Ahli United Bank B.S.C.

Pillar III Disclosures - Basel III

31 December 2022

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 I - Minimum Capital Requirements; Pillar II – the Supervisory Review and Evaluation Process and the Internal Capital Adequacy Assessment Process (ICAAP); and Pillar III - 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. ("AUB" or "the Bank"), incorporated in the Kingdom of Bahrain. The Bank operates under a 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".

Pursuant to acquisition of AUB by Kuwait Finance House K.S.C.P. ("KFH") effective 2 October 2022, KFH is the Parent Company and AUB is 100% subsidiary of KFH as on 31 December 2022. 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.

Pillar I – Minimum Capital Requirements

Pillar I 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 Bahrain 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%.
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 these 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 II – The Supervisory Review and Evaluation Process and Internal Capital Adequacy Assessment Process (ICAAP)

Pillar II 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 I. Part of the Pillar II 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 II guidelines, each bank is required to be individually reviewed and assessed by the CBB with the intention of setting individual minimum capital adequacy ratios. The Bank is currently required to maintain a 12.5% minimum capital adequacy ratio at overall Group level.

Pillar III – Market Discipline

Pillar III 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 2022.

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 International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board (IASB), as explained in note 2.2 to the audited consolidated financial statements for the year ended 31 December 2022. Non-controlling interest arising on consolidation is incorporated under respective tiers of capital as per the CBB rules. The Group has an equity investment in an insurance subsidiary, Al Hilal Life B.S.C. (c), which is deducted from regulatory 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 2022 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 Tier 1 Capital;

d) Subordinated term debt, as reported under liabilities in the consolidated balance sheet, is reported as part of Tier 2 Capital, subject to maximum thresholds and adjusted for remaining life; and

e) Expected credit losses (Stages 1 and 2), net of additional ECL for the year 31 December 2020, which is added to CET1 of the capital as part of CBB's COVID relief measures by virtue of circular OG/226/2020 dated 21 June 2020, to the extent of maximum threshold of 1.25% of Credit Risk Weighted Assets are included under Tier 2 Capital.

TABLE - 1 CAPITAL STRUCTURE

	US$ '000		
A. NET AVAILABLE CAPITAL	***CET 1***	***AT 1***	***Tier 2***
NET AVAILABLE CAPITAL	**4,332,671**	**741,790**	**519,347**
TOTAL ELIGIBLE CAPITAL BASE (CET 1 + AT 1 + Tier 2)			**5,593,808**
RISK WEIGHTED EXPOSURES			
Credit Risk Weighted Exposures			30,615,964
Market Risk Weighted Exposures			452,776
Operational Risk Weighted Exposures			1,951,128
TOTAL RISK WEIGHTED EXPOSURES			**33,019,868**
CET 1 and Capital Conservation Buffer (CCB)			13.1%
Tier 1 - Capital Adequacy Ratio (CET 1, AT 1 and CCB)			15.4%
Total - Capital Adequacy Ratio			**16.9%**

By virtue of CBB's circular OG/226/2020 dated 21 June 2020 as part of COVID-19 relief measures, 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 Stage 1 and Stage 2 ECL provision charge for the year ended 31 December 2020 to the Common Equity Tier (CET1) Capital. Refer to Appendix I for details.

Refer note 20 of the consolidated financial statements for the year ended 31 December 2022 for further details on capital structure. The change in capital is not expected to have any significant impact on the present or future earnings of the Group. Further, there are no restrictions on the transfer of funds or regulatory capital within the Group.

B. CAPITAL ADEQUACY RATIO

As at 31 December 2022, the capital adequacy ratio of banking subsidiaries under Basel III were:

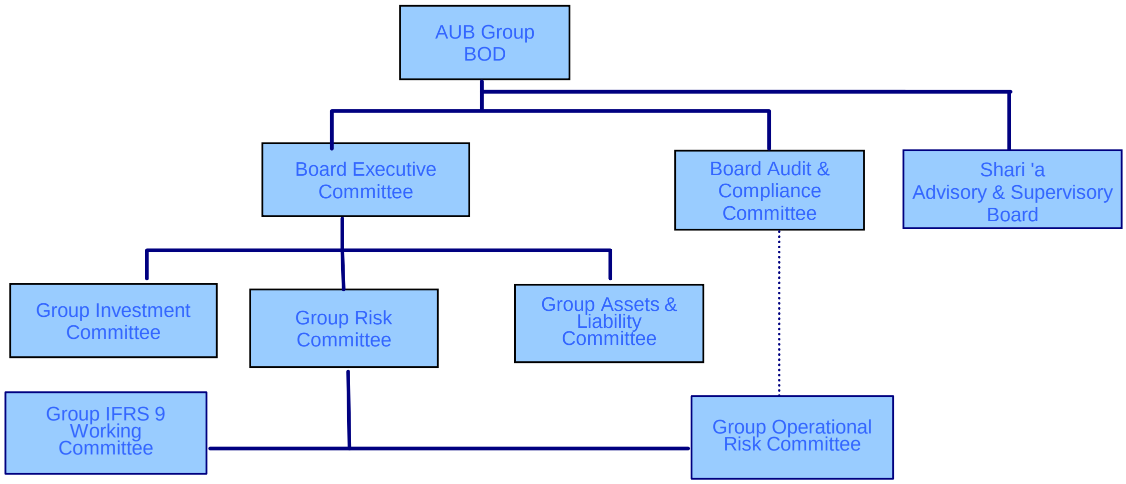
	Subsidiaries			
	Ahli United Bank K.S.C.P. (AUBK)	***Ahli United Bank (U.K.) PLC (AUBUK)***	***Ahli United Bank (Egypt) S.A.E. (AUBE)***	***Commercial Bank of Iraq P.S.C. (CBIQ)***
Tier 1 - Capital Adequacy Ratio	17.2%	19.9%	15.1%	100.7%
Total - Capital Adequacy Ratio	18.5%	19.9%	16.2%	100.8%

2. GROUP RISK GOVERNANCE STRUCTURE

Risk Governance

The Group's Board of Directors (BOD) seek to optimise the Group's performance by enabling the various Group business units to realize the Group's business strategy and meet agreed business performance targets within the BOD approved Group Risk Framework and Group Credit Risk Appetite Framwork covering risk parameters.

AUB Group Risk Governance Structure



The above Group committees 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 Audit & Compliance Committee (incorporating the Corporate Governance committee) has oversight over Group's audit, compliance and operational risk.

Risk Management Framework

The overall authority for risk management in the Group is vested in the Board of Directors. The BOD receives quarterly risk updates including detailed risk exposures analysis reports. The Board authorises appropriate credit, legal, compliance, liquidity, market, operational and information security risk policies that form part of its risk management framework, based on the recommendation of management on an annual basis. The Group has established various committees that review and assess all risk issues. The Group Risk Committee monitors the Group's risk profile against the risk parameters. The risk management team of the Group is independent of the business lines and provides the necessary support to senior management and the business units in all areas of risk management

The Deputy Group CEO – Risk, Legal & Compliance reports directly to the Executive Committee (sub-committee of the BOD responsible for risk functions) and administratively to the Group CEO. The Risk group comprises a Credit Risk Department (responsible for independent pre-approval analysis of credit / investment proposals as well as risk policy and procedures management), Credit Administration Department (responsible for post approval implementation and follow up), Liquidity and Market Risk Department, Operational Risk Department, Remedial Asset Management, Risk Reporting and the Information Security Risk 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, type of risk and nature of operations or risk.

Internal Audit Department is responsible for the independent review of risk management and the Group's risk control environment. The Group Audit & Compliance Committee considers the adequacy and effectiveness of the Group risk control framework and receives quarterly updates on any control, regulatory and compliance related issues.

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 centralized oversight and management of credit risk. The specific responsibilities of Group Risk Management are to:

- Set credit 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 optimize the use of credit availability and avoid risk concentration;
- Control cross-border exposures, through the centralized 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 impairment models across the Group entities;
- Recommend Expected Credit Loss provisions to the Group IFRS 9 Working Committee;
- Report to the Group Risk Committee, Board Audit & Compliance 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.
- Specialised 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 credit exposures are reviewed at least annually.

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. A number of corporates owned by the Kingdom of Bahrain have been assigned a preferential zero % risk weighting.
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.
Commercial Property Portfolio	Exposures secured by mortgages on commercial real estate are subject to a minimum 100% risk weighting, except where the borrower 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.
Impaired Exposures	The unsecured portion of any exposure (other than a residential mortgage loan) 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%.

3. CREDIT RISK MANAGEMENT (continued)

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.

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 loans is to establish the borrower'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 borrower. 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	
	As at 31 December 2022	***Average monthly balance***
Balances with central banks	1,523,752	1,464,127
Treasury bills and deposits with central banks	2,340,304	1,979,404
Deposits with banks	3,467,846	4,638,432
Loans and advances	21,221,325	21,575,737
Non-trading investments	9,850,247	9,755,619
Interest receivable, derivative and other assets	1,215,630	950,604
TOTAL FUNDED EXPOSURES	**39,619,104**	**40,363,923**
Contingent liabilities	3,761,824	3,930,182
Undrawn loan commitments	249,081	220,240
TOTAL UNFUNDED EXPOSURES	**4,010,905**	**4,150,422**
TOTAL GROSS CREDIT RISK EXPOSURES	**43,630,009**	**44,514,345**

The gross credit exposures reported above are as per the consolidated balance sheet as at 31 December 2022 as reduced by exposures which do not carry credit risk.

TABLE - 3 RISK WEIGHTED EXPOSURES

	US$ '000			
	Gross exposures	***Secured by eligible CRM***	***Risk weighted exposures after CRM***	***Capital requirement***
Claims on sovereigns	8,206,579	-	408,779	51,097
Claims on public sector entities	2,328,847	-	1,111,056	138,882
Claims on banks	6,938,563	-	3,033,533	379,192
Claims on corporates	21,784,983	1,173,796	20,390,241	2,548,781
Regulatory retail exposures	2,502,226	24,916	1,840,083	230,010
Residential mortgage exposures	1,351,478	-	511,931	63,991
Equity	448,572	-	1,009,825	126,228
Other exposures	1,906,352	-	2,310,516	288,814
TOTAL	**45,467,600**	**1,198,712**	**30,615,964**	**3,826,995**
TOTAL CREDIT RISK CAPITAL REQUIREMENT (STANDARDISED APPROACH)			**30,615,964**	**3,826,995**
TOTAL MARKET RISK CAPITAL REQUIREMENT (STANDARDISED APPROACH)			**452,776**	**56,597**
TOTAL OPERATIONAL RISK CAPITAL REQUIREMENT (BASIC INDICATOR APPROACH)*			**1,951,128**	**243,891**
TOTAL			**33,019,868**	**4,127,483**

*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$ 1,040,602 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 III 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.

TABLE - 3 RISK WEIGHTED EXPOSURES (continued)

Concentration Risk

Refer note 32(a) to the audited consolidated financial statements for the year ended 31 December 2022 for definition and policies in relation to management of concentration risk.

As per the CBB's large exposure regulations, banks incorporated in the Kingdom of Bahrain are required to obtain the CBB's prior approval for any planned exposure to a single counterparty, or group of connected counterparties, exceeding 15 per cent of the regulatory capital base. As at 31 December 2022, the Group had no qualifying single obligor exposures in accordance with CBB guidelines which exceed 15 percent of the Group's regulatory capital base.

Geographic Distribution of Gross Credit Exposures

The geographic distribution of credit exposures is monitored on an ongoing basis by Group Risk Management and reported to the BOD on a quarterly basis.

The following table details the Group's geographic distribution of gross credit exposures as at 31 December 2022.

TABLE - 4 GEOGRAPHIC DISTRIBUTION OF GROSS CREDIT EXPOSURES

	US$ '000								
	Kingdom of Bahrain	*State of Kuwait*	*Other 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	158,380	518,214	61	450,388	-	344,422	52,287	-	**1,523,752**
Treasury bills and deposits with central banks	1,369,785	777,551	-	-	-	127,650	55,318	10,000	**2,340,304**
Deposits with banks	268,387	527,377	117,658	364,215	586,735	55,319	290,963	1,257,192	**3,467,846**
Loans and advances	3,831,852	10,807,866	1,945,334	1,600,577	199,503	2,224,632	208,146	403,415	**21,221,325**
Non-trading investments	1,584,533	310,860	3,341,329	243,821	814,822	508,009	1,771,276	1,275,597	**9,850,247**
Interest receivable, derivative and other assets	62,063	180,945	65,837	500,083	282,396	64,130	29,523	30,653	**1,215,630**
Total funded exposures	**7,275,000**	**13,122,813**	**5,470,219**	**3,159,084**	**1,883,456**	**3,324,162**	**2,407,513**	**2,976,857**	**39,619,104**
Contingent liabilities	830,376	1,432,364	200,244	24,773	188,043	671,558	244,404	170,062	**3,761,824**
Undrawn loan commitments	83,461	-	52,662	101,215	7,314	1,332	-	3,097	**249,081**
Total unfunded exposures	**913,837**	**1,432,364**	**252,906**	**125,988**	**195,357**	**672,890**	**244,404**	**173,159**	**4,010,905**
TOTAL	**8,188,837**	**14,555,177**	**5,723,125**	**3,285,072**	**2,078,813**	**3,997,052**	**2,651,917**	**3,150,016**	**43,630,009**
	18.8%	**33.3%**	**13.1%**	**7.5%**	**4.8%**	**9.2%**	**6.1%**	**7.2%**	**100.0%**

* Other GCC countries are countries which are part of the Gulf Co-operation Council comprising the Sultanate of Oman, State of Qatar, Kingdom of Saudi Arabia and the United Arab Emirates, apart from Kingdom of Bahrain and State of Kuwait, which are disclosed separately.

TABLE - 5 SECTORAL CLASSIFICATION OF GROSS CREDIT EXPOSURES

	US$ '000			
	Funded	*Unfunded*	*Total*	*%*
Central banks	3,864,056	-	**3,864,056**	**8.9**
Banks and other financial institutions	7,179,881	285,863	**7,465,744**	**17.1**
Consumer/personal	3,175,850	19,945	**3,195,795**	**7.3**
Residential mortgage	1,708,386	89,543	**1,797,929**	**4.1**
Trading and manufacturing	7,175,544	1,736,607	**8,912,151**	**20.4**
Real estate	5,737,220	63,774	**5,800,994**	**13.3**
Services	4,991,898	1,658,426	**6,650,324**	**15.2**
Government/public sector	5,512,806	52,827	**5,565,633**	**12.8**
Others	273,463	103,920	**377,383**	**0.9**
TOTAL	**39,619,104**	**4,010,905**	**43,630,009**	**100.0**
	90.8%	**9.2%**	**100.0%**	

TABLE - 6 RESIDUAL CONTRACTUAL MATURITY OF GROSS CREDIT EXPOSURES

	US$ '000							
	Up to one month	*Over 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 central banks	1,523,752	-	-	-	-	-	-	**1,523,752**
Treasury bills and deposits with central banks	1,008,512	375,764	956,028	-	-	-	-	**2,340,304**
Deposits with banks	2,022,026	1,044,258	72,391	329,171	-	-	-	**3,467,846**
Loans and advances	3,969,875	5,715,841	3,046,381	5,282,371	1,875,736	1,212,323	118,798	**21,221,325**
Non-trading investments	99,314	270,128	744,849	3,922,876	4,367,132	261,481	184,467	**9,850,247**
Interest receivable, derivative and other assets	829,070	97,986	145,157	143,417	-	-	-	**1,215,630**
Total funded exposures	**9,452,549**	**7,503,977**	**4,964,806**	**9,677,835**	**6,242,868**	**1,473,804**	**303,265**	**39,619,104**
Contingent liabilities	646,319	735,794	1,599,943	701,538	78,105	125	-	**3,761,824**
Undrawn loan commitments	21,828	112,143	9,862	59,791	40,041	5,416	-	**249,081**
Total unfunded exposures	**668,147**	**847,937**	**1,609,805**	**761,329**	**118,146**	**5,541**	**-**	**4,010,905**
TOTAL	**10,120,696**	**8,351,914**	**6,574,611**	**10,439,164**	**6,361,014**	**1,479,345**	**303,265**	**43,630,009**

Allowances for expected credit loss

Refer note 2.7 (g) of the consolidated financial statements of the Group for the year ended 31 December 2022 for further details on ECL model.

The Group Risk Committee regularly evaluates the adequacy of the established allowances for impaired loans.

TABLE - 7 SECTORAL BREAKDOWN OF IMPAIRED LOANS AND IMPAIRMENT ALLOWANCES

	US$ '000				
	Impaired loans (Stage 3)	*ECL allowances (Stage 3)*	***Net specific charge for the year ended 31 December 2022**	*Write-offs during the year ended 31 December 2022*	*ECL allowances (Stage 1 & Stage 2)*
Consumer/personal	60,998	55,255	72,678	43,021	85,760
Trading and manufacturing	140,220	138,691	9,003	118,075	124,200
Real estate	141,057	136,655	16,800	42,872	189,603
Residential mortgage	58,002	7,653	1,579	-	4,981
Banks and other financial institutions	2,093	2,000	-	-	7,283
Services	25,920	21,729	18,300	37,135	137,738
Government/public sector	-	-	-	-	10
Others	2,101	1,697	-	-	37,761
TOTAL	**430,391**	**363,680**	**118,360**	**241,103**	**587,336**

*Net specific charge (ECL allowance: Stage 3) for the year excludes recoveries from fully provided loans written-off in prior years.

TABLE - 8 GEOGRAPHICAL DISTRIBUTION OF IMPAIRMENT ALLOWANCES FOR LOANS AND ADVANCES

	US$ '000								
	Kingdom of Bahrain	*State of Kuwait*	*Other 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)	88,012	283,257	21,315	200	9,085	182,306	939	2,222	**587,336**
ECL allowances (Stage 3)	186,900	146,928	8,070	2,886	-	12,935	5,961	-	**363,680**
TOTAL	**274,912**	**430,185**	**29,385**	**3,086**	**9,085**	**195,241**	**6,900**	**2,222**	**951,016**

TABLE - 9 MOVEMENTS IN IMPAIRMENT ALLOWANCES FOR LOANS AND ADVANCES

Refer note 7(f) of the consolidated financial statements for the year ended 31 December 2022 for ECL allowance movements.

Impaired Credit Facilities

As per CBB guidelines, credit facilities are placed on non-accrual status and interest income suspended when either principal or interest is overdue by 90 days or more whereupon unpaid and accrued interest is reversed from income. Interest on non-accrual facilities is included in income only when received. Credit facilities classified as past due are assessed for ECL in accordance with IFRS 9 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 2.7(g) to the audited consolidated financial statements for the year ended 31 December 2022.

Refer to notes 7(a) to 7(e) and note 32(c) to the audited consolidated financial statements for the year ended 31 December 2022 for the distribution of the loans and advances portfolio.

Ratings 1 - 4 comprise of credit facilities demonstrating financial condition, risk factors and capacity to repay that are excellent to good and retail borrowers 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.

TABLE - 10 IMPAIRED LOANS - AGE ANALYSIS

i) By Geographical region

	US$ '000			
	Three months to one year	***Over one to three years***	***Over three years***	***Total***
Kingdom of Bahrain	18,168	12,647	162,352	**193,167**
State of Kuwait	57,116	38,427	70,651	**166,194**
Other GCC Countries	8,180	-	-	**8,180**
United Kingdom	17,183	18,757	-	**35,940**
Arab Republic of Egypt	4,367	7,497	8,955	**20,819**
Asia (excluding GCC countries)	287	-	5,804	**6,091**
TOTAL	**105,301**	**77,328**	**247,762**	**430,391**
	24.4%	**18.0%**	**57.6%**	**100.0%**

TABLE - 10 IMPAIRED LOANS - AGE ANALYSIS (continued)

ii) By Industry sector

	US$ '000			
	Three months to one year	*Over one to three years*	*Over three years*	*Total*
Consumer/personal	21,257	32,221	7,521	**60,999**
Trading and manufacturing	12,354	11,813	116,053	**140,220**
Real estate	38,942	5,844	96,270	**141,056**
Residential mortgage	18,726	21,107	18,169	**58,002**
Banks and other financial institutions	-	-	2,093	**2,093**
Services	13,238	6,343	6,339	**25,920**
Others	784	-	1,317	**2,101**
TOTAL	**105,301**	**77,328**	**247,762**	**430,391**
	24.4%	**18.0%**	**57.6%**	**100.0%**

TABLE - 11 RESTRUCTURED CREDIT FACILITIES

	US$ '000
Balance of any restructured credit facilities as at year end	552,061
Loans restructured during the year	160,259

The above restructurings did not have any significant impact on the present or future earnings and were primarily extensions of the loan tenor.

TABLE - 12 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		
Foreign exchange related	9,184,119	82,934
Interest rate related	2,339,743	205,470
Others	60,895	781
	11,584,757	**289,185**
b) Hedging		
Foreign exchange related	22,118	19
Interest rate related	10,496,097	643,791
	10,518,215	**643,810**
	22,102,972	**932,995**

	US$ '000
ii) Amounts of cash collateral	**107,486**

TABLE - 13 RELATED PARTY TRANSACTIONS

Refer note 25 to the audited consolidated financial statements of the Group for the year ended 31 December 2022.

4. MARKET RISK

Market risk is the risk that movements in market risk factors, including foreign exchange rates, interest 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 trading or non-trading portfolios. 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/interest 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 Trading Book Policy and the Interest 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.

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.

4. MARKET RISK (continued)

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 2022	659	177	1,432

TABLE - 14 CAPITAL REQUIREMENTS FOR COMPONENTS OF MARKET RISK

	US$ '000			
	Risk-weighted weighted exposures after CRM	***Capital requirement***	***Maximum value***	***Minimum value***
Interest rate risk	108,568	13,571	27,398	13,572
Equity position risk	880	110	292	110
Foreign exchange risk	341,064	42,633	42,633	15,793
Options and others	2,264	283	1,159	245
TOTAL MARKET RISK CAPITAL REQUIREMENT (STANDARDISED APPROACH)	**452,776**	**56,597**		

4. MARKET RISK (continued)

Interest Rate Risk (non-trading)

Interest 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 interest rates. Accepting this risk is a normal part of banking practice and can be an important source of profitability and shareholder value. Changes in interest rates can affect a bank's earnings by changing its net interest income and the level of other interest sensitive income and operating expenses. Changes in interest 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 interest rates change. The Bank employs a risk management process that maintains interest rate risk within prudent levels.

The BOD recognises that it has responsibility for understanding the nature and the level of interest rate risk taken by the Bank, and has defined a risk framework pertaining to the management of non-trading interest rate risk and has identified lines of authority and responsibility for managing interest rate risk exposures.

The BOD has delegated the responsibility for the management of interest rate risk to GALCO which is responsible for setting and monitoring the interest rate risk strategy of the Group, for the implementation of the interest rate risk framework and ensuring that the management process is in place to maintain interest rate risk within prudent levels.

GALCO reviews the interest rate risk framework annually and submits recommendations for changes to the Executive Committee and BOD as applicable.

The responsibility for the implementation of the Group's interest rate risk policies resides with the Group Treasurer. An independent review and measurement of all interest exposure present in the banking book is undertaken by the Group Market Risk team and reported to GALCO on a monthly basis.

Interest 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 interest 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 2022 for the re-pricing profiles of the Group's assets and liabilities.

4. MARKET RISK (continued)

Interest rate risk sensitivity analysis

The Group’s interest rate risk sensitivity is analysed in note 34(ii) to the audited consolidated financial statements for the year ended 31 December 2022.

The impact of a +/- 200bps interest rate shock on assets and liabilities which are carried at fair value and the consequent impact on equity as of 31 December 2022 is as per the following table.

	US$ ’000		
	Assets	***Liabilities***	***Equity***
at 200 bps - increase (+)	**(149,886)**	**149,724**	**(162)**
at 200 bps - decrease (-)	**149,886**	**(149,724)**	**162**

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 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

At initial recognition, the Group can make irrevocable election on an instrument by instrument basis to designate an equity instrument as fair value through other comprehensive income (FVTOCI). If an equity investment is designated as FVTOCI, all gains and losses, except for dividend income, are recognised in other comprehensive income and are not subsequently included in the 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 2.7(c) (v) of the audited consolidated financial statements for the year ended 31 December 2022.

TABLE - 15 GAIN / (LOSS) ON EQUITY INSTRUMENTS

	US$ ’000
Net loss recognised in Tier1 Capital (CET1)	
Net unrealized loss recognised in the balance sheet	(16,265)
Realized loss recognised in the equity	(155)

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 2022.

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 2022.

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 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 Risk Committee, whilst day to day monitoring is carried out by the Group Operational Risk 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 Policy approved by the BOD. The policy, supported by the Group Operational Risk Framework, aims to ensure that operational risk measures are incorporated into all major aspects of the overall management framework.

The Group Operational Risk 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 Audit & Compliance Committee reviews regular reports on all key operational risk measures.

The Group Operational Risk Policy, supported by the Group Operational Risk Framework requires reporting of all material 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 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.

The BOD approves the Group Information Security Framework and 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 Operational Risk Committee overseas the cybersecurity program through quarterly review of cybersecurity metrics. GISO also provides cybersecurity status reports to the BOD every quarter.

7. INFORMATION TECHNOLOGY RISK

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.

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, 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 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 2022.

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 Audit and Compliance Committee. 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 to combat Anti-Money Laundering (AML) and Terrorist Financing activities form an important activity of the AML 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 and Compliance policies and monitoring programs. These policies are reviewed and updated annually and approved by the BOD. The Group's anti-money laundering measures are regularly audited by the internal auditors who report to the Audit & Compliance Committee of the BOD. Additionally, the Bank's AML measures are reviewed by independent external auditors every year and their agreed-upon procedures reports are submitted to the CBB. The CBB also performs periodic inspections of the Bank's compliance with anti-money laundering regulations.

9. LEGAL, COMPLIANCE, REGULATORY AND REPUTATIONAL RISKS (continued)

The BOD approved policies, including Group Reputation Risk policy, Communications Policy, Personal Account Dealing Policy, Key Person Dealing Policy, Compliance Policy, Anti Money Laundering 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.

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.

Ahli United Bank B.S.C.

Regulatory Capital & Leverage Ratio Disclosures - Basel III

31 December 2022

APPENDIX I - REGULATORY CAPITAL DISCLOSURES

PD 1 : Capital Composition Disclosure Template

Basel III Common disclosure template	*US$ '000* *PIR as on 31 December 2022*	*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	472,262	B1+B2+B3+B4
Accumulated other comprehensive income (and other reserves)	1,307,021	C1+C2+C3+C4+ C5 +C6 +C7
Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	328,924	D
Common Equity Tier 1 capital before regulatory adjustments	**4,895,190**	
Common Equity Tier 1 capital: regulatory adjustments		
Goodwill (net of related tax liability)	474,556	E
Other intangibles other than mortgage-servicing rights (net of related tax liability)	73,319	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	(29)	C7
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)	14,673	
Total regulatory adjustments to Common equity Tier 1	**562,519**	
Common Equity Tier 1 capital (CET1)	**4,332,671**	
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)	341,790	J
Additional Tier 1 capital before regulatory adjustments	**741,790**	
Total regulatory adjustments to Additional Tier 1 capital	**-**	
Additional Tier 1 capital (AT1)	**741,790**	
Tier 1 capital (T1 = CET1 + AT1)	**5,074,461**	
Tier 2 capital: instruments and provisions		
Directly issued qualifying Tier 2 instruments plus related stock surplus	-	K
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)	97,916	L
Expected Credit Losses & Reserves	421,431	M1+M2
Tier 2 capital before regulatory adjustments	**519,347**	
Total regulatory adjustments to Tier 2 capital	**-**	
Tier 2 capital (T2)	**519,347**	
Total capital (TC = T1 + T2)	**5,593,808**	
Total risk weighted assets	**33,019,868**	
Capital ratios		
Common Equity Tier 1 (as a percentage of risk weighted assets)	13.1%	
Tier 1 (as a percentage of risk weighted assets)	15.4%	
Total capital (as a percentage of risk weighted assets)	**16.9%**	
Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB buffer requirement expressed as a percentage of risk weighted assets)	9.0%	
of which: Capital Conservation Buffer requirement	2.5%	
of which: bank specific countercyclical buffer requirement (N/A)	NA	
of which: G-SIB buffer requirement (N/A)	NA	
National minima (if different from Basel 3)		
CBB Common Equity Tier 1 minimum ratio (including buffers)	9.0 %	
CBB Tier 1 minimum ratio (including buffers)	10.5%	
CBB total capital minimum ratio (including buffers)	12.5%	
Amounts below the thresholds for deduction (before risk weighting)		
Non-significant investments in the capital of other financial entities	399,865	
Significant investments in the common stock of financial entities	351,260	
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)	676,965	N
Cap on inclusion of Expected Credit Losses in Tier 2 under standardized approach	382,700	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 line by line consolidation approach as per the IFRS 10 Consolidated Financial Statements 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	**41,560,972**
ECL - Stages 1 and 2	676,965
Balance sheet as in Regulatory Return	**42,237,937**

ii) Step 2: Expansion of the Balance Sheet under Regulatory scope of Consolidation

		US$ '000	
Assets	***Balance as per published financial statements***	***Consolidated PIR data***	***Reference***
Cash and balances with central banks	1,643,192	1,643,192	
Financial assets at fair value through Profit & Loss		2,889	
Treasury bills and deposits with central banks	2,340,304	2,340,304	
Deposits with banks	3,467,846	3,468,489	
Loans and advances	21,221,325	21,808,662	
Non-trading investments	9,955,597	10,041,678	
Investment properties	189,065	189,065	
Interest receivable and other assets	1,557,338	1,557,354	
of which deferred tax assets		87	G1
Investments in associates	350,958	350,958	
Goodwill and intangible assets	510,045	510,045	
of which Goodwill		474,556	E
of which other intangibles (excluding MSRs)		35,489	F1
Premises and equipment	325,302	325,302	
of which software		37,830	F2
TOTAL ASSETS	**41,560,972**	**42,237,938**	
Liabilities			
Deposits from banks	4,077,229	4,077,229	
Customers' deposits	24,393,349	24,393,349	
Borrowings under repurchase agreements	4,359,845	4,359,845	
Term Borrowings	1,778,323	1,269,462	
Sukuk payable	-	508,861	
Interest payable and other liabilities	1,113,365	1,113,365	
of which deferred tax liabilities		8,303	G2
Subordinated liabilities	9,462	9,462	
of which amount eligible for Tier 2		-	K
of which amount ineligible		9,462	
TOTAL LIABILITIES	**35,731,573**	**35,731,573**	
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
Treasury Shares		-	
Perpetual Tier 1 Capital Securities - AUB Bahrain	400,000	400,000	I
Reserves	1,588,521	1,588,521	
of which form part of Common Equity Tier 1			
Retained earnings/(losses) brought forward		242,769	B1
Porposed Dividend Payable		-	B2
Net profit for the current period		546,103	C1
Share premium		752,549	C2
Legal reserve		820,089	C3
Others		(17,724)	C4
FX translation adjustment		(763,201)	C5
Cumulative fair value changes on FVOCI investments		(30,765)	C6
Fair value changes of cash flow hedges		(29)	C7
of which form part of Tier 2			
Fixed assets revaluation reserves		38,731	M1
CBB modification loss (part of CET1)		*84,448*	B3
Perpetual Tier 1 Capital Securities - AUB Kuwait	600,000	1,053,895	
Non - controlling interest	453,895		
of which amount eligible for Common Equity Tier 1		328,924	D
of which amount eligible for Additional Tier 1		341,790	J
of which amount eligible for Tier 2		97,916	L
of which amount ineligible		285,265	
Impairment Allowance for Expected Credit Losses - Stages 1 and 2		676,965	N
of which amount eligible for Tier 2 (maximum 1.25% of RWA)		382,700	M2
of which amount included in CET1 as per CBB		145,045	B4
of which amount ineligible		149,220	
TOTAL EQUITY	**5,829,399**	**6,506,364**	

PD 3 : Main features of regulatory capital instruments

1	**Issuer**	Ahli United Bank B.S.C.	Ahli United Bank B.S.C.	Ahli United Bank K.S.C.P.
2	**Unique identifier**	AUBB.BH - Bahrain Bourses AUB/818 - Kuwait Stock Exchange	ISIN: XS1133289832 / Perpetual Tier 1 Capital Securities	ISIN: XS2342243875 / 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	English Law, except for the provisions of subordination which will be governed by the Laws of Kuwait
4	**Transitional CBB rules**	Not applicable	Not applicable	Not applicable
5	**Post-transitional CBB rules**	Common Equity Tier 1	Additional Tier 1	Additional Tier 1
6	**Eligible at solo/group/group & solo**	Solo and Group	Solo and Group	Group
7	**Instrument type**	Common Equity Shares	Capital Securities	Capital Securities
8	**Amount recognized in regulatory capital**	$2787.0 mn	$400.0 mn	$323.6 mn
9	**Par value of instrument (USD)**	$0.25	$1000 subject to minimum of $200,000	$1000 subject to minimum of $200,000
10	**Accounting classification**	Shareholders' equity	Shareholders' equity	Shareholders' equity
11	**Original date of issuance**	31-May-2000	29-Apr-2015	17-Jun-2021
12	**Perpetual or dated**	Perpetual	Perpetual	Perpetual
13	**Original maturity date**	No Maturity	No Maturity	No Maturity
14	**Issuer call subject to prior supervisory approval**	NA	Yes	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)	First Call Option : 17-Jun-2026 at Par/100%; Tax event at Par/100%; Regulatory Capital Event at 100% (Full or partial)
16	**Subsequent call dates, if applicable**	NA	Every Distribution Payment Date	Any day falling in the period commencing on (and including) the First Call Date and ending on (and including) the First Reset Date (17-Dec-2026) or on any profit payment date thereafter
17	**Fixed or floating dividend/coupon**	NA	Fixed	Fixed
18	**Coupon rate and any related index**	NA	5.839%	3.875%
19	**Existence of a dividend stopper**	NA	Yes	Yes
20	**Fully discretionary, partially discretionary or mandatory**	Fully discretionary	Fully discretionary	Fully discretionary
21	**Existence of step up or other incentive to redeem**	No	No	No
22	**Noncumulative or cumulative**	NA	Noncumulative	Noncumulative
23	**Convertible or non-convertible**	NA	Non-convertible	Non-convertible
24	**If convertible, conversion trigger (s)**	NA	NA	NA
25	**If convertible, fully or partially**	NA	NA	NA
26	**If convertible, conversion rate**	NA	NA	NA
27	**If convertible, mandatory or optional conversion**	NA	NA	NA
28	**If convertible, specify instrument type convertible into**	NA	NA	NA
29	**If convertible, specify issuer of instrument it converts into**	NA	NA	NA
30	**Write-down feature**	NA	Yes	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)	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	Fully / Partially
33	**If write-down, permanent or temporary**	NA	Permanent	Permanent
34	**If temporary write-down, description of write-up mechanism**	NA	NA	NA
35	**Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)**	Additional Tier 1 Capital Bonds	Subordinated Debts	Subordinated Debts
36	**Non-compliant transitioned features**	NA	No	No
37	**If yes, specify non-compliant features**	NA	NA	NA

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 Bahraini conventional bank licensees must meet a 3% leverage ratio minimum requirement at all times.

Leverage Ratio components

	US$ '000
Tier1 Capital [A]	5,074,461
Total Exposure [B]	45,090,442
Leverage Ratio ([A] / [B])	**11.3%**