

AHLI UNITED BANK B.S.C.
INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
31 MARCH 2023

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Ahli United Bank B.S.C. (the "Bank") and its subsidiaries (collectively the "Group") as at 31 March 2023, comprising of the interim condensed consolidated balance sheet as at 31 March 2023 and the related interim condensed consolidated statements of income, comprehensive income, cash flows and changes in equity for the three month period then ended and explanatory notes. The Bank's Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion

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



14 May 2023
Manama, Kingdom of Bahrain

AHLI UNITED BANK B.S.C.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

Three months ended 31 March 2023 (Reviewed)

	<i>Note</i>	<i>Three months ended</i>	
		<i>31 March</i>	
		<i>2023</i>	<i>2022</i>
		<i>USD'000</i>	<i>USD'000</i>
Interest income		595,124	340,978
Interest expense		358,219	128,887
Net interest income		236,905	212,091
Fees and commissions - net		32,465	27,435
Trading income		3,165	10,124
Investment and other income		83,057	61,001
Fees and other income		118,687	98,560
OPERATING INCOME		355,592	310,651
Provision for credit losses and others	6c	28,634	33,583
NET OPERATING INCOME		326,958	277,068
Staff costs		51,173	45,829
Depreciation		8,917	8,797
Other operating expenses		39,132	32,540
OPERATING EXPENSES		99,222	87,166
PROFIT BEFORE TAX AND ZAKAT		227,736	189,902
Tax expense and zakat		17,289	7,917
NET PROFIT FOR THE PERIOD		210,447	181,985
Net profit attributable to non-controlling interests		10,049	11,048
NET PROFIT ATTRIBUTABLE TO THE OWNERS OF THE BANK		200,398	170,937
EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE BANK FOR THE PERIOD:			
Basic and diluted earnings per ordinary share (US cents)	3	1.8	1.5

Hamad Al-Marzouq
Chairman

Adel A. El-Labban
Deputy Chairman

Ahmed AlKharji
Group Chief Executive Officer

AHLI UNITED BANK B.S.C.**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

Three months ended 31 March 2023 (Reviewed)

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2023</i>	<i>2022</i>
	<i>USD'000</i>	<i>USD'000</i>
Net profit for the period	210,447	181,985
<i>Other Comprehensive Income (OCI)</i>		
Items that will not be reclassified subsequently to consolidated statement of income		
Net change in fair value of equity investments measured at fair value through OCI	(1,611)	4,806
Net change in pension fund reserve	223	(1,574)
Items that may be reclassified subsequently to consolidated statement of income		
Foreign currency translation adjustments	(81,180)	(105,205)
Net change in fair value of debt instruments held as fair value through OCI	(10,939)	(27,727)
Transfers to consolidated statement of income arising on sale of debt instruments	(7,821)	(800)
Net change in fair value of cash flow hedges	(124)	19,036
Other comprehensive loss for the period	(101,452)	(111,464)
Total comprehensive income for the period	108,995	70,521
Total comprehensive income attributable to non-controlling interests	9,994	4,912
Total comprehensive income attributable to the owners of the Bank	99,001	65,609

The attached notes 1 to 11 form part of these interim condensed consolidated financial statements

AHLI UNITED BANK B.S.C.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

31 March 2023 (Reviewed)

		<i>(Reviewed)</i> 31 March 2023	<i>(Audited)</i> 31 December 2022
	<i>Note</i>	US\$ '000	US\$ '000
ASSETS			
Cash and balances with central banks		1,366,808	1,643,192
Treasury bills and deposits with central banks		2,528,809	2,340,304
Deposits with banks		3,320,358	3,467,846
Loans and advances	6	20,729,674	21,221,325
Non-trading investments	7	9,379,502	9,955,597
Investment in associates		358,403	350,958
Investment properties		197,728	189,065
Interest receivable, derivative and other assets		1,223,110	1,557,338
Premises and equipment		329,733	325,302
Goodwill and other intangible assets		501,130	510,045
TOTAL ASSETS		39,935,255	41,560,972
LIABILITIES AND EQUITY			
LIABILITIES			
Deposits from banks		3,003,155	4,077,229
Borrowings under repurchase agreements		3,649,634	4,359,845
Customers' deposits		24,764,077	24,393,349
Term borrowings		1,687,826	1,778,323
Interest payable, derivative and other liabilities		1,183,584	1,113,365
Subordinated liabilities		9,563	9,462
TOTAL LIABILITIES		34,297,839	35,731,573
EQUITY			
Ordinary share capital		2,786,983	2,786,983
Reserves		1,404,279	1,588,521
Equity attributable to the owner of the Bank		4,191,262	4,375,504
Perpetual Tier 1 Capital Securities		1,000,000	1,000,000
Non-controlling interests		446,154	453,895
TOTAL EQUITY		5,637,416	5,829,399
TOTAL LIABILITIES AND EQUITY		39,935,255	41,560,972

Hamad Al-Marzouq
Chairman

Adel A. El-Labban
Deputy Chairman

Ahmed AlKharji
Group Chief Executive Officer

The attached notes 1 to 11 form part of these interim condensed consolidated financial statements

Ahli United Bank B.S.C.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Three months ended 31 March 2023 (Reviewed)

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2023</i>	<i>2022</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
OPERATING ACTIVITIES		
Profit before tax and zakat	227,736	189,902
Adjustments for:		
Depreciation	8,917	8,797
Investment and other income	(33,558)	(24,805)
Provision for credit losses and others	28,634	33,583
Share of profit from associates	(11,398)	(8,755)
Operating profit before changes in operating assets and liabilities	220,331	198,722
Changes in:		
Mandatory reserve deposits with central banks	(293,549)	88,936
Treasury bills and deposits with central banks	7,692	(195,456)
Deposits with banks	257,252	1,146,269
Loans and advances	448,984	(163,339)
Interest receivable, derivatives and other assets	334,226	(58,188)
Deposits from banks	(1,074,074)	93,375
Borrowings under repurchase agreements	(710,211)	882,900
Customers' deposits	370,728	(1,034,931)
Interest payables, derivatives and other liabilities	(270,922)	117,906
Net cash flows (used in) / generated from operations	(709,543)	1,076,194
Income tax and zakat paid	(8,191)	(10,655)
Net cash flows (used in) / generated from operating activities	(717,734)	1,065,539
INVESTING ACTIVITIES		
Purchase of non-trading investments	(472,506)	(780,417)
Proceeds from sale or redemption of non-trading investments	1,360,468	542,138
Net decrease in investment properties	4,251	-
Net increase in premises and equipment	(13,348)	(3,604)
Net cash flows generated from / (used in) from investing activities	878,865	(241,883)
FINANCING ACTIVITIES		
Repayment of term debts	(100,000)	-
Dividends paid to non-controlling interests	(3,167)	-
Net cash flows used in financing activities	(103,167)	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	57,964	823,656
Net foreign exchange difference	(50,722)	(18,520)
Cash and cash equivalents at 1 January	3,629,090	2,609,526
CASH AND CASH EQUIVALENTS AT 31 MARCH	3,636,332	3,414,662
<i>Cash and cash equivalents comprise:</i>		
Cash and balances with central banks, excluding mandatory reserve deposits	465,679	839,482
Deposits with banks, central banks and treasury bills with an original maturity of three months or less	3,170,653	2,575,180
	3,636,332	3,414,662
Additional cash flow information:		
Interest received	610,004	378,205
Interest paid	328,484	164,059

The attached notes 1 to 11 form part of these interim condensed consolidated financial statements

Ahli United Bank B.S.C.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Three months ended 31 March 2023 (Reviewed)

	<i>Attributable to the owner of the Bank</i>										
	Reserves							<i>Equity attributable to the owner US\$ '000</i>	<i>Perpetual Tier 1 Capital Securities US\$ '000</i>	<i>Non- controlling interests US\$ '000</i>	<i>Total US\$ '000</i>
	<i>Ordinary share capital US\$ '000</i>	<i>Share premium US\$ '000</i>	<i>Statutory reserve US\$ '000</i>	<i>Retained earnings US\$ '000</i>	<i>Proposed appropriations US\$ '000</i>	<i>Other reserves (note 8) US\$ '000</i>	<i>Total reserves US\$ '000</i>				
Balance at 1 January 2023	2,786,983	752,549	820,089	508,173	280,698	(772,988)	1,588,521				
Donations	-	-	-	-	(2,000)	-	(2,000)	(2,000)	-	-	(2,000)
Ordinary share dividend paid	-	-	-	-	(278,698)	-	(278,698)	(278,698)	-	-	(278,698)
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	(17,954)	(17,954)
Movement in associates	-	-	-	(2,540)	-	-	(2,540)	(2,540)	-	-	(2,540)
Movement in subsidiaries	-	(5)	-	-	-	-	(5)	(5)	-	219	214
Total comprehensive income for the period	-	-	-	200,398	-	(101,397)	99,001	99,001	-	9,994	108,995
Balance at 31 March 2023	2,786,983	752,544	820,089	706,031	-	(874,385)	1,404,279	4,191,262	1,000,000	446,154	5,637,416

The attached notes 1 to 11 form part of these interim condensed consolidated financial statements

Ahli United Bank B.S.C.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Three months ended 31 March 2023 (Reviewed)

	<i>Attributable to the owners of the Bank</i>						<i>Equity attributable to the owners</i>	<i>Perpetual Tier 1 Capital Securities</i>	<i>Non-controlling interests</i>	<i>Total</i>	
	<i>Reserves</i>										
	<i>Ordinary share capital</i>	<i>Share premium</i>	<i>Statutory reserve</i>	<i>Retained earnings</i>	<i>Proposed appropriations</i>	<i>Other reserves (note 8)</i>	<i>Total reserves</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Balance at 1 January 2022	2,533,621	752,538	765,479	600,122	306,034	(488,090)	1,936,083	4,469,704	1,000,000	448,261	5,917,965
Movement in associates	-	-	-	(2,116)	-	-	(2,116)	(2,116)	-	-	(2,116)
Movement in subsidiaries	-	12	-	-	-	-	12	12	-	78	90
Total comprehensive income for the period	-	-	-	170,937	-	(105,328)	65,609	65,609	-	4,912	70,521
Balance at 31 March 2022	2,533,621	752,550	765,479	768,943	306,034	(593,418)	1,999,588	4,533,209	1,000,000	453,251	5,986,460

The attached notes 1 to 11 form part of these interim condensed consolidated financial statements

31 March 2023 (Reviewed)

1 CORPORATE INFORMATION

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

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. KFH is a public shareholding company incorporated in the State of Kuwait on 23 March 1977 and is listed in the Boursa Kuwait and Bahrain Bourse. KFH is regulated and supervised by the Central Bank of Kuwait.

The interim condensed consolidated financial statements of the Group for the three month period ended 31 March 2023 were authorised for issue in accordance with a resolution of the Board of Directors dated 14 May 2023.

2 ACCOUNTING POLICIES

2.1 Basis of preparation

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

2.2 New standards, interpretations and amendments effective for the period

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 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. IFRS 17 replaced 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.

IFRS 17 also introduced new accounting requirements for banking products with insurance features that may affect the determination of which instruments or which components thereof will be in the scope of IFRS 9 or IFRS 17.

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 above amendments and other amendments to IFRS which are effective for annual accounting period starting from 1 January 2023 did not have any material impact on the accounting policies, financial position or performance of the Group.

AHLI UNITED BANK B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023 (Reviewed)

3 EARNINGS PER ORDINARY SHARE

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2023</i>	<i>2022</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
For basic and diluted earnings per share computation		
Net profit attributable to the owners of the Bank	200,398	170,937
Weighted average ordinary shares outstanding during the period adjusted for bonus shares (in millions)	11,148	11,148
Basic and diluted earnings per ordinary share (US cents)	1.8	1.5
Issued and fully paid ordinary shares of US\$ 0.25 each (in millions)	11,147.9	10,134.5

4 CONTINGENT LIABILITIES

The Group had the following credit related contingent liabilities:

	<i>(Reviewed)</i>	<i>(Audited)</i>
	<i>31 March</i>	<i>31 December</i>
	<i>2023</i>	<i>2022</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Guarantees	2,671,104	2,755,245
Acceptances	305,447	442,842
Letters of credit	616,968	563,737
	3,593,519	3,761,824

5 SEGMENT INFORMATION

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

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

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

AHLI UNITED BANK B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023 (Reviewed)

5 SEGMENT INFORMATION (continued)

Segmental information for the period was as follows:

	<i>Retail banking</i>	<i>Corporate banking</i>	<i>Treasury and investments</i>	<i>Private banking</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Three months ended 31 March 2023:					
Net interest income	65,070	70,422	85,672	15,741	236,905
Fees and commissions - net	11,845	16,256	1,632	2,732	32,465
Trading, investment income and others	819	5,015	80,310	78	86,222
OPERATING INCOME	77,734	91,693	167,614	18,551	355,592
Provision for credit losses and others	4,225	17,588	6,710	111	28,634
NET OPERATING INCOME	73,509	74,105	160,904	18,440	326,958
Operating expenses	39,416	23,925	27,751	8,130	99,222
PROFIT BEFORE TAX AND ZAKAT	34,093	50,180	133,153	10,310	227,736
Tax expense and zakat					17,289
NET PROFIT FOR THE PERIOD					210,447
Less: Attributable to non-controlling interests					10,049
NET PROFIT ATTRIBUTABLE TO THE OWNERS OF THE BANK					200,398
Inter segment interest included in net interest income above	49,550	(87,807)	16,069	22,188	-
	<i>Retail banking</i>	<i>Corporate banking</i>	<i>Treasury and investments</i>	<i>Private banking</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Three months ended 31 March 2022:					
Net interest income	44,209	80,913	75,481	11,488	212,091
Fees and commissions - net	6,832	16,020	1,233	3,350	27,435
Trading, investment income and others	804	4,151	66,108	62	71,125
OPERATING INCOME	51,845	101,084	142,822	14,900	310,651
Provision (recoveries) for credit losses and others	(3,523)	8,626	26,710	1,770	33,583
NET OPERATING INCOME	55,368	92,458	116,112	13,130	277,068
Operating expenses	31,186	25,506	22,548	7,926	87,166
PROFIT BEFORE TAX AND ZAKAT	24,182	66,952	93,564	5,204	189,902
Tax expense and zakat					7,917
NET PROFIT FOR THE PERIOD					181,985
Less: Attributable to non-controlling interests					11,048
NET PROFIT ATTRIBUTABLE TO THE OWNERS OF THE BANK					170,937
Inter segment interest included in net interest income above	29,584	(36,009)	1,039	5,386	-

AHLI UNITED BANK B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023 (Reviewed)

6 LOANS AND ADVANCES

a) Credit quality of loans and advances

	<i>31 March 2023 (Reviewed)</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
High standard grade	12,661,502	771,504	-	13,433,006
Standard grade	5,696,046	2,088,364	-	7,784,410
Credit impaired	-	-	414,002	414,002
	18,357,548	2,859,868	414,002	21,631,418
Less: ECL allowances	(181,689)	(368,113)	(351,942)	(901,744)
	18,175,859	2,491,755	62,060	20,729,674
	<i>31 December 2022 (Audited)</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
High standard grade	13,040,545	770,635	-	13,811,180
Standard grade	5,763,196	2,167,574	-	7,930,770
Credit impaired	-	-	430,391	430,391
	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

b) Reconciliation of ECL allowances

	<i>2023</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
At 1 January 2023	190,447	396,889	363,680	951,016
Transfer from Stage 1	(1,588)	966	622	-
Transfer from Stage 2	51	(40,395)	40,344	-
Transfer from Stage 3	-	17,913	(17,913)	-
Net remeasurement of ECL allowances (note 6c)	(1,819)	5,152	19,516	22,849
Amounts written-off	-	-	(49,837)	(49,837)
Exchange rate and other adjustments	(5,402)	(12,412)	(4,470)	(22,284)
At 31 March 2023	181,689	368,113	351,942	901,744
	<i>2022</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
At 1 January 2022	171,528	330,668	464,034	966,230
Transfer from Stage 1	(2,462)	858	1,604	-
Transfer from Stage 2	86	(1,179)	1,093	-
Transfer from stage 3	-	157	(157)	-
Net remeasurement of ECL allowances (note 6c)	24,993	16,193	1,171	42,357
Amounts written-off	-	-	(4,055)	(4,055)
Exchange rate and other adjustments	(2,280)	(5,653)	(4,532)	(12,465)
At 31 March 2022	191,865	341,044	459,158	992,067

AHLI UNITED BANK B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023 (Reviewed)

6 LOANS AND ADVANCES (continued)

c) Provision for credit losses and others

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2023</i>	<i>2022</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Net remeasurement of ECL on loans and advances (note 6 b)	22,849	42,357
Recoveries from loans and advances during the period		
(from fully provided loans written-off in previous years)	(263)	(23,644)
Net remeasurement of ECL for non-trading investments (note 7 b)	(27,590)	26,710
Net remeasurement of ECL on off-balance sheet exposures and others	7,308	169
Net other provision charges / (write-back)	26,330	(12,009)
	28,634	33,583

7 NON-TRADING INVESTMENTS

a) Credit quality of non-trading investments

	<i>31 March 2023 (Reviewed)</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
High standard grade	6,435,773	-	-	6,435,773
Standard grade	2,802,018	24,808	-	2,826,826
	9,237,791	24,808	-	9,262,599
Less: ECL allowances	(21,660)	(7,615)	-	(29,275)
	9,216,131	17,193	-	9,233,324
Equity instruments at fair value				146,178
				9,379,502
	<i>31 December 2022 (Audited)</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
High standard grade	6,419,430	-	-	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

Equity instruments held at fair value include investments amounting to US\$ 10.4 million (31 December 2022: US\$ 2.9 million) which are designated as FVTPL. Income from FVTPL equity investments for the period amounted to US\$ 6.0 million (31 March 2022: US\$ 0.1 million).

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31 March 2023 (Reviewed)

7 NON-TRADING INVESTMENTS (continued)

b) Reconciliation of ECL allowances

	2023			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
At 1 January 2023	24,571	64,398	10,873	99,842
Net remeasurement of ECL allowances (note 6c)	(2,819)	(57,014)	32,243	(27,590)
Amounts written off during the period	-	-	(43,148)	(43,148)
Exchange rate and other adjustments	(92)	231	32	171
At 31 March 2023	21,660	7,615	-	29,275
	2022			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
At 1 January 2022	23,273	2,990	-	26,263
Transfer from Stage 1	(249)	249	-	-
Net remeasurement of ECL allowances (note 6c)	(1,785)	28,495	-	26,710
Exchange rate and other adjustments	(98)	(3)	-	(101)
At 31 March 2022	21,141	31,731	-	52,872

On 2 October 2022, the AUB Group was acquired by KFH by way of a share swap. Subsequent to the acquisition, the shareholder resolved to convert the Group into a Sharia Compliant Islamic Financial Institution. As part of the overall conversion project, the Group has taken steps to convert part of the bond portfolio to Sharia compliant instruments through controlled special purpose entities, which is approved by the Sharia Supervisory Board of the Bank.

Accordingly, during the period a part of the Bank's conventional bonds were converted to Sharia compliant Sukuks and consequently, as at 31 March 2023, 87% of the total bond investments are Sharia compliant.

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31 March 2023 (Reviewed)

8 MOVEMENT IN OTHER RESERVES

	<i>Capital reserve</i>	<i>Property revaluation reserve</i>	<i>Foreign exchange translation reserve</i>	<i>Cumulative changes in</i>			<i>Total other reserves</i>
				<i>OCI reserve</i>	<i>Cash flow hedge reserve</i>	<i>Pension fund reserve</i>	
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Balance at 1 January 2023	17,240	38,731	(763,201)	(30,765)	(29)	(34,964)	(772,988)
Currency translation adjustments	-	(3)	(81,482)	-	-	-	(81,485)
Transfers to interim condensed consolidated statement of income	-	-	-	(7,824)	27	-	(7,797)
Net fair value movements	-	-	-	(12,187)	(151)	223	(12,115)
Balance at 31 March 2023	17,240	38,728	(844,683)	(50,776)	(153)	(34,741)	(874,385)

	<i>Capital reserve</i>	<i>Property revaluation reserve</i>	<i>Foreign exchange translation reserve</i>	<i>Cumulative changes in</i>			<i>Total other reserves</i>
				<i>OCI reserve</i>	<i>Cash flow hedge reserve</i>	<i>Pension fund reserve</i>	
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Balance at 1 January 2022	17,240	36,574	(476,737)	(6,421)	(41,387)	(17,359)	(488,090)
Currency translation adjustments	-	(7)	(99,451)	-	-	-	(99,458)
Transfers to interim condensed consolidated statement of income	-	-	-	(784)	(15)	-	(799)
Net fair value movements	-	-	-	(22,548)	19,051	(1,574)	(5,071)
Balance at 31 March 2022	17,240	36,567	(576,188)	(29,753)	(22,351)	(18,933)	(593,418)

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31 March 2023 (Reviewed)

9 FAIR VALUE MEASUREMENT

The fair value of financial assets and financial liabilities, with the exception of non-trading investments that are carried at amortised cost, approximate their carrying values. The fair value of the non-trading investments held at amortised cost was US\$ 7,966.9 million as at 31 March 2023 (31 December 2022: US\$ 8,574.2 million). Carrying value of these non-trading investments was US\$ 7,997.4 million as at 31 March 2023 (31 December 2022: US\$ 8,466.3 million).

The Group's primary medium and long-term financial liabilities are the subordinated liabilities. The fair values of these financial liabilities are not materially different from their carrying values, since these liabilities are repriced at intervals of three or six months, depending on the terms and conditions of the instrument and the resultant applicable margins approximate the current spreads that would apply for borrowings with similar maturities.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 : Quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2 : Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3 : Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

	<i>31 March 2023 (Reviewed)</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Equity instruments at fair value	501	65,253	80,424	146,178
Debt instruments (FVTOCI)	1,166,830	74,469	-	1,241,299
Loans and advances	-	-	13,205	13,205
Derivative assets	-	547,453	-	547,453
Derivative liabilities	-	208,146	-	208,146
	<i>31 December 2022 (Audited)</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Equity instruments at fair value	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

During the three months ended 31 March 2023 and 2022, there have been no transfers between Level 1, 2, 3 and during the period addition to Level 3 financial instruments were US\$ 48.4 million and fair value movement of US\$ 5.9 million (Comparative: nil).

31 March 2023 (Reviewed)

10 RELATED PARTY TRANSACTIONS

The Group enters into transactions with major shareholders, associates, directors, senior management and companies which are controlled, jointly controlled or significantly influenced by such parties in the ordinary course of business. All the loans and advances to related parties are performing and are subject to ECL assessments.

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

	2023					
	<i>Major shareholders</i>	<i>Associates</i>	<i>Non- Executive Directors</i>	<u>Senior management</u>		<i>Other related parties</i>
				<i>Management Directors</i>	<i>Others</i>	
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
<i>For the three months ended</i>						
<i>31 March 2023</i>						
Interest income	5,024	54	49	-	1	237
Interest expense	30,974	7	6	32	12	1,098
Fees and commissions	4	287	1	1	2	5
Short term employee benefits	-	-	-	1,480	1,238	-
End of service benefits	-	-	-	199	96	-
Directors' fees and related expenses	-	-	303	-	-	-
<i>As of 31 March 2023</i>						
Deposits with banks	365,000	3,625	-	-	-	-
Loans and advances	-	-	2,574	46	262	9,671
Non Trading investment	15,000	-	-	-	-	18,531
Interest receivable, derivative and other	2,812	382	136	-	-	-
Deposits from banks	13,276	38,475	-	-	-	17
Customers' deposits	2,361,119	15	10,474	6,206	2,533	79,022
Term borrowing	100,000	-	-	-	-	-
Interest payable, derivative and other liabilities	2,844	3,040	3	-	-	1,165
Subordinated liabilities	9,563	-	-	-	-	-
Commitments and contingent liabilities	1,852	19,011	1	-	-	1,810
2022						
	<i>Major shareholders</i>	<i>Associates</i>	<i>Non- Executive Directors</i>	<u>Senior management</u>		<i>Other related parties</i>
				<i>Management Directors</i>	<i>Others</i>	
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
<i>For the three months ended</i>						
<i>31 March 2022</i>						
Interest income	-	2	2,230	10	-	-
Interest expense	2,101	-	201	16	1	-
Fees and commissions	6	536	170	2	2	-
Short term employee benefits	-	-	-	3,051	863	-
End of service benefits	-	-	-	252	87	-
Directors' fees and related expenses	-	-	372	-	-	-
<i>As of 31 December 2022</i>						
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
Interest receivable, derivative and other assets	-	3,762	-	-	-	-
Deposits from banks	78,767	41,088	-	10,973	878	18,585
Customers' deposits	2,787,380	-	71,153	-	-	50,147
Term borrowings	100,000	-	-	-	-	-
Interest payable, derivative and other liabilities	5,031	3,912	468	-	-	427
Subordinated liabilities	9,462	-	-	-	-	-
Commitments and contingent liabilities	2,126	13,797	64,876	-	-	1,811

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31 March 2023 (Reviewed)

11 NET STABLE FUNDING RATIO (NSFR)

The NSFR ratio is calculated in accordance with the Liquidity Risk Management Module guidelines, issued by the CBB. The minimum NSFR ratio limit as per CBB is 100%. The Group's consolidated NSFR ratio as of 31 March 2023 is 124.4% (31 December 2022: 118.0%).

	<i>(Reviewed)</i>	<i>(Audited)</i>
	<i>31 March</i>	<i>31 December</i>
	<i>2023</i>	<i>2022</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
<u>Available Stable Funding:</u>		
Regulatory capital	5,929,045	6,155,841
Stable deposits	7,569,839	7,346,964
Wholesale funding	12,418,147	12,576,583
Others	656,647	734,758
Total Available Stable Funding (A)	26,573,678	26,814,146
<u>Required Stable Funding :</u>		
High-Quality Liquid Assets (HQLA)	1,400,658	1,451,622
Performing loans	14,369,567	14,912,508
Securities (other than HQLA)	2,598,034	3,046,772
Derivative contracts	240,437	290,695
Others	2,309,978	2,552,342
Off-balance sheet items	442,465	479,381
Total Required Stable Funding (B)	21,361,139	22,733,320
NSFR (%) (A/B)	124.4%	118.0%