

United Gulf Bank B.S.C. (c)
INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

31 March 2022 (REVIEWED)

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of United Gulf Bank B.S.C. (c) (the "Bank") and its subsidiaries (together the "Group") as at 31 March 2022, comprising the interim consolidated statement of financial position as at 31 March 2022 and the related interim consolidated statements of income, comprehensive income, cash flows and changes in equity for the three-month period then ended and explanatory notes. The Board of Directors of the Bank is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 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.




12 May 2022
Manama, Kingdom of Bahrain

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


INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022 (Reviewed)

		<i>Reviewed</i> 31 March 2022 US\$ 000	<i>Audited</i> 31 December 2021 US\$ 000	<i>Reviewed</i> 31 March 2021 US\$ 000
	<i>Note</i>			
ASSETS				
Demand and call deposits with banks		88,421	131,599	95,042
Placements with banks		57,589	63,402	101,511
Investments carried at fair value through profit or loss		111,223	93,205	83,800
Investments carried at fair value through other comprehensive income		105,907	104,160	121,787
Investments carried at amortised cost		25,134	25,172	-
Loans and receivables		28,653	33,528	33,323
Other assets		55,915	54,398	57,579
Investment in associates		91,056	83,429	66,730
Investment properties		100,184	100,564	134,570
Property and equipment		14,683	14,779	15,101
Goodwill and other intangible assets		64,965	65,151	64,040
TOTAL ASSETS		743,730	769,387	773,483
LIABILITIES AND EQUITY				
Liabilities				
Due to banks and other financial institutions		144,309	149,601	186,014
Deposits from customers		32,289	70,176	42,563
Loans payable		16,471	16,546	30,051
Long term bonds	6	131,765	132,371	132,371
Other liabilities		89,442	83,991	81,489
Total liabilities		414,276	452,685	472,488
Equity				
Share capital	7	116,132	116,132	116,132
Share premium		5,687	5,687	5,687
Statutory reserve		53,519	53,519	52,032
General reserve		33,250	33,250	31,763
Fair value reserve		(11,998)	(13,477)	(6,920)
Foreign currency translation reserve		(4,858)	(4,572)	(5,138)
Retained earnings (accumulated deficit)		6,868	261	(7,824)
Equity attributable to shareholders of the Parent		198,600	190,800	185,732
Perpetual Additional Tier 1 Capital	8	33,000	33,000	33,000
Non-controlling interests		97,854	92,902	82,263
Total equity		329,454	316,702	300,995
TOTAL LIABILITIES AND EQUITY		743,730	769,387	773,483


Masaud Hayat
Chairman


Faisal Al Ayyar
Vice Chairman


Hussain Lalan
Chief Executive Officer

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the three-month period ended 31 March 2022 (Reviewed)

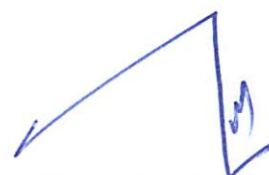
	Note	Three-month period ended 31 March	
		2022 Reviewed US\$ 000	2021 Reviewed US\$ 000
Interest income		1,726	1,683
Investment income - net		8,694	4,872
		10,420	6,555
Fees and commissions - net		16,246	11,733
Foreign exchange losses - net		(1,085)	(366)
Share of results of associates		8,312	1,228
Total income		33,893	19,150
Interest expense		(3,475)	(3,447)
Operating income before expenses and provisions		30,418	15,703
Salaries and benefits		(13,532)	(8,388)
General and administrative expenses		(5,320)	(3,910)
Operating income before provisions		11,566	3,405
Allowances for expected credit losses	5	(298)	(237)
NET PROFIT BEFORE TAX		11,268	3,168
Tax expense		(3)	(7)
NET PROFIT FOR THE PERIOD		11,265	3,161
Net profit attributable to:			
- Shareholders of the Parent		6,542	1,135
- Non-controlling interests		4,723	2,026
		11,265	3,161



Masaud Hayat
Chairman



Faisal Al Ayyar
Vice Chairman



Hussain Lalani
Chief Executive Officer

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

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

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three-month period ended 31 March 2022 (Reviewed)

	<i>Three-month period ended 31 March</i>	
	2022	2021
	Reviewed	Reviewed
	US\$ 000	US\$ 000
NET PROFIT FOR THE PERIOD	11,265	3,161
<i>Other Comprehensive Income (OCI)</i>		
<i>Items that may be reclassified to profit or loss in subsequent periods</i>		
Foreign currency translation reserve	(719)	28
Fair value changes of debt investments carried at fair value through other comprehensive income	115	2,179
	(604)	2,207
<i>Items that will not be reclassified to profit or loss in subsequent periods</i>		
Fair value changes of equity investments carried at fair value through other comprehensive income	2,087	1,835
Other comprehensive income for the period	1,483	4,042
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	12,748	7,203
Total comprehensive income attributable to:		
- Shareholders of the Parent	7,800	4,490
- Non-controlling interests	4,948	2,713
	12,748	7,203

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the three-month period ended 31 March 2022 (Reviewed)

	<i>Three-month period ended 31 March</i>	
	2022	2021
Note	Reviewed US\$ 000	Reviewed US\$ 000
OPERATING ACTIVITIES		
Net profit before tax	11,268	3,168
Adjustments for non-cash items:		
Interest expense	3,475	3,447
Depreciation and amortisation	622	708
Interest income	(1,726)	(1,683)
Gain on investments carried at fair value through profit or loss	(7,641)	(3,332)
Share of results of associates	(8,312)	(1,228)
Allowances for expected credit losses	298	237
Operating (loss) profit before working capital changes	(2,016)	1,317
Changes in operating assets and liabilities:		
Placements with banks	(9,059)	10,045
Investments carried at fair value through profit or loss	(10,377)	(8,632)
Investments carried at fair value through other comprehensive income	725	(2,147)
Investments carried at amortised cost	38	-
Loans and receivables	4,935	(46)
Other assets	(1,675)	4,498
Due to banks and other financial institutions	(5,292)	18,495
Deposits from customers	(37,888)	510
Other liabilities	5,640	1,827
Interest received	1,747	1,918
Interest paid	(3,203)	(3,141)
Directors' remuneration paid	(260)	(195)
Donations paid	(200)	(50)
Net cash (used in) from operating activities	(56,885)	24,399
INVESTING ACTIVITIES		
Investments in associates - net	(307)	96
Property and equipment - net	(525)	(82)
Net cash (used in) from investing activities	(832)	14
FINANCING ACTIVITIES		
Issuance of new loans	-	3,309
Repayment of term loans	-	(6,315)
Movement in non-controlling interests	4	831
Net cash from / (used in) financing activities	4	(2,175)
Foreign currency translation adjustments	(337)	874
NET CHANGE IN CASH AND CASH EQUIVALENTS	(58,050)	23,112
Cash and cash equivalents at 1 January	191,083	168,334
CASH AND CASH EQUIVALENTS AT 31 MARCH	133,033	191,446

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The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

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

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three-month period ended 31 March 2022 (Reviewed)

	Attributable to shareholders of the Parent							Perpetual	Non-	Total	
	Share capital	Share premium	Statutory reserve	General reserve	Fair value reserve	Foreign currency translation reserve	Retained earnings (Accumulated deficit)	Total	Additional Tier 1 Capital	controlling interests	equity
	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000
Balance at 1 January 2022	116,132	5,687	53,519	33,250	(13,477)	(4,572)	261	190,800	33,000	92,902	316,702
Net profit for the period	-	-	-	-	-	-	6,542	6,542	-	4,723	11,265
Other comprehensive income (loss)	-	-	-	-	1,544	(286)	-	1,258	-	225	1,483
Total comprehensive income (loss) for the period	-	-	-	-	1,544	(286)	6,542	7,800	-	4,948	12,748
Transfer upon disposal of equity investments carried at FVOCI	-	-	-	-	(65)	-	65	-	-	-	-
Other movements in non-controlling interests	-	-	-	-	-	-	-	-	-	4	4
Balance at 31 March 2022	116,132	5,687	53,519	33,250	(11,998)	(4,858)	6,868	198,600	33,000	97,854	329,454
Balance at 1 January 2021	116,132	5,687	52,032	31,763	(10,720)	(4,693)	(8,959)	181,242	33,000	78,719	292,961
Net profit for the period	-	-	-	-	-	-	1,135	1,135	-	2,026	3,161
Other comprehensive income (loss)	-	-	-	-	3,800	(445)	-	3,355	-	687	4,042
Total comprehensive income (loss) for the period	-	-	-	-	3,800	(445)	1,135	4,490	-	2,713	7,203
Other movements in non-controlling interests	-	-	-	-	-	-	-	-	-	831	831
Balance at 31 March 2021	116,132	5,687	52,032	31,763	(6,920)	(5,138)	(7,824)	185,732	33,000	82,263	300,995

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2022 (Reviewed)

1 INCORPORATION AND PRINCIPAL ACTIVITIES

1.1 Incorporation

United Gulf Bank B.S.C. (c) ["UGB" or "the Bank"] is a closed joint stock company incorporated in the Kingdom of Bahrain in 1980, under Commercial Registration number 10550. The Bank's registered office is situated at UGB Tower, Diplomatic Area, P.O. Box 5964, Manama, Kingdom of Bahrain.

The Bank operates in the Kingdom of Bahrain under a Wholesale Banking License of Volume 1 issued by the Central Bank of Bahrain ("the CBB").

1.2 Activities

The principal activities of the Bank and its subsidiaries (together, the "Group") comprise of investment and commercial banking. Investment banking activities include asset portfolio management, corporate finance, advisory, investment in quoted and private equity / funds, real estate, capital markets, international banking and treasury functions. Commercial banking activities include extending loans and other credit facilities, accepting deposits and current accounts from corporate and institutional customers.

The Bank's parent company is United Gulf Holding Company B.S.C. ("UGH" or "Parent"), which owns 100% shares of the Bank and the ultimate holding company is Kuwait Projects Company Holding K.S.C.P. ("KIPCO" or "Ultimate Parent"). UGH is incorporated in the Kingdom of Bahrain as a joint stock company and is listed on the Bahrain Bourse. KIPCO is incorporated in the State of Kuwait and is listed on the Kuwait Stock Exchange (Boursa Kuwait).

These interim condensed consolidated financial statements were authorised for issue by the Board of Directors on 12 May 2022.

2 BASIS OF PREPARATION AND SIGNIFICANT 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 Information". The consolidated financial statements of the Group for the year ended 31 December 2021 were prepared in accordance with International Financial Reporting Standards ("IFRS") as modified by CBB and interim condensed consolidated financial statements of the Group for the interim periods of the year ended 31 December 2021 were prepared in accordance with the guidance provided by IAS 34 using IFRS as modified by CBB framework. The transition from "IFRS as modified by CBB" to "IFRS" has not resulted in any changes to the previously reported numbers (included as comparatives in these interim condensed consolidated financial statements) in the consolidated statement of financial position as of 1 January 2021 and 31 December 2021 and the consolidated statements of profit or loss, comprehensive income, cash flows and changes in equity for the year ended 31 December 2021 and the interim periods of the year ended 31 December 2021.

These interim condensed consolidated financial statements do not contain all the information and disclosures required for the annual consolidated financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2021. In addition, results for the three-month period ended 31 March 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

These interim condensed consolidated financial statements are reviewed, not audited.

2.2 Significant accounting policies

The accounting policies adopted in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2021, except as noted in note 2.1 and the adoption of new and amended standards and interpretations effective as of 1 January 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS

As at 31 March 2022 (Reviewed)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 New and amended standards and interpretations

The adoption of below new and amended standards and interpretations did not result in changes to previously adopted net profit (loss) or equity of the Group:

2.3.1 Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The amendments did not have any impact on the interim condensed consolidated financial statements of the Group.

2.3.2 Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The amendments did not have any impact on the interim condensed consolidated financial statements of the Group.

2.3.3 Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and was applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The amendments did not have any impact on the interim condensed consolidated financial statements of the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2022 (Reviewed)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 New and amended standards and interpretations (continued)

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

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. 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 by the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group has applied the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the amendment is applied.

The amendments did not have any impact on the interim condensed consolidated financial statements of the Group.

2.4 New and amended standards and interpretations issued but not yet effective

2.4.1 IAS 41 Agriculture – Taxation in fair value measurements

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The amendments are not expected to have an impact on the consolidated financial statements of the Group.

2.4.2 IFRS 17 Insurance Contracts

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

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

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The amendments are not expected to have an impact on the consolidated financial statements of the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2022 (Reviewed)

3 BASIS OF CONSOLIDATION

These interim condensed consolidated financial statements include the interim condensed financial statements of the Bank and its subsidiaries as at and for the three-month period ended 31 March 2022. The reporting dates of the subsidiaries and the Bank are identical and the subsidiaries' accounting policies conform to those used by the Bank for like transactions and events in similar circumstances. Where the reporting dates of the subsidiaries and the Bank are not identical, the most recent financial statements of the subsidiary are used and adjusted for the effects of significant transactions or events between the reporting dates of the subsidiary and the reporting date of the Bank. The basis of consolidation used in these interim condensed consolidated financial statements of the Group is consistent to the basis of consolidation used and disclosed in the annual consolidated financial statements of the Group for the year ended 31 December 2021.

The principal subsidiaries of the Bank are as follows:

Name of the subsidiary	Country of incorporation	Ownership		Year of incorporation
		31 March 2022	31 December 2021	
Held directly				
KAMCO Investment Company K.S.C.P. [KAMCO]	Kuwait	60%	60%	1998
United Gulf Financial Services Company - North Africa [UGFS-NA]	Tunisia	84%	84%	2008
United Gulf Asset Company W.L.L.	Bahrain	100%	100%	2017
United Gulf Realty International, Ltd [UGRIL]	The British Virgin Islands	50%	50%	2012
Held through KAMCO				
Al Dhiyafa United Real Estate Company W.L.L.	Kuwait	-	100%	2007
Al Jazi Money Market Fund	Kuwait	51%	51%	2007
Al Tadamon United Holding Co.	Kuwait	96%	96%	2017
Al Zad Real Estate W.L.L.	Kuwait	-	99%	2007
Bukeye Power Project Advisory Co.	U.S.A.	48%	48%	2017
Bukeye Power Project Manager Ltd	Jersey	100%	100%	2017
Carnation Advisory Company L.L.C.	U.S.A.	75%	75%	2018
Carnation Manager limited	United Kingdom	100%	100%	2018
Centerstone Investor	U.S.A.	100%	100%	2021
First Brokerage	Kuwait	93%	93%	1985
Global DIFC	U.A.E.	100%	100%	2013
KAMCO Investment Company Saudi	Saudi Arabia	100%	100%	2013
Kamco GCC Opportunistic Fund	Kuwait	91%	91%	2013
KAMCO MENA Plus (DIFC)	U.A.E.	58%	58%	2019
Kubbar United Real Estate Company	Kuwait	100%	100%	2017
Kuwait Private Equity Opportunity Fund	Kuwait	73%	73%	2004
Lawson Lane Investor Incorporation	U.S.A.	100%	100%	2020
Nawasi United Holding Co.	Kuwait	96%	96%	2017
North Africa Real Estate Co.	Kuwait	-	100%	2014
Plans United Real Estate Company	Kuwait	100%	100%	2017
Project Plaza Investor Inc	Jersey	100%	100%	2019
Shuroq Investment Services	Oman	100%	100%	1998
Held through UGFS-NA				
United Gulf Financial Services	Tunisia	100%	100%	2010

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2022 (Reviewed)

4 CASH AND CASH EQUIVALENTS

	Reviewed 31 March 2022 US\$ 000	Audited 31 December 2021 US\$ 000	Reviewed 31 March 2021 US\$ 000
Demand and call deposits with banks	88,421	131,599	95,042
Placements with banks	57,589	63,402	101,511
	146,010	195,001	196,553
<i>Adjusted for:</i>			
Time deposits with original maturities of more than 90 days	(12,659)	(3,600)	(4,789)
Mandatory reserves	(318)	(318)	(318)
Cash and cash equivalents	133,033	191,083	191,446

5 MOVEMENT IN EXPECTED CREDIT LOSSES (ECL)

An analysis of movement in ECL allowances during the three-month period ended 31 March 2022 is as follows:

	Stage 1 US\$ 000	Stage 2 US\$ 000	Stage 3 US\$ 000	Total US\$ 000
As at 1 January 2022	14,830	787	8,444	24,061
Net transfer between stages	(153)	-	153	-
Net remeasurement of loss allowances	353	-	(55)	298
Written-off during the period	-	-	(153)	(153)
Foreign exchange adjustments	(38)	-	(40)	(78)
As at 31 March 2022	14,992	787	8,349	24,128

An analysis of movement in ECL allowances during the three-month period ended 31 March 2021 is as follows:

	Stage 1 US\$ 000	Stage 2 US\$ 000	Stage 3 US\$ 000	Total US\$ 000
As at 1 January 2021	14,277	928	8,506	23,711
Net transfer between stages	-	(142)	142	-
Net remeasurement of loss allowances	416	-	(179)	237
Written-off during the period	(224)	-	-	(224)
Foreign exchange adjustments	72	1	50	123
As at 31 March 2021	14,541	787	8,519	23,847

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2022 (Reviewed)

6 LONG TERM BONDS

	<i>Reviewed 31 March 2022 US\$ 000</i>	<i>Audited 31 December 2021 US\$ 000</i>	<i>Reviewed 31 March 2021 US\$ 000</i>
Fixed interest of 6.00% per annum and maturing on 26 July 2023	49,082	49,308	49,308
Floating interest of Central Bank of Kuwait discount rate + 2.75% per annum (capped at 7% per annum) and maturing on 26 July 2023	82,683	83,063	83,063
	131,765	132,371	132,371

7 SHARE CAPITAL

	<i>Reviewed 31 March 2022 US\$ 000</i>	<i>Audited 31 December 2021 US\$ 000</i>	<i>Reviewed 31 March 2021 US\$ 000</i>
Authorised share capital			
Number of shares (in thousands)	500,000	500,000	500,000
Par value (US\$)	0.50	0.50	0.50
Authorised share capital (US'000)	250,000	250,000	250,000
Issued and fully paid up share capital			
Number of shares (in thousands)	232,263	232,263	232,263
Par value (US\$)	0.50	0.50	0.50
Issued and fully paid up share capital (US'000)	116,132	116,132	116,132

8 PERPETUAL ADDITIONAL TIER 1 CAPITAL

On 28 March 2016, the Bank issued Perpetual Additional Tier 1 Capital (the "AT1 Capital") amounting to US\$ 33,000 thousand. The AT1 Capital constitutes subordinated obligations of the Bank and is classified as equity in accordance with IAS 32: Financial Instruments – Classification. The AT1 Capital does not have a maturity date and bears interest on its nominal amount from the date of issue at a fixed annual rate.

The AT1 Capital is redeemable by the Bank at its sole discretion since 28 March 2021 or on any interest payment date thereafter subject to the prior consent of the Central Bank of Bahrain. The Bank at its sole discretion may elect not to distribute interest and this is not considered an event of default. If the Bank does not pay interest on the AT1 Capital (for whatever reason), then the Bank must not make any other distribution on or with respect to its other shares that rank equally with or junior to the AT1 Capital.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2022 (Reviewed)

9 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent the Parent, Ultimate Parent, associates and joint ventures, directors and key management personnel and entities which are controlled, jointly controlled or significantly influenced by any of the above mentioned parties.

The income and expenses in respect of related party transactions included in the interim condensed consolidated financial statements were as follows:

<i>(Reviewed)</i>				
<i>Three-month period ended 31 March 2022</i>				
	<i>Major shareholder</i>	<i>Associates</i>	<i>Other related parties</i>	<i>Total</i>
	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>
Fees and commissions - net*	245	557	1,432	2,234
Dividend income	-	-	7	7
Rental income	-	-	275	275
Interest income	-	-	851	851
Interest expense	(49)	-	(1,264)	(1,313)
General and administrative expenses	-	-	(740)	(740)
Others	-	-	30	30

<i>(Reviewed)</i>				
<i>Three-month period ended 31 March 2021</i>				
	<i>Major shareholder</i>	<i>Associates</i>	<i>Other related parties</i>	<i>Total</i>
	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>
Fees and commissions - net*	538	559	3,480	4,577
Dividend income	-	-	119	119
Rental income	-	-	548	548
Interest income	-	-	901	901
Interest expense	(302)	-	(967)	(1,269)
General and administrative expenses	-	-	(360)	(360)
Others	-	-	32	32

All related party transactions are on terms that are mutually agreed between the counterparties.

* The Bank and its Parent entered into an arrangement for service sharing between the two group entities. In line with the arrangement, the Bank provides certain service to the Parent against mutually agreed service fee.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2022 (Reviewed)

9 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

The balances with related parties included in the interim condensed consolidated financial statements are as follows:

<i>(Reviewed)</i>				
31 March 2022				
	<i>Major shareholder</i>	<i>Associates</i>	<i>Other related parties</i>	<i>Total</i>
	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>
Demand and call deposits with banks	-	-	3,687	3,687
Placements with banks	-	-	15,251	15,251
Investments carried at fair value through profit or loss	-	-	2,817	2,817
Investments carried at fair value through other comprehensive income	-	-	66,586	66,586
Loans and receivables	-	-	6,774	6,774
Other assets	-	6,979	7,513	14,492
Due to banks and other financial institutions	-	-	(89,274)	(89,274)
Deposits from customers	(13,009)	(9)	(8,251)	(21,269)
Other liabilities	(4)	-	(2,805)	(2,809)
Perpetual Additional Tier 1 Capital	-	-	(10,000)	(10,000)
<i>Off statement of financial position items:</i>				
Letters of guarantee	-	-	157	157
<i>(Audited)</i>				
31 December 2021				
	<i>Major shareholder</i>	<i>Associates</i>	<i>Other related parties</i>	<i>Total</i>
	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>
Demand and call deposits with banks	-	-	4,282	4,282
Placements with banks	-	-	24,231	24,231
Investments carried at fair value through profit or loss	-	-	2,893	2,893
Investments carried at fair value through other comprehensive income	-	-	65,594	65,594
Loans and receivables	-	-	6,956	6,956
Other assets	-	7,011	6,990	14,001
Due to banks and other financial institutions	-	-	(95,181)	(95,181)
Deposits from customers	(9,422)	(399)	(49,546)	(59,367)
Other liabilities	(9)	-	(2,534)	(2,543)
Perpetual Additional Tier 1 Capital	-	-	(10,000)	(10,000)
<i>Off statement of financial position items:</i>				
Letters of guarantee	-	-	150	150

All related party exposures are performing as of 31 March 2022 and 31 December 2021.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2022 (Reviewed)

9 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Compensation of key management personnel was as follows:

	<i>Three-month period ended 31 March</i>	
	2022	2021
	Reviewed	Reviewed
	US\$ 000	US\$ 000
Short-term employee benefits	555	616
Long-term employee benefits	173	83
	728	699

10 COMMITMENTS AND CONTINGENCIES AND OTHER OFF BALANCE SHEET ITEMS**Commitments**

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

Letters of credit, letters of guarantee (including standby letters of credit) and acceptances commit the Group to make payments on behalf of customers if certain conditions are met under the terms of the contract.

The Group has the following credit and investment-related commitments:

	Reviewed	<i>Audited</i>	<i>Reviewed</i>
	31 March	31 December	31 March
	2022	2021	2021
	US\$ 000	US\$ 000	US\$ 000
Credit-related commitments:			
Letters of guarantee	2,364	2,357	2,286
Investments and loan related commitments*	826	1,126	-
	3,190	3,483	2,286

* Investment related commitments represent commitments for capital calls relating to fund structures. These commitments can be called during the investment period of the respective fund which is normally 1 to 5 years.

11 DERIVATIVES

In the ordinary course of business, the Group enters into various types of transactions that involve derivative financial instruments.

	Positive fair value	Negative fair value	Notional amount
31 March 2022 (Reviewed)	US\$ 000	US\$ 000	US\$ 000
Derivatives held for trading*			
Forward foreign exchange contracts	796	(1,237)	773,607
Derivatives used as hedge of net investments in foreign operations			
Forward foreign exchange contracts	174	(78)	175,942

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2022 (Reviewed)

11 DERIVATIVES (continued)

	<i>Positive fair value US\$ 000</i>	<i>Negative fair value US\$ 000</i>	<i>Notional amount US\$ 000</i>
<i>31 December 2021 (Audited)</i>			
<i>Derivatives held for trading*</i>			
Forward foreign exchange contracts	355	(490)	769,326
<i>Derivatives used as hedge of net investments in foreign operations</i>			
Forward foreign exchange contracts	123	(143)	180,905

* The Group uses foreign currency denominated borrowings and forward currency contracts to manage some of its transaction exposures. These currency forward contracts are not designated as cash flow, fair value or net investment in foreign operations hedges and are entered into for periods consistent with currency transaction exposures.

12 FINANCIAL INSTRUMENTS

The tables below summarises the accounting classification of the Group's financial assets and financial liabilities:

	<i>Designated at FVTPL US\$ 000</i>	<i>Designated at FVOCI US\$ 000</i>	<i>Amortised cost US\$ 000</i>	<i>Total US\$ 000</i>
31 March 2022 (Reviewed)				
Demand and call deposits with banks	-	-	88,421	88,421
Placements with banks	-	-	57,589	57,589
Investments carried at fair value through profit or loss	111,223	-	-	111,223
Investments carried at fair value through other comprehensive income	-	105,907	-	105,907
Investments carried at amortised cost	-	-	25,134	25,134
Loans and receivables	-	-	28,653	28,653
Other assets	-	96	54,396	54,492
Total financial assets	111,223	106,003	254,193	471,419
Due to banks and other financial institutions	-	-	144,309	144,309
Deposits from customers	-	-	32,289	32,289
Loans payable	-	-	16,471	16,471
Long term bonds	-	-	131,765	131,765
Other liabilities	441	-	80,732	81,173
Total financial liabilities	441	-	405,566	406,007

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2022 (Reviewed)

12 FINANCIAL INSTRUMENTS (continued)

<i>31 December 2021 (Audited)</i>	<i>Designated at FVTPL US\$ 000</i>	<i>Designated at FVOCI US\$ 000</i>	<i>Amortised cost US\$ 000</i>	<i>Total US\$ 000</i>
Demand and call deposits with banks	-	-	131,599	131,599
Placements with banks	-	-	63,402	63,402
Investments carried at fair value through profit or loss	93,205	-	-	93,205
Investments carried at fair value through other comprehensive income	-	104,160	-	104,160
Investments carried at amortised cost	-	-	25,172	25,172
Loans and receivables	-	-	33,528	33,528
Other assets	-	-	53,193	53,193
Total financial assets	93,205	104,160	306,894	504,259
Due to banks and other financial institutions	-	-	149,601	149,601
Deposits from customers	-	-	70,176	70,176
Loans payable	-	-	16,546	16,546
Long-term bonds	-	-	132,371	132,371
Other liabilities	135	20	76,470	76,625
Total financial liabilities	135	20	445,164	445,319

The fair values of financial instruments carried at amortised cost are not significantly different from their carrying values included in the interim condensed consolidated financial statements.

13 FAIR VALUE MEASUREMENT***Fair value hierarchy***

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.

Fair values of quoted securities are derived from quoted market prices in active markets, if available. For unquoted securities, fair value is estimated using appropriate valuation techniques. Such techniques may include using recent market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

The fair values of the funds that are listed on active markets are determined by reference to their quoted bid prices. The fair values of unlisted funds are based on net asset values which are determined by the fund manager using the quoted market prices of the underlying assets, if available, or other acceptable methods such as a recent price paid by another investor or the market value of a comparable company.

The Group uses the following hierarchy for determining and disclosing the fair value of the Group's assets and liabilities 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2022 (Reviewed)

13 FAIR VALUE MEASUREMENT (continued)

The following table shows an analysis of the Group's assets and liabilities recorded at fair value by level of the fair value hierarchy at 31 March 2022 (Reviewed):

	<i>Level 1</i> <i>US\$ 000</i>	<i>Level 2</i> <i>US\$ 000</i>	<i>Level 3</i> <i>US\$ 000</i>	<i>Total</i> <i>US\$ 000</i>
Assets measured at fair value				
Investments carried at FVTPL				
Equities	18,621	-	2,157	20,778
Debt securities	12,349	-	824	13,173
Managed funds	5,486	49,700	22,086	77,272
Investments carried at FVOCI				
Equities	4,807	22,798	78,190	105,795
Managed funds	-	-	112	112
Investment properties	-	-	100,184	100,184
Derivatives				
Forward foreign exchange contracts	-	96	-	96
	41,263	72,594	203,553	317,410
Liabilities measured at fair value				
Derivatives				
Forward foreign exchange contracts	-	441	-	441
	-	441	-	441

The following table shows an analysis of the Group's assets and liabilities recorded at fair value by level of the fair value hierarchy at 31 December 2021 (Audited):

	<i>Level 1</i> <i>US\$ 000</i>	<i>Level 2</i> <i>US\$ 000</i>	<i>Level 3</i> <i>US\$ 000</i>	<i>Total</i> <i>US\$ 000</i>
Assets measured at fair value				
Investments carried at FVTPL				
Equities	7,322	-	156	7,478
Debt securities	12,944	-	827	13,771
Managed funds	5,517	43,175	23,264	71,956
Investments carried at FVOCI				
Equities	4,367	22,798	76,953	104,118
Managed funds	-	-	42	42
Investment properties	-	-	100,564	100,564
	30,150	65,973	201,806	297,929
Liabilities measured at fair value				
Derivatives				
Forward foreign exchange contracts	-	155	-	155
	-	155	-	155

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2022 (Reviewed)

13 FAIR VALUE MEASUREMENT (continued)

Transfers between Level 1, Level 2 and Level 3

During the three-month period ended 31 March 2022, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurement (Year ended 31 December 2021: Nil).

The following table shows a reconciliation of the opening and closing amount of Level 3 financial instruments and other assets, which are recorded at fair value:

	As at 1 January 2022 US\$'000	Net purchases, sales, transfer and settlement US\$'000	(Loss) gain recorded in the statement of income US\$'000	Profit / (loss) recognised in OCI US\$'000	As at 31 March 2022 US\$'000
<i>Investments carried at FVTPL</i>					
Equities	156	2,002	(1)	-	2,157
Debt securities	827	-	(3)	-	824
Managed funds	23,264	(1,194)	16	-	22,086
	<u>24,247</u>	<u>808</u>	<u>12</u>	<u>-</u>	<u>25,067</u>
<i>Investments carried at FVOCI</i>					
Equities	76,953	958	-	279	78,190
Managed funds	42	71	-	(1)	112
	<u>76,995</u>	<u>1,029</u>	<u>-</u>	<u>278</u>	<u>78,302</u>
Investment properties	<u>100,564</u>	<u>-</u>	<u>(380)</u>	<u>-</u>	<u>100,184</u>
			(Loss) gain recorded in the consolidated statement of income US\$'000	Profit recognised in OCI US\$'000	As at 31 March 2021 US\$'000
<i>Investments carried at FVTPL</i>					
Equities	2,555	-	(8)	-	2,547
Managed funds	13,331	(3,481)	240	-	10,090
	<u>15,886</u>	<u>(3,481)</u>	<u>232</u>	<u>-</u>	<u>12,637</u>
<i>Investments carried at FVOCI</i>					
Equities	117,550	1,010	-	627	119,187
Managed funds	33	-	-	-	33
	<u>117,583</u>	<u>1,010</u>	<u>-</u>	<u>627</u>	<u>119,220</u>
Investment properties	<u>98,716</u>	<u>35,854</u>	<u>-</u>	<u>-</u>	<u>134,570</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2022 (Reviewed)

14 REGULATORY RATIOS

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 as of 31 March 2022 is 131.7% (31 December 2021: 136.8%).

88% (2021: 84%) of the total available stable funding is made up of the Group's capital base with 10% (2021: 10%) being less stable deposits and 2% (2021: 5%) comprising of funding, which is due to be repaid in 6 months or less.

The Group's required stable funding comprises of 71% (2021: 86%) assets that have no specified maturity, 23% (2021: 10%) that have contractual maturities of less than 6 months, and 4% (2021: 4%) non-HQLA (the "High Quality Liquid Assets") assets (after application of risk weights).

	31 March 2022 (Reviewed)				
	Unweighted values				
	No specified maturity	Less than 6 months	than 6 months and less than one year	Over one year	Total weighted value
	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000
Available Stable Funding (ASF)					
Capital	273,138	-	-	233,709	506,847
Stable deposits	-	905	-	-	860
Less stable deposits	-	64,150	-	-	57,735
Secured and unsecured funding	-	25,197	-	-	12,598
Other deposits and funding from financial institutions	-	59,888	-	-	-
Total ASF	273,138	150,140	-	233,709	578,040
Required Stable Funding (RSF)					
Unencumbered Non-HQLA securities that are not in default and exchange-traded equities in cases where the issuer is not in default	-	-	33,430	-	16,715
Loans	-	90,244	-	-	13,537
Deposits held at other financial institutions for operational purposes	-	35,320	-	-	17,660
All other assets including fixed assets, items deducted from regulatory capital, insurance assets and defaulted securities	390,932	-	-	-	390,932
<i>Off-Balance Sheet exposures</i>					
Trade finance-related obligations (including guarantees and letters of credit)	2,074	-	-	-	104
Total RSF	393,006	125,564	33,430	-	438,948
NSFR (%)					131.7%

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2022 (Reviewed)

14 REGULATORY RATIOS (continued)**Net Stable Funding Ratio ("NSFR") (continued)**

	31 December 2021 (Audited)				
	Unweighted values				
	No specified maturity US\$ 000	Less than 6 months US\$ 000	More than 6 months and less than one year US\$ 000	Over one year US\$ 000	Total weighted value US\$ 000
Available Stable Funding (ASF)					
Capital	271,187	-	-	218,430	489,618
Stable deposits	-	905	-	-	860
Less stable deposits	-	66,538	-	-	59,884
Secured and unsecured funding	-	60,642	-	-	30,321
Other deposits and funding from financial institutions	-	80,201	-	-	-
Total ASF	271,187	208,286	-	218,430	580,683
Required Stable Funding (RSF)					
Unencumbered Non-HQLA securities that are not in default and exchange-traded equities in cases where the issuer is not in default	-	-	33,528	-	16,764
Loans	-	131,599	-	-	19,740
Deposits held at other financial institutions for operational purposes	-	43,402	-	-	21,701
All other assets including fixed assets, items deducted from regulatory capital, insurance assets and defaulted securities	366,316	-	-	-	366,316
Off-Balance Sheet exposures					
Trade finance-related obligations (including guarantees and letters of credit)	2,074	-	-	-	104
Total RSF	368,390	175,001	33,528	-	424,625
NSFR (%)					136.8%

Liquidity Coverage Ratio ("LCR")

The LCR at solo and consolidated levels are calculated as simple averages of daily LCRs over the current and previous period.

	Reviewed 31 March 2022	Audited 31 December 2021
Solo	158%	159%
Consolidated	706%	645%