AHLI UNITED BANK B.S.C.

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2022

CONTENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS

Ernst & Young - Middle East
P O Box 140
10th Floor, East Tower
Bahrain World Trade Centre
Manama
Kingdom of Bahrain

Tel: +973 1753 5455
Fax: +973 1753 5405
manama@bh.ey.com
C.R. No. 29977-1

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF AHLI UNITED BANK B.S.C.

Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of Ahli United Bank B.S.C. ("the Bank") and its subsidiaries (together "the Group"), which comprise the consolidated balance sheet as at 31 December 2022, and the consolidated statements of income, comprehensive income, cash flows and changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Kingdom of Bahrain, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

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

Key audit matters (continued)

1. Expected Credit Loss on loans and advances	
Key audit matter	**How our audit addressed the key audit matter**
The process for estimating Expected Credit Loss ("ECL") on credit risk associated with loans and advances in accordance with IFRS 9 Financial Instruments ("IFRS 9") is significant and complex. The management's determination of ECL required application of a significant level of judgment and estimation uncertainty, which may materially change the estimates in future periods. The Group exercises significant judgment using subjective assumptions when determining both the timing and the amounts of the ECL for loans and advances. Due to the complexity of the requirements under IFRS 9, the significance of judgments and estimations applied in the ECL calculations and the Group's exposure to loans and advances which form a major portion of the Group's assets, the audit of ECL for loans and advances is a key area of focus. As at 31 December 2022, the Group's gross loans and advances amounted to US$ 22,172 million and the related ECL amounted to US$ 951 million. Refer to the accounting policies, disclosures of loans and advances and credit risk management in notes 2, 7 and 32 to the consolidated financial statements.	Our approach included testing the controls associated with the relevant processes for estimating the ECL and performing substantive procedures on such estimates. We involved our internal specialists where their specific expertise was required. Our key audit procedures focused on the following: • We obtained an understanding of the design and tested the operating effectiveness of relevant controls over the ECL model, including model build and approval, ongoing monitoring / validation, model governance and mathematical accuracy. We have also checked completeness of the data used in the ECL calculation. • We assessed: o the Group's ECL policy including determination of the significant increase in credit risk and consequent staging criteria with the requirements of IFRS 9 and regulatory guidelines; o the significant modelling and macroeconomic assumptions, including evaluation of forward-looking information and scenarios against the requirements of the Group's ECL policy; and o the basis of determination of the management overlays.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF AHLI UNITED BANK B.S.C. (continued)

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

Key audit matters (continued)

1. Expected Credit Loss on loans and advances (continued)	
Key audit matter	**How our audit addressed the key audit matter**
	• We reviewed a sample of credit files and performed procedures to assess: o timely identification of exposures with a significant increase in credit risk and appropriateness of the staging; o the process of collateral valuation; and o ECL recalculation. • We considered the adequacy of the disclosures in the consolidated financial statements in relation to ECL for loans and advances as per the applicable financial reporting standards.
2. Impairment of goodwill	
Goodwill is allocated to cash generating units ("CGUs") for the purpose of impairment testing. Goodwill impairment testing of CGUs relies on estimates of value-in-use based on estimated future cash flows. Subjectivity is typically highest for those CGUs where headroom between value-in-use and carrying value is limited and where the value in use is most sensitive to estimates of future cash flows. Due to the subjectivity involved in computing recoverable amounts and the significance of the Group's recognised goodwill of US$ 475 million as at 31 December 2022, this audit area is considered a key audit risk. Refer to the critical accounting estimates and judgments and disclosures of goodwill in note 2, and allocation of goodwill to CGUs in note 13 to the consolidated financial statements.	We obtained an understanding of management's processes for determining the recoverable amount for annual goodwill impairment testing. Our audit procedures included the assessment of reasonableness of key inputs, such as the discount rates and growth rates, by comparison to externally available industry, economic and financial data and the Group's own historical data and performance. With the assistance of our internal valuation specialists, we formed an independent range of key assumptions used in a sample of impairment assessment, with reference to the relevant industry and market valuation considerations and derived a range of values using our assumptions and other qualitative risk factors. We compared these ranges with the management's assumptions and discussed our results with management. We considered the adequacy of the disclosures in the consolidated financial statements in relation to goodwill impairment.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF AHLI UNITED BANK B.S.C. (continued)

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

Other information included in the Group's 2022 Annual Report
Other information consists of the information included in the Group's 2022 Annual Report, other than the consolidated financial statements and our auditor's report thereon. The Board of Directors is responsible for the other information. Prior to the date of this auditor's report, we obtained the Board of Directors' report which forms part of the annual report, and the remaining sections of the annual report are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements
The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

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

EY
Building a better working world

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF AHLI UNITED BANK B.S.C. (continued)

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

Auditor's responsibilities for the audit of the consolidated financial statements (continued)
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF AHLI UNITED BANK B.S.C. (continued)

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

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

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

Report on Other Legal and Regulatory Requirements

As required by the Bahrain Commercial Companies Law and Volume 1 of the Central Bank of Bahrain Rule Book, we report that:

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

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

c) we are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 1 and applicable provisions of Volume 6) and CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse or the terms of the Bank's memorandum and articles of association during the year ended 31 December 2022 that might have had a material adverse effect on the business of the Bank or on its consolidated financial position; and

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

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

Ernst + Young

Partner's registration no. 115
2 February 2023
Manama, Kingdom of Bahrain

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2022

	Note	***2022*** ***US$ '000***	*2021* *US$ '000*
Interest income	3a	**1,729,456**	1,348,252
Interest expense	3b	**820,332**	476,463
Net interest income		**909,124**	871,789
Fees and commissions - net	4	**107,940**	104,386
Trading income	5	**36,255**	34,750
Investment and other income		**149,087**	62,620
Share of results from associates	9	**34,485**	35,383
Fees and other income		**327,767**	237,139
OPERATING INCOME		**1,236,891**	1,108,928
Provision for credit losses and others	7g	**231,294**	122,350
NET OPERATING INCOME		**1,005,597**	986,578
Staff costs		**186,318**	175,357
Depreciation		**35,388**	34,624
Other operating expenses		**146,138**	117,025
OPERATING EXPENSES		**367,844**	327,006
PROFIT BEFORE TAX AND ZAKAT		**637,753**	659,572
Tax expense and zakat	22	**55,456**	21,641
NET PROFIT FOR THE YEAR		**582,297**	637,931
Net profit attributable to non-controlling interests		**36,195**	30,687
NET PROFIT ATTRIBUTABLE TO THE OWNERS OF THE BANK		**546,102**	607,244
EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE BANK FOR THE YEAR:			
Basic and diluted earnings per ordinary share (US cents)	23	**4.5**	5.1

Mohammad Al-Ghanim
Deputy Chairman

Khalid Mohamed Najibi
Director

Adel A. El-Labban
Group Chief Executive Officer

The attached notes 1 to 43 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022	*2021*
	US$ '000	*US$ '000*
Net profit for the year	**582,297**	637,931
Other Comprehensive Income (OCI)		
Items that will not be reclassified subsequently to consolidated statement of income		
Net change in fair value of equity investments measured at fair value through OCI	**(5,262)**	8,081
Net change in pension fund revaluation reserve (note 21 (h))	**(17,605)**	28,080
Net change in property revaluation reserve	**2,887**	353
Items that may be reclassified subsequently to consolidated statement of income		
Foreign currency translation adjustments	**(302,121)**	(1,826)
Net change in fair value of debt instruments measured at fair value through OCI	**(16,006)**	(5,621)
Transfer to consolidated statement of income on sale of debt instruments measured at fair value through OCI	**(3,757)**	(6,474)
Net change in fair value of cash flow hedges	**41,358**	12,352
Other comprehensive (loss) / income for the year	**(300,506)**	34,945
Total comprehensive income for the year	**281,791**	672,876
Total comprehensive income attributable to non-controlling interests	**20,587**	31,621
Total comprehensive income attributable to the owners of the Bank	**261,204**	641,255

CONSOLIDATED BALANCE SHEET

At 31 December 2022

	Note	*2022* *US$ '000*	*2021* *US$ '000*
ASSETS			
Cash and balances with central banks	6a	**1,643,192**	1,819,841
Treasury bills and deposits with central banks	6b	**2,340,304**	1,731,698
Deposits with banks		**3,467,846**	4,116,647
Loans and advances	7	**21,221,325**	22,075,148
Non-trading investments	8	**9,955,597**	9,923,294
Investment in associates	9	**350,958**	343,076
Investment properties	10	**189,065**	188,648
Interest receivable, derivative and other assets	11	**1,557,338**	916,200
Premises and equipment	12	**325,302**	311,929
Goodwill and other intangible assets	13	**510,045**	486,889
TOTAL ASSETS		**41,560,972**	41,913,370
LIABILITIES AND EQUITY			
LIABILITIES			
Deposits from banks	14	**4,077,229**	4,638,973
Borrowings under repurchase agreements	15	**4,359,845**	3,775,499
Customers' deposits	16	**24,393,349**	25,203,941
Term borrowings	17	**1,778,323**	1,088,822
Interest payable, derivative and other liabilities	18	**1,113,365**	1,278,187
Subordinated liabilities	19	**9,462**	9,983
TOTAL LIABILITIES		**35,731,573**	35,995,405
EQUITY			
Ordinary share capital	20b	**2,786,983**	2,533,621
Reserves		**1,588,521**	1,936,083
Equity attributable to the owners of the Bank		**4,375,504**	4,469,704
Perpetual Tier 1 Capital Securities and Sukuk	20c	**1,000,000**	1,000,000
Non-controlling interests		**453,895**	448,261
TOTAL EQUITY		**5,829,399**	5,917,965
TOTAL LIABILITIES AND EQUITY		**41,560,972**	41,913,370

Mohammad Al-Ghanim Deputy Chairman	Khalid Mohamed Najibi Director	Adel A. El-Labban Group Chief Executive Officer

The attached notes 1 to 43 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Note	**2022** **US$ '000**	2021 US$ '000
OPERATING ACTIVITIES			
Profit before tax and zakat		**637,753**	659,572
Adjustments for:			
Depreciation		**35,388**	34,624
Investment and other income		**(53,720)**	(43,740)
Provision for credit losses and others	7g	**231,294**	122,350
Share of results from associates	9	**(34,485)**	(35,383)
Operating profit before changes in operating assets and liabilities		**816,230**	737,423
Changes in:			
Mandatory reserve deposits with central banks		**(243,419)**	(147,367)
Treasury bills and deposits with central banks		**(97,388)**	596,982
Deposits with banks		**1,570,436**	(931,067)
Loans and advances		**836,002**	(1,493,647)
Interest receivable, derivative and other assets		**(29,981)**	(27,769)
Deposits from banks		**(561,744)**	420,556
Borrowings under repurchase agreements		**584,346**	157,430
Customers' deposits		**(992,162)**	21,356
Interest payable, derivative and other liabilities		**(82,908)**	(8,852)
Net cash flows generated from / (used in) operations		**1,799,412**	(674,955)
Income tax and zakat paid		**(33,572)**	(37,757)
Net cash flows from / (used in) operating activities		**1,765,840**	(712,712)
INVESTING ACTIVITIES			
Purchase of non-trading investments and others		**(3,588,613)**	(3,080,132)
Proceeds from sale or redemption of non-trading investments		**2,541,851**	2,342,681
Additional investment in subsidiary		**-**	(8,609)
Right subscription in an associate		**-**	(27,545)
Net decrease in investment properties		**-**	151
Net increase in premises and equipment		**(49,382)**	(50,820)
Dividends received from associates		**13,293**	8,862
Net cash flows used in investing activities		**(1,082,851)**	(815,412)
FINANCING ACTIVITIES			
Additional Perpetual Tier 1 Capital Securities issued	20c	**-**	600,000
Redemption of Perpetual Tier 1 Capital Securities	20c	**-**	(200,000)
Expenses related to Perpetual Tier 1 Sukuk issued and others		**-**	(1,191)
Distribution on Perpetual Tier 1 Capital Securities and sukuk	21j	**(46,606)**	(45,215)
Repayment of term debt	17	**(350,000)**	-
Additional term borrowings	17	**1,094,462**	926,700
Dividends and other appropriations paid		**(304,034)**	(119,005)
Dividends paid to non-controlling interests		**(8,837)**	(842)
Net cash flows from financing activities		**384,985**	1,160,447
NET CHANGE IN CASH AND CASH EQUIVALENTS		**1,067,974**	(367,677)
Net foreign exchange difference		**(48,409)**	204
Cash and cash equivalents at 1 January		**2,609,526**	2,976,999
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	24	**3,629,091**	2,609,526
Additional cash flow information:			
Interest received		**1,700,662**	1,311,850
Interest paid		**769,267**	466,502

The attached notes 1 to 43 form part of these consolidated financial statements

Ahli United Bank B.S.C.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to the owners of the Bank										
		Reserves									
	Ordinary share capital US$ '000	***Share premium US$ '000***	***Statutory reserve US$ '000***	***Retained earnings US$ '000***	***Proposed appro-priations US$ '000***	***Other reserves [Note 21(h)] US$ '000***	***Total reserves US$'000***	***Equity attributable to the owners US$'000***	***Perpetual Tier 1 Capital Securities and Sukuk US$'000***	***Non-controlling interests US$'000***	***Total US$'000***
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**
Distribution on Perpetual Tier 1 Capital Securities [note 21(j)]	-	-	-	**(23,356)**	-	-	**(23,356)**	**(23,356)**	-	-	**(23,356)**
Distribution related to Perpetual Tier 1 Sukuk [note 21(j)]	-	-	-	**(17,410)**	-	-	**(17,410)**	**(17,410)**	-	**(5,840)**	**(23,250)**
Ordinary share dividend paid [note 21(i)]	-	-	-	-	**(304,034)**	-	**(304,034)**	**(304,034)**	-	-	**(304,034)**
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	**(8,837)**	**(8,837)**
Donations	-	-	-	-	**(2,000)**	-	**(2,000)**	**(2,000)**	-	-	**(2,000)**
Bonus shares issued	**253,362**	-	-	**(253,362)**	-	-	**(253,362)**	-	-	-	-
Transfer from OCI reserve on sale of equity investments	-	-	-	**(155)**	-	-	**(155)**	**(155)**	-	-	**(155)**
Movement in associates	-	-	-	**(8,460)**	-	-	**(8,460)**	**(8,460)**	-	-	**(8,460)**
Movement in subsidiaries	-	**11**	-	-	-	-	**11**	**11**	-	**(276)**	**(265)**
Total comprehensive income for the year	-	-	-	**546,102**	-	**(284,898)**	**261,204**	**261,204**	-	**20,587**	**281,791**
Transfer to statutory reserve [note 21(c)]	-	-	**54,610**	**(54,610)**	-	-	-	-	-	-	-
Proposed dividend on ordinary shares [note 21(i)]	-	-	-	**(278,698)**	**278,698**	-	-	-	-	-	-
Proposed donations	-	-	-	**(2,000)**	**2,000**	-	-	-	-	-	-
Balance at 31 December 2022	**2,786,983**	**752,549**	**820,089**	**508,173**	**280,698**	**(772,988)**	**1,588,521**	**4,375,504**	**1,000,000**	**453,895**	**5,829,399**

Ahli United Bank B.S.C.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to the owners of the Bank									Perpetual Tier 1 Capital Securities and Sukuk US$ '000	Non-controlling interests US$'000	Total US$'000
	Ordinary share capital US$ '000	*Reserves* Share premium US$ '000	Statutory reserve US$ '000	Retained earnings US$ '000	Proposed appro-priations US$ '000	Other reserves [Note 21(h)] US$ '000	Total reserves US$'000	Equity attributable to the owners US$'000				
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
Distribution on Perpetual Tier 1 Capital Securities [note 21(j)]	-	-	-	(23,356)	-	-	(23,356)	(23,356)		-	-	(23,356)
Distribution related to Perpetual Tier 1 Sukuk [note 21(j)]	-	-	-	(16,363)	-	-	(16,363)	(16,363)		-	(5,496)	(21,859)
Ordinary share dividend paid	-	-	-	-	(120,649)	-	(120,649)	(120,649)		-	-	(120,649)
Dividends of subsidiary	-	-	-	-	-	-	-	-		-	(842)	(842)
Donations	-	-	-	-	(2,000)	-	(2,000)	(2,000)		-	-	(2,000)
Bonus shares issued	120,649	-	-	(120,649)	-	-	(120,649)	-		-	-	-
Arising on additional acquisition in a subsidiary	-	(525)	-	-	-	-	(525)	(525)		-	(11,333)	(11,858)
Perpetual Tier 1 Sukuk issued [note 20(c)]	-	-	-	-	-	-	-	-		600,000	-	600,000
Perpetual Tier 1 Sukuk redemption [note 20(c)]	-	-	-	-	-	-	-	-		(200,000)	-	(200,000)
Expenses related to issuance of Perpetual Tier 1 Sukuk and others	-	-	-	(891)	-	-	(891)	(891)		-	(300)	(1,191)
Transfer from OCI reserve on sale of equity investments	-	-	-	1,412	-	-	1,412	1,412		-	-	1,412
Movement in associates	-	-	-	(8,457)	-	-	(8,457)	(8,457)		-	-	(8,457)
Movement in subsidiaries	-	-	-	(2,362)	-	-	(2,362)	(2,362)		-	(107)	(2,469)
Total comprehensive income for the year	-	-	-	607,244	-	34,011	641,255	641,255		-	31,621	672,876
Transfer to statutory reserve [note 21(c)]	-	-	60,724	(60,724)	-	-	-	-		-	-	-
Proposed dividend on ordinary shares [note 21(i)]	-	-	-	(304,034)	304,034	-	-	-		-	-	-
Proposed donations	-	-	-	(2,000)	2,000	-	-	-		-	-	-
Balance at 31 December 2021	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

The attached notes 1 to 43 form part of these consolidated financial statements

1 CORPORATE INFORMATION

The 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 as detailed in note 2.3 (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 (the "CBB"). The Bank also engages in life insurance business through its subsidiary, Al Hilal Life B.S.C. (c). The Bank's registered office is located at Building 2495, Road 2832, Al Seef District 428, Kingdom of Bahrain.

Pursuant to acquisition of AUB by Kuwait Finance House K.S.C.P. ("KFH") effective 2 October 2022, KFH is the Parent Company 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.

The consolidated financial statements for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of the Board of Directors dated 2 February 2023.

2 ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis as modified for the re-measurement at fair value of freehold land included in "Premises and equipment", certain financial instruments [as detailed in note 2.7(c)] and all derivative financial instruments. In addition, as detailed in note 2.7(h)(i), carrying values of recognised assets that are designated as hedged items in fair value hedges are adjusted to the extent of the fair value attributable to the risk being hedged. The consolidated financial statements are presented in United States Dollars, which is also the Bank's functional currency and all values are rounded-off to the nearest thousands, unless otherwise indicated.

2.2 Framework and statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board (IASB) and in conformity with the Bahrain Commercial Companies Law and the Central Bank of Bahrain and Financial Institutions Law. 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 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.

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at and for the years ended 31 December 2022 and 2021. The results of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Control is achieved where the Group is exposed, or has rights, to variable returns from its involvement from its investee and has the ability to affect those returns through its power over the investee. The Group re-assesses whether or not it controls an investee if facts and circumstances indicates that there are any change to elements of control. The financial statements of the subsidiaries are prepared for the same reporting year as the Bank, using consistent accounting policies. Adjustments are made to the consolidated financial statements to bring into line any dissimilar accounting policies that may exist. Changes in parent's ownership interest in a subsidiary that do not result in loss of control are treated as transactions between equity holders and are reported in equity.

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

2 ACCOUNTING POLICIES (continued)

2.3 Basis of consolidation (continued)

The following are the Bank's principal subsidiaries:

		Group's nominal holding	
Name	***Incorporated in***	***2022***	*2021*
Ahli United Bank (U.K.) PLC ("AUBUK")	United Kingdom	**100.0%**	100.0%
Ahli United Bank K.S.C.P. ("AUBK")*	State of Kuwait	**67.3%**	67.3%
Ahli United Bank (Egypt) S.A.E. ("AUBE")	Arab Republic of Egypt	**95.7%**	95.7%
Commercial Bank of Iraq P.S.C. ("CBIQ")	Republic of Iraq	**80.3%**	80.3%
Al Ahli Real Estate Company W.L.L. ("AREC")	Kingdom of Bahrain	**100.0%**	100.0%
Al Hilal Life B.S.C. (c) ("AHL")	Kingdom of Bahrain	**100.0%**	100.0%

* Effective holding 74.9% (2021: 74.9%).

2.4 New standards and amendments effective for the year

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in previous year, except for the items below.

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

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

  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.

2.5 New standards, amendments and interpretations issued but not yet effective

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

- IFRS 17 Insurance Contracts

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

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

  IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The Group is ready to adopt this standard on the effective date and there are no significant impact on the Group's financial statements.

2 ACCOUNTING POLICIES (continued)

2.5 New standards, amendments and interpretations issued but not yet effective (continued)

- Definition of Accounting Estimates - Amendments to IAS 8

  In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

  The amendments are not expected to have a significant impact on the Group's financial statements.

2.6 Significant accounting judgements and estimates

The preparation of the consolidated financial statements requires management to make judgements and estimates that affect the reported amounts of income, expenses, assets, liabilities, the accompanying disclosures and disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

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

i) Business model

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

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

• Management's stated policies and objectives for the portfolio and the operation of those policies in practice;

• Management's evaluation of the performance of the portfolio and liquidity requirements in the current market conditions; and

• Management's strategy in terms of earning contractual interest revenues or generating capital gains.

ii) Measurement of the Expected Credit Loss (ECL) allowances

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

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

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

2 ACCOUNTING POLICIES (continued)

2.6 Significant accounting judgements and estimates (continued)

iii) Pension plans

Estimates and assumptions are used in determining the Group's pension liabilities. The cost of the defined benefit pension plan and the present value of pension obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases.

iv) Going concern

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

v) Fair value of financial instruments

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

vi) Impairment of goodwill and intangible assets

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. Impairment exists when carrying value of an asset or cash generating unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The key assumptions and estimates used to determine the recoverable amount for the different CGUs, are disclosed and further explained in note 13.

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

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

vii) On-going Economic environment impact

The Group has performed an assessment of the relevant macro-economic information based on the available guidance of regulators and IFRS, which has resulted in changes to the expected credit loss methodology, valuation estimates and judgements as at and for the year ended 31 December 2022.

The Group has taken note of the current economic situation post the end of regulatory forbearance measures, forecast economic recession in Europe, rising interest rates and inflationary pressures in many countries across the globe and ongoing geopolitical tensions. The group has also considered the impact of the challenging economic environment caused by COVID-19 and potential recession on vulnerable sectors in determining the ECL which have been reflected through adjustments in the established regression relationship and increased volatility in collateral haircuts. Accordingly, the Group has updated inputs and assumptions used for the determination of ECL including additional management overlays.

2 ACCOUNTING POLICIES (continued)

2.7 Summary of significant accounting policies

The principal accounting policies which are consistently applied in the preparation of these consolidated financial statements, except as detailed in notes 2.2 and 2.4, are set out below.

(a) Investment in associates

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

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

(b) Foreign currency translation

(i) Transactions and balances

Transactions in foreign currencies are initially recorded in the relevant functional currency at the rate of exchange prevailing on the date of the transaction.

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

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

(ii) Group companies

Assets and liabilities of foreign subsidiaries and associates whose functional currency is not US Dollars are translated into US Dollars at the rates of exchange prevailing at the balance sheet date. Income and expense items are translated at average exchange rates prevailing for the reporting period for consolidation purpose, any exchange differences arising on translation are included in “foreign exchange translation reserve” forming part of other comprehensive income except to the extent that the translation difference is allocated to the non-controlling interest. On disposal of foreign operations, exchange differences relating thereto and previously recognised in other comprehensive income are recognised in the consolidated statement of income.

(c) Financial instruments

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

2 ACCOUNTING POLICIES (continued)

2.7 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

(i) Date of recognition

All “regular way” purchases and sales of financial assets are recognised on the settlement date, i.e. the date that the Group receives or delivers the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

(ii) Treasury bills and deposits with central banks

Treasury bills and deposits with central banks are initially recognised at amortised cost. Premiums and discounts are amortised to their maturity using the effective interest rate method.

(iii) Deposits with banks and other financial institutions and loans and advances

Deposits with banks (including nostro accounts) and other financial institutions and loans and advances are financial assets with fixed or determinable payments and fixed maturities. Loans with renegotiated terms are loans, the repayment plan of which have been revised as part of ongoing customer relationship to align with change in cash flows of the borrower, in some instances with improved security and with no other concessions. These assets are risk rated in accordance with the Group’s policy on internal credit rating as explained in note 32 (c). After initial recognition, these are subsequently measured at amortised cost using the effective interest rate method, adjusted for effective fair value hedges, less any amounts written off and provision for credit losses. The losses arising from impairment of these assets are recognised in the consolidated statement of income in "provision for credit losses and others" and in an ECL allowance account in the consolidated balance sheet. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortisation is included in "interest income" in the consolidated statement of income.

(iv) Debt instruments

Debt instruments are measured at amortised cost using the effective interest rate method if:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as profit margin. In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument.

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

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset meet the Solely Payments of Principal and Interest (SPPI) test.

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

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

2 ACCOUNTING POLICIES (continued)

2.7 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

(iv) Debt instruments (continued)
The Group accounts for any changes in the fair value in the consolidated statement of income for assets classified as "FVTPL".

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

(vi) Other financial instruments
A financial asset is classified as FVTPL, if:
- it has been acquired principally for the purpose of selling in the near term;
- on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is a recent actual pattern of short term profitability; or
- it is a derivative and not designated and effective as a hedging instrument or a financial guarantee.

(vii) Derivatives (other than hedging instruments)
Changes in fair values of the derivatives held for trading are included in the consolidated statement of income under "trading income".

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

(viii) Deposits, term borrowings and subordinated liabilities
These financial liabilities are carried at amortised cost, less amounts repaid. Sukuk issued is initially recognised at their fair value being the issue proceeds. Changes in fair value to the extent of the changes in fair value of the Sukuk hedged and unamortised transaction costs are adjusted under "Long term Sukuk payable".

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

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

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

Derecognition of financial instruments in the context of IBOR reform
The Group derecognises financial assets and financial liabilities if there has been a substantial modification of their terms and conditions. In the context of IBOR reform, many financial instruments have already been amended or will be amended during 2023 as they transition from IBORs to RFRs. In addition to the interest rate of a financial instrument changing, there may be other changes made to the terms of the financial instrument at the time of transition.

2 ACCOUNTING POLICIES (continued)

2.7 Summary of significant accounting policies (continued)

(d) Derecognition of financial assets and financial liabilities (continued)

Derecognition of financial instruments in the context of IBOR reform (continued)
For financial instruments measured at amortised cost, the Group first applies the practical expedient as described in note 2.7 (j), to reflect the change in the referenced interest rate from an IBOR to a RFR. Second, for any changes not covered by the practical expedient, the Group applies judgement to assess whether the changes are substantial and if they are, the financial instrument is derecognised and a new financial instrument is recognised. If the changes are not substantial, the Group adjusts the gross carrying amount of the financial instrument by the present value of the changes not covered by the practical expedient, discounted using the revised EIR.

(e) Repurchase agreements
Where investments are sold subject to a commitment to repurchase them at a predetermined price, they remain on the consolidated balance sheet and the consideration received is included in “borrowings under repurchase agreements”. The difference between the sale price and repurchase price is treated as interest expense and is accrued over the life of the agreement using the effective interest rate method.

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

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

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

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

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

The fair value of unquoted derivatives is determined either by discounted cash flows or option-pricing models.

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

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

(g) Impairment of financial assets
The Group applies a three-stage approach to measure allowance for credit losses, using an expected credit loss approach as required under IFRS 9, for the following categories of financial instruments that are not measured at FVTPL:
• Amortised cost financial assets;
• Debt securities classified as FVTOCI;
• Off-balance sheet loan commitments; and
• Financial guarantee contracts, letters of credit and acceptances.

2 ACCOUNTING POLICIES (continued)

2.7 Summary of significant accounting policies (continued)

(g) Impairment of financial assets (continued)

ECL allowances are recognised for financial instruments that are not measured at FVTPL and are reflected in provisions for credit losses. Equity investments are not subject to impairment assessments.

Expected credit loss model

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

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

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

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

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

- Movements in risk rating since origination. Where the rating movement has deteriorated significantly, the amortised cost of financial asset is automatically migrated to Stage 2.
- Number of days past due (30 days - rebuttable) subject to approval of IFRS 9 Working Committee (WC) decision; 60 days (non-rebuttable).
- Restructured credits: All restructured facilities are required to remain in Stage 2 for a minimum period of twelve months from the date of restructuring.
- Delays in credit reviews or resolving credit exceptions subject to WC decision.
- Sector or country specific weakness subject to WC decision.
- Any other specific indicators including forward looking information which are available without undue cost or effort with respect to the obligor or the exposure such as, but not limited to, arrears with other lenders, law suits filed against the obligor by other lenders / creditors, negative movements in market indicators of financial performance etc., and the WC determines that these represent a significant deterioration in credit quality.

2 ACCOUNTING POLICIES (continued)

2.7 Summary of significant accounting policies (continued)

(g) Impairment of financial assets (continued)

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

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

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

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

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

Debt instruments measured at fair value through OCI
The ECL for debt instruments measured at FVTOCI is recognised as an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to consolidated income statement. The accumulated loss recognised in OCI is recycled to the consolidated income statement upon derecognition of the assets.

(h) Hedge accounting
The Group enters into derivative instruments including futures, forwards, swaps and options to manage exposures to interest rate and foreign currency risks, including exposures arising from forecast transactions. In order to manage particular risks, the Group applies hedge accounting for transactions which meet the specified criteria. These derivatives are stated at fair value. Derivatives with positive market values are included in "interest receivable, derivative and other assets" and derivatives with negative market values are included in "interest payable, derivative and other liabilities" in the consolidated balance sheet.

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

2 ACCOUNTING POLICIES (continued)

2.7 Summary of significant accounting policies (continued)

(h) Hedge accounting (continued)

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

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

(i) Fair value hedges

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

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

Hedge ineffectiveness can arise from:

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

(ii) Cash flow hedges

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

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

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

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

2 ACCOUNTING POLICIES (continued)

2.7 Summary of significant accounting policies (continued)

(h) Hedge accounting (continued)

(ii) Cash flow hedges (continued)

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

(i) Offsetting financial instruments

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

(j) Revenue recognition

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

(i) Interest income and expense

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

The Group adopted IBOR reform Phase 2 from its effective date, which allows as a practical expedient for changes to the basis for determining contractual cash flows to be treated as changes to a floating rate of interest, provided certain conditions are met. The conditions include that the change is necessary as a direct consequence of IBOR reform and that the transition takes place on an economically equivalent basis.

(ii) Fees and commissions

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

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

(iii) Dividend income

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

2 ACCOUNTING POLICIES (continued)

2.7 Summary of significant accounting policies (continued)

(k) Business combinations, goodwill and other intangible assets

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

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

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

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

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

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group’s primary or the Group's geographic segment reporting format determined in accordance with IFRS 8 - Operating Segments.

(l) Premises and equipment

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

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

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

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

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

(m) Investment properties

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

2 ACCOUNTING POLICIES (continued)

2.7 Summary of significant accounting policies (continued)

(n) Cash and cash equivalents

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

(o) Provisions

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

(p) Employee benefits

Defined benefit pension plan

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

Defined contribution plans

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

(q) Taxes

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

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

(r) Fiduciary assets

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

(s) Non-controlling interests

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

(t) Perpetual Tier 1 Capital Securities and Sukuk

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

(u) Dividends on ordinary shares

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

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

(v) Treasury shares

Own equity instruments that are acquired are recognised at consideration paid and deducted from equity. Any surplus/deficit arising from the subsequent sale of treasury shares is included in capital reserve under equity.

2 ACCOUNTING POLICIES (continued)

2.7 Summary of significant accounting policies (continued)

(w) Financial guarantees and loan commitments

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

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

(x) Repossessed assets

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

(y) Leases

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

The Group recognises right of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

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

Lease liabilities (Group as a lessee)

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

(z) Islamic banking

The Islamic banking activities of the Group are conducted in accordance with Islamic Shari'a principles, as approved by the Shari’a Supervisory Board.

Earnings prohibited by Sharia

The Islamic operation is committed to avoid recognising any income generated from non-Islamic sources. Accordingly, all non-Islamic income is credited to the charity account, where the Islamic operation uses these funds for charitable purposes.

Commingling of funds

The funds of Islamic operation are not commingled with the funds of the conventional operations of the Group.

2 ACCOUNTING POLICIES (continued)

2.7 Summary of significant accounting policies (continued)

(aa) Islamic products

Murabaha
An agreement whereby the Group sells to a customer commodities, real estate and certain other assets at cost plus an agreed profit mark up whereby the Group (seller) informs the purchaser of the price at which the asset had been purchased and also stipulates the amount of profit to be recognised.

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

Tawarruq
A sales agreement whereby a customer buys commodities from the Group on a deferred payment basis and then immediately resells them for cash to a third party.

Mudaraba
An agreement between two parties; one of them provides the funds and is called Rab-Ul-Mal and the other provides efforts and expertise and is called the Mudarib and is responsible for investing such funds in a specific enterprise or activity in return for a pre-agreed percentage of the Mudaraba income. In the case of normal loss, the Rab-Ul-Mal would bear the loss of its funds while the Mudarib would bear the loss of its efforts. However, in the case of default, negligence or violation of any of the terms and conditions of the Mudaraba agreement, only the Mudarib would bear the losses. The Group acts as Mudarib when accepting funds from depositors and as Rab-Ul-Mal when investing such funds on a Mudaraba basis.

Wakala
An agreement whereby the Group provides a certain sum of money to an agent who invests it according to specific conditions in return for a certain fee (a lump sum of money or a percentage of the amount invested). The agent is obliged to return the invested amount in the case of default, negligence or violation of any of the terms and conditions of the Wakala.

Istisna'a
Istisna'a is a sale contract between a contract owner and a contractor whereby the contractor based on an order from the contract owner undertakes to manufacture or otherwise acquire the subject matter of the contract according to specifications, and sells it to the contract owner for an agreed upon price and method of settlement whether that be in advance, by instalments or deferred to a specific future time.

Revenue recognition
Revenue is recognised on the above Islamic products as follows:

Income from Murabaha, Tawarruq and Istisna'a are recognised on an effective profit rate, which is established on the initial recognition of the asset and is not revised subsequently.

Income from Ijara is recognised over the term of the Ijara agreement so as to yield a constant rate of return on the net investment outstanding.

Income / (loss) on Mudaraba financing is based on expected results adjusted for actual experience as applicable, while similarly the losses are charged to income.

Estimated income from Wakala is recognised on an accrual basis over the period, adjusted by actual income when received. Losses are accounted for on the date of declaration by the agent.

2 ACCOUNTING POLICIES (continued)

2.7 Summary of significant accounting policies (continued)

(ab) Equity of unrestricted investment account holders' share of profit

The profit computed after taking into account all income and expenses at the end of a financial year is distributed between equity of unrestricted investment account holders which include Mudaraba depositors and the shareholders. The share of profit of the equity of unrestricted investment account holders is calculated on the basis of their average deposit balances over the year, after reducing the agreed and declared Mudarib fee.

Equity of unrestricted investment account holders do not bear the expenses relating to non compliance with Shari'a regulations.

3 NET INTEREST INCOME

	2022	*2021*
	US$'000	*US$'000*
(a) INTEREST INCOME		
Treasury bills	**157,513**	86,867
Deposits with banks	**93,685**	30,584
Loans and advances	**1,094,785**	902,597
Non-trading investments	**383,473**	328,204
	1,729,456	1,348,252

Interest income consists income from FVTOCI investments amounting to US$ 137.0 million (2021: US$ 114.0 million).

	2022	*2021*
	US$'000	*US$'000*
(b) INTEREST EXPENSE		
Deposits from banks	**84,134**	28,516
Borrowings under repurchase agreements	**90,054**	23,381
Customers' deposits	**580,706**	410,214
Subordinated liabilities	**245**	105
Term borrowings	**65,193**	14,247
	820,332	476,463
NET INTEREST INCOME	**909,124**	871,789

All financial liabilities and related interest expenses relate to amortised cost items.

4 FEES AND COMMISSIONS - NET

	2022	*2021*
	US$'000	*US$'000*
Fees and commission income		
- Transaction banking services	**121,376**	115,040
- Management, performance and brokerage fees*	**9,432**	11,356
Fees and commission expense	**(22,868)**	(22,010)
	107,940	104,386

* This includes US$ 1.8 million (2021: US$ 3.8 million) of fee income relating to trust and other fiduciary activities.

5 TRADING INCOME

	2022	2021
	US$'000	*US$'000*
Foreign exchange	**24,302**	27,134
Proprietary trading	**11,953**	7,616
	36,255	34,750

6 (a) CASH AND BALANCES WITH CENTRAL BANKS

	2022	2021
	US$'000	*US$'000*
Cash and balances with central banks, excluding mandatory reserve (note 24)	**605,561**	850,456
Mandatory reserve with central banks	**1,037,631**	969,385
	1,643,192	1,819,841

6 (b) TREASURY BILLS AND DEPOSITS WITH CENTRAL BANKS

	2022	2021
	US$'000	*US$'000*
Central Bank of Bahrain	**1,369,785**	559,306
Central Bank of Kuwait	**777,551**	609,158
Central Bank of Egypt	**127,650**	563,234
Central Bank of Iraq	**55,318**	-
US treasury bills	**10,000**	-
	2,340,304	1,731,698

The deposits with central banks and treasury bills are local currency denominated and are match funded by underlying respective local currencies. Deposit with Central Bank of Kuwait amounting to US$ 777.6 million (2021: US$ 609.2 million) is maintained as mandatory reserve.

7 LOANS AND ADVANCES

	2022		2021	
	US$ '000	*%*	*US$ '000*	*%*
a) By industry sector				
Consumer / personal	**3,291,836**	**14.8**	2,982,059	12.9
Residential mortgage	**1,707,559**	**7.7**	1,685,672	7.3
Trading and manufacturing	**5,684,996**	**25.7**	6,197,504	26.9
Real estate	**5,993,288**	**27.0**	6,647,896	28.9
Banks and other financial institutions	**757,716**	**3.4**	1,022,705	4.4
Services	**4,228,384**	**19.1**	3,862,501	16.8
Government / public sector	**198,023**	**0.9**	246,545	1.1
Others	**310,539**	**1.4**	396,496	1.7
	22,172,341	**100.0**	23,041,378	100.0
Less: ECL allowances (Stage 1 and 2)	**(587,336)**		(502,196)	
Less: ECL allowances (Stage 3)	**(363,680)**		(464,034)	
	21,221,325		22,075,148	

7 LOANS AND ADVANCES (continued)

	2022		*2021*	
	US$ '000	***%***	*US$ '000*	*%*
b) By geographic region				
Kingdom of Bahrain	**4,106,763**	**18.5**	4,111,730	17.9
State of Kuwait	**11,238,052**	**50.7**	11,314,746	49.1
Other GCC countries	**1,974,720**	**8.9**	2,370,540	10.3
United Kingdom	**1,603,663**	**7.3**	1,830,517	7.9
Arab Republic of Egypt	**2,419,873**	**10.9**	2,935,217	12.7
Europe (excluding United Kingdom)	**208,588**	**0.9**	149,371	0.7
Asia (excluding GCC countries)	**215,044**	**1.0**	75,860	0.3
Others	**405,638**	**1.8**	253,397	1.1
	22,172,341	**100.0**	23,041,378	100.0
Less: ECL allowances (Stage 1 and 2)	**(587,336)**		(502,196)	
Less: ECL allowances (Stage 3)	**(363,680)**		(464,034)	
	21,221,325		22,075,148	

c) Credit quality of loans and advances

	2022			
	Stage 1	***Stage 2***	***Stage 3***	***Total***
	US$ '000	***US$ '000***	***US$ '000***	***US$ '000***
High standard grade				
Retail	**3,745,155**	**272,735**	**-**	**4,017,890**
Corporate	**9,295,390**	**497,900**	**-**	**9,793,290**
Standard grade				
Retail	**120,770**	**180,320**	**-**	**301,090**
Corporate	**5,642,426**	**1,987,254**	**-**	**7,629,680**
Credit impaired				
Retail	**-**	**-**	**92,322**	**92,322**
Corporate	**-**	**-**	**338,069**	**338,069**
	18,803,741	**2,938,209**	**430,391**	**22,172,341**
Less: ECL allowances	**(190,447)**	**(396,889)**	**(363,680)**	**(951,016)**
	18,613,294	**2,541,320**	**66,711**	**21,221,325**

7 LOANS AND ADVANCES (continued)

c) Credit quality of loans and advances (continued)

	2021			
	Stage 1 *US$ '000*	*Stage 2* *US$ '000*	*Stage 3* *US$ '000*	*Total* *US$ '000*
High standard grade				
Retail	3,801,927	171,290	-	3,973,217
Corporate	9,224,450	425,616	-	9,650,066
Standard grade				
Retail	66,258	184,679	-	250,937
Corporate	6,496,427	2,112,201	-	8,608,628
Credit impaired				
Retail	-	-	98,469	98,469
Corporate	-	-	460,061	460,061
	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

Refer note 32 for further details on credit quality of loans and advances.

d) Age analysis of past due but not credit impaired loans and advances

	2022			
	Up to 30 days ***US$ '000***	***31 to 60 days*** ***US$ '000***	***61 to 89 days*** ***US$ '000***	***Total*** ***US$ '000***
Retail	**91,709**	**52,601**	**30,309**	**174,619**
Corporate	**56,336**	**36,345**	**59,350**	**152,031**
	148,045	**88,946**	**89,659**	**326,650**

	2021			
	Up to 30 days *US$ '000*	*31 to 60 days* *US$ '000*	*61 to 89 days* *US$ '000*	*Total* *US$ '000*
Retail	74,449	22,458	22,315	119,222
Corporate	46,386	5,562	17,166	69,114
	120,835	28,020	39,481	188,336

The past due loans and advances up to 30 days include those that are only past due by a few days. None of the above past due loans are considered to be credit impaired.

7 LOANS AND ADVANCES (continued)

e) Individually credit impaired loans and advances

	2022		
	Retail	***Corporate***	***Total***
	US$ '000	***US$ '000***	***US$ '000***
Gross credit impaired loans and advances	**92,322**	**338,069**	**430,391**
ECL allowances (Stage 3)	**(77,556)**	**(286,124)**	**(363,680)**
	14,766	**51,945**	**66,711**
ECL coverage on credit impaired loans and advances	**84.0%**	**84.6%**	**84.5%**
Gross loans and advances	**4,411,302**	**17,761,039**	**22,172,341**
Credit impaired loans and advances ratio	**2.1%**	**1.9%**	**1.9%**

	2021		
	Retail	*Corporate*	*Total*
	US$ '000	*US$ '000*	*US$ '000*
Gross credit impaired loans and advances	98,469	460,061	558,530
ECL allowances (Stage 3)	(82,253)	(381,781)	(464,034)
	16,216	78,280	94,496
ECL coverage on credit impaired loans and advances	83.5%	83.0%	83.1%
Gross loans and advances	4,322,623	18,718,755	23,041,378
Credit impaired loans and advances ratio	2.3%	2.5%	2.4%

The fair value of collateral that the Group holds relating to loans individually determined to be credit impaired at 31 December 2022 amounted to US$ 491.2 million (31 December 2021: US$ 364.6 million). The collateral consists of cash, securities and properties.

The carrying amount of restructured credit facilities was US$ 552.1 million as at 31 December 2022 (31 December 2021: US$ 478.2 million) with no significant additional impact on ECL during the years ended 31 December 2022 and 2021.

f) Impairment allowance for loans and advances
A reconciliation of the loss allowances for loans and advances by class is as follows:

i) Loss allowances for loans and advances - Retail

	2022			
	Stage 1	***Stage 2***	***Stage 3***	***Total***
	US$ '000	***US$ '000***	***US$ '000***	***US$ '000***
At 1 January 2022	**54,350**	**11,787**	**82,253**	**148,390**
Transfer from Stage 1	**(10,438)**	**9,054**	**1,384**	**-**
Transfer from Stage 2	**205**	**(1,916)**	**1,711**	**-**
Net remeasurement of ECL allowances	**(10,991)**	**5,701**	**28,517**	**23,227**
Amounts written-off *	**-**	**-**	**(35,946)**	**(35,946)**
Exchange rate and other adjustments	**22,671**	**(787)**	**(363)**	**21,521**
At 31 December 2022	**55,797**	**23,839**	**77,556**	**157,192**

7 LOANS AND ADVANCES (continued)

f) Impairment allowance for loans and advances (continued)

i) Loss allowances for loans and advances - Retail (continued)

	2021			
	Stage 1	*Stage 2*	*Stage 3*	*Total*
	US$ '000	*US$ '000*	*US$ '000*	*US$ '000*
At 1 January 2021	47,550	10,225	86,486	144,261
Transfer from Stage 1	(3,492)	864	2,628	-
Transfer from Stage 2	258	(1,980)	1,722	-
Net remeasurement of ECL allowances	9,996	2,605	2,672	15,273
Amounts written-off *	-	-	(11,269)	(11,269)
Exchange rate and other adjustments	38	73	14	125
At 31 December 2021	54,350	11,787	82,253	148,390

ii) Loss allowances for loans and advances - Corporate

	2022			
	Stage 1	***Stage 2***	***Stage 3***	***Total***
	US$ '000	***US$ '000***	***US$ '000***	***US$ '000***
At 1 January 2022	**117,178**	**318,881**	**381,781**	**817,840**
Transfer from Stage 1	**(20,199)**	**2,408**	**17,791**	**-**
Transfer from Stage 2	**-**	**(10,986)**	**10,986**	**-**
Net remeasurement of ECL allowances	**44,693**	**83,891**	**89,843**	**218,427**
Amounts written-off *	**-**	**-**	**(205,157)**	**(205,157)**
Exchange rate and other adjustments	**(7,022)**	**(21,144)**	**(9,120)**	**(37,286)**
At 31 December 2022	**134,650**	**373,050**	**286,124**	**793,824**

	2021			
	Stage 1	*Stage 2*	*Stage 3*	*Total*
	US$ '000	*US$ '000*	*US$ '000*	*US$ '000*
At 1 January 2021	91,420	365,736	393,307	850,463
Transfer from Stage 1	(2,926)	1,306	1,620	-
Transfer from Stage 2	31,732	(98,364)	66,632	-
Net remeasurement of ECL allowances	(3,208)	50,394	103,345	150,531
Amounts written-off *	-	-	(183,206)	(183,206)
Exchange rate and other adjustments	160	(191)	83	52
At 31 December 2021	117,178	318,881	381,781	817,840

* Represents the full carrying value of the loans written-off.

The contractual amount outstanding on loans and advances that have been written off during the year, but were still subject to legal action was US$ 167.5 million at 31 December 2022 (2021: US$ 176.6 million).

7 LOANS AND ADVANCES (continued)

g) Provision for credit losses and others

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

	2022	*2021*
	US$ '000	*US$ '000*
Net remeasurement of ECL on loans and advances (note 7f)	**241,654**	165,804
Recoveries from loans and advances during the year (from fully provided loans written-off in prior years)	**(80,395)**	(27,427)
Net remeasurement of ECL for non-trading investments (note 8c)	**72,156**	(1,943)
Net remeasurement of ECL on off-balance sheet exposures and others	**10,012**	8,541
Net other provision write-back	**(12,133)**	(22,625)
	231,294	122,350

8 NON-TRADING INVESTMENTS

a) By sector

	2022			
	Held at amortised cost	***Held at FVTOCI***	***Held at FVTPL***	***Total***
	US$'000	***US$'000***	***US$'000***	***US$'000***
Quoted investments				
GCC government bonds and debt securities	**3,147,212**	**48,605**	**-**	**3,195,817**
Other government bonds and debt securities	**917,166**	**392,398**	**-**	**1,309,564**
GCC government entities' securities	**711,825**	**224,030**	**-**	**935,855**
Notes and certificates of deposit:				
- issued by banks and other financial institutions	**1,502,375**	**378,279**	**-**	**1,880,654**
- issued by corporates	**2,257,055**	**258,391**	**-**	**2,515,446**
Equity instruments	**-**	**26,195**	**2,469**	**28,664**
	8,535,633	**1,327,898**	**2,469**	**9,866,000**
Unquoted investments				
Notes and certificates of deposit:				
- issued by banks and other financial institutions	**11,264**	**101,489**	**-**	**112,753**
Equity instruments	**-**	**76,266**	**420**	**76,686**
	11,264	**177,755**	**420**	**189,439**
Total	**8,546,897**	**1,505,653**	**2,889**	**10,055,439**
Less: ECL allowances	**(80,570)**	**(19,272)**	**-**	**(99,842)**
	8,466,327	**1,486,381**	**2,889**	**9,955,597**

8 NON-TRADING INVESTMENTS (continued)

	2021			
	Held at amortised cost US$'000	*Held at FVTOCI US$'000*	*Held at FVTPL US$'000*	*Total US$'000*
Quoted investments				
GCC government bonds and debt securities	3,010,570	67,373	-	3,077,943
Other government bonds and debt securities	773,964	643,973	-	1,417,937
GCC government entities' securities	879,332	252,792	-	1,132,124
Notes and certificates of deposit:				
- issued by banks and other financial institutions	1,258,444	412,284	-	1,670,728
- issued by corporates	1,948,051	437,900	-	2,385,951
Equity instruments	-	24,767	2,910	27,677
	7,870,361	1,839,089	2,910	9,712,360
Unquoted investments				
Notes and certificates of deposit:				
- issued by banks and other financial institutions	13,675	138,874	-	152,549
Equity instruments	-	83,720	928	84,648
	13,675	222,594	928	237,197
Total	7,884,036	2,061,683	3,838	9,949,557
Less: ECL allowances	(18,346)	(7,917)	-	(26,263)
	7,865,690	2,053,766	3,838	9,923,294

The fair value of the non-trading investments held at amortised cost is US$ 8,574.2 million as at 31 December 2022 (31 December 2021: US$ 7,986.8 million) of which US$ 8,563.0 million is classified under Level 1 of fair value hierarchy (31 December 2021: US$ 7,972.6 million) and US$ 11.2 million is classified under Level 2 of fair value hierarchy (31 December 2021: US$ 14.2 million).

Gain on FVTPL investments for the year ended 31 December 2022 amounted to US$ 0.7 million (2021: Loss of US$ 1.2 million).

b) Credit quality of non-trading investments

	2022			
	Stage 1 US$ '000	***Stage 2 US$ '000***	***Stage 3 US$ '000***	***Total US$ '000***
High standard grade	**6,419,430**	**-**	**-**	**6,419,430**
Standard grade	**3,399,655**	**120,131**	**-**	**3,519,786**
Impaired	**-**	**-**	**10,873**	**10,873**
	9,819,085	**120,131**	**10,873**	**9,950,089**
Less: ECL allowances	**(24,571)**	**(64,398)**	**(10,873)**	**(99,842)**
	9,794,514	**55,733**	**-**	**9,850,247**
Equity instruments at fair value				**105,350**
				9,955,597

8 NON-TRADING INVESTMENTS (continued)

b) Credit quality of non-trading investments (continued)

	2021			
	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

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

c) Reconciliation of ECL allowances

	2022			
	Stage 1 ***US$ '000***	***Stage 2*** ***US$ '000***	***Stage 3*** ***US$ '000***	***Total*** ***US$ '000***
At 1 January 2022	**23,273**	**2,990**	**-**	**26,263**
Transfer from Stage 1	**(249)**	**232**	**17**	**-**
Net remeasurement of ECL allowances	**2,055**	**59,618**	**10,483**	**72,156**
Exchange rate and other adjustments	**(508)**	**1,558**	**373**	**1,423**
At 31 December 2022	**24,571**	**64,398**	**10,873**	**99,842**

	2021			
	Stage 1 *US$ '000*	*Stage 2* *US$ '000*	*Stage 3* *US$ '000*	*Total* *US$ '000*
At 1 January 2021	21,171	5,771	-	26,942
Net remeasurement of ECL allowances	1,206	(3,149)	-	(1,943)
Exchange rate and other adjustments	896	368	-	1,264
At 31 December 2021	23,273	2,990	-	26,263

9 INVESTMENT IN ASSOCIATES

The associates of the Group are:

Name	***Incorporated in***	***Group's nominal holding***	
		2022	*2021*
Ahli Bank S.A.O.G. (ABO)	Sultanate of Oman	**35.0%**	35.0%
United Bank for Commerce and Investment S.A.L. (UBCI)	Libya	**40.0%**	40.0%
Middle East Financial Investment Company (MEFIC)	Kingdom of Saudi Arabia	**40.0%**	40.0%

9 INVESTMENT IN ASSOCIATES (continued)

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

	2022	*2021*
	US$ '000	*US$ '000*
Total assets	**8,417,777**	8,343,899
Total liabilities	**7,083,097**	7,102,751
Share of results for the year (Group's share)	**34,485**	35,383
Other comprehensive (loss) income for the year (Group's share)	**(2,597)**	4,272

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

	2022	*2021*
	US$ million	*US$ million*
Ahli Bank S.A.O.G.		
Balance sheet related information		
Loans and advances	**6,494.5**	6,238.9
Total assets	**7,988.3**	7,928.7
Customers' deposits	**5,964.2**	5,666.0
Total liabilities	**6,791.0**	6,819.6
Income statement related information		
Total operating income	**238.2**	214.1
Net profit for the year	**85.9**	71.7
Dividends received during the year	**13.3**	8.9
Cash flow related information		
Net cash from operating activities	**58.9**	575.4
Net cash used in investing activities	**(61.7)**	(144.0)
Net cash from / (used in) financing activities	**239.2**	(170.5)

The market value of AUB's investment in ABO based on the price quoted in the Muscat Securities Market at 31 December 2022 is US$ 303.1 million (31 December 2021: US$ 205.6 million).

10 INVESTMENT PROPERTIES

These represent properties acquired by the Group and are recognised at cost. As at 31 December 2022, the fair value of the investment properties is US$ 204.1 million (31 December 2021: US$ 202.3 million). Investment properties were valued by independent valuers using unobservable valuation inputs such as comparable sales, potential revenue etc. and are classified under Level 3 (2021: Level 3) of the fair value hierarchy.

Movements during the year are as follows:

	2022	*2021*
	US$ '000	*US$ '000*
At 1 January	**188,648**	185,715
Additions	**-**	18,350
Disposals	**-**	(15,545)
Depreciation, impairment and other movements	**417**	128
At 31 December	**189,065**	188,648

11 INTEREST RECEIVABLE, DERIVATIVE AND OTHER ASSETS

	2022	2021
	US$ '000	*US$ '000*
Interest receivable	**275,117**	246,323
Derivative assets (note 28)	**750,140**	120,307
Tax assets (note 22)	**793**	507
Repossessed real estate assets	**306,104**	317,538
Prepayments and others	**225,184**	231,525
	1,557,338	916,200

Interest receivable includes US$ 33.4 million (2021: US$ 43.1 million) relating to financial assets held at FVTOCI and US$ 241.7 million (2021: US$ 203.2 million) relates to financial assets held at amortised cost.

12 PREMISES AND EQUIPMENT

The net book values of the Group's premises and equipment are:

	2022	2021
	US$ '000	*US$ '000*
Freehold land	**96,011**	94,403
Freehold buildings	**29,081**	40,311
Fixtures and improvements	**30,131**	31,296
IT equipment and others	**86,281**	81,960
Capital work-in-progress	**47,540**	22,212
Right-of-use assets	**36,258**	41,747
	325,302	311,929

Freehold land is revalued by independent valuers annually close to year end using significant unobservable valuation inputs such as comparable sales, potential revenue etc. and is classified under Level 3 (2021: Level 3) of the fair value hierarchy. During the years ended 31 December 2022 and 2021, there have been no movements in Level 3 freehold land other than valuation changes.

13 GOODWILL AND OTHER INTANGIBLE ASSETS

	2022			2021		
	Goodwill US$'000	***Intangible assets US$'000***	***Total US$'000***	*Goodwill US$'000*	*Intangible assets US$'000*	*Total US$'000*
At 1 January	**431,021**	**55,868**	**486,889**	430,144	55,814	485,958
Additions, exchange rate and other movements	**43,538**	**(20,382)**	**23,156**	877	54	931
At 31 December	**474,559**	**35,486**	**510,045**	431,021	55,868	486,889

Goodwill:

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

Goodwill amounting to US$ 57.2 million calculated based on a provisional purchase price allocation has been included in the consolidated financial statements. Subsequent adjustments during the measurement period will occur as the Group completes its estimation of fair values of assets acquired and liabilities assumed as referred in note 43.

13 GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

Goodwill (continued):

Key assumptions used in estimating recoverable amounts of cash-generating units

The discount rate used in goodwill impairment testing ranged between 8.9% to 15.6% (2021: 7.0% to 13.6%). The key assumptions used in estimating recoverable amounts of cash generating units were sensitised to test the resilience of value-in-use calculations. On this basis, management believes that reasonable changes in the key assumptions used to determine the recoverable amount of the Group's cash-generating units will not result in an

Intangible assets:

Intangible assets comprises primarily the subsidiaries' banking licenses which have indefinite lives. Based on an annual impairment assessment of the intangible assets, no indications of impairment were identified (2021: same). The fair values of a banking license are determined at the time of acquisition by discounting the future expected profits from their acquisition and their projected terminal value.

14 DEPOSITS FROM BANKS

	2022	*2021*
	US$ '000	*US$ '000*
Demand and call deposits	**699,777**	180,241
Time deposits	**3,377,452**	4,458,732
	4,077,229	4,638,973

15 BORROWINGS UNDER REPURCHASE AGREEMENTS

The Group has collateralised borrowing lines of credit with various financial institutions through repurchase arrangements, amounting to US$ 8.6 billion (31 December 2021: US$ 8.3 billion).

As at 31 December 2022, the borrowings under these agreements were US$ 4.4 billion (31 December 2021: US$ 3.8 billion). The fair value of investment securities that were provided as collateral was US$ 4.6 billion (31 December 2021: US$ 4.3 billion).

16 CUSTOMERS' DEPOSITS

	2022	*2021*
	US$ '000	*US$ '000*
Current and call accounts	**5,073,220**	6,511,827
Saving accounts	**2,783,631**	2,900,037
Time deposits	**16,536,498**	15,792,077
	24,393,349	25,203,941

17 TERM BORROWINGS

		2022	*2021*
		US$ '000	*US$ '000*
(a)	Term debts:		
	- repayable in 2022	-	350,000
	- repayable in 2023	**175,000**	175,000
	- repayable in 2025	**1,094,462**	-
(b)	Long term Sukuk payable	**508,861**	563,822
		1,778,323	1,088,822

(a) Term debts carry interest rates ranging from 4.9% to 6.8% (2021: 1.9% to 2.2%).

17 TERM BORROWINGS (continued)

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

18 INTEREST PAYABLE, DERIVATIVE AND OTHER LIABILITIES

	2022	*2021*
	US$ '000	*US$ '000*
Interest payable	**210,399**	159,334
Accruals and other payables*	**201,761**	186,709
Derivative liabilities (note 28)	**225,216**	453,654
Other credit balances**	**410,962**	411,079
Tax liabilities (note 22)	**29,793**	42,311
ECL allowances***	**35,234**	25,100
	1,113,365	1,278,187

* Accruals and other payables include US$ 37.0 million (31 December 2021: US$ 41.7 million) relating to lease liabilities.

** Other credit balances mainly include insurance related technical provisions, clearing balances, unearned fees and other sundry creditors.

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

19 SUBORDINATED LIABILITIES

A group entity has borrowings amounting to US$ 9.5 million (31 December 2021: US$ 10.0 million), which are subordinated to the claims of its creditors of a group entity and are repayable on 24 July 2025.

20 EQUITY

	2022	*2021*
	US$ '000	*US$ '000*
(a) Authorised:		
Share capital		
12,000 million shares (2021: 12,000 million shares) of US$ 0.25 each	**3,000,000**	3,000,000

Available for issuance of ordinary shares and various classes of preference shares.

(b) Issued and fully paid:

	2022	*2021*
	US$ '000	*US$ '000*
Ordinary share capital (US$ 0.25 each)	**2,786,983**	2,533,621
Number of shares (millions)	**11,147.9**	10,134.5

Movement in ordinary shares	***2022***	*2021*
	(number in millions)	
Opening balance as at 1 January	**10,134.5**	9,651.9
Add: issuance of bonus shares	**1,013.4**	482.6
Closing balance as at 31 December	**11,147.9**	10,134.5

20 EQUITY (continued)

(c) Perpetual Tier 1 Capital Securities and Sukuk

	2022	*2021*
	US$ '000	*US$ '000*
Issued by the Bank (note i)	**400,000**	400,000
Perpetual Tier I Sukuk (note ii)	**600,000**	600,000
	1,000,000	1,000,000

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

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

21 RESERVES

a) Share premium

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

b) Capital reserve

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

c) Statutory reserve

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

d) Property revaluation reserve

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

e) Foreign exchange translation reserve

It comprises mainly of translation effects arising on consolidation of subsidiaries and investments in associates.

f) Other comprehensive income reserve

This reserve represents changes in the fair values of equity and debt instruments that are classified as fair value through other comprehensive income.

g) Cash flow hedge reserve

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

21 RESERVES (continued)

h) Movements in other reserves

		Other comprehensive income					
			Foreign	Cumulative changes			
		Property	exchange		Cash flow	Pension	Total
	Capital	revaluation	translation	OCI	hedge	fund	other
	reserve	reserve	reserve	reserve	reserve	reserve	reserves
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
Balance at 1 January 2022	**17,240**	**36,574**	**(476,737)**	**(6,421)**	**(41,387)**	**(17,359)**	**(488,090)**
Currency translation adjustments	-	-	**(286,464)**	-	-	-	**(286,464)**
Transfers to consolidated statement of income	-	-	-	**(3,698)**	**(156)**	-	**(3,854)**
Net fair value movements	-	-	-	**(20,801)**	**41,514**	-	**20,713**
Transfers to retained earnings on sale of equity investments	-	-	-	**155**	-	-	**155**
Fair value movements and others	-	-	-	-	-	**(17,605)**	**(17,605)**
Revaluation of freehold land	-	**2,157**	-	-	-	-	**2,157**
Balance at 31 December 2022	**17,240**	**38,731**	**(763,201)**	**(30,765)**	**(29)**	**(34,964)**	**(772,988)**

		Other comprehensive income					
			Foreign	Cumulative changes			
		Property	exchange		Cash flow	Pension	Total
	Capital	revaluation	translation	OCI	hedge	fund	other
	reserve	reserve	reserve	reserve	reserve	reserve	reserves
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
Balance at 1 January 2021	17,240	36,309	(473,924)	(2,548)	(53,739)	(45,439)	(522,101)
Currency translation adjustments	-	-	(2,813)	-	-	-	(2,813)
Transfers to consolidated statement of income	-	-	-	(6,319)	313	-	(6,006)
Net fair value movements	-	-	-	3,858	12,039	-	15,897
Transfers to retained earnings on sale of equity investments	-	-	-	(1,412)	-	-	(1,412)
Fair value movements and others	-	-	-	-	-	28,080	28,080
Revaluation of freehold land	-	265	-	-	-	-	265
Balance at 31 December 2021	17,240	36,574	(476,737)	(6,421)	(41,387)	(17,359)	(488,090)

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

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

21 RESERVES (continued)

i) Dividends proposed and paid

	2022	*2021*
	US$'000	*US$'000*
Proposed for approval at the forthcoming Annual General Assembly of Shareholders		
Total cash dividend proposed on the ordinary shares	**278,698**	304,034
Cash dividend on each ordinary share (US cents per share)	**2.50**	3.00
Bonus share issue	**-**	10%

j) Distribution on Perpetual Tier 1 Capital Securities and Sukuk

	2022	*2021*
	US$'000	*US$'000*
Distribution on the Perpetual Tier 1 Capital Securities	**23,356**	23,356
Distribution on the Perpetual Tier 1 Sukuk	**23,250**	21,859
	46,606	45,215

22 TAXATION AND ZAKAT

	2022	*2021*
	US$'000	*US$'000*
Consolidated balance sheet (note 11 and note 18):		
- Current tax asset	**706**	507
- Deferred tax asset	**87**	-
	793	507
- Current tax liability	**21,489**	27,143
- Deferred tax liability	**8,304**	15,168
	29,793	42,311
Consolidated statement of income:		
- Current tax expense on foreign operations	**52,703**	37,086
- Zakat arising from subsidiary operations	**1,270**	1,058
- Deferred tax expense (credit) on foreign operations	**1,483**	(16,503)
	55,456	21,641

The Group's tax expense includes all direct taxes that are accrued on taxable profits of entities to the authorities in the respective countries of incorporation, in accordance with the tax laws prevailing in those jurisdictions. Consequently, it is not practical to provide a reconciliation between the accounting and taxable profits together with the details of effective tax rates. Tax expense primarily relates to AUBE and AUBUK. Tax rate at AUBE is 22.5% (2021: 22.5%) and AUBUK is 19.0% (2021: 19.0%).

23 EARNINGS PER SHARE

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

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

	2022	*2021*
	US$'000	*US$'000*
Net profit for basic and diluted earnings per ordinary share computation		
Net profit attributable to Bank's equity shareholders	**546,102**	607,244
Less: Share of Perpetual Tier 1 Capital Securities and Sukuk distributions	**40,766**	39,719
Adjusted net profit attributable to Bank's ordinary equity shareholders for basic and diluted earnings per ordinary share	**505,336**	567,525
Basic and diluted earnings per ordinary share (US cents)	**4.5**	5.1

	Number of shares (in millions)	
	2022	*2021*
Weighted average ordinary shares outstanding during the year adjusted for bonus shares	**11,147.9**	11,147.9
Weighted average number of ordinary shares for diluted earnings per share	**11,147.9**	11,147.9

24 CASH AND CASH EQUIVALENTS

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

	2022	*2021*
	US$ '000	*US$ '000*
Cash and balances with central banks, excluding mandatory reserve deposits [note 6(a)]	**605,561**	850,456
Treasury bills and deposits with central banks and other banks - with an original maturity of three months or less	**3,023,530**	1,759,070
	3,629,091	2,609,526

25 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. Share of profit from associates and investment in associates are shown separately under the consolidated statement of income and consolidated balance sheet respectively.

25 RELATED PARTY TRANSACTIONS (continued)

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

	2022					
	US$ '000					
				Senior Management		***Other***
	Major shareholders	***Associates***	***Non-Executive Directors***	***Management Directors²***	***Others***	***related parties***
Interest income	**4,187**	**113**	**15,786**	**33**	**-**	**622**
Interest expense	**46,830**	**-**	**1,476**	**148**	**13**	**624**
Fees and commissions	**14**	**1,997**	**949**	**16**	**12**	**7**
Deposits with banks	**325,000**	**12,052**	**-**	**-**	**-**	**30,000**
Loans and advances	**-**	**-**	**229,719**	**488**	**267**	**9,839**
Non-trading investments	**15,000**	**-**		**-**	**-**	**18,332**
Derivatives assets	**-**	**3,762**	**-**	**-**	**-**	**-**
Deposits from banks	**78,767**	**41,088**	**-**	**10,973**	**878**	**18,585**
Customers' deposits[1]	**2,787,380**	**-**	**71,153**	**-**	**-**	**50,147**
Term borrowings	**100,000**	**-**	**-**	**-**	**-**	**-**
Subordinated liabilities	**9,462**	**-**	**-**	**-**	**-**	**-**
Commitments and				**-**	**-**	
contingent liabilities	**2,126**	**13,797**	**64,876**	**-**	**-**	**1,811**
Short term employee benefits	**-**	**-**	**-**	**11,892**	**3,717**	**-**
End of service benefits	**-**	**-**	**-**	**808**	**238**	**-**
Directors' fees and				**-**	**-**	
related expenses[3]	**-**	**-**	**1,612**	**-**	**-**	**-**

	2021					
	US$ '000					
				Senior Management		*Other*
	Major shareholders	*Associates*	*Non-Executive Directors*	*Management Directors²*	*Others*	*related parties*
Interest income	-	65	8,140	30	-	-
Interest expense	13,894	-	732	77	6	-
Fees and commissions	1,075	2,581	1,159	10	2	-
Deposits with banks	-	13,384	-	-	-	-
Loans and advances	-	-	321,615	311	31	-
Derivatives assets	-	4,501	-	-	-	-
Deposits from banks	-	39,004	-	-	-	-
Customers' deposits[1]	2,541,430	-	43,552	9,626	831	-
Subordinated liabilities	9,983	-	-	-	-	-
Commitments and contingent liabilities	560	44,425	83,136	-	-	-
Short term employee benefits	-	-	-	11,580	3,066	-
End of service benefits	-	-	-	847	196	-
Directors' fees and related expenses[3]	-	-	993	-	-	-

25 RELATED PARTY TRANSACTIONS (continued)

[1]Customers' deposits include deposits from GCC government-owned institutions amounting to US$ 2,787.4 million (31 December 2021: US$ 2,460.1 million).

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

[3]Directors fees and related expenses for 2021 were approved by the shareholders in the annual general meeting on 7 April 2022 and the same for 2022 will be presented for shareholders' approval at the forthcoming annual general meeting to be convened in March 2023.

26 EMPLOYEE BENEFITS

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

Defined benefit plans
The charge to the consolidated statement of income on account of end of service benefits for the year amounted to US$ 7,858 thousand (2021: US$ 3,892 thousand).

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

Defined contribution plans
The Group contributed US$ 8,533 thousand during the year (2021: US$ 9,664 thousand) towards defined contribution plans. The Group's obligations are limited to the amounts contributed to various schemes.

27 MANAGED FUNDS

Funds administrated on behalf of customers in fiduciary capacity by the Group are not included in the consolidated balance sheet. The total market value of all such funds at 31 December 2022 was US$ 1,938.9 million (2021: US$ 2,327.1 million).

28 DERIVATIVES

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

Derivatives include financial options, futures and forwards, interest rate swaps and currency swaps, which create rights and obligations that have the effect of transferring between the parties of the instrument one or more of the financial risks inherent in an underlying primary financial instrument. On inception, a derivative financial instrument gives one party a contractual right to exchange financial assets or financial liabilities with another party under conditions that are potential favourable, or a contractual obligation to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable. However, they generally do not result in a transfer of the underlying primary financial instrument on inception of the contract, nor does such a transfer necessarily take place on maturity of the contract. Some instruments embody both a right and an obligation to make an exchange. Because the terms of the exchange are determined on inception of the derivative instruments, as prices in financial markets change those terms may become either favourable or unfavourable.

The IBOR reform phase 2 amendments address issues arising during interest rate benchmark reform (IBOR reform), including specifying when the 'phase 1' amendments will cease to apply, when hedge designations and documentation should be updated, and when hedges of the alternative benchmark rate or Alternative Reference Rate (ARR) as the hedged risk are permitted.

The 'phase 1' amendments provided temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by IBOR reform. The reliefs had the effect that IBOR reform should not generally cause hedge accounting to terminate prior to contracts being amended. However, any hedge ineffectiveness continued to be recorded in the statement of profit or loss. Furthermore, the amendments set out triggers for when the reliefs would end, which included the uncertainty arising from IBOR reform no longer being present.

The Group evaluated the extent to which its fair value and cash flow hedging relationships are subject to uncertainty driven by IBOR reform as at the reporting date. The Group's hedged items and hedging instruments continue to be indexed to IBOR benchmark rates, which are mainly US Dollar LIBOR. These IBOR benchmark rates are quoted each day and IBOR cash flows are exchanged with its counterparties as usual.

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

	2022		*2021*	
	Derivative assets	***Derivative liabilities***	*Derivative assets*	*Derivative liabilities*
	US$ '000	***US$ '000***	*US$ '000*	*US$ '000*
Derivatives held for trading:				
- Interest rate swaps	**95,452**	**92,001**	60,570	57,041
- Forward foreign exchange contracts	**39,080**	**33,086**	30,682	15,905
- Options	**1,059**	**1,389**	379	370
- Interest rate futures	**51**	**-**	-	-
	135,642	**126,476**	91,631	73,316

28 DERIVATIVES (continued)

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

	2022			*2021*		
	Derivative assets	***Derivative liabilities***	***Notional amounts***	*Derivative assets*	*Derivative liabilities*	*Notional amounts*
	US$ '000	***US$ '000***	***US$ '000***	*US$ '000*	*US$ '000*	*US$ '000*
Derivatives held as fair value hedges:						
- Interest rate swaps on amortised cost instruments	**557,633**	**98,471**	**9,951,349**	23,171	323,682	7,222,634
- Interest rate swaps on FVTOCI instruments	**56,606**	**-**	**532,340**	5,179	12,676	689,448
Derivatives held as cash flow hedges:						
- Interest rate swaps	**-**	**14**	**12,410**	-	43,980	186,922
- Forward foreign exchange contracts	**259**	**255**	**22,118**	326	-	8,056
	614,498	**98,740**	**10,518,217**	28,676	380,338	8,107,060

Major financial counterparties with whom the Group has entered into above derivative contracts are covered through margin monies for the fair values of contracts outstanding.

In respect of derivative assets above, the Group has US$ 117.0 million (2021: US$ 45.5 million) of liabilities that can be offset through master netting arrangements. These master netting arrangements create a right of set-off that is enforceable only following an event of default, insolvency or bankruptcy of counterparties or following other predetermined events.

Fair value hedges

The net fair value of interest rate swaps held as fair value hedges as at 31 December 2022 is positive US$ 515.8 million (2021: Negative US$ 308.0 million) which is offset by loss recognised on the hedged item at 31 December 2022, attributable to the hedged risk of US$ 515.8 million (2021: gain of US$ 308.0 million). These offsetting gains and losses are included in "trading income" in the consolidated statement of income during the years ended 31 December 2022 and 2021 respectively.

Hedging instruments are issued to hedge against interest rate and foreign exchange risks pertaining to hedged items. Hedged items include certain loans and advances amounting to US$ 119.7 million (31 December 2021: US$ 203.6 million), Sukuk payable amounting to US$ 600.0 million (31 December 2021: US$ 600.0 million), non-trading investments amounting to US$ 8,081.5 million (31 December 2021: US$ 6,018.9 million), borrowings under repurchase agreements amounting to US$ Nil million (31 December 2021: US$ 145.0 million) and customer deposits amounting to US$ 1,694.5 million (31 December 2021: US$ 1,139.5 million).

Cash flow hedges

The time periods in which the hedged cash flows are expected to occur and their impact on the consolidated statement of income is as follows:

	3 months or less	*More than 3 months up to 1 year*	*More than 1 year up to 5 years*	*More than 5 years*	*Total*
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 31 December 2022					
Net cash flows	**(1)**	**(25)**	**(4)**	**1**	**(29)**
At 31 December 2021					
Net cash flows	(959)	(5,022)	(13,180)	(22,226)	(41,387)

28 DERIVATIVES (continued)

Cash flow hedges (continued)

No significant hedge ineffectiveness on cash flow hedges was recognised during the years ended 31 December 2022 and 2021.

Derivatives held for trading purposes

Most of the Group's derivative trading activities relate to customer driven transactions as well as positioning and arbitrage. Positioning involves managing positions with the expectation of profiting from favourable movements in prices, rates or indices. Arbitrage involves identifying and profiting from price differentials between markets or products.

Derivatives held for hedging purposes

The Group has adopted a comprehensive system for the measurement and management of risk.

As part of its asset and liability management, the Group uses derivatives for hedging purposes in order to reduce its exposure to currency and interest rate movements. This is achieved by hedging specific financial instruments and forecasted transactions, as well as strategic hedging against overall balance sheet exposures.

The Group uses options and currency swaps to hedge against specifically identified currency and equity risks. In addition, the Group uses interest rate swaps and forward rate agreements to hedge against the interest rate risk arising from specifically identified, or a portfolio of, fixed interest rate investments and loans. The Group also uses interest rate swaps to hedge against the cash flow risks arising on certain floating rate deposits. In all such cases the hedging relationship and objective, including details of the hedged item and hedging instrument, are formally documented and the transactions are accounted for as derivatives held for hedging purposes.

Hedging of interest rate risk is also carried out by monitoring the duration of assets and liabilities and entering into interest rate swaps to hedge net interest rate exposures.

29 COMMITMENTS AND CONTINGENT LIABILITIES

Credit-related commitments

Credit-related commitments include commitments to extend credit, standby letters of credit, guarantees and acceptances which are designed to meet the requirements of the Group's customers.

Commitments to extend credit represent contractual commitments to make loans and revolving credits available and generally have fixed expiration dates or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

Standby letters of credit, guarantees and acceptances (standby facilities) commit the Group to make payments on behalf of customers contingent upon their failure to perform under the terms of the contract. Standby facilities would have market risk if issued or extended at a fixed rate of interest. However, these contracts are primarily made at floating rates.

The Group has the following credit related commitments:

	2022	*2021*
	US$ '000	*US$ '000*
Contingent liabilities:		
Guarantees	**2,755,245**	2,727,426
Acceptances	**442,842**	431,573
Letters of credit	**563,737**	730,247
	3,761,824	3,889,246
Maturity of contingent liabilities is as follows:		
Less than one year	**2,982,055**	3,149,966
Over one year	**779,769**	739,280
	3,761,824	3,889,246
Irrevocable commitments:		
Undrawn loan commitments	**249,081**	292,122

Also, refer to note 18 for ECL allowances and note 35 for additional liquidity disclosures.

30 SEGMENT INFORMATION

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

Retail banking	Principally handling individual customers' deposit and current accounts, providing consumer loans, residential mortgages, overdrafts, credit cards and fund transfer facilities.
Corporate banking	Principally handling loans and other credit facilities, and deposit and current accounts for corporate and institutional customers.
Treasury and investments	Principally providing money market, trading and treasury services, as well as management of the Group's investments and funding.
Private banking	Principally servicing high net worth clients through a range of investment products, funds, credit facilities, trusts and alternative investments.

30 SEGMENT INFORMATION (continued)

These segments are the basis on which the Group reports its primary segment information. Transactions between segments are conducted at approximate market rates on an arm's length basis. Interest is charged/credited to business segments based on a pool rate which approximates the cost of funds.

	Retail banking	*Corporate banking*	*Treasury and investments*	*Private banking*	*Total*
	US$ '000	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*
Year ended 31 December 2022:					
Net interest income	**182,283**	**366,018**	**300,942**	**59,881**	**909,124**
Fees and commissions-net	**30,960**	**60,804**	**4,463**	**11,713**	**107,940**
Other operating income (loss)	**2,365**	**18,423**	**199,089**	**(50)**	**219,827**
OPERATING INCOME	**215,608**	**445,245**	**504,494**	**71,544**	**1,236,891**
Provision for credit losses and others	**31,726**	**109,987**	**72,156**	**17,425**	**231,294**
NET OPERATING INCOME	**183,882**	**335,258**	**432,338**	**54,119**	**1,005,597**
Operating expenses	**131,350**	**93,188**	**111,919**	**31,387**	**367,844**
PROFIT BEFORE TAX AND ZAKAT	**52,532**	**242,070**	**320,419**	**22,732**	**637,753**
Tax expense and zakat					**55,456**
NET PROFIT FOR THE YEAR					**582,297**
Less: Attributable to non-controlling interests					**36,195**
NET PROFIT ATTRIBUTABLE TO THE OWNERS OF THE BANK					**546,102**
Inter segment interest included in net interest income above	**133,328**	**(214,674)**	**30,047**	**51,299**	**-**

	Retail banking	*Corporate banking*	*Treasury and investments*	*Private banking*	*Total*
	US$ '000	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*
As at 31 December 2022:					
Segment assets	**3,800,575**	**16,438,809**	**16,535,443**	**2,042,502**	**38,817,329**
Goodwill	**202,650**	**96,318**	**97,225**	**78,366**	**474,559**
Other intangible assets	**9,630**	**12,741**	**11,616**	**1,499**	**35,486**
Investment in associates					**350,958**
Unallocated assets					**1,882,640**
TOTAL ASSETS					**41,560,972**
Segment liabilities	**6,859,213**	**8,941,853**	**14,097,261**	**4,719,881**	**34,618,208**
Unallocated liabilities					**1,113,365**
TOTAL LIABILITIES					**35,731,573**

30 SEGMENT INFORMATION (continued)

	Retail banking	*Corporate banking*	*Treasury and investments*	*Private banking*	*Total*
	US$ '000	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*
Year ended 31 December 2021:					
Net interest income	180,865	328,651	311,487	50,786	871,789
Fees and commissions-net	27,472	60,260	3,059	13,595	104,386
Other operating income	5,172	12,963	114,372	246	132,753
OPERATING INCOME	213,509	401,874	428,918	64,627	1,108,928
Provision for / (recovery from) credit losses and others	10,140	113,258	(1,943)	895	122,350
NET OPERATING INCOME	203,369	288,616	430,861	63,732	986,578
Operating expenses	121,081	85,549	86,988	33,388	327,006
PROFIT BEFORE TAX AND ZAKAT	82,288	203,067	343,873	30,344	659,572
Tax expense and zakat					21,641
NET PROFIT FOR THE YEAR					637,931
Less: Attributable to non-controlling interests					30,687
NET PROFIT ATTRIBUTABLE TO THE OWNERS OF THE BANK					607,244
Inter segment interest included in net interest income above	119,240	(121,933)	(22,629)	25,322	-

	Retail banking	*Corporate banking*	*Treasury and investments*	*Private banking*	*Total*
	US$ '000	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*
As at 31 December 2021:					
Segment assets	3,713,494	17,141,429	16,891,185	2,109,168	39,855,276
Goodwill	155,537	100,766	95,035	79,683	431,021
Other intangible assets	15,161	20,058	18,287	2,362	55,868
Investment in associates					343,076
Unallocated assets					1,228,129
TOTAL ASSETS					41,913,370
Segment liabilities	6,448,280	8,940,613	15,361,346	3,966,979	34,717,218
Unallocated liabilities					1,278,187
TOTAL LIABILITIES					35,995,405

30 SEGMENT INFORMATION (continued)

Geographic segmentation
Although the management of the Group is based primarily on business segments, the Group's geographic segmentation is based on the countries where the Bank and its subsidiaries are incorporated. Thus, the operating income generated by the Bank and its subsidiaries based in the Gulf Cooperation Council (GCC) are grouped as "GCC Countries", while those generated by the Bank's subsidiaries located outside the GCC region is grouped under "Others". Similar segmentation is followed for the distribution of total assets. The following table shows the distribution of the Group's operating income and total assets by geographical segments:

	Operating income		***Total assets***	
	2022	*2021*	***2022***	*2021*
	US$ '000	*US$ '000*	***US$ '000***	*US$ '000*
GCC Countries	**797,612**	745,453	**27,574,021**	27,164,539
Others	**439,279**	363,475	**13,986,951**	14,748,831
Total	**1,236,891**	1,108,928	**41,560,972**	41,913,370

Net profit from Bahrain onshore operations is US$ 89.6 million (2021: US$ 85.0 million), which represents 16.4% (2021: 14%) of the Group's net profit attributable to the owners of the Bank.

31 RISK MANAGEMENT

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

The Group Risk Committee, Group Investment Committee, Group Assets & Liability Committee and Group Operational Risk Committee are set up as part of the Group's risk governance structure. The terms of reference for these committees are approved by the BOD. Group Audit & Compliance Committee (including the Corporate Governance committee) has oversight over Group's audit, compliance and operational risk.

The BOD approves the Group Risk Framework on an annual basis. The Group Risk Committee monitors the Group's risk profile against the risk parameters. The BOD and its Executive Committee receive quarterly risk updates including detailed risk exposures analysis reports. The Group faces a range of risks in its business and operations including (i) credit risk; (ii) market risk (comprising of interest rate risk, currency risk and equity price risk); (iii) liquidity risk; (iv) operational risk; and (v) legal risk as detailed in notes 32 to 37.

32 CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge a financial obligation and cause the other party to incur a financial loss. In the case of derivatives, this is limited to positive fair values. The Group attempts to mitigate credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties.

a) Concentration risk
Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location.

The Group manages its credit risk exposure so as to avoid over concentration to a particular sector or geographic location. It also obtains security where appropriate. Guidelines are in place regarding the acceptability of types of collateral and valuation parameters.

32 CREDIT RISK (continued)

a) Concentration risk (continued)

The principal collateral types are as follows:

- In the personal sector – cash, mortgages over residential properties and assignments over salary income;
- In the commercial sector – cash, charges over business assets such as premises, inventories, receivables, debt securities and bank guarantees;
- In the commercial real estate sector – charges over the properties being financed; and
- In the financial sector – charges over financial instruments, such as debt securities and equities.

The Group monitors the market value of collateral and requests additional collateral when necessary in accordance with the underlying agreement.

Details of the concentration of the loans and advances by industry sector and geographic region are disclosed in note 7(a) and 7(b) respectively.

Details of the industry sector analysis and the geographical distribution of the assets, liabilities and commitments on behalf of customers are set out in note 33.

b) Gross maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The table below shows the gross maximum exposure to credit risk for the components of the balance sheet. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements, but after provision for credit losses, where applicable.

	Gross maximum exposure 2022	*Gross maximum exposure 2021*
	US$ '000	*US$ '000*
Balances with central banks	**1,523,752**	1,698,694
Treasury bills and deposits with central banks	**2,340,304**	1,731,698
Deposits with banks	**3,467,846**	4,116,647
Loans and advances	**21,221,325**	22,075,148
Non-trading investments	**9,850,247**	9,810,969
Interest receivable, derivative and other assets	**1,215,630**	553,747
Total	**39,619,104**	39,986,903
Contingent liabilities	**3,761,824**	3,889,246
Undrawn loan commitments	**249,081**	292,122
Total credit related commitments	**4,010,905**	4,181,368
Total credit risk exposure	**43,630,009**	44,168,271

Where financial instruments are recorded at fair value, the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

32 CREDIT RISK (continued)

c) Credit quality of financial assets

The tables below shows distribution of financial assets before ECL allowances:

	Stage 1	***Stage 2***	***Stage 3***	***Total***
	US$ '000	***US$ '000***	***US$ '000***	***US$ '000***
At 31 December 2022				
Balances with central banks:				
High standard grade	**1,523,752**	**-**	**-**	**1,523,752**
Treasury bills and deposits with central banks:				
High standard grade	**2,157,336**	**-**	**-**	**2,157,336**
Standard grade	**171,889**	**11,100**	**-**	**182,989**
Deposits with banks:				
High standard grade	**3,115,779**	**41,493**	**-**	**3,157,272**
Standard grade	**305,296**	**5,898**	**-**	**311,194**
Loans and advances:				
High standard grade	**13,040,545**	**770,635**	**-**	**13,811,180**
Standard grade	**5,763,196**	**2,167,574**	**-**	**7,930,770**
Credit impaired	**-**	**-**	**430,391**	**430,391**
Non-trading investments:				
High standard grade	**6,419,430**	**-**	**-**	**6,419,430**
Standard grade	**3,399,655**	**120,131**	**-**	**3,519,786**
Credit impaired	**-**	**-**	**10,873**	**10,873**
Credit related contingent items:				
High standard grade	**5,984,590**	**274,877**	**-**	**6,259,467**
Standard grade	**2,910,792**	**355,206**	**-**	**3,265,998**
Credit impaired*	**-**	**-**	**62,162**	**62,162**

	Stage 1	*Stage 2*	*Stage 3*	*Total*
	US$ '000	*US$ '000*	*US$ '000*	*US$ '000*
At 31 December 2021				
Balances with central banks:				
High standard grade	1,698,694	-	-	1,698,694
Treasury bills and deposits with central banks:				
High standard grade	1,168,464	-	-	1,168,464
Standard grade	553,825	11,051	-	564,876
Deposits with banks:				
High standard grade	3,947,682	23,883	-	3,971,565
Standard grade	142,172	3,654	-	145,826
Loans and advances:				
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
Non-trading investments:				
High standard grade	5,958,028	5,036	-	5,963,064
Standard grade	3,818,558	55,610	-	3,874,168
Credit related contingent items:				
High standard grade	5,617,671	247,727	-	5,865,398
Standard grade	2,651,423	218,105	-	2,869,528
Credit impaired*	-	-	46,692	46,692

* After application of credit conversion factors, credit impaired contingent items amounted to US$ 28,953 thousand (31 December 2021: US$ 21,926 thousand).

32 CREDIT RISK (continued)

c) Credit quality of financial assets (continued)

Except for non-trading investments that are classified as FVTOCI or FVTPL, all the above financial instruments are carried at amortised cost.

It is the Group's policy to maintain consistent internal risk ratings across the credit portfolio. The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the Group's internal credit rating system. This facilitates focused portfolio management of the inherent level of risk across all lines of business. The credit quality ratings disclosed below can be equated to the following risk rating grades, which are either internally applied or external ratings mapped to internal ratings.

Credit quality rating	**Risk rating**	**Definition**
High standard	Risk rating 1 to 4	Undoubted through to good credit risk
Standard	Risk rating 5 to 7	Satisfactory through to adequate credit risk
Credit impaired	Risk rating 8 to 10	Substandard Doubtful through to loss

The risk rating system is supported by various financial analytics and qualitative market information for the measurement of counterparty risk. Refer to note 2.7(g) for detailed ECL measurement methodology.

There are no financial assets which are past due but not impaired as at 31 December 2022 and 2021 other than those disclosed under note 7(d).

33 CONCENTRATION ANALYSIS

The distribution of assets, liabilities and contingent liabilities on behalf of customers by geographic region and industry sector was as follows:

	2022			*2021*		
	Assets	***Liabilities***	***Contingent liabilities on behalf of customers***	*Assets*	*Liabilities*	*Contingent liabilities on behalf of customers*
	US$ '000	***US$ '000***	***US$ '000***	*US$ '000*	*US$ '000*	*US$ '000*
Geographic region:						
Kingdom of Bahrain	**7,987,056**	**5,747,802**	**830,376**	7,058,870	5,713,637	1,041,464
State of Kuwait	**13,744,616**	**14,236,775**	**1,432,364**	13,901,103	15,747,517	1,430,219
Other GCC countries	**5,842,349**	**3,852,523**	**200,244**	6,204,566	3,017,650	224,471
United Kingdom (UK)	**3,221,754**	**2,118,580**	**24,773**	3,668,618	1,856,804	14,617
Arab Republic of Egypt	**3,467,977**	**3,431,274**	**671,558**	4,750,979	3,800,919	715,212
Europe (excluding UK)	**1,883,479**	**2,655,661**	**188,043**	1,540,883	2,400,496	186,034
Asia (excluding GCC)	**2,436,881**	**2,682,047**	**244,404**	1,758,635	2,153,626	225,859
United States of America	**1,445,010**	**551,255**	**160,492**	1,693,036	429,294	10,985
Rest of the World	**1,531,850**	**455,656**	**9,570**	1,336,680	875,462	40,385
	41,560,972	**35,731,573**	**3,761,824**	41,913,370	35,995,405	3,889,246
Industry sector:						
Banks and other financial institutions	**12,759,752**	**15,704,884**	**266,233**	12,461,127	15,455,347	296,430
Consumer/personal	**3,175,850**	**7,520,085**	**19,945**	2,889,600	7,576,972	14,230
Residential mortgage	**1,708,386**	**22,187**	**645**	1,670,756	23,297	1,317
Trading and manufacturing	**7,175,544**	**2,244,804**	**1,699,669**	7,367,437	2,593,212	1,689,008
Real estate	**5,934,439**	**793,690**	**63,216**	6,619,159	694,297	63,526
Services	**4,991,898**	**3,924,456**	**1,606,018**	4,618,716	3,919,261	1,628,111
Government/public sector	**5,512,806**	**4,481,035**	**2,178**	5,899,306	4,619,126	2,669
Others	**302,297**	**1,040,432**	**103,920**	387,269	1,113,893	193,955
	41,560,972	**35,731,573**	**3,761,824**	41,913,370	35,995,405	3,889,246

34 MARKET RISK

Market risk is the risk of potential financial loss that may arise from adverse changes in the value of a financial instrument or portfolio of financial instruments due to movements in interest rates, foreign exchange rates, equity prices, commodity prices and derivatives. This risk arises from asset - liability mismatches, changes that occur in the yield curve, foreign exchange rates and changes in volatilities/implied volatilities in the market value of derivatives. The Group classifies exposures to market risk into either trading or non-trading portfolios. Given the Group's low risk strategy, aggregate market risk levels are considered low. The Group utilises Value-at-Risk (VaR) models to assist in estimating potential losses that may arise from adverse market movements in addition to non-quantitative risk management techniques. The market risk for the trading portfolio is managed and monitored on a VaR methodology which reflects the inter-dependency between risk variables. Non-trading portfolios are managed and monitored using stop loss limits and other sensitivity analyses. The data given below is representative of the information during the year.

34 MARKET RISK (continued)

i) Value-at-Risk

The Group calculates historical simulation VaR using a one day holding period at a confidence level of 99%, which takes into account the actual correlations observed historically between different markets and rates.

Since VaR is an integral part of the Group's market risk management, VaR limits have been established for all trading operations and exposures are reviewed daily against the limits by management. Actual outcomes are compared to the VaR model derived predictions on a regular basis as a means of validating the assumptions and parameters used in the VaR calculation.

The table below summarises the risk factor composition of the VaR including the correlative effects intrinsic to the trading book:

	Foreign exchange	*Interest rate*	*Effects of correlation*	*Total*
	US$ '000	*US$ '000*	*US$ '000*	*US$ '000*
31 December 2022	**841**	**48**	**(0)**	**889**
31 December 2021	648	4	-	652

ii) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments or the future profitability of the Group. The Group is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off balance sheet instruments that mature or reprice in a given period. The Group measures and manages interest rate risk by establishing levels of interest rate risk by setting limits on the interest rate gaps for stipulated periods. Interest rate gaps on assets and liabilities are reviewed periodically and hedging strategies are used to reduce the interest rate gaps to within the limits established by the Bank's Board of Directors.

Progress in and risks arising from the transition to alternative benchmark interest rates

Following the decision by global regulators to phase out IBORs and replace them with alternative reference rates and to manage our transition to ABRs, the Group has implemented a comprehensive group-wide program and governance structure that addresses the key areas of impact including contract remediation, funding and liquidity planning, risk management, financial reporting and valuation, systems, processes and client education and communication.

The transition from IBORs to alternative benchmark interest rates will impact GBP and EUR denominated financial instruments referencing LIBOR rates for terms that extend beyond 31 December 2021. The corresponding date for majority of USD IBOR based contracts is 30 June 2023.

The announcement of changes in IBOR setting process has affected the Group’s LIBOR linked products, including certain loans, bonds, and derivatives, and defined the dates of their transition to alternative benchmark rates. The fixed spreads to be used in the transition to the relevant alternative benchmark rate for each LIBOR setting were also defined by the respective regulatory bodies.

AUB Group LIBOR Transition Steering Committee is managing the Group’s transition activities and continues to engage with various stakeholders to support an orderly transition and to mitigate the risks resulting from the transition.

34 MARKET RISK (continued)

ii) Interest rate risk (continued)

Financial instruments that are yet to transit to alternative benchmark interest rates

The table below summarises the exposures to financial instruments referencing benchmark interest rates subject to the reform that are yet to transit to alternative benchmark interest rates as of 31 December 2022. No significant impact is expected as a result of IBOR change on the transition date.

	2022			*2021*		
	Assets US$ '000	***Liabilities US$ '000***	***Derivative notional amounts US$ '000***	*Assets US$ '000*	*Liabilities US$ '000*	*Derivative notional amounts US$ '000*
Currency						
GBP LIBOR*	**5,054**	**-**	**-**	42,606	4,883	-
USD LIBOR**	**3,569,421**	**1,983,209**	**8,356,950**	4,569,236	2,547,512	8,834,178
	3,574,475	**1,983,209**	**8,356,950**	4,611,842	2,552,395	8,834,178

*Only deals maturing beyond 31 December 2022 (2021: deals maturing beyond 31 December 2021)
**Only deals maturing beyond 30 June 2023

The table below provides an analysis of the Group's interest rate risk exposure:

	2022			
	Less than three months US$ '000	***Three months to one year US$ '000***	***Over one year US$ '000***	***Total US$ '000***
Cash and balances with central banks	**302,781**	**-**	**-**	**302,781**
Treasury bills and deposits with central banks	**1,361,772**	**978,532**	**-**	**2,340,304**
Deposits with banks	**3,004,693**	**71,926**	**391,227**	**3,467,846**
Loans and advances	**16,618,661**	**3,224,853**	**1,377,811**	**21,221,325**
Non-trading investments	**467,918**	**785,644**	**8,596,685**	**9,850,247**
	21,755,825	**5,060,955**	**10,365,723**	**37,182,503**
Deposits from banks	**3,325,522**	**461,293**	**290,414**	**4,077,229**
Borrowings under repurchase agreements	**3,783,972**	**396,506**	**179,367**	**4,359,845**
Customers' deposits	**15,607,577**	**6,152,409**	**2,633,363**	**24,393,349**
Term borrowings	**1,269,462**	**-**	**508,861**	**1,778,323**
Subordinated liabilities	**-**	**9,462**	**-**	**9,462**
	23,986,533	**7,019,670**	**3,612,005**	**34,618,208**
On balance sheet gap	**(2,230,708)**	**(1,958,715)**	**6,753,718**	**2,564,295**
Off balance sheet gap	**5,305,038**	**951,914**	**(6,256,952)**	
Total interest sensitivity gap	**3,074,330**	**(1,006,801)**	**496,766**	
Cumulative interest sensitivity gap	**3,074,330**	**2,067,529**	**2,564,295**	

34 MARKET RISK (continued)

ii) Interest rate risk (continued)

	2021			
	Less than three months	*Three months to one year*	*Over one year*	*Total*
	US$ '000	*US$ '000*	*US$ '000*	*US$ '000*
Cash and balances with central banks	425,228	-	425,228	850,456
Treasury bills and deposits with central banks	1,000,381	731,317	-	1,731,698
Deposits with banks	3,302,750	812,136	1,761	4,116,647
Loans and advances	17,480,187	3,132,223	1,462,738	22,075,148
Non-trading investments	176,889	877,350	8,756,730	9,810,969
	22,385,435	5,553,026	10,646,457	38,584,918
Deposits from banks	4,042,338	167,635	429,000	4,638,973
Borrowings under repurchase agreements	3,618,093	157,406	-	3,775,499
Customers' deposits	16,530,213	5,647,255	3,026,473	25,203,941
Term borrowings	525,000	-	563,822	1,088,822
Subordinated liabilities	9,983	-	-	9,983
	24,725,627	5,972,296	4,019,295	34,717,218
On balance sheet gap	(2,340,192)	(419,270)	6,627,162	3,867,700
Off balance sheet gap	5,063,353	124,677	(5,188,030)	
Total interest sensitivity gap	2,723,161	(294,593)	1,439,132	
Cumulative interest sensitivity gap	2,723,161	2,428,568	3,867,700	

The following table demonstrates the sensitivity of the Group's net interest income for the next one year, to a change in interest rates, with all other variables held constant. The sensitivity is based on the floating rate financial assets and financial liabilities held at 31 December 2022 and 2021 including the effect of hedging instruments.

Sensitivity analysis - interest rate risk

		2022	*2021*
		US$ '000	*US$ '000*
At 25 bps - increase (+) / decrease (-)	+/-	**5,786**	6,270

iii) Currency risk

Currency risk is the risk that the functional currency value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The risk management process manages the Group's exposure to fluctuations in foreign exchange rates (currency risk) through the asset and liability management process. It is the Group's policy to reduce its exposure to currency fluctuations to acceptable levels as determined by the Board of Directors. The Board of Directors has established levels of currency risk by setting limits on currency position exposures. Positions are monitored periodically and hedging strategies are used to ensure positions are maintained within the established limits.

34 MARKET RISK (continued)

iii) Currency risk (continued)

The Group's significant net exposures arising out of banking operations as of the consolidated balance sheet date and the effect of change in currency rate by + 1% on the consolidated statement of income is presented below:

	(Loss) / gain		***Net exposures***	
	2022	*2021*	***2022***	*2021*
	US$ '000	*US$ '000*	***US$ '000***	*US$ '000*
Great Britain Pound	**214**	(36)	**21,405**	(3,593)
Euro	**(176)**	(114)	**(17,580)**	(11,400)
Egyptian Pound	**18**	3,743	**1,812**	374,328
Iraqi Dinar	**(992)**	(1,056)	**(91,177)**	(105,582)
Kuwaiti Dinar	**(2,310)**	703	**(230,993)**	70,276

Sensitivity analysis - currency risk

All foreign currency exposures with the exception of investments in subsidiaries and associates are captured as part of the trading book. The risk of the exposures are subject to quantification via a daily VaR calculation, the results of which are disclosed in note 34 (i).

The effect of foreign currency translation on the Group's investments in subsidiaries and associates are reported in the "foreign exchange translation reserve" in note 21(h).

iv) Equity price risk

Equity price risk arises from fluctuations in equity indices and prices. The Board of Directors has set limits on the amount and type of investments that may be accepted. This is monitored on an ongoing basis by the Group Risk Committee. The non-trading equity price risk exposure arises from the Group's investment portfolio. The Group is not exposed to any significant equity price risk.

35 LIQUIDITY RISK

Liquidity risk is the risk that the Group does not have sufficient financial resources to meet its obligations as they fall due, or will have to do so at an excessive cost. This risk arises from mismatches in the timing of cash flows. Funding risk arises when the necessary liquidity to fund illiquid asset positions cannot be obtained at the expected terms and when required.

The management of the Group’s liquidity and funding is the responsibility of the Group Asset and Liability Committee (GALCO) under the chairmanship of the Deputy Group Chief Executive Officer Treasury and Investments supported by the Group Treasurer, and is responsible for ensuring that all foreseeable funding commitments, including deposit withdrawals, can be met when due, and that wholesale market access is coordinated and controlled.

The Group maintains a stable funding base comprising core retail and corporate customer deposits and institutional balances, augmented by wholesale funding and portfolios of highly liquid assets, which are diversified by currency and maturity, in order to enable the Group to respond quickly to any unforeseen liquidity requirements.

The Group subsidiaries and affiliates maintain a strong individual liquidity position and manage their liquidity profiles so that cash flows are balanced and funding obligations can be met when due.

Treasury limits are set by the GALCO and allocated as required across the various group entities. Specifically GALCO and the Group Treasurer are responsible for:

- projecting cash flows by major currency under various stress scenarios and considering the level of liquid assets necessary in relation thereto;
- monitoring balance sheet liquidity ratios against internal and regulatory requirements;
- maintaining a diverse range of funding sources with adequate back-up facilities;
- managing the concentration and profile of debt maturities;
- managing contingent liquidity commitment exposures within predetermined caps;
- monitoring depositor concentration in order to avoid undue reliance on large individual depositors and ensure a satisfactory overall funding mix; and
- maintaining liquidity and funding contingency plans. These plans must identify early indicators of stress conditions and describe actions to be taken in the event of difficulties arising from systemic or other crises while minimising adverse long-term implications for the business.

The maturity profile of the assets and liabilities at 31 December 2022 and 2021 given below reflects management's best estimates of the maturities of assets and liabilities. These have been determined on the basis of the remaining period at the balance sheet date to the contractual or expected maturity date, where relevant. The liquidity profile of customer deposits has been determined on the basis of the effective maturities indicated by the Group’s deposit retention history and the liquidity profile of bonds has been determined on the basis of liquidity requirements.

35 LIQUIDITY RISK (continued)

31 December 2022	***Upto three months***	***Over three months to one year***	***Above one year***	***Undated***	***Total***
	US$ '000	***US$ '000***	***US$ '000***	***US$ '000***	***US$ '000***
Assets					
Cash and balances with central banks	**1,643,192**	**-**	**-**	**-**	**1,643,192**
Treasury bills and deposits with central banks	**1,384,276**	**956,028**	**-**	**-**	**2,340,304**
Deposits with banks	**3,066,284**	**72,391**	**329,171**	**-**	**3,467,846**
Loans and advances	**9,685,716**	**3,046,381**	**8,489,228**	**-**	**21,221,325**
Non-trading investments	**5,701,833**	**3,247,683**	**1,006,081**	**-**	**9,955,597**
Investment in associates	**-**	**-**	**-**	**350,958**	**350,958**
Investment properties	**-**	**-**	**-**	**189,065**	**189,065**
Interest receivable, derivative and other assets	**936,849**	**459,702**	**160,787**	**-**	**1,557,338**
Premises and equipment	**2,266**	**6,798**	**27,193**	**289,045**	**325,302**
Goodwill and other intangible assets	**-**	**-**	**-**	**510,045**	**510,045**
Total	**22,420,416**	**7,788,983**	**10,012,460**	**1,339,113**	**41,560,972**
Liabilities					
Deposits from banks	**2,994,939**	**332,183**	**750,107**	**-**	**4,077,229**
Borrowings under repurchase agreements	**1,642,052**	**1,893,727**	**824,066**	**-**	**4,359,845**
Customers' deposits	**9,622,845**	**5,662,370**	**9,108,134**	**-**	**24,393,349**
Term borrowings	**94,462**	**75,000**	**1,608,861**	**-**	**1,778,323**
Interest payable, derivative and other liabilities	**754,561**	**185,827**	**172,977**	**-**	**1,113,365**
Subordinated liabilities	**-**	**-**	**9,462**	**-**	**9,462**
Total	**15,108,859**	**8,149,107**	**12,473,607**	**-**	**35,731,573**
Net liquidity gap	**7,311,557**	**(360,124)**	**(2,461,147)**	**1,339,113**	**5,829,399**

The Group has collateralised borrowing lines of credit with various financial institutions through repurchase arrangements. Refer note 15 for further details.

35 LIQUIDITY RISK (continued)

31 December 2021	*Upto three months*	*Over three months to one year*	*Above one year*	*Undated*	*Total*
	US$ '000	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*
Assets					
Cash and balances with central banks	1,819,841	-	-	-	1,819,841
Treasury bills and deposits with central banks	1,014,171	717,527	-	-	1,731,698
Deposits with banks	3,576,080	540,567	-	-	4,116,647
Loans and advances	9,319,193	3,539,510	9,216,445	-	22,075,148
Non-trading investments	4,740,883	3,524,268	1,658,143	-	9,923,294
Investment in associates	-	-	-	343,076	343,076
Investment properties	-	-	-	188,648	188,648
Interest receivable, derivative and other assets	387,126	465,066	64,008	-	916,200
Premises and equipment	3,589	7,827	31,310	269,203	311,929
Goodwill and other intangible assets	-	-	-	486,889	486,889
Total	20,860,883	8,794,765	10,969,906	1,287,816	41,913,370
Liabilities					
Deposits from banks	3,538,283	148,058	952,632	-	4,638,973
Borrowings under repurchase agreements	309,650	2,221,041	1,244,808	-	3,775,499
Customers' deposits	10,342,187	6,366,835	8,494,919	-	25,203,941
Term borrowings	-	200,000	888,822	-	1,088,822
Interest payable, derivative and other liabilities	765,555	283,984	228,648	-	1,278,187
Subordinated liabilities	-	-	9,983	-	9,983
Total	14,955,675	9,219,918	11,819,812	-	35,995,405
Net liquidity gap	5,905,208	(425,153)	(849,906)	1,287,816	5,917,965

The Group has collateralised borrowing lines of credit with various financial institutions through repurchase arrangements. Refer note 15 for further details.

35 LIQUIDITY RISK (continued)

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Group's financial liabilities (including interest) based on contractual undiscounted repayment obligations. However, the Group's expected cash flows on these instruments vary significantly from this analysis. In particular, customer deposits are expected to maintain stable or increased balances.

	Up to One month	***Over one month to three months***	***Over three months to one year***	***Over one year to five years***	***Over five years***	***Total***
	US$ '000	***US$ '000***	***US$ '000***	***US$ '000***	***US$ '000***	***US$ '000***
As at 31 December 2022						
Deposits from banks	**2,072,168**	**928,710**	**335,957**	**791,016**	**-**	**4,127,851**
Borrowings under repurchase agreements	**1,578,227**	**66,172**	**1,913,245**	**864,834**	**-**	**4,422,478**
Customers' deposits	**12,243,438**	**5,633,412**	**5,587,614**	**1,125,256**	**4,128**	**24,593,848**
Term borrowings	**94,592**	**-**	**76,920**	**1,803,785**	**-**	**1,975,297**
Subordinated liabilities	**-**	**-**	**-**	**10,836**	**-**	**10,836**
Interest payable	**82,789**	**51,647**	**55,891**	**20,072**	**-**	**210,399**
Total	**16,071,214**	**6,679,941**	**7,969,627**	**4,615,799**	**4,128**	**35,340,709**
Credit related commitments	**21,828**	**112,143**	**9,862**	**59,791**	**45,457**	**249,081**
Derivatives (net)	**525,203**	**-**	**-**	**-**	**-**	**525,203**

	Up to One month	*Over one month to three months*	*Over three months to one year*	*Over one year to five years*	*Over five years*	*Total*
	US$ '000	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*
As at 31 December 2021						
Deposits from banks	2,788,911	751,638	148,644	970,767	-	4,659,960
Borrowings under repurchase agreements	309,794	-	2,228,843	1,265,801	-	3,804,438
Customers' deposits	13,147,923	5,599,979	5,467,309	1,114,979	22,257	25,352,447
Term borrowings	-	-	202,527	939,724	-	1,142,251
Subordinated liabilities	-	-	-	10,295	-	10,295
Interest payable	61,733	36,401	40,208	20,992	-	159,334
Total	16,308,361	6,388,018	8,087,531	4,322,558	22,257	35,128,725
Credit related commitments	28,283	26,804	175,036	40,534	21,465	292,122
Derivatives (net)	(333,356)	-	-	-	-	(333,356)

36 OPERATIONAL RISK

Operational risk is the risk of loss arising from inadequate or failed internal processes, people and systems or from external events, whether intentional, unintentional or natural. This definition includes legal 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.

36 OPERATIONAL RISK (continued)

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.

37 LEGAL RISK

Legal risk is the risk relating to losses due to legal or regulatory action that invalidates or otherwise precludes performance by the end user or its counterparty under the terms of the contract or related netting agreements.

The Group has a dedicated Legal Department whose role is to identify, and provide analysis and advice on the legal risks. The department is governed by the Group Legal Policy approved by the BOD, which facilitates the management and control of operational risks from pending legal actions. The Group Legal Policy is reviewed on a periodic basis.

38 FAIR VALUE MEASUREMENT

The fair value of financial assets and financial liabilities, other than those disclosed in the table below and in note 8, approximate their carrying values. Please refer note 8 for the fair value of non-trading investments carried at amortised cost.

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

	2022			
	Level 1	***Level 2***	***Level 3***	***Total***
	US$ '000	***US$ '000***	***US$ '000***	***US$ '000***
Equity instruments at fair value	**561**	**65,639**	**39,150**	**105,350**
Debt instruments (FVTOCI)	**1,301,703**	**101,489**	**-**	**1,403,192**
Derivative assets	**-**	**750,140**	**-**	**750,140**
Derivative liabilities	**-**	**225,216**	**-**	**225,216**

	2021			
	Level 1	*Level 2*	*Level 3*	*Total*
	US$ '000	*US$ '000*	*US$ '000*	*US$ '000*
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 years ended 31 December 2022 and 2021, there have been no transfers between Levels 1, 2 and 3 and no significant movements were noted in Level 3 investments.

For an explanation of valuation techniques used to value these financial instruments, refer to note 2.7(f).

38 FAIR VALUE MEASUREMENT (continued)

The significant inputs for valuation of equity securities classified under Level 3 are annual growth rate of cash flows and discount rates and for funds, it is the illiquidity discount. Lower growth rate and higher discount rate, illiquidity discount will result in a lower fair value. The impact on the consolidated balance sheet or the consolidated statement of shareholders' equity would be immaterial if the relevant risk variables used to fair value the unquoted securities were altered by five per cent. There were no material changes in the valuation techniques used for the purpose of measuring fair value of investment securities as compared to the previous year.

39 CAPITAL ADEQUACY AND NET STABLE FUNDING RATIO (NSFR)

The primary objectives of the Group's capital management policies are to ensure that the Group complies with externally imposed capital requirements and that the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value. Capital adequacy for each of the Group companies is also managed separately at individual company level. The Group does not have any significant restrictions on its ability to access or use its assets and settle its liabilities other than any restrictions that may result from the supervisory frameworks within which the banking subsidiaries operate.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous year.

The total capital ratio is calculated in accordance with the capital adequacy guidelines, under Basel III, issued by the CBB. The minimum capital adequacy ratio as per CBB is 12.5%. The Group's total capital ratio is 16.9% as of 31 December 2022 (31 December 2021: 17.0%).

The NSFR ratio is calculated in accordance with the Liquidity Risk Management Module guidelines, issued by the CBB. The minimum NSFR ratio limit as per CBB is 100%. The Group's consolidated NSFR ratio as of 31 December 2022 is 118.0% (31 December 2021: 118.1%).

	2022	*2021*
	US$ '000	*US$ '000*
Available Stable Funding:		
Regulatory capital	**6,155,841**	6,270,390
Stable deposits	**7,346,964**	6,958,945
Wholesale funding	**12,576,583**	13,039,788
Others	**734,758**	650,939
Total Available Stable Funding (A)	**26,814,146**	26,920,062
Required Stable Funding:		
High-Quality Liquid Assets (HQLA)	**1,451,622**	1,439,864
Performing loans	**14,912,508**	14,730,855
Securities (other than HQLA)	**3,046,772**	3,341,785
Derivative contracts	**290,695**	283,217
Others	**2,552,342**	2,562,446
Off-Balance sheet items	**479,381**	438,989
Total Required Stable Funding (B)	**22,733,320**	22,797,156
NSFR (%) (A/B)	**118.0%**	118.1%

40 DEPOSIT PROTECTION SCHEME

Certain customers' deposits of the Group are covered by deposit protection schemes established by the CBB, the Financial Services Compensation Scheme, UK and Central Bank of Iraq.

40 DEPOSIT PROTECTION SCHEME (continued)

Kingdom of Bahrain: Customers' deposits held with the Bank in the Kingdom of Bahrain are covered by the Regulation Protecting Deposits issued by the CBB in accordance with Resolution No. (34) of 2010. This scheme covers eligible 'natural persons' (individuals) up to a maximum of Bahraini Dinar 20,000 as set out by CBB requirements. A periodic contribution, as mandated by the CBB, is paid by the Bank under this scheme.

United Kingdom: Customers' deposits in AUBUK are covered under the Financial Services Compensation Scheme, up to a limit of GBP 85,000 per customer. No up-front contribution is currently mandated under this scheme and no liability is due unless any member bank of the scheme is unable to meet its depository obligations.

Republic of Iraq: Customers' deposits held with the Bank in the Iraq are covered by the Regulation Protecting Deposits issued by the Central Bank of Iraq in accordance with Resolution No. (121) of 2018 up to a maximum limit of IQD 25 million per customer and an overall limit of IQD 150 million per bank.

41 ISLAMIC BANKING AND INSURANCE ACTIVITIES

The Group's Shari'a compliant Islamic activities are offered through its Islamic Banking subsidiary AUBK, Takaful subsidiary of AHL, Islamic Banking associate UBCI and dedicated Islamic banking branches/windows at AUB Bahrain and AUBUK. The results of its Islamic Banking activities are presented below.

BALANCE SHEET AT 31 DECEMBER		***2022***	*2021*
	Note	***US$ '000***	*US$ '000*
ASSETS			
Cash and balances with central banks		**574,633**	537,842
Deposits with central banks		**777,551**	612,600
Deposits with banks	(a)	**2,192,302**	974,674
Receivable balances from Islamic financing	(b)	**12,848,520**	13,209,322
Financial investments		**2,279,164**	1,731,048
Investment in associates		**28,602**	26,678
Investment properties		**66,264**	65,847
Profit receivable and other assets		**244,975**	174,984
Premises and equipment		**134,006**	130,716
TOTAL ASSETS		**19,146,017**	17,463,711
LIABILITIES			
Deposits from banks	(c)	**940,653**	1,811,432
Customers' deposits	(d)	**12,924,435**	11,470,139
Long term Sukuk payable		**1,603,323**	563,822
Profit payable and other liabilities		**441,770**	320,548
Restricted investment		**38,041**	17,842
		15,948,222	14,183,783
EQUITY OF UNRESTRICTED INVESTMENT ACCOUNTHOLDERS		**532,151**	672,253
TOTAL LIABILITIES AND EQUITY OF UNRESTRICTED INVESTMENT ACCOUNTHOLDERS		**16,480,373**	14,856,036
TOTAL EQUITY		**2,665,644**	2,607,675
TOTAL LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNTHOLDERS AND EQUITY		**19,146,017**	17,463,711

41 ISLAMIC BANKING AND INSURANCE ACTIVITIES (continued)

STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER	*Note*	***2022*** ***US$ '000***	*2021* *US$ '000*
Net income from Islamic financing	(e)	**317,472**	334,024
		317,472	334,024
Fees and commissions - net		**30,701**	30,879
Other operating income		**12,191**	25,418
Foreign exchange gains		**9,037**	12,008
OPERATING INCOME		**369,401**	402,329
Provision for financing receivables and others		**40,605**	81,176
NET OPERATING INCOME		**328,796**	321,153
Staff costs		**70,520**	67,560
Depreciation		**14,972**	14,643
Other operating expenses		**46,845**	45,435
OPERATING EXPENSES		**132,337**	127,638
PROFIT BEFORE TAX AND ZAKAT		**196,459**	193,515
Tax expense and zakat		**6,870**	4,342
PROFIT BEFORE THE SHARE OF PROFIT OF EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS		**189,589**	189,173
Less: Share of profit of equity of unrestricted investment account holders		**5,642**	5,325
NET PROFIT FOR THE YEAR		**183,947**	183,848
Attributable to:			
Owners of the Bank		**153,333**	157,829
Non-controlling interests		**30,614**	26,019
		183,947	183,848

Notes	***2022*** ***US$ '000***	*2021* *US$ '000*
(a) Deposits with banks		
Murabaha finance with other banks	**1,657,348**	566,555
Wakala with banks	**360,787**	338,060
Current accounts and others	**174,167**	70,059
	2,192,302	974,674

41 ISLAMIC BANKING AND INSURANCE ACTIVITIES (continued)

Notes (continued)

	2022	*2021*
	US$ '000	*US$ '000*
(b) Receivable balances from Islamic financing		
Tawarruq receivables	**9,005,503**	8,686,312
Murabaha receivables	**2,692,041**	3,124,656
Ijara receivables	**1,494,723**	1,794,459
Others	**54,293**	19,695
Less: Allowance for impairment	**(398,040)**	(415,800)
	12,848,520	13,209,322

	2022	*2021*
	US$ '000	*US$ '000*
(c) Deposits from banks		
Murabaha	**446,139**	553,583
Wakala	**478,281**	1,246,034
Current accounts	**16,233**	11,815
	940,653	1,811,432

	2022	*2021*
	US$ '000	*US$ '000*
(d) Customers' deposits		
Wakala	**8,705,739**	7,199,434
Murabaha	**2,953,276**	2,831,857
Current accounts	**1,265,420**	1,438,848
	12,924,435	11,470,139

	2022	*2021*
	US$ '000	*US$ '000*
(e) Net income from Islamic financing		
Income from Tawarruq	**304,896**	234,441
Income from Murabaha	**157,966**	149,396
Income from Ijara	**82,814**	72,385
Income from financial investments and others	**67,921**	45,260
Income from Islamic financing	**613,597**	501,482
Profit expense on Wakala	**180,117**	103,427
Profit expense on Murabaha and others	**116,008**	64,031
Less: Distribution to depositors	**296,125**	167,458
Net income from Islamic financing	**317,472**	334,024

42 SUBSIDIARIES

Financial information of subsidiaries that has material non-controlling interests is provided below.

Proportion of equity interest held by non-controlling interests are provided below:

Name	***Incorporated in***	***2022***	*2021*
Ahli United Bank K.S.C.P. [AUBK]	State of Kuwait	**25.1%**	25.1%
Ahli United Bank (Egypt) S.A.E. [AUBE]	Arab Republic of Egypt	**4.3%**	4.3%

42 SUBSIDIARIES (continued)

	2022	*2021*
	US$ '000	*US$ '000*
Accumulated material non-controlling interests as at 31 December:		
Ahli United Bank K.S.C.P.	**392,722**	381,191
Ahli United Bank (Egypt) S.A.E.	**17,233**	24,696
Profit allocated to material non-controlling interests:		
Ahli United Bank K.S.C.P.	**30,614**	26,019
Ahli United Bank (Egypt) S.A.E.	**4,009**	2,903

Summarised financial information of AUBK and AUBE is provided below. The information is based on amounts as reported in the consolidated financial statements before inter-company eliminations and adjustments.

	2022	*2021*
	US$ '000	*US$ '000*
Ahli United Bank K.S.C.P. (AUBK)		
Balance sheet related information		
Loans and advances	**11,123,094**	11,048,423
Non-trading investments	**1,480,955**	1,258,976
Total assets	**15,389,118**	15,118,792
Customers' deposits	**12,174,508**	11,301,799
Total liabilities	**13,207,871**	12,977,785
Income statement related information		
Total operating income	**296,191**	303,058
Net profit attributable to shareholders	**121,852**	103,485
Total comprehensive income attributable to shareholders	**124,985**	104,126
Dividends paid to non-controlling interest	**8,837**	-
Cash flow related information		
Net cash from / (used in) operating activities	**746,672**	(587,767)
Net cash (used in) / from investing activities	**(311,669)**	11,028
Net cash (used in) / from financing activities	**(58,256)**	374,679
Ahli United Bank (Egypt) S.A.E. (AUBE)		
Balance sheet related information		
Loans and advances	**1,964,502**	2,336,101
Non-trading investments	**549,188**	829,812
Total assets	**3,464,050**	4,100,508
Customers' deposits	**2,842,701**	3,410,631
Total liabilities	**3,033,305**	3,517,782
Income statement related information		
Total operating income	**269,375**	168,674
Net profit attributable to shareholders	**104,876**	74,863
Total comprehensive income attributable to shareholders	**82,804**	70,821
Cash flow related information		
Net cash (used in) / from operating activities	**(83,779)**	333,139
Net cash used in investing activities	**(62,445)**	(253,840)
Net cash from / (used in) financing activities	**25,430**	(8,373)

43 ACQUISITION OF CITIBANK BAHRAIN CONSUMER BUSINESS

On 4 April 2022, the Bank entered into a business transfer agreement with Citibank N.A. to acquire its consumer banking business in the Kingdom of Bahrain. After obtaining all the regulatory approvals and fulfillment of relevant conditions precedent, the Group completed the acquisition transaction on 1 December 2022 i.e., the acquisition date by settling net purchase consideration of US$ 15.9 million. The total identifiable loans and advances (at provisional fair values) as at acquisition date amounted to US$ 143.5 million, customer deposits amounted to US$ 181.7 million and assets under management of US$ 86.8 million.

The transaction has been accounted for using the acquisition method under IFRS 3 – Business Combinations (IFRS 3). For the purpose of consolidated financial statements for the year ended 31 December 2022, the Bank has accounted for this acquisition using provisional fair values of the acquired assets and assumed liabilities as at the acquisition date. Adjustment to the provisional values will be finalised within twelve months of the date of acquisition as permissible under IFRS.