

AHLI UNITED BANK B.S.C.
INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
30 JUNE 2021



Ernst & Young – Middle East
P.O. Box 140
East Tower – 10th floor
Bahrain World Trade Center
Manama
Kingdom of Bahrain

Tel: +973 1753 5455
Fax: +973 1753 5405
manama@bh.ey.com
www.ey.com/mena
C.R. no. 29977-1

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF AHLI UNITED BANK B.S.C.

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Ahli United Bank B.S.C. (the "Bank") and its subsidiaries (the "Group") as at 30 June 2021, comprising of the interim condensed consolidated balance sheet as at 30 June 2021 and the related interim condensed consolidated statements of income, comprehensive income for the three month period and six month period then ended, and the interim condensed consolidated statements of cash flows and changes in equity for the six-month period then ended and explanatory notes. The Bank's Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard IAS 34 Interim Financial Reporting ("IAS 34"), as modified by the Central Bank of Bahrain ("the CBB") referred to under note 2.1 of the accompanying interim condensed consolidated financial statements. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34, as modified by the CBB.

4 August 2021
Manama, Kingdom of Bahrain

AHLI UNITED BANK B.S.C.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

Six months ended 30 June 2021 (Reviewed)

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
<i>Note</i>	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>
Interest income	330,288	369,990	656,465	789,732
Interest expense	115,625	177,101	234,809	383,012
Net interest income	214,663	192,889	421,656	406,720
Fees and commissions - net	23,978	22,883	53,471	55,340
Trading income	8,123	12,476	16,647	24,451
Investment income and others	14,390	28,601	60,399	89,063
Fees and other income	46,491	63,960	130,517	168,854
OPERATING INCOME	261,154	256,849	552,173	575,574
Provision for credit losses and others	6c 31,965	49,919	62,816	82,382
NET OPERATING INCOME	229,189	206,930	489,357	493,192
Staff costs	44,079	44,298	86,633	95,195
Depreciation	8,610	7,362	16,954	16,754
Other operating expenses	20,650	19,370	50,485	45,504
OPERATING EXPENSES	73,339	71,030	154,072	157,453
PROFIT BEFORE TAX AND ZAKAT	155,850	135,900	335,285	335,739
Tax expense and zakat	10,055	8,423	19,494	21,376
NET PROFIT FOR THE PERIOD	145,795	127,477	315,791	314,363
Net profit attributable to the non-controlling interests	6,854	5,452	17,234	20,924
NET PROFIT ATTRIBUTABLE TO THE OWNERS OF THE BANK	138,941	122,025	298,557	293,439
EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE BANK FOR THE PERIOD:				
Basic and diluted earnings per ordinary share (US cents)	3 1.2	1.0	2.8	2.7

Meshal AbdulAziz Alothman
Chairman

Mohammad J. Al-Marzooq
Deputy Chairman

Adel A. El-Labban
Group Chief Executive Officer
& Managing Director

AHLI UNITED BANK B.S.C.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June 2021 (Reviewed)

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>
Net profit for the period	145,795	127,477	315,791	314,363
Other Comprehensive Income (OCI)				
Items that will not be reclassified subsequently to consolidated statement of income				
Net change in fair value of equity investments measured at fair value through OCI	(663)	(2,196)	5,431	(848)
Net change in pension fund reserve	4,819	(1,990)	11,615	(2,388)
Items that may be reclassified subsequently to consolidated statement of income				
Foreign currency translation adjustments	9,051	31,602	11,617	(73,660)
Net movement in fair value of debt instruments held as fair value through OCI	18,068	53,420	4,971	(38,761)
Transfers to consolidated statement of income	906	(754)	(2,066)	1,223
Net change in fair value of cash flow hedges	(6,560)	(667)	10,264	(28,829)
Other comprehensive income (loss) for the period	25,621	79,415	41,832	(143,263)
Total comprehensive income for the period	171,416	206,892	357,623	171,100
Total comprehensive income attributable to non-controlling interests	8,493	12,592	19,858	13,754
Total comprehensive income attributable to the owners of the Bank	162,923	194,300	337,765	157,346

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements

AHLI UNITED BANK B.S.C.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

30 June 2021 (Reviewed)

		<i>(Audited)</i>	
		<i>30 June</i>	<i>31 December</i>
		<i>2021</i>	<i>2020</i>
	<i>Note</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
ASSETS			
Cash and balances with central banks		1,602,745	1,747,560
Treasury bills and deposits with central banks		2,301,469	2,333,852
Deposits with banks		3,511,981	3,532,689
Loans and advances	6	21,384,807	20,719,878
Non-trading investments	7	9,519,461	9,608,309
Investment in associates		330,506	303,127
Investment properties		174,072	185,715
Interest receivable, derivative and other assets		861,221	857,232
Premises and equipment		300,238	296,847
Goodwill and other intangible assets		488,615	485,958
TOTAL ASSETS		40,475,115	40,071,167
LIABILITIES AND EQUITY			
LIABILITIES			
Deposits from banks		4,518,115	4,218,417
Borrowings under repurchase agreements		3,680,053	3,618,069
Customers' deposits		24,443,548	25,182,585
Term debts		525,000	175,000
Interest payable, derivative and other liabilities		1,502,968	1,830,706
Subordinated liabilities		10,095	10,032
TOTAL LIABILITIES		34,679,779	35,034,809
EQUITY			
Ordinary share capital		2,533,621	2,412,972
Reserves		1,659,753	1,588,668
Equity attributable to the owners of the Bank		4,193,374	4,001,640
Perpetual Tier 1 Capital Securities	12	1,160,815	600,000
Non-controlling interests		441,147	434,718
TOTAL EQUITY		5,795,336	5,036,358
TOTAL LIABILITIES AND EQUITY		40,475,115	40,071,167

Meshal AbdulAziz Alothman
Chairman

Mohammad J. Al-Marzooq
Deputy Chairman

Adel A. El-Labban
Group Chief Executive Officer &
Managing Director

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June 2021 (Reviewed)

	Note	<i>Six months ended</i>	
		<i>30 June</i>	
		<i>2021</i>	<i>2020</i>
		<i>US\$ '000</i>	<i>US\$ '000</i>
OPERATING ACTIVITIES			
Profit before tax and zakat		335,285	335,739
Adjustments for:			
Depreciation		16,954	16,754
Investment income and others		(57,200)	(82,962)
Provision for credit losses and others		65,916	82,382
Operating profit before changes in operating assets and liabilities		360,955	351,913
Changes in:			
Mandatory reserve deposits with central banks		(81,872)	203,954
Treasury bills and deposits with central banks		445,452	(266,468)
Deposits with banks		(282,843)	659,243
Loans and advances		(719,677)	(561,513)
Interest receivable, derivative and other assets		20,139	(108,995)
Deposits from banks		299,698	367,259
Borrowings under repurchase agreements		61,984	1,048,851
Customers' deposits		(739,037)	(1,612,927)
Interest payables, derivative and other liabilities		(53,392)	17,908
Cash (used in) from operations		(688,593)	99,225
Income tax and zakat paid		(21,417)	(19,564)
Net cash (used in) from operating activities		(710,010)	79,661
INVESTING ACTIVITIES			
Purchase of non-trading investments		(1,957,725)	(1,401,189)
Proceeds from sale or redemption of non-trading investments		1,809,599	1,206,649
Additional investment in subsidiary		(8,628)	-
Right subscription in an associate		(27,545)	-
Net decrease in investment properties		14,399	50,737
Net increase in premises and equipment		(19,701)	(12,002)
Dividends received from associates		8,862	14,283
Net cash used in investing activities		(180,739)	(141,522)
FINANCING ACTIVITIES			
Additional Perpetual Tier 1 Capital Securities issued	12	600,000	-
Redemption of Perpetual Tier 1 Capital Securities	12	(39,185)	-
Expenses related to Perpetual Tier 1 Sukuk issued and others		(2,102)	-
Distribution on Perpetual Tier 1 Capital Securities		(17,490)	(19,250)
Additional term debts		350,000	-
Repayment of subordinated liabilities		-	(17,996)
Dividends and other appropriations paid		(119,005)	(428,547)
Dividends paid to the non-controlling interests		-	(26,845)
Movement in subsidiary		-	143
Net cash from (used in) financing activities		772,218	(492,495)
NET CHANGE IN CASH AND CASH EQUIVALENTS		(118,531)	(554,356)
Net foreign exchange difference		1,362	(14,635)
Cash and cash equivalents at 1 January		2,976,999	3,132,123
CASH AND CASH EQUIVALENTS AT 30 JUNE		2,859,830	2,563,132
<i>Cash and cash equivalents comprise:</i>			
Cash and balances with central banks, excluding mandatory reserve deposits		947,145	739,157
Deposits with banks, central banks and treasury bills with an original maturity of three months or less		1,912,685	1,823,975
		2,859,830	2,563,132
Additional cash flow information:			
Interest received		660,868	777,532
Interest paid		244,867	435,496

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements

Ahli United Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2021 (Reviewed)

	<i>Attributable to the owners of the Bank</i>										
	<i>Reserves</i>							<i>Equity attributable to the owners</i>	<i>Perpetual Tier 1 Capital Securities</i>	<i>Non-controlling interests</i>	<i>Total</i>
<i>Ordinary share capital</i>	<i>Share premium</i>	<i>Statutory reserve</i>	<i>Retained earnings</i>	<i>Proposed appropriations</i>	<i>Other reserves (note 8)</i>	<i>Total reserves</i>	<i>US\$ '000</i>				
Balance at 1 January 2021	2,412,972	753,063	704,755	530,302	122,649	(522,101)	1,588,668	4,001,640	600,000	434,718	5,036,358
Donations	-	-	-	-	(2,000)	-	(2,000)	(2,000)	-	-	(2,000)
Bonus shares issued	120,649	-	-	(120,649)	-	-	(120,649)	-	-	-	-
Ordinary share dividend	-	-	-	-	(120,649)	-	(120,649)	(120,649)	-	-	(120,649)
Transfer from OCI reserve on equity investments	-	-	-	1,355	-	-	1,355	1,355	-	-	1,355
Distribution related to Perpetual Tier 1 Capital Securities	-	-	-	(11,678)	-	-	(11,678)	(11,678)	-	-	(11,678)
Distribution related to Perpetual Tier 1 Sukuk	-	-	-	(4,351)	-	-	(4,351)	(4,351)	-	(1,461)	(5,812)
Perpetual Tier 1 Sukuk issued (Note 12)	-	-	-	-	-	-	-	-	600,000	-	600,000
Perpetual Tier 1 Sukuk redemption (Note 12)	-	-	-	-	-	-	-	-	(39,185)	-	(39,185)
Expenses related to Perpetual Tier 1 Sukuk issued and others	-	-	-	(1,574)	-	-	(1,574)	(1,574)	-	(528)	(2,102)
Movement in associates	-	-	-	(4,228)	-	-	(4,228)	(4,228)	-	-	(4,228)
Movement in subsidiaries	-	-	-	(2,362)	-	-	(2,362)	(2,362)	-	(107)	(2,469)
Arising on additional acquisition in a subsidiary	-	(544)	-	-	-	-	(544)	(544)	-	(11,333)	(11,877)
Total comprehensive income for the period	-	-	-	298,557	-	39,208	337,765	337,765	-	19,858	357,623
Balance at 30 June 2021	2,533,621	752,519	704,755	685,372	-	(482,893)	1,659,753	4,193,374	1,160,815	441,147	5,795,336

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements

Ahli United Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2021 (Reviewed)

<i>Attributable to the owners of the Bank</i>											
<i>Reserves</i>											
	<i>Ordinary share capital US\$ '000</i>	<i>Share premium US\$ '000</i>	<i>Statutory reserve US\$ '000</i>	<i>Retained earnings US\$ '000</i>	<i>Proposed appropriations US\$ '000</i>	<i>Other reserves (note 8) US\$ '000</i>	<i>Total reserves US\$ '000</i>	<i>Equity attributable to the owners US\$ '000</i>	<i>Perpetual Tier 1 Capital Securities US\$ '000</i>	<i>Non- controlling interests US\$ '000</i>	<i>Total US\$ '000</i>
Balance at 1 January 2020	2,193,611	766,230	659,531	611,207	439,722	(404,774)	2,071,916	4,265,527	600,000	496,002	5,361,529
Donations	-	-	-	-	(1,000)	-	(1,000)	(1,000)	-	-	(1,000)
Bonus shares issued	219,361	-	-	(219,361)	-	-	(219,361)	-	-	-	-
Ordinary share dividend	-	-	-	-	(438,722)	-	(438,722)	(438,722)	-	-	(438,722)
Transfer from OCI reserve on equity investments	-	-	-	(1,387)	-	-	(1,387)	(1,387)	-	2	(1,385)
Distribution related to Perpetual Tier 1 Capital Securities	-	-	-	(13,750)	-	-	(13,750)	(13,750)	-	-	(13,750)
Distribution related to Perpetual Tier 1 Sukuk	-	-	-	(4,120)	-	-	(4,120)	(4,120)	-	(1,380)	(5,500)
Net loss on loan contract modification (note 2.5)	-	-	-	(98,449)	-	-	(98,449)	(98,449)	-	(9,405)	(107,854)
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	(26,845)	(26,845)
Movement in associates	-	-	-	(4,455)	-	-	(4,455)	(4,455)	-	-	(4,455)
Movement in subsidiaries	-	(21)	-	(2,011)	-	-	(2,032)	(2,032)	-	(239)	(2,271)
Total comprehensive income (loss) for the period	-	-	-	293,439	-	(136,093)	157,346	157,346	-	13,754	171,100
Balance at 30 June 2020	2,412,972	766,209	659,531	561,113	-	(540,867)	1,445,986	3,858,958	600,000	471,889	4,930,847

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements

30 June 2021 (Reviewed)

1 CORPORATE INFORMATION

Ahli United Bank B.S.C. ("AUB" or "the Bank") was incorporated in the Kingdom of Bahrain on 31 May 2000 originally as a closed company and changed on 12 July 2000 to a public shareholding company by Amiri Decree number 16/2000. The Bank and its subsidiaries (collectively known as "the Group") are engaged in retail, commercial, Islamic and investment banking business, global fund management and private banking services through branches in the Kingdom of Bahrain, the State of Kuwait, 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 Libya and in the Sultanate of Oman. The Bank operates under a retail banking license issued by the Central Bank of Bahrain ("CBB"). The Bank also engages in life insurance business through its subsidiary, Al Hilal Life B.S.C. (c). The Bank's registered office is located at Building 2495, Road 2832, Al Seef District 428, Kingdom of Bahrain.

The interim condensed consolidated financial statements of the Group for the six-month period ended 30 June 2021 were authorised for issue in accordance with a resolution of the Board of Directors dated 4 August 2021.

2 ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial statements of the Group have been presented in condensed form in accordance with the guidance provided by International Accounting Standard 34 – 'Interim Financial Reporting', using International Financial Reporting Standards (IFRS) as modified by CBB framework. Hence, the framework used in the preparation of the interim condensed consolidated interim financial information of the Group is hereinafter referred to as 'IAS 34 as modified by CBB'.

The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2020, except for the new standards and amendments as detailed in note 2.2 below.

The interim condensed consolidated financial statements of the Group for comparative period ended 30 June 2020 were prepared in accordance with applicable rules and regulations issued by the CBB on regulatory concessionary measures in response to COVID-19. These rules and regulations, in particular CBB circular OG/226/2020 dated 21 June 2020, required the adoption of all IFRS issued by the International Accounting Standards Board (IASB), except for:

- (a) recognition of modification losses on financial assets arising from payment holidays provided to customers impacted by COVID-19 without charging additional interest, in equity instead of profit or loss as required by IFRS 9 Financial Instruments. Any other modification gain or loss on financial assets are recognised in accordance with the requirements of IFRS 9 - Financial Instruments; and
- (b) recognition of financial assistance received from the government and/ or regulators in response to its COVID-19 support measures that meets the government grant requirement, in equity, instead of profit or loss. This will only be to the extent of any modification loss recorded in equity as a result of (a) above, and the balance amount to be recognized in profit or loss. Any other financial assistance is recognised in accordance with the requirements of IAS 20 - Accounting for Government Grants and Disclosure of Government Assistance.

The above framework formed the basis of preparation and presentation of the interim condensed consolidated financial statements of the Group and is hereinafter referred to as 'IFRS as modified by CBB'.

2 ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

The interim condensed consolidated financial statements of the Group do not contain all information and disclosures required for the annual audited consolidated financial statements, and should be read in conjunction with the Group's annual audited consolidated financial statements for the year ended 31 December 2020. Further, results for the interim periods are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

2.2 New standards, interpretations and amendments effective for the period

The accounting policies used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2020, except for adoption of new standards effective as of 1 January 2021. The adoption of the below new standards and amendments did not result in changes to previously reported net profit or equity of the Group.

- *Interest Rate Benchmark Reform (Phase 2): Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16*

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no material impact on the interim condensed consolidated financial information of the Group.

The Group intends to use the practical expedients in future periods, if they become applicable.

Other amendments to IFRS which are effective for annual accounting period starting from 1 January 2021 did not have any material impact on the accounting policies, financial position or performance of the Group.

2.3 New standard issued but not yet effective

IFRS 17 Insurance Contracts is effective from 1 January 2023. The Group is currently evaluating the impact of this new standard. The Group intends to adopt this new standard on the effective date.

2.4 Impact of COVID-19 outbreak

COVID-19 pandemic has severely impacted various economies globally, causing disruption to business and economic activities and resulting in significant uncertainties in the operating environment. Global financial markets have also experienced enhanced levels of volatility. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

As a regulatory response to the impact arising from the developing coronavirus pandemic situation, the CBB has issued various relaxation measures from time-to-time to contain the financial repercussions of COVID-19. These mainly include, several deferral programs for eligible customers both with and without interest, reduced limits of Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) for all locally incorporated banks, cash reserve ratio for retail banks, cap on merchant fees, adjustments to cooling off period for transferring exposures from Stage 3 to Stage 2, relaxation concerning days past due for ECL staging criteria, and relaxation on Loan-to-value (LTV) ratio for residential mortgages.

2 ACCOUNTING POLICIES (continued)

2.4 Impact of COVID-19 outbreak (continued)

In preparing these interim condensed consolidated financial statements, significant judgments were made by the management in applying the Group's accounting policies. While the key performance metrics are subject to current economic volatility, these are considered to represent management's best assessment based on available or observable information.

The level of estimation uncertainty has increased as a result of the economic disruption and consequential impact of the COVID-19 pandemic.

The Group has updated inputs and assumptions used for the determination of ECL in response to uncertainties caused by COVID-19. Under IFRS 9, financial assets are required to be moved from Stage 1 to Stage 2 if and only if they have been the subject of a significant increase in credit risk (SICR) since origination. A SICR occurs when there has been a significant increase to the risk of a default. The Group continues to assess borrowers for other indicators of unlikelihood to pay, taking into consideration the underlying cause of any financial difficulty and whether it is likely to be temporary as a result of COVID-19 or non-temporary.

Considering that the situation is evolving, the Group has considered the impact of higher volatility in the forward-looking macro-economic factors, when determining the severity and likelihood of economic scenarios for ECL determination. This volatility has been reflected through adjustments in the established regression relationships. Management overlays are applied to the model outputs if consistent with the objective of SICR and to address the current market conditions. Furthermore, the Group continues to closely monitor the potential repayment risk impact of COVID-19 on affected industry sectors.

2.5 Accounting for modification loss

Based on a regulatory directive issued by the CBB and the Central Bank of Kuwait (the "CBK") as concessionary measures to mitigate the impact of COVID-19, the one-off modification losses amounting to US\$ 114.4 million arising from the 6-month payment holidays provided to financing customers without charging additional interest was recognized directly in the equity for the six-month period ended 30 June 2020. The modification loss was calculated as the difference between the net present value of the modified cash flows relating to financing exposures calculated using the original effective interest rate and the current carrying value of the financial assets on the date of modification.

Further, as per the regulatory directive financial assistance amounting to US\$ 6.5 million (representing specified reimbursement of a portion of staff costs and waiver of levies and utility charges) received from the government, in response to its COVID-19 support measures, has been recognized directly in equity under retained earnings for the six-month period ended 30 June 2020.

The net impact of above two adjustments amounting to US\$ 98.5 million has been debited to retained earnings and US\$ 9.4 million adjusted in non-controlling interest for the six-month period ended 30 June 2020.

AHLI UNITED BANK B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2021 (Reviewed)

3 EARNINGS PER ORDINARY SHARE

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
For basic and diluted earnings per share computation				
Net profit attributable to the owners of the Bank	138,941	122,025	298,557	293,439
Perpetual Tier 1 Capital Securities distribution	(11,678)	(13,750)	(11,678)	(13,750)
Perpetual Tier 1 Sukuk distribution	(4,351)	(4,120)	(4,351)	(4,120)
Adjusted net profit for the period attributable to Bank's ordinary equity shareholders for basic and diluted earnings per share computation	122,912	104,155	282,528	275,569
Weighted average ordinary shares outstanding during the period adjusted for bonus shares (in millions)	10,134	10,134	10,134	10,134
Basic and diluted earnings per ordinary share (US cents)	1.2	1.0	2.8	2.7
Issued and fully paid ordinary shares of US\$ 0.25 each (in millions)	10,134.5	9,651.9	10,134.5	9,651.9

4 CONTINGENT LIABILITIES

The Group had the following credit related contingent liabilities:

	<i>(Audited)</i>	
	<i>30 June</i>	<i>31 December</i>
	<i>2021</i>	<i>2020</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Guarantees	2,691,837	2,710,332
Acceptances	280,427	244,546
Letters of credit	633,970	390,673
	3,606,234	3,345,551

5 SEGMENT INFORMATION

For management reporting purposes, the Group is organised into four major business segments:

- Retail banking
- Corporate banking
- Treasury and investments
- Private banking

Transactions between segments are conducted at estimated market rates. Interest is charged/credited to business segments based on a pool rate, which approximates the cost of funds.

AHLI UNITED BANK B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2021 (Reviewed)

5 SEGMENT INFORMATION (continued)

Segmental information for the period was as follows:

	<i>Retail banking</i>	<i>Corporate banking</i>	<i>Treasury and investments</i>	<i>Private banking</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Six months ended 30 June 2021:					
Net interest income	93,093	174,997	126,545	27,021	421,656
Fees and commissions - net	12,470	32,594	1,295	7,112	53,471
Trading, investment income and others	1,020	6,847	69,149	30	77,046
OPERATING INCOME	106,583	214,438	196,989	34,163	552,173
Provision (recoveries) for credit losses and others	3,138	62,854	(4,441)	1,265	62,816
NET OPERATING INCOME	103,445	151,584	201,430	32,898	489,357
Operating expenses	58,811	37,564	42,189	15,508	154,072
PROFIT BEFORE TAX AND ZAKAT	44,634	114,020	159,241	17,390	335,285
Tax expense and zakat					19,494
NET PROFIT FOR THE PERIOD					315,791
Less: Attributable to the non-controlling interests					17,234
NET PROFIT ATTRIBUTABLE TO THE OWNERS OF THE BANK					298,557
Inter segment interest included in net interest income above	103,093	(86,415)	(30,519)	13,841	-
	<i>Retail banking</i>	<i>Corporate banking</i>	<i>Treasury and investments</i>	<i>Private banking</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Six months ended 30 June 2020:					
Net interest income	108,212	156,965	113,509	28,034	406,720
Fees and commissions - net	13,605	32,085	2,141	7,509	55,340
Trading, investment income and others	820	7,034	105,546	114	113,514
OPERATING INCOME	122,637	196,084	221,196	35,657	575,574
Provision for credit losses and others	5,824	66,539	6,819	3,200	82,382
NET OPERATING INCOME	116,813	129,545	214,377	32,457	493,192
Operating expenses	57,333	40,092	44,438	15,590	157,453
PROFIT BEFORE TAX AND ZAKAT	59,480	89,453	169,939	16,867	335,739
Tax expense and zakat					21,376
NET PROFIT FOR THE PERIOD					314,363
Less: Attributable to the non-controlling interests					20,924
NET PROFIT ATTRIBUTABLE TO THE OWNERS OF THE BANK					293,439
Inter segment interest included in net interest income above	121,860	(172,069)	33,625	16,584	-

AHLI UNITED BANK B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL

30 June 2021 (Reviewed)

6 LOANS AND ADVANCES

a) Credit quality of loans and advances

	<i>30 June 2021</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
High standard grade	12,753,373	853,939	-	13,607,312
Standard grade	5,778,214	2,449,177	-	8,227,391
Credit impaired	-	-	560,792	560,792
	18,531,587	3,303,116	560,792	22,395,495
Less: ECL allowances	(153,890)	(386,517)	(470,281)	(1,010,688)
	18,377,697	2,916,599	90,511	21,384,807
	<i>31 December 2020 (Audited)</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
High standard grade	12,250,904	839,791	-	13,090,695
Standard grade	5,669,036	2,396,008	-	8,065,044
Credit impaired	-	-	558,863	558,863
	17,919,940	3,235,799	558,863	21,714,602
Less: ECL allowances	(138,970)	(375,961)	(479,793)	(994,724)
	17,780,970	2,859,838	79,070	20,719,878

b) Reconciliation of ECL allowances

	<i>2021</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
At 1 January 2021	138,970	375,961	479,793	994,724
Transfer from Stage 1	(3,881)	1,257	2,624	-
Transfer from Stage 2	2,896	(17,910)	15,014	-
Transfer from Stage 3	-	17,461	(17,461)	-
Net remeasurement of ECL allowances (note 6c)	15,620	8,912	34,958	59,490
Amounts written-off	-	-	(46,246)	(46,246)
Exchange rate and other adjustments	285	836	1,599	2,720
At 30 June 2021	153,890	386,517	470,281	1,010,688

AHLI UNITED BANK B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL

30 June 2021 (Reviewed)

6 LOANS AND ADVANCES (continued)

b) Reconciliation of ECL allowances (continued)

	2020			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
At 1 January 2020	100,805	312,454	356,505	769,764
Transfer from Stage 1	(1,978)	865	1,113	-
Transfer from Stage 2	1,217	(13,648)	12,431	-
Net remeasurement of ECL allowances (note 6c)	50,494	7,025	18,007	75,526
Amounts written-off	-	-	(4,223)	(4,223)
Exchange rate and other adjustments	(300)	(2,696)	(1,637)	(4,633)
At 30 June 2020	<u>150,238</u>	<u>304,000</u>	<u>382,196</u>	<u>836,434</u>

c) Provision for credit losses and others

	<i>Six months ended</i>	
	<i>30 June</i>	
	<i>2021</i>	<i>2020</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Net remeasurement of ECL on loans and advances (note 6 b)	59,490	75,526
Recoveries from loans and advances during the period (from fully provided loans written-off in previous years)	(4,742)	(8,304)
Net remeasurement of ECL for non-trading investments (note 7 b)	(4,441)	6,819
Net remeasurement of ECL on off-balance sheet exposures and others	7,190	2
Net other provision charges	5,319	8,339
	<u>62,816</u>	<u>82,382</u>

7 NON-TRADING INVESTMENTS

a) Credit quality of non-trading investments

	30 June 2021			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
High standard grade	5,878,079	5,066	-	5,883,145
Standard grade	3,449,546	87,097	-	3,536,643
	<u>9,327,625</u>	<u>92,163</u>	<u>-</u>	<u>9,419,788</u>
Less: ECL allowances	(18,467)	(3,949)	-	(22,416)
	<u>9,309,158</u>	<u>88,214</u>	<u>-</u>	<u>9,397,372</u>
Equity instruments at fair value				<u>122,089</u>
				<u>9,519,461</u>
	<i>31 December 2020 (Audited)</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
High standard grade	6,508,714	-	-	6,508,714
Standard grade	2,904,951	95,060	-	3,000,011
	<u>9,413,665</u>	<u>95,060</u>	<u>-</u>	<u>9,508,725</u>
Less: ECL allowances	(21,171)	(5,771)	-	(26,942)
	<u>9,392,494</u>	<u>89,289</u>	<u>-</u>	<u>9,481,783</u>
Equity instruments at fair value				<u>126,526</u>
				<u>9,608,309</u>

Equity instruments held at fair value include investments amounted to US\$ 4.8 million as at 30 June 2021 (31 December 2020: US\$ 6.5 million) which are designated as FVTPL. Income from FVTPL equity investments for the period amounted to US\$ 0.5 million (30 June 2020: US\$ 22.2 million).

7 NON-TRADING INVESTMENTS (continued)

b) Reconciliation of ECL allowances

	<i>2021</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
At 1 January 2021	21,171	5,771	-	26,942
Net remeasurement of ECL allowances (note 6c)	(2,530)	(1,911)	-	(4,441)
Exchange rate and other adjustments	(174)	89	-	(85)
At 30 June 2021	18,467	3,949	-	22,416
	<i>2020</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
At 1 January 2020	9,407	1,733	-	11,140
Net remeasurement of ECL allowances (note 6c)	4,299	2,520	-	6,819
Exchange rate and other adjustments	(109)	35	-	(74)
At 30 June 2020	13,597	4,288	-	17,885

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30 June 2021 (Reviewed)

8 MOVEMENT IN OTHER RESERVES

	<i>Capital reserve</i>	<i>Property revaluation reserve</i>	<i>Foreign exchange translation reserve</i>	<i>Cumulative changes in</i>			<i>Total other reserves</i>
				<i>OCI reserve</i>	<i>Cash flow hedge reserve</i>	<i>Pension fund reserve</i>	
Balance at 1 January 2021	17,240	36,309	(473,924)	(2,548)	(53,739)	(45,439)	(522,101)
Currency translation adjustments	-	8	8,861	-	-	-	8,869
Transfers to interim consolidated statement of income	-	-	-	(2,091)	48	-	(2,043)
Net fair value movements	-	-	-	11,906	10,216	11,615	33,737
Transfers to retained earnings on equity investments	-	-	-	(1,355)	-	-	(1,355)
Balance at 30 June 2021	17,240	36,317	(465,063)	5,912	(43,475)	(33,824)	(482,893)

	<i>Capital reserve</i>	<i>Property revaluation reserve</i>	<i>Foreign exchange translation reserve</i>	<i>Cumulative changes in</i>			<i>Total other reserves</i>
				<i>OCI reserve</i>	<i>Cash flow hedge reserve</i>	<i>Pension fund reserve</i>	
Balance at 1 January 2020	17,240	35,395	(402,456)	21,331	(37,137)	(39,147)	(404,774)
Currency translation adjustments	-	(4)	(67,047)	-	-	-	(67,051)
Transfers to interim consolidated statement of income	-	-	-	1,223	(66)	-	1,157
Net fair value movements	-	-	-	(40,435)	(28,763)	(2,388)	(71,586)
Transfers to retained earnings on equity investments	-	-	-	1,387	-	-	1,387
Balance at 30 June 2020	17,240	35,391	(469,503)	(16,494)	(65,966)	(41,535)	(540,867)

30 June 2021 (Reviewed)

9 FAIR VALUE MEASUREMENT

The fair value of financial assets and financial liabilities, with the exception of non-trading investments that are carried at amortised cost, approximate their carrying values. The fair value of the non-trading investments held at amortised cost was US\$ 7,851.1 million as at 30 June 2021 (31 December 2020: US\$ 8,209.5 million). Carrying value of these non-trading investments was US\$ 7,718.5 million as at 30 June 2021 (31 December 2020: US\$ 8,198.3 million).

The Group's primary medium and long-term financial liabilities are the subordinated liabilities and term debts. 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 borrowings 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.

	<i>30 June 2021</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Equity instruments at fair value	92	83,056	38,941	122,089
Debt instruments (FVTOCI)	1,564,612	114,240	-	1,678,852
Derivative assets	-	110,681	-	110,681
Derivative liabilities	-	628,902	-	628,902

	<i>31 December 2020 (Audited)</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Equity instruments at fair value	176	87,911	38,439	126,526
Debt instruments (FVTOCI)	1,181,645	101,817	-	1,283,462
Derivative assets	-	166,662	-	166,662
Derivative liabilities	-	1,014,416	-	1,014,416

During the six months ended 30 June 2021 and 2020, there have been no transfers between Level 1, 2, 3 and no significant movements were noted in Level 3 investments.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2021 (Reviewed)

10 RELATED PARTY TRANSACTIONS

The Group enters into transactions with major shareholders, 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 loans and advances to related parties are performing and are subject to ECL assessments.

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

	2021					
	<i>Major shareholders</i>	<i>Associates</i>	<i>Non- Executive Directors</i>	<u>Senior management</u>		<i>Total</i>
				<i>Management Directors</i>	<i>Others</i>	
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
<i>For the six months ended</i>						
<i>30 June 2021</i>						
Interest income	-	51	2,991	14	-	3,056
Interest expense	8,426	-	294	39	3	8,762
Fees and commissions	553	1,012	957	5	1	2,528
Short term employee benefits	-	-	-	6,544	1,548	8,092
End of service benefits	-	-	-	602	99	701
Directors' fees and related	-	-	497	-	-	497
<i>As of 30 June 2021</i>						
Deposits with banks	-	5,700	-	-	-	5,700
Loans and advances	-	-	165,459	547	36	166,042
Derivative assets	-	6,414	-	-	-	6,414
Deposits from banks	-	24,465	-	-	-	24,465
Customers' deposits	2,138,249	-	53,542	7,870	875	2,200,536
Subordinated liabilities	10,095	-	-	-	-	10,095
Commitments and contingent liabilities	-	58,724	83,050	-	-	141,774
2020						
	<i>Major shareholders</i>	<i>Associates</i>	<i>Non- Executive Directors</i>	<u>Senior management</u>		<i>Total</i>
				<i>Management Directors</i>	<i>Others</i>	
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
<i>For the six months ended</i>						
<i>30 June 2020</i>						
Interest income	-	111	3,428	46	3	3,588
Interest expense	64,097	356	43	39	6	64,541
Fees and commissions	601	692	468	7	1	1,769
Short term employee benefits	-	-	-	6,242	1,342	7,584
End of service benefits	-	-	-	1,156	90	1,246
Directors' fees and related	-	-	1,115	-	-	1,115
<i>As of 31 December 2020</i>						
Deposits with banks	-	15,570	-	-	-	15,570
Loans and advances	-	-	144,053	379	-	144,432
Derivative assets	-	8,853	-	-	-	8,853
Deposits from banks	-	17,086	-	-	-	17,086
Customers' deposits	3,728,982	-	30,405	8,715	396	3,768,498
Subordinated liabilities	10,032	-	-	-	-	10,032
Commitments and contingent liabilities	-	7,436	84,461	-	-	91,897

AHLI UNITED BANK B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2021 (Reviewed)

11 NET STABLE FUNDING RATIO (NSFR)

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%. However, as per CBB circular OG/431/2020 dated 29 December 2020, the limit is reduced to 80% until 31 December 2021, to contain the financial repercussions of COVID-19. The Group's consolidated NSFR ratio as of 30 June 2021 is 115.7% (31 December 2020: 117.0%).

	<i>(Audited)</i>	
	<i>30 June</i>	<i>31 December</i>
	<i>2021</i>	<i>2020</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
<u>Available Stable Funding:</u>		
Regulatory capital	6,014,354	5,539,056
Retail and SME deposits	6,873,920	6,381,437
Wholesale funding	11,797,682	12,707,451
Others	825,356	480,576
Total Available Stable Funding (A)	25,511,312	25,108,520
<u>Required Stable Funding :</u>		
High-Quality Liquid Assets (HQLA)	1,517,179	1,798,935
Performing loans	14,106,663	13,552,637
Securities (other than HQLA)	3,099,834	2,734,716
Derivative contracts and margins	390,749	587,712
Others	2,534,139	2,405,618
Off-balance sheet items	400,221	388,174
Total Required Stable Funding (B)	22,048,785	21,467,792
NSFR (%) (A/B)	115.7%	117.0%

12 PERPETUAL TIER 1 CAPITAL SECURITIES

	<i>(Audited)</i>	
	<i>30 June</i>	<i>31 December</i>
	<i>2021</i>	<i>2020</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Issued by the Bank	400,000	400,000
Perpetual Tier I Sukuk-2021	600,000	-
Perpetual Tier I Sukuk-2016	160,815	200,000
	1,160,815	600,000

In addition to existing Perpetual Tier I securities issued by the Bank's subsidiary Ahli United Bank K.S.C.P ("AUBK") amounting US\$ 200 million in 2016 ("Perpetual Tier I Sukuk-2016"), AUBK has completed a US\$ 600 million Basel III compliant Additional Tier 1 Perpetual Capital Sukuk ("Perpetual Tier I Sukuk-2021") issue during June 2021 that bears a profit rate of 3.875% per annum, which are eligible to be classified under equity. The Perpetual Tier I Sukuk-2021 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 Perpetual Tier I Sukuk-2021 and Perpetual Tier I Sukuk-2016 are listed on the Irish Stock Exchange and NASDAQ Dubai.

12 PERPETUAL TIER 1 CAPITAL SECURITIES (continued)

In June 2021, AUBK announced a tender offer to the holders of the outstanding Perpetual Tier I Sukuk-2016 under the terms of the Tender Offer Memorandum and the AUBK fully settled the accepted validly tendered Capital Certificates amounting to US\$ 39,185 thousands. Accordingly, the aggregate face amount of the outstanding Perpetual Tier I Sukuk-2016 as of 30 June 2021 is US\$ 160,815 thousands. The AUBK has already obtained the approval from CBK to recall Perpetual Tier I Sukuk-2016 at its discretion in October 2021.

13 TRANSACTION WITH KUWAIT FINANCE HOUSE K.S.C.P. (KFH)

The shareholders of Kuwait Finance House K.S.C.P (KFH) in its AGM/EGM held on 20 January 2020 approved the pursuit of the acquisition of Ahli United Bank B.S.C. (“AUB”/“Bank”) through a firm voluntary conditional offer to acquire 100% of the issued and paid up shares of the Bank by way of a share swap at the exchange ratio of 2.325581 AUB shares for each KFH share following approval by the Bank’s Board of Directors on 12 September 2019. The KFH approval was conditional on securing a minimum 85% acceptance rate for its tender offer and the proposed acquisition remains subject to conditions precedent and all relevant regulatory and shareholder approvals.

However, subsequently the proposed acquisition procedures were suspended until December 2020 due to the prevailing unprecedented circumstances relating to the Covid-19 pandemic. During December 2020, the AUB Board of Directors, in consultation with KFH Board of Directors, and subject to necessary regulatory approvals, has agreed to extend the suspension period for the resumption of the acquisition of AUB by KFH until completion of KFH's updated assessment to be conducted by the international advisor appointed by KFH in this respect. Further, AUB has and will disclose on the Bahrain Bourse and Borsa Kuwait, any relevant developments on this matter, as required, on a prompt ongoing basis, to ensure transparency and to comply with governing laws and regulations.

AHLI UNITED BANK B.S.C.
SUPPLEMENTARY FINANCIAL INFORMATION

At 30 June 2021

**(The attached financial information do not form part of the
interim condensed consolidated financial statements)**

Ahli United Bank B.S.C.

H1/2021 Supplementary Public Disclosure- Financial Impact of COVID-19

As part of the objective to maintain enhanced transparency amidst the current implications of Coronavirus (COVID-19) and pursuant to the Central Bank of Bahrain instructions, the AUB Group herein provides additional supplementary information pertaining to the financial impact of COVID-19 on its interim condensed consolidated financial statements for H1/2021.

The COVID-19 pandemic continues to severely impact the global economy, causing wide spread disruption to business and economic activities resulting in significant uncertainties in the operating environment. The current period has also seen resurgence of Covid-19 virus variants with the resultant health situation impacting the business sentiment and the related global financial markets which are still subject to volatility given the evolving developments and uncertainty offset by the levels of progress achieved in the roll-out of vaccination programs. Various governments and central banks have continued to make monetary and fiscal interventions to stabilize economic and market conditions.

The Central Bank of Bahrain (CBB) issued a circular on 29 December 2020, directing banks to offer customers additional six months' installments deferment options (up to 30 June 2021) with interest charge. In addition, the Central Bank of Bahrain extended certain relief measures to combat the effects of COVID-19 up to 31 December 2021. These measures included the following:

- Reduction of the cash reserve ratio from 5% to 3% by the CBB;
- Reduction of liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) from 100% to 80%;
- SMEs risk weight reduced from 75% to 25%;
- Cap on merchant fees imposed by local acquirers, cooling off period for transferring exposures from stage 3 to stage 2, relaxation concerning the days past due for ECL staging criteria from stage 1 to stage 2 of 74 days, and relaxation requirement on LTV ratio for residential mortgages.

Further, pursuant to Article No. (2) of Law No. (3) of 2021, Central Bank of Kuwait (CBK) issued a circular on 18 April 2021, directing banks to offer for eligible customers deferral of the financial obligations, on consumer and instalment financing, for a six-month period with cancellation of interest. The cost of the instalment deferrals are fully borne by the Government of Kuwait in accordance with the Law. Ahli United Bank K.S.C.P ("AUBK"), a subsidiary of the Bank implemented this scheme by postponing the instalments for a six-month period from the customer request date with the corresponding extension of the facility tenure. The interest arising from the modification the of contractual cash flows amounting to US\$ 33.8 million will be received from Government of Kuwait in accordance with the issued set of regulations under Article 7 thereof.

The table below summarizes the overall financial impact of the above for H1/2021:

Overall Impact on H1/2021 Consolidated Financial Statements

	Net Impact (In US\$ millions)		
	Consolidated Statement of Income	Consolidated Balance Sheet (Assets)	Group's Equity attributable to Owners
Reduction in Cash Reserve with CBB	-	67.2	-

Other COVID-19 Impacts:

AUB Group reported a net profit attributable to its equity shareholders of US\$ 298.6 million for H1/2021, representing an increase of 1.7%, as compared to US\$ 293.4 million achieved in H1/2020.

In response to the ongoing COVID 19 pandemic related trajectory and projected market impact, regulators sustained the very low-key benchmark interest rates following the rate cuts by the US Federal Reserve beginning H2/2019 and in Q1/2020. Net Interest Income increased by US\$ 14.9 million (+3.7%) primarily due to improved spreads and reduced liquidity premia.

Fees and Commissions decreased by US\$ 1.9 million (-3.4%) consequent to the overall subdued economic activity levels.

The AUB Group assessed its Stage 1 and Stage 2 ECL gross provisions on performing loans and advances as a pre-cautionary measure in accordance with IFRS-9 taking into consideration the direction of macro-economic variables and level of assessed management overlays to cover any inherent Significant Increase in Credit Risk (SICR) in specific sectors and in the overall portfolio given the uncertain and evolving impact of the COVID-19 pandemic. Accordingly, gross ECL provisions on Stage 1 and Stage 2 amounting US\$ 24.5 million were taken while Stage 3 loans and advances required ECL provisions of US\$ 35.0 million during H1/2021.

The AUB Group continued to make donations in various jurisdictions in which the Group operates to support humanitarian and relief efforts in the wake of COVID-19 pandemic and included donations amounting to US\$ 1.0 million in H1/2021.

The AUB Group continues to comply with respective governmental guidelines and regulations and adherence to precautionary measures to ensure health and safety of the AUB customers and staff during the COVID-19 pandemic period. The Group has also invested in its operational and technical capabilities to provide easy continuous access to its clients to securely conduct their business needs on a remote basis as well as to enhance the ability and training of its staff to handle their responsibilities from remote locations in a controlled manner as required by pandemic conditions.

The above supplementary information should not be relied upon for any other purposes. Since the COVID-19 situation is uncertain and its consequences are still evolving, its impact on the financial results of the bank is presented as assessed on the date of preparation of this information. Circumstances may change which may result in this information becoming out of date or requiring appropriate modification. It is also important to note that this information has not been subject to review by the external auditors and does not form part of the consolidated financial statements for H1/2021.