months or less.

6.11 Assets under management

Clients' assets are managed in a fiduciary capacity and the Group has no entitlement to these assets. Clients bear all of the risks and earn a majority of the rewards on their investments, subject to normal management fee arrangements. Accordingly, these assets are not included in the Group's consolidated statement of financial position.

6.12 Income and expenses

Interest income is recognised using the effective yield method.

Fee and commission income is recognised when services are rendered.

Interest expense is recognised using the EIR method.

6.13 Significant accounting judgements and estimates

In the process of applying the Group's accounting policies, management has exercised judgement and estimates as mentioned below, in determining the amounts recognised in the consolidated financial statements.

Net Realisable Value

The assets are carried at net realisable value in the consolidated financial statements. Net realisable value is the value at which the asset can be sold less estimated cost of selling the asset.

6 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

6.13 Significant accounting judgements and estimates (continued)

Going concern

Based on the Bank's uncertain liquidity position since 2020 the consolidated financial statements for the years ended 31 December 2020, 2021 and 2023 were prepared on a basis other than going concern.

In 2024, the Bank's Board of Directors re-assessed the Bank's ability to continue as a going concern. It was concluded that the Bank's liquidity position still remained uncertain based on the liquidity projections prepared by management indicating that the Bank will not be able to meet its obligations for the next twelve months from the date of approval of the consolidated financial statements. Based on this, these consolidated financial statements have been prepared on a basis other than going concern.

7 BALANCES WITH BANKS AND FINANCIAL INSTITUTIONS

	2024	*2023*
	US$ '000	*US$ '000*
Current accounts with banks	**185**	75
Less: Allowance for impairment	**-**	(8)
Balances with banks and financial institutions	**185**	67
Placements with financial institutions with original maturities of three months or less	**1,309**	1,069
Cash and cash equivalents	**1,494**	1,136

Balances with Banks and financial institutions include amounts of US$ nil (31 December 2023: US$ 52 thousand), held with a third party retail bank in the Kingdom of Bahrain, to repay the amount due to customers (refer note 15).

8 PLACEMENTS WITH FINANCIAL INSTITUTIONS

	2024	*2023*
	US$ '000	*US$ '000*
Placements with financial institutions	**1,310**	1,070
Less: Allowance for impairment	**(1)**	(1)
	1,309	1,069

Placements with financial institutions include amounts of US$ 1,176 (31 December 2023: US$ 1,070 thousand), placed with a third party retail bank in the Kingdom of Bahrain, to repay the amount due to customers (refer note 15).

Placement with financial institutions are classified under stage 1 of ECL model (2023: same). No movement in ECL was recognised during the year 2024.

During 2023, the Bank signed a settlement agreement with a locally incorporated wholsale islamic bank for an agreed settlement against a gross exposure of US$ 13,125 thousand. As a part of settlement, the Bank received investment properties located in Amwaj Islands, Bahrain valued at US$ 2,400 thousand (refer note 12) and unqouted sukuk issued by locally incorporated wholesale islamic bank amounting to US$ 9,621 thousand valued at US$ 4,162 thousand (refer note 9). The recoverability of the remaining exposure US$ 6,563 thousand was considered to be remote and was thus written off.

9 INVESTMENT SECURITIES

	2024	2023
	US$ '000	US$ '000
Unquoted sukuk	**4,162**	4,162
Balance at 31 December 2024	**4,162**	4,162

Unquoted sukuk were issued by a locally incorporated wholesale islamic bank amounting to US$ 9,621 thousand. These are carried at net realisable value of US$ 4,162 thousand (2023: same) (refer note 8).

10 LOANS AND ADVANCES

	2024	2023
	US$ '000	US$ '000
Corporate loan	**705**	705
	705	705
Less: Allowance for impairment	**(705)**	(705)
Net loans and advances	**-**	-

Corporate loan of US$ 705 thousand is non-performing (Stage 3) and has been fully provided for (2023: same).

11 EXPOSURES TO RELATED PARTIES

	2024	2023
	US$ '000	US$ '000
Exposures to related parties	**193,718**	194,513
Less: Allowance for impairment	**(193,718)**	(194,513)
Net exposures to related parties	**-**	-

Further to the discovery of certain facts in 2018, the Bank reclassified certain trade finance exposures as exposures to related parties. In addition, the Bank also reclassified certain amounts from placements with financial institutions and investment securities after the discovery of certain agreements which were executed for the benefit of the related parties. These related parties exposures are non-performing and have been classified under Stage 3 (2023: same) and recognised an ECL for the whole amount. Movement in the gross exposure and relevant ECL relates to foreign exchange movements (2023: same).

12 INVESTMENT PROPERTY

	2024	2023
	US$ '000	US$ '000
Opening balance at 1 January	**2,494**	-
Additions	**-**	2,494
Disposals	**(1,365)**	-
Closing balance at 31 December	**1,129**	2,494

During 2023 the Bank signed a settlement agreement with a locally incorporated wholesale islamic bank for an agreed settlement amount. As a part of the settlement agreement the Bank received investment properties consisting of 5 units of residential villa located in Amwaj Islands, Bahrain amouting to US$ 2,494 thousand. However, the Bank also inherited the liability of US$ 94 thousand against these properties (refer note 8). During the year, the management has sold 3 units of residential villas against a consideration of US$ 1,362 thousand.

12 INVESTMENT PROPERTY (continued)

As at 31 December 2024, the fair value of the remaining 2 units residential villas was arrived at based on the valuation performed by the external valuation expert. The fair value less cost to sell of investment property was determined amounted to US$ 1.129 million.

13 OTHER ASSETS

	2024	2023
	US$ '000	US$ '000
Accrued interest receivable	**2**	-
Furniture and equipment and right-of-use assets	**-**	28
Others	**23**	32
	25	60

14 DUE TO FINANCIAL INSTITUTIONS

These represent amounts due to financial institutions in the region. These include liabilities to a single counterparty amounting to US$ 127.4 million (2023: US$ 127.6 million). On 26 August 2020, as part of the strategic compliance review performed by the management, it was decided by the Board of Directors that these deposits will not be subject to any further rollovers due to the imposed sanctions. Therefore these deposits are treated as current accounts (refer note 24).

15 DUE TO CUSTOMERS

	2024	2023
	US$ '000	US$ '000
Customer participation in funds	**756**	762
Others	**420**	426
	1,176	1,188

Customer participation in funds represents amounts received from customers to be invested in private equity funds administered by the Bank, placed with a third party retail bank in the Kingdom of Bahrain. These funds, although treated as part of customer deposits, are retained by the Bank until capital calls are made by private equity fund managers. Customer participation in funds includes US$ 66 thousand (2023: US$ 66 thousand) in deposits held on behalf of BMB Technology and Telecommunications Fund.

Others consist of deposit amounts from corporates and individual customers.

16 OTHER LIABILITIES

	2024	2023
	US$ '000	US$ '000
Accrued expenses	**198**	572
Employees' leaving indemnity	**391**	321
Accrued interest payable	**3**	3
Others liabilities and provisions	**1,774**	1,630
	2,366	2,526

During 2019, after discussion with the legal advisors, the Bank recognised a provision of US$ 1,170 thousand denominated in foreign currency, in relation to all the existing and potential legal claims that may arise against the Bank by the foreign parties whose assets were managed by the Bank. Consequently, the provision amount has not changed materially, except for the impacts of exchange differences.

17 SHARE CAPITAL

	2024		2023	
	Number '000	***Amount US$ '000***	*Number '000*	*Amount US$ '000*
Authorised				
Ordinary shares of US$ 0.25 each	**2,000,000**	**500,000**	2,000,000	500,000
Issued and fully paid				
Ordinary shares of US$ 0.25 each	**400,000**	**100,000**	400,000	100,000

18 OTHER OPERATING EXPENSES

	2024 US$ '000	*2023 US$ '000*
Insurance, regulatory charges and other fees	**69**	38
Communication expenses	**65**	59
Travel and business development expenses	**27**	36
Legal and professional expenses	**217**	194
Premises and equipment expenses	**114**	151
Depreciation and amortisation expenses	**2**	14
Others expenses	**229**	182
	723	674

19 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the year are calculated by dividing the net profit for the year by the weighted average number of shares outstanding during the year as follows:

	2024	*2023*
Net loss for the year attributable to the owners of the Bank (US$ ’000)	**(612)**	(1,189)
Weighted average number of shares outstanding during the year (thousands)	400,000	400,000
Basic and diluted earnings per share (US$ cents)	**(0.15)**	(0.30)

The Bank has no outstanding share options or warrants which could have a dilution effect on the earnings per share.

20 OPERATING SEGMENTS

Given the Bank's current condition, the management of the Bank considers all operations as one segment.

21 RELATED PARTY TRANSACTIONS AND BALANCES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include entities over which the Group exercises significant influence, major shareholders, directors, key management personnel of the Group and entities owned, controlled, jointly controlled or significantly influenced by such parties.

21 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Key management personnel of the Bank are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. Key management personnel comprise the Board of Directors, Chief Executive Officer and Head of Departments. Transactions entered during the year ended and balances as at 31 December 2024 and 31 December 2023 are set out below:

	Key management personnel		*Shareholders and their related parties*	
	2024	*2023*	***2024***	*2023*
	US$ '000	*US$ '000*	***US$ '000***	*US$ '000*
Consolidated Statement of financial position				
Assets				
Exposures to related parties (gross)*	**-**	-	**193,718**	194,513
Liabilities				
Other liabilities - employee leaving indemnity	**35**	39	**-**	-

* Exposures to related parties are fully provided (2023: same).

	Shareholders and other related parties	
	2024	*2023*
	US$ '000	*US$ '000*
Statement of income		
Fee and commission income	**-**	19
Assets under management		
Clients' assets under management placed with a related party (refer note 25)	**32,809**	32,877

Key management compensation

Compensation to key management personnel, including directors, included in the consolidated statement of income is as follows:

	2024	*2023*
	US$ '000	*US$ '000*
Salaries and other short-term employee benefits	**460**	443
Employee leaving indemnity	**3**	5
	463	448
Directors' remuneration	**56**	47

22 CAPITAL MANAGEMENT

The primary purpose of the Bank's capital management is to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains healthy capital ratios in order to support its business and to maximise shareholders' value. As at 31 December 2024 and 2023 the Bank's equity and capital adequacy ratios are less than minimum required by CBB.

23 RISK MANAGEMENT

The principal risks associated with the Bank's businesses are credit risk, liquidity risk, market risk (comprising interest rate risk, foreign exchange risk and equity price risk), operational risk, legal risk, reputational risk, fiduciary risk, and compliance & regulatory risk, as well as other forms of risk inherent in its financial operations.

The following sections review the principal risks to which the Bank is exposed to in the normal course of its business and how it manages those risks.

a) Credit risk

Credit risk is the risk of loss arising as a result of the inability or unwillingness of a counterparty to meet its obligations to the Bank. Credit Risk arises principally from the Bank's lending and trade finance activities in addition to other debt investment related transactions, whereby the Bank applies thorough credit risk assessments and assignment of credit limits at the exposure level.

Maximum exposure to credit risk

	2024			
ASSETS	***Neither past due nor impaired US$ '000***	***Past due or individually Impaired US$ '000***	***Impairment allowance US$ '000***	***Maximum credit risk US$ '000***
Balances with banks and financial institutions	**185**	**-**	**-**	**185**
Placements with financial institutions	**1,310**	**-**	**(1)**	**1,309**
Investment securities	**4,162**	**-**	**-**	**4,162**
Loans and advances	**-**	**705**	**(705)**	**-**
Exposures to related parties	**-**	**193,718**	**(193,718)**	**-**
Other assets	**25**	**-**	**-**	**25**
	5,682	**194,423**	**(194,424)**	**5,681**

	2023			
ASSETS	*Neither past due nor impaired US$ '000*	*Past due or individually Impaired US$ '000*	*Impairment allowance US$ '000*	*Maximum credit risk US$ '000*
Balances with banks and financial institutions	70	5	(8)	67
Placements with financial institutions	1,070	-	(1)	1,069
Investment securities	4,162	-	-	4,162
Loans and advances	-	705	(705)	-
Exposures to related parties	-	194,513	(194,513)	-
Other assets	32	-	-	32
	5,334	195,223	(195,227)	5,330

Credit quality by class of financial assets

All of the Bank's exposures other than loans and advances and exposure to related parties, which are fully provided, are classified as Stage 1 exposures.

23 RISK MANAGEMENT (continued)

a) Credit risk (continued)

Credit risk concentration
All of the Bank's exposures are in Bahrain except for loans and advances and exposures to related parties which are in Europe. The Bank's exposure in loans and advances and exposures to related parties are fully provided.

Industry sector

All of the Bank exposures are towards banking and finance sectors.

b) Market risk
Market risk is the risk of loss due to potential adverse changes in the fair value or future cash flows of a trading position or portfolio of financial instruments resulting from the movement of market variables, such as interest rates, currency rates, equity and commodity prices, market indices as well as volatilities and correlations between markets.

The principal market related risks, which the Bank is exposed to are interest rate risk and foreign exchange risk.

i) Interest rate risk
Interest rate risk is the risk that changes in market interest rates will affect the future cash flows or the fair values of financial instruments.

As at 31 December 2024, the Bank is exposed to limited interest bearing assets and interest bearing liabilities and accordingly there is no significant interest rate risk (2023: same).

ii) Foreign exchange
Foreign Exchange (“FX”) risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Majority of the Bank's assets and liabilities are denominated in US Dollar, Qatari Riyal, Bahraini Dinar and Euro. As the Qatari Riyal and Bahraini Dinar are pegged to the US Dollar, there is minimal sensitivity to FX risk.

The Bank is exposed to Euro in due to financial institutions, due to customers and other liabilities.

c) Liquidity risk
Liquidity risk is the risk that the Bank will not have sufficient funds available to meet the Group's financial obligations as they fall due under normal and stressed circumstances, which includes obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. It also represents the risk that the Bank will be unable to realize its assets in a timely fashion for prices close to their carrying values. Liquidity risk can be caused by mismatches in maturity of assets and liabilities, market disruptions or credit downgrades, which may cause sources of funding to dry up immediately.

The Bank has an amount of US$ 127.4 million (2023: US$ 127.6 million) that is in favour of a single financial institution, that poses a funding liquidity risk on the Bank. This liability is expected to be settled by the Group based on certain restrictions and subject to the Group's recovery of its exposures to related parties. For more details refer to note 13.

23 RISK MANAGEMENT (continued)

c) Liquidity risk (continued)

The table below presents the maturity profile of the Group's assets and liabilities based on remaining contractual maturities:

	31 December 2024						
	Up to 3 months US$ '000	*> 3 months up to 6 months US$ '000*	*> 6 months up to 12 months US$ '000*	*> 1 year up to 5 years US$ '000*	*Over 5 years US$ '000*	*No Maturity US$ '000*	*Total US$ '000*
Assets							
Balances with banks and financial institutions	**185**	**-**	**-**	**-**	**-**	**-**	**185**
Placements with financial institutions	**1,309**	**-**	**-**	**-**	**-**	**-**	**1,309**
Investment securities	**-**	**-**	**-**	**-**	**4,162**	**-**	**4,162**
Investment property	**-**	**-**	**-**	**-**	**-**	**1,129**	**1,129**
Other assets	**18**	**2**	**5**	**-**	**-**	**-**	**25**
Total assets	**1,512**	**2**	**5**	**-**	**4,162**	**1,129**	**6,810**
Liabilities							
Due to financial institutions	**127,374**	**-**	**-**	**-**	**-**	**-**	**127,374**
Due to customers	**1,176**	**-**	**-**	**-**	**-**	**-**	**1,176**
Other liabilities	**190**	**596**	**75**	**-**	**-**	**35**	**896**
Total liabilities	**128,740**	**596**	**75**	**-**	**-**	**35**	**129,446**
Net liquidity gap	**(127,228)**	**(594)**	**(70)**	**-**	**4,162**	**1,094**	**(122,636)**
Cumulative liquidity gap	**(127,228)**	**(127,822)**	**(127,892)**	**(127,892)**	**(123,730)**	**(122,636)**	

23 RISK MANAGEMENT (continued)

c) Liquidity risk (continued)

	31 December 2023						
	Up to 3 months US$ '000	> 3 months up to 6 months US$ '000	> 6 months up to 12 months US$ '000	> 1 year up to 5 years US$ '000	Over 5 years US$ '000	No Maturity US$ '000	Total US$ '000
Assets							
Balances with banks and financial institutions	67	-	-	-	-	-	67
Placements with financial institutions	1,069	-	-	-	-	-	- 1,069
Investment securities	-	-	-	-	4,162	-	4,162
Investment property		-	-	-	-	2,494	2,494
Other assets	15	1	16	28	-	-	60
Total assets	1,151	1	16	28	4,162	2,494	7,852
Liabilities							
Due to financial institutions	127,632	-	-	-	-	-	127,632
Due to customers	1,188	-	-	-	-	-	1,188
Other liabilities	483	306	489	-	-	39	1,317
Total liabilities	129,303	306	489	-	-	39	130,137
Net liquidity gap	(128,152)	(305)	(1,721)	28	4,162	2,494	(123,494)
Cumulative liquidity gap	(128,152)	(128,457)	(130,178)	(130,150)	(125,988)	(123,494)	

Contractual maturity of financial liabilities on an undiscounted basis
The value of financial liabilities on an undiscounted basis are equal to their carrying amounts of these financial liabilities, as these finanicial liabilities are not interest bearing.

The Bank is also required to comply with the Basel 3 liquidity ratio requirements as stipulated by the CBB, which became effective during the year 2019. These requirements relate to maintaining a minimum of 100% liquidity coverage ratio (LCR) and net stable funding ratio (NSFR). LCR is calculated as a ratio of its stock of HQLA and net outflows over the next 30 calendar days. NSFR is calculated as a ratio of ‘available stable funding’ to ‘required stable funding’.

As at 31 December 2024, the Group’s LCR and NSFR were not in compliance with CBB requirements (refer note 3).

23 RISK MANAGEMENT (continued)

d) Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal controls or procedures, system failures, fraud, business interruption, human error, management failure or inadequate staffing.

The Bank's risk management framework includes Operational Risk policies and procedures designed for the management of operational risks which includes identifying and controlling the various operational risks.

While operational risk cannot be entirely eliminated, it is managed and mitigated by ensuring that the appropriate infrastructure, controls, systems, procedures, segregation of duties, and through other internal check carried out which are designed to prevent either inadvertent staff errors or malfeasance prior to the release of a transaction. Operational risk is also managed and mitigated by ensuring the Bank maintains trained & competent staff throughout the Bank.

To further mitigate operational risk, the Bank has also put in place other control mitigation strategies that include business continuity planning and obtaining property insurances. Contingency arrangements, which will be tested from time to time, will also be in place to support operations in the event of a range of possible disaster scenarios.

e) Legal risk

Legal risk is the risk of potential losses or in some cases bankruptcy arising from an unintentional or negligent failure to meet a professional (legal) obligation (including fiduciary and suitability requirements), or from the nature or design of a product. Legal risk is also construed as the risk of non-compliance or uncertainty in the applicability or interpretation of contracts, laws and regulations, the illegality or unenforceability of counterparty obligations under contracts and additional unintended exposure or liability resulting from the failure to structure transactions or contracts properly.

In the ordinary course of its business, the Bank may pursue litigation claims against third parties and may also have litigation claims and/or regulatory proceedings filed against it. To mitigate Legal risks, the Bank has put in place adequate policies and procedures and uses assistance of professional legal firms on need basis, to ensure effective and efficient management of legal risk.

In addition, to further mitigate legal risks, the Bank tries to ensure that it uses standard documentation in its business transactions and for any no-standard documentation, it refers to its external legal counsel to review and ensure the Bank’s legal interests are safeguarded. Refer to Note 24 for details.

f) Fiduciary risk

Fiduciary risk is the risk that client funds are not used for the intended purposes; do not achieve value for money; and/or are not properly accounted for.

The Bank administers and manages assets owned by clients which are not reflected in the consolidated financial statements. Asset management fees are earned for providing investment management services and for managing funds. Fees are recognised as the services are provided and are included in fee and commission income.

To mitigate this risk, the Bank has kept in place preventive measures, including controls and processes that have been deployed to manage fiduciary risk, which includes close monitoring, frequent reporting and ensuring AUM funds are only deployed for the same purpose the investors have opted to in their restricted agreement.

23 RISK MANAGEMENT (continued)

g) Compliance & Regulatory risk

Compliance risk is the potential that the Bank will be deemed to have violated a law or regulation, while Regulatory risk is a potential that changes to laws, regulations or interpretations will cause you losses (refer note 3).

24 COMMITMENTS AND CONTINGENT LIABILITIES

The outstanding commitments and contingent liabilities at 31 December were as follows:

	2024	*2023*
	US$ '000	*US$ '000*
Undrawn investment commitments	**1,636**	1,648
Other commitments	**2,566**	2,578

Undrawn investment commitments comprise contractual commitments to invest in managed equity funds. These amounts are called by fund managers, generally during a period between four and seven years which may be extended at the sole discretion of the fund managers by a further period. At 31 December 2024, the Bank had undrawn investment commitments to private equity funds of US$ 1,636 thousand (31 December 2023: US$ 1,648 thousand). This includes the Bank's proprietary commitments and the co-investors of the Bank who have committed to sub-participate along with the Bank. These co-investors have deposited their undrawn commitment balances with the Bank to fund their undrawn investment commitments to the private equity funds. These balances along with other current account balances of these co-investors are held with locally incorporated banks in the Kingdom of Bahrain on account of these co-investors as disclosed in note 8.

Other commitments represent unclaimed dividend amounts written back by the Bank in 2011 and these are now being disclosed as a contingent liability. During the year, an unclaimed dividend of US$ 12 thousand was claimed by a shareholder and paid by the Bank.

Moreover, the Bank's current Board and Management that started from 2019 had concerns on certain transactions that took place from 2012 to 2018 with a sanctioned foreign government entity, and the current Board and Management appointed a US based Law firm (the "Law Firm") in 2019 to review certain transactions entered by the Bank from 2012 to 2018 with the sanctioned foreign government entity.

The Law Firm stated in its report issued in June 2020, that based on a preliminary high level limited review, the Bank is at risk of being found to have breached sanctions and there is a likelihood of unasserted possible claim or assessment by the relevant enforcement agencies. The Law Firm has further reported that it does not independently analyse all relevant transactions, instead just a sample, nor does it detail the full scope of the Bank's potential activities related to sanctioned parties or countries, whereby instead, the Law Firm have analyzed those records and transaction documents that the Bank provided to them. The Law Firm has also stated that the preliminary assessment does not constitute and should not be misconstrued as an independent internal investigation report. The Bank is of the view that the findings are subjective and can be interpreted differently by different law firms. Accordingly, a more detailed review of the underlying facts and transactions, to establish whether an actual breach took place would be required.

24 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

The Bank's current Management has disclosed the findings to the CBB and has also initiated the corrective actions that were suggested by the Law Firm, where appropriate. The Bank is not aware of any claims, proceedings or regulatory actions that has been filed against the Bank by any regulatory agency relating to these transactions till the date of approval of these consolidated financial statements. The probability of inaccuracy in any estimate of the amount or range of potential loss by the Bank is not slight, and therefore the Bank is unable to reliably quantify an amount of potential claim or a range of potential claims. Consequently, due to this fact, no provision for possible obligations has been recognised in these consolidated financial statements.

Further, back in 2013, the CBB had directed the Bank to take actions relating to funds that were received from the sanctioned financial institution, which included:

- Ceasing the authority of CEO at that time and having him to step down from his position.
- File criminal and civil proceedings against the potentially involved individuals.
- Maintain the freeze on the sanctioned funds and apply necessary changes to the consolidated financial statements of the Bank.
- To further investigate and take necessary corrective actions.

25 ASSETS UNDER MANAGEMENT

The Bank's clients participated in products offered under different asset classes. Total assets under management ("AUM") in each product category at the reporting date are as follows:

	2024	*2023*
	US$ '000	*US$ '000*
Other receivables	**32,809**	32,877
Private equity	**1,073**	1,080
	33,882	33,957

As of 31 December 2024, assets under management included in other receivables of US$ 32,809 thousand (31 December 2023: US$ 32,877 thousand) are invested with counterparties, of which one has been classified as a related party of the Bank in 2018 and the other was an existing known related party (refer note 21). The investments in the products which are related to the related parties are non-performing at the reporting date.

Assets under management, relating to private equity, include BMB Technology and Telecommunications Investment Company (under liquidation), a US focused venture capital fund of funds, customer sub-participations in private equity funds managed by the Bank and other client funds managed on a discretionary basis.