

AHLI UNITED BANK B.S.C.
INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
30 SEPTEMBER 2022

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 September 2022, comprising of the interim condensed consolidated balance sheet as at 30 September 2022 and the related interim condensed consolidated statements of income, comprehensive income for the three month period and nine month period then ended, and the interim condensed consolidated statement of cash flows and changes in equity for the nine 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"). 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.



10 November 2022
Manama, Kingdom of Bahrain

AHLI UNITED BANK B.S.C.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

Nine months ended 30 September 2022 (Reviewed)

	<i>Note</i>	<i>Three months ended</i>		<i>Nine months ended</i>	
		<i>30 September</i>		<i>30 September</i>	
		<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
		<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>
Interest income		467,605	341,879	1,184,856	998,344
Interest expense		231,757	119,331	518,276	354,140
Net interest income		235,848	222,548	666,580	644,204
Fees and commissions - net		25,974	25,705	80,746	79,176
Trading income		8,973	8,340	28,112	24,987
Investment and other income		21,179	17,421	120,063	77,820
Fees and other income		56,126	51,466	228,921	181,983
OPERATING INCOME		291,974	274,014	895,501	826,187
Provision for credit losses and others	6c	177,434	17,109	230,219	79,925
NET OPERATING INCOME		114,540	256,905	665,282	746,262
Staff costs		47,179	45,151	136,737	131,784
Depreciation		9,232	8,686	26,473	25,640
Other operating expenses		33,310	31,958	96,719	82,443
OPERATING EXPENSES		89,721	85,795	259,929	239,867
PROFIT BEFORE TAX AND ZAKAT		24,819	171,110	405,353	506,395
Tax expense and zakat		13,845	10,614	34,135	30,108
NET PROFIT FOR THE PERIOD		10,974	160,496	371,218	476,287
Net profit attributable to non-controlling interests		9,651	8,430	28,991	25,664
NET PROFIT ATTRIBUTABLE TO THE OWNERS OF THE BANK		1,323	152,066	342,227	450,623
EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE BANK FOR THE PERIOD:					
Basic and diluted earnings per ordinary share (US cents)	3	-	1.4	2.9	3.9

Mohammad Al-Ghanim
Deputy Chairman

Khalid Mohamed Najibi
Director

Adel A. El-Labban
Group Chief Executive Officer

AHLI UNITED BANK B.S.C.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Nine months ended 30 September 2022 (Reviewed)

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>
Net profit for the period	10,974	160,496	371,218	476,287
<i>Other Comprehensive Income (OCI)</i>				
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	505	2,867	3,887	8,298
Net change in pension fund reserve	6,999	2,198	1,407	13,813
Items that may be reclassified subsequently to consolidated statement of income				
Foreign currency translation adjustments	(56,557)	(5,401)	(202,167)	6,216
Net change in fair value of debt instruments held as fair value through OCI	761	5,346	(54,373)	10,317
Transfers to consolidated statement of income arising on sale of debt instruments	(2,384)	(3,682)	(4,351)	(5,748)
Net change in fair value of cash flow hedges	11,353	1,900	43,644	12,164
Other comprehensive (loss) income for the period	(39,323)	3,228	(211,953)	45,060
Total comprehensive (loss) income for the period	(28,349)	163,724	159,265	521,347
Total comprehensive income attributable to non-controlling interests	2,813	7,692	11,555	27,550
Total comprehensive (loss) income attributable to the owners of the Bank	(31,162)	156,032	147,710	493,797

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 September 2022 (Reviewed)

		<i>(Reviewed)</i> <i>30 September</i> <i>2022</i>	<i>(Audited)</i> <i>31 December</i> <i>2021</i>
	<i>Note</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
ASSETS			
Cash and balances with central banks		1,273,043	1,819,841
Treasury bills and deposits with central banks		2,496,907	1,731,698
Deposits with banks		3,907,302	4,116,647
Loans and advances	6	21,202,647	22,075,148
Non-trading investments	7	9,798,817	9,923,294
Investment in associates		348,381	343,076
Investment properties		186,763	188,648
Interest receivable, derivative and other assets		1,674,350	916,200
Premises and equipment		319,702	311,929
Goodwill and other intangible assets		461,671	486,889
TOTAL ASSETS		41,669,583	41,913,370
LIABILITIES AND EQUITY			
LIABILITIES			
Deposits from banks		4,066,550	4,638,973
Borrowings under repurchase agreements		3,854,763	3,775,499
Customers' deposits		24,738,799	25,203,941
Term borrowings		2,125,979	1,088,822
Interest payable, derivative and other liabilities		1,142,362	1,278,187
Subordinated liabilities		9,111	9,983
TOTAL LIABILITIES		35,937,564	35,995,405
EQUITY			
Ordinary share capital		2,786,983	2,533,621
Reserves		1,497,253	1,936,083
Equity attributable to the owners of the Bank		4,284,236	4,469,704
Perpetual Tier 1 Capital Securities		1,000,000	1,000,000
Non-controlling interests		447,783	448,261
TOTAL EQUITY		5,732,019	5,917,965
TOTAL LIABILITIES AND EQUITY		41,669,583	41,913,370

Mohammad Al-Ghanim
Deputy Chairman

Khalid Mohamed Najibi
Director

Adel A. El-Labban
Group Chief Executive Officer

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Nine months ended 30 September 2022 (Reviewed)

	Note	<i>Nine months ended</i>	
		<i>30 September</i>	
		2022	2021
		US\$ '000	US\$ '000
OPERATING ACTIVITIES			
Profit before tax and zakat		405,353	506,395
Adjustments for:			
Depreciation		26,473	25,640
Investment and other income		(52,317)	(41,841)
Provision for credit losses and others	6c	230,219	79,925
Share of profit from associates		(26,120)	(27,164)
Operating profit before changes in operating assets and liabilities		583,608	542,955
Changes in:			
Mandatory reserve deposits with central banks		(29,680)	(85,630)
Treasury bills and deposits with central banks		(43,654)	385,836
Deposits with banks		1,006,637	377,907
Loans and advances		710,638	(1,188,073)
Interest receivable, derivatives and other assets		(111,069)	13,497
Deposits from banks		(572,423)	155,186
Borrowings under repurchase agreements		79,264	35,271
Customers' deposits		(465,142)	(162,178)
Interest payables, derivatives and other liabilities		132,934	(57,989)
Net cash flows generated from operations		1,291,113	16,782
Income tax and zakat paid		(25,651)	(31,032)
Net cash flows generated from / (used in) operating activities		1,265,462	(14,250)
INVESTING ACTIVITIES			
Purchase of non-trading investments		(3,378,210)	(2,577,302)
Proceeds from sale or redemption of non-trading investments		2,411,533	2,138,312
Additional investment in subsidiary		-	(8,628)
Right subscription in an associate		-	(27,545)
Net decrease in investment properties		-	18,547
Net increase in premises and equipment		(36,192)	(29,063)
Dividends received from associates		13,293	8,862
Net cash flows used in investing activities		(989,576)	(476,817)
FINANCING ACTIVITIES			
Additional Perpetual Tier 1 Capital Securities issued		-	600,000
Redemption of Perpetual Tier 1 Capital Securities		-	(39,185)
Expenses related to Perpetual Tier 1 Sukuk issued and others		-	(2,102)
Issuance of Sukuk		-	600,000
Distribution on Perpetual Tier 1 Capital Securities		(23,303)	(17,490)
Additional term debts		1,093,853	350,000
Dividends and other appropriations paid		(304,034)	(119,005)
Dividends paid to non-controlling interests		(8,837)	-
Net cash flows generated from financing activities		757,679	1,372,218
NET CHANGE IN CASH AND CASH EQUIVALENTS		1,033,565	881,151
Net foreign exchange difference		(26,662)	991
Cash and cash equivalents at 1 January		2,609,526	2,976,999
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER		3,616,429	3,859,141
<i>Cash and cash equivalents comprise:</i>			
Cash and balances with central banks, excluding mandatory reserve deposits		676,487	1,006,203
Deposits with banks, central banks and treasury bills with an original maturity of three months or less		2,939,942	2,852,938
		3,616,429	3,859,141
Additional cash flow information:			
Interest received		1,166,760	997,622
Interest paid		501,892	353,154

Ahli United Bank B.S.C.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Nine months ended 30 September 2022 (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>	<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>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Balance at 1 January 2022	2,533,621	752,538	765,479	600,122	306,034	(488,090)	1,936,083					4,469,704	1,000,000	448,261
Donations	-	-	-	-	(2,000)	-	(2,000)	(2,000)	-	-	(2,000)			
Bonus shares issued	253,362	-	-	(253,362)	-	-	(253,362)	-	-	-	-			
Ordinary share dividend	-	-	-	-	(304,034)	-	(304,034)	(304,034)	-	-	(304,034)			
Transfer from OCI reserve on equity investments	-	-	-	(426)	-	-	(426)	(426)	-	-	(426)			
Distribution related to Perpetual Tier 1 Capital Securities	-	-	-	(11,678)	-	-	(11,678)	(11,678)	-	-	(11,678)			
Distribution related to Perpetual Tier 1 Sukuk	-	-	-	(8,705)	-	-	(8,705)	(8,705)	-	(2,920)	(11,625)			
Dividends of subsidiary	-	-	-	-	-	-	-	-	-	(8,837)	(8,837)			
Movement in associates	-	-	-	(6,346)	-	-	(6,346)	(6,346)	-	-	(6,346)			
Movement in subsidiaries	-	11	-	-	-	-	11	11	-	(276)	(265)			
Total comprehensive income for the period	-	-	-	342,227	-	(194,517)	147,710	147,710	-	11,555	159,265			
Balance at 30 September 2022	2,786,983	752,549	765,479	661,832	-	(682,607)	1,497,253	4,284,236	1,000,000	447,783	5,732,019			

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

Ahli United Bank B.S.C.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Nine months ended 30 September 2022 (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>				
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	-	-	-	1,411	-	-	1,411	1,411	-	-	1,411
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	-	-	-	-	-	-	-	-	600,000	-	600,000
Perpetual Tier 1 Sukuk	-	-	-	-	-	-	-	-	(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	-	-	-	(6,342)	-	-	(6,342)	(6,342)	-	-	(6,342)
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	-	-	-	450,623	-	43,174	493,797	493,797	-	27,550	521,347
Balance at 30 September 2021	2,533,621	752,519	704,755	835,380	-	(478,927)	1,813,727	4,347,348	1,160,815	448,839	5,957,002

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

30 September 2022 (Reviewed)

1 CORPORATE INFORMATION

The parent company, 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.

Pursuant to acquisition of AUB by Kuwait Finance House K.S.C.P. ("KFH") effective 2 October 2022, KFH is the Parent Company. KFH is a public shareholding company incorporated in the State of Kuwait on 23 March 1977 and listed in the Boursa Kuwait and Bahrain Bourse. KFH is regulated and supervised by Central Bank of Kuwait. Also, refer note 12 for further details.

The interim condensed consolidated financial statements of the Group for the nine month period ended 30 September 2022 were authorised for issue in accordance with a resolution of the Board of Directors dated 10 November 2022.

2 ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial statements of the Bank and the Group are prepared in accordance with International Accounting Standard IAS 34 - Interim Financial Reporting ("IAS 34").

The comparative information included in the 31 December 2021 consolidated financial statements were reported in accordance with the IFRS modified by CBB. The transition from "IFRS modified by CBB" to IAS 34 and IFRS as issued by IASB has not resulted in any material changes to the previously reported numbers in the consolidated financial statements for the year ended 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 2021, except as noted in note 2.1 and adoption of new standards effective as of 1 January 2022. The adoption of below new standard and amendment did not result in changes to previously reported net profit or equity of the Group.

- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. This amendment had no material impact on the interim condensed consolidated financial statements of the Group as there were no significant modifications of the Group's financial instruments during the period.

Other amendments to IFRS which are effective for annual accounting period starting from 1 January 2022 did not have any material impact on the accounting policies, financial position or performance of the Group.

2 ACCOUNTING POLICIES (continued)

2.3 New standard issued but not yet effective

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers and comparable to stakeholders. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach); and
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The Group intends to adopt this standard on the effective date.

2.4 Estimates and judgments

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 Group has proactively evaluated the challenging impact of global conditions including recessionary and inflationary pressures as well as their potential impact on the hydrocarbons market and has accordingly updated inputs and assumptions used for the determination of ECL including additional precautionary management overlays, resulting in a higher exceptional charge of US\$ 160.2 million allocated to its Stage 1 and Stage 2 exposures.

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 unlikeliness to pay, taking into consideration the underlying cause of any financial difficulty.

AHLI UNITED BANK B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2022 (Reviewed)

3 EARNINGS PER ORDINARY SHARE

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</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	1,323	152,066	342,227	450,623
Perpetual Tier 1 Capital Securities distribution	-	-	(11,678)	(11,678)
Perpetual Tier 1 Sukuk distribution	-	-	(8,705)	(4,351)
Adjusted net profit for the period attributable to Bank's ordinary equity shareholders for basic and diluted earnings per share computation	1,323	152,066	321,844	434,594
Weighted average ordinary shares outstanding during the period adjusted for bonus shares (in millions)	11,148	11,148	11,148	11,148
Basic and diluted earnings per ordinary share (US cents)	-	1.4	2.9	3.9
Issued and fully paid ordinary shares of US\$ 0.25 each (in millions)	11,147.9	10,134.5	11,147.9	10,134.5

4 CONTINGENT LIABILITIES

The Group had the following credit related contingent liabilities:

	<i>(Reviewed)</i>	<i>(Audited)</i>
	<i>30 September</i>	<i>31 December</i>
	<i>2022</i>	<i>2021</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Guarantees	2,713,771	2,727,426
Acceptances	571,874	431,573
Letters of credit	691,144	730,247
	3,976,789	3,889,246

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 on an arm's length basis. Interest is charged/credited to business segments based on the Bank's funds transfer pricing.

AHLI UNITED BANK B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2022 (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>
<i>Nine months ended 30 September 2022:</i>					
Net interest income	134,850	263,397	225,582	42,751	666,580
Fees and commissions - net	22,446	46,060	3,172	9,068	80,746
Trading, investment income and others	1,476	13,908	132,886	(95)	148,175
OPERATING INCOME	158,772	323,365	361,640	51,724	895,501
Provision for credit losses and others	25,411	124,791	78,212	1,805	230,219
NET OPERATING INCOME	133,361	198,574	283,428	49,919	665,282
Operating expenses	94,883	68,443	73,376	23,227	259,929
PROFIT BEFORE TAX AND ZAKAT	38,478	130,131	210,052	26,692	405,353
Tax expense and zakat					34,135
NET PROFIT FOR THE PERIOD					371,218
Less: Attributable to non-controlling interests					28,991
NET PROFIT ATTRIBUTABLE TO THE OWNERS OF THE BANK					342,227
Inter segment interest included in net interest income above	94,220	(146,822)	23,889	28,713	-
	<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>
<i>Nine months ended 30 September 2021:</i>					
Net interest income	134,510	243,331	227,531	38,832	644,204
Fees and commissions - net	18,981	47,957	1,497	10,741	79,176
Trading, investment income and others	3,105	9,329	90,267	106	102,807
OPERATING INCOME	156,596	300,617	319,295	49,679	826,187
Provision (recoveries) for credit losses and others	4,578	77,971	(2,749)	125	79,925
NET OPERATING INCOME	152,018	222,646	322,044	49,554	746,262
Operating expenses	93,312	58,972	63,149	24,434	239,867
PROFIT BEFORE TAX AND ZAKAT	58,706	163,674	258,895	25,120	506,395
Tax expense and zakat					30,108
NET PROFIT FOR THE PERIOD					476,287
Less: Attributable to non-controlling interests					25,664
NET PROFIT ATTRIBUTABLE TO THE OWNERS OF THE BANK					450,623
Inter segment interest included in net interest income above	90,469	(92,674)	(17,250)	19,455	-

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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6 LOANS AND ADVANCES

a) Credit quality of loans and advances

	<i>30 September 2022</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	12,797,534	784,573	-	13,582,107
Standard grade	5,852,681	2,330,655	-	8,183,336
Credit impaired	-	-	573,431	573,431
	18,650,215	3,115,228	573,431	22,338,874
Less: ECL allowances	(204,120)	(467,087)	(465,020)	(1,136,227)
	18,446,095	2,648,141	108,411	21,202,647
	<i>31 December 2021 (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	13,026,377	596,906	-	13,623,283
Standard grade	6,562,685	2,296,880	-	8,859,565
Credit impaired	-	-	558,530	558,530
	19,589,062	2,893,786	558,530	23,041,378
Less: ECL allowances	(171,528)	(330,668)	(464,034)	(966,230)
	19,417,534	2,563,118	94,496	22,075,148

b) Reconciliation of ECL allowances

	<i>2022</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 2022	171,528	330,668	464,034	966,230
Transfer from Stage 1	(6,279)	3,974	2,305	-
Transfer from Stage 2	1,064	(3,380)	2,316	-
Transfer from Stage 3	-	50	(50)	-
Net remeasurement of ECL allowances (note 6c)	42,507	147,271	11,220	200,998
Amounts written-off	-	-	(4,175)	(4,175)
Exchange rate and other adjustments	(4,700)	(11,496)	(10,630)	(26,826)
At 30 September 2022	204,120	467,087	465,020	1,136,227

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30 September 2022 (Reviewed)

6 LOANS AND ADVANCES (continued)

b) Reconciliation of ECL allowances (continued)

	2021			
	Stage 1 US\$ '000	Stage 2 US\$ '000	Stage 3 US\$ '000	Total US\$ '000
At 1 January 2021	138,970	375,961	479,793	994,724
Transfer from Stage 1	(5,339)	2,860	2,479	-
Transfer from Stage 2	2,913	(8,698)	5,785	-
Transfer from stage 3	-	17,461	(17,461)	-
Net remeasurement of ECL allowances (note 6c)	25,187	6,818	53,373	85,378
Amounts written-off	-	-	(63,608)	(63,608)
Exchange rate and other adjustments	202	491	802	1,495
At 30 September 2021	161,933	394,893	461,163	1,017,989

c) Provision for credit losses and others

	Nine months ended 30 September	
	2022 US\$ '000	2021 US\$ '000
Net remeasurement of ECL on loans and advances (note 6 b)	200,998	85,378
Recoveries from loans and advances during the period (from fully provided loans written-off in previous years)	(39,135)	(7,319)
Net remeasurement of ECL for non-trading investments (note 7 b)	67,342	(2,749)
Net remeasurement of ECL on off-balance sheet exposures and others	7,607	11,291
Net other provision (write-back) / charges	(6,593)	(6,676)
	230,219	79,925

7 NON-TRADING INVESTMENTS

a) Credit quality of non-trading investments

	30 September 2022			
	Stage 1 US\$ '000	Stage 2 US\$ '000	Stage 3 US\$ '000	Total US\$ '000
High standard grade	6,093,163	-	-	6,093,163
Standard grade	3,565,144	110,772	-	3,675,916
Impaired	-	-	10,258	10,258
	9,658,307	110,772	10,258	9,779,337
Less: ECL allowances	(20,816)	(59,190)	(10,258)	(90,264)
	9,637,491	51,582	-	9,689,073
Equity instruments at fair value				109,744
				9,798,817
	31 December 2021 (Audited)			
	Stage 1 US\$ '000	Stage 2 US\$ '000	Stage 3 US\$ '000	Total US\$ '000
High standard grade	5,958,028	5,036	-	5,963,064
Standard grade	3,818,558	55,610	-	3,874,168
	9,776,586	60,646	-	9,837,232
Less: ECL allowances	(23,273)	(2,990)	-	(26,263)
	9,753,313	57,656	-	9,810,969
Equity instruments at fair value				112,325
				9,923,294

Equity instruments held at fair value include investments amounting to US\$ 3.7 million (31 December 2021: US\$ 3.8 million) which are designated as FVTPL. Income from FVTPL equity investments for the period amounted to US\$ 0.4 million (30 September 2021: Loss of US\$ 1.7 million).

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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7 NON-TRADING INVESTMENTS (continued)

b) Reconciliation of ECL allowances

	2022			
	<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 2022	23,273	2,990	-	26,263
Transfer from Stage 1	(248)	231	17	-
Net remeasurement of ECL allowances (note 6c)	(1,696)	58,549	10,489	67,342
Exchange rate and other adjustments	(513)	(2,580)	(248)	(3,341)
At 30 September 2022	20,816	59,190	10,258	90,264
	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>
At 1 January 2021	21,171	5,771	-	26,942
Net remeasurement of ECL allowances (note 6c)	(385)	(2,364)	-	(2,749)
Exchange rate and other adjustments	(286)	89	-	(197)
At 30 September 2021	20,500	3,496	-	23,996

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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8 MOVEMENT IN OTHER RESERVES

	Capital reserve	Property revaluation reserve	Foreign exchange translation reserve	Cumulative changes in			Total other reserves
				OCI reserve	Cash flow hedge reserve	Pension fund reserve	
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Balance at 1 January 2022	17,240	36,574	(476,737)	(6,421)	(41,387)	(17,359)	(488,090)
Currency translation adjustments	-	(39)	(185,705)	-	-	-	(185,744)
Transfers to interim condensed consolidated statement of income	-	-	-	(4,300)	(47)	-	(4,347)
Net fair value movements	-	-	-	(49,950)	43,691	1,407	(4,852)
Transfers to retained earnings on equity investments	-	-	-	426	-	-	426
Balance at 30 September 2022	17,240	36,535	(662,442)	(60,245)	2,257	(15,952)	(682,607)

	Capital reserve	Property revaluation reserve	Foreign exchange translation reserve	Cumulative changes in			Total other reserves
				OCI reserve	Cash flow hedge reserve	Pension fund reserve	
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Balance at 1 January 2021	17,240	36,309	(473,924)	(2,548)	(53,739)	(45,439)	(522,101)
Currency translation adjustments	-	6	4,186	-	-	-	4,192
Transfers to interim condensed consolidated statement of income	-	-	-	(5,618)	72	-	(5,546)
Net fair value movements	-	-	-	20,034	12,092	13,813	45,939
Transfers to retained earnings on equity investments	-	-	-	(1,411)	-	-	(1,411)
Fair value movements and others	-	-	-	-	-	-	-
Revaluation of freehold land	-	-	-	-	-	-	-
Balance at 30 September 2021	17,240	36,315	(469,738)	10,457	(41,575)	(31,626)	(478,927)

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2022 (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\$ 8,055.9 million as at 30 September 2022 (31 December 2021: US\$ 7,986.8 million). Carrying value of these non-trading investments was US\$ 8,197.1 million as at 30 September 2022 (31 December 2021: US\$ 7,865.7 million).

The Group's primary medium and long-term financial liabilities are the subordinated liabilities. 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 September 2022</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	225	70,759	38,760	109,744
Debt instruments (FVTOCI)	1,385,241	124,287	-	1,509,528
Derivative assets	-	858,971	-	858,971
Derivative liabilities	-	295,063	-	295,063

	<i>31 December 2021 (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	340	72,834	39,151	112,325
Debt instruments (FVTOCI)	1,814,322	138,874	-	1,953,196
Derivative assets	-	120,307	-	120,307
Derivative liabilities	-	453,654	-	453,654

During the nine months ended 30 September 2022 and 2021, 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 September 2022 (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 consolidated financial statements were as follows:

	2022					
	<i>Major shareholders</i>	<i>Associates</i>	<i>Non- Executive Directors</i>	<i>Senior management</i>		<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>
For the nine months ended						
30 September 2022						
Interest income	-	33	6,671	28	-	6,732
Interest expense	7,849	-	636	88	7	8,580
Fees and commissions	12	1,547	811	7	11	2,388
Short term employee benefits	-	-	-	8,512	3,000	11,512
End of service benefits	-	-	-	607	178	785
Directors' fees and related expenses	-	-	1,312	-	-	1,312
As of 30 September 2022						
Deposits with banks	-	14,909	-	-	-	14,909
Loans and advances	-	-	233,208	567	128	233,903
Deposits from banks	-	24,802	-	-	-	24,802
Customers' deposits	1,050,087	-	54,202	11,335	1,336	1,116,960
Derivative liability	-	3,745	-	-	-	3,745
Subordinated liabilities	9,111	-	-	-	-	9,111
Commitments and contingent liabilities	545	27,243	80,373	-	-	108,161
	2021					
	<i>Major shareholders</i>	<i>Associates</i>	<i>Non- Executive Directors</i>	<i>Senior management</i>		<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>
For the nine months ended						
30 September 2021						
Interest income	-	53	5,826	21	-	5,900
Interest expense	11,309	-	522	63	4	11,898
Fees and commissions	809	1,631	984	8	1	3,433
Short term employee benefits	-	-	-	9,240	2,292	11,532
End of service benefits	-	-	-	924	148	1,072
Directors' fees and related expenses	-	-	745	-	-	745
As of 31 December 2021						
Deposits with banks	-	13,384	-	-	-	13,384
Loans and advances	-	-	321,615	311	31	321,957
Derivatives assets	-	4,501	-	-	-	4,501
Deposits from banks	-	39,004	-	-	-	39,004
Customers' deposits	2,541,430	-	43,552	9,626	831	2,595,439
Subordinated liabilities	9,983	-	-	-	-	9,983
Commitments and contingent liabilities	560	44,425	83,136	-	-	128,121

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30 September 2022 (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%. The Group's consolidated NSFR ratio as of 30 September 2022 is 122.0% (31 December 2021: 118.1%).

	<i>(Reviewed)</i> 30 September 2022 US\$ '000	<i>(Audited)</i> 31 December 2021 US\$ '000
<u>Available Stable Funding:</u>		
Regulatory capital	6,079,004	6,270,390
Stable deposits	6,994,250	6,958,945
Wholesale funding	13,542,329	13,039,788
Others	889,439	650,939
Total Available Stable Funding (A)	27,505,022	26,920,062
<u>Required Stable Funding :</u>		
High-Quality Liquid Assets (HQLA)	1,504,734	1,439,864
Performing loans	14,786,737	14,730,855
Securities (other than HQLA)	3,034,439	3,341,785
Derivative contracts	361,610	283,217
Others	2,409,889	2,562,446
Off-balance sheet items	456,217	438,989
Total Required Stable Funding (B)	22,553,626	22,797,156
NSFR (%) (A/B)	122.0%	118.1%

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

Pursuant to necessary approvals, KFH's acquisition offer through a share swap of 2.695 AUB shares for each KFH share was completed with 97.273% acceptances of the offer by AUB shareholders. Accordingly, 97.273% of AUB's shares were exchanged for KFH shares on 2 October 2022 resulting in KFH acquiring control of AUB effective 2 October 2022. Further, KFH has exercised its squeeze out rights to acquire the remaining balance of untendered 2.73% AUB shares which is currently underway, following which AUB is expected to become 100% subsidiary of KFH by the end of November 2022.

13 ACQUISITION OF CITIBANK BAHRAIN CONSUMER BUSINESS

AUB has executed an agreement on 4 April 2022 with Citibank N.A. to acquire its consumer banking business in the Kingdom of Bahrain, subject to regulatory approvals. The acquisition is targeted for completion during Q4/2022.