

AHLI UNITED BANK B.S.C. (c)
INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
30 SEPTEMBER 2023

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Ahli United Bank B.S.C. (c) (the "Bank") and its subsidiaries (collectively the "Group") as at 30 September 2023, comprising of the interim condensed consolidated balance sheet as at 30 September 2023 and the related interim condensed consolidated statements of income, comprehensive income for the three month period and nine month period then ended, and the interim condensed consolidated statement of cash flows and changes in equity for the nine month period then ended and explanatory notes. The Bank's Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion

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



6 November 2023
Manama, Kingdom of Bahrain

AHLI UNITED BANK B.S.C. (c)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

Nine months ended 30 September 2023 (Reviewed)

	<i>Note</i>	<i>Three months ended</i>		<i>Nine months ended</i>	
		<i>30 September</i>		<i>30 September</i>	
		<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>
		<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>
Interest income		678,220	467,605	1,900,291	1,184,856
Interest expense		413,193	231,757	1,151,256	518,276
Net interest income		265,027	235,848	749,035	666,580
Fees and commissions - net		28,155	25,974	87,125	80,746
Trading income		9,675	8,973	24,814	28,112
Investment and other income		34,495	21,179	141,479	120,063
Fees and other income		72,325	56,126	253,418	228,921
OPERATING INCOME		337,352	291,974	1,002,453	895,501
Provision for credit losses and others	6c	39,425	177,434	73,662	230,219
NET OPERATING INCOME		297,927	114,540	928,791	665,282
Staff costs		51,673	47,179	152,302	136,737
Depreciation		10,115	9,232	27,827	26,473
Other operating expenses		37,044	33,310	114,806	96,719
OPERATING EXPENSES		98,832	89,721	294,935	259,929
PROFIT BEFORE TAX AND ZAKAT		199,095	24,819	633,856	405,353
Tax expense and zakat		16,588	13,845	50,031	34,135
NET PROFIT FOR THE PERIOD		182,507	10,974	583,825	371,218
Net profit attributable to non-controlling interests		12,231	9,651	31,040	28,991
NET PROFIT ATTRIBUTABLE TO THE OWNERS OF THE BANK		170,276	1,323	552,785	342,227
EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE BANK FOR THE PERIOD:					
Basic and diluted earnings per ordinary share (US cents)	3	1.5	-	4.8	2.9

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. (c)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Nine months ended 30 September 2023 (Reviewed)

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>
	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>
Net profit for the period	182,507	10,974	583,825	371,218
<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	3,421	505	5,243	3,887
Net change in pension fund reserve	-	6,999	(19,206)	1,407
Items that may be reclassified subsequently to consolidated statement of income				
Foreign currency translation adjustments	(16,818)	(56,557)	(91,833)	(202,167)
Net change in fair value of debt instruments held as fair value through OCI	(11,930)	761	(2,533)	(54,373)
Transfers to consolidated statement of income arising on sale of debt instruments	(5,318)	(2,384)	(12,673)	(4,351)
Net change in fair value of cash flow hedges	312	11,353	(12)	43,644
Other comprehensive loss for the period	(30,333)	(39,323)	(121,014)	(211,953)
Total comprehensive income/(loss) for the period	152,174	(28,349)	462,811	159,265
Total comprehensive income attributable to non-controlling interests	9,213	2,813	27,552	11,555
Total comprehensive income/(loss) attributable to the owners of the Bank	142,961	(31,162)	435,259	147,710

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

AHLI UNITED BANK B.S.C. (c)

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

30 September 2023 (Reviewed)

		<i>(Reviewed)</i> <i>30 September</i> <i>2023</i>	<i>(Audited)</i> <i>31 December</i> <i>2022</i>
	<i>Note</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
ASSETS			
Cash and balances with central banks		1,771,078	1,643,192
Treasury bills and deposits with central banks		2,337,904	2,340,304
Deposits with banks		3,374,074	3,467,846
Loans and advances	6	20,861,164	21,221,325
Non-trading investments	7	9,289,065	9,955,597
Investment in associates		396,567	350,958
Investment properties		189,835	189,065
Interest receivable, derivative and other assets		1,508,322	1,557,338
Premises and equipment		333,807	325,302
Goodwill and other intangible assets		498,419	510,045
TOTAL ASSETS		40,560,235	41,560,972
LIABILITIES AND EQUITY			
LIABILITIES			
Deposits from banks		3,238,384	4,077,229
Borrowings under repurchase agreements		3,709,418	4,359,845
Customers' deposits		24,765,067	24,393,349
Term borrowings		1,682,526	1,778,323
Interest payable, derivative and other liabilities		1,201,219	1,113,365
Subordinated liabilities		-	9,462
TOTAL LIABILITIES		34,596,614	35,731,573
EQUITY			
Ordinary share capital		2,786,983	2,786,983
Reserves		1,715,079	1,588,521
Equity attributable to the owner of the Bank		4,502,062	4,375,504
Perpetual Tier 1 Capital Securities		1,000,000	1,000,000
Non-controlling interests		461,559	453,895
TOTAL EQUITY		5,963,621	5,829,399
TOTAL LIABILITIES AND EQUITY		40,560,235	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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Nine months ended 30 September 2023 (Reviewed)

	<i>Nine months ended 30 September</i>	
	<i>2023</i>	<i>2022</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
OPERATING ACTIVITIES		
Profit before tax and zakat	633,856	405,353
Adjustments for:		
Depreciation	27,827	26,473
Investment and other income	(77,572)	(52,317)
Provision for credit losses and others	73,662	230,219
Share of profit from associates	(22,629)	(26,120)
Operating profit before changes in operating assets and liabilities	635,144	583,608
Changes in:		
Mandatory reserve deposits with central banks	(419,006)	(29,680)
Treasury bills and deposits with central banks	984,255	(43,654)
Deposits with banks	(342,560)	1,006,637
Loans and advances	277,893	710,638
Interest receivable, derivatives and other assets	49,015	(111,069)
Deposits from banks	(838,845)	(572,423)
Borrowings under repurchase agreements	(650,427)	79,264
Customers' deposits	371,718	(465,142)
Interest payables, derivatives and other liabilities	(1,840)	132,934
Net cash flows generated from operations	65,347	1,291,113
Income tax and zakat paid	(30,930)	(25,651)
Net cash flows generated from operating activities	34,417	1,265,462
INVESTING ACTIVITIES		
Purchase of non-trading investments	(2,387,357)	(3,378,210)
Proceeds from sale or redemption of non-trading investments	3,161,617	2,411,533
Sale of investment in subsidiary	990	-
Additional investment in an associate	(45,818)	-
Net decrease in investment properties	10,716	-
Net increase in premises and equipment	(36,332)	(36,192)
Dividends received from associates	15,952	13,293
Net cash flows generated from / (used in) from investing activities	719,768	(989,576)
FINANCING ACTIVITIES		
Distribution on Perpetual Tier 1 Capital Securities	(23,308)	(23,303)
Additional term debts	-	1,093,853
Repayment of term debts	(100,000)	-
Repayment of subordinated liabilities	(9,462)	-
Dividends and other appropriations paid	(278,698)	(304,034)
Dividends paid to non-controlling interests	(17,954)	(8,837)
Net cash flows (used in) / generated from financing activities	(429,422)	757,679
NET CHANGE IN CASH AND CASH EQUIVALENTS	324,763	1,033,565
Net foreign exchange difference	(56,080)	(26,662)
Cash and cash equivalents at 1 January	3,629,091	2,609,526
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	3,897,774	3,616,429
<i>Cash and cash equivalents comprise:</i>		
Cash and balances with central banks, excluding mandatory reserve deposits	425,087	676,487
Deposits with banks, central banks and treasury bills with an original maturity of three months or less	3,472,687	2,939,942
	3,897,774	3,616,429
Additional cash flow information:		
Interest received	1,870,836	1,166,760
Interest paid	1,027,694	501,892

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Nine months ended 30 September 2023 (Reviewed)

	Attributable to the owner of the Bank										
	Reserves										
	Ordinary share capital US\$ '000	Share premium US\$ '000	Statutory reserve US\$ '000	Retained earnings US\$ '000	Proposed appropriations US\$ '000	Other reserves (note 8) US\$ '000	Total reserves US\$ '000	Equity attributable to the owner US\$ '000	Perpetual Tier 1 Capital Securities US\$ '000	Non- controlling interests US\$ '000	Total US\$ '000
Balance at 1 January 2023	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
Donations	-	-	-	-	(2,000)	-	(2,000)	(2,000)	-	-	(2,000)
Distribution related to Perpetual Tier 1 Capital Securities	-	-	-	(11,678)	-	-	(11,678)	(11,678)	-	-	(11,678)
Distribution related to Perpetual Tier 1 Sukuk	-	-	-	(8,697)	-	-	(8,697)	(8,697)	-	(2,933)	(11,630)
Ordinary share dividend paid	-	-	-	-	(278,698)	-	(278,698)	(278,698)	-	-	(278,698)
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	(17,954)	(17,954)
Movement in associates	-	-	-	(7,619)	-	-	(7,619)	(7,619)	-	-	(7,619)
Movement in subsidiaries	-	(9)	-	-	-	-	(9)	(9)	-	999	990
Total comprehensive income for the period	-	-	-	552,785	-	(117,526)	435,259	435,259	-	27,552	462,811
Balance at 30 September 2023	2,786,983	752,540	820,089	1,032,964	-	(890,514)	1,715,079	4,502,062	1,000,000	461,559	5,963,621

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

Ahli United Bank B.S.C. (c)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Nine months ended 30 September 2023 (Reviewed)

	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 appropriations US\$ '000	Other reserves (note 8) US\$ '000	Total reserves US\$ '000	Equity attributable to the owners US\$ '000	Perpetual Tier 1 Capital Securities 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
Donations	-	-	-	-	(2,000)	-	(2,000)	(2,000)	-	-	(2,000)
Bonus shares issued	253,362	-	-	(253,362)	-	-	(253,362)	-	-	-	-
Transfer from OCI reserve on equity investments	-	-	-	(426)	-	-	(426)	(426)	-	-	(426)
Distribution related to Perpetual Tier 1 Capital Securities	-	-	-	(11,678)	-	-	(11,678)	(11,678)	-	-	(11,678)
Distribution related to Perpetual Tier 1 Sukuk	-	-	-	(8,705)	-	-	(8,705)	(8,705)	-	(2,920)	(11,625)
Ordinary share dividend	-	-	-	-	(304,034)	-	(304,034)	(304,034)	-	-	(304,034)
Dividends of subsidiary	-	-	-	-	-	-	-	-	-	(8,837)	(8,837)
Movement in associates	-	-	-	(6,346)	-	-	(6,346)	(6,346)	-	-	(6,346)
Movement in subsidiaries	-	11	-	-	-	-	11	11	-	(276)	(265)
Total comprehensive income for the period	-	-	-	342,227	-	(194,517)	147,710	147,710	-	11,555	159,265
Balance at 30 September 2022	2,786,983	752,549	765,479	661,832	-	(682,607)	1,497,253	4,284,236	1,000,000	447,783	5,732,019

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 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 obtaining necessary regulatory approvals, during 2023, the Bank's ordinary shares were de-listed both at Bahrain Bourse and Kuwait Boursa. Further, the Bank was converted to a closed Bahraini shareholding company and name was changed on 14 June 2023 to Ahli United Bank B.S.C. (c).

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 its ordinary shares are listed in the Boursa Kuwait and Bahrain Bourse. KFH is regulated and supervised by the Central Bank of Kuwait.

During 2023, KFH made an announcement in the Kuwait and Bahrain stock exchanges that "In the light of completion of the acquisition procedures and phases, KFH has reached an Initial Agreement regarding the merger by combination with Ahli United Bank K.S.C.P. (Ahli United Bank - Kuwait), whereby Kuwait Finance House K.S.C.P. is the merging company, and Ahli United Bank - Kuwait as the merged company. Thus, considering the merger is one of the acquisition's steps, KFH emphasizes that the merger process will be implemented as per the applicable laws and regulations and also as per the instructions and procedures organizing the merger processes and after the approval of the extraordinary general assemblies' meetings of both banks on merger. KFH will disclose on a timely basis any new or material development(s) related to the same."

On 16 October 2023, AUB has signed a sale and purchase agreement with Solidarity Bahrain B.S.C. to sell its 100% stake in its insurance subsidiary Al Hilal Life B.S.C. (c), subject to regulatory approvals.

The interim condensed consolidated financial statements of the Group for the nine month period ended 30 September 2023 were authorised for issue in accordance with a resolution of the Board of Directors dated 6 November 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").

The interim condensed consolidated financial statements of the Group do not contain all information and disclosures required for the annual audited consolidated financial statements, and should be read in conjunction with the Group's annual audited consolidated financial statements for the year ended 31 December 2022. Further, results for the interim periods are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

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 affect the determination of which instruments or which components thereof will be in the scope of IFRS 9 or IFRS 17.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2023 (Reviewed)

2 ACCOUNTING POLICIES (continued)

2.2 New standards, interpretations and amendments effective for the period (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 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.

3 EARNINGS PER ORDINARY SHARE

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
For basic and diluted earnings per share computation				
Net profit attributable to the owners of the Bank	170,276	1,323	552,785	342,227
Perpetual Tier 1 Capital Securities distribution	-	-	(11,678)	(11,678)
Perpetual Tier 1 Sukuk distribution	-	-	(8,697)	(8,705)
Adjusted net profit for the period attributable to Bank's ordinary equity shareholders for basic and diluted earnings per share computation	170,276	1,323	532,410	321,844
Weighted average ordinary shares outstanding during the period adjusted for bonus shares (in millions)	11,148	11,148	11,148	11,148
Basic and diluted earnings per ordinary share (US cents)	1.5	-	4.8	2.9
Issued and fully paid ordinary shares of US\$ 0.25 each (in millions)	11,147.9	11,147.9	11,147.9	11,147.9

4 CONTINGENT LIABILITIES

The Group had the following credit related contingent liabilities:

	<i>(Reviewed) 30 September 2023</i>	<i>(Audited) 31 December 2022</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Guarantees	2,672,500	2,755,245
Acceptances	408,116	442,842
Letters of credit	433,211	563,737
	3,513,827	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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 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>
<i>Nine months ended 30 September 2023:</i>					
Net interest income	198,959	238,538	258,470	53,068	749,035
Fees and commissions - net	27,321	47,401	4,201	8,202	87,125
Trading, investment and other income	2,827	16,778	146,546	142	166,293
OPERATING INCOME	229,107	302,717	409,217	61,412	1,002,453
Provision (recoveries) for credit losses and others	22,259	63,476	(16,303)	4,230	73,662
NET OPERATING INCOME	206,848	239,241	425,520	57,182	928,791
Operating expenses	111,654	74,767	81,449	27,065	294,935
PROFIT BEFORE TAX AND ZAKAT	95,194	164,474	344,071	30,117	633,856
Tax expense and zakat					50,031
NET PROFIT FOR THE PERIOD					583,825
Less: Attributable to non-controlling interests					31,040
NET PROFIT ATTRIBUTABLE TO THE OWNERS OF THE BANK					552,785
Inter segment interest included in net interest income above	177,202	(285,242)	15,913	92,127	-
	<i>Retail banking</i>	<i>Corporate banking</i>	<i>Treasury and investments</i>	<i>Private banking</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
<i>Nine months ended 30 September 2022:</i>					
Net interest income	134,850	263,397	225,582	42,751	666,580
Fees and commissions - net	22,446	46,060	3,172	9,068	80,746
Trading, investment and other income	1,476	13,908	132,886	(95)	148,175
OPERATING INCOME	158,772	323,365	361,640	51,724	895,501
Provision for credit losses and others	25,411	124,791	78,212	1,805	230,219
NET OPERATING INCOME	133,361	198,574	283,428	49,919	665,282
Operating expenses	94,883	68,443	73,376	23,227	259,929
PROFIT BEFORE TAX AND ZAKAT	38,478	130,131	210,052	26,692	405,353
Tax expense and zakat					34,135
NET PROFIT FOR THE PERIOD					371,218
Less: Attributable to non-controlling interests					28,991
NET PROFIT ATTRIBUTABLE TO THE OWNERS OF THE BANK					342,227
Inter segment interest included in net interest income above	94,220	(146,822)	23,889	28,713	-

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS

30 September 2023 (Reviewed)

6 LOANS AND ADVANCES

a) Credit quality of loans and advances

<i>30 September 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	12,627,752	729,562	-	13,357,314
Standard grade	5,529,946	2,490,460	-	8,020,406
Credit impaired	-	-	419,299	419,299
	18,157,698	3,220,022	419,299	21,797,019
Less: ECL allowances	(198,942)	(390,992)	(345,921)	(935,855)
	17,958,756	2,829,030	73,378	20,861,164
<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	(7,104)	5,787	1,317	-
Transfer from Stage 2	466	(43,603)	43,137	-
Transfer from Stage 3	-	17,761	(17,761)	-
Net remeasurement of ECL allowances (note 6c)	26,655	22,181	21,246	70,082
Amounts written-off	-	-	(61,177)	(61,177)
Exchange rate and other adjustments	(11,522)	(8,023)	(4,521)	(24,066)
At 30 September 2023	198,942	390,992	345,921	935,855

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
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30 September 2023 (Reviewed)

6 LOANS AND ADVANCES (continued)

b) Reconciliation of ECL allowances (continued)

	2022			
	Stage 1 US\$ '000	Stage 2 US\$ '000	Stage 3 US\$ '000	Total US\$ '000
At 1 January 2022	171,528	330,668	464,034	966,230
Transfer from Stage 1	(6,279)	3,974	2,305	-
Transfer from Stage 2	1,064	(3,380)	2,316	-
Transfer from stage 3	-	50	(50)	-
Net remeasurement of ECL allowances (note 6c)	42,507	147,271	11,220	200,998
Amounts written-off	-	-	(4,175)	(4,175)
Exchange rate and other adjustments	(4,700)	(11,496)	(10,630)	(26,826)
At 30 September 2022	204,120	467,087	465,020	1,136,227

c) Provision for credit losses and others

	Nine months ended 30 September	
	2023 US\$ '000	2022 US\$ '000
Net remeasurement of ECL on loans and advances (note 6 b)	70,082	200,998
Recoveries from loans and advances during the period (from fully provided loans written-off in previous years)	(7,863)	(39,135)
Net remeasurement of ECL for non-trading investments (note 7 b)	(31,120)	67,342
Net remeasurement of ECL on off-balance sheet exposures and others	5,136	7,607
Net other provision charges / (write-back)	37,427	(6,593)
	73,662	230,219

7 NON-TRADING INVESTMENTS

a) Credit quality of non-trading investments

	30 September 2023 (Reviewed)			
	Stage 1 US\$ '000	Stage 2 US\$ '000	Stage 3 US\$ '000	Total US\$ '000
High standard grade	6,588,502	4,537	-	6,593,039
Standard grade	2,549,015	24,145	-	2,573,160
	9,137,517	28,682	-	9,166,199
Less: ECL allowances	(19,164)	(6,472)	-	(25,636)
	9,118,353	22,210	-	9,140,563
Equity instruments at fair value				148,502
				9,289,065

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2023 (Reviewed)

7 NON-TRADING INVESTMENTS (continued)

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

	<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\$ 9.8 million (31 December 2022: US\$ 2.9 million) which are designated as FVTPL. Income from FVTPL equity investments for the period amounted to US\$ 6.1 million (30 September 2022: US\$ 0.4 million).

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	24,571	64,398	10,873	99,842
Transfer from Stage 1	(169)	169	-	-
Net remeasurement of ECL allowances (note 6c)	(5,203)	(58,182)	32,265	(31,120)
Amounts written off during the period	-	-	(43,148)	(43,148)
Exchange rate and other adjustments	(35)	87	10	62
At 30 September 2023	19,164	6,472	-	25,636

	<i>2022</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
At 1 January 2022	23,273	2,990	-	26,263
Transfer from Stage 1	(248)	231	17	-
Net remeasurement of ECL allowances (note 6c)	(1,696)	58,549	10,489	67,342
Exchange rate and other adjustments	(513)	(2,580)	(248)	(3,341)
At 30 September 2022	20,816	59,190	10,258	90,264

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 Sukuk and consequently, as at 30 September 2023, 91% of the total bond investments are Sharia compliant.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 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>reserve</i>	<i>reserve</i>	<i>reserve</i>	<i>OCI reserve</i>	<i>Cash flow hedge reserve</i>	<i>Pension fund reserve*</i>	<i>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>
Balance at 1 January 2023	17,240	38,731	(763,201)	(30,765)	(29)	(34,964)	(772,988)
Currency translation adjustments	-	(36)	(88,673)	-	-	(42)	(88,751)
Transfers to interim condensed consolidated statement of income	-	-	-	(12,709)	82	-	(12,627)
Net fair value movements	-	-	-	3,152	(94)	(19,206)	(16,148)
Balance at 30 September 2023	17,240	38,695	(851,874)	(40,322)	(41)	(54,212)	(890,514)

	<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>reserve</i>	<i>reserve</i>	<i>reserve</i>	<i>OCI reserve</i>	<i>Cash flow hedge reserve</i>	<i>Pension fund reserve</i>	<i>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>
Balance at 1 January 2022	17,240	36,574	(476,737)	(6,421)	(41,387)	(17,359)	(488,090)
Currency translation adjustments	-	(39)	(185,705)	-	-	-	(185,744)
Transfers to interim condensed consolidated statement of income	-	-	-	(4,300)	(47)	-	(4,347)
Net fair value movements	-	-	-	(49,950)	43,691	1,407	(4,852)
Transfers to retained earnings on equity investments	-	-	-	426	-	-	426
Balance at 30 September 2022	17,240	36,535	(662,442)	(60,245)	2,257	(15,952)	(682,607)

* In May 2023, the trustees of the Ahli United Bank (U.K.) PLC (AUBUK) Pension Fund invested the Fund's assets in a bulk annuity policy ("buy-in" policy) with a leading insurance company. Under the terms of this "buy-in" policy, the insurance company will make payments into the Fund that exactly match the benefit outgo for all covered members. The policy therefore had the effect of removing the Fund's normal funding and investment risks; however, AUBUK remains legally responsible to Fund benefits in the unlikely event the insurance company defaults on any payments to covered members.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 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\$ 8,033.2 million as at 30 September 2023 (31 December 2022: US\$ 8,574.2 million). Carrying value of these non-trading investments was US\$ 7,959.8 million as at 30 September 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>30 September 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	558	67,640	80,304	148,502
Debt instruments (FVTOCI)	1,132,923	51,641	-	1,184,564
Loans and advances	-	-	13,205	13,205
Derivative assets	-	775,495	-	775,495
Derivative liabilities	-	222,084	-	222,084
<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 nine months ended 30 September 2023 and 2022, there have been no transfers between Level 1, 2, 3. During the period addition to Level 3 financial instruments were US\$ 48.4 million and fair value movement of US\$ 5.9 million (31 December:2022: nil).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 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 interim condensed consolidated financial statements were as follows:

	2023					
	Senior management					
	Major shareholders	Associates	Non- Executive Directors	Management Directors	Others	Other related parties
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
For the nine months ended						
30 September 2023						
Interest income	11,678	164	149	-	1	530
Interest expense	84,243	151	365	138	58	3,592
Fees and commissions	251	953	1	10	4	114
Short term employee benefits	-	-	-	3,842	4,110	-
End of service benefits	-	-	-	371	353	-
Directors' fees and related expenses	-	-	1,504	-	-	-
As of 30 September 2023						
Deposits with banks	397,096	2,327	-	-	-	-
Loans and advances	-	-	2,290	221	225	9,257
Non Trading investment	14,996	-	-	-	-	9,152
Interest receivable, derivative and other assets	2,135	69	136	-	-	-
Deposits from banks	21,624	35,832	-	-	-	17
Customers' deposits	2,453,590	10	13,592	6,675	2,264	115,862
Term borrowing	100,000	-	-	-	-	-
Interest payable, derivative and other liabilities	9,088	4,615	100	-	-	2,556
Commitments and contingent liabilities	1,831	24,425	-	-	-	1,795
2022						
	Senior management					
	Major shareholders	Associates	Non- Executive Directors	Management Directors	Others	Other related parties
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
For the nine months ended						
30 September 2022						
Interest income	-	33	6,671	28	-	-
Interest expense	7,849	-	636	88	7	-
Fees and commissions	12	1,547	811	7	11	-
Short term employee benefits	-	-	-	8,512	3,000	-
End of service benefits	-	-	-	607	178	-
Directors' fees and related expenses	-	-	1,312	-	-	-
As of 31 December 2022						
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	-	-	878	18,585
Customers' deposits	2,787,380	-	71,153	10,973	-	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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 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 30 September 2023 is 118.2% (31 December 2022: 118.0%).

	<i>(Reviewed)</i>	<i>(Audited)</i>
	<i>30 September</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	6,187,632	6,155,841
Stable deposits	7,875,270	7,346,964
Wholesale funding	11,641,342	12,576,583
Others	739,126	734,758
Total Available Stable Funding (A)	26,443,370	26,814,146
<u>Required Stable Funding :</u>		
High-Quality Liquid Assets (HQLA)	1,506,359	1,451,622
Performing loans	14,702,886	14,912,508
Securities (other than HQLA)	2,994,038	3,046,772
Derivative contracts	304,848	290,695
Others	2,422,771	2,552,342
Off-balance sheet items	439,182	479,381
Total Required Stable Funding (B)	22,370,084	22,733,320
NSFR (%) (A/B)	118.2%	118.0%