

AHLI UNITED BANK B.S.C.
INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
30 JUNE 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 June 2022, comprising of the interim condensed consolidated balance sheet as at 30 June 2022 and the related interim condensed consolidated statements of income, comprehensive income for the three month period and six month period then ended, and the interim condensed consolidated statement of cash flows and changes in equity for the six month period then ended and explanatory notes. The Bank's Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard IAS 34 Interim Financial Reporting ("IAS 34"). 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.



4 August 2022
Manama, Kingdom of Bahrain

AHLI UNITED BANK B.S.C.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

Six months ended 30 June 2022 (Reviewed)

	Note	<i>Three months ended</i>		<i>Six months ended</i>	
		<i>30 June</i>		<i>30 June</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		376,273	330,288	717,251	656,465
Interest expense		157,632	115,625	286,519	234,809
Net interest income		218,641	214,663	430,732	421,656
Fees and commissions - net		27,337	23,978	54,772	53,471
Trading income		9,015	8,123	19,139	16,647
Investment and other income		37,883	14,390	98,884	60,399
Fees and other income		74,235	46,491	172,795	130,517
OPERATING INCOME		292,876	261,154	603,527	552,173
Provision for credit losses and others	6c	19,202	31,965	52,785	62,816
NET OPERATING INCOME		273,674	229,189	550,742	489,357
Staff costs		43,729	44,079	89,558	86,633
Depreciation		8,444	8,610	17,241	16,954
Other operating expenses		30,869	20,650	63,409	50,485
OPERATING EXPENSES		83,042	73,339	170,208	154,072
PROFIT BEFORE TAX AND ZAKAT		190,632	155,850	380,534	335,285
Tax expense and zakat		12,373	10,055	20,290	19,494
NET PROFIT FOR THE PERIOD		178,259	145,795	360,244	315,791
Net profit attributable to non-controlling interests		8,292	6,854	19,340	17,234
NET PROFIT ATTRIBUTABLE TO THE OWNERS OF THE BANK		169,967	138,941	340,904	298,557
EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE BANK FOR THE PERIOD:					
Basic and diluted earnings per ordinary share (US cents)	3	1.3	1.1	2.9	2.5

Meshal AbdulAziz Alothman
Chairman

Mohammad Al-Ghanim
Deputy Chairman

Adel A. El-Labban
Group Chief Executive Officer

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 COMPREHENSIVE INCOME

Six months ended 30 June 2022 (Reviewed)

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</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	178,259	145,795	360,244	315,791
<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	(1,424)	(663)	3,382	5,431
Net change in pension fund reserve	(4,018)	4,819	(5,592)	11,615
Items that may be reclassified subsequently to consolidated statement of income				
Foreign currency translation adjustments	(40,405)	9,051	(145,610)	11,617
Net change in fair value of debt instruments held as fair value through OCI	(27,407)	18,068	(55,134)	4,971
Transfers to consolidated statement of income arising on sale of debt instruments	(1,167)	906	(1,967)	(2,066)
Net change in fair value of cash flow hedges	13,255	(6,560)	32,291	10,264
Other comprehensive (loss) income for the period	(61,166)	25,621	(172,630)	41,832
Total comprehensive income for the period	117,093	171,416	187,614	357,623
Total comprehensive income attributable to non-controlling interests	3,830	8,493	8,742	19,858
Total comprehensive income attributable to the owners of the Bank	113,263	162,923	178,872	337,765

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

AHLI UNITED BANK B.S.C.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

30 June 2022 (Reviewed)

		<i>(Reviewed)</i>	<i>(Audited)</i>
		<i>30 June</i>	<i>31 December</i>
		<i>2022</i>	<i>2021</i>
	<i>Note</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
ASSETS			
Cash and balances with central banks		1,406,108	1,819,841
Treasury bills and deposits with central banks		2,267,761	1,731,698
Deposits with banks		5,907,454	4,116,647
Loans and advances	6	22,002,045	22,075,148
Non-trading investments	7	9,718,533	9,923,294
Investment in associates		341,712	343,076
Investment properties		187,661	188,648
Interest receivable, derivative and other assets		1,254,898	916,200
Premises and equipment		317,751	311,929
Goodwill and other intangible assets		468,768	486,889
TOTAL ASSETS		43,872,691	41,913,370
LIABILITIES AND EQUITY			
LIABILITIES			
Deposits from banks		4,429,632	4,638,973
Borrowings under repurchase agreements		4,186,731	3,775,499
Customers' deposits		27,435,745	25,203,941
Term borrowings		1,049,534	1,088,822
Interest payable, derivative and other liabilities		998,824	1,278,187
Subordinated liabilities		9,496	9,983
TOTAL LIABILITIES		38,109,962	35,995,405
EQUITY			
Ordinary share capital		2,786,983	2,533,621
Reserves		1,530,846	1,936,083
Equity attributable to the owners of the Bank		4,317,829	4,469,704
Perpetual Tier 1 Capital Securities		1,000,000	1,000,000
Non-controlling interests		444,900	448,261
TOTAL EQUITY		5,762,729	5,917,965
TOTAL LIABILITIES AND EQUITY		43,872,691	41,913,370

Meshal AbdulAziz Alothman
Chairman

Mohammad Al-Ghanim
Deputy Chairman

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

Six months ended 30 June 2022 (Reviewed)

	Note	Six months ended	
		30 June	
		2022	2021
		US\$ '000	US\$ '000
OPERATING ACTIVITIES			
Profit before tax and zakat		380,534	335,285
Adjustments for:			
Depreciation		17,241	16,954
Investment and other income		(47,518)	(40,946)
Provision for credit losses and others	6c	52,785	62,816
Share of profit from associates		(16,745)	(16,254)
Operating profit before changes in operating assets and liabilities		386,297	357,855
Changes in:			
Mandatory reserve deposits with central banks		(39,426)	(81,872)
Treasury bills and deposits with central banks		(42,267)	445,452
Deposits with banks		(472,211)	(282,843)
Loans and advances		52,293	(719,677)
Interest receivable, derivatives and other assets		(18,254)	20,139
Deposits from banks		(209,341)	299,698
Borrowings under repurchase agreements		411,232	61,984
Customers' deposits		2,231,804	(739,037)
Interest payables, derivatives and other liabilities		22,234	(50,292)
Net cash flows generated from / (used in) operations		2,322,361	(688,593)
Income tax and zakat paid		(20,818)	(21,417)
Net cash flows generated from / (used in) operating activities		2,301,543	(710,010)
INVESTING ACTIVITIES			
Purchase of non-trading investments		(2,135,684)	(1,957,725)
Proceeds from sale or redemption of non-trading investments		1,721,311	1,809,599
Additional investment in subsidiary		-	(8,628)
Right subscription in an associate		-	(27,545)
Net decrease in investment properties		-	14,399
Net increase in premises and equipment		(21,504)	(19,701)
Dividends received from associates		13,293	8,862
Net cash flows used in investing activities		(422,584)	(180,739)
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)
Distribution on Perpetual Tier 1 Capital Securities		(23,303)	(17,490)
Additional term debts		-	350,000
Dividends and other appropriations paid		(304,034)	(119,005)
Dividends paid to non-controlling interests		(8,837)	-
Net cash flows (used in) / generated from financing activities		(336,174)	772,218
NET CHANGE IN CASH AND CASH EQUIVALENTS		1,542,785	(118,531)
Net foreign exchange difference		(22,039)	1,362
Cash and cash equivalents at 1 January		2,609,526	2,976,999
CASH AND CASH EQUIVALENTS AT 30 JUNE		4,130,272	2,859,830
<i>Cash and cash equivalents comprise:</i>			
Cash and balances with central banks, excluding mandatory reserve deposits		635,159	947,145
Deposits with banks, central banks and treasury bills with an original maturity of three months or less		3,495,113	1,912,685
		4,130,272	2,859,830
Additional cash flow information:			
Interest received		703,253	660,868
Interest paid		301,914	244,867

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

Six months ended 30 June 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>				
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	5,917,965
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	-	-	-	(109)	-	-	(109)	(109)	-	-	(109)
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)
Ordinary share dividend paid	-	-	-	-	-	-	-	-	-	-	-
Dividends of subsidiary	-	-	-	-	-	-	-	-	-	(8,837)	(8,837)
Movement in associates	-	-	-	(4,233)	-	-	(4,233)	(4,233)	-	-	(4,233)
Movement in subsidiaries	-	12	-	-	-	-	12	12	-	(346)	(334)
Total comprehensive income for the period	-	-	-	340,904	-	(162,032)	178,872	178,872	-	8,742	187,614
Balance at 30 June 2022	2,786,983	752,550	765,479	662,939	-	(650,122)	1,530,846	4,317,829	1,000,000	444,900	5,762,729

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

Six months ended 30 June 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	-	-	-	1,355	-	-	1,355	1,355	-	-	1,355
Distribution related to Perpetual Tier 1 Capital Securities	-	-	-	(11,678)	-	-	(11,678)	(11,678)	-	-	(11,678)
Distribution related to Perpetual Tier 1 Sukuk	-	-	-	(4,351)	-	-	(4,351)	(4,351)	-	(1,461)	(5,812)
Perpetual Tier 1 Sukuk issued	-	-	-	-	-	-	-	-	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	-	-	-	(4,228)	-	-	(4,228)	(4,228)	-	-	(4,228)
Movement in subsidiaries	-	-	-	(2,362)	-	-	(2,362)	(2,362)	-	(107)	(2,469)
Arising on additional acquisition in a subsidiary	-	(544)	-	-	-	-	(544)	(544)	-	(11,333)	(11,877)
Total comprehensive income for the period	-	-	-	298,557	-	39,208	337,765	337,765	-	19,858	357,623
Balance at 30 June 2021	2,533,621	752,519	704,755	685,372	-	(482,893)	1,659,753	4,193,374	1,160,815	441,147	5,795,336

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

30 June 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.

The interim condensed consolidated financial statements of the Group for the six month period ended 30 June 2022 were authorised for issue in accordance with a resolution of the Board of Directors dated 4 August 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 consolidated financial statements for the year ended 31 December 2021 were prepared in accordance with IFRS modified by CBB as 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 standards and amendments 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. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement. These amendments 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. 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 required. 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 level of estimation uncertainty has increased as a result of moderate economic recovery and visibility of COVID-19 downstream impact.

The Group has updated inputs and assumptions used for the determination of ECL in response to global economic recovery and oil demand. 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

Considering that the moderate global recovery and rising inflation, the Group has considered the impact of higher volatility in the forward-looking macro-economic factors, when determining the severity and likelihood of economic scenarios for ECL determination. This volatility has been reflected through adjustments in the established regression relationships. Management overlays are applied to the model outputs if consistent with the objective of SICR and to address the uncertainties if any in SICR assessment arising from CBB-mandated deferrals. Furthermore, the Group continues to closely monitor the potential repayment risk impact of COVID-19 on affected industry sectors. Further, CBB vide circular ODG/27/2022 dated 28 June 2022, announced suspension of installment deferral by 30 June 2022.

AHLI UNITED BANK B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2022 (Reviewed)

3 EARNINGS PER ORDINARY SHARE

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>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	169,967	138,941	340,904	298,557
Perpetual Tier 1 Capital Securities distribution	(11,678)	(11,678)	(11,678)	(11,678)
Perpetual Tier 1 Sukuk distribution	(8,705)	(4,351)	(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	149,584	122,912	320,521	282,528
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)	1.3	1.1	2.9	2.5
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 June</i>	<i>31 December</i>
	<i>2022</i>	<i>2021</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Guarantees	2,723,043	2,727,426
Acceptances	602,660	431,573
Letters of credit	730,934	730,247
	4,056,637	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 a pool rate, which approximates the cost of funds.

AHLI UNITED BANK B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 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>
Six months ended 30 June 2022:					
Net interest income	87,858	164,978	152,409	25,487	430,732
Fees and commissions - net	14,486	31,672	2,593	6,021	54,772
Trading, investment income and others	911	3,744	113,542	(174)	118,023
OPERATING INCOME	103,255	200,394	268,544	31,334	603,527
Provision (recoveries) for credit losses and others	(1,001)	6,832	45,068	1,886	52,785
NET OPERATING INCOME	104,256	193,562	223,476	29,448	550,742
Operating expenses	62,798	45,943	46,088	15,379	170,208
PROFIT BEFORE TAX AND ZAKAT	41,458	147,619	177,388	14,069	380,534
Tax expense and zakat					20,290
NET PROFIT FOR THE PERIOD					360,244
Less: Attributable to non-controlling interests					19,340
NET PROFIT ATTRIBUTABLE TO THE OWNERS OF THE BANK					340,904
Inter segment interest included in net interest income above	56,629	(89,341)	19,331	13,381	-
	<i>Retail banking</i>	<i>Corporate banking</i>	<i>Treasury and investments</i>	<i>Private banking</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Six months ended 30 June 2021:					
Net interest income	94,875	173,215	126,545	27,021	421,656
Fees and commissions - net	12,470	32,594	1,295	7,112	53,471
Trading, investment income and others	1,020	6,847	69,149	30	77,046
OPERATING INCOME	108,365	212,656	196,989	34,163	552,173
Provision (recoveries) for credit losses and others	3,138	62,854	(4,441)	1,265	62,816
NET OPERATING INCOME	105,227	149,802	201,430	32,898	489,357
Operating expenses	60,436	35,939	42,189	15,508	154,072
PROFIT BEFORE TAX AND ZAKAT	44,791	113,863	159,241	17,390	335,285
Tax expense and zakat					19,494
NET PROFIT FOR THE PERIOD					315,791
Less: Attributable to non-controlling interests					17,234
NET PROFIT ATTRIBUTABLE TO THE OWNERS OF THE BANK					298,557
Inter segment interest included in net interest income above	65,545	(48,867)	(30,519)	13,841	-

AHLI UNITED BANK B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2022 (Reviewed)

6 LOANS AND ADVANCES

a) Credit quality of loans and advances

	<i>30 June 2022 (Reviewed)</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	13,138,394	730,023	-	13,868,417
Standard grade	6,311,760	2,251,578	-	8,563,338
Credit impaired	-	-	571,409	571,409
	19,450,154	2,981,601	571,409	23,003,164
Less: ECL allowances	(180,016)	(357,462)	(463,641)	(1,001,119)
	19,270,138	2,624,139	107,768	22,002,045

	<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	(3,891)	1,868	2,023	-
Transfer from Stage 2	375	(2,161)	1,786	-
Transfer from Stage 3	346	71	(417)	-
Net remeasurement of ECL allowances (note 6c)	14,906	35,197	7,243	57,346
Amounts written-off	-	-	(4,099)	(4,099)
Exchange rate and other adjustments	(3,248)	(8,181)	(6,929)	(18,358)
At 30 June 2022	180,016	357,462	463,641	1,001,119

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 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	(3,881)	1,257	2,624	-
Transfer from Stage 2	2,896	(17,910)	15,014	-
Transfer from stage 3	-	17,461	(17,461)	-
Net remeasurement of ECL allowances (note 6c)	15,620	8,912	34,958	59,490
Amounts written-off	-	-	(46,246)	(46,246)
Exchange rate and other adjustments	285	836	1,599	2,720
At 30 June 2021	153,890	386,517	470,281	1,010,688

c) Provision for credit losses and others

	Six months ended 30 June	
	2022 US\$ '000	2021 US\$ '000
Net remeasurement of ECL on loans and advances (note 6 b)	57,346	59,490
Recoveries from loans and advances during the period (from fully provided loans written-off in previous years)	(36,536)	(4,742)
Net remeasurement of ECL for non-trading investments (note 7 b)	45,068	(4,441)
Net remeasurement of ECL on off-balance sheet exposures and others	(529)	7,190
Net other provision (write-back) / charges	(12,564)	5,319
	52,785	62,816

7 NON-TRADING INVESTMENTS

a) Credit quality of non-trading investments

	30 June 2022 (Reviewed)			
	Stage 1 US\$ '000	Stage 2 US\$ '000	Stage 3 US\$ '000	Total US\$ '000
High standard grade	5,811,416	-	-	5,811,416
Standard grade	3,723,059	132,701	-	3,855,760
Impaired	-	-	10,439	10,439
	9,534,475	132,701	10,439	9,677,615
Less: ECL allowances	(20,424)	(39,120)	(10,439)	(69,983)
	9,514,051	93,581	-	9,607,632
Equity instruments at fair value				110,901
				9,718,533
	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\$ 3.4 million (31 December 2021: US\$ 3.8 million) which are designated as FVTPL. Income from FVTPL equity investments for the period amounted to US\$ 0.01 million (30 June 2021: US\$ 0.5 million).

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2022 (Reviewed)

7 NON-TRADING INVESTMENTS (continued)

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	23,273	2,990	-	26,263
Transfer from Stage 1	(248)	231	17	-
Net remeasurement of ECL allowances (note 6c)	(2,298)	36,944	10,422	45,068
Exchange rate and other adjustments	(303)	(1,045)	-	(1,348)
At 30 June 2022	20,424	39,120	10,439	69,983
	<i>2021</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
At 1 January 2021	21,171	5,771	-	26,942
Net remeasurement of ECL allowances (note 6c)	(2,530)	(1,911)	-	(4,441)
Exchange rate and other adjustments	(174)	89	-	(85)
At 30 June 2021	18,467	3,949	-	22,416

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2022 (Reviewed)

8 MOVEMENT IN OTHER RESERVES

	<i>Capital reserve</i>	<i>Property revaluation reserve</i>	<i>Foreign exchange translation reserve</i>	<i>Cumulative changes in</i>			<i>Total other reserves</i>
				<i>OCI reserve</i>	<i>Cash flow hedge reserve</i>	<i>Pension fund reserve</i>	
	<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	17,240	36,574	(476,737)	(6,421)	(41,387)	(17,359)	(488,090)
Currency translation adjustments	-	(20)	(135,463)	-	-	-	(135,483)
Transfers to interim condensed consolidated statement of income	-	-	-	(1,924)	(31)	-	(1,955)
Net fair value movements	-	-	-	(51,433)	32,322	(5,592)	(24,703)
Transfers to retained earnings on equity investments	-	-	-	109	-	-	109
Balance at 30 June 2022	17,240	36,554	(612,200)	(59,669)	(9,096)	(22,951)	(650,122)

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

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 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\$ 7,728.0 million as at 30 June 2022 (31 December 2021: US\$ 7,986.8 million). Carrying value of these non-trading investments was US\$ 7,917.0 million as at 30 June 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 June 2022 (Reviewed)</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	206	71,745	38,950	110,901
Debt instruments (FVTOCI)	1,583,048	126,293	-	1,709,341
Derivative assets	-	477,589	-	477,589
Derivative liabilities	-	201,950	-	201,950

	<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 six months ended 30 June 2022 and 2021, there have been no transfers between Level 1, 2, 3 and no significant movements were noted in Level 3 investments.

AHLI UNITED BANK B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 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>Directors</i>	<i>Others</i>	
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
<i>For the six months ended</i>						
<i>30 June 2022</i>						
Interest income	-	9	4,252	18	-	4,279
Interest expense	4,143	-	460	37	2	4,642
Fees and commissions	508	1,007	683	6	8	2,212
Short term employee benefits	-	-	-	5,970	1,786	7,756
End of service benefits	-	-	-	440	107	547
Directors' fees and related expenses	-	-	869	-	-	869
<i>As of 30 June 2022</i>						
Deposits with banks	-	4,393	-	-	-	4,393
Loans and advances	-	-	260,630	507	86	261,223
Deposits from banks	-	22,356	-	-	-	22,356
Customers' deposits	3,616,927	-	65,292	11,161	911	3,694,291
Derivative liability	-	1,297	-	-	-	1,297
Subordinated liabilities	9,496	-	-	-	-	9,496
Commitments and contingent liabilities	552	39,479	84,299	-	-	124,330
2021						
	<i>Major shareholders</i>	<i>Associates</i>	<i>Non- Executive Directors</i>	<i>Senior management</i>		<i>Total</i>
				<i>Directors</i>	<i>Others</i>	
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
<i>For the six months ended</i>						
<i>30 June 2021</i>						
Interest income	-	51	2,991	14	-	3,056
Interest expense	8,426	-	294	39	3	8,762
Fees and commissions	553	1,012	957	5	1	2,528
Short term employee benefits	-	-	-	6,544	1,548	8,092
End of service benefits	-	-	-	602	99	701
Directors' fees and related expenses	-	-	497	-	-	497
<i>As of 31 December 2021</i>						
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

AHLI UNITED BANK B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 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%. However, as per CBB circulars OG/106/2020 dated 17 March 2020, OG/296/2020 dated 26 August 2020, OG/431/2020 dated 29 December 2020 and OG/417/2021 dated 23 December 2021, the limit was reduced to 80% until 30 June 2022, to contain the financial repercussions of COVID-19. The Group's consolidated NSFR ratio as of 30 June 2022 is 119.5% (31 December 2021: 118.1%).

	<i>(Reviewed)</i> 30 June 2022 <i>US\$ '000</i>	<i>(Audited)</i> 31 December 2021 <i>US\$ '000</i>
<u>Available Stable Funding:</u>		
Regulatory capital	6,153,094	6,270,390
Stable deposits	6,820,971	6,958,945
Wholesale funding	13,870,790	13,039,788
Others	690,960	650,939
Total Available Stable Funding (A)	27,535,815	26,920,062
<u>Required Stable Funding :</u>		
High-Quality Liquid Assets (HQLA)	1,440,364	1,439,864
Performing loans	15,209,792	14,730,855
Securities (other than HQLA)	3,187,023	3,341,785
Derivative contracts	284,491	283,217
Others	2,483,286	2,562,446
Off-balance sheet items	437,807	438,989
Total Required Stable Funding (B)	23,042,763	22,797,156
NSFR (%) (A/B)	119.5%	118.1%

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

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

However, subsequently the proposed acquisition procedures were suspended until December 2020 due to the prevailing unprecedented circumstances relating to the Covid-19 pandemic. During December 2020, the AUB Board of Directors, in consultation with KFH Board of Directors, and subject to necessary regulatory approvals, agreed to extend the suspension period for the resumption of the acquisition of AUB by KFH, until completion of KFH's updated assessments to be conducted by the international advisor appointed by KFH in this respect.

During December 2021, the AUB Board of Directors, in coordination with KFH and regulatory authorities, agreed to the update of financial and legal due diligence studies, and the resumption of all connected procedures related to the acquisition, including the assessment of the impact of such studies on the final share exchange ratio. AUB has re-appointed the specialised professional advisors previously appointed to provide AUB with the necessary financial, tax (KPMG) and legal (Linklaters LLP) studies regarding the transaction.

Subsequently, the specialised professional advisors appointed by AUB have completed their due diligence studies on KFH and their reports have been submitted to the AUB Board of Directors for review and evaluation. KFH has also communicated the AUB Board a revised share exchange ratio, which is subject to the KFH obtaining shareholder and regulatory approvals.

30 June 2022 (Reviewed)

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

On 6 July 2022, AUB announced that the AUB Board of Directors had resolved to accept the revised share exchange ratio of 2.695 AUB shares for each KFH share, as proposed by KFH, subject to: (i) the fairness opinion of the independent professional advisor to be appointed by the AUB Board of Directors pursuant to TMA-2.2.1 of the Takeovers, Mergers and Acquisitions Module of Volume 6 of the CBB Rulebook; and (ii) the aggregate ownership of the AUB shareholders in KFH immediately following completion of the acquisition being not less than 31% of the total outstanding and paid up shares of KFH at such time (assuming the full acquisition of all AUB shares by KFH). The proposed acquisition remains subject to conditions precedent and all relevant regulatory and shareholder approvals. Further, on 25 July 2022, AUB Board of Directors received a notice of firm intention to make an offer and an offer document from KFH, in respect of a voluntary conditional offer to acquire up to 100% of the issued ordinary shares of AUB by way of a share swap, subject to the fulfilment or waiver of certain conditions.

AUB has and will disclose on the Bahrain Bourse and Boursa Kuwait, any relevant developments on this matter, as required, on a prompt ongoing basis, to ensure transparency and to comply with governing laws and regulations.

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. Regulator's decision is expected during Q3/2022.