

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

30 June 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 30 June 2022, comprising of the interim consolidated statement of financial position as at 30 June 2022 and the related interim consolidated statements of income and comprehensive income for the three month and six month periods then ended, and the interim consolidated statements of cash flows and changes in equity for the six 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.




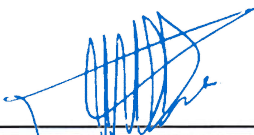
7 August 2022
Manama, Kingdom of Bahrain

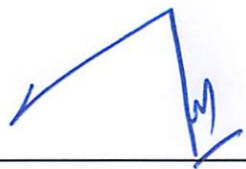
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022 (Reviewed)

		<i>Reviewed</i> 30 June 2022 US\$ 000	<i>Audited</i> 31 December 2021 US\$ 000	<i>Reviewed</i> 30 June 2021 US\$ 000
	<i>Note</i>			
ASSETS				
Demand and call deposits with banks	4	101,806	131,599	135,688
Placements with banks	4	117,340	63,402	63,413
Investments carried at fair value through profit or loss		89,366	93,205	80,440
Investments carried at fair value through other comprehensive income		101,232	104,160	118,934
Investments carried at amortised cost		25,125	25,172	-
Loans and receivables		28,472	33,528	33,340
Other assets		53,759	54,398	61,329
Investment in associates		87,899	83,429	76,734
Investment properties		99,351	100,564	135,023
Property and equipment		14,623	14,779	16,190
Goodwill and other intangible assets		64,739	65,151	63,815
Assets classified as held for sale		1,251	-	-
TOTAL ASSETS		784,963	769,387	784,906
LIABILITIES AND EQUITY				
Liabilities				
Due to banks and other financial institutions		170,929	149,601	186,647
Deposits from customers		30,508	70,176	43,754
Loans payable		61,316	16,546	26,652
Long term bonds	6	130,527	132,371	133,027
Other liabilities		69,407	83,991	80,450
Total liabilities		462,687	452,685	470,530
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		(12,120)	(13,477)	(4,499)
Foreign currency translation reserve		(5,446)	(4,572)	(5,045)
Retained earnings (accumulated deficit)		5,009	261	(4,204)
Equity attributable to shareholders of the Parent		196,031	190,800	191,866
Perpetual Additional Tier 1 Capital	8	33,000	33,000	33,000
Non-controlling interests		93,245	92,902	89,510
Total equity		322,276	316,702	314,376
TOTAL LIABILITIES AND EQUITY		784,963	769,387	784,906


 Masaud Hayat
Chairman


 Faisal Al Ayyar
Vice Chairman


 Hussain Lalani
Chief Executive Officer

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the six-month period ended 30 June 2022 (Reviewed)

	Note	Three-month period ended 30 June		Six-month period ended 30 June	
		2022 Reviewed US\$ 000	2021 Reviewed US\$ 000	2022 Reviewed US\$ 000	2021 Reviewed US\$ 000
Interest income		2,046	1,753	3,772	3,436
Investment income - net		(2,012)	14,492	6,682	19,364
		34	16,245	10,454	22,800
Fees and commissions - net		19,143	18,183	35,389	29,916
Foreign exchange losses - net		(26)	(646)	(1,111)	(1,012)
Share of results of associates		(1,610)	4,656	6,702	5,884
Total income		17,541	38,438	51,434	57,588
Interest expense		(3,967)	(4,318)	(7,442)	(7,765)
Operating income before expenses and provisions		13,574	34,120	43,992	49,823
Salaries and benefits		(8,282)	(14,761)	(21,814)	(23,149)
General and administrative expenses		(4,454)	(4,842)	(9,774)	(8,752)
Operating income before provisions		838	14,517	12,404	17,922
Allowances for expected credit losses - net	5	419	(72)	121	(309)
NET PROFIT BEFORE TAX		1,257	14,445	12,525	17,613
Tax (expense) write-back		(13)	8	(16)	1
NET PROFIT FOR THE PERIOD		1,244	14,453	12,509	17,614
Net profit attributable to non-controlling interests		1,048	6,553	5,771	8,579
Net profit attributable to shareholders of the Parent		196	7,900	6,738	9,035



Masaud Hayat
Chairman



Faisal Al Ayyar
Vice Chairman



Hussain Lalani
Chief Executive Officer

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

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six-month period ended 30 June 2022 (Reviewed)

	<i>Three-month period ended 30 June</i>		<i>Six-month period ended 30 June</i>	
	2022	2021	2022	2021
	Reviewed	<i>Reviewed</i>	Reviewed	<i>Reviewed</i>
	US\$ 000	<i>US\$ 000</i>	US\$ 000	<i>US\$ 000</i>
NET PROFIT FOR THE PERIOD	1,244	14,453	12,509	17,614
<i>Other Comprehensive Income (OCI)</i>				
<i>Items that may be reclassified to profit or loss in subsequent periods</i>				
Foreign currency translation differences	(1,467)	464	(2,186)	492
Net change in fair value reserve	(85)	4,615	30	6,794
Net change in cashflow hedges	-	(19)	-	(19)
<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	(435)	(3,288)	1,652	(1,453)
Other comprehensive (loss) income for the period	(1,987)	1,772	(504)	5,814
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	(743)	16,225	12,005	23,428
Total comprehensive (loss) income attributable to:				
- Shareholders of the Parent	(817)	7,886	6,983	12,376
- Non-controlling interests	74	8,339	5,022	11,052
	(743)	16,225	12,005	23,428

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2022 (Reviewed)

		Six-month period ended 30 June	
		2022	2021
	Note	Reviewed US\$ 000	Reviewed US\$ 000
OPERATING ACTIVITIES			
Net profit before tax		12,525	17,613
Adjustments for non-cash items:			
Interest expense		7,442	7,765
Depreciation and amortisation		1,242	1,744
Interest income		(3,772)	(3,436)
Gain on investments carried at fair value through profit or loss		(3,456)	(13,509)
Share of results of associates		(6,702)	(5,884)
(Reversal of) allowance for expected credit losses - net		(121)	309
Operating profit before working capital changes		7,158	4,602
Changes in operating assets and liabilities:			
Placements with banks		(2,092)	3,852
Investments carried at fair value through profit or loss		7,295	4,905
Investments carried at fair value through other comprehensive income		5,277	3,519
Investments carried at amortised cost		47	-
Loans and receivables		5,075	-
Other assets		104	553
Due to banks and other financial institutions		21,328	19,128
Deposits from customers		(39,669)	1,701
Other liabilities		(14,144)	389
Interest received		4,393	3,711
Interest paid		(7,420)	(7,060)
Directors' remuneration paid		(260)	(195)
Donations paid		(200)	(50)
Net cash (used in) from operating activities		(13,108)	35,055
INVESTING ACTIVITIES			
Investments in associates - net		1,240	(6,175)
Investment in subsidiary		(1,251)	-
Property and equipment - net		(1,086)	(2,224)
Net cash used in investing activities		(1,097)	(8,399)
FINANCING ACTIVITIES			
New loans obtained		44,769	3,417
Repayment of term loans		-	(9,671)
Interest payment on Perpetual Additional Tier 1 Capital		(1,752)	(1,752)
Movement in non-controlling interests		(4,679)	(261)
Net cash from (used in) financing activities		38,338	(8,267)
Foreign currency translation adjustments		(2,080)	1,078
NET CHANGE IN CASH AND CASH EQUIVALENTS		22,053	19,467
Cash and cash equivalents at 1 January		191,083	168,334
CASH AND CASH EQUIVALENTS AT 30 JUNE	4	213,136	187,801

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 six-month period ended 30 June 2022 (Reviewed)

	Attributable to shareholders of the Parent								Perpetual	Non-	Total
	Share	Share	Statutory	General	Fair	Foreign	Retained		Additional	controlling	equity
	capital	premium	reserve	reserve	value	currency	earnings		Tier 1	interests	
	US\$ 000	US\$ 000	US\$ 000	US\$ 000	reserve	translation	(Accumulated	Total	Capital	US\$ 000	US\$ 000
					US\$ 000	reserve	deficit)	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	-	-	-	-	-	-	6,738	6,738	-	5,771	12,509
Other comprehensive income (loss)	-	-	-	-	1,119	(874)	-	245	-	(749)	(504)
Total comprehensive income (loss) for the period	-	-	-	-	1,119	(874)	6,738	6,983	-	5,022	12,005
Transfer upon disposal of equity investments carried at FVOCI	-	-	-	-	238	-	(238)	-	-	-	-
Interest payment on Perpetual Additional Tier 1 Capital	-	-	-	-	-	-	(1,752)	(1,752)	-	-	(1,752)
Other movements in non-controlling interests	-	-	-	-	-	-	-	-	-	(4,679)	(4,679)
Balance at 30 June 2022	116,132	5,687	53,519	33,250	(12,120)	(5,446)	5,009	196,031	33,000	93,245	322,276
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	-	-	-	-	-	-	9,035	9,035	-	8,579	17,614
Other comprehensive income (loss)	-	-	-	-	3,693	(352)	-	3,341	-	2,473	5,814
Total comprehensive income (loss) for the period	-	-	-	-	3,693	(352)	9,035	12,376	-	11,052	23,428
Transfer upon disposal of equity investments carried at FVOCI	-	-	-	-	2,528	-	(2,528)	-	-	-	-
Interest payment on Perpetual Additional Tier 1 Capital	-	-	-	-	-	-	(1,752)	(1,752)	-	-	(1,752)
Other movements in non-controlling interests	-	-	-	-	-	-	-	-	-	(261)	(261)
Balance at 30 June 2021	116,132	5,687	52,032	31,763	(4,499)	(5,045)	(4,204)	191,866	33,000	89,510	314,376

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 30 June 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 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 7 August 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 (including 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 income, 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 six-month period ended 30 June 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 for change in framework as stated in note 2.1 and the adoption of new and amended standards and interpretations effective as of 1 January 2022 as stated in note 2.3. 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 30 June 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 have any significant impact on the Group's interim condensed consolidated financial statements.

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.

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.

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 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.

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. This standard is not expected to have an impact on the consolidated financial statements of the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 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 six-month period ended 30 June 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 with 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
		30 June 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				
1925 Investor Inc.	Jersey	100%	-	2022
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%	1998
Held through UGFS-NA				
United Gulf Financial Services	Tunisia	100%	100%	2010

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2022 (Reviewed)

4 CASH AND CASH EQUIVALENTS

	<i>Reviewed</i> <i>30 June</i> <i>2022</i> <i>US\$ 000</i>	<i>Audited</i> <i>31 December</i> <i>2021</i> <i>US\$ 000</i>	<i>Reviewed</i> <i>30 June</i> <i>2021</i> <i>US\$ 000</i>
Demand and call deposits with banks	101,806	131,599	135,688
Placements with banks	117,340	63,402	63,413
	219,146	195,001	199,101
<i>Adjusted for:</i>			
Time deposits with original maturities of more than 90 days	(5,692)	(3,600)	(10,982)
Mandatory reserves	(318)	(318)	(318)
Cash and cash equivalents	213,136	191,083	187,801

5 MOVEMENT IN EXPECTED CREDIT LOSSES (ECL)

An analysis of movement in ECL allowances during the six-month period ended 30 June 2022 is as follows:

	<i>Stage 1</i> <i>US\$ 000</i>	<i>Stage 2</i> <i>US\$ 000</i>	<i>Stage 3</i> <i>US\$ 000</i>	<i>Total</i> <i>US\$ 000</i>
As at 1 January 2022	14,830	787	8,444	24,061
Net transfer between stages	(151)	-	151	-
Net remeasurement of loss allowances	231	21	(373)	(121)
Written-off during the period	-	-	(151)	(151)
Foreign exchange adjustments	(79)	-	(118)	(197)
As at 30 June 2022	14,831	808	7,953	23,592

An analysis of movement in ECL allowances during the six-month period ended 30 June 2021 is as follows:

	<i>Stage 1</i> <i>US\$ 000</i>	<i>Stage 2</i> <i>US\$ 000</i>	<i>Stage 3</i> <i>US\$ 000</i>	<i>Total</i> <i>US\$ 000</i>
As at 1 January 2021	14,277	928	8,506	23,711
Net transfer between stages	(423)	(143)	566	-
Net remeasurement of loss allowances	553	-	(244)	309
Written-off during the period	-	-	(430)	(430)
Foreign exchange adjustments	88	2	99	189
As at 30 June 2021	14,495	787	8,497	23,779

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2022 (Reviewed)

6 LONG TERM BONDS

	<i>Reviewed</i> 30 June 2022 US\$ 000	<i>Audited</i> <i>31 December</i> <i>2021</i> <i>US\$ 000</i>	<i>Reviewed</i> <i>30 June</i> <i>2021</i> <i>US\$ 000</i>
Fixed interest of 6.00% per annum and maturing on 26 July 2023	48,621	49,308	49,553
Floating interest of Central Bank of Kuwait discount rate + 2.75% per annum (capped at 7% per annum) and maturing on 26 July 2023	81,906	83,063	83,474
	130,527	132,371	133,027

7 SHARE CAPITAL

	<i>Reviewed</i> 30 June 2022	<i>Audited</i> <i>31 December</i> <i>2021</i>	<i>Reviewed</i> <i>30 June</i> <i>2021</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 30 June 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 consolidated statement of income were as follows:

<i>(Reviewed)</i>				
<i>Six-month period ended 30 June 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>
Investment income	-	-	4	4
Fees and commissions - net*	497	1,134	3,281	4,912
Dividend income	-	-	384	384
Rental income	-	-	554	554
Interest income	-	-	1,727	1,727
Interest expense	(164)	-	(2,612)	(2,776)
General and administrative expenses	-	-	(965)	(965)
Others	-	-	60	60

<i>(Reviewed)</i>				
<i>Six-month period ended 30 June 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*	995	1,123	4,225	6,343
Dividend income	-	-	653	653
Rental income	-	-	1,118	1,118
Interest income	-	-	1,619	1,619
Interest expense	(438)	-	(2,754)	(3,192)
General and administrative expenses	-	-	(642)	(642)
Others	-	-	50	50

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 30 June 2022 (Reviewed)

9 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

The balances with related parties included in the interim consolidated statement of financial position were as follows:

<i>(Reviewed)</i>				
<i>30 June 2022</i>				
	<i>Major shareholder US\$ 000</i>	<i>Associates US\$ 000</i>	<i>Other related parties US\$ 000</i>	<i>Total US\$ 000</i>
Demand and call deposits with banks	-	-	4,472	4,472
Placements with banks	-	-	15,190	15,190
Investments carried at fair value through profit or loss	-	-	2,214	2,214
Investments carried at fair value through other comprehensive income	-	-	63,201	63,201
Loans and receivables	-	-	6,605	6,605
Other assets	-	4,653	7,960	12,613
Due to banks and other financial institutions	-	-	(116,360)	(116,360)
Deposits from customers	(16,566)	(9)	(4,086)	(20,661)
Other liabilities	(4)	-	(2,173)	(2,177)
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>				
<i>31 December 2021</i>				
	<i>Major shareholder US\$ 000</i>	<i>Associates US\$ 000</i>	<i>Other related parties US\$ 000</i>	<i>Total 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 30 June 2022 and 31 December 2021.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2022 (Reviewed)

9 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Compensation of key management personnel was as follows:

	<i>Six-month period ended 30 June</i>	
	2022	2021
	Reviewed	Reviewed
	US\$ 000	US\$ 000
Short-term employee benefits	1,100	1,033
Long-term employee benefits	266	127
	1,366	1,160

10 COMMITMENTS AND CONTINGENCIES

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 30 June 2022 US\$ 000	Audited 31 December 2021 US\$ 000	Reviewed 30 June 2021 US\$ 000
Credit-related commitments:			
Letters of guarantee	2,363	2,357	2,207
Investments and loan related commitments*	826	1,126	150
	3,189	3,483	2,357

* 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 US\$ 000	Negative fair value US\$ 000	Notional amount US\$ 000
30 June 2022 (Reviewed)			
Derivatives held for trading*			
Forward foreign exchange contracts	2,092	(1,542)	804,721
Derivatives used as hedge of net investments in foreign operations			
Forward foreign exchange contracts	-	(275)	161,190

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2022 (Reviewed)

11 DERIVATIVES (continued)

	<i>Positive fair value</i>	<i>Negative fair value</i>	<i>Notional amount</i>
<i>31 December 2021 (Audited)</i>	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</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.

Forward foreign exchange contracts are contractual agreements to either buy or sell a specified currency, at a specific price and date in the future, and are customized contracts transacted in the over-the-counter market.

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>
30 June 2022 (Reviewed)				
Demand and call deposits with banks	-	-	101,806	101,806
Placements with banks	-	-	117,340	117,340
Investments carried at fair value through profit or loss	89,366	-	-	89,366
Investments carried at fair value through other comprehensive income	-	101,232	-	101,232
Investments carried at amortised cost	-	-	25,125	25,125
Loans and receivables	-	-	28,472	28,472
Other assets	550	-	50,749	51,299
Total financial assets	89,916	101,232	323,492	514,640
Due to banks and other financial institutions	-	-	170,929	170,929
Deposits from customers	-	-	30,508	30,508
Loans payable	-	-	61,316	61,316
Long term bonds	-	-	130,527	130,527
Other liabilities	-	275	56,958	57,233
Total financial liabilities	-	275	450,238	450,513

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2022 (Reviewed)

12 FINANCIAL INSTRUMENTS (continued)

	<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>
<i>31 December 2021 (Audited)</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	63,251	63,406
Total financial liabilities	135	20	431,945	432,100

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 30 June 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 30 June 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	11,353	-	2,148	13,501
Debt securities	12,058	-	326	12,384
Managed funds	4,461	44,849	14,171	63,481
Investments carried at FVOCI				
Equities	3,682	22,583	74,926	101,191
Managed funds	-	-	41	41
Investment properties	-	-	99,351	99,351
Derivatives				
Forward foreign exchange contracts	-	550	-	550
	31,554	67,982	190,963	290,499
Liabilities measured at fair value				
Derivatives				
Forward foreign exchange contracts	-	275	-	275
	-	275	-	275

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 30 June 2022 (Reviewed)

13 FAIR VALUE MEASUREMENT (continued)

Transfers between Level 1, Level 2 and Level 3

During the six-month period ended 30 June 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	Gain (loss) recorded in the consolidated statement of income US\$'000	Loss recognised in OCI US\$'000	As at 30 June 2022 US\$'000
Investments carried at FVTPL					
Equities	156	2,002	(10)	-	2,148
Debt securities	827	(496)	(5)	-	326
Managed funds	23,264	(9,099)	6	-	14,171
	24,247	(7,593)	(9)	-	16,645
Investments carried at FVOCI					
Equities	76,953	357	-	(2,384)	74,926
Managed funds	42	-	-	(1)	41
	76,995	357	-	(2,385)	74,967
Investment properties	100,564	-	(1,213)	-	99,351
	As at 1 January 2021 US\$'000	Net purchases, sales, transfer and settlement US\$'000	Gain recorded in the consolidated statement of income US\$'000	Gain recognised in OCI US\$'000	As at 30 June 2021 US\$'000
Investments carried at FVTPL					
Equities	2,087	(83)	52	-	2,056
Managed funds	13,799	(3,735)	338	-	10,402
	15,886	(3,818)	390	-	12,458
Investments carried at FVOCI					
Equities	117,550	(2,708)	-	1,083	115,925
Managed funds	33	54	-	19	106
	117,583	(2,654)	-	1,102	116,031
Investment properties	98,716	32,383	453	3,471	135,023

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 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 30 June 2022 is 128.0% (31 December 2021: 136.8%).

83% (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 83% (2021: 86%) assets that have no specified maturity, 14% (2021: 10%) that have contractual maturities of less than 6 months, and 3% (2021: 4%) non-HQLA (the "High Quality Liquid Assets") assets.

	30 June 2022 (Reviewed)				
	Unweighted values				
	No specified maturity	Less than 6 months	More 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	249,437	-	-	224,869	474,306
Stable deposits	-	905	-	-	860
Less stable deposits	-	64,150	-	-	57,735
Secured and unsecured funding	-	23,416	-	-	11,708
Other deposits and funding from financial institutions	-	83,414	55,000	-	27,500
Total ASF	249,437	171,885	55,000	224,869	572,109
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	-	-	28,779	-	14,390
Loans	-	101,806	-	-	15,271
Deposits held at other financial institutions for operational purposes	-	97,340	-	-	48,670
All other assets including fixed assets, items deducted from regulatory capital, insurance assets and defaulted securities	368,423	-	-	-	368,423
<i>Off-Balance Sheet exposures</i>					
Trade finance-related obligations (including guarantees and letters of credit)	2,074	-	-	-	104
Total RSF	370,497	199,146	28,779	-	446,858
NSFR (%)					128.0%

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 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	489,617
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	580,682
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 30 June 2022	Audited 31 December 2021
Solo	177%	159%
Consolidated	483%	645%