

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 September 2023 (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 September 2023, comprising of the interim consolidated statement of financial position as at 30 September 2023 and the related interim consolidated statements of income and comprehensive income for the three month and nine month periods then ended, and the interim consolidated statements of cash flows and changes in equity for the nine 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.



13 November 2023
Manama, Kingdom of Bahrain

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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023 (Reviewed)

		Reviewed 30 September 2023	Audited 31 December 2022	Reviewed 30 September 2022
	Note	US\$ 000	US\$ 000	US\$ 000
ASSETS				
Demand and call deposits with banks	4	86,444	102,969	82,421
Placements with banks	4	88,335	96,465	113,204
Investments carried at fair value through profit or loss		121,652	88,064	90,203
Investments carried at fair value through other comprehensive income		106,198	104,021	99,878
Investments carried at amortised cost		-	25,036	25,034
Loans and receivables		19,198	21,690	28,377
Other assets		43,424	46,922	48,889
Investment in associates		83,498	87,050	87,517
Investment properties		99,160	99,962	98,375
Property and equipment		15,725	15,846	14,656
Goodwill and other intangible assets		62,482	63,556	64,446
Assets held for sale	9	-	2,306	7,279
TOTAL ASSETS		726,116	753,887	760,279
LIABILITIES AND EQUITY				
Liabilities				
Due to banks and other financial institutions		125,921	138,878	151,024
Deposits from customers		21,424	20,772	24,625
Term loans		203,581	61,324	61,139
Long term bonds	6	-	130,595	129,116
Other liabilities		65,479	80,741	74,542
Total liabilities		416,405	432,310	440,446
Equity				
Share capital	7	116,132	116,132	116,132
Share premium		5,687	5,687	5,687
Statutory reserve		54,034	54,034	53,519
General reserve		3,765	33,765	33,250
Fair value reserve		9,780	(7,586)	(9,252)
Foreign currency translation reserve		(5,775)	(5,379)	(6,252)
Retained earnings / (accumulated deficit)		1,429	(1,425)	2,350
Equity attributable to shareholders of the Parent		185,052	195,228	195,434
Perpetual Additional Tier 1 Capital	8	33,000	33,000	33,000
Non-controlling interests		91,659	93,349	91,399
Total equity		309,711	321,577	319,833
TOTAL LIABILITIES AND EQUITY		726,116	753,887	760,279

Masaud Hayat
Chairman

Faisal Al Ayyar
Vice Chairman

Hussain Lalani
Chief Executive Officer

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

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

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the nine-month period ended 30 September 2023 (Reviewed)

Note	Three-month period ended 30 September		Nine-month period ended 30 September	
	2023		2022	
	US\$ 000	US\$ 000	US\$ 000	US\$ 000
Interest income	2,287	2,543	7,550	6,315
Investment (loss) income - net	(1,260)	761	4,079	7,443
	1,027	3,304	11,629	13,758
Fees and commission income - net	10,763	10,207	31,985	45,596
Foreign exchange gain (loss) - net	698	536	1,283	(575)
Share of results of associates	(2,087)	(1,549)	(5,360)	5,153
Total income	10,401	12,498	39,537	63,932
Interest expense	(5,548)	(4,640)	(16,236)	(12,082)
Operating income before expenses and expected credit losses	4,853	7,858	23,301	51,850
Salaries and benefits	(8,203)	(7,850)	(25,744)	(29,664)
General and administrative expenses	(3,869)	(3,399)	(13,459)	(13,173)
Operating (loss) income before expected credit losses	(7,219)	(3,391)	(15,902)	9,013
Expected credit losses	5	(481)	(601)	(268)
(Loss) profit before tax	(7,700)	(3,992)	(16,170)	8,533
Tax credit / (expense)	28	(33)	(97)	(49)
Net (loss) profit for the period	(7,672)	(4,025)	(16,267)	8,484
Net (loss) profit attributable to non-controlling interests	(2,251)	(1,366)	(2,069)	4,405
Net (loss) profit attributable to shareholders of the Parent	(5,421)	(2,659)	(14,198)	4,079

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 nine-month period ended 30 September 2023 (Reviewed)

	<i>Three-month period ended 30 September</i>		<i>Nine-month period ended 30 September</i>	
	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>
	US\$ 000	US\$ 000	US\$ 000	US\$ 000
Net (loss) profit for the period	(7,672)	(4,025)	(16,267)	8,484
<i>Other Comprehensive Income (OCI)</i>				
<i>Items that may be reclassified to profit or loss in subsequent periods</i>				
Foreign currency translation changes	2,506	(1,812)	2,055	(3,998)
Net change in cashflow hedges	402	406	591	406
Share of other comprehensive (loss) income of associates	(2,236)	4,524	(2,236)	4,554
<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	(813)	(1,805)	2,644	(153)
Share of other comprehensive loss of associates	(1,215)	-	(134)	-
Other comprehensive (loss) income for the period	(1,356)	1,313	2,920	809
Total comprehensive (loss) income for the period	(9,028)	(2,712)	(13,347)	9,293
Total comprehensive (loss) income attributable to:				
- Shareholders of the Parent	(6,178)	(597)	(10,452)	6,386
- Non-controlling interests	(2,850)	(2,115)	(2,895)	2,907
	(9,028)	(2,712)	(13,347)	9,293

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine-month period ended 30 September 2023 (Reviewed)

		<i>Nine-month period ended 30 September</i>	
		2023 Note	2022 US\$ 000
OPERATING ACTIVITIES			
Net (loss) profit before tax		(16,170)	8,533
Adjustments for non-cash items:			
Interest expense		16,236	12,082
Depreciation and amortisation		2,086	1,852
Interest income		(7,550)	(6,315)
Loss (gain) on investments carried at fair value through profit or loss		1,165	(2,628)
Share of results of associates		5,360	(5,153)
Expected credit losses	5	268	480
Operating income before working capital changes		1,395	8,851
Changes in operating assets and liabilities:			
Placements with banks		(1,685)	(9,347)
Investments carried at fair value through profit or loss		(34,753)	5,630
Investments carried at fair value through OCI		467	7,112
Investments carried at amortised cost		25,036	138
Loans and receivables		2,474	5,270
Other assets		3,471	4,888
Due to banks and other financial institutions		(12,957)	1,423
Deposits from customers		652	(45,551)
Other liabilities		(13,133)	(9,244)
Interest received		7,821	6,695
Interest paid		(17,920)	(11,828)
Directors' remuneration paid		(245)	(260)
Donations paid		(200)	(200)
Net cash flows used in operating activities		(39,577)	(36,423)
INVESTING ACTIVITIES			
Investments in associates - net		(1,483)	2,054
Property and equipment - net		(606)	(615)
Purchase of intangible assets		(285)	(709)
Acquisition of non-current asset classified as held for sale		-	(7,279)
Net cash flows from (used in) investing activities		(2,374)	(6,549)
FINANCING ACTIVITIES			
Term loans obtained		142,257	45,000
Repayment of bonds	6	(130,595)	-
Interest payment on Perpetual Additional Tier 1 Capital		(1,752)	(1,752)
Movement in non-controlling interests		538	(4,410)
Net cash flows from financing activities		10,448	38,838
NET CHANGE IN CASH AND CASH EQUIVALENTS		(31,503)	(4,134)
Foreign currency translation adjustments		5,163	(4,589)
Cash and cash equivalents at 1 January		184,906	191,083
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	4	158,566	182,360

The attached notes 1 to 16 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 nine-month period ended 30 September 2023 (Reviewed)

	Attributable to shareholders of the Parent								Perpetual					
	Share capital US\$ 000	Share premium US\$ 000	Statutory reserve US\$ 000	General reserve US\$ 000	Fair value reserve US\$ 000	Foreign currency translation US\$ 000	(Accumulated deficit) / Retained earnings US\$ 000	Total US\$ 000	Additional		Non-controlling interests US\$ 000	Total equity US\$ 000		
									Tier 1					
									Tier 1 Capital US\$ 000	Controlling interests US\$ 000				
	116,132	5,687	54,034	33,765	(7,586)	(5,379)	(1,425)	195,228	33,000	93,349	321,577			
Balance at 1 January 2023	116,132	5,687	54,034	33,765	(7,586)	(5,379)	(1,425)	195,228	33,000	93,349	321,577			
Net loss for the period	-	-	-	-	-	-	(14,198)	(14,198)	-	(2,069)	(16,267)			
Other comprehensive income (loss)	-	-	-	-	4,103	(357)	-	3,746	-	(826)	2,920			
Total comprehensive income (loss) for the period	-	-	-	-	4,103	(357)	(14,198)	(10,452)	-	(2,895)	(13,347)			
Transfer upon disposal of equity investments carried at fair value through OCI	-	-	-	-	(10)	-	10	-	-	-	-			
Movements in associates	-	-	-	-	4,167	-	(3,052)	1,115	-	31	1,146			
Other movements (note 2.1)					9,106	(39)	(8,154)	913		636	1,549			
Interest payment on Tier 1 capital	-	-	-	-	-	-	(1,752)	(1,752)	-	-	(1,752)			
Transfer from general reserve to accumulated deficit (note 15)	-	-	-	(30,000)	-	-	30,000	-	-	-	-			
Other movements in non-controlling interests	-	-	-	-	-	-	-	-	-	538	538			
Balance at 30 September 2023	116,132	5,687	54,034	3,765	9,780	(5,775)	1,429	185,052	33,000	91,659	309,711			
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	-	-	-	-	-	-	4,079	4,079	-	4,405	8,484			
Other comprehensive income (loss)	-	-	-	-	3,987	(1,680)	-	2,307	-	(1,498)	809			
Total comprehensive income (loss) for the period	-	-	-	-	3,987	(1,680)	4,079	6,386	-	2,907	9,293			
Transfer upon disposal of equity investments carried at fair value through OCI	-	-	-	-	238	-	(238)	-	-	-	-			
Interest payment on Tier 1 capital	-	-	-	-	-	-	(1,752)	(1,752)	-	-	(1,752)			
Other movements in non-controlling interests	-	-	-	-	-	-	-	-	-	(4,410)	(4,410)			
Balance at 30 September 2022	116,132	5,687	53,519	33,250	(9,252)	(6,252)	2,350	195,434	33,000	91,399	319,833			

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2023 (Reviewed)

1 CORPORATE INFORMATION

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 issued by the Ministry of Industry and Commerce ("MOIC"). 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 with the Bank, 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 the "Parent"), which owns 100% shares of the Bank and the ultimate holding company is Kuwait Projects Company Holding K.S.C.P. ("KIPCO" or the "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 13 November 2023.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial statements for the nine-month period ended 30 September 2023 have been prepared in accordance with IAS 34 - Interim Financial Reporting. The Group has prepared the interim condensed consolidated financial statements on the basis that it will continue to operate as a going concern. The Board of Directors consider that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the date of approval of the interim condensed consolidated financial statements.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2022. In addition, results for the nine-month period ended 30 September 2023 are not necessarily indicative of the results that may be expected for the financial year ending on 31 December 2023.

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

During the period, management of the Group reassessed the fair value reserve relating to its investment in associates. This resulted in adjustments to the fair value reserve, foreign currency translation reserve, accumulated deficit, and non-controlling interest, with a net impact of US\$ 1.5 million reported directly in the interim consolidated statement of changes in equity.

Certain corresponding figures have been reclassified in order to conform to the presentation of the current period. Such reclassifications did not affect previously reported results, total assets, total liabilities and total equity of the Group.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2022, except for the adoption of new and amended standards and interpretations effective as of 1 January 2023 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.

2.3 New standards, interpretations and amendments adopted by the Group

The adoption of below new and amended standards and interpretations had no impact on the interim condensed consolidated financial statements of the Group:

2.3.1 IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts 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. IFRS 17 is based on a general model, supplemented by:

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

2.3.2 Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

2.3.3 Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

2.3.4 Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2023 (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 nine-month period ended 30 September 2023. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. 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 2022.

The principal subsidiaries of the Bank are as follows:

Name of the subsidiary	Country of incorporation	Ownership		Year of incorporation
		30 September 2023	31 December 2022	
Held directly				
KAMCO Investment Company K.S.C.P. [KAMCO]	Kuwait	60%	60%	1998
United Gulf Realty International, Ltd [UGRIL]	The British Virgin Islands	50%	50%	2012
Held through KAMCO				
1925 Investor Inc.	Jersey	100%	100%	2022
Al Jazi Money Market Fund	Kuwait	51%	51%	2007
Al Tadamun United Holding Company K.S.C.	Kuwait	96%	96%	2017
American Boulevard Investor, Inc	U.S.A.	100%	100%	2022
Bukeye Power Advisory Company L.L.C.	U.S.A.	48%	48%	2017
Bukeye Power Manager Limited	Jersey	100%	100%	2017
Centerstone Investor Inc.	U.S.A.	100%	100%	2021
First Securities Brokerage Company K.S.C.	Kuwait	93%	93%	1985
KAMCO Investment Company DIFC Limited	U.A.E.	100%	100%	2013
KAMCO Investment Company Saudi	Saudi Arabia	100%	100%	2013
KAMCO GCC Opportunistic Fund	Kuwait	59%	91%	2013
KAMCO MENA Plus Fixed Income Fund OEIC Ltd	U.A.E.	54%	56%	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 Company K.S.C. (Closed)	Kuwait	96%	100%	2017
Plans United Real Estate Co.	Kuwait	100%	100%	2017
Project Plaza Investor Inc	U.S.A.	100%	100%	2019
HP Plaza Investor Inc.	Jersey	100%	100%	2019
KAMCO Capital Management Ltd.	Oman	100%	100%	1998
KAMCO Capital Partners Ltd.	Cayman Islands	100%	100%	2007
KAMCO Investment Company DIFC Limited		100%	100%	2016
Martley Finance GP Limited	Jersey	100%	100%	2020
Martley Holdings GP Limited	Jersey	100%	100%	2020

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2023 (Reviewed)

4 CASH AND CASH EQUIVALENTS

	Reviewed 30 September 2023 US\$ 000	Audited 31 December 2022 US\$ 000	Reviewed 30 September 2022 US\$ 000
Demand and call deposits with banks	86,444	102,969	82,421
Placements with banks	88,335	96,465	113,204
	174,779	199,434	195,625
<i>Adjusted for:</i>			
Deposits with original maturities of more than 90 days	(15,895)	(14,210)	(12,947)
Mandatory reserves	(318)	(318)	(318)
Cash and cash equivalents	158,566	184,906	182,360

5 MOVEMENT IN EXPECTED CREDIT LOSS (ECL)

An analysis of movement in ECL allowances during the nine-month period ended 30 September 2023 is as follows:

	Stage 1 US\$ 000	Stage 2 US\$ 000	Stage 3 US\$ 000	Total US\$ 000
As at 1 January 2023	17,296	-	7,915	25,211
Net transfer between stages	(2,117)	2,037	80	-
Net remeasurement of loss allowances	250	-	18	268
Written-off during the period	-	-	(75)	(75)
Foreign exchange adjustments	(41)	-	(69)	(110)
As at 30 September 2023 (Reviewed)	15,388	2,037	7,869	25,294

An analysis of movement in ECL allowances during the nine-month period ended 30 September 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	(187)	38	149	-
Net remeasurement of loss allowances	567	200	(287)	480
Written-off during the period	-	-	(149)	(149)
Foreign exchange adjustments	(92)	-	(208)	(300)
As at 30 September 2022 (Reviewed)	15,118	1,025	7,949	24,092

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2023 (Reviewed)

6 LONG TERM BONDS

	Reviewed 30 September 2023 US\$ 000	Audited 31 December 2022 US\$ 000	Reviewed 30 September 2022 US\$ 000
Fixed interest of 6.00% per annum and maturing on 26 July 2023	-	48,647	48,096
Floating interest of Central Bank of Kuwait discount rate + 2.75% per annum (capped at 7% per annum) and maturing on 26 July 2023	-	81,948	81,020
	<hr/>	<hr/>	<hr/>
	-	130,595	129,116
	<hr/>	<hr/>	<hr/>

During the period, the bonds were redeemed on their maturity date i.e 26 July 2023.

7 SHARE CAPITAL

	Reviewed 30 September 2023 US\$ 000	Audited 31 December 2022 US\$ 000	Reviewed 30 September 2022 US\$ 000
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)	<hr/> 250,000	<hr/> 250,000	<hr/> 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)	<hr/> 116,132	<hr/> 116,132	<hr/> 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 on any interest payment date 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.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2023 (Reviewed)

9 ASSETS HELD FOR SALE

The prior period transactions were as follows:

- The Group made an investment in certain special purpose vehicles (the "Entities"), for a consideration of US\$ 6,250 thousand. Through these Entities, the Group acquired a property in the United States of America and classified it as "disposal group held for sale". Subsequently, the Group fully disposed its interest in these Entities for a consideration equivalent to its carrying value. Accordingly, no gain or loss from the disposal of these Entities was recognized in the interim consolidated statement of income.
- Further, the Group made an additional investment in certain special purpose vehicles (the "SPVs") and subsequently disposed majority interest in the SPVs with the remaining interest amounting to US\$ 2,306 thousand classified in accordance with IFRS 5 - Non-current assets held for sale as the Group actively plans to dispose its stake in these SPVs.

Upon initial recognition, the Group considered the above Entities and SPVs meet the criteria to be classified as held for sale for the following reasons:

- These Entities and SPVs are available for immediate sale and can be disposed of in their current condition.
- The actions to complete disposal are initiated and will be completed within one year from the date of acquisition.

10 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent the Ultimate Parent, Parent, associates, 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:

	(Reviewed)			
	Nine-month period ended 30 September 2023			
	Major shareholder US\$ 000	Associates US\$ 000	Other related parties US\$ 000	Total US\$ 000
Investment income	-	-	70	70
Fees and commissions - net*	1,500	978	6,212	8,690
Dividend income	-	-	1,020	1,020
Rental income	-	-	826	826
Interest income	-	-	718	718
Interest expense	(159)	-	(4,187)	(4,346)
General and administrative expenses	-	-	(2,334)	(2,334)

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2023 (Reviewed)

10 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

	(Reviewed)			
	Nine-month period ended 30 September 2022			
	Major shareholder	Associates	Other related parties	Total
	US\$ 000	US\$ 000	US\$ 000	US\$ 000
Investment income	-	-	225	225
Fees and commissions - net*	750	1,685	4,552	6,987
Dividend income	-	-	386	386
Rental income	-	-	831	831
Interest income	-	-	2,662	2,662
Interest expense	(332)	-	(4,144)	(4,476)
General and administrative expenses	-	-	(2,317)	(2,317)
Others	-	-	90	90

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

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

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

	(Reviewed)			
	30 September 2023			
	Major shareholder	Associates	Other related parties	Total
	US\$ 000	US\$ 000	US\$ 000	US\$ 000
Demand and call deposits with banks	-	-	9,832	9,832
Placements with banks	-	-	23,125	23,125
Investments carried at fair value through profit or loss ("FVTPL")	-	-	19,843	19,843
Investments carried at fair value through other comprehensive income ("FVOC")	-	53	64,081	64,134
Loans and receivables	-	-	3,987	3,987
Other assets	-	486	3,780	4,266
Due to banks and other financial institutions	-	-	(85,794)	(85,794)
Deposits from customers	(8,180)	(322)	(3,004)	(11,506)
Other liabilities	(1)	-	(2,222)	(2,223)
Perpetual Additional Tier 1 Capital	-	-	(10,000)	(10,000)
<i>Off statement of financial position items:</i>				
Letters of guarantee	-	-	157	157

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2023 (Reviewed)

10 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

	(Audited) 31 December 2022		
	Major shareholder US\$ 000	Associates US\$ 000	Other related parties US\$ 000
			Total US\$ 000
Demand and call deposits with banks	-	-	16,955
Placements with banks	-	-	23,255
Investments carried at FVTPL	-	-	2,082
Investments carried at FVOCI	-	56	65,133
Loans and receivables	-	-	6,641
Other assets	-	3,506	4,833
Due to banks and other financial institutions	-	-	(89,904)
Deposits from customers	(4,751)	(345)	(4,807)
Other liabilities	(1)	-	(2,774)
Perpetual Additional Tier 1 Capital	-	-	(10,000)
<i>Off statement of financial position items:</i>			
Letters of guarantee	-	-	157
All related party exposures are performing as of 30 September 2023 and 31 December 2022.			

Compensation of key management personnel was as follows:

	Nine-month period ended 30 September	
	2023	2022
	Reviewed US\$ 000	Reviewed US\$ 000
Short-term employee benefits	1,800	1,629
Long-term employee benefits	312	349
	<hr/>	<hr/>
	2,112	1,978
	<hr/>	<hr/>

The Group's investment in its associates, share of results and other comprehensive income from associates are disclosed in the interim consolidated statements of financial position, income and comprehensive income respectively. Certain changes in the Group's investment in its associates recognised directly in equity are disclosed in interim consolidated statement of changes in equity. Also please see note 2.1.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2023 (Reviewed)

11 COMMITMENTS

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

	Reviewed 30 September 2023 US\$ 000	Audited 31 December 2022 US\$ 000	Reviewed 30 September 2022 US\$ 000
Credit-related commitments:			
Letters of guarantee	2,270	2,269	2,347
Investment related commitments*	3,825	825	828
	6,095	3,094	3,175

*Investment related commitments are Group's commitment to invest in private equity funds representing the uncalled capital by the investment managers (general partners) of various private equity funds in which the Group has made investments. The capital can be called at the investment manager's discretion.

12 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
<i>30 September 2023 (Reviewed)</i>			
<i>Derivatives held for trading*</i>			
Interest rate swaps	25,684	(25,684)	715,000
Forward foreign exchange contracts	1,910	(2,258)	782,664
<i>Derivatives used as hedge of net investment in foreign operations</i>			
Forward foreign exchange contracts	497	(26)	156,844
<i>Derivatives used as cash flow hedges</i>			
Interest rate swaps	1,034	-	22,500
	Positive fair value US\$ 000	Negative fair value US\$ 000	Notional amount US\$ 000
<i>31 December 2022 (Audited)</i>			
<i>Derivatives held for trading*</i>			
Interest rate swaps	29,064	(29,064)	715,000
Forward foreign exchange contracts	3,272	(3,337)	762,620
<i>Derivatives used as hedge of net investment in foreign operations</i>			
Forward foreign exchange contracts	-	(854)	164,079
<i>Derivatives used as cash flow hedges</i>			
Interest rate swaps	443	-	22,500

* The Group uses interest rate swaps and foreign exchange contracts to manage some of its risk exposures. These 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 and interest rate exposures.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2023 (Reviewed)

12 DERIVATIVES (continued)

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 customised contracts transacted in the over-the-counter market.

Swaps are contractual agreements between two parties to exchange interest or foreign currency differentials based on a specific notional amount. For interest rate swaps, counterparties generally exchange fixed and floating rate interest payments based on a notional value in a single currency.

13 FINANCIAL INSTRUMENTS

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

	At FVTPL US\$ 000	At FVOCI US\$ 000	Amortised cost US\$ 000	Total US\$ 000
30 September 2023 (Reviewed)				
Demand and call deposits with banks	-	-	86,444	86,444
Placements with banks	-	-	88,335	88,335
Investments carried at FVTPL	121,652	-	-	121,652
Investments carried at FVOCI	-	106,198	-	106,198
Loans and receivables	-	-	19,198	19,198
Other assets	-	1,505	40,177	41,682
Total financial assets	121,652	107,703	234,154	463,509
Due to banks and other financial institutions	-	-	125,921	125,921
Deposits from customers	-	-	21,424	21,424
Term loans	-	-	203,581	203,581
Other liabilities	348	-	65,053	65,401
Total financial liabilities	348	-	415,979	416,327
	At FVTPL US\$ 000	At FVOCI US\$ 000	Amortised cost US\$ 000	Total US\$ 000
31 December 2022 (Audited)				
Demand and call deposits with banks	-	-	102,969	102,969
Placements with banks	-	-	96,465	96,465
Investments carried at FVTPL	88,064	-	-	88,064
Investments carried at FVOCI	-	104,021	-	104,021
Investments carried at amortised cost	-	-	25,036	25,036
Loans and receivables	-	-	21,690	21,690
Other assets	-	443	45,395	45,838
Total financial assets	88,064	104,464	291,555	484,083
Due to banks and other financial institutions	-	-	138,878	138,878
Deposits from customers	-	-	20,772	20,772
Term loans	-	-	61,324	61,324
Long-term bonds	-	-	130,595	130,595
Other liabilities	65	854	79,712	80,631
Total financial liabilities	65	854	431,281	432,200

13 FINANCIAL INSTRUMENTS (continued)

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.

14 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.

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

There were no changes in the Group's valuation processes, valuation techniques, and types of inputs used in the fair value measurements during the period.

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.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2023 (Reviewed)

14 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 September 2023 (Reviewed):

	Level 1 US\$ 000	Level 2 US\$ 000	Level 3 US\$ 000	Total US\$ 000
Assets measured at fair value				
Investments carried at FVTPL				
Equities	20,495	-	27,357	47,852
Debt securities	10,693	-	324	11,017
Managed funds	3,869	40,576	18,338	62,783
Investments carried at FVOCI				
Equities	2,075	-	104,026	106,101
Managed funds	-	-	97	97
Investment properties	-	-	99,160	99,160
Derivatives				
Forward foreign exchange contracts	-	471	-	471
Interest rate swaps	-	1,034	-	1,034
	37,132	42,081	249,302	328,515
Liabilities measured at fair value				
Derivatives				
Forward foreign exchange contracts	-	348	-	348
	-	348	-	348

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 2022 (Audited):

	Level 1 US\$ 000	Level 2 US\$ 000	Level 3 US\$ 000	Total US\$ 000
Assets measured at fair value				
Investments carried at FVTPL				
Equities	6,000	-	2,129	8,129
Debt securities	14,504	-	326	14,830
Managed funds	4,324	43,339	17,442	65,105
Investments carried at FVOCI				
Equities	4,837	-	99,144	103,981
Managed funds	-	-	40	40
Investment properties	-	-	99,962	99,962
Derivatives				
Interest rate swaps	-	443	-	443
	29,665	43,782	219,043	292,490
Liabilities measured at fair value				
Derivatives				
Forward foreign exchange contracts	-	919	-	919
	-	919	-	919

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2023 (Reviewed)

14 FAIR VALUE MEASUREMENT (continued)

Transfers between Level 1, Level 2 and Level 3

During the nine-month period ended 30 September 2023, an investment carried at US\$ 2,283 thousand was transferred from Level 1 to Level 3 (30 September 2022: 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 2023 US\$'000	Net purchases, transfer and sales, settlement US\$'000	Gain / (loss) recorded in the consolidated statement of income US\$'000	Gain recognised in OCI US\$'000	As at 30 September 2023 (Reviewed) US\$'000
<i>Investments carried at FVTPL</i>					
Equities	2,129	25,018	210	-	27,357
Debt securities	326	-	(2)	-	324
Managed funds	17,442	(199)	1,095	-	18,338
	19,897	24,819	1,303	-	46,019
<i>Investments carried at FVOCI</i>					
Equities	99,144	2,055	-	2,827	104,026
Managed funds	40	57	-	-	97
	99,184	2,112	-	2,827	104,123
Investment properties	99,962	-	(802)	-	99,160
	As at 1 January 2022 US\$'000	Net purchases, transfer and sales, settlement US\$'000	Loss recorded in the consolidated statement of income US\$'000	Loss recognised in OCI US\$'000	As at 30 September 2022 (Reviewed) US\$'000
<i>Investments carried at FVTPL</i>					
Equities	156	2,003	(8)	-	2,151
Debt securities	827	(504)	-	-	323
Managed funds	23,264	(8,470)	(1,095)	-	13,699
	24,247	(6,971)	(1,103)	-	16,173
<i>Investments carried at FVOCI</i>					
Equities	76,953	1,607	-	(4,914)	73,646
Managed funds	42	(1)	-	(1)	40
	76,995	1,606	-	(4,915)	73,686
Investment properties	100,564	-	(2,189)	-	98,375

15 TRANSFER FROM GENERAL RESERVE TO ACCUMULATED DEFICIT

In an Extraordinary General Meeting (the "EGM") held on 28 September 2023, the shareholders approved transferring US\$ 30 million from the general reserves to the retained earnings, in line with the provisions of Article No. (57) paragraph (c) of the existing Amended and Restated Articles of Association of the Bank. All of the required regulatory approval were obtained.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2023 (Reviewed)

16 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 September 2023 is 157.0% (31 December 2022: 124.1%).

73% (2022: 74%) of the total available stable funding is made up of the Group's capital base with 3% (2022: 11%) being less stable deposits and 13% (2022: 1%) comprising of secured and unsecured funding.

The Group's required stable funding comprises of 81% (2022: 85%) assets that have no specified maturity, 11% (2022: 12%) that have contractual maturities of less than 6 months, and 2% (2022: 3%) non-HQLA (the "High Quality Liquid Assets") assets (after application of risk weights).

30 September 2023 (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
Available Stable Funding (ASF)					
Capital	250,404	-	-	221,616	472,020
Stable deposits	-	643	-	-	611
Less stable deposits	-	-	-	20,114	20,114
Secured and unsecured funding	-	58,807	-	80,034	86,494
Other deposits and funding from financial institutions	-	-	-	68,550	68,550
Total ASF	250,404	59,450	-	390,314	647,789

Required Stable Funding (RSF)

Unencumbered Level 2B HQLA	27,725	-	-	-	13,862
Unencumbered Non-HQLA securities that are not in default and exchange- traded equities in cases where the issuer is not in default	-	-	19,198	-	9,599
Loans	-	86,444	-	-	12,967
Deposits held at other financial institutions for operational purposes	-	65,209	-	23,125	55,730
All other assets including fixed assets, items deducted from regulatory capital, insurance assets and defaulted securities	320,280	-	-	-	320,280
<i>Off-Balance Sheet exposures</i>					
Trade finance-related obligations (including guarantees and letters of credit)	2,270	-	-	-	114
Total RSF	350,275	151,653	19,198	23,125	412,552
NSFR (%)					157.0%

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2023 (Reviewed)

16 REGULATORY RATIOS (continued)

Net Stable Funding Ratio ("NSFR") (continued)

	31 December 2022 (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	286,378	-	-	92,677	379,055
Stable deposits	-	905	-	-	860
Less stable deposits	-	64,150	-	-	57,735
Secured and unsecured funding	-	13,683	-	-	6,841
Other deposits and funding from financial institutions	-	109,478	130,595	-	65,298
Total ASF	286,378	188,216	130,595	92,677	509,789
 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	-	-	21,690	-	10,845
Loans	-	102,970	-	-	15,445
Deposits held at other financial institutions for operational purposes	-	67,065	-	-	33,533
All other assets including fixed assets, items deducted from regulatory capital, insurance assets and defaulted securities	350,937	-	-	-	350,937
<i>Off-Balance Sheet exposures</i>					
Trade finance-related obligations (including guarantees and letters of credit)	2,269	-	-	-	113
Total RSF	353,206	170,035	21,690	-	410,873
NSFR (%)					124.1%

Liquidity Coverage Ratio ("LCR")

	Reviewed 30 September 2023	Audited 31 December 2022
Solo	251%	202%
Consolidated	573%	632%