البنك الأهلي المتحد
ahli united bank

Capitalizing on
Synergies

2024 Annual Report

CONTENTS

CAPITALIZING ON EXCELLENCE

Harnessing the power of collaboration, we transform shared strengths and expertise into new opportunities. By building on our collective capabilities, we unlock greater value, drive innovation, and set new standards of achievement.

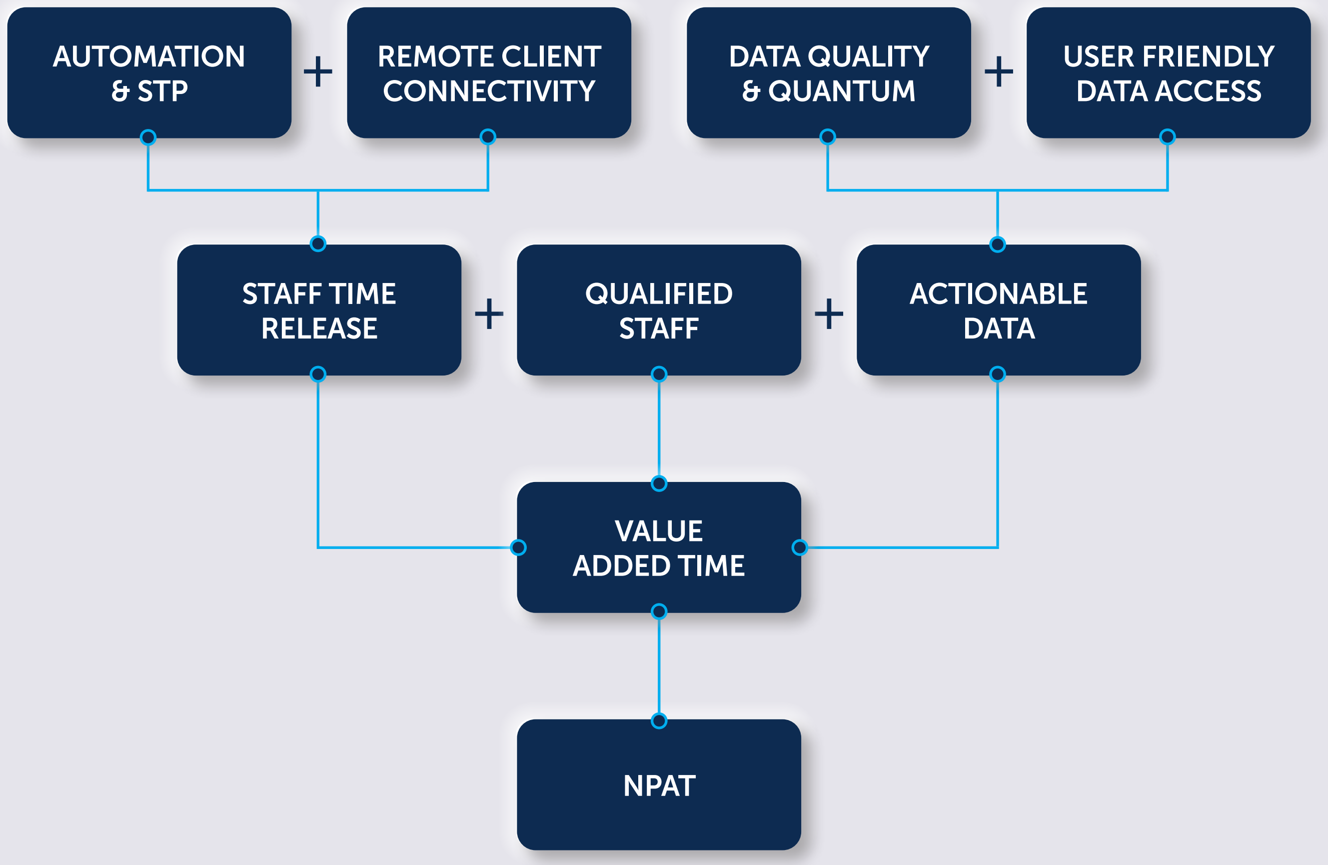
Group Mission Statement

To create an unrivalled ability to
meet customer needs
provide fulfillment and
development for our staff
and deliver outstanding
shareholder value.

OBJECTIVES

- To maximise shareholder value on a sustainable basis.
- To maintain the highest international standards of corporate governance and regulatory compliance.
- To maintain solid capital adequacy and liquidity ratios.
- To treat clients fairly and be their preferred banking partner.
- To ensure technological, digital and data competitiveness across all functions.
- To entrench a disciplined risk and cost management culture.
- To develop a cross-cultural meritocratic management structure.
- To optimise staff development through business driven training and profit related incentive.
- To contribute to the social, economic and environmental advancement of our host countries.

VALUE ADDED TIME = NPAT



AUB Operating Divisions

CORPORATE BANKING
This division covers all the Bank's capital-intensive activities in risk asset generation and funding regionally and internationally.

- Corporate and Trade Finance
- Commercial Property Finance
- Residential Property Finance
- Acquisition and Structured Finance
- Correspondent Banking

PRIVATE BANKING & WEALTH MANAGEMENT
This division generally includes all the low capital-intensive sectors of the business, offering wealth management services to individuals and institutions based on performance and a balanced product mix.

- Private Banking and Asset Management
- Real Estate Fund Management

RETAIL BANKING
This division offers Shari'a Compliant individual customers' deposits, financing receivables, credit cards and residential mortgages.

TREASURY AND INVESTMENTS
This division provides money market, trading and treasury services and is also responsible for the management of the Group's funding.

- Money Market Services
- Foreign Exchange Services
- Hedging and Trading Solutions
- Structured Products
- Investment Management

RISK MANAGEMENT
The Risk Management division is responsible for the identification, assessment and ongoing control of all material risks that could affect the AUB Group's business & operations including but not limited to credit risk, counterparty risk, market risk, liquidity risk, operational risk, reputational risk, information and cyber security risk and technology risk.

AUDIT
This division is an integral part of the control environment of the Group. The role of audit is to understand the key risks of the Bank and examine and evaluate the adequacy and effectiveness of the system of risk management and internal control in order to identify legal, regulatory or policy shortcomings.

SUPPORT SERVICES
These divisions provide back-end banking services to support ongoing business activities of the Group, as well as supporting the Group's expansion through mergers and acquisitions.

- Finance
- Strategic Development
- Information Technology
- Operations
- Services
- Human Resources
- Shari'a

We empower our clients with expanded opportunities through our integrated approach. Our collaborative network fosters continuous development, allowing us to deliver comprehensive solutions and support our clients' evolving needs.

Global Network

6
Countries

88
Branches

2,869
Employees

AUB: UNITED KINGDOM
100%

CIBIQ: IRAQ
85.3%

UBCI: LIBYA
40%

AUB: EGYPT
95.7%

AUB: BAHRAIN
100%

AUB: (DIFC): UAE
100%

Financial Highlights

NET PROFIT (US$'000)

718,150

FINANCING RECEIVABLES AND IJARAH ASSETS (US$'000)

10,005,547

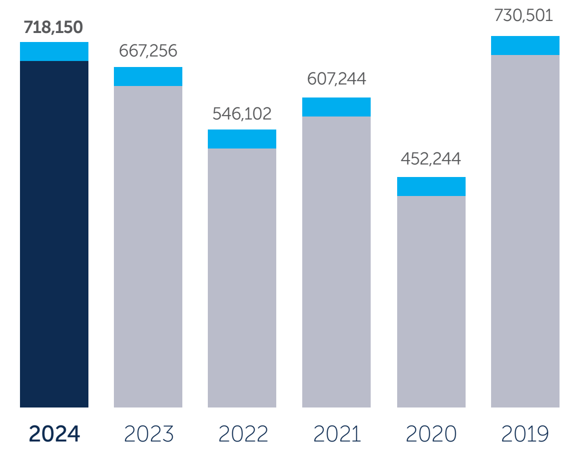
TOTAL ASSETS (US$'000)

27,133,833

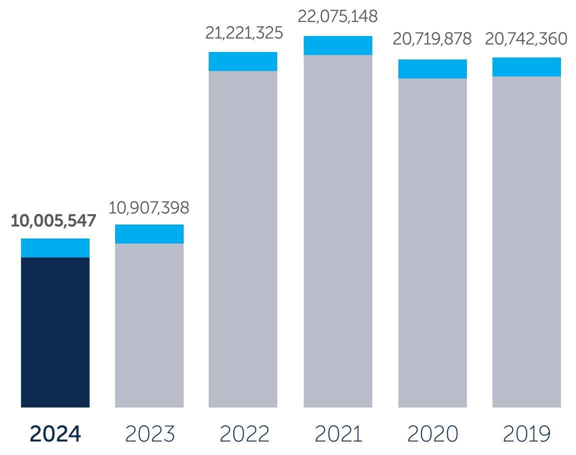
OWNER'S EQUITY (US$'000)

4,994,819

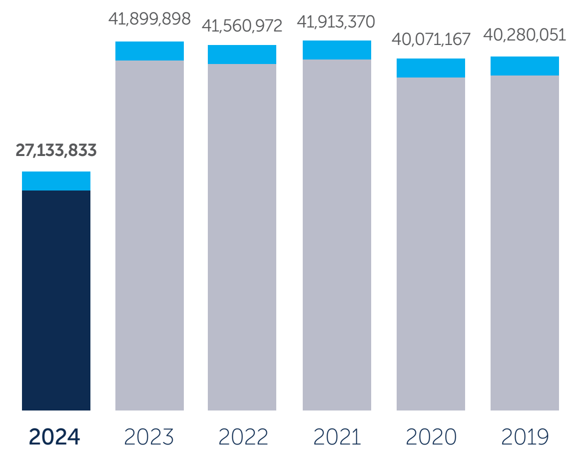
Net Profit (US$'000)



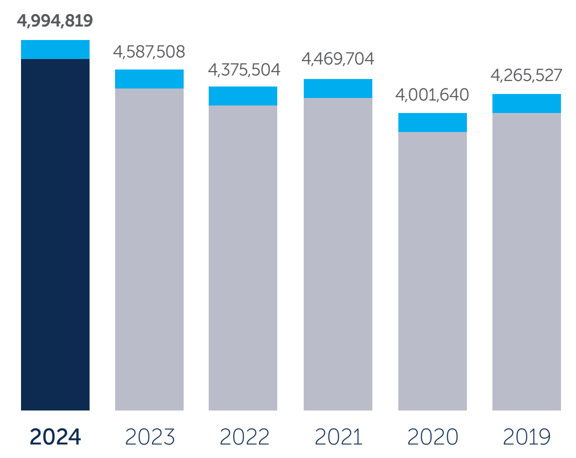
Financing Receivables and Ijarah Assets (US$'000)



Total Assets (US$'000)



Owner's Equity (US$'000)



Financial Highlights

AHLI UNITED BANK B.S.C. (c)

	US$ '000s					
	Dec 2024	Dec 2023	Dec 2022	Dec 2021	Dec 2020	Dec 2019
Net profit	**718,150**	667,256	546,102	607,244	452,244	730,501
Total assets	**27,133,833**	41,899,898	41,560,972	41,913,370	40,071,167	40,280,051
Financing receivables and ijarah assets	**10,005,547**	10,907,398	21,221,325	22,075,148	20,719,878	20,742,360
Total liabilities (including quasi-equity)	**21,685,588**	35,840,956	35,731,573	35,995,405	35,034,809	34,918,522
Owner's equity	**4,994,819**	4,587,508	4,375,504	4,469,704	4,001,640	4,265,527
Non-controlling interests	**53,426**	64,600	453,895	448,261	434,718	496,002
Return on average assets	**2.6%**	1.8%	1.4%	1.6%	1.2%	2.1%
Return on average equity	**15.4%**	15.3%	12.3%	14.7%	10.4%	17.7%
Cost to income ratio	**27.9%**	26.2%	25.8%	29.5%	29.3%	28.6%
Financial leverage	**4.3**	7.7	7.4	7.3	7.9	7.3
Risk assets ratio	**27.6%**	17.2%	16.9%	17.0%	16.1%	16.4%
Net finance margin	**3.30%**	3.39%	2.28%	2.24%	2.06%	2.62%
Earnings per share (US cents)	**6.2**	5.6	4.5	5.1	3.8	6.2

PRINCIPAL SUBSIDIARIES
UNITED KINGDOM: KUWAIT FINANCE HOUSE PLC [formerly AHLI UNITED BANK (UK) PLC]

	US$ '000s					
	Dec 2024	Dec 2023	Dec 2022	Dec 2021	Dec 2020	Dec 2019
Net profit	**39,218**	46,986	39,462	18,893	25,752	40,814
Total assets	**2,739,874**	2,925,213	2,837,717	2,998,843	2,828,031	3,210,261
Financing receivables and ijarah assets	**1,512,591**	1,536,066	1,454,873	1,602,103	1,735,370	1,670,090
Total liabilities	**2,391,860**	2,590,485	2,506,008	2,674,599	2,549,641	2,911,244
Shareholder equity	**348,014**	334,727	331,709	324,244	278,390	299,017
Return on average assets	**1.3%**	1.6%	1.4%	0.6%	0.8%	1.4%
Return on average equity	**11.7%**	14.3%	12.1%	6.6%	9.0%	14.4%
Cost to income ratio	**44.4%**	35.8%	35.7%	58.4%	43.6%	35.3%
Financial leverage	**6.9**	7.7	7.6	8.2	9.2	9.7
Risk assets ratio	**19.2%**	19.4%	19.9%	22.5%	19.2%	20.4%
Earnings per share (US cents)	**19.6**	23.5	19.8	9.4	12.9	20.4

PRINCIPAL SUBSIDIARIES (continued)
IRAQ: COMMERCIAL ISLAMIC BANK OF IRAQ P.S.C.

	IQD Millions					
	Dec 2024	Dec 2023	Dec 2022	Dec 2021	Dec 2020	Dec 2019
Net profit	**38,227**	15,077	11,662	13,009	35,457	6,554
Total assets	**533,894**	486,366	528,984	512,312	616,949	449,596
Loans and advances	**7,427**	11,291	13,030	27,136	18,841	11,447
Total liabilities	**177,878**	168,658	202,926	197,769	309,195	177,364
Shareholders' equity	**356,016**	317,708	326,058	314,543	307,755	272,232
Return on average assets	**8.0%**	2.9%	2.3%	2.0%	7.4%	1.5%
Return on average equity	**11.6%**	4.9%	3.7%	4.2%	13.0%	2.3%
Cost to income ratio	**32.8%**	46.9%	55.3%	61.6%	29.4%	64.1%
Financial leverage	**0.5**	0.5	0.6	0.6	1.0	0.7
Risk assets ratio *	**179.1%**	139.3%	100.8%	98.9%	73.7%	529.2%
Earnings per share (IQD - Fils)	**149.0**	60.3	46.6	52.0	141.8	26.2

*Under BASEL III from 2020.

EGYPT: KUWAIT FINANCE HOUSE BANK - EGYPT S.A.E. [formerly AHLI UNITED BANK (EGYPT) S.A.E.]

	EGP '000s					
	Dec 2024	Dec 2023	Dec 2022	Dec 2021	Dec 2020	Dec 2019
Net profit	**5,489,213**	3,325,217	2,040,904	1,175,628	1,217,264	1,284,708
Total assets	**143,980,473**	113,391,206	85,712,688	64,462,686	56,362,418	47,288,176
Financing receivables	**76,551,625**	62,392,903	48,608,208	36,716,271	29,698,946	26,261,571
Total liabilities	**125,403,470**	100,015,114	75,054,281	55,288,633	48,155,980	39,626,232
Shareholders' equity	**18,577,003**	13,376,092	10,658,407	9,174,053	8,206,438	7,661,944
Return on average assets	**4.4%**	3.4%	2.8%	2.0%	2.4%	2.6%
Return on average equity	**35.9%**	27.7%	21.4%	13.9%	15.9%	18.8%
Cost to income ratio	**19.5%**	21.0%	19.6%	32.1%	28.0%	28.5%
Financial leverage	**6.8**	7.5	7.0	6.0	5.9	5.2
Risk assets ratio	**14.8%**	14.5%	16.2%	18.2%	19.9%	18.3%
Earnings per share (EGP)	**4.9**	3.0	1.8	1.0	1.1	1.2

Board of Directors' Report

The Directors of Ahli United Bank B.S.C. (c) ("AUB" or the "Bank") are pleased to submit the accompanying consolidated financial statements for the year ended 31 December 2024.

GENERAL OPERATING ENVIRONMENT

During 2024, global economic growth was stable as inflation gradually returned closer to targets and monetary easing supported activity in both advanced economies and emerging markets & developing economies. According to the World Bank's latest estimates, global economic growth was 2.7% for 2024, unchanged from the previous year.

As per World Bank, global economic growth for 2025 is forecasted to be 2.7%. However, the global economy appears to be settling at a low growth rate that will be insufficient to foster sustained economic development. Key risks to the growth outlook include heightened policy uncertainty and adverse trade policy shifts. Other risks include escalating conflicts and geopolitical tensions, higher inflation, more extreme weather events related to climate change.

Growth in the Middle East and North Africa (MENA) region has improved marginally from 1.7% in 2023 to 1.8% in 2024. Lower than previously estimated growth of 3.5% in 2024 was mainly due to the extension of voluntary oil production cuts initially agreed among member countries of the Organization of the Petroleum Exporting Countries and other affiliated oil producers (OPEC+).

Economic growth in the MENA region is expected to gather pace in 2025 with a forecasted growth rate of 3.4% by the World Bank. However further delays in oil production hikes by major oil exporters could slow regional growth. In addition, the major downside risk to the regional growth outlook is the intensification of armed conflicts in the region. Similar to global economy, other key risks are heightened policy uncertainty and unexpected adverse global policy shifts.

PERFORMANCE OVERVIEW

Despite a challenging operating environment and market volatility, along with AUB's strategic swap of its stake in Ahli United Bank Kuwait (AUBK) for Kuwait Finance House (KFH) shares on 22 February 2024, the Bank delivered exceptionally strong results in 2024. The key highlights of the AUB Group's consolidated financial performance for 2024 are given below:

I. The Income Statement

AUB achieved very strong results in 2024 for the continuing operations as explained below:

- Consolidated net profit from continuing operations, attributable to the Bank's equity shareholder, of US$ 710.6 million was achieved showing a rise of 12.9% versus US$ 629.5 million in 2023.
- Total operating income increased by 7.6% to US$ 1,156.1 million in 2024 (2023: US$ 1,074.3 million) through a collective healthy growth in investments income, dividends, and other income which was achieved despite a decline in average foreign currency translation rates primarily resulting from the weakening of the Egyptian Pound.
- Reported net financing income for 2024 was lower at US$ 765.8 million (2023: US$ 782.5 million). However, net financing income adjusted for Fx loss EGP devaluation as explained above, for 2024 was higher by 4.7%, primarily because of higher assets volumes.
- The impairment charges for 2024 were lower at US$ 66.3 million (2023: US$ 104.1 million).
- The cost to income ratio for 2024 was 27.9% (2023: 26.2%), showing a slight increase despite significant inflationary pressures. This reflects AUB's continuing efforts towards intelligent cost spend discipline and operational efficiencies.
- AUB's consolidated NPAT includes US$ 7.5 million profit after tax expense for the period from 1 January 2024 till 21 February 2024 from discontinued operations of AUBK (2023: US$ 37.8 million for full year). Accordingly, consolidated net profit after tax, attributable to the Bank's equity shareholder, inclusive of discontinued operations, of US$ 718.2 million was 7.6% higher than US$ 667.3 million in 2023.

II. The Balance Sheet

As a consequence of the Group's transition to Shari'a compliant operations, the financial reporting framework has shifted from International Financial Reporting Standards (IFRS) to the Financial Accounting Standards (FAS) issued by the Accounting and Auditing Organization of Islamic Financial Institutions (AAOIFI) as mandated by the Central Bank of Bahrain (the "CBB") regulations. This change in the reporting framework was effective from 1 January 2024, marking the first time adoption of FAS. Accordingly, the balance sheet is presented with three statements: the current year closing statement, the opening statement for the current year, and the comparative statement for the previous year.

- The AUB Group's total assets as at 31 December 2024 decreased by 35.2% to US$ 27.1 billion (31 December 2023: US$ 41.9 billion, which includes US$ 14.6 billion representing total assets of AUBK). The reported FS does not consolidate AUBK assets and liabilities in FY 2023 on a line-by-line basis and are instead included in one line (classified as "Held for Sale") under assets and liabilities respectively.
- The total financing receivable as at 31 December 2024 is reported as US$ 10.0 billion compared to US$ 10.9 billion as at 31 December 2023.
- The non-trading investment portfolio reported as US$ 11.3 billion (31 December 2023: US$ 10.2 billion) includes investment in KFH shares of US$ 1.65 billion acquired against strategic swap of Bank's stake in AUBK.
- Customers' accounts and related quasi equity were US$ 12.3 billion (2023: US$ 14.0 billion), lower by 12.7% mainly attributed by continued efforts to optimize cost of funds by reducing expensive deposits.
- Gross non- performing financing receivable (Stage 3) ratio remained at 2.4% (31 December 2023: 2.4%). The provision coverage ratio for Stage 3 financing receivable at 31 December 2024 was 80.3% (31 December 2023: 82.5%) and is calculated on a cash provision basis excluding the value of the substantial additional non-cash (real estate and securities) assigned collaterals available against non-performing financing receivables amounting to US$ 292.8 million (31 December 2023: US$ 386.0 million).
- The Group's equity attributable to owner as at 31 December 2024 increased by 8.9% to US$ 5.0 billion (31 December 2023: US$ 4.6 billion). Return on Average Equity for 2024 slightly improved to 15.4% (2023: 15.3%) driven by improved profitability and Return on Average Assets increased to 2.6% for 2024 (2023: 2.3%). The Group's total capital adequacy ratio increased to 27.6% as of 31 December 2024 (31 December 2023: 17.2%) due to favourable treatment of quasi equity balance allowed under CBB regulations.

STRATEGIC & CORPORATE DEVELOPMENTS

- **Islamic Conversion of Key Banking Subsidiaries:** Following acquisition by KFH, AUB Bahrain was converted to an Islamic bank in 2023. Subsequently, the key banking subsidiaries AUB UK and AUB Egypt also converted its operations as per Shari'a principles during Q3 2024. Further, conversion of CIBIQ to an Islamic bank has been marked completed as at 31 December 2024 and effective 1 January 2025, CIBIQ is conducting its operations in line with Shari'a compliant principles.
- **Rebranding of Group Entities:** As part of integration with KFH Group, the following subsidiaries were rebranded in January 2025:

✓ Ahli United Bank (UK) PLC has been renamed as Kuwait Finance House PLC.

✓ Ahli United Bank Egypt (S.A.E.) has been renamed as Kuwait Finance House Bank – Egypt.

RECOGNITION

AUB Group received a number of prestigious banking awards during the year which include the following:

Awards Provider	Name of the Awards
Global Finance	• Best Bank in Bahrain – 2024
	• Best SME Bank in Bahrain – 2024
	• Best Online Product Offerings in Bahrain – 2024
	• Best Mobile Banking App in Bahrain – 2024
Euromoney	• Best Bank for Corporates - Bahrain 2024
MEED	• Best Private Bank –Bahrain 2024
	• Best Private Bank –Egypt 2024
	• Best Private Bank –Oman 2024

Board of Directors Report (continued)

DIRECTORS' AND EXECUTIVE MANAGEMENT'S REMUNERATION

First: Board of Directors' Remuneration Details:

(Amounts stated in Bahraini Dinars)

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 Board committee meetings	Others	Total	Remunerations of the chairman and BOD	Incentive plans	Others	Total			
First: Independent Directors:											
1. Dr. Anwar Al Mudhaf [1]	3,692	3,691	-	7,383	-	-	-	-	-	7,383	-
2. Jamal Abdel Razzaq Al-Naif	44,297	44,297	-	88,593	-	-	-	-	-	88,593	-
3. Khalid Mohamed Najibi (Deputy Chairman)	51,130	48,538	-	99,668	-	-	-	-	-	99,668	-
4. Dr. Khalid Mohamad Al Saad [2]	18,457	18,457	-	36,914	-	-	-	-	-	36,914	-
Second: Non-Executive Directors:											
1. Hamad Abdulmohsen Al Marzouq (Chairman)	103,674	97,784	-	201,458	-	-	-	-	-	201,458	-
2. Adel A. El-Labban (Deputy Chairman)	48,068	48,068	-	96,135	-	-	-	-	-	96,135	-
3. Khaled Salem Al-Nisf	49,011	49,011	-	98,022	-	-	-	-	-	98,022	-
4. Muad Suad Al Osaimi	49,011	49,011	-	98,022	-	-	-	-	-	98,022	-
Third: Executive Directors:											
1. Haitham AbdulAziz Al Tarkait [3]	28,275	28,275	-	56,550	-	-	-	-	-	56,550	-
2. Khaled Yousef Al Shamlan [3]	28,275	26,154	-	54,429	-	-	-	-	-	54,429	-
Total	**423,890**	**413,286**	**-**	**837,174**	**-**	**-**	**-**	**-**	**-**	**837,174**	**-**

1. Resigned on 31 January 2024
2. Appointment as Independent Director on 8 August 2024
3. Executive by virtue of being employees of Parent, not AUB B.S.C. (c)

Note:
All AUB Executive Directors are excluded from receiving any form of additional remuneration for their membership of or attendance at Board or Board related committee meetings at AUB or its subsidiaries / affiliates as per their specific contractual arrangements and as per the Board approved AUB Group HR Policy.

DIRECTORS' AND EXECUTIVE MANAGEMENT'S REMUNERATION (continued)

Second: Executive management remuneration details:

(Amounts stated in Bahraini Dinars)

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**	1,380,396	842,525	357,737	2,580,658
Note: All amounts must be stated in Bahraini Dinars.				
* 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)				

APPROPRIATIONS

On the basis of the results of the Bank for the year ended 31 December 2024, the Board of Directors recommends the following appropriations for approval by the shareholder:

- Cash dividend at 5.25 US cents per share (2023: cash dividend of US cents 2.5 per share)
- Transfer to statutory reserve of US$ 71.8 million
- Donation of US$ 2.0 million

CONCLUSION

As we transition into 2025, rebranding of Group entities are the key milestone events which we believe will open many avenues of growth. Our achievements during 2024 were only made possible through the guidance of our regulators and the Shari'a Board support and trust of our clients, business partners, customers and most importantly the dedication, professionalism and resilience of our management and staff.

While operating challenges remain strong, we start 2025 with focused strategic plans and committed manner with continued emphasis on meeting client needs and also fulfill the aspirations of all our stakeholders.

Hamad Al-Marzouq
Chairman

Adel A. El- Labban
Deputy Chairman

20 February 2025

CAPITALIZING ON MOMENTUM

Board of Directors

MR. HAMAD ABDUL MOHSEN ALMARZOUQ
(Non-Executive Director)

Chairman of the Group Board and Chairman of the Group Board Executive Committee

Director since 22 March 2023

Mr. Al-Marzouq earned his BA in Industrial Systems Engineering from the University of Southern California in the US in 1985. He received his MA in International Finance and Business Management from Claremont Graduate University in the US in 1987.

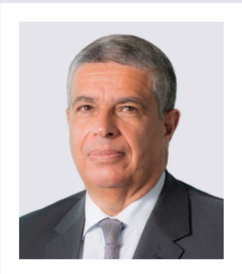
Mr. Al-Marzouq has diverse professional experience in banking and finance both in Kuwait and abroad spanning more than thirty years. He serves as Chairman of Kuwait Turk Participation Bank in Turkiye since 2015, Chairman of Ahli United Bank in Bahrain since 2023, Chairman of KFH Egypt (formerly Ahli United Bank in Egypt) since 2023 and Chairman of Kuwait Banking Association (KBA) since Feb 2025.

Mr. Al-Marzouq has held many prominent positions in various banking, financial and regulatory institutions. He has served as a board member of Kuwait Banking Association (KBA) since 2002, KBA Chairman from 2010 to 2016, board member of the Union of Arab Banks from 2003 to 2010, board member of the Kuwait Institute of Banking Studies (KIBS) from 2003 to 2014, member of the Board of Trustees of the Arab Academy for Financial and Banking Sciences from 2004 to 2009, board member of the Public Authority for Applied Education and Training (PAAET) from 2007 to 2016, Chairman and Managing Director of Ahli United Bank in Kuwait from 2002 to 2014, Vice Chairman of Ahli United Bank in the UK from 1998 to 2014, in Egypt from 2006 to 2014, in Bahrain from 2000 to 2014, and in Oman from 2007 to 2014, Vice Chairman of the formerly known Commercial Bank of Iraq from 2006 to 2014, Chairman of Kuwait Finance House (Malaysia) Berhad from 2015 to 2016 and Chairman of Kuwait Finance House in Bahrain from 2015 to 2023. Mr. Al-Marzouq served as a board member, Vice Chairman, and Chairman of Kuwait and Middle East Financial Investment Company in Kuwait from 2002 to 2010.

He held the position of Vice Chairman of the Middle East Financial Investment Company in the Kingdom of Saudi Arabia from 2009 to 2013 and was Vice Chairman of Ahli Bank in Qatar from 2004 to 2013.

Mr. Al-Marzouq commenced his professional career as an investment officer in US equity portfolios and derivatives in the Investment Department at Kuwait Investment Company from 1987 to 1990. He went on to hold several executive positions at the Central Bank of Kuwait, including Deputy Manager of the Technical Affairs Office in 1990. In addition, he served as the Deputy Manager and then Manager of the Financial Supervision Department from 1992 to 1996 and 1996 to 1998, respectively.

38 years of experience in the financial services sector.



MR. ADEL A. EL-LABBAN
(Non-Executive Director)

Deputy Chairman of the Group Board and Member of the Group Board Executive Committee

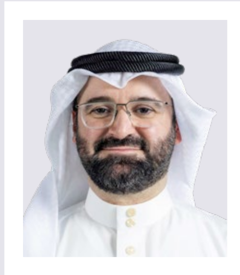
Director since 30 July 2000.

Holds a Masters in Economics (Highest Honors) from the American University in Cairo, 1980, Bachelors in Economics (Highest Honors) from the American University in Cairo, 1977.

Currently holds the positions of Deputy Chairman, United Bank for Commerce & Investment S.A.C., Libya; and Director, Kuwait Finance House PLC, UK. He is also the Trustee at Nile University Egypt (non-profit organisation) as well as Director of the National Printing Co. S.A.E. (NPC) in Egypt, and Chairman of the Audit & Risk Committee of NPC.

Formerly: Group Chief Executive Officer, Ahli United Bank B.S.C., Bahrain, from April 2022 until March 2023; Group Chief Executive Officer and Managing Director, Ahli United Bank B.S.C., Bahrain, from November 2000 until April 2022; Director, Ahli United Bank K.S.C.P., Kuwait; Chief Executive Officer and Director, United Bank of Kuwait P.L.C., UK; Managing Director, Commercial International Bank, Egypt S.A.E.; Chairman, Commercial International Investment Company, Egypt; First Deputy Chairman, Ahli Bank S.A.O.G., Oman; Vice Chairman, Middle East Financial Investment Co., Saudi Arabia; Deputy Chairman, Ahli United Bank S.A.E., Egypt; Deputy Chairman, Commercial Bank of Iraq; Director, Ahli United Bank Limited, UAE; Vice President, Morgan Stanley, USA; Assistant Vice President, Arab Banking Corporation, Bahrain; Director, Bahrain Bourse, formerly Bahrain Stock Exchange; and Director, Bahrain Association of Banks, Bahrain.

46 years of experience in international and regional financial service sector.



MR. KHALID MOHAMED NAJIBI
(Independent Director)

Deputy Chairman of the Group Board, Chairman of the Group Board Risk Committee, Member of the Group Board Audit & Compliance Committee and Member of the Group Board Nominating, Remuneration and Corporate Governance Committee

Director since 23 April 2019

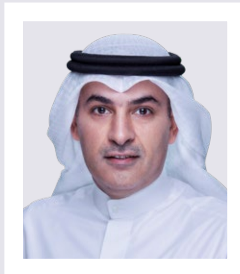
Holds a Bachelor Degree in Business Administration (with major in Finance) from BA Schiller International University, UK, 1990; Passed CPA 1993 (from The American Institute of CPA) USA.

First Vice Chairman, Bahrain Chamber of Commerce and Industry (BCCI) (NGO), Chairman, Osool Asset Management B.S.C. (C), Board Member, Social Insurance Organisation (SIO), Chairman, Bahrain Marina Development Co., Board Member, Kuwait Finance House PLC, UK, Founding Member and Managing Director, Najibi Investment Co. B.S.C(c), Co-Chairman, Al Souq Group W.L.L., Board Member, King Fahad Causeway Authority (KFCA), Board Member, Arab British Chamber of Commerce (ABCC) .

Awarded the Royal National Decoration of the first degree by His Majesty King Haman Bin Isa Al Khalifa, King of the Kingdom of Bahrain.

Formerly: Board Member, Bahrain Tourism and Exhibitions Authority (BTEA), Vice Chairman, Managing Director/ Chief Executive Officer, Capital Management House B.S.C. (c), Vice Chairman of Ibdar Bank, Board Member, & Chairman of Executive Committee of Bahrain Islamic Bank, Board Member of Gulf Finance House, Board Member of First Energy Bank, Board Member of QInvest Regulated by QFC in Qatar, Board Member & Member of Executive Committee of Arbah Capital Regulated by CMA in Kingdom of Saudi Arabia. Also, Board Member & Chairman of Executive Committee of Crown Industries & Bahrain Scrapmould, Board Member of Skaugen Gulf Petchem Carriers.

34 years of experience covering Investments & Real Estate development, Islamic banking both wholesale and retail.



MR. KHALID SALEM AL NISF
(Non-Executive Director)

Member of the Group Board Executive Committee and Member of the Group Board Risk Committee

Director since 22 March 2023

Mr. Al Nisf received his Bachelor's Degree in Finance from the College of Commerce, Economics and Political Sciences at Kuwait University in 1995. He also pursued specialized courses in Financial Statement Analysis from the Institute of International Research, in addition to several specialized courses in Islamic Banking.

Mr. Al Nisf is a Board Member of Kuwait Finance House since 2014. In addition, Mr. Al Nisf holds the position of Board Member at Al-Shamiya Holding Company since 2016 and is a Board Member at Al Tadamon Al Kuwaitiya Holding Company since 2016.

Mr. Al Nisf held the position of Chairman of the Executive Board specialized in setting strategies and implementation at Al Nisf Group of Companies. Mr. Al Nisf is the CEO of Mohamed Bin Yusuf Al Nisf & Partners Company, Al Tadamon Al Kuwaitiya Company, and Trading and Industrial Equipment Company since 2005.

Mr. Al Nisf previously held several executive positions including the position of Investment and Finance Manager at Al Nisf Companies from 1997 until 2008 and was the Administration Manager of the Company from 1995 until 1997. In addition, Mr. Al Nisf previously held the position of Deputy Chairman at the Kuwaiti Digital Computer Company from 2016 until 2019. He held the position of a Board Member at Kuwait Digital Computer Company since 2001 until March 2022.

27 years of experience in the general trade, real estate investments and financial services sectors.

Board of Directors (continued)

MR. MUAD SAUD AL OSAIMI

(Non-Executive Director)

Member of the Group Board Executive Committee and Member of the Group Board Audit & Compliance Committee

Director since 22 March 2023

Mr. Al Osaimi received his Bachelor's of Science Degree in Finance from George Mason University in the U.S. in 2001, and completed an 18 months specialized training program for graduates at Kuwait Investment Authority (KIA) in 2001.

Mr. Al Osaimi was appointed as the Chairman of Kuwait Finance House – Malaysia since 2017 and Board Member of Kuwait Finance House (Kuwait) since 2014. He also served as a Board Member of numerous companies including Kuwait Gate Holding Company from 2004 until 2014, Kuwait Financial Center Company from 2008 until 2011 and Al Raya International Holding Company from 2005 until 2009.

Mr. Al Osaimi is the CEO of Faiha International Real Estate Company since 2017. He previously held the position of Deputy General Manager of Global Retail Company from 2003 until 2020. In addition, Mr. Al-Osaimi worked at the Investment Department of Aayan Leasing and Investment Company in 2002.

16 years of experience in the Banking and Investment sectors.

MR. HAITHAM ABDULAZIZ AL-TERKAIT

(Executive Director)

Member of the Group Board Nominating, Remuneration and Corporate Governance Committee

Director since 22 March 2023

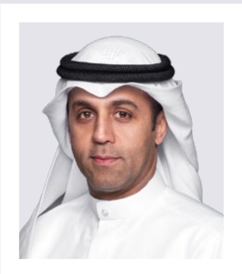
Mr. Alterkait received his Bachelor's Degree in Mechanical Engineering Technology from Metropolitan State Colleague in U.S in 1989.

Mr. Alterkait is currently the Deputy Group CEO Transformation, Technology and Operations at Kuwait Finance House since September 2024. . In addition, Mr. Alterkait is a Board Member of International Turnkey Systems Group (ITS) since 2021.

Mr. Alterkait possesses a vast Information Technology experience, spanning more than 30 years. During his professional career, he held numerous prominent leadership roles positions including Chief Technology Officer at Warba Bank from 2012 until May 2021 and Infrastructure Services Department Manager at Kuwait Finance House from 2002 until 2012. and Chief Information Officer at Kuwait Finance House since 2021 to June 2023, and Group Chief Technology, Digital Transformation and PMO Officer at Kuwait Finance House since July 2023 to September 2024.

11 years of experience in Research sector (Kuwait Institute for Scientific Research.)

24 years of experience in Banking sector (KFH and Warba Bank.)



MR. KHALED YOUSIF AL-SHAMLAN

(Executive Director)

Member of the Group Board Nominating, Remuneration and Corporate Governance Committee

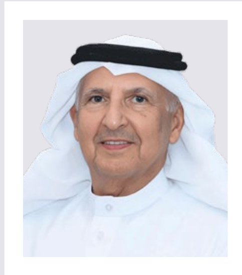
Director since 22 March 2023

Mr. Al Shamlan received his BA in Economics from Kuwait University in 1995. He has completed numerous specialized courses in Leadership, Financial Analysis and Risk Management, such as the Managing Strategically and Leading for Results conducted by Harvard Business School and a 2-year specialized training program for graduates at Kuwait Investment Authority (KIA).

Currently, Mr. Al Shamlan is the Group Chief Executive Officer at KFH since 12 January 2025. He serves as a board member of KFH Capital Investment Company as well.

His extensive experience in the banking industry spans over 25 years, and was accumulated over an extended professional career. He held numerous leadership roles at Kuwait Finance House including Chief Executive Officer, KFH Kuwait from August 2023 to December 2024, Group Chief Retail and Private Banking Officer from March 2022 to August 2023, Group General Manager Retail Banking from January 2021 to March 2022 and General Manager Corporate Banking -Kuwait from January 2018 to January 2021.

27 years of experience in the Banking sector.



DR. KHALID MOHAMAD AL SAAD

(Independent Director)

Chairman of the Group Board Nominating, Remuneration and Corporate Governance Committee, Member of the Group Board Audit & Compliance Committee and the Group Board Risk Committee.

Director since 8 August 2024

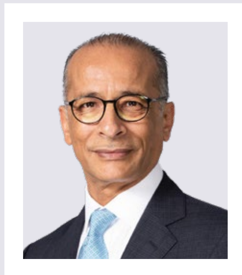
Holds Ph.D. in Finance, from the Claremont Graduate University, May 1986; MBA from the Claremont Graduate University, December 1979; and BA in Accounting from the Kuwait University, June 1975.

Formerly: Board Member, Kuwait Finance House B.S.C. (c), Kingdom of Bahrain (2016-2024); Board member, National Bureau for Academic Accreditation & Education Quality Assurance (2021-2023); Chair of the Committee for the Accreditation of Foreign Universities (NBAQ) (2018-2022); Board Member of Institute Banking Studies, Kuwait (2018- 2022); Vice Chairman of the Board of Directors, Sama Educational Co., Kuwait (2016-2018); Member of the Board of the Supreme Council of Planning, Kuwait (2008-2010); Member of the Board of Directors of Contracting and Marine Services Co., Kuwait (2006-2009); Member of the Board and Investment Committee of the Public Institution of Social Security, Kuwait (2002-2008); and Member of the Board of Directors of Gulf Insurance Company, Kuwait (1987-1989).

Additionally, Dr. Al Saad held several roles in the higher education and financial services sectors, the latest of which were Program Director, Master of Science in Finance, Kuwait (2016-2020); Associate Professor, Finance Dep., CBA, Kuwait University, Kuwait (2008-2022); President, Gulf Monetary Council, Riyadh, KSA (2012-2015); Undersecretary, Ministry of Higher Education, Kuwait (2009 –2012); and Executive Director, World Bank, USA (1995-2001). He served as a member of the Boards of several higher education institutions during his tenure at the Ministry of Higher Education (MOHE); as well as a Vice Dean of the WB Board, Personnel Committee Chairman, and Vice Chair of the Audit Committee.

Dr. Al Saad participated in several academic and administrative committees, and developed finance program curriculum for a new college and developed and delivered several training programs for the business community. Furthermore, he participated in several conferences and workshops in the field of banking and finance.

Over 31 years of experience in financial services and higher education sectors.



MR. JAMAL ABDEL RAZZAQ AL-NAIF

(Independent Director)

Chairman of the Group Board Audit & Compliance Committee, Member of the Group Board Risk Committee and the Group Board Nominating, Remuneration and Corporate Governance Committee.

Director since 29 March 2018

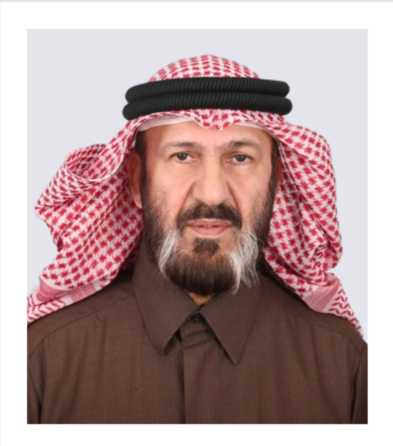
Holds Bachelor of Science Degree in (Economics) from Bradley University, USA 1980.

Independent Director, Lakemore Partners (DIFC) Limited, Dubai. Formerly: Regional Head, Middle East, Africa & Central Asia, Pictet Asset Management, DIFC, Dubai; Managing Partner, Safanad SA DIFC, Dubai; Managing Director, Regional Head, MENA, Credit Suisse Asset Management, Dubai; Member of Credit Suisse MENA Operating Committee, Dubai; Managing Director, Regional Head MENA, Citi Alternative Investments, Citibank N.A. London; Founder and Managing Partner Al-Naif Consulting, Amman, Jordan; Head of Middle East Fixed Income Sales, Lehman Brothers, London; VP, Head of European and Middle East Sales, Head of Emerging Market Sales Europe, Member of Citibank Global Capital Markets Committee, Citibank N.A., London; VP, Head of Corporate Treasury, Gulf International Bank B.S.C., Bahrain; AVP, Middle East Currencies Trading and Head of Corporate Treasury Desk, Citibank N.A. Bahrain, Executive Trainee, Citibank N.A. Treasury, Bahrain.

44 years of experience in financial service sector

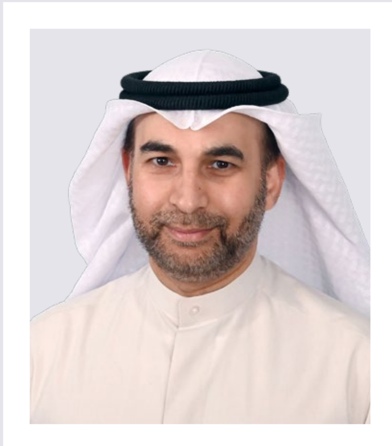
Shari'a Supervisory Board

SHEIKH PROF. ABDULAZIZ KHALIFA AL QASSAR
Chairman of the Shari'a Supervisory Board



SHEIKH DR. FAREED MOHAMED HADI
Vice Chairman of the Shari'a Supervisory Board

SHEIKH PROF. ESAM KHALAF AL ENEZI
Member of the Shari'a Supervisory Board



SHEIKH PROF. ALI IBRAHIM AL RASHED
Member of the Shari'a Supervisory Board

Shari'a Supervisory Board Report to the Shareholder

On the Activities of Ahli United Bank B.S.C. (Closed) - Bahrain

For the Financial Year Ending 31st December 2024

14th Sha'ban 1446 AH
13th February 2025 AD

In the name of Allah, the Entirely Merciful, the Especially Merciful.

All praise is due to Allah, Lord of the Worlds, and may the blessings and peace be upon our prophet Mohammed, and upon all his Family and Companions.

Based on the Letter of Assignment and the Articles of Association of Ahli United Bank B.S.C. (Closed) - Bahrain (the "Bank"), the Shari'a Supervisory Board (the "SSB") is pleased to submit its report to the Shareholder on the Bank's activities according to the Consolidated Financial Statements as of 31st December 2024.

Respective Responsibility of the Board of Directors and the SSB
The SSB confirms that as a general principle and practice, the Bank's management is responsible for ensuring that it conducts its business in accordance with Shari'a rules and principles, while the SSB's responsibility is limited to form an independent Shari'a opinion based on what has been presented and reviewed of the Bank's operations and to prepare this report.

Basis of Opinion
Based on the Fatawa and resolutions of the SSB, and in compliance with the Shari'a Governance Module issued by the Central Bank of Bahrain and the standards of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), the SSB held four (4) regular meetings during the financial year covered by this report, with all members present. Additionally, the Executive Committee of the SSB held eight (8) meetings during the same financial year. The SSB issued one hundred and ninety-one (191) Fatwa and resolution, and monitored, reviewed and audited according to the Shari'a audit plan, and reviewed the Internal Shari'a Audit reports. These audits were based on examining documents and transactions by testing samples to ensure the Bank and its activities comply with the rules and principles of Shari'a. In addition, to coordinating with the Shari'a Coordination and Implementation Department to review contracts, agreements, financing and investment structures, offered products and related internal policies, the clarifications related to the financial year ending on 31st December 2024. The report of the Independent External Shari'a Compliance Auditor (IESCA) was also reviewed.

Opinion
Based on the aforementioned monitoring, review, and auditing, the SSB concludes the following:

1. That the Bank's activities, contracts, agreements and transactions concluded by the Bank and reviewed by the SSB are in accordance with the rules and principles of Shari'a, the SSB's Fatawa and resolutions, and the Shari'a Standards of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

2. The distribution of profits and the allocation of losses to investment accounts are consistent with the principles and foundations approved by the SSB and are compatible with the rules and principles of Shari'a.

3. All gains that were not in accordance with the rules and principles of Shari'a, which the Bank obtained or resulted from its conversion to the Islamic license, have been allocated according to the Fatawa issued by the SSB in this regard.

4. The basis for calculating Zakah was established in accordance with the Shari'a standards adopted for calculating Zakah on Islamic financial institutions. The SSB indicates that the responsibility for paying Zakah on shares falls on the shareholder.

And Allah is the Grantor of success, and all praise is due to Allah, Lord of the Worlds, and may the blessings and peace be upon our prophet Mohammed, and upon all his Family and Companions.

Members of the Shari'a Supervisory Board

Sheikh Prof. Abdulaziz Khalifa Al Qassar
Chairman

Sheikh Dr. Fareed Mohamed Hadi
Vice Chairman

Sheikh Prof. Esam Khalaf Al Enezi
Member

Sheikh Prof. Ali Ibrahim Al Rashed
Member

Chairman's Statement

AUB's transition to a Shari'a-compliant bank has been well-received by stakeholders, positioning us for sustained future growth.

HAMAD ABDULMOHSEN AL MARZOUQ
Chairman

In the name of Allah, Most Gracious, Most Merciful,

Praise be to Allah the Almighty, and Peace and Blessings be upon our Prophet, his family, and companions.

Assalamu Alaikum Warahmatu Allah Wabarakatuh
I am pleased to report that AUB Group has maintained its trajectory of sustainable growth, delivering commendable financial results in 2024. The year 2024 marked a significant transformation for AUB as it transitioned from conventional to Islamic banking across the Group entities. This milestone set the stage for 2025, a year dedicated to strengthening its position and driving growth within the Islamic banking framework.

The global economic landscape in 2024 mirrored that of 2023, with growth holding steady at 2.7% as inflation and interest rates gradually declined. While global trade patterns adapted to shifting monetary policies and supply chain realignments, ongoing geopolitical tensions continued to pose threats to global economic stability. The World Bank projects similar growth of 2.7% for 2025.

In the MENA region, economic growth saw a modest increase from 1.7% to 1.8% in 2024, falling short of earlier projections due to oil production cutbacks. The World Bank forecasts a 3.4% growth rate for the MENA region in 2025, though this outlook faces potential risks from continued oil output reductions and regional conflicts.

During 2024, AUB continued to progress with implementation of its transitional strategy (developed post its acquisition by KFH) which focused on key priorities including Islamic conversion of the AUB, its integration with KFH group while achieving the financial targets.

Despite geopolitical headwinds and conversion & integration related priorities, AUB demonstrated resilient performance, reporting a 12.9% year-on-year increase in net profit from continuing operations. This growth underscores the strength of our diversified business model, robust cross-border flows, prudent risk management, and strategic capital deployment. Net profit attributable to the bank's owner rose by 7.6% to $718.2 million, despite the deconsolidation of AUB Kuwait.

Return on Average Equity for 2024 improved to 15.4% (2023: 15.3%), driven by enhanced profitability, while Return on Average Assets increased to 2.6% for 2024 (2023: 2.3%). Earnings per share reached 6.2 US cents; an increase of 10.7% compared to last year.

As of December 31, 2024, the bank's total assets amounted to $27.1 billion, including financing receivables of $10.0 billion and a non-trading investment portfolio of $11.3 billion. Customer Deposits, including quasi-equity, reached $12.3 billion. The Capital Adequacy Ratio stands at 27.6%, demonstrating a solid capital position alongside robust liquidity ratios. Considering the improved profitability, the Board has recommended to the General Assembly a record dividend of $585.3 million for the year.

Following the successful conversion of AUB Bahrain in December 2023, the AUB's Group subsidiaries in Egypt, the UK, and Iraq, along with our DIFC (Dubai) branch also converted to Shari'a-compliant banks during 2024. AUB's transition has been well-received by stakeholders, positioning us for sustained future growth.

The conversion of AUB Group is one of the largest multi-jurisdiction conversions of its kind. AUB Group's Islamic conversion is a significant milestone in the bank's journey and is a testament to its commitment to providing a comprehensive range of Sharia-compliant banking products and services. The conversion was completed in record time and in a seamless manner, highlighting the AUB Group's focus on enhancing the quality of service provided to clients, ensuring that the process of conversion conducted efficiently in full engagement and effective communication with the clients.

On the technology front, the Islamic core banking system was seamlessly rolled out across AUB Group. This unified system now supports the full range of Sharia-compliant products, ensuring consistency and efficiency across all markets. The conversion also involved consolidating the Al Hilal Islamic window into the Group's unified Islamic banking systems and implementing a single enterprise asset platform with standardized workflows.

As a part of Islamic conversion journey, we have also strategically divested from conventional investments including its 35% stake in Ahli Bank (Oman) and 8.56% stake in SICO (Bahrain). In order to optimise Group synergy, KFH Group's banking operations in Kuwait was consolidated under a single entity by deconsolidating AUB Kuwait from AUB and merging it with the KFH Kuwait with effect from 22 February 2024.

Further, as part of our growing alignment with KFH Group, our subsidiaries in Egypt and the UK were rebranded in January 2025. AUB Bahrain will also be rebranded to KFH Bahrain during 2025. The new identity under the KFH brand name will further strengthen AUB's market position and will provide significant growth opportunities.

During the year, AUB successfully concluded a US$ 800 million Murabaha financing facility. The Murabaha facility adheres to sustainability principles with profit rates linked to two key performance indicators: green financing and social housing financing. The three-year facility was launched with a target size of $800 million and was well-oversubscribed, with total commitments reaching $1.24 billion. This deal is a testament to AUB's credentials as a leading bank in Sharia-compliant transactions and highlights the Group's commitment to sustainable finance.

During 2024, AUB Group continue to expand its staff strength with AUB Group headcount increased by 6% to reach 2,869 as of 31 December 2024 comprising of 32 different nationalities and women representation of 34%. During 2024, 527 new employees joined AUB Group. Further, AUB Group continued to meet their localization targets in its all-operating markets, contributing to the societies in which they operate.

AUB's excellence continues to be recognized through numerous industry awards. Global Finance has honoured us with multiple accolades, including "Best Bank in Bahrain" for the year. MEED and Euromoney have also acknowledged our corporate and private banking services with several awards, reinforcing our commitment to outstanding financial services.

On behalf of the Board of Directors, I extend our gratitude to His Majesty King Hamad bin Isa Al Khalifa, may Allah safeguard him, and His Royal Highness the Prime Minister Prince Salman bin Hamad Al Khalifa and to the regulators in all our operating jurisdictions, our loyal business partners, and our valued customers. Our success is a testament to the dedication of our management and staff, whose consistent performance brings pride to our institution.

May Allah grant us success.

HAMAD ABDULMOHSEN ALMARZOUQ
Chairman

CAPITALIZING ON OPPORTUNITIES

Group Chief Executive Officer's Statement

The Group's Transformation Plan and full digitalization efforts have enhanced operational efficiencies and improved its customer-centric approach.

DR. SHADI ZAHRAN
Group Chief Executive Officer

In the name of Allah, Most Gracious, Most Merciful,

Praise be to Allah the Almighty, and Peace and Blessings be upon our Prophet, his family, and companions.

Assalamu Alaikum Warahmatu Allah Wabarakatuh
Ahli United Bank (AUB) Group achieved remarkable success in 2024, its first full year operating as an Islamic bank. The transition was marked by the successful conversion of its subsidiaries in Bahrain, Egypt, the UK, and Iraq to Shari'a-compliant banking, underscoring its commitment to Islamic finance across key markets. This strategic shift has already yielded positive results, with the expanded range of Shari'a-compliant offerings driving growth and enabling AUB to better meet the evolving needs of its diverse customer base.

Despite challenging market conditions and economic volatility, we are pleased to report a 7.6% increase in the group net profit attributable to shareholder reaching $718.2 million, a testament to the soundness of our strategy and the commitment of our staff. Our group has consistently delivered strong financial performance while maintaining a firm grip on efficiency reflected in cost-to-income ratio remained at very healthy level at 27.9%, a clear indicator of our operational discipline and ability to generate sustainable value. This efficiency advantage reinforce our competitive positioning and supports our long-term growth aspirations.

The group total financing receivable continued to be above $10.0 billion, and customer deposits, including quasi equity, stood at $12.3 billion. The gross non-performing financing receivables (Stage 3) ratio remained at same level of previous year at 2.4%. Equity attributable to shareholder also rose by 8.9%, reaching $5 billion at year-end compared to $4.6 billion in the previous year. The Group's total capital adequacy ratio increased to 27.6% as of 31 December 2024, up from 17.2% at the end of the previous year.

The Group's credit ratings remained strong, reflecting its robust financial management and resilience amidst a dynamic economic landscape: CI rated it A-/Stable, S&P assigned a BBB+/Stable rating, and Fitch rated it BB+/Negative.

AUB maintained its focus on its established business model and cross-border trade flows while emphasizing meticulous risk management and prudent expenditure practices. This approach has been instrumental in navigating challenges such as regional geopolitical conflicts and fluctuations in oil production that have impacted trade flows and market dynamics.

The Group's Transformation Plan and full digitalization efforts have enhanced operational efficiencies and improved its customer-centric approach. These initiatives have positioned AUB as a leader in Islamic finance, a status further validated by its recognition as the Best Islamic Bank in Bahrain for 2024 by EMEA Finance.

Looking ahead, AUB is well-positioned to capitalize on the growing demand for Islamic banking products and services across its markets. The Group's strategic focus on innovation, digital transformation, and customer-centric solutions will continue driving sustainable growth and value creation for stakeholders.

In conclusion, I would like to express my sincere gratitude to His Majesty King Hamad bin Isa Al Khalifa, may Allah safeguard him, and His Royal Highness the Prime Minister Prince Salman bin Hamad Al Khalifa. Further, I extend my heartfelt gratitude to our Board of Directors for their unwavering support and guidance. To my management colleagues and staff, I extend my heartfelt appreciation for your relentless pursuit of excellence in serving our valued customers. Together, we have laid a strong foundation for AUB's continued success as a leading Islamic banking institution.

May Allah grant us success.

DR. SHADI ZAHRAN
Group Chief Executive Officer

CAPITALIZING ON POTENTIAL

Corporate Governance

CORPORATE GOVERANCE

Good Corporate Governance practices are important in creating and sustaining shareholder value and ensuring appropriate disclosure and transparency. The Bank's Corporate Governance Policy provides the framework for the principles of effective Corporate Governance standards across the AUB Group.

The Bank's Group Board of Directors (the "Group Board") is committed to implementing robust Corporate Governance practices and to continually reviewing and aligning these practices with international best practices, where appropriate.

The Bank's management is committed to ensuring that procedures and processes are in place to reflect and support the Board approved Corporate Governance related policies, to ensure the highest standards of Corporate Governance throughout the AUB Group.

SHAREHOLDER INFORMATION

The Bank's Shareholder is invited by the AUB Chairman to attend the Annual General Meeting ("AGM"). The AUB Chairman and other Directors attend the AGM and are available to answer any questions. The Bank's AGM was held on 27 March 2024.

The ordinary Shareholder, as at 31 December 2024, holding 5% and above of the total issued ordinary shares of the Bank are as below:

No.	Name / Entity	Country of Origin	No. of Shares	% Ownership
1	Kuwait Finance House K.S.C.P. (Direct and Indirect)	Kuwait	11,147,931,458	100%

Distribution of AUB Shares

Distribution of AUB ordinary shares by threshold as at 31 December 2024:

Threshold	No. of Shares	No. of Shareholder
50% and above	11,147,931,458	1
20% to 49.99%	-	-
10% to 19.99%	-	-
5% to 9.99%	-	-
Total	**11,147,931,458**	**1**

Distribution of AUB ordinary shares by nationality as at 31 December 2024:

No.	Name	No. of Shares	% of Total Shares
1	**Kuwait**		
	Government & Quasi Government	-	-
	Individuals and Corporates	11,147,931,458	100%
	Total	**11,147,931,458**	**100%**

The Group Board

The composition of the Group Board represents an appropriate mix of professional skills and expertise. Following the acquisition of the Bank by Kuwait Finance House K.S.C.P. (c) ("KFH"), a new Group Board was appointed on 22 March 2023 for a board term ending no later than 31 March 2026. The Board periodically reviews its composition and performance, as well as the performance of each Director. There are no females on the Group Board. Nevertheless, all AUB subsidiaries have female representation on their Boards.

In compliance with the Corporate Governance requirements of the Central Bank of Bahrain ("CBB"), the Group Board has outlined its criteria and materiality thresholds for the definition of "Independence" in relation to Directors. The independence criteria are reassessed annually by the Group Board and for the year 2024, the 9 Directors comprising the Group Board were classified as follows:

- 4 Non-Executive Directors
- 2 Executive Directors
- 3 Independent Directors

The Group Board (continued)

The classification of each Director is set out below:

Directors	Classification
Mr. Hamad Abdul Mohsen Al Marzouq – Chairman	Non-Executive
Mr. Adel A. El-Labban –Deputy Chairman	Non-Executive
Mr. Khalid Mohamed Najibi – Deputy Chairman	Independent
Mr. Khalid Salem Al Nisf	Non-Executive
Mr. Muad Saud Al Osaimi	Non-Executive
Mr. Haitham Abdulaziz Al-Terkait	Executive
Mr. Khaled Yousif Al-Shamlan	Executive
Dr. Khalid Mohamed Al Saad*	Independent
Mr. Jamal Abdel Razzaq Al-Naif	Independent

*Dr. Khalid Mohamed Al Saad was appointed as a Board member of the Bank in August 2024.

The CBB Rulebook Module HC-3.2.2 recommends that the Chairman of the Group Board should be an Independent Director. Although the AUB Chairman is classified as a Non-Executive Director due to his position as the Chairman of KFH, the shareholder of the Bank, this did not compromise the Bank's high standards of Corporate Governance as the Bank follows strict policies to manage conflict of interests relating to decisions of the Group Board.

The Role and Responsibilities of the Group Board

The Group Board is responsible to the Shareholder for creating and delivering sustainable shareholder value through the prudent management of the Bank's business.

The Group Board, as a whole, is collectively responsible for ensuring that an effective, comprehensive and transparent Corporate Governance framework is in place. The Group Board's role is to:

1. ensure adherence to prevailing laws and regulations and to best business ethics;
2. provide entrepreneurial leadership of the Bank within a framework of prudent and effective controls, which enable risk to be assessed and managed;
3. set the Bank's strategic aims, ensure that the necessary financial and human resources are in place for the Bank to meet its objectives and review management performance; and
4. set the Bank's values and standards and ensure that its obligations to its Shareholder and others are understood and met.

In carrying out these responsibilities, the Group Board must ensure that the Bank's management strikes an appropriate balance between promoting long term growth and delivering short term objectives and have regard to what is appropriate for the Bank's business and reputation, the materiality of the financial and other risks inherent in the business and the relative costs and benefits of implementing specific controls.

All Directors must act in good faith and in a way that promotes the success of the Bank for the benefit of its Shareholder as a whole. In doing so, each Director, must have regard to:

- the likely consequences of any decision in the long term;
- the interests of the Bank as well as the Bank's employees and Shareholder;
- the need to foster the Bank's business relationships with suppliers, customers and others;
- the impact of the Bank's operations on the community and the environment;
- the desirability of the Bank maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between the members of the Bank.

When carrying out their responsibilities, Directors are required to:

1. act with integrity;
2. act with due skill, care and attention;
3. observe proper standards of market conduct; and
4. deal with the regulatory authorities in an open and co-operative way and must disclose appropriately any information of which the regulator would reasonably expect notice.

Corporate Governance (continued)

Group Board Meetings and Attendance

The Group Board is required to meet at least four (4) times per year. A schedule for the Group Board's regular meetings is submitted to the Directors annually in advance. Additional meetings may be convened on an ad hoc basis at the invitation of the Chairman or otherwise in accordance with the provisions of the Commercial Companies Law. The Board met four (4) times during 2024.

All Directors are expected to physically attend all Group Board and shareholder meetings unless there are exceptional circumstances that prevent them from doing so. Directors who cannot physically attend Group Board meetings, may attend by video, electronic or telephone conference. Meeting papers are prepared and circulated in advance of Group Board meetings and include minutes of the meetings of Group Board Committees held since the previous Group Board meeting.

Meeting and attendance of each Director at each such meeting are detailed below:

Directors	Meeting Dates					
	15/02/2024	23/05/2024	05/09/2024	26/11/2024	Total number of Meetings Attended	Percentage Attendance
Mr. Hamad Abdul Mohsen Al Marzouq	✓	✓	×	✓	3	75%
Mr. Adel A. El-Labban	✓	✓	✓	✓	4	100%
Mr. Khalid Mohamed Najibi	✓	✓	✓	×	3	75%
Mr. Khalid Salem Al Nisf	✓	✓	✓	✓	4	100%
Mr. Muad Saud Al Osaimi	✓	✓	✓	✓	4	100%
Mr. Haitham Abdulaziz Al-Terkait	✓	✓	✓	✓	4	100%
Mr. Khaled Yousif Al-Shamlan	✓	×	✓	✓	3	75%
Dr. Khalid Mohamed Al Saad*	-	-	✓	✓	2	100%
Mr. Jamal Abdel Razzaq Al-Naif	✓	✓	✓	✓	4	100%

*Dr. Khalid Al Saad was appointed as a Board member of the Bank in August 2024.

The CBB Rulebook Module HC-3.1.8 requires individual Directors to attend at least 75% of all Group Board meetings held in each financial year whether in person or virtually (if needed). During 2024, all Directors complied with the requirements of Module HC-3.1.8.

Appointment and Termination of Appointment of Directors

Directors are appointed for a three-year term. Appointments take place in accordance with the Memorandum and Articles of Association of the Bank, the Bahrain Commercial Companies Law and the CBB Rulebook. There is no maximum age at which a Director must retire from the Group Board. Each Director's term of appointment terminates, pursuant to the terms of his letter of appointment and/or the provisions of applicable law.

Induction and Training of Directors

The Bank has an induction program in place, which is designed for each new Director. The induction program includes: i) an introductory pack containing, amongst other things, the AUB Group Overview, AUB Group Organisation Chart, Terms of Reference of the Group Board and Group Board Committees and key policies; ii) presentations on significant financial, strategic and risk issues; and iii) orientation meetings with key management as may be required. As a standing procedure, all continuing Directors are invited to attend orientation meetings.

Ongoing professional development for Directors was conducted during the year in accordance with the requirements of the TC Module 1.2.1. An annual comprehensive training plan in compliance with the CBB Rule Book High Level Controls Module for the Group Board for the continuous professional education of the Group Board members is managed by Group HR through a combination of face-to-face training sessions which are based on industry relevant topics and delivered by international speakers, online learning and the dissemination of relevant industry driven articles. The training plan incorporates a blended learning methodology to comply with the CBB requirement that all Directors must continually educate themselves as to the licensee's business and corporate governance for a minimum of 15 hours annually.

Access to Advice and Information

Individual Directors are authorized to obtain independent legal or other professional advice at the Bank's reasonable expense whenever they judge this necessary to discharge their responsibilities as Directors.

Non-Executive Directors have access to, and are authorised to seek, any information they require from any employee of the Bank.

Directors' and Related Parties' Interests

No Director has entered into, either directly or indirectly, any material contract with the Bank or any of its subsidiaries, nor does any Director have any material conflict of interest with the Bank. The Directors are required to declare any conflict of interest or any potential conflict of interest that exists, or that Directors become aware of, to the Chairman of the Group Board and the Corporate Secretary as soon as they become aware of them. This disclosure must include all relevant material facts.

The Bank has a procedure for dealing with transactions involving Directors and related parties. Any such transaction will require the approval of the Group Board, with the conflicted Director abstaining.

The Bank recorded a total of five (5) instances where Board members have abstained from voting on Board resolutions mainly due to potential conflict of interest concerning their related parties.

Note 25 to the audited consolidated financial statements of the AUB Group for the year ended 31 December 2024, sets out the relevant disclosures of related party transactions.

The Terms of Reference of the Group Board require that all Directors, whether Non-executive or Executive, should exercise independence in their decision-making and should abstain from any decisions involving any actual or potential conflicts of interest. Should any Director have any doubts with respect to conflicts of interest or potential conflict of interest, the Director is requested to consult the Chairman of the Group Board, or in the case of the Chairman, the Chairman of the Group Board Audit & Compliance Committee, and in each case the Corporate Secretary prior to taking any action that might compromise the Bank.

All Directors and other Approved Persons have declared all of their interests in other enterprises or activities which were duly submitted and reviewed by the Board.

Employment of Relatives

The Bank does not encourage the employment of relatives. However, under exceptional conditions and based on specific requests and needs, the Bank may decide in favour of employing relatives, on a temporary or permanent basis, subject to a comprehensive review and only in cases where there is no conflict of interest or operational risk to the Bank involved. The Group Board has approved a policy on the employment of relatives which is part of the HR Policy on 19 July 2016 (last reviewed and approved by the Board of Directors on 04 December 2023), which has established a recruitment committee to review the recruitment requests of relatives of Bank employees of up to the third degree and recommend the hiring of relatives of Approved Persons (including SSB Members) occupying Controlled Functions to the GCEO.

Human Resources annually discloses to the Group Board or the Group Board Nomination, Remuneration and Corporate Governance Committee, the names of all relatives of any Approved Persons occupying Controlled Functions, last disclosed on 29 December 2024.

The recruitment committee reviews the recruitment requests on the following considerations:

- No relatives shall work in the same business unit/department.
- No relatives shall report to each other or be allowed to supervise each other.
- No relatives shall work in business units/departments which have a conflict of interest or would create an operational risk for the Bank.
- No relatives shall share a dual signature/ approval in the Bank and have dual access control to any Bank property (Physical & IT).

Material Transactions

In addition to large credit transactions that require Group Board approval as per the Group Wholesale Banking Credit Risk Management Policy, the Group Board also approves senior unsecured medium term (greater than 1 year) funding initiatives, strategic investments decisions, as well as any other decisions which have or could have a material financial or reputational impact on the Bank.

Group Board Committees

The Group Board may, where appropriate, delegate certain of its powers to an individual Director or to a committee comprised of Directors and/or other persons, constituted in the manner most appropriate to those tasks.

The Group Board has constituted a number of board committees, membership of which is drawn from the Directors and to which it has delegated specific responsibilities, through Terms of Reference, which are reviewed and adopted by the Group Board on an annual basis ("**Group Board Committees**").

All Group Board Committee members are expected to attend each committee meeting, unless there are exceptional circumstances that prevent them from doing so. Committee members who cannot physically attend a meeting may attend the meeting by video or telephone conference.

Each Group Board Committee has access to independent expert advice at the Bank's expense.

The Group Board Committees are each comprised of an appropriate mix of professional skills and expertise. The Group Board periodically evaluates the performance of the Group Board Committees.

The names and principal responsibilities of the Group Board Committees are detailed below:

Group Board Executive Committee (GBEC)

The Group Board Executive Committee assists the Group Board in discharging its responsibilities relating to the AUB and AUB group of companies ("**AUB Group**") including those relating to matters

Corporate Governance (continued)

Group Board Executive Committee (GBEC) (continued)
including credit and investment risk approvals. The Committee, acting for the Board of Directors of AUBUK, deputises only in relation to credit and market risk approvals.

The Group Board Executive Committee included four (4) members, comprising 4 Non-Executive Directors (including the Chairman).

Group Board Audit & Compliance Committee (GBACC)
The Group Board Audit and Compliance Committee assists the Group Board (i) in discharging its oversight responsibilities relating to the Bank's accounting, internal audit, internal controls, Shari'a Audit recommendations, compliance procedures, financial reporting functions; and (ii) in liaising with the Bank's external auditors, independent external Shari'a compliance auditors, Shari'a Supervisory Board ("SSB") and regulators to ensure compliance with all relevant regulatory requirements and iii) in achieving uniformity with best market practices. The Committee does not oversee the day-to-day work of management and has no executive powers. The Group Board Audit and Compliance Committee carries out its principal responsibilities in respect of the Bank (as the parent company) and has oversight of the related responsibilities of the Audit and Compliance Committees of the Bank's subsidiaries and managed affiliates.

The Group Board Audit and Compliance Committee included four (4) members, comprising three (3) Independent Directors (including the Chairman) and one (1) Non-Executive Director.

Group Board Risk Committee (GBRC)
The Group Board Risk Committee assists the Group Board in fulfilling its oversight responsibilities related to present and emerging risks, strategies and risk appetite associated with Ahli United Bank Group's credit activities, banking operations and investments. The Group Board Risk Committee reviews, manages and monitors adherence of AUB Group to the risk appetite, policies and procedures and acts as a general forum for the discussions of any risks facing or which could potentially face AUB Group resulting in financial or reputational loss. It also oversees the activities of the Group Management Risk Committee, through the DGCEO – Risk & Compliance in his capacity as the Chairperson of the Group Management Risk Committee. The Committee oversees Enterprise-Wide risk through a holistic, proactive, dynamic and data-driven framework based on key risk indicators and early warning triggers.

The Group Board Risk Committee included four (4) members, comprising three (3) Independent Directors (including the Chairman) and one (1) Non-Executive Director.

Group Board Nomination, Remuneration and Corporate Governance Committee (GBNRCGC)
The Group Board Nomination, Remuneration and Corporate Governance Committee assists the Group Board in relation to nominating and remuneration matters pursuant to applicable laws and regulations and to instil a best practice approach to the matters assigned to its responsibilities, at all times acting within the criteria set by the licensing and regulating authorities such as the CBB and the Ministry of Industry, Commerce (the "MOIC") in the Kingdom of Bahrain for the Bank and any other applicable legislation following a fair and balanced approach. The Committee also supports the Board in performing its supervisory responsibilities relevant to overseeing the sound governance of the Bank including developing a set of governance guidelines and policies, and monitoring compliance with the application of these guidelines, policies, and the Corporate Governance Policy of the Bank pursuant to CBB and MOIC laws and regulations as well as any other applicable laws and regulations.

During 2024, the names of the Group Board members and their memberships in the Group Board Committees are detailed below:

Directors	Classification	GBEC	GBACC	GBRC	GBNRCGC
Mr. Hamad Abdul Mohsen Al Marzouq	Non-Executive	✓ (Committee Chairman)	-	-	-
Mr. Adel A. El-Labban	Non-Executive	✓	-	-	-
Mr. Khalid Mohamed Najibi	Independent	-	✓	✓ (Committee Chairman)	✓
Mr. Khalid Salem Al Nisf	Non-Executive	✓	-	✓	-
Mr. Muad Saud Al Osaimi	Non-Executive	✓	✓	-	-
Mr. Haitham Abdulaziz Al-Terkait	Executive	-	-	-	✓
Mr. Khaled Yousif Al-Shamlan	Executive	-	-	-	✓
Dr. Khalid Mohamed Al Saad*	Independent	-	✓	✓	✓ (Committee Chairman)
Mr. Jamal Abdel Razzaq Al-Naif	Independent	-	✓ (Committee Chairman)	✓	✓

*Dr. Khalid Al Saad was appointed in August 2024.

The attendance at meetings of Board Committees held during 2024 are detailed below:

Group Board Executive Committee Meetings
No Meetings were held for the Group Board Executive Committee

Group Board Audit and Compliance Committee Meetings

Members	Classification	Meeting Dates						
		13/02/2024	24/04/2024	21/05/2024	31/07/2024	03/09/2024	27/10/2024	24/11/2024
Mr. Jamal Abdel Razzaq Al-Naif - Chairman	Independent	✓	✓	✓	✓	✓	✓	✓
Mr. Muad Saud Al Osaimi	Non-Executive	✓	✓	✓	✓	✓	✓	✓
Dr. Khalid Mohamed Al Saad *(appointed in August 2024)*	Independent	-	-	-	-	✓	✓	✓
Mr. Khalid Mohamed Najibi	Independent	✓	✓	✓	✓	✓	✓	✓

Group Board Risk Committee Meetings

Members	Classification	Meeting Dates			
		14/02/2024	22/05/2024	04/09/2024	25/11/2024
Mr. Khalid Mohamed Najibi - Chairman	Independent	✓	✓	✓	✓
Mr. Khalid Salem Al Nisf	Non-Executive	✓	✓	✓	✓
Dr. Khalid Mohamed Al Saad *(appointed in August 2024)*	Independent	-	-	✓	✓
Mr. Jamal Abdel Razzaq Al-Naif	Independent	✓	✓	✓	✓

Group Board Nominating, Remuneration and Corporate Governance Committee Meetings

Members	Classification	Meeting Dates	
		14/02/2024	24/11/2024
Dr. Khalid Mohamed Al Saad - Chairman *(appointed in August 2024)*	Independent	-	✓
Mr. Haitham Abdulaziz Al-Terkait	Executive	✓	✓
Mr. Khaled Yousif Al-Shamlan	Executive	✓	✓
Mr. Khalid Mohamed Najibi	Independent	✓	✓
Mr. Jamal Abdel Razzaq Al-Naif	Independent	✓	✓

Group Board and Board Committees Evaluation

The Board & Board Committees Evaluations are under progress on the performance of the Group Board and each Director during 2023/2024, results of which shall be reported to the shareholder once finalized.

Corporate Governance (continued)

Senior Management:

Names	Title
Dr. Shadi Zahran	Group Chief Executive Officer*
Oliver Schwarzhaupt	Deputy Group CEO - Risk & Compliance**
Mohamed Asem	Deputy Group CEO – Corporate Banking ***
Samih Abutaleb	Deputy Group CEO- Technology & Operations
Talal Kaiksow	Deputy Group CEO- Private Banking & Wealth Management
Bassam Alali	Deputy Group CEO - Treasury & Investment
Kenneth Wainwright	Group Head Audit
Philip Crawford	CEO - Ahli United Bank (UK) P.L.C.****
Hala Sadek	CEO - Ahli United Bank (Egypt) S.A.E.
Ayman El-Gammal	CEO - United Bank for Commerce & Investment S.A.L.
Bassam Jaber	CEO - Commercial Bank of Iraq

* Replaced Ahmed Saud Alkharji, previously Group CEO, joined 20 March 2022, resigned 18 March 2025.
** Joined on 10 March 2024
*** Joined on 29 December 2024
**** Joined on 03 January 2024

The Shari'a Supervisory Board (SSB)

AUB Group had an Islamic window "AlHilal" offering Shari'a compliant products, where the group had a Shari'a Supervisory Board. Pursuant to the acquisition of KFH Group of AUB, the later converted its operation to Islamic Shari'a and obtained Retail Islamic License in December 2023. As such, the AUB Group has formally established its Shari'a Governance Framework and structure which consists of:

- Shari'a Supervisory Board "SSB"
- Shari'a Coordination and Implementation Function
- Internal Shari'a Audit Function
- Independent External Shari'a Compliance Audit "IESCA"

The Shari'a governance framework is designed to ensure that all banking activities comply with Shar'ah provisions, encompassing a set of processes, policies and structures that guide in maintaining Shari'a. Shari'a governance sets the framework for Shari'a risk Management in identifying potential Shari'a non-compliance risks in products, services and operations and implementing measures to mitigate identified risks.

During 2024, there has been no Shari'a concerns on the corporate governance matters.

Members of the SSB

The Bank's SSB is an independent body of the Shari'a scholars specialized in Fiqh al Mu'amalat (Islamic Commercial Jurisprudence) and well verse in the Islamic finance industry. The SSB members are as follows:

Sheikh Prof. Abdulaziz Khalifa Al Qassar - Chairman of the SSB
Sheikh Dr. Fareed Mohamed Hadi - Vice Chairman of the SSB
Sheikh Prof. Esam Khalaf Al Enezi - Member of the SSB
Sheikh Prof. Ali Ibrahim Al Rashed - Member of the SSB

Meetings of the SSB

Pursuant to SG-2.3.18, the SSB should meet at least on a quarterly basis to review and approve key decisions relating to Shari'a matters. During the year 2024, the SSB met four (4) times as outlined below:

Members	Position	Meeting Dates				Total number of Meetings Attended	Percentage Attendance
		29/04/2024	14/07/2024	20/10/2024	22/12/2024		
Sheikh Prof. Abdulaziz Khalifa Al Qassar	Chairman	✓	✓	✓	✓	4	100%
Sheikh Dr. Fareed Mohamed Hadi	Vice Chairman	✓	✓	✓	✓	4	100%
Sheikh Prof. Esam Khalaf Al Enezi	Member	✓	✓	✓	✓	4	100%
Sheikh Prof. Ali Ibrahim Al Rashed	Member	✓	✓	✓	✓	4	100%

Pursuant to SG-2.3.19, each SSB member must attend at least three fourth (75%) of the meeting during the calendar year. As at 31 December 2024, all SSB members complied with SG-2.3.19. Additionally, pursuant to SG-2.3.17, the SSB must meet with the Board of Directors of the Bahraini Islamic bank licensee at least once a year to discuss issues of common interest. Such meeting took place on 26 November 2024.

Risk Management Governance

The overall responsibility of risk management rests with the Group Board. The Group Board has the responsibility to recognize all the risks to which the Group is exposed to and to ensure that the required people, policies, procedures, systems and methodologies are in place to address, manage and mitigate these risks.

In discharging its duties and responsibilities, the Group Board is supported by Board and Management Committees. The Group Board has established a Risk Management function and appointed Deputy Group CEO - Risk & Compliance. The risk management function is independent of the individual business lines and reports directly to the Group Board Risk Committee and administratively to the Group Chief Executive Officer. The Deputy Group CEO- Risk & Compliance has the primary responsibility for overseeing the development and implementation of the Group risk management framework. This includes enhancements to risk management resources, systems, policies, processes, models and reports as necessary to ensure that the Bank's risk management capabilities are sufficiently robust and effective to fully support strategic objectives and business activities. In addition to active engagement in monitoring performance relative to risk-taking and risk limit adherence and to participation in key decision-making processes.

Management Committees

The Group Board has established a management structure with clearly defined roles, responsibilities and reporting lines. The Bank's management monitors the performance of the Bank, and each of its subsidiaries, and managed affiliates on an ongoing basis and reports this performance to the Group Board. The monitoring of performance is carried out through regular assessments of performance trends against budget, and prior periods and peer Banks in each of the markets and collectively through AUB Group committees and sub- committees at the parent bank and its subsidiary/affiliated banks' level. Specific responsibilities, as explained below, have been delegated to each management committee, as appropriate.

In addition to the above, executive management or other Management Committees may delegate specific roles and responsibility to other sub-committees or internal in-house committees, to manage specific tasks or to meet a specific policy requirement, for enhanced governance and control over such process or activity. Examples of such committees are, Procurement Committee, Customer on-boarding committee, Group Security coordination committee, etc.

Group Management Committee

The Group Management Committee ("**GMC**") is the collective Group management forum, providing a formal framework for effective consultation and transparent decision-making by the Group CEO and senior management on cross-organisational matters. Appropriate checks and balances ensure the "four eyes" regulatory requirement is met. The Group Management Committee operates in a flexible way, with a minimum of formality and a broad mandate encompassing Group wide as well as bank and unit specific issues, as determined by the Group CEO and the other members of the Group Management Committee. It is chaired by the Group CEO and comprises of the Bank's Deputy Group CEOs and the CEOs of the subsidiary banks and managed affiliate banks.

It is chaired by Group CEO and has thirteen other members.

Group Management Risk Committee (GMRC)

The Group Management Risk Committee (the "**GMRC**") supports and helps the Group Board Risk Committee ("GBRC") and management to understand and oversee group key risk exposures, optimize group enterprise risk profile within the context of the approved strategy, risk appetite and regulatory requirements and to embed and maintain a risk aware culture within AUB Group. The committee oversees Enterprise-Wide risk through a holistic, proactive, dynamic and data-driven framework based on key risk indicators and early warning triggers.

It is chaired by the Deputy Group CEO, Risk & Compliance, and includes eight (8) other members.

Group Asset and Liability Committee (GALCO)

The Group Asset and Liability Committee (the "**GALCO**") is established to monitor the balance sheet as it sets, reviews and manages the capital, liquidity, profit rate risk, market risk and funding strategy of AUB and the AUB Group and reviews and allocates capacity on the balance sheet to achieve targeted return on capital, return on asset, liquidity ratios and other regulatory ratios. It also oversees the operation of the AUB Solo Asset and Liability Committee, which is a sub-committee from the GALCO, to set, review and manage the capital, liquidity, profit rate risk, market risk and funding strategy of AUB Bahrain.

It is chaired by the Group CEO and includes six (6) other members.

Group Credit Committee (GCC)

The Group Credit Committee (the "**GCC**") reviews and approves AUB Group credit applications, restructuring and remediation of non-performing facilities and related matters in accordance with the Bank's credit risk appetite and credit policies approved by the Group Board. It acts as a forum for the discussion and approval of requests related to a credit including non-performing accounts of AUB Group. It also oversees the operation of the AUB Bahrain Credit Committee (BCC) which is a sub-committee from the GCC. It is chaired by the Group CEO and includes six (6) other members.

Corporate Governance (continued)

Group Investment Committee (GIC)
The Group Investment Committee (the "GIC") approves, reviews and manages AUB Group's proprietary investment portfolio of sukuk, equities and funds. It acts as a general forum for the discussion of any aspect of investment risk faced by AUB Group.

It is chaired by the Group CEO and includes seven (7) other members.

Group Provisioning and Impairment Committee (GPIC)
The Group Provisioning and Impairment Committee (the "GPIC") is responsible for the review of the adequacy of the Expected Credit Loss (ECL)/ provisioning levels, ECL stage assessments and the key constituents thereof as per the FAS 30 of AAOIFI accounting standard. The committee is also responsible for the oversight and monitoring of the Non-Performing Financings (NPFs) and watchlist accounts with an objective to proactively and appropriately manage the non-performing exposures (and associated provisioning) of AUB Group and to ensure overall provision adequacy.

It is chaired by the Deputy Group CEO, Risk & Compliance, and includes six (6) other members.

Group Operational & Fraud Risk Committee (GORC)
The Group Operational & Fraud Risk Committee (the "GORC") has been established to administer the management of operational risk throughout the AUB Group. It monitors material operational & fraud risks faced by AUB Group, establishes controls to mitigate these risks and ensures meeting regulatory requirements.

It is chaired by the Group Head- Operational Risk Management, Fraud Risk Management & Business Continuity Management, and includes seven (7) other members.

Group Information & Cyber Security Risk Committee (GICSC)
The Group Information & Cyber Security Risk Committee (the "GICSC") is a senior level cyber security governance committee that oversees the execution of cybersecurity programs and implementation of the cyber security strategy. GICSC oversees the information and cyber security risk throughout the AUB Group. The committee oversees and reviews the information and cyber security risk posture, emerging risks, the Bank's preparedness and mitigations and their effectiveness. The committee has oversight on material issues and risks that require management attention, results of penetration testing, certifications, and regulatory compliance.

It is chaired by the Group CEO and includes seven (7) other members.

Group New Product Committee (GNPC)
The Group New Product Committee (the "GNPC") has been established to review and approve new products, processes and services for Private Banking & Wealth Management, Treasury, Retail, Commercial banking and other areas of the Group. The Committee assesses all related reputational, operational, credit, liquidity and market risk, IT, legal, AML, compliance, control, staffing, training, and capital/profit allocation issues related to approving new products. The approval by the GNPC follows the new product or process development according to the New Product Approval and Development Procedure.

It is chaired by the DGCEO – Private Banking and Wealth Management and includes seven (7) other members.

Group Information Technology and Transformation Steering Committee (GITTSC)
The Group Information Technology and Transformation Steering Committee (the "GITTSC") oversees all the Information Technology and Transformation functions of the AUB Group. Its responsibility encompasses: strategy formulation, prioritised implementation and delivery of Information Technology (IT) and Transformation (T) projects within an acceptable, secure and standardised framework to meet the evolving conventional and Islamic banking business needs of the businesses.

It is chaired by the Group CEO and includes twelve (12) other members.

AUB Solo Management Committee (MC)
The Solo Management Committee (the "MC") is the senior collective management forum of AUB, the parent Bank, providing a formal framework for effective consultation and transparent decision-making on cross-organizational matters. The committee focuses on AUB onshore and offshore businesses which are booked in Bahrain.

It is chaired by the Group CEO and includes nine (9) other members.

Group Data Analytics Governance Committee
The Group Data and Analytics Governance Committee (the "GDAGC"), in conjunction with the Data Management Department (DMD), ensures fact-based decision making through deeper insights across all business and support lines based on a single, unified data strategy, guided by the Group Data Policy, as approved by the AUB Group Board of Directors and by the rules and processes set by the Committee for application across the AUB and the AUB group of companies.

It is chaired by the Group CEO and includes fifteen (15) other members.

Main Conversion Supervisory Committee (MCSC)
The Main Conversion Supervisory Committee (the "MCSC") main role is to supervise, guide and ensure the diligent/prudent and timely execution of the conversion of AUB and its subsidiaries to a Shari'a compliant financial group as well as the rebranding of the AUB Group.

It is chaired by the Group CEO and includes fourteen (14) other members.

Other Governance Measures
In addition to the Board and Management Committee structures, the Board of Directors has approved several AUB Group policies to ensure clarity and consistency in the operation of the AUB Group. These policies, which are communicated to staff, include Credit, Risk Management, Anti-money Laundering, Corporate Governance, Personal Account Dealing, Banking Integrity & Whistleblowing, Compliance, Legal and Human Resources policies.

Underpinning these policies is the Board approved Group Code of Business Conduct which prescribes standards of ethical business behavior and personal conduct for the Bank's Directors, its senior management (officers) and its staff.

The Board annually reviews and adopts remuneration and related policies and closely monitors the implementation of these policies and processes with respect to the Bank's staff and Directors. The AUB Remuneration Policy provides the remuneration framework for motivating employees and directors with financial motivation to deliver optimum Group performance. The policy aims at rewarding performance by individual contribution within a team-oriented approach, remunerating individuals who achieve personal, divisional and Group results and providing a long-term incentive to performing staff.

The Banking Integrity & Whistleblowing Policy, which includes detailed policy and procedures on whistle blowing, is specifically designed to facilitate concerns raised regarding misconduct occurring within, or associated with, the AUB Group.

The Board has also adopted a Group Communications Policy. This policy sets out the authority of AUB Group employees with respect to the communication of information to third parties in the course and scope of their employment. The Bank has an open policy on communication with its stakeholders, which includes:

(i) The disclosure of all relevant information to stakeholders on a timely basis in a timely manner; and

(ii) The provision of the last five years of financial data on the Bank's website.

The Bank is always mindful of its regulatory and statutory obligations regarding dissemination of information to its stakeholders.

The Bank provides information on all events that merit announcement, either on its website, or via any other forms of publications, such as press releases, the Bank's annual report and quarterly financial statements, and the Corporate Governance Policy are all published on its website.

As a supporting governance measure, the Board also relies on the ongoing reviews performed by internal and external auditors on the AUB Group's internal control functions. These reviews are conducted to identify any weaknesses, which then enable management to take remedial action.

AUB GROUP REMUNERATION FRAMEWORK AND GOVERNANCE
AUB's remuneration framework is designed to attract, motivate and retain employees and to align their interests and direct their efforts towards achieving the short- and medium-term objectives of AUB as set by the Board of Directors. Performance is measured not only on financial achievements but the effective control of all risks that is in the long-term interests of all stakeholders of the Bank.

The effective governance of the framework and the application of AUB's remuneration principles is maintained through the Board of Directors, who review and approve on a regular basis, the HR policy including, the remuneration and training & competency policies and oversee the implementation and administration of these policies and processes with respect to the Bank's employees and directors directly or through delegation to the Board Nomination, Remuneration and Corporate Governance Committee ("BNRCG" or the "Committee") as mandated by the regulator (s).

1. The Remuneration System
The remuneration system is aligned to supporting the Bank's short term and medium-term performance objectives and to controlling and reducing the full gamut of associated risks. It specifies the proportion of fixed and variable remuneration to be consistent with the Board approved Risk Framework. It defers portions of the variable remuneration awards for risk taking roles of the Bank if required as per the rules of the country/ group regulator and/ or the Shareholder of the Bank.

The remuneration system represents a balanced risk-based remuneration consisting of:

– Fixed remuneration
– Benefits
– Variable remuneration

Corporate Governance (continued)

1. The Remuneration System (continued)

Component	Key Features
Fixed Remuneration	• Rewards the capacity to hold a role/ position in a satisfactory manner through the employee displaying the required skills. • Paid in the form of monthly/ periodic cash salary and allowances. • Payments are fixed and do not vary with performance. • Director Fees paid for membership of Board and/ or Board Committees.
Benefits	• Ensure market competitiveness and provide benefits in accordance with local market practice. • Consists of contributions to pension, social insurance, medical insurance, life insurance and health and wellness. • Contributions are fixed and do not vary with performance.
Variable Remuneration	• Paid to performing employees aligned to business performance and market conditions for business functions or adherence to control functional mandates for control functions as per rules and guidelines outlined by regulators in AUB markets. • Aims to reward collective and individual performance achieved for objectives defined at the beginning of the year and discretionary on extent to which objectives are achieved. • Consists of cash and/ or unit-based performance related remuneration, paid upfront or deferred in part with deferrals subject to the concept of malus and clawback. • Payments are linked to maintaining performance standards and maintaining risk and control parameters defined by the Bank. • Includes short-term or long-term incentive plans to motivate and retain employees with sustainable performance using both pre- and post- award performance measures to drive forward the Bank's objectives.

2. The Remuneration Policy

The Remuneration Policy (part of the HR Policy) is annually reviewed by the Board of Directors. The Policy incorporates the mandatory regulations issued by the regulators, which are applicable to specified group of risk-takers/ functions of the Bank. The Policy and related schemes are also approved by the shareholder of the Bank and applied to performance-related employee remuneration payments made for each financial year.

The policy incorporates the mandatory regulations issued under the CBB High-Level Controls module, (HC-6: Remuneration of Approved Persons and Material Risk-Takers), applicable to Approved Persons and Material Risk-Takers of the Bank whose total annual remuneration (including all benefits) is more than BD100,000 or equivalent. The Policy and related schemes have been approved by the shareholder of the Bank at the Annual General Meeting held on 31 March 2015 and have been applied to performance related employee compensation payments made for each financial year.

The policy outlines the basis and methodology for arriving at variable remuneration, making allocations, implementing risk adjustments to remuneration, the framework for remuneration of risk takers, conditions for deferral, malus and claw-back clauses including compliance and disclosure requirements.

Equity schemes are limited so as not to exceed an aggregate 10% of the total issued outstanding ordinary share capital of the Bank, at any given time.

3. Role of the Board Nomination, Remuneration and Corporate Governance Committee in Governance and Oversight over Remuneration.

The Board of Directors has established a Board Nomination, Remuneration and Corporate Governance Committee (the "Committee") and has delegated certain of its powers and responsibilities to the Committee through its Terms of Reference. The primary responsibilities of the Committee are to provide effective oversight of and governance over the remuneration strategy, structure and systems, to ensure that these are properly implemented. The aggregate remuneration/ fees paid to the Committee members for 2024 amounted to US$81,250 (2023: US$76,500).

The Committee approves the annual aggregate amounts payable under fixed and performance-related variable remuneration schemes for employees. The Committee reviews and approves any material changes in employee benefits as per market trends and cost considerations and makes recommendations about any other employee matters, as brought before it. The Committee reviews remuneration payable to the members of the Board of Directors and makes recommendations to the Board of Directors and in this regard, in line with applicable regulations.

The Committee further reviews and tests the Remuneration Policy and framework to ensure that remuneration arrangements comply with applicable regulations and to ensure that the remuneration system operates as intended and that effective controls exist through testing of remuneration outcomes as per the Bank's risk framework.

4. Main Duties of the Board Nomination, Remuneration and Corporate Governance Committee

The Committee is vested by the Board of Directors through its Terms of Reference with the primary responsibility, inter alia, to provide effective oversight and assure governance over the remuneration strategy, structure and systems, to ensure that they are properly implemented. The authority matrix for the Committee is as follows:

Action	Approved by
a) Approve the Bank's annual performance bonus pool funding model based on KPI and KRI adjustments.	Board Nomination, Remuneration and Corporate Governance Committee
b) Approve the Bank's annual performance bonus pool based on the determined performance bonus pool funding model.	
c) Approve the criteria for performance-based distribution of the Bank's annual performance bonus.	
d) Approve the performance scores, annual increment % and annual performance bonus monthly salary multiples for Approved Persons and Material Risk-Takers whose total annual remuneration is more than BD100,000 or equivalent in the Bank.	
e) Approve the aggregate performance distribution, annual actual salary increments and actual performance bonus amounts for the Bank.	

5. External Consultants

Consultants are appointed on an ad hoc basis to advise the Bank on revisions to the Remuneration Policy, if any and on regulations and market best practices including providing consulting advice for the deferred share/ equity-linked schemes.

6. Remuneration of the Board of Directors

The Board Nomination, Remuneration and Corporate Governance Committee annually reviews the remuneration of the Board of Directors and its related Committees to ensure compliance with the CBB Rulebook, within the relevant Commercial Companies Law requirements and the Articles of Association of the Bank. The Bank is in compliance with the CBB Rule Book HC Module 3.6.5 which requires that the remuneration of the Board of Directors is linked to attendance and performance. Board of Directors and its committees' remuneration is pro-rated and paid on the basis of actual attendance and membership. Remuneration for the Board of Directors and its related committees is submitted to the shareholder at the Annual General Meeting each year for approval.

The Bank is in compliance with its Articles of Association requiring that total remuneration for Directors (excluding sitting fees) is capped at 10% of the Bank's NPAT for 2024, after all the required deductions outlined in Article 188 of the Bahrain Commercial Companies Law, 2001.

The remuneration of Non-Executive Directors for 2024 does not include any performance-related elements such as shares, share options or other deferred stock-related incentive schemes, bonuses or pension benefits, in compliance with the CBB Rule Book HC Module 6.1.21.

The Approved Persons and Material Risk Takers of the Bank do not receive remuneration, incentives, performance payments, commission, fees, shares, consideration in kind or other direct benefits of any kind from any projects or investments managed by the Bank or promoted to its customers or potential customers.

This applies to all Approved Persons and Material Risk Takers including those appointed as members of the Board of any special purpose vehicles or other operating companies set up by the Bank for special projects or investments.

The Approved Persons and Material Risk Takers of the Bank do not receive any additional remuneration for their participation in any management committees.

Corporate Governance (continued)

6. Remuneration of the Board of Directors (continued)

The Board Nomination, Remuneration and Corporate Governance Committee (The "Committee") is required to periodically review the remuneration for the Board of Directors and its related Committees to ensure compliance with the CBB Rule Book, within relevant Commercial Companies Law requirements and with the Articles of Association of the Bank. The review for fiscal year 2024 is summarized as follows:

Remuneration Regulation	Compliance by AUB
CBB Rule Book High Level Controls Module Article No.3.6.5 requires that remuneration of the Board of Directors ("The BoD") of an Islamic Bank is linked to attendance and performance.	AUB BoD and its related committees' remuneration is pro-rated on the basis of ½ of the fees being paid on actual attendance of meetings by Directors with the remainder paid as membership remuneration unrelated to attendance. • In Compliance
CBB Rule Book High Level Controls Module Article No.6.1.21 requires that the remuneration of non-executive directors must not include performance-related elements such as grants of shares, share options or other deferred stock-related incentive schemes, bonuses, or pension benefits.	No performance related remuneration is included in the remuneration of AUB Non-Executive Directors. • In Compliance
The Bank's Articles of Association require that total remuneration for Directors (excluding sitting fees) is capped at 10% of the Bank's NPAT, after all the required deductions outlined in Article 188 of the Bahrain Commercial Companies Law, 2001 in any financial year, notwithstanding the requirements of shareholder' approval.	For 2024, the recorded NPAT is US$ 718.2 Million (2023: US$ 667.3 Million) and therefore, no further approval is required from the shareholder for the payment of Director Fees and Expenses. • In Compliance AUB B.S.C. Board of Director Fees & Expenses for 2024 amounts to US$ 2.26 million (2023: US$ 2.13 million) falling within the above defined limit as per the regulation and the guidelines specified by Article 188. As per the regulation and the guidelines specified by Article 188, the Board of Director fees and expenses cap for 2024 is estimated at US$ 48.2 million (2023: US$41.8 million) and is calculated as per below:

	US$ millions
NPAT for 2024	**718.2**
Less 10% transferred to Legal Reserve	(71.8)
Balance	**646.4**
Less Min. 5% Dividend to Shareholder on Issued Shares	(139.3)
Balance	**507.1**
Less interest paid for AT1 Issue attributable to AUB equity shareholder	(23.4)
Balance	**483.7**
Less transferred to Donation reserve	(2.0)
Balance	**481.7**
10% limit on Director Fees and Expenses as per law	**48.2**

• In Compliance

7. AUB Remuneration Framework, Performance Bonus Pool Calculation and Risk Adjustments

Variable remuneration decisions are made at the end of each performance year based on a combination of:

- Business performance achieved against set objectives as per the annual operating plan.
- Risk objectives, KPI's and KRI's achieved based on the Board approved Risk Framework.
- Compliance to AUB values, applicable regulatory guidelines and local market practices.

Performance-related variable remuneration at AUB aims at recognizing and rewarding employee's contribution beyond their regular job requirements, particularly those contributions that increase Bank's productivity and profitability in a prudent and sustainable manner with effective control of risk.

Framework	Key Features
Review of Business Performance against Objectives	• The Committee reviews and ensures the framework linking individual performance to the Bank's performance adjusts the annual accrual of the Variable Remuneration pool for the Bank based on achievement of specified Key Performance Indicators ("KPI") which reflects Bank Performance for each financial year. • The Committee reviews and ensures the Key Risk Indicators ("KRI") which reflects the compliance of the Bank as per the Board approved Risk Framework.
Performance Measures (KPI's and KRI's)	• KPI's measure the actual financial and operational performance against budgets and KRI's measure the actual control measures as per the Board approved Risk Framework and include Net Profit after Tax (NPAT), Gross Operating Income, Financing Receivables, Customer Deposits, Return on average assets (ROAA), Return on average equity (ROAE), Cost to income ratio, Increased risk due to overdue closure of audit control findings, Non-Performing Financing (NPF) as % of gross financing, Specific Provision Coverage and Capital Adequacy Ratio.
Performance Bonus Pool Allocation	• The performance bonus pool is aligned to and accrued based on the Bank's short- or long-term financial performance and adjusted for compliance to the risk framework. • The Committee reviews the accrual of the performance bonus pool for the Bank and ensures it is based on the overall performance of the Bank and is accrued as a percentage of Net Profit after Tax (the "NPAT") (or as per the Profit-Sharing mechanism as stipulated by local laws e.g. Egypt) for the preceding/ ongoing financial year and that the payouts are in compliance to the risk-adjusted performance as per the Board approved Risk Framework. • NPAT performance is adjusted for appropriate current and future risks. The Committee exercises its judgement to ensure the performance bonus pool reflects the overall performance of the Group including compliance to the Board approved Risk Framework. • Fines, penalties by regulators and non-compliance to the Risk Framework results in reduction in the overall profit achievement as assessed by the Committee. • Funding of the Bank's performance bonus pool is based on profitability of the Bank, capital adequacy and returns to shareholder are important factors in calculation of the bonus pool. • The Committee ensures that the total performance bonus pool does not limit the Bank's ability to strengthen its capital base. • The performance bonus pool for the Bank is based on evaluation of financial performance and compliance to objectives outlined in the Risk Framework. • The Committee at its discretion may propose to reduce or reduce to nil the distribution of the performance bonus pool for the Bank and each line of business and/ or the allocation pool of accrued bonus to businesses if there is a material reduction in the profitability of the Bank or the individual line of business. • The Committee shall use its discretion to determine whether the business is incurring losses due to a start-up or turnaround situation, in which case, bonus pay-out may be allowed to occur.

Corporate Governance (continued)

7. AUB Remuneration Framework, Performance Bonus Pool Calculation and Risk Adjustments (continued)

Framework	Key Features
Review of Performance and Remuneration arrangements of Approved Persons and Material Risk Takers in Senior Management	• The performance measurement and the remuneration arrangements for designated senior management and regulated roles of the Bank for each year is reviewed and approved by the Committee and is subject to changes in total individual remuneration and/ or to changes in the organizational structure and business model. • The CBB mandates that the variable performance bonus for Approved Persons and Material Risk-Takers whose annual salaries are BD100K (-c.US$256K) be deferred. • The variable remuneration awarded to the senior managers and risk-takers in the Bank is based on the Bank's short- or long-term financial performance as adjusted for all types of risk and are subject to reduction in case of the Bank's poor or negative financial performance.
Deferral of performance bonus	• In geographies where regulations mandate that the variable performance bonus be deferred, then deferral mechanisms are followed. • The CBB mandates that the variable performance bonus for Approved Persons and Material Risk-Takers whose annual salaries are more than BD100K (-c.US$256K) be deferred. • Awards of deferred variable remuneration for the designated Approved Persons and Material Risk Takers of the Bank shall be reduced in case of losses by the Bank and/ or business line during the vesting period of deferred remuneration awards because of Malus and/or Clawback as defined in the HR Policy.
Malus	• Allows cancellation/ reduction of unvested deferred performance bonus awards prior to their exercise, in addition to discretionary performance bonus adjustments to businesses and individuals based on compliance to risk objectives and record of disciplinary actions under HR policy.
Clawback	• Subject to compliance with Labour Laws, allows the Bank to recover paid deferred awards under specific conditions as defined in the HR policy for a period of up to 6 months after exercise.
Incentive Remuneration	• The Bank operates job-linked incentive or commission-based sales plans at each business level for employees (full-time and/ or outsourced) engaged in customer sales, service and collections as per specific campaign-related or marketing schemes.

8. Review of Performance and Remuneration arrangements at AUB

The performance measurement and the remuneration arrangements for the Bank is reviewed and approved by the Committee each financial year and is subject to changes in total individual remuneration and/ or to changes in the organizational structure and business model. The performance measurement and the remuneration arrangements for designated Approved Persons and Material Risk Takers of the Bank whose total annual remuneration (including all benefits) is more than BD100,000 or equivalent, who are part of the Senior Management of the Bank is reviewed and approved by the Committee in alignment with business performance and compliance to the risk framework. Performance assessment of regulated roles is undertaken as per the following framework:

Level	Area	Bank (Business) Objectives	Functional Objectives
CEO	(Business)	100%	-
Others	(Business)	60%	40%
	(Support)	40%	60%
	(Control)	-	100%

8. Review of Performance and Remuneration arrangements at AUB (continued)

The above performance measurement framework ensures that adequate focus is employed by staff on their core objectives with heads of business functions being measured for both the Bank's business performance and development of their respective functions, and heads of control/ support functions being measured for core control and risk objectives related to the Bank and their functions including the development of their respective functions independent of business performance targets.

The individual allocations of variable remuneration components for the designated roles are correlated with the annual individual performance appraisal that considers the extent to which quantitative and qualitative objectives have been met. The objectives for these individuals are clearly identified and can be assessed by indicators that are known to the employee.

The qualitative objectives are tailored to the individual employee, in relation to the employee's professional activity and adapted to the position held. These objectives include the quality of risk management, the means and behaviors used to achieve results such as co-operation, teamwork and human resources management.

The performance appraisal process and the subsequent performance bonus allocation process is managed and documented by group human resources and its conclusions are submitted for approval to the Committee.

The variable remuneration awarded to the Approved Persons and Material Risk-Takers is based on the Bank's short- or long-term financial performance as adjusted for all types of risk and are subject to reduction in case of the Bank's poor or negative financial performance. The Remuneration report for the Bank includes the regulated roles for 2024 who are Approved Persons and Material Risk-Takers in business lines - 8 (2023: 15), Approved Persons in control functions - 6 (2023: 11) and no other material risk takers. Other staff, Bahrain operations – 723 (2023: 684).

9. Compliance with Remuneration Rules

Compliance to remuneration rules is aligned to the primary regulator, the Central Bank of Bahrain (CBB) and applies to its subsidiaries and branches in other markets, unless divergence exists with respective local country/ market regulations.

(i) Framework & Methodology

Regulation	Compliance by AUB
Governance of Remuneration	• The members of the Board Nomination, Remuneration and Corporate Governance Committee are nominated/ elected from the Board of Directors. • The Committee sets the principles, parameters and governance framework of the Group's Remuneration Policy applicable to employees and directors and reviews the Bank's compliance to the Board Risk Framework.
Management of Subsidiaries/ SPV's/ Projects/ Investments	• AUB employees do not take remuneration, incentives, performance payments, commission, fees, shares, consideration in kind or other direct benefits of any kind from any projects or investments managed by the Bank or promoted to its customers or potential customers. • The above rule applies also to those staff appointed as members of the Board of any special purpose vehicles or other operating companies set up by the Bank for projects or investments.
External Review	• The Remuneration Policy is reviewed annually by the external auditors of the Bank for compliance with Chapter HC-6 (Module "HC") issued by the Central Bank of Bahrain and reported independently by the auditors to the CBB.
Personal Hedging Strategies	• Approved Persons and Material Risk-Takers with deferred variable remuneration of the Bank are prohibited from using personal hedging strategies or remuneration and liability-related insurance to undermine the risk alignment effects embedded in their deferred variable remuneration arrangements.
Employees in Control functions are independent and are compensated based on functional objectives	• Individuals in Control functions have independent reporting lines through their respective functions rather than through the business. • Control functions are represented in all senior management committees. • Control functions, especially in key areas of Risk Management and Internal Audit have direct reporting lines to their respective Board Committees. • Performance and remuneration related recommendations and inputs are taken from the Chairpersons of the respective Board Committees for evaluating performance or for setting remuneration for heads of Control functions.

Corporate Governance (continued)

9. Compliance with Remuneration Rules (continued)
(i) **Framework & Methodology** (continued)

Regulation	Compliance by AUB
Guaranteed/ Sign-on Bonus	• The Bank does not provide any form of guaranteed performance bonus as part of the employment offer or contract to any employee. • Severance remuneration (except notice period for a maximum period of 3 months) is restricted except when the Bank provides for it as ex-gratia or as participants in a voluntary retirement, job redundancy or liquidation of the business or on closure of a unit.
Deferral arrangements for Approved Persons and MRT's in Senior Management	• For the GCEO and the Approved Persons reporting to him and Top 5 Material Risk Takers in business functions: 1. 40% of variable performance-based remuneration paid upfront in cash. 2. 60% of variable performance-based remuneration is deferred. • For the Approved Persons in control and support functions: 1. 50% of variable performance-based remuneration paid upfront in cash. 2. 50% of variable performance-based remuneration is deferred.

Details of Remuneration paid to Members of the Board of Directors

Total Value of Remuneration for the fiscal year:	2024 (Amounts in US$' 000)	2023 (Amounts in US$' 000)
Remuneration for the Board of Directors and related committees	2,220.6	2,073
Others (Expenses for the Board)	42	56

Details of Remuneration Paid to Employees

	2024				
	Fixed Remuneration		Variable Remuneration		Total Remuneration
	Unrestricted cash and allowances	Unrestricted others[1]	Cash	Deferred	
Approved persons - business lines	3,615	613	1,180	1,769	7,177
Approved persons – control	1,962	455	606	818	3,841
Other staff – Bahrain operations	48,752	14,722	10,009	0	73,483
Total	**54,329**	**15,790**	**11,795**	**2,587**	**84,501**

	2023				
	Fixed Remuneration		Variable Remuneration		Total Remuneration
	Unrestricted cash and allowances	Unrestricted others[1]	Cash	Deferred	
Approved persons - business lines	5,239	1,811	1,406	1,971	10,427
Approved persons – control	3,871	1,505	982	1,237	7,595
Other staff – Bahrain operations	38,940	11,490	10,811	0	61,241
Total	**48,050**	**14,806**	**13,199**	**3,208**	**79,263**

[1] Others include direct charges such as social security contributions, end of service indemnity accrual charges, life insurance and medical premiums, club memberships, house lease rentals, school fees, vacation air fare, fair value charges for the employee share purchase program and indirect employee expenses such as training, recruitment, Government levies and other costs. These tables include employees in service for part of the year.

Deferred Variable Remuneration Arrangements

Awards	2024				
	Cash	Units		Others	Total
	(US$' 000)	Nos.	(US$' 000)	(US$' 000)	(US$' 000)
Opening balance	-	-	3,207	-	3,207
Awarded during the year	-	-	2,588	-	2,588
Vested during the year	-	-	(1,604)	-	(1,604)
Risk Adjustments	-	-	-	-	-
Closing balance	-	-	4,191	-	4,191

Awards	2023				
	Cash	Units		Others	Total
	(US$' 000)	Nos.	(US$' 000)	(US$' 000)	(US$' 000)
Opening balance	-	-	1,168	-	1,168
Awarded during the year	-	-	3,207	-	3,207
Vested during the year	-	-	(1,168)	-	(1,168)
Risk Adjustments	-	-	-	-	-
Closing balance	-	-	3,207	-	3,207

Group Business and Risk Review

Corporate Banking Group

The year 2024 marked a significant transformation for Ahli United Bank (AUB) as it transitioned entirely from conventional to Islamic banking across all its Group entities. This milestone set the stage for 2025, a year dedicated to strengthening its position and driving growth within the Islamic banking framework, particularly in corporate banking products and solutions.

Market Overview

The Corporate Banking Group (CBG) faced a challenging economic environment in 2024, marked by fluctuating market conditions and heightened competition. These factors led to declines in key financial indicators compared to 2023. Gross Financing contracted by 8%, influenced by the devaluation of the Egyptian Pound, a prudent risk management approach, and a strategic focus on high-quality, Shari'a-compliant asset portfolios. Customer Deposits decreased by 17%, impacted by intensified competition for deposit products, shifts in client liquidity preferences, and market rate fluctuations affecting deposit mobilization. Despite these challenges, CBG sustained strong relationships with strategic clients, ensuring stability in core deposits and optimizing cross-selling opportunities.

A major achievement during this transformative period was the successful conversion of AUB UK, AUB Egypt, and CIBIQ into fully Shari'a-compliant institutions. This accomplishment underscored AUB's commitment to Islamic banking principles and positioned it as a key player in the sector.

Strategic Direction

Looking ahead to 2025, the strategic priorities for CBG include revitalizing growth, enhancing operational efficiency, and solidifying its reputation as a trusted financial partner in the GCC and MENA regions. The strategy involves expanding client coverage while targeting high-growth sectors, leveraging data-driven insights for strategic client acquisition, enhancing digital platforms to improve client engagement and streamline service delivery, prioritizing risk-adjusted asset growth alongside sector diversification, and developing innovative Shari'a-compliant deposit products to attract and retain high-value clients.

A critical focus for 2025 will be the rebranding of AUB Group under Kuwait Finance House (KFH). CBG aims to drive comprehensive integration and maximize operational synergies by leveraging KFH's strong regional presence and funding capabilities. Key initiatives include improving liquidity management while mitigating concentration risks, promoting cross-regional collaboration, implementing targeted client segmentation strategies, and offering integrated financial solutions aligned with KFH Group's overarching objectives. Through these efforts, CBG is committed to achieving sustainable growth and enhancing financial performance within the Islamic banking sector.

Retail Banking

In 2024, Ahli United Bank's Retail Banking division successfully navigated a dynamic market shaped by regulatory advancements, technological innovation, and evolving consumer behaviours. The Central Bank of Bahrain (CBB) continued to drive financial modernization, strengthening regulatory frameworks to support digital transformation and enhance financial inclusion. The Kingdom's stable economic environment, underpinned by diversification initiatives, bolstered consumer confidence and fuelled demand for personalized banking solutions.

Market Conditions

Bahrain's retail banking landscape in 2024 was characterized by a surge in mobile and online banking usage, reflecting a growing preference for seamless, omni-channel experiences. The emergence of fintech partnerships and advanced payment ecosystems, such as Benefit Company's platforms, reinforced Bahrain's position as a regional leader in financial technology. Heightened competition and evolving customer expectations required banks to continually adapt, investing in data analytics, artificial intelligence, and cybersecurity infrastructure. Bahrain's strong regulatory oversight and emphasis on fostering a cashless society provided an enabling environment for banks to innovate and thrive.

Development and Performance Highlights

The Retail Banking division achieved significant progress in 2024. It focused on growing low-cost deposits, resulting in an increase in market share. The division also emphasized data design, architecture, and utilization to support market and behavioural analysis, business decision-making, product development, and business growth. Additionally, AUB continued investing in experienced resources and resource development with a focus on innovation and banking technology, contributing to the advancement of Group AUB Retail business propositions and customer experiences.

Turning Challenges into Opportunities

Ahli United Bank addressed a dynamic operating environment by leveraging its strategic agility and innovative capabilities. AUB invested in state-of-the-art technologies, enhancing its mobile and online banking platforms, and integrating artificial intelligence to deliver seamless, personalized services. The bank strengthened its market position by diversifying its product portfolio, focusing on innovation in Islamic banking, and fostering strategic partnerships. AUB aligned its operations with Bahrain's progressive regulatory framework, ensuring robust governance, launching inclusive financial products, and reinforcing its role as a trusted partner in the region's economic growth. Proactively, AUB supported businesses and individuals through customized financing options, enhanced advisory services, and Shari'a-compliant products, contributing to the Kingdom's Vision 2030. Furthermore, AUB embedded ESG considerations into its corporate strategy, offering sustainable financing solutions, and championing initiatives that support economic and environmental sustainability.

New Products and Performance

Several new products and enhancements were introduced in 2024. AUB's transformative Retail Loan Origination System (RLOS) provides an end-to-end asset acquisition ecosystem with rule engines and automated credit decisioning. The ecosystem extends beyond the bank, granting access to vendors, insurers, and employers through a fully integrated portal for a 100% paperless flow. RLOS was also deployed in Egypt. Branches and sales staff are now equipped with iPads, enabling them to onboard customers digitally and process financing receivable, bank, and credit card applications. Enhancements to the existing CRM system create a single hub for customer service and front-end operations. Additionally, AUB expanded the channels of ID updates through all digital channels with straight-through processing (STP) capabilities.

Strategic Focus for 2025

The Retail Banking division's strategic priorities for 2025 include continuing to improve penetration of mortgage products and introducing new variants. AUB will extend self-onboarding capabilities for financing and credit cards over internet and mobile banking platforms. The bank plans to introduce a remittance offering with attractive rates and low costs, targeting the large AUB customer base. AUB will continue to focus on growing low-cost deposits and increase personal finance penetration to grow market share. Additionally, AUB will launch a Platinum Card targeting a wider range of customers and introduce Life Takaful and Non-Life Takaful products. By aligning its strategic initiatives with emerging trends and market needs, Ahli United Bank continues to strengthen its position as a regional leader in delivering impactful, sustainable, and inclusive financial services.

Treasury and Investments

In 2024, global market rates reached their highest levels in over a decade as central banks implemented measures to prevent inflation resurgence. This tightening of monetary policy, while aimed at restoring price stability, contributed to a slowdown in economic growth, particularly in rate-sensitive sectors such as capital investment and real estate. Despite these challenges, the global economy showed signs of resilience, with markets gradually adapting to the new rate environment.

September 2024 marked a significant shift in monetary policy as the U.S. Federal Reserve initiated its rate-cutting cycle, responding to inflation moving closer to normal levels. This move aimed to stimulate economic growth while carefully monitoring inflation trends. The Fed's rate-cutting trajectory is expected to continue into 2025, providing support to businesses and consumers while maintaining a commitment to long-term price stability. GCC Central Banks followed suit, aligning with global monetary easing trends.

AUB Treasury maintained a robust and stable balance sheet throughout 2024, fully complying with all regulatory requirements. A key focus was the smooth integration into the KFH Group, leveraging synergies to enhance overall performance.

Key initiatives and achievements in 2024

Treasury optimized pricing levels and explored new Shari'a-compliant funding sources, achieving a notable success with the completion of a three-year sustainable financing Murabaha worth $800 million in Q4 2024. This transaction was oversubscribed, with participation from 11 regional and international banks. Treasury also completed the full Shari'a compliance conversion of subsidiaries in Egypt, Iraq, and the UK, marking AUB Group's transformation into a fully Shari'a-compliant banking entity. This involved updating systems, policies, and procedures to support new product offerings and ensure group-wide alignment. Additionally, Treasury introduced "Nama'a", a Shari'a-compliant investment product for high-net-worth customers, unveiled at an exclusive event. This product offers a secure multi-asset portfolio designed for wealth growth while safeguarding invested capital.

Looking ahead to 2025

Treasury will focus on recalibrating the balance sheet to align with expected declining market rates, securing stable and affordable funding sources to support increased asset bookings as the economy shows signs of recovery, and prioritizing effective liquidity management to navigate potential market volatility stemming from global geopolitical uncertainties. Treasury will also explore new stable funding sources to meet regulatory requirements and support the bank's growth initiatives in a shifting economic landscape. This strategic approach positions AUB Treasury to capitalize on emerging opportunities while maintaining resilience in the face of ongoing market challenges.

Private Banking

In 2024, Private Banking navigated a global economic landscape characterized by remarkable resilience alongside persistent inflationary pressures. Despite expectations for monetary policy easing following aggressive rate hikes in 2022 and 2023, central banks, particularly in the United States and Europe, maintained a

Group Business and Risk Review (continued)

cautious approach, prioritizing economic stability. This resulted in a measured series of rate adjustments: three cuts in the U.S., four by the ECB, and two in the UK. These decisions reflected a divergence in global economic performance, with the U.S. demonstrating notable strength, China's recovery facing headwinds, and Europe experiencing slower growth.

The financial markets in 2024 presented a dynamic investment environment. U.S. large-cap stocks led the way with strong gains, while bonds offered more moderate returns. Alternative investments delivered mixed results, underscoring the importance of diversification.

Market Performance Highlights

U.S. equities, particularly the S&P 500, achieved a stellar 25% gain, driven by significant contributions from the technology, healthcare, and financials sectors. International developed markets faced challenges, achieving returns of only 3.5% due to ongoing global uncertainties and weaker currency valuations, while emerging markets fared better with returns of 6.5%. Gold surged by 33%, fuelled by geopolitical uncertainties and inflation concerns, reaffirming its role as a safe-haven asset. The broad bond market ETF (BND) yielded a modest 1.4% return, with short-term bonds outperforming longer-duration bonds at 3.7%, benefiting from a normalizing yield curve. Real estate, represented by the VNQ ETF, rose by 4.8%, reflecting strong demand in multi-family and industrial property sectors. The U.S. dollar remained strong against other major currencies due to persistent interest rate differentials. The varied performance across asset classes reinforced the importance of diversification as a key investment strategy for our clients, enabling us to navigate market complexities and optimize returns.

Strategic Initiatives and Achievements

During the year, Private Banking successfully extended its Shari'a-compliant conversion model to its entities in the UK, Egypt, and Iraq. All entities now operate as fully Shari'a-compliant banks. This seamless transition was achieved through proactive client engagement, ensuring minimal disruption and enhanced service offerings.

We also prioritized enhancing the client experience through significant upgrades to our investment platform and further digitalization, enabling seamless communication and transactions. The development of a robust Shari'a-compliant wealth management proposition was central to our strategy, structuring opportunities internally and sourcing opportunities both regionally and globally with rigorous due diligence and governance. This effort enhanced our Sukuk execution and Islamic Structured Deposits capabilities, and led to the identification of Shari'a-compliant ETFs and mutual funds for our clients.

Recognition of Excellence

Private Banking's client-centric approach, unwavering commitment to high-quality service, and comprehensive wealth management offerings were recognized with numerous prestigious awards in 2024, including Best Private Bank – Bahrain 2024 (MEED), Best Private Bank – Egypt 2024 (MEED), Best Private Bank – Kuwait 2024 (MEED), Best Private Bank – Oman 2024 (MEED), Best Private Bank (PWM/The Banker), Bahrain's Best Domestic Private Bank (Euromoney Private Banking Awards), Bahrain's Best Bank for Investment Research (Euromoney Private Banking Awards), and Kuwait's Best International Private Bank (Euromoney Private Banking Awards). These accolades reflect our dedication to providing exceptional service and innovative solutions to our valued clients.

Looking Ahead to 2025

We anticipate that market volatility and fear of an economic slowdown driven by geopolitical events, trade tensions, and Federal Reserve policy actions will remain a key challenge in 2025. However, despite market volatility and the fear of an economic slowdown, market conditions affect various investments differently and maintaining a well-balanced portfolio and a strategic approach to investment decisions can provide stability during periods of volatility and help investors stay on track to achieve their long term objectives.

Our strategic focus will be to enhance service delivery and advice, enabling clients to grow their assets, liabilities, and AUM base. To this end, we will strengthen our Shari'a-compliant investment solutions with regional fixed income and equity portfolios, an enhanced real estate investment offering, and globally diversified portfolios that cater to clients' specific risk and return objectives. We will also expand our range of Islamic ETFs, mutual funds, and structured investment solutions.

Clients will continue to benefit from Private Banking's global presence and cross-border services. We will foster closer collaboration with other divisions and jurisdictions within the Group, including Corporate Banking, Premium Banking, and Treasury, to provide a broader and more integrated service offering.

Our unwavering focus remains on growing our clients' wealth and preserving their legacy for future generations.

Information Technology and Operations

In 2024, the Group IT Operations (ITOPS) and Administration Department continued its unwavering commitment to investing in people and technology. Guided by the principles of innovation and operational excellence, we played a pivotal role in supporting the Bank's digital transformation and its journey toward full Shari'a compliance.

Performance and Development

Our efforts were instrumental in the development and enhancement of cutting-edge banking services and products, including upgrades to AUB RMWB, CRM, B2B platforms, payment systems, and mobile/internet banking platforms tailored to support Bahrain and other Group entities.

We implemented several significant technology upgrades, including internal process automation leveraging rapid development tools, core system enhancements, and strengthened critical infrastructure to ensure robust and reliable operations. These advancements were further supported by comprehensive business process re-engineering, which improved operational efficiency and established highly resilient infrastructure foundations.

A major highlight of the year was the successful completion of the Islamic conversion initiative, which included consolidating the Islamic window into a unified framework. This milestone was complemented by numerous straight-through processing and automation initiatives, ensuring seamless operations and alignment with our commitment to delivering Shari'a-compliant banking solutions.

Strategic Focus

We continued to invest in people and technology, supporting the Bank's digital transformation and conversion by developing innovative banking services and products. Notable accomplishments include enhancements to AUB RMWB, CRM, B2B, payment platforms, and mobile/internet banking platforms tailored to support Bahrain and other group entities.

Furthermore, technology upgrades were completed, including internal process automation using rapid development tools, upgraded core systems, and critical infrastructure. These efforts were complemented by business process re-engineering, operational efficiency improvements, and the establishment of highly resilient infrastructure foundations. Major programs were successfully completed, including the Islamic conversion and the consolidation of the Islamic window, supported by numerous straight-through processing and automation initiatives.

Key Developments and Achievements

AUB is uniquely positioned to capitalize on new market opportunities with agility, thanks to its transformed infrastructure, adoption of cloud technologies for major applications, state-of-the-art middleware, and reusable architecture components that enable faster integration of new products and services. The Operations team has been instrumental in modernizing the bank's processes and workflows, ensuring smooth transitions and minimizing service disruptions.

Key developments in 2024 included enhanced automation through RM Workbench and CRM, which significantly reduced paper-based workflows, alongside strengthened production and disaster recovery site resiliencies. The successful delivery of Islamic banking conversion initiatives and streamlined automation efforts improved asset efficiency, while the development of a comprehensive API developer portal created a robust ecosystem for FinTechs, developers, and corporate clients, enabling rapid innovation and deployment of financial solutions.

Islamic Conversion Milestone

In 2024, AUB achieved a major milestone by becoming a fully Shari'a-compliant financial institution. The Islamic core banking system was seamlessly rolled out across Ahli United Bank Egypt, DIFC Branch, and Ahli United Bank United Kingdom. This unified system now supports the full range of Shari'a-compliant products, ensuring consistency and efficiency across all markets.

Technological Foundations and Infrastructure Advancements:

Group IT Operations (ITOPS) continued to strengthen the Bank's technological foundations in 2024, focusing on platform and cloud capabilities. Key achievements included the widespread adoption of automated self-service provisioning pipelines and significant investments in network infrastructure to enhance resilience and scalability. The establishment of an active-active data centre network with world-class automation positioned AUB as one of the few financial institutions in Bahrain and the region to achieve this level of stability and agility. AUB's API-centric architecture expanded significantly, with public cloud adoption now supporting critical operations across local and international markets. Efforts to safeguard sensitive data were reinforced through advanced security technologies, enhancing visibility and ensuring robust data protection across the Group's infrastructure.

Group Business and Risk Review (continued)

Structural Developments

AUB's Digital Factory was further strengthened with the addition of core middleware resources, providing critical support for key AUB initiatives across the Group. To keep pace with evolving market trends and technologies, several training modules were conducted across the department, including programs on Islamic banking, online technology courses, and forums addressing cutting-edge topics such as artificial intelligence (AI), machine learning (ML), and generative AI.

The current organizational structure of the department was optimized to ensure robust functional governance, with clearly defined roles and responsibilities across all units. This optimization was further bolstered by partnerships with the Off-shore Development Center, ensuring that IT delivery capacity remains unconstrained and enabling the timely completion of all deliverables while maintaining the highest standards of quality and efficiency.

Future Focus and Opportunities

The year 2024 centered on closing the final milestones and initiatives, culminating in the successful completion of the strategic Islamic Conversion initiative. Looking ahead, the focus will shift toward continuous process optimization and automation, ensuring the robust foundations established are further strengthened to support growth in the Islamic banking space. Additionally, regular training and development initiatives will take centre stage, offering opportunities to foster a truly data-driven, agile, lean, high-performing, and secure ecosystem. These efforts will position the business for sustained success and innovation in the years to come.

In 2025, we will prioritize aligning our corporate identity with that of our parent organization while continuing to deliver innovative, secure, and resilient solutions. These efforts will be complemented by providing robust technology and operational support to drive the growth of our Islamic banking reach. This growth will be further supported by strengthening our cybersecurity posture and establishing an evergreen infrastructure foundation. Additionally, we aim to stay ahead of the curve in generative AI by leveraging next-generation technologies to enhance the Bank's platforms and infrastructure, improve client experiences, and bolster risk mitigation controls.

Human Resources

The Human Resources department continued to play a crucial role in attracting, recruiting, and retaining talent through active engagement, developing productive competencies, and managing the performance of individuals and teams across the Group in 2024. The AUB Group headcount (including all associates) as of 31 December 2024, reached 2,869, representing a 6% growth compared to 2,708 in the previous year.

AUB's workforce remained diverse, with employees representing 32 different nationalities. Women comprised 34% of the workforce, highlighting the bank's commitment to maintaining a multi-cultural working environment. In 2024, 527 new employees joined AUB's banking entities, while the employee attrition rate stood at 11.5%. The average length of service per employee was 6 years, reflecting AUB's strength in recruiting and retaining talented professionals.

The internal recruitment ratio, representing staff being internally recruited for opportunities within the Bank, remained healthy at 33.4% in 2024. All AUB entities continued to meet their localization targets, contributing to the societies in which they operate.

Strategic Focus for 2024

The Human Resources department focused on several key priorities in 2024:

Group-wide Shari'a Compliant Banking: Developing and implementing training programs for Shari'a compliant banking tailored to the specific cultural and regulatory contexts of our entities in Egypt, UK, and Iraq.

Leveraging Technology: Utilizing online platforms and interactive tools to deliver engaging and accessible Islamic banking training and education across geographically dispersed teams.

Cross-cultural Exchange: Facilitating knowledge sharing and peer-to-peer learning between employees in all entities to foster a unified understanding of Islamic principles.

Skills Gap Analysis: Conducting a comprehensive skills gap analysis to identify areas where existing talents complement each other and where additional skills are needed. Offering competitive compensation packages, growth opportunities, and career development pathways for key talent.

Strategic Focus for 2025

Looking ahead to 2025, the Human Resources department aims to capitalize on the large size and wide geographical presence of the KFH Group to create economies of scale, develop an adaptable workforce, enhance talent mobility, and foster a culture of collaboration and innovation. The department's strategic focus includes:

Enhanced Employer Branding and Recruitment Initiatives: Developing a strong employer brand with a unique Employee Value Proposition (EVP) to attract top talent across regions.

Leveraging Local Networks: Tapping into local markets to attract talents with specific skills or knowledge, using local job boards and university partnerships.

Cross-Cultural Collaboration: Establishing programs that encourage collaboration between employees from different regions, fostering cultural exchange and teamwork.

Challenges and Mitigation Strategies

The Human Resources department anticipates several challenges in attaining its goals for 2025:

Talent Acquisition and Retention: To address the increasing competition for skilled talent, KFH/ AUB plans to enhance employer branding, leverage AI-driven recruitment tools, and build a culture of inclusion and engagement.

Adapting to Technological Changes: The bank will invest in continuous learning and development programs, partner with technology vendors for tailored solutions, and upskill HR teams to leverage HR technologies and tools effectively.

Workforce Well-being: KFH/ AUB will introduce robust Employee Assistance Programs (EAPs), promote work-life balance through flexible work policies, and encourage open communication and regular well-being check-ins.

Data-Driven Decision Making: The bank plans to invest in HR analytics platforms, train HR teams in data literacy, and implement strong cybersecurity measures to ensure data privacy and security.

By focusing on these strategies and addressing potential challenges, KFH/ AUB's Human Resources department aims to continue supporting the bank's growth and success in the coming years.

Risk Management

Risk is inherent in the Bank's business activities with the overall objective to manage the business decisions and the associated risks while protecting the interests of all stakeholders including clients, investors and shareholders. Risk management involves the identification, analysis, evaluation, monitoring and management of all financial and non-financial risks that could impact the Group's performance and reputation. While risks cannot be completely eliminated, the risk management function aims to effectively manage, control and transfer these risks within the tolerance levels approved by the Group Board. Risk is evaluated based on the potential impact on income and capital, taking into consideration changes in political, economic and market conditions, and the idiosyncratic factors that impact the risk exposures.

The risk management function acts as an advisor to the Bank's overall capital management process, in managing day to day business decision-making and execution as well as in planning and strategy formulation. Thus, ensuring that sufficient capital is available at all times. Risk management ensures that a robust ICAAP framework is established and implemented, and that periodic assessment of the Bank's capital position is notified to the senior management and the Group Board of Directors.

The Risk Management Framework is built on the following key principles to ensure effective management of the key risks faced by the Bank:

- Management oversight and control;
- Risk Management culture, ownership and acceptance of responsibility;
- Risk Appetite Framework and statement;
- Risk recognition and assessment;
- Control activities and segregation of duties;
- Information and communication; and
- Monitoring and reporting risk management activities and taking corrective measures where necessary.

Implementation of the Risk Management Framework is based on the following key principles:

- Oversight of the Group Board on the risk management framework.
- Independence between business units and risk management functions.
- Transparency of risk management structures, policies and procedures and approach to managing risk.
- Four-eyes approach in which proposals should not be approved without at least two authorised individuals forming an agreement within the set framework.
- Risk and reward optimization in taking business decisions.
- Shareholder Value enhancement through the activities of risk management.
- Risk-taking decisions are in line with the corporate goals, mission and the Bank-wide strategy set by the Board.
- Risk management approach remains aligned with the legal, Shari'a and regulatory requirements.

Group Business and Risk Review (continued)

The Bank perceives strong risk management capabilities to be the foundation in delivering strong results to customers, investors and shareholders. The Bank would continue to adopt international best practices of risk management, superior corporate governance and highest level of market discipline. The risk management function relies on the competence, experience and dedication of its professional staff, sound risk management policies and procedures, and ongoing investment in technology and training.

Credit Risk

Credit risk is the risk of financial loss due to the failure of a counterparty to perform its obligations according to agreed terms. It arises principally from financing receivables, trade finance and treasury activities. The credit process is consistent for all forms of credit risk to a single obligor. Overall exposure is evaluated on an ongoing basis to ensure a broad diversification of credit risk. Potential concentrations by country, product, industry, and risk rating are regularly reviewed to avoid excessive exposure and ensure a broad diversification.

Credit risk within the AUB Group is actively managed by a rigorous process from initiation to approval to disbursement. All day-today management is in accordance with well-defined credit policies and procedures that detail all credit approval requirements and are designed to identify exposures at an early stage, which require close monitoring.

If an asset is assessed to be irrecoverable, a mandatory writeoff takes place. This is conducted by a risk management process, which is completely independent in reporting terms from the asset generating departments.

Risk rating of individual counterparties plays an important role in the approval and maintenance of credit limits. The risk rating process ensures that the quality of the credit portfolio of the Bank is maintained at the highest possible level and stays within Board approved risk limits. The Credit Polices & Procedures includes a robust risk rating system which provides a credit rating for each individual credit based on an extensive set of financial and non-financial parameters. This risk rating system has been validated and calibrated to meet the requirements of Expected Credit Loss computation under FAS 30. The Group has implemented the necessary automated systems, quantitative models and governance processes to be compliant with FAS 30.

The risk management function categorizes the credit portfolio by level of risk to monitor the credit quality and aid in the prompt identification of problem exposures. Management of material problem exposures is vested with Remedial Management in the respective Group operating entities.

In addition to the Group Risk Management function, credit risk is overseen by the Group Credit Committee (GCC) which is vested with the overall day-to-day responsibility for all matters relating to Group credit risk. The GCC responsibilities include the following:

- monitors implementation and compliance with credit policies,
- acts as a credit approval authority for credits within its delegated authority,
- determine appropriate pricing and collateral requirements for all risk asset products,

Market Risk

Market risk is the risk that adverse movements in market risk factors including foreign exchange rates, profit rates, credit spreads, commodity prices and equity prices will reduce the AUB Group's income or the value of its portfolios.

Given the AUB Group's ongoing low risk strategy, aggregate market risk levels are low relative to the size of the Bank's balance sheet. A robust control process incorporating well defined limits is applied to effectively manage market risks and monitor daily position limits and stop losses. The AUB Group utilizes Value at-Risk (VaR) models to estimate potential losses that may arise from adverse market movements in addition to other quantitative and qualitative risk management techniques.

The AUB Group calculates VaR using a one-day holding period at a confidence level of 99%, which takes into account the actual correlations observed historically between different markets and rates. VaR limits are delegated by the Group Board to the Group Asset and Liability Committee (GALCO) and subdelegated to the ALCO of the Group's subsidiaries.

The AUB Group recognizes that VaR is based on the assumption of normal market conditions and that certain market shocks can result in losses greater than anticipated. Therefore, supplementary risk management techniques such as stress testing form a core part of the Group's risk control processes.

Liquidity Risk

Liquidity risk is the risk that the AUB Group does not have sufficient financial resources to meet its contractual or contingent obligations as they fall due, or will have to do so at an excessive cost. It is measured by estimating the Group's potential liquidity and funding requirements under different stress scenarios.

The AUB Group's liquidity management policies and procedures are designed to ensure that funds are available under all circumstances to meet the funding requirements of the Group not only under adverse conditions but at sufficient levels to capitalize on opportunities for business expansion. Prudent liquidity controls ensure access to liquidity without unexpected cost effects. Liquidity projections based on both normal and stressed scenarios are performed regularly. The control framework also provides for the maintenance of a prudential buffer of liquid, marketable assets and an adequately diversified deposit base in terms of amount, maturity profile and composition of counterparties.

The Group Risk Management function continuously monitors liquidity risk and actively manages the balance sheet to control liquidity. The treasury function at each subsidiary manages this risk with monitoring by the Risk Management department and oversight by its Assets and Liabilities Committee (ALCO). At the Group level, the liquidity risk is managed by the GALCO, which is vested with the overall responsibility for all matters relating to Group liquidity.

Operational Risk

Operational Risk is "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal and Shari'a non-compliance risk but excludes strategic and reputational risk.

Operational risk is managed by the Group Operational & Fraud Risk Committee (GORC). The Group has adopted an ongoing Operational Risk Self-Assessment (ORSA) process. Assessments are made of the operational risks identified within each function of the Bank and these are reviewed regularly to monitor significant changes and the adequacy of controls. Operational risk incident and loss data is collected and reported to senior management on a regular basis. The Group also collates and reviews various key risk indicators (KRIs) to facilitate detection of deficiencies or potential failures in controls and procedures.

The Group's independent audit function regularly evaluates operational procedures and advises senior management and the Group Board of any potential problems. Additionally, the Group maintains adequate insurance coverage acquired from a shari'a compliant insurer and business continuity contingency plans to ensure its resilience against any disruption that can occur due to forces beyond the Bank's control while utilizing offsite data storage and backup systems.

The AUB Group's business continuity and disaster recovery plan aims to continuingly conduct business as usual to the extent possible on a remote basis even under diverse scenarios of unavailability of premises, infrastructure or resources. The adequacy of the Bank's business continuity plans is confirmed by a programme of regular testing with oversight being provided by GORC and complying with the best market standards via being ISO 22301 certified.

Information and Cybersecurity Risk

AUB Group treats information and cyber security risk as one of the significant risks. AUB Group recognizes information and cyber security as a continually evolving challenge; and invests heavily to protect the security, to defend against malicious activities, and to promptly detect and respond to cyber incidents. AUB Group monitors cyber threat landscape continuously and takes proactive actions to protect systems and data. Business and technical controls are constantly enhanced to prevent, detect, and mitigate cyber threats. The security operations center monitors the security round-the-clock to detect and respond to attacks.

Group Information Security executes several cybersecurity programs, which include cybersecurity risk management, cybersecurity architecture, awareness and culture, compliance management, and data security governance. Security Awareness and Culture is a crucial component of AUB Group Information Security programs. During Security Awareness Month, various interactive activities were organized for staff, including a data security webinar, a panel discussion, and quizzes.

AUB Group has a robust incident response plan to recover from cybersecurity incidents. Regular cyber crisis simulation exercises are conducted to train staff and management, enhancing cyber resiliency.

Cyber security and data security was further strengthened in 2024 through the implementation of data security technologies, advanced cyber defense solutions, and upgrading to the best-in-class security monitoring system. AUB Group is revamping and enhancing the entire Third-Party Security Risk Management Program.

Technology Risk

Technology risk is managed and governed through technology risk policies. Technology risk is periodically assessed in accordance with the technology risk management framework. The Group Business Continuity Management Policy provides direction on business and technology resilience. Disaster Recovery and Business Continuity capabilities are tested at least once a year. Business critical systems and their data are replicated at the disaster recovery site in near real time.

Compliance

The Group continuously strives to improve the level of compliance in all its activities. The Group has an independent

Group Business and Risk Review (continued)

Compliance function and reports to the Group Board Audit and Compliance Committee. The Compliance function acts as a focal point for all regulatory compliance and for adapting best practice compliance principles. The Compliance Department has the responsibility to monitor and, on a regular basis, to assess the adequacy and effectiveness of the measures and procedures put in place and the actions taken to address any deficiencies in the Bank's compliance with its obligations; and to advise and assist the relevant persons responsible for carrying out regulated activities to comply with the stated obligations under the regulatory system.

Implementing appropriate systems, processes and controls for combating money laundering (AML) Terrorist financing (TF) and Proliferation Financing (PF) activities form an important activity of the Financial Crime Compliance Unit within the Compliance function. The Group has deployed a risk based automated transaction monitoring system and implemented relevant procedures and controls to facilitate appropriate monitoring and detection mechanism. The Group also has appropriate AML/CFT/PF Compliance policies and monitoring programs. These policies and monitoring programs are reviewed and updated annually and approved by the Group Board of Directors. The Group's anti-money laundering and combating terrorist financing and countering proliferation financing measures are regularly audited by the internal auditors who report to the Group Board Audit & Compliance Committee. Additionally, the Bank's AML/CFT/PF measures are audited by independent external auditors every year and their agreed-upon procedures report is submitted to the Central Bank of Bahrain (CBB). The CBB also performs periodic inspections of the Bank's compliance with the applicable AML/CFT/PF regulations.

The BOD approved policies, including Group Reputation Risk Management policy, Communications Policy, Personal Account Dealing Policy, Compliance Policy, Anti Money Laundering / Combating Terrorist Financing policy, Banking Integrity and Whistle Blowing Policy and Code of Business Conduct policy and such other policies prescribe the required standards of ethical behaviour and personal conduct for all staff (including the Bank's Directors), and the BOD exercises an oversight of these risks through various management functions, including Legal, Risk Management, Compliance, Human Resources and Internal Audit Department.

There has been no charity payment during the year 2024.

Group Management Organization Structure

Group Management

DR. SHADI ZAHRAN
Group Chief Executive Officer

Director, Kuwait Finance House PLC, UK; Director, Kuwait Turk Participation Bank, Turkey; Director, Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), Bahrain; Vice Chairman, General Council for Islamic Financial Institutions (CIBAFI), Bahrain; Former: Senior Deputy Group CEO, Kuwait Finance House, Kuwait; Group Chief Financial Officer, Kuwait Finance House, Kuwait; CFO, Ahli United Bank, Kuwait; Head of Group Financial Control, Ahli United Bank, Bahrain; Head of Financial Systems Management & Operations, Al-Rajhi Bank, KSA; played different auditing roles in Grant Thornton KSA, Ernst &Young, and Talal Abu Gazalah in Jordan. Holds a CPA, CBA and CIPA, MBA, and a Doctoral Business Administration degree from Hult International Business School in Boston, USA.

(Total years of experience: 33 years)

OLIVER SCHWARZHAUPT
Deputy Group Chief Executive Officer – Risk & Compliance

Director, GARMCO, Bahrain; Director, Al Ahli Real Estate Co. SPC, Bahrain; Former: Group Chief Risk Officer, TNG Holdings, Vietnam; Advisor to the Board Audit & Risk Committee, Trusted Novus Bank, Gibraltar; Chairman of the Board of Directors, PG Bank, Vietnam; Deputy CEO cum Chief Risk Officer, Maritime Bank, Vietnam; Group Chief Risk Officer, Al Khaliji Bank (now: Masraf Al Rayan), Qatar; Member of the Board of Directors, Qatar Capital Ltd., DIFC, Dubai; Deputy Chief Risk Officer/ Head of Group Risk, Senior Vice President, Emirates NBD Group, UAE; Head of Rating Methods, Vice President, Commerzbank AG, Germany; Co-Head Risk Standards & Regulatory Issues, Commerzbank AG, Germany; and Head of Credit Risk Management Team, SGZ-Bank (now: DZ Bank), Germany. Holds a Master's degree in Economics from Justus-Liebig University, Germany.

(Total years of experience: 32 years)

MOHAMED ASSEM
Deputy Group Chief Executive Officer – Corporate Banking

Former: Chairman, KFH Finance Co., Egypt; Senior Deputy Chief Executive Officer, Ahli United Bank, Egypt; Board Member, Ahli United Bank, Egypt; Country General Manager, Arab Bank, Bahrain & Offshore Banking; Board Member, Turkland Bank, Türkiye; Group Chief Business Officer, Al Khalij Commercial Bank Q.S.C (Al Khalij), Qatar; Head of Corporate & International Banking, Al Khalij Commercial Bank Q.S.C (Al Khalij), Qatar; and Senior Principal / Division Head – Corporate & Institutional Banking, Al Khalij Commercial Bank Q.S.C (Al Khalij), Qatar.

Held various positions at Mashreq Bank in Qatar and the Commercial International Bank in Egypt. Holds a Bachelor of Commerce Ain Shams University Egypt.

(Total years of experience: 31 years)

SAMIH ABUTALEB
Deputy Group Chief Executive Officer – Technology & Operations

Director, United Bank for Commerce & Investment S.A.C., Libya; Director, Benefit Company, Bahrain. Former: Director, Ahli United Bank Egypt; Director, Ahli United Bank K.S.C.P., Kuwait; Group Head of Information Technology, Ahli United Bank B.S.C, Bahrain; Group Head of Digital Transformation, Ahli United Bank B.S.C, Bahrain; Director of Digital Transformation – Digital Office, Al Hilal Bank, UAE; Vice President – Group Digital Office, Emirates NBD Group, UAE; Head of Agile Delivery – Group IT, Emirates NBD, UAE; Vice President, Application Management – Alternative Channels, Emirates NBD, UAE; Program Executive Director – Credit Card Transfer Project – Emirates NBD, UAE; Senior Integration Specialist, TIBCO/MENA eSolutions, UAE; Software Engineer, Turah Center for Computer Research, Jordan. Holds a bachelor's degree in computer science & engineering from Zarka University in Jordan and Master of Information Technology Management from University of Wollongong, Australia. Also holds a mini-MBA, Executive Management Leadership Program, from Harvard Business School, USA.

(Total years of experience: 25 years)

TALAL KAIKSOW
Deputy Group Chief Executive Officer – Private Banking & Wealth Management

Former: CEO and Head of Private Banking, EFG Bank, Bahrain; Senior Private Banker, BSI Private Bank, Bahrain; Executive Director, Kaiksow Family Office, Bahrain; Executive Director, Capivest Investment Bank, Bahrain; Principal, Khaleej Finance & Investment, Bahrain. Holds a Post Graduate Degree in Marketing Communication from University of Westminster, UK.

(Total years of experience: 27 years)

BASSAM ALALI
Deputy Group Chief Executive Officer– Treasury & Investment

Director, United Bank for Commerce and Investment, Libya. Previously, held several key roles within Ahli United Bank B.S.C., Bahrain. These include Head of Treasury, Regional Head of Treasury ALM, Head of Treasury ALM, Chief Dealer for Foreign Exchange and Money Markets. Prior to banking, worked as a Senior Engineer at MTC-Vodafone (ZAIN), Bahrain. Holds a Bachelor of Applied Science in Computer Engineering from University of Ottawa, Canada and a Master of Science in Quantitative Finance from University of Westminster, UK. CFA Charterholder from CFA Institute, USA.

(Total years of experience: 22 years)

KENNETH WAINWRIGHT
Group Head Audit

Former: Chief Internal Audit Officer, Burgan Bank, Kuwait; Audit Director, Citigroup, London; Senior Manager, Royal Bank of Scotland, UK; Project Manager, Prudential, UK; Manager, Henderson Global Investors, UK; Manager, Baring Asset Management, UK; Network Operations Manager, BBC, UK; Senior Consultant, PWC, UK; Ingenieur Organisateur, Paris Stock Exchange, France; Senior Auditor, Deloitte, France. Holds a Bachelor's in European Business Studies from Ulster University, a Maîtrise from the University of Caen, a Master's degree in Risk Management from University College Dublin and a Governance, Risk and Compliance Postgraduate Diploma from ICA/ Alliance Manchester Business School. Chartered Internal Auditor (CMIIA) and Certified Compliance Professional.

(Total years of experience: 34 years)

PHILIP CRAWFORD
Chief Executive Officer – Kuwait Finance House PLC ,UK

Former: Managing Director - Global Market Head, Saudi Arabia & Oman, HSBC Private Bank, Switzerland; Managing Director - Head of International, HSBC Private Banking, UK; Managing Director - Business Head Middle East & North Africa, HSBC Private Bank (UK) Limited; Head of Private Banking, HSBC Bank Middle East, Oman; Director, Head of International Private Banking, Head of Middle East, Vice President, Senior Relationship Manager, Credit Suisse Private Banking, UK; Assistant Director Relationship Manager, Barclays Private Banking, UK. Chartered Fellow (FSCI) of the Chartered Institute for Securities & Investment and holds a post-graduate Diploma in Islamic Banking & Insurance from the Institute of Islamic Banking & Insurance, London.

(Total years of experience: 38)

HALA SADEK
Chief Executive Officer & Board Member – Kuwait Finance House Bank, Egypt

Director, Kuwait Finance House Bank, Egypt; Director, United Bank for Commerce and Investment, Libya; Director, Federation of Egyptian Banks "FEB", Egypt; Former Acting CEO & Board Member, Ahli United Bank Egypt S.A.E; Former Senior Deputy CEO-Risk, Finance & Operations-Executive Director, Ahli United Bank Egypt S.A.E.; Former Senior General Manager Head of Risk Management, Ahli United Bank Egypt S.A.E; Former Head of Risk Asset Management Group, Commercial International Bank, Egypt; Former Assistant General Manager - Corporate Banking Group, Commercial International Bank, Egypt. Holds a Bachelor degree in Economics from Faculty of Economics & Political Science - Cairo University, Egypt.

(Total years of experience: 36)

AYMAN EL GAMMAL
Chief Executive Officer – United Bank for Commerce & Investment, Libya

Former: Assistant Managing Director and Head of Investments, National Investment Bank, Egypt; Former Managing Director, Asset Management - Private Equity, NAEEM Holdings, Egypt; Former Managing Director, EFG Hermes Private Equity, Egypt; Former Executive Director, Commercial International Investment Company; Former Assistant General Manager, Commercial International Bank (CIB), Egypt. Former board member in various companies and banks representing employers' investments. Holds a BA in Business from Cairo University, Egypt.

(Total years of experience: 41 years)

BASSAM JABER
Chief Executive Officer CIBIQ Iraq PSC

Former: Deputy Chief Executive Officer CIBIQ Iraq PSC, Head – Corporate Banking, United Bank for Commerce & Investment S.A.C., Libya; Customer Relationship Manager/ Team Leader, Bank of Jordan, Amman; Customer Relationship Supervisor/ Corporate, Arab Bank, Jordan. Holds a Master's degree in Accounting & Finance from Hashemite University, Jordan.

(Total years of experience: 31 years)

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Consolidated Financial Statements

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Independent Auditor's Report
to the Shareholder of Ahli United Bank B.S.C. (c)

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Building a better working world

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Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the accompanying consolidated financial statements of Ahli United Bank B.S.C. (c) ("the Bank") and its subsidiaries (together, "the Group"), which comprise the consolidated balance sheet as at 31 December 2024, and the related consolidated statements of income, comprehensive income, cash flows, changes in owner equity, income and attribution related to quasi-equity, and changes in off-balance sheet assets under management for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2024, and the consolidated results of operations, its cash flows, changes in owner equity, income and attribution related to quasi-equity, and changes in off-balance sheet assets under management for the year then ended in accordance with Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organization for Islamic Financial Institutions ("AAOIFI").

Basis for opinion
We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions ("ASIFI") issued by AAOIFI. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the AAOIFI's Code of Ethics for Accountants and Auditors of Islamic Finance Professionals ("Code"), together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Kingdom of Bahrain, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

1. Expected Credit Loss on Financing Receivables and Impairment of Ijarah Assets

Key audit matter	How the key audit matter was addressed in the audit
The process for estimating Expected Credit Loss ("ECL") on credit risk associated with financing receivables and Ijarah assets in accordance with FAS 30 – Impairment, Credit Losses and Onerous Commitments ("FAS 30") is significant and complex. The management's determination of ECL required application of a significant level of judgment and estimation uncertainty, which may materially change the estimates. The Group exercises significant judgment using subjective assumptions when determining both the timing and the amounts of the ECL for financing receivables and Ijarah assets. Due to the complexity of the requirements under FAS 30, the significance of judgments and estimations applied in the ECL calculations and the Group's exposure to financing receivables and Ijarah assets, which form a significant portion of the Group's total assets, the audit of ECL on financing receivables and Ijarah assets is a key area of focus. Refer to the material accounting policies, disclosures of financing receivables and Ijarah assets, and credit risk management in notes 2, 7 and 32 to the accompanying consolidated financial statements.	Our approach included testing the controls associated with the relevant processes for estimating the ECL and performing substantive audit procedures. We involved our internal specialist, where specific expertise was required. Amongst others, our key audit procedures focused on the following: • Obtained an understanding of the design and tested the operating effectiveness of relevant controls over the ECL estimation process, including model build and approval, ongoing monitoring / validation, model governance and mathematical accuracy. • Assessed: - the Group's ECL policy including determination of the significant increase in credit risk and consequent staging criteria with the requirements of FAS 30 and regulatory guidelines; - the significant modelling and macroeconomic assumptions, including evaluation of forward-looking information and scenarios against the requirements of the Group's ECL policy; and - the basis of determination of the management overlays. • Reviewed a sample of credit files and performed procedures to assess timely identification of exposures with a significant increase in credit risk and appropriateness of the staging, and the process of collateral valuation. • Checked completeness of the data used in ECL calculation and performed ECL recalculation on a sample basis. • Considered the adequacy of the disclosures in the accompanying consolidated financial statements in relation to ECL for financing receivables and Ijarah assets under the applicable financial reporting framework.

Independent Auditor's Report
to the Shareholder of Ahli United Bank B.S.C. (c) (continued)

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

Other information included in the Group's 2024 Annual Report
Other information consists of the information included in the Group's 2024 Annual Report, other than the consolidated financial statements and our auditor's report thereon. The Board of Directors is responsible for the other information. Prior to the date of this auditor's report, we obtained the Board of Directors' Report and Report of the Shari'a Supervisory Board which forms part of the Group's 2024 Annual Report, and the remaining sections of the Group's 2024 Annual Report are expected to be made available to us after that date. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

Responsibilities of the Board of Directors for the consolidated financial statements
These consolidated financial statements and the Group's undertaking to operate in accordance with Islamic Shari'a Rules and Principles are the responsibility of the Group's Board of Directors.

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with FAS issued by AAOIFI and for such internal control as the Board of Directors 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 the Group or to cease operations, or has no realistic alternative but to do so.

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

As part of an audit in accordance with ASIFI issued by AAOIFI, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent Auditor's Report
to the Shareholder of Ahli United Bank B.S.C. (c) (continued)

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

Auditor's responsibilities for the audit of the consolidated financial statements *(continued)*

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the Audit and Compliance Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal, Regulatory and Shari'a Requirements

As required by the Bahrain Commercial Companies Law and Volume 2 of the Central Bank of Bahrain Rule Book, we report that:

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

b) the financial information contained in the Report of the Board of Directors is consistent with the consolidated financial statements;

c) we are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 2 and applicable provisions of Volume 6) and CBB directives, or the terms of the Bank's memorandum and articles of association during the year ended 31 December 2024 that might have had a material adverse effect on the business of the Bank or on its consolidated financial position; and

d) satisfactory explanations and information have been provided to us by Management in response to all our requests.

Further, we report that the Bank has also complied with the Islamic Shari'a Principles and Rules as determined by the Shari'a Supervisory Board of the Bank during the year ended 31 December 2024.

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

Ernst + Young

Partner's registration no. 117
20 February 2025
Manama, Kingdom of Bahrain

Consolidated Statement of Income
For the year ended 31 December 2024

	Note	2024 US$ '000	2023 US$ '000
Financing and similar income	3a	**1,999,422**	1,895,502
Finance and similar cost	3b	**692,418**	1,112,990
Net distribution to quasi-equity	3c	**541,249**	-
Net financing and similar income		**765,755**	782,512
Fees and commissions - net	4	**82,418**	91,089
Trading income	5	**37,300**	28,136
Investment and other income		**175,354**	134,749
Profit share from associates and dividend income from investments		**95,263**	37,817
Fees and other income		**390,335**	291,791
OPERATING INCOME		**1,156,090**	1,074,303
Allowance for impairment, credit losses and others	7h	**66,350**	104,110
NET OPERATING INCOME		**1,089,740**	970,193
Staff costs		**146,617**	137,012
Depreciation		**28,086**	24,795
Other operating expenses		**147,861**	120,121
OPERATING EXPENSES		**322,564**	281,928
PROFIT BEFORE TAX		**767,176**	688,265
Tax expense	22	**47,202**	52,410
NET PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**719,974**	635,855
Profit after tax for the year from discontinued operations	42	**10,891**	71,824
NET PROFIT FOR THE YEAR		**730,865**	707,679
Non-controlling interests		**9,349**	6,367
Non-controlling interests - discontinued operations		**3,366**	34,056
NET PROFIT ATTRIBUTABLE TO THE OWNER OF THE BANK		**718 ,150**	667,256
EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNER OF THE BANK FOR THE YEAR:			
Basic and diluted earnings per ordinary share (US cents)	23	**6.2**	5.6

Hamad Al-Marzouq	**Adel A. El-Labban**	**Ahmed AlKharji**
Chairman	Deputy Chairman	Group Chief Executive Officer

The attached notes 1 to 42 form part of these consolidated financial statements

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2024

	2024 US$ '000	2023 US$ '000
Net profit for the year	**730,865**	707,679
Other Comprehensive Income (OCI)		
Items that will not be reclassified subsequently to consolidated statement of income		
Net change in pension fund revaluation reserve [note 21 (h)]	**-**	(20,080)
Net change in property revaluation reserve	**-**	1,485
Items that may be reclassified subsequently to consolidated statement of income		
Foreign currency translation adjustments	**(111,813)**	(73,900)
Net change in fair value of equity investments measured at fair value through OCI	**23,555**	(25,232)
Net change in fair value of debt-type instruments held as fair value through OCI	**85,676**	(4,118)
Transfers to consolidated statement of income arising on sale of debt-type instruments	**(9,430)**	(1,893)
Net change in fair value of cash flow hedges	**-**	29
Other comprehensive loss for the year	**(12,012)**	(123,709)
Total comprehensive income for the year	**718,853**	583,970
Total comprehensive income attributable to non-controlling interests	**891**	6,594
Total comprehensive income attributable to non-controlling interests - discontinued operations	**2,068**	33,756
Total comprehensive income attributable to the owner of the Bank	**715,894**	543,620

The attached notes 1 to 42 form part of these consolidated financial statements

Consolidated Balance Sheet
At 31 December 2024

	Note	31 December 2024 US$ '000	1 January 2024 US$ '000	31 December 2023 US$ '000
ASSETS				
Cash and balances with central banks	6a	**1,169,512**	1,173,479	1,173,479
Due from central banks and sukuk	6b	**819,819**	913,049	913,049
Due from banks	6c	**1,868,208**	2,202,025	2,202,025
Financing receivables and ijarah assets	7	**10,005,547**	10,943,479	10,907,398
Non-trading investments	8	**11,314,146**	10,182,949	10,182,949
Investment in associates	9	**455,713**	375,313	375,313
Investment properties	10	**108,184**	105,037	105,037
Profit receivable and other assets	11	**1,096,841**	1,067,963	1,104,044
Premises and equipments	12	**188,443**	203,876	203,876
Goodwill and other intangible assets	13	**107,420**	136,180	136,180
Assets classified as held for sale	42	**-**	14,596,548	14,596,548
TOTAL ASSETS		**27,133,833**	41,899,898	41,899,898
LIABILITIES, QUASI-EQUITY AND OWNER EQUITY				
LIABILITIES				
Due to banks	14	**906,982**	1,081,725	2,213,524
Term financing against sukuk	15	**4,942,979**	4,619,644	4,619,644
Customers' accounts	16	**2,457,856**	8,665,035	14,039,595
Sukuk payable and term financing	17a	**806,518**	1,096,685	1,624,410
Profit payable and other liabilities	18	**758,680**	1,002,951	1,002,951
Liabilities directly associated with assets held for sale	42	**-**	12,340,832	12,340,832
TOTAL LIABILITIES		**9,873,015**	28,806,872	35,840,956
QUASI-EQUITY				
Banks		**1,449,554**	1,131,799	-
Non-banks and individuals		**9,797,602**	5,374,560	-
Sukuk payable	17b	**565,417**	527,725	-
TOTAL QUASI-EQUITY	19	**11,812,573**	7,034,084	-
OWNER EQUITY				
Ordinary share capital	20b	**2,786,983**	2,786,983	2,786,983
Share premium and reserves		**2,207,836**	1,800,525	1,800,525
Equity attributable to the owner of the Bank		**4,994,819**	4,587,508	4,587,508
Perpetual Tier 1 Capital Securities	20c	**400,000**	400,000	400,000
Perpetual Tier 1 sukuk - held for sale	20c	**-**	600,000	600,000
Non-controlling interests		**53,426**	64,600	64,600
Non-controlling interests- held for sale		**-**	406,834	406,834
TOTAL OWNER EQUITY		**5,448,245**	6,058,942	6,058,942
TOTAL LIABILITIES, QUASI-EQUITY AND OWNER EQUITY		**27,133,833**	41,899,898	41,899,898
OFF-BALANCE SHEET				
Assets under management		**1,738,127**	1,957,554	1,957,554
Contingencies and commitments	29	**1,991,541**	2,093,256	2,093,256
Contingencies and commitments - held for sale	29	**-**	1,514,458	1,514,458

Hamad Al-Marzouq
Chairman

Adel A. El-Labban
Deputy Chairman

Ahmed AlKharji
Group Chief Executive Officer

The attached notes 1 to 42 form part of these consolidated financial statements

Consolidated Statement of Cash Flows
For the year ended 31 December 2024

	Note	2024 US$ '000	2023 US$ '000
OPERATING ACTIVITIES			
Profit before tax from continuing operations		**767,176**	694,282
Profit before tax from discontinued operations		**11,880**	78,251
Adjustments for:			
Depreciation		**28,086**	40,475
Net gain on sale of investments		**(87,240)**	(105,607)
Allowance for impairment, credit losses and others	7h	**66,350**	170,055
Profit share from associates	9	**(46,562)**	(31,548)
Operating profit before changes in operating assets and liabilities		**739,690**	845,908
Changes in:			
Mandatory reserves with central banks		**204,682**	(486,040)
Due from central banks and sukuk		**25,867**	143,737
Due from banks		**(240,123)**	(375,159)
Financing receivables and ijarah assets		**674,443**	(102,345)
Profit receivable and other assets		**(6,237)**	319,507
Due to banks and quasi-equity		**239,670**	(1,713,035)
Term financing against sukuk		**323,334**	259,799
Customers' accounts and quasi-equity		**(1,784,137)**	1,498,377
Profit payable and other liabilities		**(372,456)**	137,476
Net cash flows (used in) / generated from operations		**(195,267)**	528,225
Tax paid		**(40,840)**	(38,217)
Net cash flows (used in) / from operating activities		**(236,107)**	490,008
INVESTING ACTIVITIES			
Purchase of non-trading investments		**(2,159,897)**	(5,634,119)
Proceeds from sale or redemption of non-trading investments		**2,850,321**	4,512,404
Additional investment in associates		**(2,570)**	(45,818)
Net movement in investment in subsidiaries		**(6,435)**	990
Proceed from sale of investment in an associate		**7,987**	-
Net movement in investment properties		**(3,148)**	11,841
Net increase in premises and equipments		**(12,653)**	(56,328)
Dividend received from associates		**9,612**	15,952
Net cash flows from / (used in) investing activities		**683,217**	(1,195,078)
FINANCING ACTIVITIES			
Distribution on Perpetual Tier 1 Capital Securities and sukuk	21j	**(23,356)**	(46,606)
Net repayment of term financing		**(300,000)**	(175,000)
Repayment of subordinated liabilities		**-**	(9,462)
Dividends and other appropriations paid		**(278,698)**	(278,698)
Dividends paid to non-controlling interests		**-**	(17,954)
Net cash flows used in financing activities		**(602,054)**	(527,720)
NET CHANGE IN CASH AND CASH EQUIVALENTS		**(154,944)**	(1,232,790)
Net foreign exchange difference		**(45,408)**	(51,111)
Cash and cash equivalents at 1 January		**2,345,190**	3,629,091
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	24	**2,144,838**	2,345,190
Additional cash flow information:			
Profit received		**2,020,026**	2,567,062
Profit paid		**1,240,153**	1,457,337

The attached notes 1 to 42 form part of these consolidated financial statements

Consolidated Statement of Changes in Owner Equity
For the year ended 31 December 2024

	Attributable to the owner of the Bank										
		Share premium and reserves									
	Ordinary share capital US$ '000	Share premium US$ '000	Statutory reserve US$ '000	Retained earnings US$ '000	Proposed appro-priations US$ '000	Other reserves [Note (21h)] US$ '000	Total share premium and reserves US$ '000	Total US$ '000	Perpetual Tier 1 Capital Securities and sukuk US$ '000	Non-controlling interests US$ '000	Total US$ '000
Balance at 1 January 2024	2,786,983	752,540	886,815	721,844	280,698	(841,372)	1,800,525	4,587,508	1,000,000	471,434	6,058,942
Distribution on Perpetual Tier 1 Capital Securities [note 21(j)]	-	-	-	(23,356)	-	-	(23,356)	(23,356)	-	-	(23,356)
Ordinary share dividend paid [note 21 (i)]	-	-	-	-	(278,698)	-	(278,698)	(278,698)	-	-	(278,698)
Donations	-	-	-	-	(2,000)	-	(2,000)	(2,000)	-	-	(2,000)
Transfer from OCI reserve	-	-	-	(289)	-	289	-	-	-	-	-
Movement in associates	-	-	-	(10,159)	-	-	(10,159)	(10,159)	-	-	(10,159)
Movement in subsidiaries	-	5,630	-	12,750	-	(12,750)	5,630	5,630	(600,000)	(420,967)	(1,015,337)
Total comprehensive income for the year	-	-	-	718,150	-	(2,256)	715,894	715,894	-	2,959	718,853
Transfer to statutory reserve [note 21(c)]	-	-	71,815	(71,815)	-	-	-	-	-	-	-
Proposed dividend on ordinary shares [note 21(i)]	-	-	-	(585,266)	585,266	-	-	-	-	-	-
Proposed donations	-	-	-	(2,000)	2,000	-	-	-	-	-	-
Balance at 31 December 2024	2,786,983	758,170	958,630	759,859	587,266	(856,089)	2,207,836	4,994,819	400,000	53,426	5,448,245

The attached notes 1 to 42 form part of these consolidated financial statements

Consolidated Statement of Changes in Owner Equity (continued)

For the year ended 31 December 2024

	Attributable to the owner of the Bank										
		Share premium and reserves									
	Ordinary share capital US$ '000	Share premium US$ '000	Statutory reserve US$ '000	Retained earnings US$ '000	Proposed appro-priations US$ '000	Other reserves [Note (21h)] US$ '000	Total share premium and reserves US$ '000	Total US$ '000	Perpetual Tier 1 Capital Securities and sukuk* US$ '000	Non-controlling interests US$ '000	Total US$ '000
Balance at 1 January 2023	2,786,983	752,549	820,089	508,173	280,698	(772,988)	1,588,521	4,375,504	1,000,000	453,895	5,829,399
Distribution on Perpetual Tier 1 Capital Securities [note 21(j)]	-	-	-	(23,356)	-	-	(23,356)	(23,356)	-	-	(23,356)
Distribution related to Perpetual Tier 1 sukuk [note 21(j)]	-	-	-	(17,394)	-	-	(17,394)	(17,394)	-	(5,856)	(23,250)
Ordinary share dividend paid [note 21 (i)]	-	-	-	-	(278,698)	-	(278,698)	(278,698)	-	-	(278,698)
Dividend of subsidiaries	-	-	-	-	-	-	-	-	-	(17,954)	(17,954)
Donations	-	-	-	-	(2,000)	-	(2,000)	(2,000)	-	-	(2,000)
Transfer from OCI reserve	-	-	-	(55,252)	-	55,252	-	-	-	-	-
Movement in associates	-	-	-	(10,159)	-	-	(10,159)	(10,159)	-	-	(10,159)
Movement in subsidiaries	-	(9)	-	-	-	-	(9)	(9)	-	999	990
Total comprehensive income for the year	-	-	-	667,256	-	(123,636)	543,620	543,620	-	40,350	583,970
Transfer to statutory reserve [note 21(c)]	-	-	66,726	(66,726)	-	-	-	-	-	-	-
Proposed dividend on ordinary shares [note 21(i)]	-	-	-	(278,698)	278,698	-	-	-	-	-	-
Proposed donations	-	-	-	(2,000)	2,000	-	-	-	-	-	-
Balance at 31 December 2023	2,786,983	752,540	886,815	721,844	280,698	(841,372)	1,800,525	4,587,508	1,000,000	471,434	6,058,942

* comprising of amounts attributable to the owner of the Bank and held for sale

The attached notes 1 to 42 form part of these consolidated financial statements

Consolidated Statement of Income and Attribution Related to Quasi-Equity

For the year ended 31 December 2024

	US$ '000
Gross financing income	**1,999,422**
Less: Income not attributable to quasi-equity	**(1,018,217)**
	981,205
Adjusted for:	
Expenses attributable to quasi-equity	**(51,635)**
Bank's share of income for its own / share of investments	**(159,807)**
Allowance for impairment and credit losses - attributable to quasi-equity	**(7,619)**
Total income attributable to quasi-equity	**762,144**
Mudarib's share of profit	**(15,887)**
Wakala agency fees	**(205,008)**
Net profit distributable to quasi-equity	**541,249**

The attached notes 1 to 42 form part of these consolidated financial statements

Consolidated Statement of Changes in Off-Balance Sheet Assets Under Management

For the year ended 31 December 2024

	Participatory investments US$ '000	Investments in real estate US$ '000	Investments in sukuk, shares and other securities US$ '000	Total US$ '000
Balance at 1 January 2024	**455,157**	**837,388**	**665,009**	**1,957,554**
Additions	**40,689**	**-**	**314,409**	**355,098**
Disposals / maturities	**(176,098)**	**(225,355)**	**(224,330)**	**(625,783)**
Net (decrease) / increase	**(135,409)**	**(225,355)**	**90,079**	**(270,685)**
Market movements	**(24,269)**	**(78,358)**	**153,885**	**51,258**
Balance at 31 December 2024	**295,479**	**533,675**	**908,973**	**1,738,127**
Balance at 1 January 2023	630,402	840,059	468,486	1,938,947
Additions	437,326	2,515	225,963	665,804
Disposals / maturities	(644,636)	(9,301)	(109,428)	(763,365)
Net (decrease) / increase	(207,310)	(6,786)	116,535	(97,561)
Market movements	34,566	4,115	79,988	118,669
Transferred to held for sale	(2,501)	-	-	(2,501)
Balance at 31 December 2023	455,157	837,388	665,009	1,957,554

The attached notes 1 to 42 form part of these consolidated financial statements

Notes to the Consolidated Financial Statements

31 December 2024

1. CORPORATE INFORMATION

Ahli United Bank B.S.C. (c) ("AUB" or "the Bank") was incorporated in the Kingdom of Bahrain on 31 May 2000. The Bank and its subsidiaries (collectively referred to as "the Group") are engaged in banking business, global fund management and private banking services in the Kingdom of Bahrain, the Arab Republic of Egypt, Republic of Iraq, the United Kingdom and an overseas branch in Dubai International Financial Centre (DIFC). It also operates through its associates in the Sultanate of Oman and State of Libya. The Bank operates under a retail Islamic banking license issued by the Central Bank of Bahrain ("CBB"). The Bank's registered office is located at Building 2495, Road 2832, Al Seef District 428, Kingdom of Bahrain.

AUB is a 100% owned subsidiary of Kuwait Finance House K.S.C.P. ("KFH"). KFH is a public shareholding company incorporated in the State of Kuwait on 23 March 1977 and operates under an Islamic banking licence issued by the Central Bank of Kuwait and its ordinary shares are listed in the Boursa Kuwait and Bahrain Bourse.

In line with the Bank's plan to convert its operations in compliance with the Islamic Shari'a principles, after complying with all the requirements and guidelines by the respective central banks of Bahrain, UK and Egypt and their respective Shari'a boards, the Group has converted its Bahrain, UK and Egypt based conventional business according to the Islamic Shari'a principles and commenced its operations under the licence of an Islamic retail bank in Bahrain effective 10 December 2023 and in UK and Egypt from 22 August 2024 and 1 September 2024 respectively. From these dates, all activities in Bahrain, UK and Egypt are conducted in accordance with the Islamic Shari'a principles.

All income and expenses from Non-Shari'a compliant activities are treated based on the guidelines provided by the Shari'a Supervisory Board.

The consolidated financial statements of the Group for the year ended 31 December 2024 were authorised for issue in accordance with a resolution of the Board of Directors ("BOD") dated 20 February 2025.

2. ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation of Islamic Financial Institutions ("AAOIFI") and the Shari'a rules and principles as determined by the Shari'a Supervisory Board of the Bank in conformity with the Bahrain Commercial Companies Law and the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 2 and applicable provisions of Volume 6) and CBB directives. The financial information included in the consolidated financial statements for the year ended 31 December 2023 was reported in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). For accounting policies under IFRS for the comparative period 31 December 2023, refer to audited consolidated financial statements available on the Bank's website.

For matters not covered by FAS, the Group uses relevant IFRS as issued by the IASB.

Except as disclosed in note 2.2, certain of the prior year figures have been regrouped to conform to the current year presentation. Such grouping did not affect previously reported net profit, total assets and total equity of the Group.

2.2 First time adoption of AAOIFI Financial Reporting Framework

As a result of the change in financial reporting framework from IFRS to FAS, the Group has adopted FAS 36 - First Time Adoption of AAOIFI Financial Accounting Standards ("FAS 36") effective 1 January 2024.

In line with FAS 36, the Group has elected to present three reporting periods in the statement of consolidated financial position, as of the end of the current reporting period, as of the beginning of the current reporting period and as of the end of the previous period presented. End of the previous period comparative statements are presented using the erstwhile accounting policies under the previous financial reporting framework i.e., IFRS. As per our assessment, there was no significant transitional impact, except for change in classification arising on the first time adoption of FAS 36, relating to profit receivable and quasi-equity.

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at and for the years ended 31 December 2024 and 2023. The results of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Control is achieved where the Group is exposed, or has rights, to variable returns from its involvement from its investee and has the ability to affect those returns through its power over the investee. The Group re-assesses whether or not it controls an investee if facts and circumstances indicates that there are any change to elements of control. The financial statements of the subsidiaries are prepared for the same reporting year as the Bank, using consistent accounting policies. Adjustments are made to the consolidated financial statements to bring into line any dissimilar accounting

Notes to the Consolidated Financial Statements
31 December 2024

2. ACCOUNTING POLICIES (continued)
2.3 Basis of consolidation (continued)

policies that may exist. Changes in parent's ownership interest in a subsidiary that do not result in loss of control are treated as transactions between equity holders and are reported in equity.

All material intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full upon consolidation. The Group does not have significant restrictions on its ability to access or use its assets and settle its liabilities.

The following are the Bank's principal subsidiaries:

		Group's nominal holding	
Name	Incorporated in	2024	2023
Ahli United Bank (U.K.) PLC ("AUBUK")	United Kingdom	**100.0%**	100.0%
Ahli United Bank (Egypt) S.A.E. ("AUBE")	Arab Republic of Egypt	**95.7%**	95.7%
Commercial Islamic Bank of Iraq P.S.C. ("CIBIQ") *	Republic of Iraq	**85.3%**	80.3%
Al Ahli Real Estate Company W.L.L. ("AREC")	Kingdom of Bahrain	**100.0%**	100.0%
Ahli United Bank K.S.C.P. ("AUBK") **	State of Kuwait	**-**	67.3%

* During the year, the Group increased its holding in CIBIQ by 5.0% to 85.3%. Cash consideration of US$ 6.4 million was paid to the non-controlling shareholders.

** Refer to note 42 for details.

Subsequent to the year end, certain entities within the Group have rebranded their commercial registration and legal name to align with that of the Parent (KFH).

2.4 New and amended standards and interpretations issued but not yet effective
The standards and interpretations that are issued but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below.

- FAS 45 Quasi - Equity (Including Investment Accounts)

  AAOIFI issued FAS 45 "Quasi - Equity (Including Investment Accounts)" in 2023. The objective of this standard is to establish the principles of financial reporting related to instruments classified as Quasi - Equity, such as investment accounts and similar instruments invested with Islamic Financial Institutions. Quasi - Equity is an element of financial statements of an institution in line with the "AAOIFI Conceptual Framework for Financial Reporting". This standard shall be effective for the financial periods beginning on or after 1 January 2026 with early adoption permitted. The management is currently assessing the impact of the above accounting standard.

- FAS 46 Off - Balance - Sheet Assets Under Management

  AAOIFI issued FAS 46 "Off - Balance - Sheet Assets Under Management" in 2023. The objective of this standard is to establish the principles of financial reporting related off - balance - sheet assets under management in line with the "AAOIFI Conceptual Framework for Financial Reporting". This standard shall be effective for the financial periods beginning on or after 1 January 2026 with early adoption permitted. The management is currently assessing the impact of the above accounting standard.

- FAS 47 Transfer of Assets between Investment Pools

  AAOIFI issued FAS 46 "Transfer of Assets between Investment Pools" in 2023. The objective of this standard is to establish the principles that apply in respect of transfer of assets between various investment pools of an Islamic Financial Institution. This standard shall be effective for the financial periods beginning on or after 1 January 2026 with early adoption permitted. The management is currently assessing the impact of the above accounting standard.

2.5 Significant accounting judgements and estimates
In preparing these consolidated financial statements, significant judgments and estimates were made by the management in applying the Group's accounting policies.

Notes to the Consolidated Financial Statements
31 December 2024

2. ACCOUNTING POLICIES (continued)
2.5 Significant accounting judgements and estimates (continued)

The most significant uses of judgement and estimates applied in the preparation of these consolidated financial statements are as follows:

i) Business model
In making an assessment of whether a business model's objective is to hold assets in order to collect contractual cash flows, the Group considers at which level of its business activities such assessment should be made. Generally, a business model is a matter of fact which can be evidenced by the way business is managed and the information provided to management.

In determining whether its business model for managing financial assets is to hold assets in order to collect contractual cash flows, the Group considers:

- Management's stated policies and objectives for the portfolio and the operation of those policies in practice;
- Management's evaluation of the performance of the portfolio and liquidity requirements in the current market conditions; and
- Management's strategy in terms of earning contractual profits or generating capital gains.

ii) Measurement of the Expected Credit Loss (ECL) allowances
The measurement of the ECL for financial assets measured at amortised cost and sukuk instruments measured at Fair Value Through Other Comprehensive Income (FVTOCI) is an area that requires the use of complex models and significant assumptions about future economic conditions, credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses), estimation of the amount and timing of the future cash flows and collateral values. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculation are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Internal credit rating model, which assigns Probability of Defaults (PDs) to the obligor ratings;
- The Group calculates Point-in-Time PD (PiT PD) estimates under three scenarios, a base case, good case and bad case. An appropriate probability weighted ECL is then calculated by assigning probabilities, based on current and expected market conditions, to each scenario;
- Determining and applying criteria for significant increase in credit risk;
- Determination of associations between macroeconomic variables such as, gross domestic product, oil prices and unemployment levels on the one hand and default / loss rates on the other and the consequent impact on PDs, Exposure at Defaults (EADs) and Loss Given Defaults (LGDs);
- Selection and relative weights to the forward-looking scenarios;
- Segmentation of financial assets for the purposes of determining and applying the most appropriate risk rating model; and
- Determining the behavioral maturities of exposures for revolving facilities and other facilities where contractual maturities are not an accurate representation of actual maturities.

iii) Going concern
The management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on a going concern basis.

iv) Fair value of financial instruments
Estimates are also made in determining the fair values of financial assets and Islamic derivative financial instruments that are not quoted in an active market. Such estimates are necessarily based on assumptions about several factors involving varying degrees of uncertainty and actual results may differ resulting in future changes in such estimates.

Notes to the Consolidated Financial Statements
31 December 2024

2. ACCOUNTING POLICIES (continued)
2.5 Significant accounting judgements and estimates (continued)

v) Impairment of goodwill and intangible assets
The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. Impairment exists when carrying value of an asset or Cash Generating Unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The key assumptions and estimates used to determine the recoverable amount for the different CGUs.

The recoverable amount of each CGU's goodwill is based on value-in-use calculations using cash flow projections from financial budgets approved by the management, extrapolated for five year projections using nominal projected banking sector growth rates in the respective countries in which they operate. The discount rate applied to cash flow projections represent the cost of capital adjusted for an appropriate risk premium for these business segments.

The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

vi) On-going economic environment impact
The Group has performed an assessment of the relevant macro-economic information based on the available guidance of regulators and FAS, which has resulted in changes to the expected credit loss methodology, valuation estimates and judgements as at and for the year ended 31 December 2024.

The Group has taken note of the current economic environment and ongoing geopolitical tensions. The Group has also considered the impact of the challenging economic environment due to geopolitical conditions, and potential recession on vulnerable sectors in determining the ECL which have been reflected through adjustments in the established regression relationship and increased volatility in collateral haircuts. Accordingly, the Group has updated inputs and assumptions used for the determination of ECL supplemented with management overlays.

2.6 Summary of significant accounting policies
The key accounting policies which are applied in the preparation of these consolidated financial statements are set out below.

(a) Investment in associates
Associate companies are companies in which the Group exercises significant influence but does not control. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Investments in associate companies are accounted for using the equity method. After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is an objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss in the consolidated statement of income.

The reporting dates of the associates and the Group are identical and the associates' accounting policies materially conform to those used by the Group for like transactions and events in similar circumstances. Adjustments are made to the consolidated financial statements to bring into line any dissimilar accounting policies that may exist.

(b) Foreign currency translation
i) Transactions and balances
Transactions in foreign currencies are initially recorded in the relevant functional currency at the rate of exchange prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange ruling at the balance sheet date. Any resulting exchange differences are included in "trading income" in the consolidated statement of income.

Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary investments classified as FVTOCI measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined and the differences are included in other comprehensive income as part of the fair value adjustment of the respective items, unless these non-monetary investments items are designated as Fair Value Through Income Statement (FVTIS) or are part of an effective hedging strategy, in which case it is recorded in the consolidated statement of income.

ii) Group companies
Assets and liabilities of foreign subsidiaries and associates whose functional currency is not US Dollars are translated into US Dollars

Notes to the Consolidated Financial Statements
31 December 2024

2. ACCOUNTING POLICIES (continued)
2.6 Summary of significant accounting policies (continued)
(b) Foreign currency translation (continued)

at the rates of exchange prevailing at the balance sheet date. Income and expense items are translated at average exchange rates prevailing for the reporting period for consolidation purpose, any exchange differences arising on translation are included in "foreign exchange translation reserve" forming part of other comprehensive income except to the extent that the translation difference is allocated to the non-controlling interest. On disposal of foreign operations, exchange differences relating thereto and previously recognised in other comprehensive income are recognised in the consolidated statement of income.

(c) Financial instruments
The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are initially recognised at the fair value plus, for an item not recorded at FVTIS, transaction costs that are directly attributable to its acquisition or issue. Premiums and discounts are amortised on a systematic basis to maturity using the effective profit rate method and taken to financing income or finance cost as appropriate.

The Group converted a certain portion of its financial instruments to Shari'a compliant instruments through controlled special purpose entities as approved by the Shari'a Supervisory Board of the Bank.

Financial assets consist of cash balances with central banks, due from central banks and sukuks, due from banks, financing receivables and ijarah assets, non-trading investments, profit receivables and other assets, hedge used for risk management, financing commitments and financial guarantee contracts. Balances relating to these contracts are stated net of impairment and allowance for credit losses.

Financial liabilities contracts consist of due to banks, term financing against sukuk, customers' accounts, sukuk payable and term financing, quasi-equity accounts, profit payable and other liabilities.

Except for investments carried at FVTOCI or FVTIS and risk management instruments, all financial assets and financial liabilities are carried at amortised cost.

All "regular way" purchases and sales of financial assets are recognised on the settlement date, i.e. the date that the Group receives or delivers 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.

The Group has determined the classification and measurement of its financial assets as follows:

i) Due from central banks and sukuk
Due from central banks and sukuk are initially recognised at amortised cost. Premiums and discounts are amortised to their maturity using the effective profit rate method.

ii) Due from banks, financing receivables and ijarah assets
Due from banks (including nostro accounts) and other financial institutions and financing receivables and ijarah assets are financial assets with fixed or determinable payments and fixed maturities. After initial recognition, these are subsequently measured at amortised cost using the effective profit rate method, adjusted for effective fair value hedges, less any amounts written-off and impairment for credit losses. The losses arising from impairment of these assets are recognised in the consolidated statement of income in "allowance for impairment, credit losses and others" and in an ECL allowance account in the consolidated balance sheet. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective profit rate. The amortisation is included in "Financing and similar income" in the consolidated statement of income.

The repayment plan of financing receivables and ijarah assets is revised as part of ongoing customer relationship to align with change in cash flows of the obligor, in some instances with improved security and with no other concessions.

Financing contracts
Financing contracts comprise Shari'a compliant financing contracts with fixed or determinable payments. These include financing provided through murabaha, tawarruq and ijarah contracts. Financing assets are recognised on the date they are originated and are carried at their amortised cost less impairment allowances, if any.

Following contracts are primarily used to structure the financing receivables and ijarah assets based on Shari'a principles:

Trade-based financing contracts
- Murabaha and tawarruq

A murabaha agreement is one whereby the Group sells to a customer commodities, real estate and certain other assets at cost plus an agreed profit mark up whereby the Group (seller) informs the purchaser of the price at which the asset had been purchased and

Notes to the Consolidated Financial Statements
31 December 2024

2. ACCOUNTING POLICIES (continued)
2.6 Summary of significant accounting policies (continued)
(c) Financial instruments (continued)

also stipulates the amount of profit to be recognised. A tawarruq sale agreement is one whereby a customer buys commodities from the Group on a deferred payment basis and then immediately resells them for cash to a third party. Murabaha and tawarruq receivables are stated net of deferred profits, any amounts written-off and provision for impairment, if any.

Lease-based financing contracts

- Ijarah assets ("Ijarah Muntahia Bittamleek")

A lease agreement between the Group (lessor) and the customer (lessee), whereby the Group earns profit by charging rentals on assets leased to customers.

Ijarah assets mainly comprise of land and buildings and certain other assets. Ijarah is a lease whereby the legal title of the leased asset passes to the lessee at the end of the Ijarah (lease term), provided that all ijarah instalments are settled.

Ijarah assets are stated at cost less accumulated depreciation and any impairment. Depreciation is calculated using rates that systematically reduce the cost of the leased assets over the period of the lease in a pattern of economic benefits arising from these assets. The Group assesses at each reporting date whether there is objective evidence that the ijarah assets are impaired. Impairment loss is the amount by which the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses, if any, are recognised in the income statement. The estimates of future cash flows, when dependent on a single customer, takes into consideration the credit evaluation of the respective customer in addition to other factors.

Other financing receivables

Other financing receivables are financial assets with fixed or determinable payments and fixed maturities and includes the assets under the conversion process based on the Islamic Shari'a principles. After initial recognition, they are subsequently measured at amortised cost using the effective profit rate method, adjusted to reflect actual fair value hedges, less any amounts written-off and allowance for credit losses. Amortized cost is calculated by considering any discount or premium on acquisition and fees that are an integral part of the effective profit rate.

iii) Debt-type instruments

Debt-type instruments are measured at amortised cost using the effective profit rate method, if:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the investment represents either a debt-type instrument or other investment instrument having reasonably determinable effective yield.

Debt-type instruments are measured at FVTOCI when both the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and
- the investment represents a non-monetary debt-type instrument or other investment instrument having reasonably determinable effective yield.

FVTOCI debt-type instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to consolidated statement of income.

If either of these two criteria is not met, the financial assets are classified and measured at FVTIS. Additionally, even if the financial asset meets the amortised cost criteria, the Group may choose at initial recognition to designate the financial asset at FVTIS based on the business model.

The Group accounts for any changes in the fair value in the consolidated statement of income for assets classified as "FVTIS".

Monetary debt-type instruments are instruments whereby the transaction structure results in creation of a financial liability / debt such as murabaha payable. Non-monetary debt-type instruments are instruments whereby the transaction structure results in creation of a non-financial liability, such as goods (salam or istisna'a) or usufruct (ijarah) or services (ijarah) to be delivered in future.

iv) Equity investments

Investments in equity instruments are classified as FVTIS, unless the Group designates an equity investment as FVTOCI on initial recognition. At initial recognition, the Group can make irrevocable election on an instrument by instrument basis to designate an

Notes to the Consolidated Financial Statements
31 December 2024

2. ACCOUNTING POLICIES (continued)
2.6 Summary of significant accounting policies (continued)
(c) Financial instruments (continued)

equity instrument as FVTOCI. Upon derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to consolidated statement of income.

v) Other financial assets

A financial asset is classified as FVTIS, if:

- it has been acquired principally for the purpose of selling in the near term;
- on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is a recent actual pattern of short term profitability; or
- it is a Islamic derivative financial instruments and not designated and effective as a hedging instrument or a financial guarantee.

vi) Islamic derivative financial instruments (other than hedging instruments)

Changes in fair values of the Islamic derivative financial instruments utilised for customer-focused activities are included in the consolidated statement of income under "trading income".

Islamic derivative financial instruments embedded in other financial instruments are not separated from the host contract and the entire contract is considered in order to determine its classification. These financial instruments are classified as FVTIS and the changes in fair value of the entire hybrid contract are recognised in the consolidated statement of income.

vii) Due to banks, customers' accounts, sukuk payable and term financing

These financial liabilities are carried at amortised cost, less amounts repaid. Sukuk issued is initially recognised at their fair value being the issue proceeds. Changes in fair value to the extent of the changes in fair value of the sukuk hedged and unamortised transaction costs are adjusted under "sukuk payable and term financing". Term financing from financial institutions represents financing obtained through wakala / murabaha contracts recognised on the origination date and carried at amortised cost.

Current account balances based on Qard Hasan contracts with the customers are recognised when received by the Bank. The transaction is measured at the cash equivalent amount received by the Bank at the time of contracting. At the end of the year, the accounts are measured at their book value, which represents the settlement value to the customers. These accounts are not entitled to any profits nor do they bear any risk of loss as the Bank pays to the customers on demand. Accordingly, these accounts are considered Qard Hasan from customers to the Bank under Islamic Shari'a.

viii) Quasi-equity

Quasi-equity mainly includes fixed maturity accounts as specified in the term of the contract, based on the mudaraba or wakala contracts and are automatically renewable for the same periods unless notified to the contrary in writing by the account holder. Quasi-equity call / savings accounts are valid for an unlimited period. In all cases, the quasi-equity accounts receive a proportion of the profit as determined by the Bank, or bear a share of loss based on the results of the financial year.

Financial instruments also include contracts with the Bank's customers in accordance with conventional banking contracts.

(d) Derecognition of financial assets and financial liabilities

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (i) has transferred substantially all the risks and rewards of the asset, or (ii) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

(e) Term financing against sukuk

Where investments are sold subject to a commitment to repurchase them at a predetermined price, they remain on the consolidated balance sheet and the consideration received is included in "Term financing against sukuk". The difference between the sale price and repurchase price is treated as finance cost and is accrued over the life of the agreement using the effective profit rate method.

Notes to the Consolidated Financial Statements
31 December 2024

2. ACCOUNTING POLICIES (continued)
2.6 Summary of significant accounting policies (continued)

(f) Determination of fair value
The Group measures certain financial instruments and non-financial assets such as investment in real estate, at fair value at the reporting date.

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

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

The fair value of liabilities with a demand feature is the amount payable on demand.

The fair value of profit-bearing financial assets and financial liabilities that are not quoted in an active market and are not payable on demand is determined by a discounted cash flow model using the current market profit rates for financial instruments with similar terms and risk characteristics.

For equity investments that are not quoted in an active market, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument that is substantially similar, or is determined using net present valuation techniques. Equity securities classified under Level 3 are valued based on discounted cash flows and dividend discount models.

The fair value of unquoted Islamic derivative financial instruments is determined either by discounted cash flows or option-pricing models.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the assets or liabilities.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period as disclosed in note 38.

(g) Impairment of financial assets
The Group applies a three-stage approach to measure allowance for credit losses, using an expected credit loss approach as required under FAS 30, for the following categories of financial instruments that are not measured at FVTIS:

- Amortised cost financial assets;
- Sukuk and debt-type instruments classified as FVTOCI;
- Off-balance sheet financing commitments; and
- Financial guarantee contracts, letters of credit and acceptances.

ECL allowances are recognised for financial instruments that are not measured at FVTIS and are reflected in provisions for credit losses. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Expected credit loss model
The Group's allowance for credit losses calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The expected credit loss model reflects the present value of all cash shortfalls related to default events either (i) over the following twelve months or (ii) over the expected life of a financial instrument depending on credit deterioration from date of initial recognition. The allowance for credit losses reflects an unbiased, probability-weighted outcome which considers multiple scenarios based on reasonable and supportable forecasts.

ECL allowances are the product of the PD, EAD and LGD. The PD represents the likelihood of a obligor defaulting on its financial obligation, either over the next 12 months, or over the remaining lifetime of the obligation. The EAD is an estimate of the exposure at a future default date, taking into account expected changes in the funded exposure after the reporting date, including repayments of principal and profit. The EAD for unfunded exposures including undrawn commitments are determined by historical behavioural analysis and regulatory Credit Conversion Factors (CCF). The LGD quantifies the potential loss from an exposure in the event of default. The key determinants of LGD are, among others, past recovery / loss data for each segment, external loss data, expected recovery period, discount rate, regulatory guidance etc. Furthermore, management overlays are applied to the model outputs, as required.

Notes to the Consolidated Financial Statements
31 December 2024

2. ACCOUNTING POLICIES (continued)
2.6 Summary of significant accounting policies (continued)
(g) Impairment of financial assets (continued)

The impairment model measures credit loss allowances using a three-stage approach to measure ECL based on the extent of credit deterioration since origination as described below:

Stage 1 – Measures and recognises credit loss allowance equal to 12-month ECL for financial instruments for which credit risk has not significantly increased since initial recognition. All investment grade assets are deemed to be Stage 1 as per the Bank's policy under the low credit risk presumption, except in cases where there are past dues in excess of 30 days (rebuttable) or 60 days (non-rebuttable).

Stage 2 – If credit risk has increased significantly since initial recognition (whether assessed on an individual or collective basis), then measure and recognise credit loss allowance at an amount equal to the lifetime ECL. The key drivers to consider an asset as Stage 2 are as follows:

- Movements in risk rating since origination. Where the rating movement has deteriorated significantly, the amortised cost of financial asset is automatically migrated to Stage 2.
- Number of days past due (30 days - rebuttable) subject to approval of Group Provisioning and Impairment Committee ("GPIC") decision; 60 days (non-rebuttable).
- Restructured credits: All restructured facilities are required to remain in Stage 2 for a minimum period of twelve months from the date of restructuring.
- Delays in credit reviews or resolving credit exceptions subject to GPIC decision.
- Sector or country specific weakness subject to GPIC decision.
- Any other specific indicators including forward looking information which are available without undue cost or effort with respect to the obligor or the exposure such as, but not limited to, arrears with other lenders, law suits filed against the obligor by other lenders / creditors, negative movements in market indicators of financial performance etc., and the GPIC determines that these represent a significant deterioration in credit quality.

Stage 3 – Financial instruments considered to be credit impaired are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

Exposures which are classified as Stage 2 are not moved back to Stage 1 unless a minimum cooling-off period of six months has elapsed from the date when the exposure qualifies to be reclassified, except for restructured facilities for which a minimum cooling off period of twelve months is applied. Further, no exposure classified in Stage 3 is moved to Stage 2 till a period prescribed by regulators has elapsed from the date on which the account qualifies for reclassification.

Incorporation of forward looking information
The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of PiT PD. The Group performs historical analysis and identifies the key economic variables impacting credit risk and expected credit losses. The forecast economic variables are applied to established regression relationships to determine PiT PD. Macro-economic factors taken into consideration mainly include crude oil related variables, gross domestic product, unemployment and real estate indices. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

Definition of default
Financial assets that are subject to ECL measurement are tested as to whether they are credit-impaired. Objective evidence that a financial asset is credit-impaired may include a breach of contract, such as default or delinquency in profit or principal payments, indications that it is probable that the obligor will enter bankruptcy or other significant financial reorganisation, the disappearance of an active market, or other observable data relating to a group of assets such as adverse changes in the payment status of obligors or issuers in the group, or economic conditions that correlate with defaults in the group. The Group continues its policy of treating financial instruments as credit impaired under Stage 3 category when the repayment of the principal or profit is overdue for 90 days or more.

Financial assets are written-off after all restructuring and collection activities have taken place and there is no realistic prospect of recovery.

Sukuk or similar instruments measured at FVTOCI
The ECL for sukuk measured at FVTOCI is recognised as an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to consolidated income statement. The accumulated gain / loss recognised in OCI is recycled to the consolidated income statement upon derecognition.

Notes to the Consolidated Financial Statements
31 December 2024

2. ACCOUNTING POLICIES (continued)
2.6 Summary of significant accounting policies (continued)

(h) Hedge accounting

In the ordinary course of business, the Group enters into currency swaps, profit rate swaps, forward foreign exchange and forward commodity contracts ("Islamic derivative financial instruments") and other derivative instruments to mitigate foreign currency and profit rate risk. The Islamic currency swaps and forward commodity contracts are based on Wa'ad (promise) structure between two parties to buy a specified Shari'a compliant commodity at an agreed price on the relevant date in future. It is a conditional promise to purchase a commodity through unilateral purchase undertaking. For Islamic profit rate swaps, counterparties generally exchange fixed and floating rate profit payments based on a notional value in a single currency through series of transactions to buy a specified Shari'a compliant commodity at an agreed price on the relevant date in future based on Wa'ad (promise) structure. For currency swaps, fixed or floating payments as well as notional amounts are exchanged in different currencies. The currency swaps, profit rate swaps, forward foreign exchange and forward commodity contracts are being used for hedging purpose.

In order to manage particular risks, the Group applies hedge accounting for transactions which meet the specified criteria. These Islamic derivative financial instruments are stated at fair value. Islamic derivative financial instruments with positive market values are included in "other assets" and Islamic derivative financial instruments with negative market values are included in "other liabilities" in the consolidated balance sheet.

At inception of the hedge relationship, the Group formally designates and documents the economic relationship between the hedged item and the hedging instrument, including the nature of the risk, management objectives and strategy for undertaking the hedge. The methods that will be used to assess the effectiveness of the hedging relationship form part of the Group's documentation.

In addition, at the inception of the hedge relationship, the Group undertakes a formal assessment to ensure the effectiveness of changes in the hedging instruments fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are regarded as effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been effective throughout the financial reporting periods for which they were designated. For situations where the hedged item is a forecast transaction, the Group assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the consolidated statement of income.

For the purposes of hedge accounting, hedges are classified into two categories: (i) fair value hedges, which hedge the exposure to changes in the fair value of a recognised asset or liability; and (ii) cash flow hedges, which hedge exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

(i) Fair value hedges

For fair value hedges which meet the conditions for hedge accounting, any gain or loss from remeasuring the hedging instrument at fair value is recognised immediately in the consolidated statement of income. The hedged item is adjusted for fair value changes relating to the risk being hedged and the difference is recognised in the consolidated statement of income.

If the hedging instrument expires or is sold, terminated or exercised, or when the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. For hedged items recorded at amortised cost or at FVTOCI, the difference between the carrying value of the hedged item on termination and the value at which it would have been carried without being hedged is amortised over the remaining term of the original hedge. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the consolidated statement of income.

Hedge ineffectiveness can arise from:

- Differences in timing of cash flows of hedged items and hedging instruments;
- Different profit rate curves applied to discount the hedged items and hedging instruments; or
- Islamic derivative financial instruments used as hedging instruments having a non-nil fair value at the time of designation.

(ii) Cash flow hedges

For cash flow hedges which meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument which is determined to be an effective hedge is recognised initially in OCI. The ineffective portion of the fair value of the Islamic derivative financial instruments is recognised immediately in the consolidated statement of income under "trading income".

The gains or losses on effective cash flow hedges recognised initially in OCI are either transferred to the consolidated statement of income in the period in which the hedged transaction impacts the consolidated statement of income or included in the initial measurement of the related asset or liability.

Notes to the Consolidated Financial Statements
31 December 2024

2. ACCOUNTING POLICIES (continued)
2.6 Summary of significant accounting policies (continued)
(h) Hedge accounting (continued)

For hedges which do not qualify for hedge accounting, any gains or losses arising from changes in the fair value of the hedging instrument are recognised in the consolidated statement of income.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. In the case of cash flow hedges, the cumulative gain or loss on the hedging instrument recognised in OCI remains in OCI until the forecasted transaction occurs, unless the hedged transaction is no longer expected to occur, in which case the net cumulative gain or loss recognised in equity is transferred to the consolidated statement of income for the year.

The Group makes an assessment, both at the inception of the hedge relationship as well as on an on-going basis, as to whether the hedging transactions are highly effective in offsetting changes in the fair value or cash flows of the respective hedged items. In case of cash flow hedges, the Group makes an assessment of whether the forecasted transaction is highly probable to occur in order to ascertain whether any variations in those cash flows could affect the profit and loss.

(i) Offsetting financial instruments

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated balance sheet when there is a currently enforceable religious or legal right to offset the recognised amounts and the Group intends to settle on a net basis to realise the assets and liabilities simultaneously.

(j) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Financing and similar income and finance and similar cost

For all profit bearing financial instruments, financing income or expense is recorded using the effective profit rate, which is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or a short period, where appropriate, to the net carrying amount of the financial asset or financial liability. Recognition of financing income is suspended on financing receivables and ijarah assets where profit and / or principal is overdue by 90 days or more. If the Stage 3 financial asset is cured and no longer credit-impaired, the Group reverts to calculating financing income on a gross basis.

Income on Islamic products recognised is as follows:

Income from murabaha and tawarruq are recognised on an effective profit rate, which is established on the initial recognition of the asset and is not revised subsequently.

Income from ijarah assets is recognised over the term of the ijarah agreement so as to yield a constant rate of return on the net investment outstanding. Ijarah income is recognised on effective profit rate basis, net of depreciation, over the lease term.

As the subsidiaries were in the phase of converting their operations based on Islamic Shari'a principles, therefore, financing income and cost includes yield earned and cost incurred on the conventional portfolio of financial instruments.

(ii) Net income attributable to quasi-equity

Return on Quasi Equity Accounts (QEA) is computed after taking into account all income and expenses at the end of the year and is distributed between the quasi-equity, which include mudaraba / wakala account holders and the Bank's shareholder. The share of profit of the quasi-equity is calculated on the basis of their average account balances over the period, after deducting the agreed and declared mudarib / wakala fee.

(iii) Fees and commissions

The Group earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Group expects to be entitled to in exchange for provision of services. The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. When the Group provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time.

Credit origination fees are treated as an integral part of the effective profit rate of financial instruments and are recognised over their lives, except when the underlying risk is sold to a third party at which time it is recognised immediately. Fees or components of fees that are linked to certain performance obligations are recognised after fulfilling those obligations.

(iv) Dividend income

Dividend income is recognised when the right to receive payment is established.

Notes to the Consolidated Financial Statements
31 December 2024

2. ACCOUNTING POLICIES (continued)
2.6 Summary of significant accounting policies (continued)

(k) Business combinations, goodwill and other intangible assets

Business combinations are accounted for using the purchase method of accounting. Assets and liabilities acquired are recognised at the acquisition date fair values with any excess of the cost of acquisition over the net assets acquired being recognised as goodwill.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's profit in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Following initial recognition, goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Intangible assets are measured on initial recognition at their fair values on the date of recognition. Following initial recognition, intangible assets are carried at originally recognised values less any accumulated impairment losses.

Impairment of goodwill and intangible assets with indefinite life is determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognised immediately in the consolidated statement of income.

For the purpose of impairment testing, goodwill and intangible assets with indefinite life acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's geographic segment reporting format determined in accordance with FAS 22 - Segment Reporting.

(l) Premises and equipments

Freehold land is initially recognised at cost. After initial recognition, freehold land is carried at the revalued amount. The revaluation is carried out periodically by independent professional property valuers. Fair value is determined by using unobservable valuation inputs. The resultant revaluation surplus is recognised, as a separate component under equity. Revaluation deficit, if any, is recognised in the consolidated statement of income, except that a deficit directly offsetting a previously recognised surplus on the same asset is directly offset against the surplus in the revaluation reserve in equity.

Premises and equipments are stated at cost, less accumulated depreciation and impairment, if any.

Depreciation on buildings and other premises and equipments is provided on a straight-line basis over their estimated useful lives.

The estimated useful lives of the assets for the calculation of depreciation are as follows:

- Freehold buildings	40 to 50 years
- Fixtures and improvement	Over the lease period or up to 10 years
- Other premises and equipments	Up to 10 years

(m) Investment properties

Land and buildings held for the purpose of capital appreciation or for long term rental yields and not occupied by the Group are classified as investment properties. Investment properties are remeasured at cost less accumulated depreciation (depreciation for buildings based on an estimated useful life of 40 years using the straight-line method) and accumulated impairment. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of income in the period of retirement or when sale is completed.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash and balances with central banks, excluding mandatory reserves, together with those due from banks and other financial institutions and sukuk having an original maturity of three months or less. These cash and cash equivalents are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

(o) Provisions

Provisions are recognised when the Group has a present obligation arising from a past event and the costs to settle the obligation are both probable and able to be reliably estimated.

Notes to the Consolidated Financial Statements
31 December 2024

2. ACCOUNTING POLICIES (continued)
2.6 Summary of significant accounting policies (continued)

(p) Employee benefits

Defined benefit pension plan

Pension costs are recognised on a systematic basis so that the costs of providing retirement benefits to employees are evenly matched, so far as possible, to the service lives of the employees concerned. Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets and the effect of the asset ceiling (if any) both excluding profit are recognised immediately in OCI.

Defined contribution plans

The Group also operates a defined contribution plan, the costs of which are recognised in "staff costs" in the period to which they relate.

(q) Taxes

There is no tax on corporate income in the Kingdom of Bahrain. Taxation on income from foreign entities is provided for in accordance with the fiscal regulations of the countries in which the respective Group entities' operate.

Deferred taxation is provided for using the liability method on all temporary differences calculated at the rate at which it is expected to be payable. Deferred tax assets are only recognised if recovery is probable.

(r) Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly are not incorporated in the consolidated balance sheet.

(s) Non-controlling interests

Non-controlling interests represents the portion of profit or loss and net assets in the subsidiaries not attributable to the Bank's equity shareholder. Any change in Group's ownership interest in the subsidiary that does not result in a loss of control is accounted for as an equity transaction.

(t) Perpetual Tier 1 Capital Securities and sukuk

Perpetual Tier 1 Capital Securities and sukuk of the Group are recognised under equity in the consolidated balance sheet and the corresponding distribution on those securities are accounted as a debit to the retained earnings.

(u) Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Bank's shareholder.

Dividends for the period that are approved after the balance sheet date are shown as an appropriation and reported in the consolidated statement of changes in equity, as an event after the balance sheet date.

(v) Financial guarantees and financing commitments

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are contracts that require the Group to make specified payments to reimburse the holders for a loss that is incurred because a specified debtor fails to make payments when due in accordance with the terms of a debt-type instrument. Financing commitments are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantees are initially recognised in the consolidated financial statements at fair value, adjusted for transaction costs that are directly attributable to the issuance of guarantee. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amortised commission and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee. The expected loss allowance on financial guarantees is measured on the basis of expected payment to be made to the holder less any amounts that the Group expects to recover. Any change in a liability relating to guarantees is recognised in the consolidated statement of income.

(w) Repossessed assets

Repossessed assets are assets acquired in settlement of debt. These assets are carried at the lower of their repossessed value or their fair value and reported under "other assets" in the consolidated balance sheet.

(x) Ijarah

Right-of-use assets (Group as a lessee)

The Group recognises right-of-use assets at the commencement date of the ijarah (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any

Notes to the Consolidated Financial Statements
31 December 2024

2. ACCOUNTING POLICIES (continued)
2.6 Summary of significant accounting policies (continued)
(x) Ijarah (continued)

re-measurement of ijarah liabilities. The cost of right-of-use assets includes the amount of ijarah liabilities recognised, initial direct costs incurred, and ijarah payments made at or before the commencement date less any ijarah incentives received.

Unless the Group is reasonably certain to obtain ownership of the ijarah asset at the end of the ijarah term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the ijarah term. Right-of-use assets are subject to impairment. The carrying value of right-of-use assets are recognised under "premises and equipments" in the consolidated balance sheet.

Ijarah liabilities (Group as a lessee)
At the commencement date of the ijarah contract, the Group recognises ijarah liabilities measured at the present value of ijarah payments to be made over the ijarah term. In calculating the present value of ijarah payments, the Group uses the incremental borrowing rate at the ijarah commencement date if the profit rate implicit in the ijarah is not readily determinable. After the commencement date, the amount of ijarah liabilities is increased to reflect the accretion of profit and reduced for the ijarah payments made. In addition, the carrying amount of ijarah liabilities is remeasured if there is a modification, a change in the ijarah term, a change in the in-substance fixed ijarah payments or a change in the assessment to purchase the underlying asset and is recognised under "other liabilities" in the consolidated balance sheet.

(y) Zakah
Payment of Zakah is the responsibility of the shareholder of the Bank, accordingly no Zakah has been recorded in these consolidated financial statements.

3. NET FINANCING AND SIMILAR INCOME

	2024 US$ '000	2023 US$ '000
(a) FINANCIANG AND SIMILAR INCOME		
Murabaha financing and tawarruq	648,349	262,353
Ijarah muntahia bittamleek	87,588	18,878
Other financing receivables	319,555	731,022
Deposits and sukuk with banks and central banks	226,195	239,426
Non-trading investments *	717,735	643,823
	1,999,422	1,895,502

* Includes income from FVTOCI investment of US$ 260.3 million (2023: US$ 139.9 million).

	2024 US$ '000	2023 US$ '000
(b) FINANCE AND SIMILAR COST		
Due to banks	27,464	113,215
Term financing against sukuk	250,285	215,707
Customers' accounts	352,414	661,609
Sukuk payable and term financing	62,255	122,459
	692,418	1,112,990
(c) NET DISTRIBUTION TO QUASI-EQUITY		
Banks	61,651	-
Non-banks and individuals	435,437	-
Sukuk payable	44,161	-
	541,249	-
NET FINANCING AND SIMILAR INCOME	765,755	782,512

Net income attributable to quasi-equity relates to mudaraba of US$ 0.5 million and wakala of US$ 540.7 million.

All financial liabilities and related finance cost relate to amortised cost items.

Notes to the Consolidated Financial Statements
31 December 2024

4. FEES AND COMMISSIONS - NET

	2024 US$ '000	2023 US$ '000
Fees and commission income		
- Transaction banking services	78,751	88,096
- Management, performance and brokerage fees*	8,733	8,110
Fees and commission expense	(5,066)	(5,117)
	82,418	91,089

* This includes US$ 1.3 million (2023: US$ 1.5 million) of fee income relating to trust and other fiduciary activities.

5. TRADING INCOME

	2024 US$ '000	2023 US$ '000
Foreign exchange	34,344	18,585
Proprietary trading	2,956	9,551
	37,300	28,136

6(a). CASH AND BALANCES WITH CENTRAL BANKS

	2024 US$ '000	2023 US$ '000
Cash and balances with central banks	627,575	426,860
Mandatory reserve with central banks	541,937	746,619
	1,169,512	1,173,479

6(b). DUE FROM CENTRAL BANKS AND SUKUK

	2024 US$ '000	2023 US$ '000
Central Bank of Bahrain	579,953	597,044
Central Bank of Egypt	239,866	289,386
Central Bank of Iraq	-	26,619
	819,819	913,049

Due from central banks and sukuk are local currency denominated and match funded by underlying respective local currencies.

6(c). DUE FROM BANKS

	Note	2024 US$ '000	2023 US$ '000
Balances with banks		1,195,784	1,833,221
Placements with banks:			
Murabaha	6(c)(i)	491,252	368,804
Wakala	6(c)(ii)	181,172	-
		1,868,208	2,202,025

6(c)(i) Murabaha placements are net of deferred profits of US$ 1.3 million (31 December 2023: Nil).

6(c)(ii) Under the above wakala arrangement, the agent pays the Bank a profit, when realised, equivalent to the expected profit rate stated in the respective wakala offer and anything beyond this rate is passed on to the agent as an incentive.

Notes to the Consolidated Financial Statements
31 December 2024

7. FINANCING RECEIVABLES AND IJARAH ASSETS
a) Financing contracts by type of facility

	31 December 2024 US$ '000	1 January 2024 US$ '000	31 December 2023 US$ '000
Murabaha financing and tawarruq*	8,972,779	6,566,071	6,529,990
Ijarah assets	1,375,411	919,125	919,125
Other financing receivables	190,914	4,041,376	4,041,376
	10,539,104	11,526,572	11,490,491
Allowance for impairment and credit losses	(533,557)	(583,093)	(583,093)
	10,005,547	10,943,479	10,907,398

*Murabaha financing and tawarruq is net of deferred profit of US$ 693.2 million (1 January 2024: US$ 806.7 million).

b) By industry sector

	2024		2023	
	US$ '000	%	US$ '000	%
Consumer / personal	1,009,553	9.6	1,113,507	9.7
Residential mortgage	1,244,401	11.8	1,378,999	12.0
Trading and manufacturing	3,410,199	32.4	3,619,038	31.5
Real estate	1,809,193	17.2	1,688,842	14.7
Banks and other financial institutions	668,731	6.3	585,548	5.1
Services	1,547,301	14.7	2,162,805	18.8
Government / public sector	362,840	3.4	428,700	3.7
Others	486,886	4.6	513,052	4.5
	10,539,104	100.0	11,490,491	100.0
ECL allowances (Stage 1 and 2)	(329,114)		(357,154)	
ECL allowances (Stage 3)	(204,443)		(225,939)	
	10,005,547		10,907,398	

c) By geographic region

	2024		2023	
	US$ '000	%	US$ '000	%
GCC countries	5,757,573	54.7	6,119,517	53.2
United Kingdom	1,816,318	17.3	1,744,357	15.2
Arab Republic of Egypt	1,996,373	18.9	2,619,142	22.8
Europe (excluding United Kingdom)	192,159	1.8	376,982	3.3
Asia (excluding GCC countries)	498,365	4.7	301,685	2.6
Others	278,316	2.6	328,808	2.9
	10,539,104	100.0	11,490,491	100.0
ECL allowances (Stage 1 and 2)	(329,114)		(357,154)	
ECL allowances (Stage 3)	(204,443)		(225,939)	
	10,005,547		10,907,398	

Notes to the Consolidated Financial Statements
31 December 2024

7. FINANCING RECEIVABLES AND IJARAH ASSETS (continued)
d) Credit quality of financing receivables and ijarah assets

	2024			
	Stage 1 US$ '000	Stage 2 US$ '000	Stage 3 US$ '000	Total US$ '000
High standard grade				
Retail	1,792,864	91,326	-	1,884,190
Corporate	4,132,757	112,453	-	4,245,210
Standard grade				
Retail	90,673	67,715	-	158,388
Corporate	2,777,566	1,219,159	-	3,996,725
Credit impaired				
Retail	-	-	76,011	76,011
Corporate	-	-	178,580	178,580
	8,793,860	1,490,653	254,591	10,539,104
ECL allowances	(79,474)	(249,640)	(204,443)	(533,557)
	8,714,386	1,241,013	50,148	10,005,547

	2023			
	Stage 1 US$ '000	Stage 2 US$ '000	Stage 3 US$ '000	Total US$ '000
High standard grade				
Retail	1,861,541	166,310	-	2,027,851
Corporate	3,809,619	83,894	-	3,893,513
Standard grade				
Retail	81,682	91,205	-	172,887
Corporate	3,501,846	1,620,530	-	5,122,376
Credit impaired				
Retail	-	-	93,270	93,270
Corporate	-	-	180,594	180,594
	9,254,688	1,961,939	273,864	11,490,491
ECL allowances	(82,490)	(274,664)	(225,939)	(583,093)
	9,172,198	1,687,275	47,925	10,907,398

Refer to note 32 for further details on credit quality of financing receivables and ijarah assets.

e) Age analysis of past due but not credit impaired financing receivables and ijarah assets
The amounts presented in the table below are gross of ECL allowances.

	2024			
	Up to 30 days US$ '000	31 to 60 days US$ '000	61 to 89 days US$ '000	Total US$ '000
Retail	64,005	32,070	16,947	113,022
Corporate	203,993	94,390	25,857	324,240
	267,998	126,460	42,804	437,262

Notes to the Consolidated Financial Statements
31 December 2024

7. FINANCING RECEIVABLES AND IJARAH ASSETS (continued)
e) Age analysis of past due but not credit impaired financing receivables and ijarah assets (continued)

	2023			
	Up to 30 days US$ '000	31 to 60 days US$ '000	61 to 89 days US$ '000	Total US$ '000
Retail	86,933	33,059	25,320	145,312
Corporate	66,243	74,728	28,929	169,900
	153,176	107,787	54,249	315,212

None of the above past due financing receivable and ijarah assets are considered to be credit impaired.

f) Individually credit impaired financing receivables and ijarah assets

	2024		
	Retail US$ '000	Corporate US$ '000	Total US$ '000
Gross credit impaired financing receivables and ijarah assets	**76,011**	**178,580**	**254,591**
ECL allowances (Stage 3)	**(60,577)**	**(143,866)**	**(204,443)**
	15,434	**34,714**	**50,148**
ECL coverage on credit impaired financing receivables and ijarah assets	**79.7%**	**80.6%**	**80.3%**
Gross financing receivables and ijarah assets	**2,118,589**	**8,420,515**	**10,539,104**
Credit impaired financing receivables and ijarah assets ratio	**3.6%**	**2.1%**	**2.4%**

	2023		
	Retail US$ '000	Corporate US$ '000	Total US$ '000
Gross credit impaired financing receivables and ijarah assets	93,270	180,594	273,864
ECL allowances (Stage 3)	(71,983)	(153,956)	(225,939)
	21,287	26,638	47,925
ECL coverage on credit impaired financing receivables and ijarah assets	77.2%	85.2%	82.5%
Gross financing receivables and ijarah assets	2,294,008	9,196,483	11,490,491
Credit impaired financing receivables and ijarah assets ratio	4.1%	2.0%	2.4%

The fair value of collateral that the Group holds relating to financing receivables and ijarah assets individually determined to be credit impaired at 31 December 2024 amounted to US$ 292.8 million (31 December 2023: US$ 386.0 million). The collateral mainly consists of cash, securities and properties.

At 31 December 2024, the carrying amount of restructured credit facilities was US$ 669.1 million (31 December 2023: US$ 739.8 million) on which the Group maintained ECL allowances of US$ 106.4 million (31 December 2023: US$ 112.5 million).

Notes to the Consolidated Financial Statements
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7. FINANCING RECEIVABLES AND IJARAH ASSETS (continued)
g) ECL allowances on financing receivables and ijarah assets
A reconciliation of the ECL allowances for financing receivables and ijarah assets by class is as follows:

i) ECL allowances for financing receivables and ijarah assets - Retail

	2024			
	Stage 1 US$ '000	Stage 2 US$ '000	Stage 3 US$ '000	Total US$ '000
At 1 January 2024	**18,696**	**9,482**	**71,983**	**100,161**
Transfer from Stage 1	**(1,182)**	**605**	**577**	**-**
Transfer from Stage 2	**4,749**	**(5,295)**	**546**	**-**
Transfer from Stage 3	**1,504**	**4,729**	**(6,233)**	**-**
Net remeasurement of ECL allowances	**1,081**	**(521)**	**31,708**	**32,268**
Amounts written-off *	**-**	**-**	**(86,105)**	**(86,105)**
Exchange rate and other adjustments	**(218)**	**(75)**	**48,101**	**47,808**
At 31 December 2024	**24,630**	**8,925**	**60,577**	**94,132**

	2023			
	Stage 1 US$ '000	Stage 2 US$ '000	Stage 3 US$ '000	Total US$ '000
At 1 January 2023	55,797	23,839	77,556	157,192
Transfer from Stage 1	(1,049)	574	475	-
Transfer from Stage 2	844	(3,059)	2,215	-
Transfer from Stage 3	-	169	(169)	-
Net remeasurement of ECL allowances	(4,002)	(2,759)	50,383	43,622
Amounts written-off *	-	-	(5,257)	(5,257)
Transfer to held for sale	(32,733)	(9,255)	(60,844)	(102,832)
Exchange rate and other adjustments	(161)	(27)	7,624	7,436
At 31 December 2023	18,696	9,482	71,983	100,161

ii) ECL allowances for financing receivables and ijarah assets - Corporate

	2024			
	Stage 1 US$ '000	Stage 2 US$ '000	Stage 3 US$ '000	Total US$ '000
At 1 January 2024	**63,794**	**265,182**	**153,956**	**482,932**
Transfer from Stage 1	**(708)**	**623**	**85**	**-**
Transfer from Stage 2	**16,153**	**(38,640)**	**22,487**	**-**
Transfer from Stage 3	**4**	**1,407**	**(1,411)**	**-**
Net remeasurement of ECL allowances	**(16,627)**	**66,138**	**89,121**	**138,632**
Amounts written-off *	**-**	**-**	**(92,698)**	**(92,698)**
Exchange rate and other adjustments	**(7,772)**	**(53,995)**	**(27,674)**	**(89,441)**
At 31 December 2024	**54,844**	**240,715**	**143,866**	**439,425**

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7. FINANCING RECEIVABLES AND IJARAH ASSETS (continued)

g) ECL allowances on financing receivables and ijarah assets (continued)

ii) ECL allowances for financing receivables and ijarah assets - Corporate (continued)

	2023			
	Stage 1 US$ '000	Stage 2 US$ '000	Stage 3 US$ '000	Total US$ '000
At 1 January 2023	134,650	373,050	286,124	793,824
Transfer from Stage 1	(3,186)	3,102	84	-
Transfer from Stage 2	242	(39,294)	39,052	-
Transfer from Stage 3	-	17,577	(17,577)	-
Net remeasurement of ECL allowances	22,577	22,528	(32,515)	12,590
Amounts written-off *	-	-	(55,410)	(55,410)
Transfer to held for sale	(78,425)	(101,129)	(57,470)	(237,024)
Exchange rate and other adjustments	(12,064)	(10,652)	(8,332)	(31,048)
At 31 December 2023	63,794	265,182	153,956	482,932

* Represents the full carrying value of the financing receivables and ijarah assets written-off.

The contractual amount outstanding on financing receivables and ijarah assets that have been written-off during the year, but still subject to legal action was US$ 129.4 million at 31 December 2024 (2023: US$ 15.2 million).

h) Allowance for impairment, credit losses and others

The net charge for provision in the consolidated statement of income is as follows:

	2024 US$ '000	2023 US$ '000
Net remeasurement of ECL on financing receivables and ijarah assets (note 7g)	**170,900**	56,212
Recoveries from financing receivables and ijarah assets during the year (from fully provided financing receivables and ijarah assets written-off in previous years)	**(43,670)**	(4,588)
Net remeasurement of ECL for non-trading investments (note 8c)	**(16,547)**	(25,514)
Net remeasurement of ECL on off-balance sheet exposures and others	**(3,580)**	4,757
Net provision charge on investment/acquired properties	**-**	49,605
Net other provision (write-back) / charges	**(40,753)**	23,638
	66,350	104,110

i) Ijarah Muntahia Bittamleek

	2024 US$ '000	2023 US$ '000
Ijarah Muntahia Bittamleek - cost	**1,661,335**	934,254
Accumulated depreciation	**(285,924)**	(15,129)
Ijarah Muntahia Bittamleek - financing contracts	**1,375,411**	919,125
Allowance for impairment and credit losses	**(84,074)**	(21,534)
	1,291,337	897,591

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8. NON-TRADING INVESTMENTS

a) By sector and classification

	2024			
	Held at amortised cost US$ '000	Held at FVTOCI US$ '000	Held at FVTIS US$ '000	Total US$ '000
Quoted investments				
GCC government sukuk and similar instruments	**2,128,678**	**1,446,913**	**-**	**3,575,591**
Other government sukuk and similar instruments	**125,252**	**602,755**	**-**	**728,007**
GCC government entities' securities	**991,004**	**219,093**	**-**	**1,210,097**
Sukuk and similar instruments:				
- banks and other financial institutions	**608,676**	**395,775**	**-**	**1,004,451**
- corporates	**2,315,727**	**434,434**	**-**	**2,750,161**
Equity instruments	**-**	**1,656,314**	**1,027**	**1,657,341**
	6,169,337	**4,755,284**	**1,027**	**10,925,648**
Unquoted investments				
Sukuk and similar instruments:				
- issued by banks and other financial institutions	**259,534**	**27,586**	**-**	**287,120**
Equity instruments	**-**	**104,743**	**8,131**	**112,874**
	259,534	**132,329**	**8,131**	**399,994**
Total	**6,428,871**	**4,887,613**	**9,158**	**11,325,642**
ECL allowances	**(7,903)**	**(3,593)**	**-**	**(11,496)**
	6,420,968	**4,884,020**	**9,158**	**11,314,146**

	2023			
	Held at amortised cost US$ '000	Held at FVTOCI US$ '000	Held at FVTIS US$ '000	Total US$ '000
Quoted investments				
GCC government sukuk and similar instruments	2,930,592	662,741	-	3,593,333
Other government sukuk and similar instruments	510,576	332,158	-	842,734
GCC government entities' securities	1,210,302	184,424	-	1,394,726
Sukuk and similar instruments:				
- banks and other financial institutions	1,154,988	243,911	-	1,398,899
- corporates	2,427,288	370,518	-	2,797,806
Equity instruments	-	17,325	1,457	18,782
	8,233,746	1,811,077	1,457	10,046,280
Unquoted investments				
Sukuk and similar instruments:				
- issued by banks and other financial institutions	12,370	66,743	-	79,113
Equity instruments	-	77,357	8,432	85,789
	12,370	144,100	8,432	164,902
Total	8,246,116	1,955,177	9,889	10,211,182
ECL allowances	(23,344)	(4,889)	-	(28,233)
	8,222,772	1,950,288	9,889	10,182,949

The fair value of the non-trading investments held at amortised cost is US$ 6,526.5 million as at 31 December 2024 (31 December 2023: US$ 8,358.7 million) of which US$ 6,526.5 million is classified under Level 1 of fair value hierarchy (31 December 2023: US$ 8,346.3 million) and US$ nil is classified under Level 2 of fair value hierarchy (31 December 2023: US$ 12.4 million).

Gain on FVTIS investments for the year ended 31 December 2024 amounted to US$ 0.6 million (2023: US$ 6.3 million).

Notes to the Consolidated Financial Statements
31 December 2024

8. NON-TRADING INVESTMENTS (continued)
b) Credit quality of non-trading investments

	2024			
	Stage 1 US$ '000	Stage 2 US$ '000	Stage 3 US$ '000	Total US$ '000
High standard grade	5,604,807	-	-	5,604,807
Standard grade	3,740,622	209,998	-	3,950,620
	9,345,429	209,998	-	9,555,427
ECL allowances	(10,094)	(1,402)	-	(11,496)
	9,335,335	208,596	-	9,543,931
Equity instruments at fair value				1,770,215
				11,314,146

	2023			
	Stage 1 US$ '000	Stage 2 US$ '000	Stage 3 US$ '000	Total US$ '000
High standard grade	7,007,065	-	-	7,007,065
Standard grade	2,717,405	382,141	-	3,099,546
	9,724,470	382,141	-	10,106,611
ECL allowances	(25,661)	(2,572)	-	(28,233)
	9,698,809	379,569	-	10,078,378
Equity instruments at fair value				104,571
				10,182,949

Refer to note 32 for further details on credit quality of non-trading investments.

c) Reconciliation of ECL allowances

	2024			
	Stage 1 US$ '000	Stage 2 US$ '000	Stage 3 US$ '000	Total US$ '000
At 1 January 2024	25,661	2,572	-	28,233
Net remeasurement of ECL allowances	(15,472)	(1,075)	-	(16,547)
Exchange rate and other adjustments	(95)	(95)	-	(190)
At 31 December 2024	10,094	1,402	-	11,496

	2023			
	Stage 1 US$ '000	Stage 2 US$ '000	Stage 3 US$ '000	Total US$ '000
At 1 January 2023	24,571	64,398	10,873	99,842
Transfer from Stage 1	(867)	867	-	-
Net remeasurement of ECL allowances	4,955	(62,734)	32,265	(25,514)
Amounts written-off	-	-	(43,148)	(43,148)
Transfer to held for sale	(3,069)	(284)	-	(3,353)
Exchange rate and other adjustments	71	325	10	406
At 31 December 2023	25,661	2,572	-	28,233

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9. INVESTMENT IN ASSOCIATES
The associates of the Group are:

		Group's nominal holding	
Name	Incorporated in	2024	2023
Ahli Bank S.A.O.G. (ABO)	Sultanate of Oman	35.0%	35.0%
United Bank for Commerce and Investment S.A.L. (UBCI)	State of Libya	40.0%	40.0%
Middle East Financial Investment Company (MEFIC)	Kingdom of Saudi Arabia	-	40.0%

The summarised financial information of the Group's associates was as follows:

	2024 US$ '000	2023 US$ '000
Total assets	10,341,423	9,285,320
Total liabilities	8,812,740	7,772,868
Share of results for the year (Group's share)	46,562	31,548

Financial information of ABO, being the material associate, is provided below. The information is based on latest available financial information of ABO.

	2024 US$ million	2023 US$ million
Balance sheet related information		
Financing receivables	7,850.1	6,997.8
Total assets	9,753.0	8,619.1
Customers' deposits	7,176.1	6,430.3
Total liabilities	8,303.7	7,264.8
Income statement related information		
Total operating income	281.3	255.9
Net profit for the year	108.2	94.7
Dividends received during the year	9.6	16.0
Cash flow related information		
Net cash from / (used in) operating activities	455.5	(75.4)
Net cash used in investing activities	(121.0)	(37.8)
Net cash (used in) / from financing activities	(111.7)	151.7

The market value of AUB's investment in ABO based on the price quoted in the Muscat Securities Market at 31 December 2024 is US$ 352.4 million (31 December 2023: US$ 333.2 million).

Subsequent to the balance sheet date, the Group sold its entire 35% equity stake in ABO to group of investors in the Sultanate of Oman.

10. INVESTMENT PROPERTIES
These represent properties acquired by the Group and are recognised at cost. As at 31 December 2024, the fair value of the investment properties is US$ 120.2 million (31 December 2023: US$ 121.6 million). Investment properties were valued by independent valuers using unobservable valuation inputs such as comparable sales, potential revenue etc. and are classified under Level 3 (2023: Level 3) of the fair value hierarchy.

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10. INVESTMENT PROPERTIES (continued)
Movements during the year are as follows:

	2024 US$ '000	2023 US$ '000
At 1 January	105,037	189,065
Additions	3,147	2,324
Transfer to held for sale	-	(66,264)
Disposals	-	(11,688)
Impairment and other movements	-	(8,400)
At 31 December	108,184	105,037

11. PROFIT RECEIVABLE AND OTHER ASSETS

	31 December 2024 US$ '000	1 January 2024 US$ '000	31 December 2023 US$ '000
Profit receivable	262,233	250,693	286,774
Derivative assets (note 28)	533,329	500,604	500,604
Tax assets (note 22)	1,972	1,515	1,515
Repossessed real estate assets	270,165	261,951	261,951
Prepayments and others	29,142	53,200	53,200
	1,096,841	1,067,963	1,104,044

As at 31 December 2024 profit receivable includes US$ 57.0 million (2023: US$ 35.8 million) relating to financial assets held at FVTOCI and US$ 205.2 million (2023: US$ 251.0 million) relating to financial assets held at amortised cost.

12. PREMISES AND EQUIPMENTS
The net book values of the Group's premises and equipments are:

	2024 US$ '000	2023 US$ '000
Freehold land	42,199	42,774
Freehold buildings	16,903	23,670
Fixtures and improvements	5,456	5,661
IT equipment and others	102,314	91,957
Capital work-in-progress	6,958	22,558
Right-of-use assets	14,613	17,256
	188,443	203,876

Annually, the freehold land is revalued by independent valuers close to year end using significant unobservable valuation inputs such as comparable sales, potential revenue etc. and is classified under Level 3 (2023: Level 3) of the fair value hierarchy. During the years ended 31 December 2024 and 2023, there have been no movements in Level 3 freehold land other than valuation changes.

Notes to the Consolidated Financial Statements
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13. GOODWILL AND OTHER INTANGIBLE ASSETS

	2024			2023		
	Goodwill US$ '000	Intangible assets US$ '000	Total US$ '000	Goodwill US$ '000	Intangible assets US$ '000	Total US$ '000
At 1 January	107,759	28,421	136,180	470,978	39,067	510,045
Write-offs	(12,457)	-	(12,457)	-	(3,581)	(3,581)
Transfer to held for sale	-	-	-	(361,229)	-	(361,229)
Exchange rate and other movements	(5,151)	(11,152)	(16,303)	(1,990)	(7,065)	(9,055)
At 31 December	90,151	17,269	107,420	107,759	28,421	136,180

Goodwill:
Goodwill acquired through business combinations has been allocated to the cash-generating units of the acquired entities for impairment testing purposes. The carrying amount of goodwill and intangible assets allocated to each of the cash-generating units is shown under note 30.

Key assumptions used in estimating recoverable amounts of cash-generating units
The discount rate used in goodwill impairment testing ranged between 11.8% to 29.0% (2023: 13.5% to 28.9%). The key assumptions used in estimating recoverable amounts of cash generating units were sensitised to test the resilience of value-in-use calculations. On this basis, management believes that reasonable changes in the key assumptions used to determine the recoverable amount of the Group's cash-generating units will not result in any additional impairment.

Intangible assets:
Intangible assets comprises primarily the subsidiaries' banking licenses which have indefinite lives. The fair values of banking licenses are determined at the time of acquisition by discounting the future expected profits from acquisition and their projected terminal value.

14. DUE TO BANKS

	31 December 2024 US$ '000	1 January 2024 US$ '000	31 December 2023 US$ '000
Murabaha deposits	486,600	271,769	-
Demand and call deposits	365,123	206,585	280,042
Time deposits	-	529,931	1,933,482
Other deposits	55,259	73,440	-
	906,982	1,081,725	2,213,524

15. TERM FINANCING AGAINST SUKUK
The Group has collateralised obligation lines of credit with various financial institutions through term financing against sukuk, amounting to US$ 6.9 billion (31 December 2023: US$ 7.8 billion).

As at 31 December 2024, the obligations under these agreements were US$ 4.9 billion (31 December 2023: US$ 4.6 billion). As at 31 December 2024, the fair value of investment securities that were provided as collateral was US$ 5.4 billion (31 December 2023: US$ 5.3 billion).

Notes to the Consolidated Financial Statements
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16. CUSTOMERS' ACCOUNTS

	31 December 2024 US$ '000	1 January 2024 US$ '000	31 December 2023 US$ '000
Murabaha	753,095	1,770,515	-
Current and call deposits	1,689,241	3,222,012	3,932,693
Saving deposits	-	-	872,295
Time deposits	15,520	3,672,508	9,234,607
	2,457,856	8,665,035	14,039,595

17. SUKUK PAYABLE AND TERM FINANCING

	2024 US$ '000	2023 US$ '000
(a) Term financing	806,518	1,096,685
(b) Long term sukuk payable	565,417	527,725
	1,371,935	1,624,410

(a) These represent murabaha term financing agreements entered into by the Group. As at 31 December 2024, the term financing of US$ 806.5 million is repayable in 2027 and carry profit rate (SOFR and Margin) of 5.6% per annum (2023: Term financing at 6.7% per annum due for repayment in 2025 was fully repaid in 2024).

(b) The sukuk was issued during 2021 through a wholly owned special purpose vehicle with a tenor of 5 years maturing on 9 September 2026 and carries a fixed profit rate of 2.615% per annum, payable semi-annually in arrears on 9 September and 9 March respectively. The sukuk is listed on the London Stock Exchange.

18. PROFIT PAYABLE AND OTHER LIABILITIES

	2024 US$ '000	2023 US$ '000
Profit payable	209,777	217,271
Accruals and other payables*	182,847	156,586
Derivative liabilities (note 28)	161,930	290,644
Other credit balances**	158,246	280,212
Tax liabilities (note 22)	25,436	32,340
ECL allowances***	20,444	25,898
	758,680	1,002,951

* Accruals and other payables include US$ 15.2 million (31 December 2023: US$ 18.2 million) relating to lease liabilities.

** This mainly includes clearing accounts, unearned fees and sundry creditors.

*** This represents ECL allowances on financial contracts such as guarantees and undrawn commitments.

19. QUASI-EQUITY
19.1 Quasi-equity balances

	31 December 2024 US$ '000	1 January 2024 US$ '000	31 December 2023 US$ '000
Type of quasi-equity			
Mudaraba-based accounts	764,400	610,963	-
Wakala-based accounts	11,048,173	6,423,121	-
	11,812,573	7,034,084	-

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19. QUASI-EQUITY (continued)
19.1 Quasi-equity balances (continued)

Quasi Equity Account Holders' (QEH) fund are commingled to form one general pool. This pooled fund is deployed into profit generating banking assets based on the underlying contractual arrangement. The Group allocates certain portfolios of profit generating assets towards QEH pool and only profits earned on pool of assets funded from QEH are used for distribution towards the QEH after allocation of relevant expenses and wakala and mudarib fees. Under wakala agreements, the Group agrees a target rate with the fund providers and any rate beyond that is considered as an incentive fee for the Group.

Assets in which QEH funds were invested jointly with the Group's own funds as at 31 December 2024 are as follows:

	2024 US$ '000		
	Self financed assets	Jointly financed assets	Total
Cash and balances with central banks	849,919	319,593	1,169,512
Due from central banks and sukuk	579,953	239,866	819,819
Due from banks	1,576,760	291,448	1,868,208
Financing receivables and ijarah assets	2,478,097	7,527,450	10,005,547
Non-trading investments	7,879,930	3,434,216	11,314,146
Investment in associates	455,713	-	455,713
Investment properties	108,184	-	108,184
Profit receivable and other assets	1,096,841	-	1,096,841
Premises and equipments	188,443	-	188,443
Goodwill and other intangible assets	107,420	-	107,420
	15,321,260	11,812,573	27,133,833

The following is the average percentage of profit allocation applied during the year for each type of QEH account as agreed contractually with the customers:

	2024		
	Utilisation	Mudarib share and agency fees	Profit to QEH
Account type:			
Mudaraba	100%	97%	3%
Wakala	100%	27%	73%

20. EQUITY
(a) Authorised:

	2024 US$ '000	2023 US$ '000
Share capital		
12,000 million shares (2023: 12,000 million shares) of US$ 0.25 each	3,000,000	3,000,000

Authorised share capital is available for issuance of ordinary shares and various classes of preference shares.

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20. EQUITY (continued)

(b) Issued and fully paid:

	2024 US$ '000	2023 US$ '000
Ordinary share capital (US$ 0.25 each)	**2,786,983**	2,786,983
Number of shares (millions)	**11,147.9**	11,147.9

(c) Perpetual Tier 1 Capital Securities and sukuk

	2024 US$ '000	2023 US$ '000
Issued by the Bank (note i)	**400,000**	400,000
Perpetual Tier 1 sukuk - held for sale (note ii)	**-**	600,000
	400,000	1,000,000

(i) Basel III compliant Additional Tier I Perpetual Capital Securities issued by the Bank during 2015 carried an initial distribution rate of 6.875% per annum payable semi-annually with a reset after every 5 years. On completion of the initial 5 year period, during 2020, distribution rate was reset to 5.839% per annum. These securities are perpetual, subordinated and unsecured. The securities are listed on the Irish Stock Exchange. The Bank can elect to make a distribution at its own discretion. The holders of these securities do not have a right to claim the same and such an event will not be considered an event of default. The securities carry no maturity date and are classified under owner equity.

(ii) During 2021, AUBK completed a US$ 600 million Basel III compliant Additional Tier 1 Perpetual Capital Sukuk ("Perpetual Tier I Sukuk") issue that bears a profit rate of 3.875% per annum and are eligible to be classified under equity. These are subordinated, unsecured and carry a periodic distribution amount, payable semi-annually in arrears, is callable after five year period of issuance until the first call date ending June 2026 or any profit distribution date thereafter subject to certain redemption conditions, including prior CBK approval. The securities are listed on the Irish Stock Exchange and NASDAQ Dubai.

21. SHARE PREMIUM AND RESERVES

a) Share premium
The share premium arising on the issue of ordinary shares is not distributable except in such circumstances as stipulated in the Bahrain Commercial Companies Law (BCCL).

b) Capital reserve
As required under BCCL, any profit on the sale of treasury stock is transferred to a capital reserve. The reserve is not distributable except in such circumstances as stipulated in the BCCL.

c) Statutory reserve
As required under BCCL and the Bank's Articles of Association, 10% of the net profit is transferred to a statutory reserve on an annual basis. The Bank may resolve to discontinue such transfers when the reserve totals 50% of the paid up capital. The reserve is not distributable except in such circumstances as stipulated in the BCCL.

d) Property revaluation reserve
The revaluation reserve arising on revaluation of freehold land is not distributable except in such circumstances as stipulated in the BCCL.

e) Foreign exchange translation reserve
It comprises mainly of translation effects arising on consolidation of subsidiaries and investment in associates.

f) Other comprehensive income reserve
This reserve represents changes in the fair values of equity and debt instruments that are classified as FVTOCI.

g) Cash flow hedge reserve
This reserve represents the effective portion of gain or loss on the Group's cash flow hedging instruments.

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21. SHARE PREMIUM AND RESERVES (continued)

h) Movements in other reserves

	Other comprehensive income						
				Cumulative changes			
	Capital reserve US$ '000	Property revaluation reserve US$ '000	Foreign exchange translation reserve US$ '000	OCI reserve US$ '000	Cash flow hedge reserve US$ '000	Pension fund reserve* US$ '000	Total other reserves US$ '000
Balance at 1 January 2024	**17,240**	**39,840**	**(837,247)**	**(6,161)**	**-**	**(55,044)**	**(841,372)**
Currency translation adjustments	**-**	**(54)**	**(205,830)**	**-**	**-**	**(101)**	**(205,985)**
Transfers to consolidated statement of income	**-**	**-**	**-**	**(9,411)**	**117**	**-**	**(9,294)**
Transfers to retained earnings on sale of equity investments	**-**	**-**	**-**	**289**	**-**	**-**	**289**
Net fair value movements	**-**	**-**	**-**	**109,140**	**(117)**	**-**	**109,023**
Transfers to retained earnings on sale of subsidiary	**-**	**(4,696)**	**-**	**(8,054)**	**-**	**-**	**(12,750)**
Transfers to consolidated statement of income on sale of subsidiary	**-**	**-**	**104,000**	**-**	**-**	**-**	**104,000**
Balance at 31 December 2024	**17,240**	**35,090**	**(939,077)**	**85,803**	**-**	**(55,145)**	**(856,089)**

	Other comprehensive income						
				Cumulative changes			
	Capital reserve US$ '000	Property revaluation reserve US$ '000	Foreign exchange translation reserve US$ '000	OCI reserve US$ '000	Cash flow hedge reserve US$ '000	Pension fund reserve* US$ '000	Total other reserves US$ '000
Balance at 1 January 2023	17,240	38,731	(763,201)	(30,765)	(29)	(34,964)	(772,988)
Currency translation adjustments	-	-	(74,046)	-	-	-	(74,046)
Transfers to consolidated statement of income	-	-	-	(1,934)	29	-	(1,905)
Net fair value movements	-	-	-	(28,714)	-	(20,080)	(48,794)
Transfers to retained earnings on sale of equity investments	-	-	-	55,252	-	-	55,252
Revaluation of freehold land	-	1,109	-	-	-	-	1,109
Balance at 31 December 2023	17,240	39,840	(837,247)	(6,161)	-	(55,044)	(841,372)

* Refer to note 26 for further details on pension fund reserve.

Foreign currency translation risk primarily arises from Group's investments in diverse countries. Assets and liabilities of the Group's subsidiaries are translated into US Dollars at the rates of exchange prevailing at the balance sheet date. Income and expense items are translated at average exchange rates prevailing for the reporting periods for consolidation purpose, any exchange differences arising on translation are included in "foreign exchange translation reserve" forming part of other comprehensive income prorated between non-controlling interests and equity owner.

The Group undertakes hedging of such net investment in foreign operations to mitigate any currency risk in a number of ways including obligation in the underlying currency, structural hedging in the form of holding US Dollar long position to the extent possible and forward contracts.

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21. SHARE PREMIUM AND RESERVES (continued)

(i) Dividends proposed and paid

	2024 US$ '000	2023 US$ '000
Proposed for approval at the forthcoming Annual General Assembly of Shareholder		
Total cash dividend proposed on the ordinary shares	585,266	278,698
Cash dividend on each ordinary share (US cents per share)	5.25	2.50

(j) Distribution on Perpetual Tier 1 Capital Securities and sukuk

	2024 US$ '000	2023 US$ '000
Distribution on the Perpetual Tier 1 Capital Securities	23,356	23,356
Distribution on the Perpetual Tier 1 sukuk	-	23,250
	23,356	46,606

22. TAXATION

	2024 US$ '000	2023 US$ '000
Consolidated balance sheet (note 11 and note 18):		
- Current tax asset	1,972	1,515
	1,972	1,515
- Current tax liability	20,985	30,641
- Deferred tax liability	4,451	1,699
	25,436	32,340
Consolidated statement of income:		
- Current tax expense on foreign operations	46,804	50,813
- Deferred tax expense on foreign operations	398	1,597
	47,202	52,410

The Group's tax expense includes all direct taxes that are accrued on taxable profits of entities to the authorities in the respective countries of incorporation, in accordance with the tax laws prevailing in those jurisdictions. Consequently, it is not practical to provide a reconciliation between the accounting and taxable profits together with the details of effective tax rates. Tax expense primarily relates to AUBE and AUBUK. Tax rate at AUBE is 22.5% (2023: 22.5%) and AUBUK is 25.0% (2023: 25.0%).

In 2021, The Organisation for Economic Co-operation and Development (OECD) Inclusive Framework (IF) on Base Erosion and Profit Shifting (BEPS) had agreed to a two-pillar solution in order to address tax challenges arising from digitalization of the economies. Under Pillar 2, Multinational Entities (MNE Group) whose revenue exceed EUR 750 million are liable to pay corporate income tax at a minimum effective tax rate of 15% in each jurisdiction in which they operate. The jurisdictions in which the Group operates, including the Kingdom of Bahrain, have joined the IF.

As a result of above, the Kingdom of Bahrain issued Decree-Law no (11) of 2024 (the "Law") on 1 September 2024 introducing Domestic Minimum Top-up Tax (DMTT) effective from the year 2025 on entities which are part of MNE Group with annual revenues of EUR 750 million or more. The Law provides that a top-up tax shall be payable on the taxable income at a rate equal to the difference between 15% and the effective tax rate of all constituent entities of the MNE Group operating within the Kingdom of Bahrain. The

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22. TAXATION (continued)

taxable income and effective tax rate shall be computed in accordance with the Executive regulations issued on 15 December 2024 under decision no (172) of 2024. Similar DMTT laws were announced in State of the Kuwait of which AUB Group is part of. Additionally, some jurisdictions where the Group operates, have Pillar 2 legislation in effect in 2024 due to adoption of a domestic minimum top-up tax and an Income Inclusion Rule (IIR). Further, some of those jurisdictions have also adopted the Undertaxed Profits rule (UTPR), whereby undertaxed profits in any of the Group's jurisdictions will be brought to an effective global minimum tax rate of 15% starting from the year 2025.

The Group has performed an analysis of its Pillar 2 position for 2024 based on the OECD guidelines. The Group does not have any material Pillar 2 top up tax exposure for 2024 in jurisdictions where the Pillar 2 legislation is already in effect, since majority of the relevant jurisdictions are currently paying tax above the global minimum tax rate. The Group's effective tax rate is expected to increase in 2025 due to the applicability of the Pillar 2 legislation in the Kingdom of Bahrain. The Group is currently in the process to assess the impact of evolving Pillar 2 tax regulations on its future financial performance and resultant tax obligations.

23. EARNINGS PER SHARE

Basic and diluted earnings per ordinary share are calculated by dividing the net profit for the year attributable to the Bank's ordinary equity shareholder less distribution on Perpetual Tier 1 Capital Securities and sukuk, by the weighted average number of ordinary shares outstanding during the year.

The following reflects the income and share data used in basic and diluted earnings per ordinary share computations:

	2024 US$ '000	2023 US$ '000
Net profit for basic and diluted earnings per ordinary share computation		
Net profit attributable to Bank's equity shareholder	718,150	667,256
Less: Share of Perpetual Tier 1 Capital Securities and sukuk distributions	23,356	40,750
Adjusted net profit attributable to Bank's ordinary equity shareholder for basic and diluted earnings per ordinary share	694,794	626,506
Basic and diluted earnings per ordinary share (US cents)	6.2	5.6

	Number of shares (in million)	
	2024	2023
Weighted average ordinary shares outstanding during the year for basic and diluted earnings per share	11,147.9	11,147.9

24. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated statement of cash flows include the following balance sheet amounts:

	2024 US$ '000	2023 US$ '000
Cash and balances with central banks, excluding mandatory reserve deposits [note 6(a)]	627,575	426,860
Deposits with central banks and other banks - with an original maturity of three months or less	1,517,263	1,918,330
	2,144,838	2,345,190

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25. RELATED PARTY TRANSACTIONS

The Group enters into transactions with shareholder, associates, directors, senior management and companies which are controlled, jointly controlled or significantly influenced by such parties in the ordinary course of business. All the financing receivables and ijarah assets to related parties are performing and subject to ECL assessment. Share of profit from associates and investment in associates are shown separately in these consolidated financial statements.

The income, expense and the period end balances in respect of related parties included in the consolidated financial statements were as follows:

	2024 US$ '000				
	Major shareholders	Associates	Board of Directors	Senior management[2]	Other related parties
For the year ended 31 December 2024					
Financing and similar income	510	-	153	-	-
Finance and similar cost	35,715	217	403	257	12,618
Fees and commissions - net	7	1,520	-	4	-
Dividend income	42,655	-	-	-	-
Short term employee benefits	-	-	-	9,519	-
End of service benefits	-	-	-	705	-
Directors' fees and related expenses [3]	-	-	2,221	-	-
Net operating (loss) income from discontinued operations	(10,436)	17	(78)	-	(849)
As of 31 December 2024					
Due from banks	34,410	2,038	-	-	-
Financing receivables and ijarah assets	-	-	1,581	93	-
Non-trading investments	1,654,753	-	-	-	-
Profit receivable and other assets	797	-	92	-	-
Due to banks	135,867	49,194	-	-	17
Customers' accounts and quasi-equity [1]	308,202	-	3,639	5,102	-
Sukuk payable and term financing	75,000	-	-	-	-
Profit payable and other liabilities	5,407	989	9	-	-
Commitments and contingent liabilities	2,319	46,597	-	-	-

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25. RELATED PARTY TRANSACTIONS (continued)

	2023 US$ '000				
	Major shareholders	Associates	Board of Directors	Senior management[2]	Other related parties
For the year ended 31 December 2023					
Financing and similar income	-	186	196	1	97
Finance and similar cost	8,319	217	281	192	60
Fees and commissions - net	-	1,331	-	15	-
Short term employee benefits	-	-	-	16,018	-
End of service benefits	-	-	-	862	-
Directors' fees and related expenses [3]	-	-	2,073	-	-
Net operating (loss) income from discontinued operations	(89,075)	20	(322)	(934)	(4,249)
Provision relating to discontinued operations (note 42)	(54,400)	-	-	-	-
As of 31 December 2023					
Due from banks	-	3,001	-	-	-
Financing receivables and ijarah assets	-	-	2,117	245	-
Profit receivable and other assets	-	130	134	-	-
Due to banks	97,616	28,126	-	-	17
Customers' accounts and quasi-equity [1]	206,241	2	4,337	11,020	-
Sukuk payable and term financing	100,000	-	-	-	-
Profit payable and other liabilities	524	2,941	13	-	-
Commitments and contingent liabilities	1,597	21,482	-	-	-
Held for sale:					
Assets classified as held for sale	311,169	-	30	483	18,577
Liabilities directly associated with assets held for sale	1,959,473	970	10,330	2,150	134,419
Commitments and contingent liabilities	315	4,003	-	-	1,809

Shari'a Supervisory Boards' remuneration, fees, and expenses for the year 2024 amounted to US$ 0.28 million (2023: USD 0.16 million).

[1] Customers' accounts and quasi-equity including the discontinued operations comprise of deposits from GCC government-owned institutions amounting to US$ 308.2 million (31 December 2023: US$ 2,054.0 million).

[2] AUB Group Management Directors (Employees) who are appointed by the shareholder of the Group to the AUB Board to represent management or by AUB to the boards of any of its subsidiaries or affiliates or their related committees, are excluded from receiving any additional remuneration for their membership of or attendance at board or related committee meetings at AUB or its subsidiaries / affiliates as per their specific contractual arrangements and as per the BOD approved Human Resource Policy covering all of AUB Group.

[3] Directors fees and related expenses for 2023 were approved by the shareholder in the annual general meeting on 27 March 2024 and the same for 2024 will be presented for shareholder's approval at the forthcoming annual general meeting to be convened in March 2025.

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26. EMPLOYEE BENEFITS

The Group operates Defined Benefit and Defined Contribution retirement benefit schemes for its employees in accordance with the local laws and regulations in the countries in which it operates. The costs of providing retirement benefits, including current contributions, are charged to the consolidated statement of income.

Defined benefit plans
The charge to the consolidated statement of income on account of end of service benefits for the year ended 31 December 2024 amounted to US$ 2,548 thousand (2023: US$ 1,703 thousand).

AUBUK's defined benefit pension scheme was closed to future service accruals on 31 March 2010. In accordance with the IAS-19 Employee Benefits, the Group immediately recognises the actuarial gains and losses relating to 'Defined Pension Benefit' scheme through consolidated statement of changes in equity.

In May 2023, the trustees of the Ahli United Bank (U.K.) PLC (AUBUK) Pension Fund invested the fund's assets in a bulk annuity policy ("buy-in" policy) with a takaful company. Under the terms of this "buy-in" policy, the takaful company will make payments into the fund that exactly match the benefit outgo for all covered members. The policy therefore had the effect of removing the fund's normal funding and investment risks; however, AUBUK remains legally responsible to fund benefits in the unlikely event the takaful company defaults on any payments to covered members.

Defined contribution plans
The Group contributed US$ 7,565 thousand during the year ended 31 December 2024 (2023: US$ 6,836 thousand) towards defined contribution plans. The Group's obligations are limited to the amounts contributed to various schemes.

27. ZAKAH

Payment of Zakah is the responsibility of the shareholder and QEA holders of the Bank, accordingly no Zakah has been recorded in these consolidated financial statements. The calculation of Zakah for shareholder as below is reviewed by the Shari'a Supervisory Board.

The total Zakah payable by the shareholder for 2024 has been computed as 1.1 US cents per share in accordance with FAS 9. Zakah was computed at 2.577% on Zakah base of US$ 4,565 million determined based on the Net Invested Funds method.

28. DERIVATIVES

In the ordinary course of business, the Group enters into various types of transactions that involve Shari'a compliant derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instruments, reference rates or indices.

Islamic forward agreements (Wa'ad)
The Bank enters into forward foreign exchange agreements (Wa'ad) to mitigate foreign currency risk. A Wa'ad is a financial transaction between two parties where payments are dependent upon movements in price of one or more underlying financial instruments, reference rate or index in accordance with Islamic Shari'a. The notional amount, disclosed gross, is the amount of a Wa'ad's underlying asset/liability and is the basis upon which changes in the value are measured. The notional amounts indicate the volume of transactions outstanding at the year-end and are neither indicative of the market risk nor credit risk.

Profit rate swaps
Profit rate swaps are contractual agreements between two parties and may involve exchange of profit or exchange of both principal and profit for a fixed period of time based on contractual terms. The notional amounts indicate the volume of transactions outstanding at the period-end and are neither indicative of the market risk nor credit risk. Most of the Group's profit rate swaps are held for hedging.

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28. DERIVATIVES (continued)

Profit rate swaps (continued)
The table below shows the net fair values of derivative financial instruments utilised for customer-focused activities.

	2024		2023	
	Derivative assets US$ '000	**Derivative liabilities US$ '000**	Derivative assets US$ '000	Derivative liabilities US$ '000
Derivatives utilised for customer-focused activities:				
- Profit rate swaps	**86,312**	**68,146**	102,635	68,886
- Forward foreign exchange contracts	**47,961**	**24,127**	19,559	21,579
- Options	**62**	**62**	193	193
	134,335	**92,335**	122,387	90,658

The table below shows the net fair values of derivative financial instruments held for hedging.

	2024			2023		
	Derivative assets US$ '000	**Derivative liabilities US$ '000**	**Notional amounts US$ '000**	Derivative assets US$ '000	Derivative liabilities US$ '000	Notional amounts US$ '000
Derivatives held as fair value hedges:						
- Profit rate swaps on amortised cost instruments	**255,960**	**45,652**	**6,938,652**	333,667	148,933	9,569,455
- Profit rate swaps on FVTOCI instruments	**143,034**	**23,943**	**2,577,612**	44,550	51,053	1,289,222
	398,994	**69,595**	**9,516,264**	378,217	199,986	10,858,677

Major financial counterparties with whom the Group has entered into above derivative contracts are covered through margin monies for the fair values of contracts outstanding.

In respect of derivative assets above, the Group has US$ 83.1 million (2023: US$ 208.7 million) of liabilities that can be offset through master netting arrangements. These master netting arrangements create a right of set-off that is enforceable only following an event of default, insolvency or bankruptcy of counterparties or following other predetermined events.

Fair value hedges
The net fair value of profit rate swaps held as fair value hedges as at 31 December 2024 is positive US$ 329.3 million (2023: Positive US$ 178.2 million) which is offset by loss recognised on the hedged item at 31 December 2024, attributable to the hedged risk of US$ 329.3 million (2023: loss of US$ 178.2 million). These offsetting gains and losses are included in "trading income" in the consolidated statement of income during the years ended 31 December 2024 and 2023 respectively.

Hedging instruments are issued to hedge against profit rate and foreign exchange risks pertaining to hedged items. Hedged items include certain financing receivable and ijarah assets amounting to US$ 86.1 million (31 December 2023: US$ 100.8 million), sukuk payable amounting to US$ 600.0 million (31 December 2023: US$ 600.0 million), non-trading investments amounting to US$ 8,125.4 million (31 December 2023: US$ 8,189.9 million) and customers' accounts amounting to US$ 704.2 million (31 December 2023: US$ 2,406.8 million).

Derivatives utilised for customer-focused activities
Most of the Group's derivative utilised for customer-focused activities relate to customer driven transactions.

Derivatives held for hedging purposes
The Group has adopted a comprehensive system for the measurement and management of risk.

As part of its asset and liability management, the Group uses derivatives for hedging purposes in order to reduce its exposure to currency and profit rate movements. This is achieved by hedging specific financial instruments and forecasted transactions, as well as strategic hedging against overall balance sheet exposures.

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28. DERIVATIVES (continued)

Derivatives held for hedging purposes(continued)

The Group uses options and currency swaps to hedge against specifically identified currency and equity risks. In addition, the Group uses profit rate swaps and forward rate agreements to hedge against the profit rate risk arising from specifically identified, or a portfolio of, fixed profit rate sukuk and financing receivables and ijarah assets. The Group also uses profit rate swaps to hedge against the cash flow risks arising on certain floating rate deposits. In all such cases, the hedging relationship and objective, including details of the hedged item and hedging instrument, are formally documented and the transactions are accounted for as derivatives held for hedging purposes.

Hedging of profit rate risk is also carried out by monitoring the duration of assets and liabilities and entering into profit rate swaps to hedge net profit rate exposures.

Derivative financial instruments held for hedging is amounted to US$ 9.5 billion (2023: US$ 10.9 billion) out of which US$ 0.9 billion (2023: US$ 2.1 billion) matures within one year and balance US$ 8.6 billion (2023: US$ 8.8 billion) matures after one year.

29. COMMITMENTS AND CONTINGENT LIABILITIES

Credit-related commitments

Credit-related commitments include commitments to extend credit, standby letters of credit, guarantees which are designed to meet the requirements of the Group's customers.

Commitments to extend credit represent contractual commitments to make financing receivables and ijarah assets and revolving credits available and generally have fixed expiration dates or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

Standby letters of credit and guarantees commit the Group to make payments on behalf of customers contingent upon their failure to perform under the terms of the contract. Standby facilities would have market risk if issued or extended at a fixed rate of profit. However, these contracts are primarily made at floating rates.

The Group has the following credit related commitments:

	2024 US$ '000	2023 US$ '000
Contingent liabilities:		
Guarantees	1,496,583	1,683,246
Letters of credit	336,388	253,019
	1,832,971	1,936,265
Maturity of contingent liabilities is as follows:		
Less than one year	1,668,661	1,744,425
Over one year	164,310	191,840
	1,832,971	1,936,265
Contingent liabilities relating to held for sale	-	1,514,458
Irrevocable commitments:		
Undrawn financing commitments	158,570	156,991

Also, refer to note 18 for ECL allowances and note 35 for additional liquidity disclosures.

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30. SEGMENT INFORMATION

For management purposes, the Group is organised into four major business segments:

Retail banking	Principally handling individual customers' accounts, providing consumer financing receivables, ijarah, other credit facilities, credit cards and fund transfer facilities.
Corporate banking	Principally handling financing and other credit facilities, and deposit and current accounts for corporate and institutional customers.
Treasury and investments	Principally providing money market, trading and treasury services, as well as management of the Group's investments and funding.
Private banking	Principally servicing high net worth clients through a range of investment products, funds, credit facilities, trusts and alternative investments.

These segments are the basis on which the Group reports its primary segment information. Transactions between segments are conducted at approximate market rates on an arm's length basis. Profit is charged/credited to business segments based on a pool rate which approximates the cost of funds.

	Retail banking US$ '000	Corporate banking US$ '000	Treasury and investments US$ '000	Private banking US$ '000	Total US$ '000
Year ended 31 December 2024:					
Net financing and similar income	142,345	229,104	347,667	46,639	765,755
Fees and commissions - net	21,995	38,956	15,031	6,436	82,418
Other operating income	1,083	144	305,773	917	307,917
OPERATING INCOME	165,423	268,204	668,471	53,992	1,156,090
Allowance for impairment, credit losses and others	20,282	63,663	(19,587)	1,992	66,350
NET OPERATING INCOME	145,141	204,541	688,058	52,000	1,089,740
Operating expenses	75,384	62,269	144,482	40,429	322,564
PROFIT BEFORE TAX	69,757	142,272	543,576	11,571	767,176
Tax expense					47,202
NET PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS					719,974
Net profit after tax for the year from discontinued operations					10,891
Attributable to non-controlling interests					(12,715)
NET PROFIT ATTRIBUTABLE TO THE OWNER OF THE BANK					718,150
Inter segment financing income (cost) included in net financing income above	211,754	(305,439)	(39,750)	133,435	-

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30. SEGMENT INFORMATION (continued)

	Retail banking US$ '000	Corporate banking US$ '000	Treasury and investments US$ '000	Private banking US$ '000	Total US$ '000
As at 31 December 2024:					
Segment assets	**1,197,504**	**8,701,356**	**14,470,586**	**915,970**	**25,285,416**
Goodwill	**81,341**	**2,865**	**5,607**	**338**	**90,151**
Other intangible assets	**4,687**	**6,198**	**5,653**	**731**	**17,269**
Investment in associates					**455,713**
Unallocated assets					**1,285,284**
TOTAL ASSETS					**27,133,833**
Segment liabilities and quasi-equity	**3,029,578**	**4,847,263**	**10,536,302**	**2,513,765**	**20,926,908**
Unallocated liabilities					**758,680**
TOTAL LIABILITIES AND QUASI-EQUITY					**21,685,588**

	Retail banking US$ '000	Corporate banking US$ '000	Treasury and investments US$ '000	Private banking US$ '000	Total US$ '000
Year ended 31 December 2023:					
Net financing and similar income	128,331	231,181	375,782	47,218	782,512
Fees and commissions - net	21,231	43,605	18,409	7,844	91,089
Other operating income	414	402	199,801	85	200,702
OPERATING INCOME	149,976	275,188	593,992	55,147	1,074,303
Allowance for impairment, credit losses and others	18,972	32,180	47,239	5,719	104,110
NET OPERATING INCOME	131,004	243,008	546,753	49,428	970,193
Operating expenses	69,851	60,513	118,881	32,683	281,928
PROFIT BEFORE TAX	61,153	182,495	427,872	16,745	688,265
Tax expense					52,410
NET PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS					635,855
Profit after tax for the year from discontinued operations					71,824
Attributable to non-controlling interests					(40,423)
NET PROFIT ATTRIBUTABLE TO THE OWNER OF THE BANK					667,256
Inter segment financing income (cost) included in net financing income above	152,496	(265,060)	(8,815)	121,379	-

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30. SEGMENT INFORMATION (continued)

	Retail banking US$ '000	Corporate banking US$ '000	Treasury and investments US$ '000	Private banking US$ '000	Total US$ '000
As at 31 December 2023:					
Segment assets	1,239,244	9,415,280	13,806,833	1,058,661	25,520,018
Goodwill	83,121	4,714	19,368	556	107,759
Other intangible assets	7,713	10,200	9,305	1,203	28,421
Investment in associates					375,313
Unallocated assets					1,271,839
Assets classified as held for sale					14,596,548
TOTAL ASSETS					41,899,898
Segment liabilities	3,366,369	5,838,862	10,524,422	2,767,520	22,497,173
Unallocated liabilities					1,002,951
Liabilities directly associated with assets held for sale					12,340,832
TOTAL LIABILITIES					35,840,956

Geographic segmentation

Although the management of the Group is based primarily on business segments, the Group's geographic segmentation is based on the countries where the Bank and its subsidiaries are incorporated. Thus, the operating income generated by the Bank and its subsidiaries based in the Gulf Cooperation Council (GCC) are grouped as "GCC Countries", while those generated by the Bank's subsidiaries located outside the GCC region is grouped under "Others". Similar segmentation is followed for the distribution of total assets. The following table shows the distribution of the Group's operating income and total assets by geographical segments:

	Operating income		Total assets	
	2024 US$ '000	2023 US$ '000	**2024 US$ '000**	2023 US$ '000
GCC Countries	**634,735**	577,563	**16,055,785**	28,485,849
Others	**521,355**	496,740	**11,078,048**	13,414,049
Total	**1,156,090**	1,074,303	**27,133,833**	41,899,898

31. RISK MANAGEMENT

The Board of Directors seeks to optimise the Group's performance by enabling the various business units to realise the Group's business strategy and meet agreed business performance targets by operating within the BOD approved Group Risk Framework covering risk parameters.

The Group Management Risk Committee, Group Credit Committee, Group Investment Committee, Group Assets and Liability Committee, Group Information and Cyber Security Risk Committee, Group Operational and Fraud Risk Committee and Group Provisioning and Impairment Committee are set up as part of the Group's risk governance structure. The terms of reference for these committees are approved by the BOD. Group Board Risk Committee has oversight over Group's risk activities and implementation of the risk management framework.

The Group's Shari'a Supervisory Board is entrusted with the responsibility to ensure the Group's adherence to Shari'a rules and principles in its transactions and activities. The Shari'a Supervisory Board comprises of 4 members.

The BOD approves the Group Risk Framework on an annual basis. The Group Board Risk Committee monitors the Group's risk profile against the risk parameters. The BOD and its Executive Committee receive quarterly risk updates including detailed risk exposures analysis reports. The Group faces a range of risks in its business and operations including (i) credit risk; (ii) market risk (comprising of profit rate risk, currency risk, equity price risk and displaced commercial risk); (iii) liquidity risk; (iv) operational risk; and (v) legal risk as detailed in notes 32 to 37.

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32. CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge a financial obligation and cause the other party to incur a financial loss. In the case of derivatives, this is limited to positive fair values. The Group attempts to mitigate credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties.

a) Concentration risk

Concentration of credit risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Concentration of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location.

The Group manages its credit risk exposure so as to avoid over concentration to a particular sector or geographic location. It also obtains securities, where appropriate. Guidelines are in place regarding the acceptability of types of collateral and valuation parameters.

The principal collateral types are as follows:

- In the personal sector – cash, mortgages over residential properties and assignments over salary income;
- In the commercial sector – cash, charges over business assets such as premises, inventories, receivables, debt securities and bank guarantees;
- In the commercial real estate sector – charges over the properties being financed; and
- In the financial sector – charges over financial instruments, such as debt securities and equities.

The Group monitors the market value of collateral and requests additional collateral when necessary in accordance with the underlying agreement.

Details of the concentration of the financing receivables and ijarah assets by industry sector and geographic region are disclosed in note 7(b) and 7(c) respectively.

Details of the industry sector analysis and the geographical distribution of the assets, liabilities and commitments on behalf of customers are set out in note 33.

b) Gross maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The table below shows the gross maximum exposure to credit risk for the components of the balance sheet. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements, but after provision for credit losses, where applicable.

	Gross maximum expsoure 2024 US$ '000	Gross maximum exposure 2023 US$ '000
Balances with central banks	**1,098,336**	1,096,386
Due from central banks and sukuk	**819,819**	913,049
Due from banks	**1,868,208**	2,202,025
Financing receivables and ijarah assets	**10,005,547**	10,907,398
Non-trading investments	**9,543,931**	10,078,378
Profit receivable and other assets	**815,627**	834,063
Assets classified as held for sale	**-**	13,951,731
Total	**24,151,468**	39,983,030
Contingent liabilities	**1,832,971**	1,936,265
Undrawn financing commitments	**158,570**	156,991
Contingent liabilities relating to held for sale	**-**	1,514,458
Total credit related commitments	**1,991,541**	3,607,714
Total credit risk exposure	**26,143,009**	43,590,744

Where financial instruments are recorded at fair value, the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

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32. CREDIT RISK (continued)

c) Credit quality of financial assets

The tables below shows distribution of financial assets before ECL allowances:

	Stage 1 US$ '000	**Stage 2 US$ '000**	**Stage 3 US$ '000**	**Total US$ '000**
At 31 December 2024				
Balances with central banks:				
High standard grade	**1,098,336**	**-**	**-**	**1,098,336**
Due from central banks and sukuk:				
Standard grade	**579,953**	**239,866**	**-**	**819,819**
Due from banks:				
High standard grade	**1,565,605**	**773**	**-**	**1,566,378**
Standard grade	**219,422**	**82,408**	**-**	**301,830**
Financing receivables and ijarah assets:				
High standard grade	**5,925,621**	**203,779**	**-**	**6,129,400**
Standard grade	**2,868,239**	**1,286,874**	**-**	**4,155,113**
Credit impaired	**-**	**-**	**254,591**	**254,591**
Non-trading investments:				
High standard grade	**5,604,807**	**-**	**-**	**5,604,807**
Standard grade	**3,740,622**	**209,998**	**-**	**3,950,620**
Credit related contingent items:				
High standard grade	**2,479,707**	**70,520**	**-**	**2,550,227**
Standard grade	**1,040,169**	**232,908**	**-**	**1,273,077**
Credit impaired*	**-**	**-**	**29,257**	**29,257**

	Stage 1 US$ '000	Stage 2 US$ '000	Stage 3 US$ '000	Total US$ '000
At 31 December 2023				
Balances with central banks:				
High standard grade	1,096,386	-	-	1,096,386
Due from central banks and sukuk:				
High standard grade	597,042	-	-	597,042
Standard grade	26,619	289,442	-	316,061
Due from banks:				
High standard grade	1,925,741	-	-	1,925,741
Standard grade	274,194	2,304	-	276,498
Financing receivables and ijarah assets:				
High standard grade	5,671,160	250,204	-	5,921,364
Standard grade	3,583,528	1,711,735	-	5,295,263
Credit impaired	-	-	273,864	273,864
Non-trading investments:				
High standard grade	7,007,065	-	-	7,007,065
Standard grade	2,717,405	382,141	-	3,099,546
Credit related contingent items:				
High standard grade	1,408,501	19,978	-	1,428,479
Standard grade	1,229,465	252,132	-	1,481,597
Credit impaired*	-	-	25,559	25,559

* After application of credit conversion factors, credit impaired contingent items amounted to US$ 15,049 thousand (31 December 2023: US$ 12,778 thousand).

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32. CREDIT RISK (continued)

c) Credit quality of financial assets (continued)

Except for certain financing receivables and ijarah assets and non-trading investments that are classified as FVTOCI or FVTIS, all the above financial instruments are carried at amortised cost.

It is the Group's policy to maintain consistent internal risk ratings across the credit portfolio. The credit quality of the portfolio of financing receivables and ijarah assets that were neither past due nor impaired can be assessed by reference to the Group's internal credit rating system. This facilitates focused portfolio management of the inherent level of risk across all lines of business. The credit quality ratings disclosed below can be equated to the following risk rating grades, which are either internally applied or external ratings mapped to internal ratings.

Credit quality rating	Risk rating	Definition
High standard	Risk rating 1 to 4	Undoubted through to good credit risk
Standard	Risk rating 5 to 7	Satisfactory through to adequate credit risk
Credit impaired	Risk rating 8 to 10	Substandard doubtful through to loss

The risk rating system is supported by various financial analytics and qualitative market information for the measurement of counterparty risk. Refer to note 2.6(g) for detailed ECL measurement methodology.

There are no financial assets which are past due but not impaired as at 31 December 2024 and 2023 other than those disclosed under note 7(e).

33. CONCENTRATION ANALYSIS

The distribution of assets, liabilities and contingent liabilities on behalf of customers by geographic region and industry sector was as follows:

	2024			2023		
	Assets US$ '000	Liabilities and quasi-equity US$ '000	Contingent liabilities on behalf of customers US$ '000	Assets US$ '000	Liabilities US$ '000	Contingent liabilities on behalf of customers US$ '000
Geographic region:						
GCC countries	16,055,785	12,078,749	961,176	13,889,301	12,433,651	931,439
United Kingdom (UK)	3,162,359	1,612,407	7,760	3,003,803	2,314,303	6,225
Arab Republic of Egypt	2,940,901	2,756,586	467,846	3,886,848	3,862,956	596,251
Europe (excluding UK)	1,270,543	2,820,362	36,234	1,841,981	2,349,039	81,485
Asia (excluding GCC)	1,860,991	1,864,224	257,161	2,050,151	2,096,126	241,214
United States of America	722,589	424,568	56,196	1,012,179	294,408	58,192
Rest of the World	1,120,665	128,692	46,598	1,619,087	149,641	21,459
Held for sale	-	-	-	14,596,548	12,340,832	1,514,458
	27,133,833	21,685,588	1,832,971	41,899,898	35,840,956	3,450,723

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33. CONCENTRATION ANALYSIS (continued)

	2024			2023		
	Assets US$ '000	Liabilities and quasi-equity US$ '000	Contingent liabilities on behalf of customers US$ '000	Assets US$ '000	Liabilities US$ '000	Contingent liabilities on behalf of customers US$ '000
Industry sector:						
Banks and other financial institutions	8,608,338	10,341,986	156,533	7,697,654	10,696,101	88,129
Consumer/personal	952,467	4,899,514	9,090	1,059,850	5,180,424	8,582
Residential mortgage	1,242,369	1,916	-	1,356,737	2,457	-
Trading and manufacturing	4,722,895	1,465,701	712,711	5,798,325	1,680,165	799,353
Real estate	2,278,372	480,373	4,573	1,909,756	617,435	5,101
Services	2,310,602	1,920,055	706,405	2,872,303	2,348,963	795,347
Government / public sector	6,385,831	1,722,894	390	6,069,696	1,798,826	2,291
Others	632,959	853,149	243,269	539,029	1,175,753	237,462
Held for sale	-	-	-	14,596,548	12,340,832	1,514,458
	27,133,833	21,685,588	1,832,971	41,899,898	35,840,956	3,450,723

34. MARKET RISK

Market risk is the risk of potential financial loss that may arise from adverse changes in the value of a financial instrument or portfolio of financial instruments due to movements in profit rates, foreign exchange rates, equity prices, commodity prices and derivatives. This risk arises from asset - liability mismatches, changes that occur in the yield curve, foreign exchange rates and changes in volatilities/ implied volatilities in the market value of derivatives. The Group classifies exposures to market risk into either trading or non-trading portfolios. Given the Group's low risk strategy, aggregate market risk levels are considered low. The Group utilises Value-at-Risk (VaR) models to assist in estimating potential losses that may arise from adverse market movements in addition to non-quantitative risk management techniques. The market risk for the trading portfolio is managed and monitored on a VaR methodology which reflects the inter-dependency between risk variables. Non-trading portfolios are managed and monitored using stop loss limits and other sensitivity analyses.

i) Value-at-Risk

The Group calculates historical simulation VaR using a one day holding period at a confidence level of 99%, which takes into account the actual correlations observed historically between different markets and rates.

Since VaR is an integral part of the Group's market risk management, VaR limits have been established for all trading operations and exposures are reviewed daily against the limits by management. Actual outcomes are compared to the VaR model derived predictions on a regular basis as a means of validating the assumptions and parameters used in the VaR calculation.

The table below summarises the risk factor composition of the VaR including the diversification effects intrinsic to the trading book:

	Foreign exchange US$ '000	Profit rate US$ '000	Diversification effect US$ '000	Total US$ '000
31 December 2024	475	58	(93)	440
31 December 2023	352	54	-	406

ii) Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect the value of financial instruments or the future profitability of the Group. The Group is exposed to profit rate risk as a result of mismatches or gaps in the amounts of assets, liabilities, perpetual tier 1 capital securities and sukuk and off balance sheet instruments that mature or reprice in a given period. The Group measures and manages profit rate risk by establishing levels of profit rate risk by setting limits on the profit rate gaps for stipulated periods. Profit rate gaps on assets and liabilities are reviewed periodically and hedging strategies are used to reduce the profit rate gaps to within the limits established by the BOD.

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31 December 2024

34. MARKET RISK (continued)

ii) Profit rate risk (continued)

The table below provides an analysis of the Group's profit rate risk exposure:

	2024			
	Less than three months US$ '000	Three months to one year US$ '000	Over one year US$ '000	Total US$ '000
Cash and balances with central banks	1,098,336	-	-	1,098,336
Due from central banks and sukuk	805,394	14,425	-	819,819
Due from banks	1,846,046	17,680	4,482	1,868,208
Financing receivables and ijarah assets	8,457,879	825,361	722,307	10,005,547
Non-trading investments	195,580	490,169	8,887,446	9,573,195
	12,403,235	1,347,635	9,614,235	23,365,105
Due to banks and quasi-equity	1,344,087	1,012,449	-	2,356,536
Term financing against sukuk	4,942,979	-	-	4,942,979
Customers' accounts and quasi-equity	7,229,297	3,683,425	1,342,736	12,255,458
Sukuk payable and term financing	806,518	-	565,417	1,371,935
	14,322,881	4,695,874	1,908,153	20,926,908
Perpetual Tier 1 Capital Securities	-	400,000	-	400,000
On balance sheet gap	(1,919,646)	(3,748,239)	7,706,082	2,038,197
Off balance sheet gap	6,683,921	544,419	(7,228,340)	
Total profit sensitivity gap	4,764,275	(3,203,820)	477,742	
Cumulative profit sensitivity gap	4,764,275	1,560,455	2,038,197	

	2023			
	Less than three months US$ '000	Three months to one year US$ '000	Over one year US$ '000	Total US$ '000
Cash and balances with central banks	304,077	-	-	304,077
Due from central banks and sukuk	368,031	545,018	-	913,049
Due from banks	2,195,288	5,187	1,550	2,202,025
Financing receivables and ijarah assets	9,377,943	979,674	549,781	10,907,398
Non-trading investments	112,932	427,626	9,537,820	10,078,378
Assets classified as held for sale	13,012,949	-	-	13,012,949
	25,371,220	1,957,505	10,089,151	37,417,876
Due to banks and quasi-equity	1,148,627	1,064,897	-	2,213,524
Term financing against sukuk	3,380,114	1,239,530	-	4,619,644
Customers' accounts and quasi-equity	8,119,328	4,470,824	1,449,443	14,039,595
Sukuk payable and term financing	1,096,685	-	527,725	1,624,410
Liabilities directly associated with assets held for sale	10,109,397	-	-	10,109,397
	23,854,151	6,775,251	1,977,168	32,606,570
Perpetual Tier 1 Capital Securities and sukuk	600,000	400,000	-	1,000,000
On balance sheet gap	917,069	(5,217,746)	8,111,983	3,811,306
Off balance sheet gap	6,723,088	950,183	(7,673,271)	
Total profit sensitivity gap	7,640,157	(4,267,563)	438,712	
Cumulative profit sensitivity gap	7,640,157	3,372,594	3,811,306	

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31 December 2024

34. MARKET RISK (continued)

ii) Profit rate risk (continued)

The following table demonstrates the sensitivity of the Group's net financing and similar income for the next one year, to a change in profit rates, with all other variables held constant. The sensitivity is based on the floating rate financial assets and financial liabilities held at 31 December 2024 and 2023 including the effect of hedging instruments.

Sensitivity analysis - profit rate risk

		2024 US$ '000	2023 US$ '000
At 25 bps - increase (+) / decrease (-)	+/-	6,930	7,367

iii) Currency risk

Currency risk is the risk that the functional currency value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The risk management process manages the Group's exposure to fluctuations in foreign exchange rates (currency risk) through the asset and liability management process. It is the Group's policy to reduce its exposure to currency fluctuations to acceptable levels as determined by the BOD which has established levels of currency risk by setting limits on currency position exposures. Positions are monitored periodically and hedging strategies are used to ensure positions are maintained within the established limits.

The Group's significant net exposures arising out of banking operations as of the consolidated balance sheet date and the effect of change in currency rate by + 1% on the consolidated statement of income is presented below:

	(Loss) / gain		Net exposures	
	2024 US$ '000	2023 US$ '000	2024 US$ '000	2023 US$ '000
British Pound Sterling	45	247	4,471	24,672
Euro	17	(129)	1,713	(12,942)
Egyptian Pound	21	26	2,103	2,615
Iraqi Dinar	(356)	(848)	(35,618)	(84,819)
Kuwaiti Dinar	(1,213)	(1,130)	(121,305)	(113,005)

Sensitivity analysis - currency risk

All foreign currency exposures with the exception of investments in subsidiaries and associates are captured as part of the customer-focused activities book. The risk of the exposures are subject to quantification via a daily VaR calculation, the results of which are disclosed in note 34 (i).

The effect of foreign currency translation on the Group's investments in subsidiaries and associates are reported in the "foreign exchange translation reserve" in note 21(h).

iv) Equity price risk

Equity price risk arises from fluctuations in equity indices and prices. The Board of Directors has set limits on the amount and type of investments that may be accepted. This is monitored on an ongoing basis by the Group Risk Committee. The non-trading equity price risk exposure arises from the Group's investment portfolio. The Group is not exposed to any significant equity price risk.

The effect on equity valuations (as a result of a change in the fair value of equity investments held as FVTOCI) due to a reasonably possible change in equity indices, with all other variables held constant is as follows:

	Change in equity indices		Effect on OCI	
			2024 US$ '000	2023 US$ '000
Market indices	%			
Boursa Kuwait	+/- 5%	+/-	82,738	-

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34. MARKET RISK (continued)

iv) Equity price risk (continued)

Sensitivity to equity price movements will be on a symmetric basis, as financial instruments giving rise to non-symmetric movements are not significant.

v) Displaced commercial risk

Each of the Group's subsidiaries follows an appropriate framework for managing displaced commercial risk, where applicable. The Group is exposed to displaced commercial risk in the event Profit rates for quasi-equity accountholders are lower than the market rates and the Group has mitigated this risk by adopting the approach to waive the applicable wakala / mudarib fees and their rights to part or entire mudarib share of profit to meet the market expectation.

35. LIQUIDITY RISK

Liquidity risk is the risk that the Group does not have sufficient financial resources to meet its obligations as they fall due, or will have to do so at an excessive cost. This risk arises from mismatches in the timing of cash flows. Funding risk arises when the necessary liquidity to fund illiquid asset positions cannot be obtained at the expected terms and when required.

The management of the Group's liquidity and funding is the responsibility of the Group Asset and Liability Committee (GALCO) supported by the Group Treasurer, and is responsible for ensuring that all foreseeable funding commitments, including deposit withdrawals, can be met when due, and that wholesale market access is coordinated and controlled.

The Group maintains a stable funding base comprising core retail and corporate customer deposits and institutional balances, augmented by wholesale funding and portfolios of highly liquid assets, which are diversified by currency and maturity, in order to enable the Group to respond quickly to any unforeseen liquidity requirements.

The Group subsidiaries and affiliates maintain a strong individual liquidity position and manage their liquidity profiles so that cash flows are balanced and funding obligations can be met when due.

Treasury limits are set by the GALCO and allocated as required across the various group entities. Specifically GALCO and the Group Treasurer are responsible for:

- projecting cash flows by major currency under various stress scenarios and considering the level of liquid assets necessary in relation thereto;
- monitoring balance sheet liquidity ratios against internal and regulatory requirements;
- maintaining a diverse range of funding sources with adequate back-up facilities;
- managing the concentration and profile of debt maturities;
- managing contingent liquidity commitment exposures within predetermined caps;
- monitoring depositor concentration in order to avoid undue reliance on large individual depositors and ensure a satisfactory overall funding mix; and
- maintaining liquidity and funding contingency plans. These plans must identify early indicators of stress conditions and describe actions to be taken in the event of difficulties arising from systemic or other crises while minimising adverse long-term implications for the business.

The maturity profile of the assets and liabilities at 31 December 2024 and 2023 given below reflects management's best estimates of the maturities of assets and liabilities. These have been determined on the basis of the remaining period at the balance sheet date to the contractual or expected maturity date, where relevant. The liquidity profile of customer deposits has been determined on the basis of the effective maturities indicated by the Group's deposit retention history and the liquidity profile of sukuk has been determined on the basis of liquidity requirements.

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35. LIQUIDITY RISK (continued)

31 December 2024	Up to three months US$ '000	Over three months to one year US$ '000	Above one year US$ '000	Undated US$ '000	Total US$ '000
Assets					
Cash and balances with central banks	1,169,512	-	-	-	1,169,512
Due from central banks and sukuk	802,578	17,241	-	-	819,819
Due from banks	1,868,208	-	-	-	1,868,208
Financing receivables and ijarah assets	2,701,649	2,123,377	5,180,521	-	10,005,547
Non-trading investments	7,707,072	1,846,017	1,761,057	-	11,314,146
Investment in associates	-	-	-	455,713	455,713
Investment properties	-	-	-	108,183	108,183
Profit receivable and other assets	639,934	61,685	395,222	-	1,096,841
Premises and equipments	1,096	2,557	10,960	173,830	188,443
Goodwill and other intangible assets	-	-	-	107,421	107,421
Total	14,890,049	4,050,877	7,347,760	845,147	27,133,833
Liabilities and quasi-equity					
Due to banks and quasi-equity	1,199,100	196,385	961,051	-	2,356,536
Term financing against sukuk	2,488,130	2,454,849	-	-	4,942,979
Customers' accounts and quasi-equity	4,751,075	2,430,910	5,073,473	-	12,255,458
Sukuk payable and term financing	-	-	1,371,935	-	1,371,935
Profit payable and other liabilities	647,234	75,941	35,505	-	758,680
Total	9,085,539	5,158,085	7,441,964	-	21,685,588
Total owner equity	-	400,000	-	5,048,245	5,448,245
Net liquidity gap	5,804,510	(1,507,208)	(94,204)	(4,203,098)	-

Notes to the Consolidated Financial Statements
31 December 2024

35. LIQUIDITY RISK (continued)

31 December 2023	Up to three months US$ '000	Over three months to one year US$ '000	Above one year US$ '000	Undated US$ '000	Total US$ '000
Assets					
Cash and balances with central banks	1,173,479	-	-	-	1,173,479
Due from central banks and sukuk	641,364	271,685	-	-	913,049
Due from banks	2,185,364	983	15,678	-	2,202,025
Financing receivables and ijarah assets	2,081,563	2,494,006	6,331,829	-	10,907,398
Non-trading investments	6,104,381	3,441,064	637,504	-	10,182,949
Investment in associates	-	-	-	375,313	375,313
Investment properties	-	-	-	105,037	105,037
Profit receivable and other assets	700,332	53,977	349,735	-	1,104,044
Premises and equipments	950	2,850	11,400	188,676	203,876
Goodwill and other intangible assets	-	-	-	136,180	136,180
Assets classified as held for sale	14,596,548	-	-	-	14,596,548
Total	27,483,981	6,264,565	7,346,146	805,206	41,899,898
Liabilities					
Due to banks	1,174,057	250,013	789,454	-	2,213,524
Term financing against sukuk	3,163,861	1,073,639	382,144	-	4,619,644
Customers' accounts	4,315,058	3,565,921	6,158,616	-	14,039,595
Sukuk payable and term financing	-	-	1,624,410	-	1,624,410
Profit payable and other liabilities	854,162	105,959	42,830	-	1,002,951
Liabilities directly associated with assets held for sale	12,340,832	-	-	-	12,340,832
Total	21,847,970	4,995,532	8,997,454	-	35,840,956
Total owner equity	2,255,716	400,000	-	3,403,226	6,058,942
Net liquidity gap	3,380,295	869,033	(1,651,308)	(2,598,020)	-

The Group has lines of credit with various financial institutions through term financing against sukuk arrangements. Refer note 15 for further details.

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Group's financial liabilities (including profit) and quasi-equity based on contractual undiscounted repayment obligations. However, the Group's expected cash flows on these instruments vary significantly from this analysis. In particular, customers' accounts and quasi-equity are expected to maintain stable or increased balances.

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35. LIQUIDITY RISK (continued)

Analysis of financial liabilities by remaining contractual maturities (continued)

As at 31 December 2024	**Up to one month US$ '000**	**Over one month to three months US$ '000**	**Over three months to one year US$ '000**	**Over one year to five years US$ '000**	**Over five years US$ '000**	**Total US$ '000**
Due to banks and quasi-equity	**1,085,714**	**118,995**	**202,657**	**1,108,380**	**-**	**2,515,746**
Term financing against sukuk	**985,016**	**1,518,621**	**2,526,316**	**-**	**-**	**5,029,953**
Customers' accounts and quasi-equity	**6,344,592**	**2,006,410**	**3,435,230**	**777,672**	**-**	**12,563,904**
Sukuk payable and term financing	**-**	**-**	**-**	**1,578,869**	**-**	**1,578,869**
Profit payable	**119,787**	**23,790**	**47,073**	**19,128**	**-**	**209,778**
Total	**8,535,109**	**3,667,816**	**6,211,276**	**3,484,049**	**-**	**21,898,250**
Credit related commitments	**178**	**5,233**	**66,750**	**86,409**	**-**	**158,570**
Derivatives (net)	**371,399**	**-**	**-**	**-**	**-**	**371,399**

As at 31 December 2023	Up to one month US$ '000	Over one month to three months US$ '000	Over three months to one year US$ '000	Over one year to five years US$ '000	Over five years US$ '000	Total US$ '000
Due to banks	955,096	224,809	257,861	908,409	-	2,346,175
Term financing against sukuk	3,138,236	37,351	1,103,135	432,538	-	4,711,260
Customers' accounts	6,716,091	2,218,187	4,698,202	699,553	164	14,332,197
Sukuk payable and term financing	-	-	-	1,969,877	-	1,969,877
Profit payable	79,162	41,674	77,340	19,095	-	217,271
Liabilities directly associated with assets held for sale	-	12,127,338	-	-	-	12,127,338
Total	10,888,585	14,649,359	6,136,538	4,029,472	164	35,704,118
Credit related commitments	32,717	7,784	28,263	76,851	11,376	156,991
Derivatives (net)	209,960	-	-	-	-	209,960

36. OPERATIONAL RISK

Operational risk is the risk of loss arising from inadequate or failed internal processes, people and systems or from external events, whether intentional, unintentional or natural. This definition includes legal and Shari'a non-compliance risk, but excludes strategic and reputational risk. It is an inherent risk faced by all businesses and covers a large number of operational risk events including business interruption and systems failures, internal and external fraud, employment practices and workplace safety, customer and business practices, transaction execution and process management, and damage to physical assets.

The BOD acknowledges that it has an ultimate responsibility for operational risk. Oversight rests with the Group Board Risk Committee, whilst day to day monitoring is carried out by the Group Operational and Fraud Risk Management Committee.

37. LEGAL RISK

Legal risk is the risk relating to losses due to legal or regulatory action that invalidates or otherwise precludes performance by the end user or its counterparty under the terms of the contract or related netting agreements.

The Group has a dedicated Legal Department whose role is to identify, and provide analysis and advice on the legal risks. The department is governed by the Group Legal Policy approved by the BOD, which facilitates the management and control of operational risks from pending legal actions. The Group Legal Policy is reviewed on a periodic basis.

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38. FAIR VALUE MEASUREMENT

The fair value of financial assets and financial liabilities, other than those disclosed in the table below and in note 8, approximate their carrying values. Please refer to note 8 for the fair value of non-trading investments carried at amortised cost.

The Group's primary medium and long-term financial liabilities are the sukuk payable and term financing. The fair values of these financial liabilities are not materially different from their carrying values, since these liabilities are repriced at intervals of three or six months, depending on the terms and conditions of the instrument and the resultant applicable margins approximate the current spreads that would apply for financing with similar maturities.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 : Quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3 : Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

	2024			
	Level 1 US$ '000	**Level 2 US$ '000**	**Level 3 US$ '000**	**Total US$ '000**
Equity instruments at fair value	**1,655,233**	**57,559**	**57,423**	**1,770,215**
Debt instruments (FVTOCI)	**3,098,970**	**27,586**	**-**	**3,126,556**
Financing receivables and ijarah assets	**-**	**-**	**7,518**	**7,518**
Derivative assets	**-**	**533,329**	**-**	**533,329**
Derivative liabilities	**-**	**161,930**	**-**	**161,930**

	2023			
	Level 1 US$ '000	Level 2 US$ '000	Level 3 US$ '000	Total US$ '000
Equity instruments at fair value	613	64,172	39,786	104,571
Debt instruments (FVTOCI)	1,793,752	66,743	-	1,860,495
Financing receivables and ijarah assets	-	-	10,386	10,386
Derivative assets	-	500,604	-	500,604
Derivative liabilities	-	290,644	-	290,644

During the years ended 31 December 2024 and 2023, there have been no transfers between Level 1, 2, 3. During the year, net addition to Level 3 financial instruments was US$ 14.8 million (2023: US$ 7.9 million) and fair value movement was US$ nil (31 December 2023: US$ 5.9 million).

For an explanation of valuation techniques used to value these financial instruments, refer to note 2.6(f).

The significant inputs for valuation of equity securities classified under Level 3 are annual growth rate of cash flows and discount rates and for funds, it is the illiquidity discount. Lower growth rate and higher discount rate, illiquidity discount will result in a lower fair value. The impact on the consolidated balance sheet or the consolidated statement of changes in owner equity would be immaterial if the relevant risk variables used to fair value the unquoted securities were altered by five per cent. There were no material changes in the valuation techniques used for the purpose of measuring fair value of investment securities as compared to the previous year.

39. CAPITAL ADEQUACY AND NET STABLE FUNDING RATIO (NSFR)

The primary objectives of the Group's capital management policies are to ensure that the Group complies with externally imposed capital requirements and that the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholder's value. Capital adequacy for each of the Group entities is also managed separately at individual entity level. The Group does not have any significant restrictions on its ability to access or use its assets and settle its liabilities other than any restrictions that may result from the supervisory frameworks within which the banking subsidiaries operate.

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39. CAPITAL ADEQUACY AND NET STABLE FUNDING RATIO (NSFR) (continued)

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholder or issue capital securities. No changes were made in the objectives, policies and processes from the previous year.

The total capital ratio is calculated in accordance with the capital adequacy guidelines, under Basel III, issued by the CBB. The minimum capital adequacy ratio as per CBB is 12.5%, including mandatory Capital Conservation Buffer (CCB) of 2.5%. AUB had been designated as a Domestic Systemically Important Banks (DSIB) by the CBB. CBB has mandated in its rule book (DS-1.2.1) that DSIBs must hold additional Common Equity Tier 1 (CET 1) capital buffer of 1.5% of total RWA as calculated for the purpose of capital adequacy. Consequently, AUB is required to maintain minimum total capital adequacy ratio of 14.0%. The Group's total capital ratio is 27.6% as of 31 December 2024 (31 December 2023: 17.2%).

The NSFR ratio is calculated in accordance with the Liquidity Risk Management Module guidelines, issued by the CBB. The minimum NSFR ratio limit as per CBB is 100%. The Group's consolidated NSFR ratio as of 31 December 2024 is 116.3% (31 December 2023: 120.8%).

	2024 US$ '000	2023 US$ '000
Available Stable Funding:		
Regulatory capital	**5,614,995**	6,230,233
Stable deposits	**4,283,133**	8,485,752
Wholesale funding	**6,175,570**	11,258,826
Others	**445,330**	814,759
Total Available Stable Funding (A)	**16,519,028**	26,789,570
Required Stable Funding:		
High-Quality Liquid Assets (HQLA)	**1,819,632**	2,073,404
Performing financing receivables and ijarah assets	**7,047,966**	14,741,827
Securities (other than HQLA)	**3,257,556**	2,588,539
Derivative contracts	**618,422**	283,378
Others	**1,250,201**	2,075,887
Off-balance sheet items	**205,671**	421,494
Total Required Stable Funding (B)	**14,199,448**	22,184,529
NSFR (%) (A/B)	**116.3%**	120.8%

40. DEPOSIT PROTECTION SCHEME

Certain customers' accounts and quasi-equity accounts of the Group are covered by deposit protection schemes established by the CBB, the Financial Services Compensation Scheme in UK and Central Bank of Iraq.

Kingdom of Bahrain: Customers' accounts and quasi-equity accounts held with the Bank in the Kingdom of Bahrain are covered by the Regulation Protecting Deposits issued by the CBB in accordance with Resolution No. (34) of 2010. This scheme covers eligible 'natural persons' (individuals) up to a maximum of BD 20,000 as set out by CBB requirements. A periodic contribution, as mandated by the CBB, is paid by the Bank under this scheme.

United Kingdom: Customers' accounts and quasi-equity accounts in AUBUK are covered under the Financial Services Compensation Scheme, up to a limit of GBP 85,000 per customer. No up-front contribution is currently mandated under this scheme and no liability is due unless any member bank of the scheme is unable to meet its depository obligations.

Republic of Iraq: Customers' accounts and quasi-equity accounts held in CIBIQ are covered by the Regulation Protecting Deposits issued by the Central Bank of Iraq in accordance with Resolution No. (121) of 2018 up to a maximum limit of IQD 25 million per customer and an overall limit of IQD 150 million per bank.

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41. SUBSIDIARIES

Financial information of subsidiaries that have material non-controlling interests are provided below.

Proportion of equity interest held by non-controlling interests are provided below:

Name	Incorporated in	2024	2023
Ahli United Bank (Egypt) S.A.E. ["AUBE"]	Arab Republic of Egypt	**4.3%**	4.3%
Commercial Islamic Bank of Iraq P.S.C. ("CIBIQ")	Republic of Iraq	**14.7%**	19.7%

	2024 US$ '000	2023 US$ '000
Accumulated material non-controlling interests as at 31 December:		
Ahli United Bank (Egypt) S.A.E.	**13,497**	16,899
Commercial Islamic Bank of Iraq P.S.C.	**39,923**	47,701
Profit allocated to material non-controlling interests:		
Ahli United Bank (Egypt) S.A.E.	**5,062**	4,125
Commercial Islamic Bank of Iraq P.S.C.	**4,287**	2,242

Summarised financial information of AUBE and CIBIQ is provided below. The information is based on amounts as reported in the consolidated financial statements before inter-company eliminations and adjustments.

	2024 US$ '000	2023 US$ '000
Ahli United Bank (Egypt) S.A.E.		
Balance sheet related information		
Financing receivables and ijarah assets	**1,505,772**	2,019,639
Non-trading investments	**229,489**	407,552
Total assets	**2,832,098**	3,670,438
Customers' accounts and quasi-equity	**2,314,446**	2,932,832
Total liabilities	**2,466,688**	3,237,458
Income statement related information		
Total operating income	**244,359**	231,166
Net profit attributable to shareholders	**107,973**	107,911
Total comprehensive income attributable to shareholders	**109,444**	96,388
Cash flow related information		
Net cash from operating activities	**123,427**	4,297
Net cash from / (used in) investing activities	**5,530**	(9,046)
Net cash (used in) / from financing activities	**(6,290)**	1,127

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41. SUBSIDIARIES (continued)

	2024 US$ '000	2023 US$ '000
Commercial Islamic Bank of Iraq P.S.C.		
Balance sheet related information		
Financing receivables and ijarah assets	**5,669**	8,619
Non-trading investments	**260,597**	216,500
Total assets	**407,552**	371,272
Customers' accounts and quasi-equity	**115,500**	100,753
Total liabilities	**135,785**	128,747
Income statement related information		
Total operating income	**45,062**	25,997
Net profit attributable to shareholders	**29,181**	11,400
Total comprehensive income attributable to shareholders	**29,243**	11,456
Cash flow related information		
Net cash from / (used in) operating activities	**45,974**	(14,679)
Net cash (used in) / from investing activities	**(18,704)**	18,669
Net cash used in financing activities	**(407)**	(16,025)

42. ASSETS HELD FOR SALE

The BOD of the Bank on 13 November 2023 approved AUB's shareholding in Ahli United bank K.S.C.P. ("AUBK") being swapped for shares in KFH, at a share exchange ratio of 0.3723118279 KFH shares for each AUBK share. Accordingly, AUBK was classified held for sale and a discontinued operation. The sale of AUBK was completed on 22 February 2024. The results of AUBK as included in the consolidated statement of income are presented below:

	2024* US$ '000	2023 US$ '000
Operating income	**38,700**	268,858
Allowance for impairment, credit losses and others	**11,738**	11,545
Net operating income	**26,962**	257,313
Operating expenses and tax expense	**16,071**	131,089
Provision relating to discontinued operations	**-**	54,400
Profit after tax for the year from discontinued operations	**10,891**	71,824
Non-controlling interests	**3,366**	34,056
Net profit attributable to the owner of the Bank	**7,525**	37,768

* AUBK results included up to the date of disposal.

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42. ASSETS HELD FOR SALE (continued)

The major classes of assets and liabilities of AUBK classified as held for sale as at 31 December 2023 were, as follows:

	2023 US$ '000
Assets classified as held for sale	
Cash and balances with central banks	910,193
Due from central banks and sukuk	675,699
Due from banks	1,041,748
Financing receivables and ijarah assets	10,312,929
Non-trading investments	1,028,272
Investment in associates	30,686
Investment properties	84,517
Profit receivable and other assets	68,396
Premises and equipments	137,279
Goodwill and other intangible assets	306,829
	14,596,548
Liabilities directly associated with assets held for sale	
Due to banks	150,670
Customers' accounts	11,852,131
Profit payable and other liabilities	338,031
	12,340,832
Contingent liabilities relating to held for sale	1,514,458

Pillar III Disclosures - Basel III

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INTRODUCTION TO THE CENTRAL BANK OF BAHRAIN'S BASEL III GUIDELINES

The Central Bank of Bahrain (the "CBB") Basel III Guidelines, based upon the Bank for International Settlements (BIS) Revised Framework – 'International Convergence of Capital Measurement and Capital Standards', became applicable from 1 January 2015. Basel III is structured around three 'Pillars': Pillar 1 - Minimum Capital Requirements; Pillar 2 – the Supervisory Review and Evaluation Process and the Internal Capital Adequacy Assessment Process (ICAAP); and Pillar 3 - Market Discipline.

Group Structure

The public disclosures under this section have been prepared in accordance with the CBB rules concerning Public Disclosure Module ("PD Module"), section PD-1: Annual Disclosure Requirements. The disclosures under this section are applicable to Ahli United Bank B.S.C. (c) ("AUB" or "the Bank"), incorporated in the Kingdom of Bahrain. The Bank operates under an Islamic retail banking license issued by the CBB. The Bank and its subsidiaries (as detailed under note 2.3 to the audited consolidated financial statements) are collectively known as the "Group".

AUB is 100% subsidiary of Kuwait Finance House K.S.C.P. ("KFH") as on 31 December 2024. KFH is a public shareholding company incorporated in the State of Kuwait on 23 March 1977 and listed on the Boursa Kuwait and Bahrain Bourse. KFH is regulated and supervised by the Central Bank of Kuwait.

Pillar 1 – Minimum Capital Requirements

Pillar 1 deals with the basis for the computation of the regulatory capital adequacy ratio. It defines the calculation of Risk Weighted Assets (RWAs) for credit risk, market risk and operational risk, as well as the derivation of the regulatory capital base. The capital adequacy ratio is then calculated as the ratio of the Bank's regulatory capital to its total RWAs. All locally incorporated banks are currently required to maintain a minimum capital adequacy ratio of 12.5%. This includes, mandatory Capital Conservation Buffer (CCB) of 2.5%.

AUB had been designated as a Domestic Systemically Important Bank (DSIB) by the CBB. CBB has mandated in its rule book (DS-1.2.1) that DSIBs must hold additional Common Equity Tier 1 (CET 1) capital buffer of 1.5% of total RWA as calculated for the purpose of capital adequacy. Consequently, AUB is required to maintain minimum total capital adequacy ratio of 14.0%.

The Group ensures that each subsidiary maintains sufficient capital levels for their respective legal and regulatory compliance purposes.

Credit risk

Basel III provides two approaches (Standardised approach and Internal Rating Based approach) to the calculation of credit risk regulatory capital. The Standardised approach, which the Bank has adopted, require banks to use external credit ratings to determine the risk weightings applied to rated counterparties, and groups other counterparties into broad categories and applies standardised risk weightings to such categories.

Market risk

The Bank has adopted the Standardised approach for determining the market risk capital requirement.

Operational risk

Under the Basic Indicator Approach (BIA), which the Bank has adopted for operational risk, the regulatory capital requirement for operational risk is calculated by applying a co-efficient of 15 per cent to the average gross income for the preceding three financial years.

Pillar 2 – The Supervisory Review and Evaluation Process and Internal Capital Adequacy Assessment Process (ICAAP)

Pillar 2 involves the process of supervisory review of a financial institution's risk management framework and its capital adequacy.

Accordingly, this involves both the Bank and its regulators taking a view on whether additional capital should be held against risks not covered in Pillar 1. Part of the Pillar 2 process is the ICAAP, which is the Bank's self assessment of risks not captured by Pillar I and based on CBB's guidelines and ICAAP module under the CBB rulebook.

As part of the CBB's Pillar 2 guidelines, each bank is required to be individually reviewed and assessed by the CBB with the intention of setting individual minimum capital adequacy ratios.

Pillar 3 – Market Discipline

Pillar 3 is related to market discipline and requires the Bank to publish detailed qualitative and quantitative information of its risk management and capital adequacy policies and processes to complement the first two pillars and the associated supervisory review process. The disclosures in this report are in addition to the disclosures set out in the audited consolidated financial statements of the Group for the year ended 31 December 2024.

Pillar III Disclosures - Basel III
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PILLAR III QUANTITATIVE AND QUALITATIVE DISCLOSURES

For the purpose of computing regulatory minimum capital requirements, the Group follows the rules as laid out under the Capital Adequacy (CA) Module of the CBB Rulebook. Accordingly;

a) All subsidiaries as per note 2.3 to the audited consolidated financial statements are consolidated on a line by line basis in accordance with Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation of Islamic Financial Institutions ("AAOIFI"), as explained in note 2.2 to the audited consolidated financial statements for the year ended 31 December 2024. Non-controlling interest arising on consolidation is incorporated under respective tiers of capital as per the CBB rules.

b) Investments in associates as reported under note 9 to the audited consolidated financial statements for the year ended 31 December 2024 are treated as "Significant Investment in Financial Entities". These are risk weighted/deducted from capital as per CBB Basel III guidelines;

c) Goodwill and intangibles are deducted from CET1 Capital; and

d) As part of CBB's COVID relief measures outlined in circular OG/226/2020 (dated 21 June 2020) and OG/28/2022 (dated 28 June 2022), additional Expected Credit Losses (ECL) Stages 1 and 2 for the year 2020, are added back to CET1 capital. Accordingly, Stage 1 and 2 ECL, net of any additional ECL for the year ending 31 December 2020, are included in Tier 2 capital, up to a maximum threshold of 1.25% of Credit Risk Weighted Assets. The relief is subject to 3 years phaseout and will be phased out completely by December 2025.

1. CAPITAL STRUCTURE

TABLE - 1 CAPITAL STRUCTURE

		US$'000	
A. NET AVAILABLE CAPITAL	*CET 1*	*AT 1*	*Tier 2*
NET AVAILABLE CAPITAL	**3,060,681**	**401,920**	**181,303**
TOTAL ELIGIBLE CAPITAL BASE (CET 1 + AT 1 + Tier 2)			**3,643,904**
RISK WEIGHTED EXPOSURES			
Credit Risk Weighted Exposures			11,287,513
Market Risk Weighted Exposures			329,335
Operational Risk Weighted Exposures			1,578,398
TOTAL RISK WEIGHTED EXPOSURES			**13,195,246**
CET 1 including Capital Conservation Buffer (CCB)			23.2%
Tier 1 - Capital Adequacy Ratio (CET 1, AT 1 and CCB)			26.2%
Total - Capital Adequacy Ratio			**27.6%**

By virtue of CBB's circular OG/226/2020 dated 21 June 2020 and OG/28/2022 (dated 28 June 2022), for the purposes of capital adequacy computations and for prudential reporting to the CBB, the Group has added back the modification loss, net of the financial assistance from Government and aggregate ECL provision charge for the year ended 31 December 2020 relating to exposures classified as Stage 1 and Stage 2 to the Common Equity Tier (CET1) Capital. Refer to Appendix I for details. The bank is amortising the modification loss in accordance with central bank regulations.

B. CAPITAL ADEQUACY RATIO

As at 31 December 2024, the capital adequacy ratio of banking subsidiaries under Basel III, unless mandated otherwise were:

		Subsidiaries	
	*Ahli United Bank (U.K.) PLC (AUBUK)**	*Ahli United Bank (Egypt) S.A.E. (AUBE)**	*Commercial Islamic Bank of Iraq P.S.C. (CIBIQ)*
Tier 1 - Capital Adequacy Ratio	19.5%	15.0%	179.0%
Total - Capital Adequacy Ratio	19.5%	16.0%	179.1%

*Subsequent to 31 December 2024, AUB UK was renamed to Kuwait Finance House PLC, and AUBE was renamed to Kuwait Finance House Bank – Egypt.

Pillar III Disclosures - Basel III
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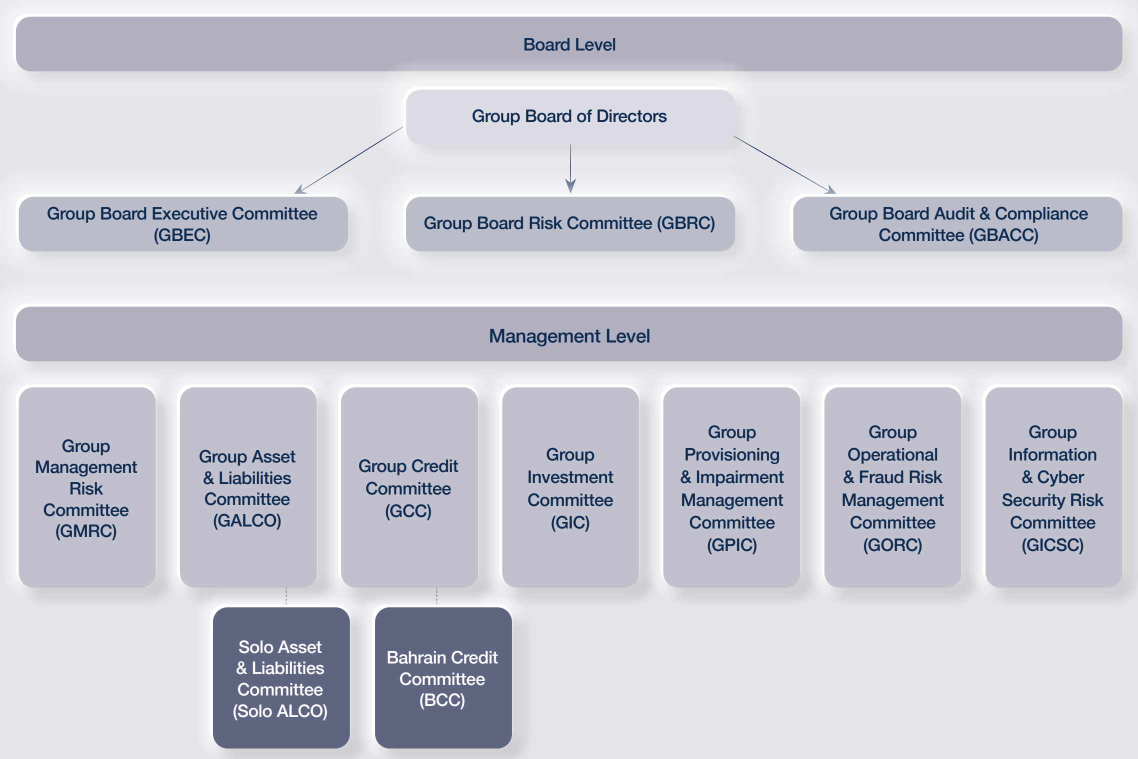
2. GROUP RISK GOVERNANCE STRUCTURE

Risk Management Governance

The Group's Board of Directors (BOD) seeks to optimise the Group's performance by enabling the various Group business units to realise the Group's business strategy and meet agreed business performance targets within the BOD approved Group Enterprise Risk Management Framework and Group Credit Risk Appetite Framework.

AUB Group Risk Governance Structure



The above Group committees are set up as part of the Group's risk management governance structure. The terms of reference for these committees are approved by the BOD. Group Board Risk Committee has oversight over Group's risk management framework and activities.

Risk Management Framework

The overall authority for risk management in the Group is vested in the Group Board of Directors, which has established a Group Board Risk Committee ("Committee") to assist the Group Board in fulfilling its oversight responsibilities related to present and emerging risks, and risk appetite associated with AUB Group's credit activities, banking operations and investments. The Committee reviews, manages and monitors adherence of duties within the Group to the risk appetite, policies and procedures and acts as a general forum for the discussions of any risks facing or which could be potentially faced by the Group resulting in financial or reputational loss. It also oversees the activities of the Group Management Risk Committee, through the DGCEO – Risk & Compliance in his capacity as the Chairperson of the Group Management Risk Committee.

The Deputy Group CEO – Risk & Compliance reports directly to the Group Board Risk Committee (sub-committee of the BOD responsible for risk functions) and administratively to the Group CEO. The Group Risk Management Division comprises seven departments including:

i) Group Enterprise Risk Management Department,
ii) Group Wholesale Banking Credit Risk Management Department (responsible for independent pre-approval analysis of credit proposals),
iii) Group Investment, Market and Liquidity Risk Management Department,
iv) Group Operational & Fraud Risk Management & Business Continuity Management Department,

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2. GROUP RISK GOVERNANCE STRUCTURE (continued)

Risk Management Framework (continued)

v) Retail Credit Risk Management & Collections Department,
vi) Group Wholesale Banking Remedial Management Department, and
vii) Group Information & Cyber Security & Technology Risk Management Department.

Approval authorities are delegated to different functionaries in the hierarchy (on a dual sign-off basis with both business line and risk line signatories) as well as various committees depending on the amount and type / nature of risk.

Internal Audit Department is responsible for the independent review of risk management and the Group's risk control environment. The Group Board Audit & Compliance Committee (GBACC) considers the adequacy and effectiveness of the Group risk control framework and receives quarterly updates on control, regulatory and compliance related issues.The responsibility for ensuring and adhering to the rules and principles of Shari'a lies with the Bank's management, while the Shari'a Supervisory Board (SSB) responsibility is limited to form an independent Shari'a opinion based on what has been presented and reviewed of the Bank's operations and in preparing their annual report to the Shareholders. The Shari'a Supervisory Board comprises of 4 members.

3. CREDIT RISK MANAGEMENT

Credit risk is the risk of financial loss if a customer or counterparty fails to meet a financial obligation under a contract. It arises principally from lending, trade finance and treasury activities. Credit risk also arises where assets are held in the form of debt securities, the value of which may fall.

The Group has policies and procedures in place to monitor and manage these risks and the Group Risk Management function provides high-level centralised oversight and management of credit risk. The specific responsibilities of Group Risk Management are to:

- Set credit risk management policy and risk appetite for credit risk exposure to specific market sectors;
- Control exposures to sovereign entities, banks and other financial institutions and set risk ratings for individual exposures. Credit and settlement risk limits to counterparties in these sectors are approved and managed by Group Risk Management, to optimise the use of credit availability and avoid risk concentration;
- Control cross-border exposures, through the centralised setting of country limits with sub-limits by maturity and type of business;
- Manage large credit exposures, ensuring that concentrations of exposure by counterparty, sector or geography remain within internal and regulatory limits in relation to the Group's capital base;
- Maintain the Group's Internal Risk Rating Framework;
- Manage watchlisted and criticised asset portfolios and recommend appropriate level of provisioning and write-offs;
- Maintain the Expected Credit Loss models across the Group entities;
- Recommend Expected Credit Loss to the Group Provisioning & Impairment Committee;
- Report to the Group Management Risk Committee, Group Board Risk Committee and the BOD on all relevant aspects of the Group's credit risk portfolio. Regular reports include detailed analysis of:
  - risk concentrations;
  - corporate and retail portfolio performance;
  - specific higher-risk portfolio segments, e.g. real estate;
  - individual large impaired accounts, and details of impairment allowances; and
  - country limits, cross-border exposures.
- Specialized management and control of all non-performing assets;
- Manage and direct credit risk management systems initiatives; and
- Interface, for credit-related issues, with external parties including the CBB, rating agencies, investment analysts, etc.

All credit proposals are subjected to a thorough comprehensive risk assessment, which examines the customer's financial condition and trading performance, nature of the business, quality of management and market position. In addition, AUB's internal risk rating model scores these quantitative and qualitative factors. The credit approval decision is then made and terms and conditions are set. Exposure limits are based on the aggregate exposure to the counterparty and any connected entities across the AUB Group. All corporate credit exposures are reviewed at least annually.

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3. CREDIT RISK MANAGEMENT(continued)

Counterparty Exposure Class

The CBB's capital adequacy framework for the Standardised approach to credit risk sets the following counterparty exposure classes and the risk weightings to be applied to determine the risk weighted assets:

Exposure Class	Risk Weighting Criteria
Sovereign Portfolio	Exposures to governments of GCC (refer table 4 for definition of GCC) member states and their central banks {including International organization and Multilateral Development Banks (MDBs)} are zero % risk weighted. Other sovereign exposures denominated in the relevant domestic currency are also zero % risk weighted. All other sovereign exposures are risk weighted based on their external credit ratings.
Public Sector Entity [PSE] Portfolio	Bahrain PSEs and domestic currency claims on other sovereign PSEs (which are assigned a zero % risk weighting by their own national regulator) are assigned a zero % risk weighting. All other PSEs are risk weighted based on their external credit ratings.
Banks Portfolio	Exposures to banks are risk weighted based on their external credit ratings, with a preferential weighting given to short term exposures (i.e. with an original tenor of 3 months or less).
Investment company Portfolio	Exposures to investment companies which are supervised by the CBB are treated in the same way as exposures to banks but without the preferential short term exposure weighting.
Corporate Portfolio	Exposures to corporates are risk weighted based on their external credit rating. Unrated corporates are 100% risk weighted and exposure to Connected counter parties exceeding the limits described in the rulebook are 800% risk weighted.
Regulatory Retail Portfolio	Eligible regulatory retail exposures are risk weighted at 75%, except for SMEs which are risk weighted at 25% as per CBB's COVID-19 relief measures.
Residential Property Portfolio	Exposures fully secured by first mortgages on owner occupied residential property are risk weighted between 35%-75% based on applicable regulatory guidance. Residential mortgage exposures granted under the Social Housing Schemes of the Kingdom of Bahrain are 25% risk weighted.
Commercial Property Portfolio	Exposures secured by mortgages on commercial real estate are subject to a minimum 100% risk weighting, except where the obligor has an external rating below BB- in which case the rating risk weighting applies.
Equities and Funds Investment Portfolio	Investments in listed equities carry a 100%-250% risk weighting. Unlisted equities are 150%-250% risk weighted. Investments in funds are risk weighted according to the type of underlying assets using the look through approach.
Impaired Exposures	The unsecured portion of any exposure (other than residential mortgage financing) that is past due for 90 days or more: 150% risk weighted when expected credit loss (Stage 3) is less than 20% of the outstanding amount; and 100% risk weighted when expected credit loss (Stage 3) is greater than 20%.
Holdings of Real Estate	All holdings (directly or indirectly) of real estate in the form of real estate companies, subsidiaries or associate companies or other arrangements such as trusts, funds or Real Estate Investment Trusts (REITs) are risk-weighted at 200%. Premises occupied by the Bank are weighted at 100%.
Other Assets	All other assets not classified above are risk weighted at 100%.

External Rating Agencies

The Group uses the following External Credit Assessment Institutions (ECAI's): Moody's, Standard & Poors and Fitch. The external rating of each ECAI is mapped to the prescribed internal risk rating that in turn produces standard risk weightings.

Basel III Reporting of Credit Risk Exposures

As a result of the methodologies applied in credit risk exposures presented under Basel III reporting, which differs in many ways from the exposures reported in the consolidated financial statements.

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3. CREDIT RISK MANAGEMENT(continued)

Basel III Reporting of Credit Risk Exposures (continued)

1. As per the CBB Basel III framework, off balance sheet exposures are converted, by applying a Credit Conversion Factor (CCF), into direct credit exposure equivalents.

2. Under the Basel III capital adequacy framework eligible collateral is applied after applying prescribed haircut, to reduce the exposure.

Credit Risk Mitigation

The Group's first priority when disbursing a financing is to establish the obligor's capacity to repay and not rely principally on security / collateral obtained. Where the customer's financial standing is strong, facilities may be granted on an unsecured basis, but when necessary collateral is an essential credit risk mitigation.

Acceptable forms of collateral are defined within the Group risk framework and conservative valuation parameters are also pre-set and regularly reviewed to reflect any changes in market conditions. Security structures and legal covenants are also subject to regular review to ensure that they continue to fulfil their intended purpose and remain in line with the CBB's prescribed minimum requirements set out in their capital adequacy regulations.

The principal collateral types are as follows:

- in the personal sector – cash, mortgages over residential properties and assignments over salary income;
- in the commercial sector – cash, charges over business assets such as premises, inventories, receivables, debt securities and bank guarantees;
- in the commercial real estate sector – charges over the properties being financed; and
- in the financial sector – charges over financial instruments, such as debt securities and equities.

Valuation of Collateral

The type and amount of collateral taken is based upon the credit risk assessment of the obligor. The market or fair value of collateral held is closely monitored and when necessary, top-up requests are made or liquidation is initiated as per the terms of the underlying credit agreements.

Gross Credit Risk Exposures subject to Credit Risk Mitigations (CRM)

The following table details the Group's gross credit risk exposures before the application of eligible Basel III CRM techniques. The CBB's Basel III guidelines detail which types of collateral and which issuers of guarantees are eligible for preferential risk weighting. The guidelines also specify the minimum collateral management processes and collateral documentation requirements necessary to achieve eligibility.

TABLE - 2 GROSS CREDIT RISK EXPOSURES

	US$ '000			
	Total		%	%
	As at 31 December 2024	Average monthly balance	Self financed	Jointly financed
Balances with central banks	1,098,336	1,057,357	3.2%	1.3%
Due from central banks and sukuk	819,819	813,809	2.4%	1.0%
Due from banks	1,868,208	2,121,693	6.5%	1.2%
Financing receivables and ijarah assets	10,005,547	10,107,264	10.3%	31.2%
Non-trading investments	9,543,931	9,601,369	25.3%	14.2%
Profit receivable and other assets	815,627	797,767	3.4%	0.0%
TOTAL FUNDED EXPOSURES	**24,151,468**	**24,499,259**	**51.1%**	**48.9%**
Contingent liabilities	1,832,971	1,783,382	92.0%	0.0%
Undrawn financing commitments	158,570	216,026	8.0%	0.0%
TOTAL UNFUNDED EXPOSURES	**1,991,541**	**1,999,408**	**100.0%**	**0.0%**
TOTAL GROSS CREDIT RISK EXPOSURE	**26,143,009**	**26,498,667**	**54.8%**	**45.2%**

The gross credit exposures reported represents items from the consolidated balance sheet carrying credit risk.

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3. **CREDIT RISK MANAGEMENT**(continued)

TABLE 3 - RISK WEIGHTED EXPOSURES AND CAPITAL REQUIREMENT

A) Overall - Risk Weighted Exposures And Capital Requirement

	US$ '000				US$ '000					
	Self Financed (A)				Self Financed (B)				Gross Exposure (%)	
	Gross exposure	Secured by eligible CRM	Risk weighted exposures after CRM	Capital requirement	Gross exposure	Secured by eligible CRM	Risk weighted exposures after CRM	Capital requirement	Self Financed	Jointly Financed
Claims on sovereigns and MDBs	5,785,000	-	466,078	65,251	856,200	-	30,299	4,242	20.3%	3.0%
Claims on public sector entities	1,020,571	-	255,609	35,785	1,109,317	-	188,251	26,355	3.6%	3.9%
Claims on banks	3,699,808	-	1,414,204	197,989	549,394	-	108,280	15,159	13.0%	1.9%
Claims on corporates	4,153,249	237,526	3,845,505	538,371	7,363,900	475,816	2,006,497	280,910	14.5%	25.9%
Regulatory retail exposures	5,501	11	4,070	570	764,360	57,922	156,338	21,887	0.0%	2.7%
Residential mortgage exposures	10,790	-	4,628	648	1,349,312	-	185,340	25,948	0.0%	4.7%
Equity	340,942	-	831,264	116,377	37,624	-	16,931	2,370	1.2%	0.1%
Investments in funds	7,796	-	10,640	1,490	38,371	-	17,267	2,417	0.0%	0.1%
Other exposures	1,421,175	-	1,735,889	243,025	36,240	-	10,423	1,459	5.0%	0.1%
TOTAL	16,444,832	237,537	8,567,887	1,199,506	12,104,718	533,738	2,719,626	380,747	57.6%	42.4%

	Total (A) + (B)	
	Risk weighted exposures after CRM	Capital requirement
TOTAL CREDIT RISK CAPITAL REQUIREMENT (STANDARDISED APPROACH)	11,287,513	1,580,253
TOTAL MARKET RISK CAPITAL REQUIREMENT (STANDARDISED APPROACH)	329,335	46,107
TOTAL OPERATIONAL RISK CAPITAL REQUIREMENT (BASIC INDICATOR APPROACH) *	1,578,398	220,976
Total	13,195,246	1,847,336

*Indicator for operational risk exposure is gross income, adjusted for exceptional items, as per BIA. This approach uses average of adjusted gross income for previous three financial years (US$ 841,812 thousands) for operational risk computation.

The gross exposure in the above table represents the on and off balance sheet credit exposures before Credit Risk Mitigations (CRM), determined in accordance with the CBB Pillar 3 guidelines. The off balance sheet exposures are computed using the relevant credit conversion factors.

Under the CBB Basel III Guidelines, banks may choose between two options when calculating credit risk mitigation capital relief. The simple approach which substitutes the risk weighting of the collateral for the risk weighting of the counterparty or the comprehensive approach whereby the exposure amount is adjusted by the actual value ascribed to the collateral. The Group has selected to use the comprehensive method where collateral is in the form of cash or bonds or equities. The Group uses a range of risk mitigation tools including collateral, guarantees, credit derivatives, netting agreements and financial covenants to reduce credit risk.

B) Capital Requirements By Type of Islamic Financing Contract

	US$ '000
	Capital requirement
Type of Islamic Financing Contracts	
Murabaha and Tawarruq	465,962
Ijarah	24,505
Others	6,209
Total	**496,676**

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3. **CREDIT RISK MANAGEMENT**(continued)

TABLE 4 - GEOGRAPHIC DISTRIBUTION OF GROSS CREDIT EXPOSURES

A) Overall - Risk Weighted Exposures And Capital Requirement

	US$ '000						
	GCC countries	United Kingdom	Europe (excluding United Kingdom)	Arab Republic of Egypt	Asia (excluding GCC countries)	Rest of the World	Total
Balances with central banks	174,524	475,801	-	352,759	95,252	-	1,098,336
Due from central banks and sukuk	579,953	-	-	239,866	-	-	819,819
Due from banks	379,295	230,299	381,925	177,298	46,363	653,028	1,868,208
Financing receivables and Ijarah assets	5,424,527	1,805,098	188,812	1,814,267	497,338	275,505	10,005,547
Non-trading investments	6,531,843	145,176	624,617	196,225	1,184,011	862,059	9,543,931
Profit receivable and other assets	222,792	451,315	75,165	31,982	17,113	17,260	815,627
Total funded exposures	**13,312,934**	**3,107,689**	**1,270,519**	**2,812,397**	**1,840,077**	**1,807,852**	**24,151,468**
Contingent liabilities	961,177	7,760	36,234	467,846	257,161	102,793	1,832,971
Undrawn financing commitments	39,228	79,261	1,927	38,154	-	-	158,570
Total unfunded exposures	**1,000,405**	**87,021**	**38,161**	**506,000**	**257,161**	**102,793**	**1,991,541**
TOTAL	**14,313,339**	**3,194,710**	**1,308,680**	**3,318,397**	**2,097,238**	**1,910,645**	**26,143,009**
	54.8%	12.2%	5.0%	12.7%	8.0%	7.3%	100.0%
Self-Financed % - Funded	32.2%	4.5%	3.6%	2.8%	3.7%	4.3%	51.1%
Jointly-Financed % - Funded	22.9%	8.4%	1.7%	8.8%	3.9%	3.2%	48.9%

TABLE 5 - SECTORAL CLASSIFICATION OF GROSS CREDIT EXPOSURES

	US$ '000				Funded		Unfunded
	Funded	Unfunded	Total	% Total	% Self Financed	% Jointly Financed	% Self Financed
Balances with central banks	1,918,156	-	1,918,156	7.3%	6.9%	1.0%	0.0%
Banks and other financial institutions	4,166,275	175,045	4,341,320	16.6%	11.3%	5.9%	8.8%
Consumer/personal	952,467	9,217	961,684	3.7%	0.2%	3.8%	0.5%
Residential mortgage	1,242,369	14,584	1,256,953	4.8%	0.1%	5.0%	0.7%
Trading and manufacturing	4,673,387	732,411	5,405,798	20.7%	5.0%	14.3%	36.8%
Real estate	1,896,818	65,398	1,962,216	7.5%	0.4%	7.4%	3.3%
Services	2,310,603	728,048	3,038,651	11.6%	2.7%	6.9%	36.6%
Government/public sector	6,385,831	18,889	6,404,720	24.5%	23.6%	2.9%	0.9%
Others	605,562	247,949	853,511	3.3%	0.9%	1.7%	12.5%
TOTAL	**24,151,468**	**1,991,541**	**26,143,009**	**100.0%**	**51.1%**	**48.9%**	**100.0%**
Jointly-Financed %	**92.4%**	**7.6%**	**100.0%**				

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3. CREDIT RISK MANAGEMENT(continued)

TABLE 6 - RESIDUAL CONTRACTUAL MATURITY OF GROSS CREDIT EXPOSURES

	US$ '000							
	Up to one month	One month to three months	Over three months to one year	Over one year to five years	Over five to ten years	Over ten to twenty years	Over twenty years	Total
Balances with centralbanks	1,098,336	-	-	-	-	-	-	**1,098,336**
Due from central bank and sukuk	590,671	211,907	17,241	-	-	-	-	**819,819**
Due from banks	1,743,732	124,476	-	-	-	-	-	**1,868,208**
Financing receivables and Ijarah assets	1,537,565	1,164,084	2,123,377	3,812,493	885,675	398,597	83,756	**10,005,547**
Non-trading investments	49,724	169,694	498,911	3,723,667	3,470,068	571,261	1,060,606	**9,543,931**
Profit receivable derivative and other assets	535,841	43,148	79,320	146,854	5,321	15,886	5,143	**831,513**
Total funded xposures	**5,555,869**	**1,713,309**	**2,718,849**	**7,683,014**	**4,361,064**	**985,744**	**1,149,505**	**24,167,354**
Contingent liabilities	535,544	361,659	771,470	162,097	2,200	-	-	**1,832,971**
Undrawn financing commitments	178	5,233	66,750	86,409	-	-	-	**158,570**
Total unfunded exposures	**535,722**	**366,892**	**838,220**	**248,506**	**2,200**	**-**	**-**	**1,991,541**
TOTAL	**6,091,591**	**2,080,201**	**3,557,069**	**7,931,520**	**4,363,264**	**985,744**	**1,149,505**	**26,158,895**
Self-Financed % - Funded	14.7%	1.9%	3.9%	13.8%	10.8%	1.7%	4.3%	**51.1%**
Jointly-Financed % - Funded	8.3%	5.2%	7.3%	18.0%	7.2%	2.3%	0.6%	**48.9%**

Allowances for expected credit loss

Refer note 2.6 (g) of the consolidated financial statements of the Group for the year ended 31 December 2024 for further details around ECL model.

The Group Provisioning and impairment Committee regularly evaluates the adequacy of the established allowances for impaired financing.

TABLE 7 - SECTORAL BREAKDOWN OF IMPAIRED FINANCING RECEIVABLES AND IMPAIRMENT ALLOWANCES

	US$ '000				
	Impaired financing receivables (stage 3) as at 31 December 2024	ECL allowances (stage 3) as at 31 December 2024	Net ECL charge(stage 3) for the year ended 31 December 2024	ECL Write-offs during the year ended 31 December 2024	allowances (Stage 1 & Stage 2) as at 31 December 2024
Consumer/personal	31,725	28,410	28,744	37,753	39,329
Trading and manufacturing	44,315	40,332	28,168	43,312	124,839
Real estate	98,660	89,829	1,578	-	47,421
Residential mortgage	48,024	14,770	19,618	48,353	1,154
Banks and other financial institutions	-	-	-	-	2,177
Services	31,186	30,515	42,669	49,385	70,430
Government/public sector	-	-	-	-	460
Others	681	587	52	-	43,304
TOTAL	**254,591**	**204,443**	**120,829**	**178,803**	**329,114**

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3. CREDIT RISK MANAGEMENT(continued)

TABLE 8 - GEOGRAPHICAL DISTRIBUTION OF IMPAIRMENT ALLOWANCES FOR FINANCING RECEIVABLES

A) Overall - Risk Weighted Exposures And Capital Requirement

	US$ '000						
	GCC countries	United Kingdom	Europe (excluding United Kingdom)	Arab Republic of Egypt	Asia (excluding GCC countries)	Rest of the World	Total
ECL allowances (Stage 1 & 2)	150,640	611	3,348	171,272	866	2,377	**329,114**
ECL allowances (Stage 3)	182,404	10,608	-	10,836	161	434	**204,443**
TOTAL	**333,044**	**11,219**	**3,348**	**182,108**	**1,027**	**2,811**	**533,557**

TABLE 9 - ECL ALLOWANCE MOVEMENTS FOR FINANCING RECEIVABLES AND IJARAH ASSETS

Refer note 7g of the consolidated financial statements of the Group for the year ended 31 December 2024 for ECL allowance movements for financing receivables and ijarah assets.

Impaired Credit Facilities

As per CBB guidelines, credit facilities are placed on non-accrual status and profit income suspended when either principal or profit is overdue by 90 days or more whereupon unpaid and accrued profit is reversed from income. Profit on non-accrual facilities is included in income only when received. Credit facilities classified as past due are assessed for ECL in accordance with FAS 30 guidelines. Financial instruments where there is objective evidence of impairment are considered to be credit impaired and the allowance for credit losses captures the life time expected credit losses.

For definition of default, refer to note 2.6(g) to the audited consolidated financial statements for the year ended 31 December 2024.

Refer to notes 7(a) to 7(e) and note 32(c) to the audited consolidated financial statements for the year ended 31 December 2024 for the distribution of the financing receivables portfolio.

Ratings 1 - 4 comprise of credit facilities demonstrating financial condition, risk factors and capacity to repay that are excellent to good and retail obligors where cash collateral (or equivalent such as pledged investment funds) has been provided.

Ratings 5 - 7 represents satisfactory risk and includes credit facilities that require closer monitoring, and retail accounts which are maintained within generally applicable product parameters.

Ratings 8 - 10 represents substandard doubtful through to loss

TABLE 10 - IMPAIRED FINANCING RECEIVABLES - AGE ANALYSIS

i) By Geographical Region

	US$ '000			
	Three months to one year	Over one year to three years	Over three years	Total
GCC countries	80,529	58,794	53,235	**192,558**
United Kingdom	42,415	1,423	-	**43,838**
Arab Republic of Egypt	8,120	8,376	1,078	**17,574**
Asia (excluding GCC countries)	184	-	-	**184**
Rest of the world	434	-	-	**434**
TOTAL	**131,682**	**68,593**	**54,313**	**254,588**
	51.8%	**26.9%**	**21.3%**	**100%**

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3. CREDIT RISK MANAGEMENT (continued)

TABLE 10 - IMPAIRED FINANCING RECEIVABLES - AGE ANALYSIS (continued)
ii) By Industry Sector

	US$ '000			
	Three months to one year	Over one year to three years	Over three years	Total
Consumer/personal	21,401	9,048	1,278	**31,727**
Trading and manufacturing	35,667	7,558	1,092	**44,317**
Real estate	509	47,976	50,173	**98,658**
Residential mortgage	44,816	2,674	533	**48,023**
Services	29,130	820	1,237	**31,187**
Others	162	517	-	**679**
TOTAL	**131,685**	**68,593**	**54,313**	**254,591**
	51.8%	**26.9%**	**21.3%**	**100%**

TABLE 11 - RESTRUCTURED CREDIT FACILITIES

	US$ '000
Balance of any restructured credit facilities as at period end	669,093
Financing receivables restructured during the period	127,331

The above restructurings did not have any significant impact on the present or future earnings and were primarily extensions of the financing tenor.

TABLE 12 - BREAKUP OF GROSS EXPOSURE COVERED BY COLLATERAL

	US$ ' 000	
	Total expsoures covered by eleigible collateral (after appropriate Haircuts)	Guarantees
Murabaha and Tawarruq	731,411	5,690
Ijarah	316,584	-
Others	1,701	-
	1,049,697	**5,690**

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3. CREDIT RISK MANAGEMENT(continued)

TABLE 13 - COUNTERPARTY CREDIT RISK IN DERIVATIVE TRANSACTIONS

The Group uses the Current Exposure Method to calculate the exposure for counterparty credit risk for derivative instruments as per CBB Basel III guidelines. The table below represent net credit equivalent exposure after giving effect to master netting agreements.

i) Breakdown of the credit exposure	US$ ' 000	
	Notional amount	Credit Equivalent Exposure
a) Trading (Derivatives utilised for customer-focused activities)		
Foreign Exchange Contracts	5,632,007	85,895
Profit Rate Swaps (PRS)	2,619,890	85,633
Others	2,000	161
	8,253,897	**171,689**
b) Banking (Derivatives held as fair value hedges)		
Profit Rate Swaps (PRS)	9,516,264	541,584
	9,516,264	**541,584**
	17,770,161	**713,273**

	US$ '000
ii) Amounts of cash collateral	**133,610**

TABLE 14 - RELATED PARTY TRANSACTIONS

Refer note 25 to the audited consolidated financial statements of the Group for the year ended 31 December 2024. Related party transactions are entered with related parties in ordinary course of business at arm's length. Further, as of 31 December 2024, exposures in excess of limits prescribed by Credit Risk Management Module amounted to US$ 36.3 million. These exposures are risk weighted at 800%.

4. MARKET RISK

Market risk is the risk that movements in market risk factors, including foreign exchange rates, profit rates, credit spreads and equity prices will reduce the Group's income or the value of its portfolios.

Market Risk Management, Measurement and Control Responsibilities

The BOD approves the overall market risk appetite and delegates responsibility for providing oversight on the Bank's market risk exposures and the sub allocation of BOD limits to the Group Asset and Liability Committee (GALCO). Group Risk Management is responsible for the market risk control framework and for monitoring compliance with the GALCO limit framework.

The Group separates market risk exposures into either customer-focused activities (Trading) or hedging activities (Non-Trading). Trading portfolios include those positions arising from market-making, proprietary position-taking and other marked-to-market positions. Non-trading portfolios include positions that arise from the foreign exchange/profit rate management of the Group's retail and commercial banking assets and liabilities, and financial assets designated at amortised cost and fair value through other comprehensive income.

Each Group operating entity has an independent market risk function which is responsible for measuring market risk exposures in accordance with the Group Market Risk Policy and the Profit Rate Risk in the Banking Book Policy, and monitoring these exposures against prescribed limits.

Market risk reports covering Trading Book risk exposures and profit and loss are published daily to the Bank's senior management. A risk presentation covering both Trading and Banking Book is also compiled monthly and discussed at the GALCO.

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4. MARKET RISK (continued)

Market Risk Management, Measurement and Control Responsibilities (continued)

The measurement techniques used to measure and control market risk include:

- Value at Risk (VaR);
- Stress tests; and
- Sensitivities and position size related metrics.

Daily Value at Risk (VaR)

The Group VaR is an estimate of the potential loss which might arise from unfavourable market movements:

VaR Type	Sample Size	Holding Period	Confidence Interval	Frequency of Calculation
1 Day VaR	260 days	1 Day	99%	Daily
10 Day VaR	260 days	10 Day	99%	Daily

Daily losses exceeding the VaR figure are likely to occur, on average, once in every 100 business days depending on the confidence interval employed in the VaR calculation (per the above). The Group routinely validates the accuracy of its VaR models by backtesting the actual daily profit and loss results. The actual number of excesses over a given period can be used to gauge how well the models are performing.

Although a useful guide to risk, VaR should always be viewed in the context of its limitations. For example:

- the use of historical data as a proxy for estimating future events may not encompass all potential events, particularly those which are extreme in nature;
- the use of a 1-day holding period assumes that all positions can be liquidated or hedged in one day. This may not fully reflect the market risk arising at times of severe illiquidity, when a 1-day holding period may be insufficient to liquidate or hedge all positions fully;
- the use of a confidence level, by definition, does not take into account losses that might occur beyond the applied level of confidence; and
- VaR is calculated on the basis of exposures outstanding at the close of business and therefore does not necessarily reflect intra-day exposures.

The VaR for the Group was as follows:

	US$ '000		
	Average	Minimum	Maximum
For the year 2024	572	231	1,533

TABLE 15 - CAPITAL REQUIREMENT FOR COMPONENTS OF MARKET RISK

	US$ '000			
	Risk weighted exposures after CRM	Capital requirement	Maximum value	Minimum value
Profit rate risk	154,491	21,629	23,329	14,045
Equity position risk	16,263	2,277	2,354	273
Foreign exchange risk	158,579	22,201	38,303	20,401
	329,333	**46,107**	**63,987**	**34,719**

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4. MARKET RISK (continued)

TABLE 16 - EQUITY POSITION RISK IN BANKING BOOK

The following table summarizes the amount of total and average gross exposure of equity investments and funds as of 31 December 2024:

	US$ '000					
	Total gross exposures	Average gross expsoure [1]	Listed	Unlisted	Risk weighted assets	Capital requirements
Equity instruments*	378,566	336,658	321,474	57,092	887,701	124,278
Funds	49,372	49,179	2,108	47,264	17,049	2,387
	427,938	**385,837**	**323,582**	**104,356**	**904,750**	**126,665**

*The above equity investments excludes shares in parent and other investments that are deducted from regulatory capital.

[1] Average balances are computed based on quarter end balances.

Profit Rate Risk

Profit rate risk is the risk that the earnings or capital of the Group, or its ability to meet business objectives, will be adversely affected by movements in profit rates. Accepting this risk is a normal part of banking practice and can be an important source of profitability and shareholder value. Changes in profit rates can affect a bank's earnings by changing its net profit income and the level of other profit sensitive income and operating expenses. Changes in profit rates also affect the underlying value of the Group's assets, liabilities and off-balance sheet instruments because the present value of future cash flows and / or the cash flows themselves change when profit rates change. The Bank employs a risk management process that maintains profit rate risk within prudent levels.

The BOD recognises that it has responsibility for understanding the nature and the level of profit rate risk taken by the Bank, and has defined a risk framework pertaining to the management of non-trading profit rate risk and has identified lines of authority and responsibility for managing profit rate risk exposures.

The BOD has delegated the responsibility for the management of profit rate risk to GALCO which is responsible for setting and monitoring the profit rate risk strategy of the Group, for the implementation of the profit rate risk framework and ensuring that the management process is in place to maintain profit rate risk within prudent levels.

GALCO reviews the profit rate risk framework annually and submits recommendations for changes to the Board Risk Committee and BOD as applicable.

The responsibility for the implementation of the Group's profit rate risk policies resides with the Group Treasurer. An independent review and measurement of all profit exposure present in the banking book is undertaken by the Group Market & Counterparty Credit Risk Management team and reported to GALCO on a monthly basis.

Profit rate re-pricing reports are based on each product's contractual re-pricing characteristics overlaid where appropriate by behavioural adjustments. Behavioural adjustments are derived by an analysis of customer behaviour over time augmented by input from the business units.

The behavioural adjustments are applied mainly for those liabilities with no fixed maturity dates such as current and savings accounts. These adjustments are based on empirical experience, and current account balances are spread over a maximum period of 5 years, while savings accounts are spread over a maximum period of 7 years.

Reports detailing the profit rate risk exposure of the Group are reviewed by GALCO and the BOD on a regular basis.

Refer note 34 to the audited consolidated financial statements for the year ended 31 December 2024 for the re-pricing profiles of the Group's assets and liabilities.

Rate of Return Risk

The Bank actively manages its rate of return risk to ensure compliance with the Board's risk appetite and to safeguard the interests of all stakeholders. This risk arises from mismatches in the repricing of assets and liabilities or changes in market conditions that could affect the Bank's profitability. The Bank's approach involves closely monitoring the rate of return gap across various timeframes and assessing the sensitivity of earnings to interest rate movements.

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4. MARKET RISK (continued)

Rate of Return Risk(continued)

The management of rate of return risk is overseen by the Group Asset and Liability Committee (GALCO), which sets policies, monitors exposures, and implements strategies to mitigate potential risks. GALCO reviews key metrics such as the rate of return sensitivity, duration gaps, and yield curve shifts to ensure the Bank remains resilient to fluctuations in market rates.

To further mitigate rate of return risk, the Bank employs robust modeling techniques, including scenario analysis and stress testing, to understand the potential impact of adverse rate movements. Hedging strategies and adjustments to the composition of rate-sensitive assets and liabilities are employed as needed to align with the Bank's risk tolerance.

This proactive and structured approach enables the Bank to maintain a stable rate of return for depositors and investment account holders while safeguarding profitability.

Displaced Commercial Risk (DCR)

DCR refers to the market pressure to pay returns to Quasi-Equity Account Holders (QEAHs) that exceeds the rate that has been earned on the assets financed by the QEAHs, when the return on assets is under performing as compared with competitor's rates.

Each of the Group's subsidiaries follows an appropriate framework for managing displaced commercial risk, where applicable. The Group is exposed to displaced commercial risk in the event profit rates for QEAHs are lower than the market rates and the Group has mitigated this risk by adopting the approach to waive the applicable wakala / mudarib fees and their rights to part or entire mudarib share of profit to meet the market expectation.

TABLE 17 - PROFIT RATE RISK SENSITIVITY ANALYSIS

The Group's profit rate risk sensitivity is analysed in note 34(ii) to the audited consolidated financial statements for the year ended 31 December 2024.

The impact of a +/- 200bps profit rate shock on assets and liabilities which, are carried at fair value and the consequent impact on equity as of 31 December 2024 is as per the following table.

	US$ '000		
	Assets	Liabilities	Equity
at 200 bps - increase (+)	(147,929)	146,922	**(1,009)**
at 200 bps - decrease (-)	147,929	(146,922)	**1,009**

Equity Risk

Equity risk is the risk of changes in the fair value of an equity instrument. The Group is exposed to equity risk on non-trading equity positions that are primarily focused on the GCC stock markets. The BOD has set limits on the amount and type of investments that may be made by the Bank. This is monitored on an ongoing basis by the Group Management Risk Committee with pre approved loss thresholds. The Bank's equity risk appetite is minimal.

Valuation and accounting policies:

a) Equity investments held for strategic reasons - investments in associates

Associated companies are companies in which the Group exerts significant influence but does not control, normally represented by an interest of between 20% and 50% in the voting capital. Investments in associated companies are accounted for using the equity method.

b) Other equity investments

Investments in equity instruments are classified as FVTIS, unless the Group designates an equity investment as FVTOCI on initial recognition. At initial recognition, the Group can make irrevocable election on an instrument by instrument basis to designate an equity instrument as FVTOCI. Upon derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to consolidated statement of income.

The fair value of equity instruments that are quoted in an active market is determined by reference to market prices at the close of business on the balance sheet date. For equity investments that are not quoted in an active market, a reasonable estimate of the fair value is determined using net present valuation techniques.

For accounting policies on equity instruments, please refer to note 2.6(c) (iv) of the audited consolidated financial statements for the year ended 31 December 2024.

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4. MARKET RISK (continued)

TABLE 18 - GAIN / (LOSS) ON EQUITY INSTRUMENTS

	US$ '000
Net gain recognised in Tier1 Capital (CET1)	
Net unrealised gain recognised in the balance sheet	30,060
Realised loss recognised in the equity	(289)

5. LIQUIDITY RISK AND FUNDING MANAGEMENT

Liquidity risk and funding management of the Group have been explained in note 35 of audited consolidated financial statements for the year ended 31 December 2024.

The Bank employs a comprehensive approach to managing its liquidity profile, ensuring alignment with the Board's risk appetite and regulatory requirements. This is achieved through detailed analysis of liquidity gaps across multiple time buckets, supported by robust monitoring of key liquidity indicators. To mitigate liquidity risk, the Bank has established a diversified funding framework that reduces dependency on individual counterparties and minimizes concentration risk.

In addition to diversifying funding sources, the Bank maintains a significant buffer of high-quality liquid assets (HQLA) to ensure it can meet short-term obligations during periods of stress. The Bank also conducts regular stress testing under various scenarios to assess the resilience of its liquidity position and implements contingency funding plans to address potential shortfalls.

Further measures include close monitoring of cash flow mismatches, proactive management of short-term liabilities, and maintaining adequate liquidity reserves to support operational needs and customer requirements.

As of 31 December 2024, the Bank maintained a liquidity coverage ratio of 200.7%, reflecting its strong liquidity position and commitment to prudent risk management practices.

Maturity Analysis of Assets and Liabilities

A maturity analysis of cash flows payable by the Group under financial liabilities by remaining contractual maturities at the balance sheet date is shown in note 35 to the audited consolidated financial statements for the year ended 31 December 2024.

The management of the Group's liquidity and funding is the responsibility of the Group Asset and Liability Committee (GALCO) under the chairmanship of the Group Chief Executive Officer supported by the Group Treasurer, and is responsible for ensuring that all foreseeable funding commitments, including deposit withdrawals, can be met when due, and that wholesale market access is coordinated and controlled.

The Group maintains a stable funding base comprising core retail and corporate customer deposits and institutional balances, augmented by wholesale funding and portfolios of highly liquid assets, which are diversified by currency and maturity, in order to enable the Group to respond quickly to any unforeseen liquidity requirements.

6. OPERATIONAL RISK

Operational risk is the risk of loss arising from inadequate or failed internal processes, people and systems or from external events, whether intentional, unintentional or natural. This definition includes legal and Shari'a non-compliance risk, but excludes strategic and reputational risk. It is an inherent risk faced by all businesses and covers a large number of operational risk events including business interruption and systems failures, internal and external fraud, employment practices and workplace safety, customer and business practices, transaction execution and process management, and damage to physical assets.

The BOD acknowledges that it has ultimate responsibility for operational risk. Oversight rests with the Group Board Risk Committee, whilst day to day monitoring is carried out by the Group Operational & Fraud Risk Management Committee.

The Operational Risk Management framework has been in place for a number of years and is ingrained in the Group's culture and processes. The Group has developed a comprehensive Operational Risk Self Assessment (ORSA) process.

The BOD takes the lead in promoting and encouraging a culture of risk awareness and prevention across all areas of the Group. The Group follows a Group Operational Risk Management Policy approved by the BOD. The policy, supported by the Group Operational Risk Management procedure, aims to ensure that operational risk measures are incorporated into all major aspects of the overall management framework.

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6. OPERATIONAL RISK (continued)

The Group Operational & Fraud Risk Management Committee (the "GORC") is responsible for maintaining an operational risk management framework across the organization. The GORC receives regular reporting on all key operational risk measures. Promptness in resolution of material operational risks identified through Operational Risk Self Assessments and audits are considered as one of the key criteria for performance reviews.

The Group Audit & Compliance Committee assists the BOD in ensuring compliance with all regulatory requirements and consistency with best market practices.

The Group Operational Risk Management Policy, supported by the Group Operational Risk Management procedure requires reporting of all Operational Risk Incidents / Loss Events within a specified period of the occurrence of the event which is followed by an analysis of the root cause and its remediation.

The Group Operational Risk Management Policy requires that internal controls are reviewed and enhanced on an ongoing basis in order to mitigate the residual risks identified through the Operational Risk Self Assessments, analysis of operational loss and near miss events and, internal and external audits. In addition, regular reviews of operating procedures also aim to enhance internal controls. The Group's Human Resources Policy requires that employees are trained regularly so that they are, among others, aware of operational risks and the mitigating controls. The policies require the establishment of appropriate infrastructure and processes for ensuring continuity of business which must be comprehensively and frequently tested for different contingencies. AUB maintain the Business Continuity ISO 22301 certification and ensure alignment with the requiremnets standards.

7. INFORMATION TECHNOLOGY RISK

The BOD approves the Group Information Security Policy. The policy provides a consistent and strong cybersecurity approach across the Group. Group Information Security Office (GISO) runs several cybersecurity programs covering all cyber risk areas including threat and vulnerability management, risk assessments, cybersecurity awareness, penetration testing, and incident management. GISO also executes several projects to continuously enhance the security control systems and processes, and to make the Group resilient to cyber risks. AUB maintained its ISO 27001, SWIFT Customer Security Program (CSP) and PCI DSS certifications were relevant across the Group.

Group Information & Cyber Security Risk Committee (GICSC) overseas the cybersecurity program through quarterly review of cybersecurity metrics. GISO also provides cybersecurity status reports to the BOD every quarter.

Information and Cybersecurity in the AUB Group is governed by the AUB Board approved Group Information Security Policy. The policy provides a strong and comprehensive cybersecurity directive across the AUB Group. Information Security continuously executes several cybersecurity programs that include cybersecurity risk management, attack surface management, cyber defense, security culture and awareness, and compliance. Information Security regularly assess the security posture, threat landscape, and emerging threats, to enhance security controls in line with the emerging risks, and to maintain the Group resilient to cyber risks. Group Information and Cyber Security Committee oversees the Information and Cybersecurity activities and provides guidance and direction to the execution of its programs. Information Security also present status reports to Management Risk Committee and Board Risk Committee.

All computer system developments and operations are centrally controlled and common standard business systems are deployed across the Group wherever possible. Information security is defined through a common 'Group Information Security Framework' and is executed through various information security processes and controls that support the framework. The Group follows an enterprise wide approach to business continuity to ensure that all identified critical operations, services and systems are recovered in time in the event of a disruption.

The Group Business Continuity Management Policy is updated annually and the Disaster Recovery and Business Continuity capabilities are each tested at least once a year and critical systems data are continuously replicated at the disaster recovery site.

The Group has also adopted a Flexible Business Management approach to business continuity and disaster recovery with the aim of continuing to conduct business as usual to the extent possible on a remote basis even under diverse scenarios of unavailability of premises, infrastructure or resources, with scalability for any duration of time.

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7. INFORMATION TECHNOLOGY RISK (continued)

Information Technology risks are managed and governed through technology risk policies. Technology risks are periodically assessed in accordance with the technology risk management framework. The Group Business Continuity Management Policy provides direction on business and technology resilience. Disaster Recovery and Business Continuity capabilities are tested at least once a year. Business critical systems and their data are replicated at the disaster recovery site in near real time. The Group has also adopted a Flexible Business Management approach with the aim of continuing to conduct business as usual to the extent possible on a remote basis even under diverse scenarios of unavailability of premises, infrastructure, or resources, with scalability for any duration of time.

8. STRATEGIC RISK

The BOD supported by Strategic Development Unit and the Group Finance manages strategic risk on an ongoing basis. The BOD receives regular performance reports with details of strategic / regulatory issues as they arise.

9. LEGAL, COMPLIANCE, SHARI'A, REGULATORY AND REPUTATIONAL RISKS

Protecting the Legal, Compliance, Regulatory and Reputational Risks of the Group is of paramount importance. All management and staff are expected to apply highest standards of business conduct and professional ethics at all times.

The Group has a dedicated Legal Department whose role is to identify and provide analysis and advice on legal risk.

The department is governed by the Group Legal Policy approved by the BOD, which facilitates the management and control of operational risks from pending legal actions, by performing the following tasks:

- Advising on applicable legislation and regulation;
- Reviewing and / or drafting standard and non- standard contracts and related documentation (including amendments to existing contracts) applicable to the Group;
- Periodically reviewing the standard contractual documentation of the Bank;
- Advising on matters involving legal risk and drafting formal communication relating to legal claims involving the Group; and
- Managing and providing legal advice in respect of any actual or threatened litigation against the Bank, or brought (or proposed to be brought) by the Group against any other party.

There are no material litigations / claims against the Group as at 31 December 2024.

The Group continuously strives to improve the level of Compliance in all its activities. The Group has an independent Compliance function that reports to the Group Board Audit and Compliance Committee of the Board. The Compliance function acts as a focal point for appropriate coordination and dissemination of regulatory correspondence and rulebook updates, and strives to adopt best practice in Compliance, Governance and Control. Also, the Compliance Department, has the responsibility through its monitoring programs, to regularly assesses the adequacy and effectiveness of the measures and procedures put in place and the actions taken to address any deficiencies in the Bank's compliance with its obligations; and advises and assists the responsible business areas and personnel for carrying out appropriate regulated activities.

Implementing appropriate systems, processes and controls for Combating Money Laundering (ML), Terrorist Financing (TF) and Proliferation Financing (PF) activities form an important activity of the Financial Crime Compliance Unit within the Compliance function. The Group has deployed a risk based automated transaction monitoring system and implemented relevant procedures and controls to facilitate appropriate monitoring and detection mechanism. The Group also has appropriate AML/CFT/CPF and Compliance policies and monitoring programs. These policies are reviewed and updated annually and approved by the Group Board of Directors. The Group's anti-money laundering and combating terrorist financing and countering proliferation financing measures are regularly audited by the internal auditors who report to the Group Board Audit & Compliance Committee of the Board. Additionally, the Bank's AML/CFT/CPF measures are reviewed by independent external auditors every year and their agreed-upon procedures report is submitted to the Central Bank of Bahrain (CBB). The CBB performs periodic inspections of the Bank's compliance with the applicable AML/CFT/CPF regulations.

The BOD approved policies, including Group Reputation Risk Management policy, Group Communications Policy, Group Personal Account Dealing Policy,Group Compliance Policy, Group Anti Money Laundering / Combating Terrorist Financing policy, Group Banking Integrity and Whistle Blowing Policy and Group Code of Business Conduct policy and such other policies prescribe the required standards of ethical behaviour and personal conduct for all staff (including the Bank's Directors), and the BOD exercises an oversight of these risks through various management functions, including Legal, Risk Management, Compliance, Human Resources and Internal Audit Department.

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9. LEGAL, COMPLIANCE, SHARI'A, REGULATORY AND REPUTATIONAL RISKS (continued)

Shari'a Compliance

In line with the Bank's plan to convert its operations in compliance with the rules and principles of Shari'a, after complying with all the requirements and guidelines by the respective central banks of Bahrain, UK and Egypt and their respective Shari'a Supervisory Boards, the Group has converted its Bahrain, UK and Egypt based conventional business according to the rules and principles of Shari'a and commenced its operations under the licence of an Islamic retail bank in Bahrain effective 10 December 2023 and in UK and Egypt from 22 August 2024 and 1 September 2024 respectively. From these dates, all activities in Bahrain, UK and Egypt are conducted in accordance with the rules and principles of Shari'a. Further, CIBIQ conversion to an Islamic bank was completed and it is a fully Shari'a complaint bank as of 1 January 2025.

External and internal Shari'a auditors conducted Shari'a audits and no major observations were noted during the financial year.

Late Payment Donations recovered from customers are credited to Charity Account as approved by the Shari'a Supervisory Board.

Legal cases resulting from normal course of business are handled by the Bank's in-house legal team and external legal consultants are consulted on such matters, as and when required.

10. ENVIRONMENTAL RISK

The Group recognises the importance of environmental and social issues within its risk framework, and has established a Social and Environmental Management System (SEMS) which details the policy, procedures and workflow that will be followed by the Bank and its subsidiaries / affiliates in respect of environmental risk.

The Group continually endeavours to implement effective social and environmental management practices in all its activities, products and services with a focus on the applicable national laws on environmental, health, safety and social issues.

The Group has adopted the Equator Principles (EP), a globally recognized benchmark for managing social and environmental risks in project finance. EP is an arrangement by financial institutions worldwide to adhere to the environmental, health and safety standards while financing projects.

As such the Group will finance projects only when they are expected to be designed, built, operated and maintained in a manner consistent with the applicable national laws.

The Bank has become a signatory of the United Nations (UN) Principles for Responsible banking and a member of the UN Environment Programme Finance Initiative (UNEP FI). AUB is committed to take leadership role and use of its products, services and relationships to support and contribute to individual needs and society's goal, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

TABLE 19 - QUANTITATIVE INDICATORS OF FINANCIAL PERFORMANCE AND POSITION

	2024	2023	2022	2021	2020
Return on average equity	15.4%	15.3%	12.3%	14.7%	10.4%
Return on average assets	2.6%	1.8%	1.4%	1.6%	1.2%
Cost to income ratio	27.9%	26.2%	25.8%	29.5%	29.3%

11. DISCLOSURES RELATED TO QUASI EQUITY ACCOUNT HOLDERS (QEAH)

Quasi Equity Account Holders' fund are commingled to form one general pool. This pooled fund is deployed into profit generating banking assets. The Bank allocate certain portfolios of profit generating assets towards QEAH pool and only profits earned on pool of assets funded from QEAH are used for distribution towards the QEAH after allocation of relevant expenses and wakala & mudarib fees.

The funds are invested and managed in accordance with Shari'a principles and according to the terms of acceptance of the QEAH, 100% of the funds are invested.

The Risk weighted assets of the bank include the assets funded by QEAH which are subject to the 30% alpha factor on the respective risk weights. The QEAH and other customers can use the bank›s relationship managers for any advice, mediation services, grievances and complaints.

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11. DISCLOSURES RELATED TO QUASI EQUITY ACCOUNT HOLDERS (QEAH) (continued)

TABLE 20 - QUASI-EQUITY ACCOUNT HOLDERS BY TYPE

	US$ ' 000	
	Amount	Profit Distributed
Banks	2,014,971	105,812
Individuals and non-banks	9,797,602	435,437
	11,812,573	**541,249**

Bank's jointly financed assets to total quasi-equity investment account holders as of 31 December 2024 is 57%

TABLE 21 - RETURN ON AVERAGE QUASI- EQUITY ASSETS

	US$ ' 000	%
Average profit paid on average quasi-equity holders	541,249	5.2%
Average profit earned on average quasi-equity assets	981,205	9.5%

The ratio of average profit distributed to average profit earned for quasi-equity account holders is 49%.

TABLE 22 - PERCENTAGE OF GROSS ISLAMIC FINANCING CONTRACTS FINANCED BY QUASI-EQUITY

	US$ '000			
Gross Financing Assets	**Self financed (A)**	**Jointly financed (B)**	**Total (A) + (B)**	**% of Jointly financed to total**
A) Murabaha and Tawarruq				
Corporate	2,040,061	5,284,354	7,324,415	72.0%
Retail	4,384	1,643,980	1,648,365	100.0%
Total - Murabaha and Tawarruq (A)	**2,044,445**	**6,928,334**	**8,972,779**	**77.0%**
B) Ijarah Muntahia Bittamleek				
Corporate	372,332	544,292	916,623	59.4%
Retail	-	458,788	458,788	100.0%
Total - Ijarah Muntahia Bittamleek (B)	**372,332**	**1,003,079**	**1,375,411**	**72.9%**
C) Others				
Corporate	144,453	35,025	179,478	19.5%
Retail	7,253	4,183	11,436	36.6%
Total - Others (C)	**151,706**	**39,208**	**190,914**	**20.5%**
Gross Total (A)+(B)+(C)	**2,568,482**	**7,970,623**	**10,539,104**	**75.6%**

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11. DISCLOSURES RELATED TO QUASI EQUITY ACCOUNT HOLDERS (QEAH) (continued)

TABLE 23 - PROFIT PAID TO QUASI-EQUITY HOLDERS

	US$ '000		
	Gross return on equity to Quasi-Equity Holders	Mudarib / Wakal fees	Profit paid to Quasi-Equity Holders
	A	B	(A-B)
Account type			
Mudaraba	16,427	15,886	541
Wakala	745,715	205,008	540,710
	762,142	**220,893**	**541,249**

Profits earned from the pool of assets funded by the equity of quasi-equity account holders, after administrative expenses of US$ 59.3 million incurred in connection with the management of the funds, are allocated between the owners' equity and equity of investment account holders.

The average mudarib and wakala fees charged by bank during the year ended 31 December 2024 was 29% .

TABLE 24 - QUASI-EQUITY PERCENTAGE RETURN TO PROFIT RATE OF RETURN

The following table summarises the average distributed rate of return or profit rate on mudaraba investment accounts for the year ended 31 December 2024:

Quasi-Equity (Mudaraba based) Accounts	Up to 3-months	3-6 months	6-12 months	12-36 months
	2.48%	2.88%	3.00%	3.03%

TABLE 25 - EQUITY OF INVESTMENT ACCOUNT HOLDERS TYPE OF ASSETS

	US$ '000		
	As of 1 Jan 2024	Movement	As of 31 December 2024
Cash and balances with banks and Central Bank	49,973	800,934	850,907
Financing contracts	3,995,885	3,531,565	7,527,450
Investment securities	2,988,227	445,989	3,434,216
Total	**7,034,085**	**4,778,489**	**11,812,573**

There are no limits imposed on the amount that can be invested by quasi-equity funds in any one asset. However, the Bank monitors its quasi-equity deployment classifications so that to ensure that quasi-equity funds are not invested in the Bank's long term Investment Portfolio (including Private Equity and Real Estate). The Bank also does not allocate quasi-equity funds to the equity investments in the trading book.

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APPENDIX I - REGULATORY CAPITAL DISCLOSURES

PD 1: Capital Composition Disclosure Template

	US$'000	
Basel III Common disclosure template	*PIR as on 31 December 2024*	*Reference*
Common Equity Tier 1 capital: instruments and Reserves		
Directly issued qualifying common share capital plus related stock surplus	2,786,983	A1
Retained earnings	700,804	B1+B2+B3+B4
Accumulated other comprehensive income (and other reserves)	1,543,772	C1+C2+C3+C4+ C5 +C6 +C7
Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	8,958	D
Common Equity Tier 1 capital before regulatory adjustments	5,040,517	
Common Equity Tier 1 capital: regulatory adjustments		
Prudential valuation adjustments		
Goodwill (net of related tax liability)	90,151	E
Other intangibles other than mortgage-servicing rights (net of related tax liability)	91,696	F1+F2
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	G1-G2
Cash-flow hedge reserve	-	C7
Shortfall of provisions to expected losses		
Securitization gain on sale (as set out in paragraph 562 of Basel 2 framework)		
Not applicable		
Defined-benefit pension fund net assets		
Investments in own shares (if not already netted off paid-in capital on reported balance sheet)		
Reciprocal cross-holdings in common equity	1,654,753	K
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)		
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	143,237	H1 + H2
Total regulatory adjustments to Common equity Tier 1	**1,979,837**	
Common Equity Tier 1 capital (CET1)	**3,060,680**	
Additional Tier 1 capital: instruments		
Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	400,000	I
Additional Tier 1 instruments (and CET1 instruments not included above) issued by subsidiaries and held by third parties (amount allowed in group AT1)	1,920	J
Additional Tier 1 capital before regulatory adjustments	**401,920**	
Total regulatory adjustments to Additional Tier 1 capital	**-**	
Additional Tier 1 capital (AT1)	**401,920**	
Tier 1 capital (T1 = CET1 + AT1)	**3,462,600**	
Tier 2 capital: instruments and provisions		
Tier 2 instruments (and CET1 and AT1 instruments not included above) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	5,119	L
Expected Credit Losses & Reserves	176,184	M1+M2
Tier 2 capital before regulatory adjustments	**181,303**	
Total regulatory adjustments to Tier 2 capital	**-**	
Tier 2 capital (T2)	**181,303**	
Total capital (TC = T1 + T2)	**3,643,903**	
Total risk weighted assets	**13,195,245**	

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APPENDIX I - REGULATORY CAPITAL DISCLOSURES

PD 1: Capital Composition Disclosure Template

Basel III Common disclosure template	US$'000 PIR as on 31 December 2024	Reference
Capital ratios		
Common Equity Tier 1 (as a percentage of risk weighted assets)	23.2%	
Tier 1 (as a percentage of risk weighted assets)	26.2%	
Total capital (as a percentage of risk weighted assets)	**27.6%**	
Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus D-SIB buffer requirement expressed as a percentage of risk weighted assets)	10.5%	
of which: Capital Conservation Buffer requirement	2.5%	
of which: bank specific countercyclical buffer requirement (N/A)	NA	
of which: D-SIB buffer requirement (N/A)	1.5%	
National minima (if different from Basel 3)		
CBB Common Equity Tier 1 minimum ratio (including buffers)	10.5 %	
CBB Tier 1 minimum ratio (including buffers)	12.0%	
CBB total capital minimum ratio (including buffers)	14.0%	
Amounts below the thresholds for deduction (before risk weighting)		
Non-significant investments in the capital of other financial entities	188,965	
Significant investments in the common stock of financial entities	320,392	
Applicable caps on the inclusion of Expected Credit Losses in Tier 2		
Expected Credit Losses (Stages 1 and 2) eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	340,833	N
Cap on inclusion of Expected Credit Losses in Tier 2 under standardized approach	141,094	M2

PD 2: Reconciliation Of Regulatory Capital

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

There are no differences between the regulatory and accounting consolidation, with both following the consolidation approach as per the IFRS 10 without excluding any entities. As mandated by the Central Bank of Bahrain ("CBB"), financial assets have been grossed up with impairment allowances for expected credit losses (ECL) - Stages 1 and 2, as presented below:

	US$'000
Balance sheet per published financial statements	**27,133,833**
ECL - Stages 1 and 2	340,834
Balance sheet as in Regulatory Return	**27,474,667**

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APPENDIX I - REGULATORY CAPITAL DISCLOSURES (continued)

PD 2: Reconciliation Of Regulatory Capital (continued)

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

	US$'000 Balance as per published financial statements	US$'000 Consolidated PIRI Data	Reference
Assets			
Cash and balances with central banks	1,169,512	1,169,512	
Financial assets at fair value through Profit & Loss		9,156	
Due from central banks and sukuk	819,819	819,819	
Due from banks	1,868,208	1,868,271	
Financing receivables and Ijarah assets	10,005,547	10,334,660	
Non-trading investments	11,314,146	11,316,483	
of which significant investment exceeding regulatory threshold		2,446	H
of which reciprocal cross-holdings in common equity		1,654,753	K
of which investment NOT exceeding regulatory threshold		*9,659,284*	
Investment properties	108,184	108,184	
Profit receivable and other assets	1,096,841	1,097,005	
of which deferred tax assets		-	G1
Investments in associates	455,713	455,713	
of which significant investment exceeding regulatory threshold		140,791	H2
of which significant investment NOT exceeding regulatory threshold		*314,922*	
Goodwill and other intangible assets	107,420	107,420	
of which Goodwill		90,151	E
of which other intangibles (excluding MSRs)		17,269	F1
Premises and equipment	188,443	188,443	
of which software		74,427	F2
TOTAL ASSETS	**27,133,833**	**27,474,666**	
Liabilities			
Due to banks	906,982	906,982	
Customers' deposits	2,457,856	-	
of which Customer current accounts	1,699,401	1,699,401	
of which Funding Liabilities (eg. reverse commodity murabaha, etc.)	758,455	-	
Funding Liabilities (eg. reverse commodity murabaha, etc.)	-	6,507,952	
of which other Customers' accounts	-	758,455	
of which Term financing against sukuk	4,942,979	4,942,979	
of which Sukuk payable and term financing	806,518	806,518	
Profit payable and other liabilities	758,680	758,680	
of which deferred tax liabilities	-	3,455	G2
TOTAL LIABILITIES	**9,873,015**	**9,873,015**	
Quasi-Equity	11,812,573	11,812,573	
TOTAL QUASI-EQUITY	**11,812,573**	**11,812,573**	

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APPENDIX I - REGULATORY CAPITAL DISCLOSURES (continued)

PD 2: Reconciliation Of Regulatory Capital (continued)

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

	US$'000		
	Balance as per published financial statements	*Consolidated PIRI Data*	*Reference*
Equity			
Paid-in share capital	2,786,983	2,786,983	
of which form part of Common Equity Tier 1		2,786,983	
Ordinary Share Capital		2,786,983	A1
Perpetual Tier 1 Capital Securities - AUB Bahrain	400,000	400,000	I
Reserves	2,207,836	2,207,836	
of which form part of Common Equity Tier 1			
Retained earnings/(losses) brought forward		628,974	B1
Proposed Dividend Payable		-	B2
Net profit for the current period		718,150	C1
Share premium		758,170	C2
Legal reserve		958,630	C3
Others		(37,904)	C4
FX translation adjustment		(939,077)	C5
Cumulative fair value changes on FVOCI investments		85,803	C6
Fair value changes of cash flow hedges		-	C7
of which form part of Tier 2			
Fixed assets revaluation reserves		35,090	M1
CBB modification loss (part of CET1)		23,482	B3
Non - controlling interest	53,426	53,426	
of which amount eligible for Common Equity Tier 1		8,958	D
of which amount eligible for Additional Tier 1		1,920	J
of which amount eligible for Tier 2		5,119	L
of which amount ineligible		37,429	
Impairment Allowance for Expected Credit Losses - Stages 1 and 2		340,833	N
of which amount eligible for Tier 2 (maximum 1.25% of RWA)		141,094	M2
of which amount included in CET1 as per CBB		48,348	B4
of which amount ineligible		151,392	
TOTAL OWNER EQUITY	**5,448,245**	**5,789,078**	
TOTAL LIABILITIES, QUASI-EQUITY AND OWNER EQUITY	**27,133,833**	**27,474,666**	

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APPENDIX I - REGULATORY CAPITAL DISCLOSURES (continued)

PD 3 : Main features of regulatory capital instruments

1.	**Issuer**	Ahli United Bank B.S.C (c)	Ahli United Bank B.S.C (c)
2.	**Unique identifier**	N/A	ISIN: XS1133289832 / Perpetual Tier 1 Capital Securities
3.	**Governing law(s) of the instrument**	Laws of Bahrain	English Law, except for the provisions of subordination which will be governed by the Laws of Bahrain
4.	**Transitional CBB rules**	Not applicable	Not applicable
5.	**Post-transitional CBB rules**	Common Equity Tier 1	Additional Tier 1
6.	**Eligible at solo/group/group & solo**	Solo and Group	Solo and Group
7.	**Instrument type**	Common Equity Shares	Capital Securities
8.	**Amount recognized in regulatory capital**	$2787.0 mn	$400.0 mn
9.	**Par value of instrument (USD)**	$0.25	$1000 subject to minimum of $200,000
10.	**Accounting classification**	Shareholders' equity	Shareholders' equity
11.	**Original date of issuance**	31-May-2000	29-Apr-2015
12.	**Perpetual or dated**	Perpetual	Perpetual
13.	**Original maturity date**	No Maturity	Callable every six months
14.	**Issuer call subject to prior supervisory approval**	NA	Yes
15.	**Optional call date, contingent call dates and redemption amount**	NA	Call Option : On every Distribution Payment Date at Par/100%; Tax event at Par/100%; Regulatory Capital Event at 101% (Full or partial)
16.	**Subsequent call dates, if applicable**	NA	Every Distribution Payment Date
17.	**Fixed or floating dividend/coupon**	NA	Fixed
18.	**Coupon rate and any related index**	NA	5.839%
19.	**Existence of a dividend stopper**	NA	Yes
20.	**Fully discretionary, partially discretionary or mandatory**	Fully discretionary	Fully discretionary
21.	**Existence of step up or other incentive to redeem**	No	No
22.	**Noncumulative or cumulative**	NA	Noncumulative
23.	**Convertible or non-convertible**	NA	Non-convertible
24.	**If convertible, conversion trigger (s)**	NA	NA
25.	**If convertible, fully or partially**	NA	NA
26.	**If convertible, conversion rate**	NA	NA
27.	**If convertible, mandatory or optional conversion**	NA	NA
28.	**If convertible, specify instrument type convertible into**	NA	NA
29.	**If convertible, specify issuer of instrument it converts into**	NA	NA
30.	**Write-down feature**	NA	Yes
31.	**If write-down, write-down trigger(s)**	NA	Notification by regulator of Non viability without (a) write-down ; or (b) a public sector injection of capital (or equivalent support)
32.	**If write-down, full or partial**	NA	Fully / Partially
33.	**If write-down, permanent or temporary**	NA	Permanent
34.	**If temporary write-down, description of write-up mechanism**	NA	NA
35.	**Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)**	Additional Tier 1 Capital Bonds	All depositors and creditors
36.	**Non-compliant transitioned features**	NA	No
37.	**If yes, specify non-compliant features**	NA	NA

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LEVERAGE RATIO
The leverage ratio serves as a supplementary measure to the risk-based capital requirements. The leverage ratio is computed on a consolidated basis and being Bahraini bank licensees designated as DSIB must meet a 3.75% leverage ratio minimum requirement at all times.

Leverage Ratio components

	US$ '000
Tier1 Capital [A]	**3,462,600**
Total Exposure [B]	**28,385,580**
Leverage Ratio ([A] / [B])	**12.2%**