

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

**INTERIM CONDENSED CONSOLIDATED**

**FINANCIAL STATEMENTS**

**30 SEPTEMBER 2020 (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 2020, comprising the interim consolidated statement of financial position as at 30 September 2020 and the related interim consolidated statements of income and comprehensive income for the three-month and nine-month periods then ended and the related 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') as modified by the Central Bank of Bahrain ("CBB"). Our responsibility is to express a conclusion on these interim condensed financial consolidated 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. Consequently, it 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 as modified by CBB.



*Ernst & Young*

15 November 2020  
Manama, Kingdom of Bahrain

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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020 (Reviewed)

	Notes	Reviewed 30 September 2020	Audited 31 December 2019	Reviewed 30 September 2019
		US\$ 000	US\$ 000	US\$ 000
<b>ASSETS</b>				
Demand and call deposits with banks		125,663	71,369	94,720
Placements with banks		145,203	236,110	196,506
Investments carried at fair value through statement of income		85,824	97,778	81,732
Investments carried at fair value through other comprehensive income		123,844	131,048	129,891
Investments carried at amortised cost		-	280	283
Loans and receivables		27,911	27,778	27,116
Other assets		63,121	62,933	64,372
Investments in associates		66,460	75,774	74,008
Investment properties		102,197	102,713	97,744
Property and equipment		49,904	51,849	51,071
Goodwill and other intangible assets		64,627	65,591	65,749
Assets of disposal group held for sale	6	4,815	-	-
<b>TOTAL ASSETS</b>		<b>859,569</b>	<b>923,223</b>	<b>883,192</b>
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
Due to banks and other financial institutions		173,505	307,784	210,819
Deposits from customers		68,051	22,647	36,543
Loans payable		91,093	36,875	89,260
Long term bonds	7	130,719	131,948	131,536
Other liabilities		85,288	90,965	89,936
<b>TOTAL LIABILITIES</b>		<b>548,656</b>	<b>590,219</b>	<b>558,094</b>
<b>EQUITY</b>				
Share capital	8	116,132	116,132	116,132
Share premium		5,687	5,687	5,687
Statutory reserve		52,032	52,032	50,890
General reserve		31,763	31,763	30,621
Fair value reserve		(8,233)	(6,009)	(11,507)
Foreign currency translation reserve		(5,294)	(4,569)	(5,083)
Retained earnings		5,569	15,911	8,032
<b>CAPITAL AND RESERVES ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT</b>				
Perpetual Tier 1 capital	10	197,656	210,947	194,772
Non-controlling interests		33,000	33,000	33,000
<b>TOTAL EQUITY</b>		<b>80,257</b>	<b>89,057</b>	<b>97,326</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>310,913</b>	<b>333,004</b>	<b>325,098</b>
		<b>859,569</b>	<b>923,223</b>	<b>883,192</b>

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 2020 (Reviewed)

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2020		2019	
	US\$ 000	US\$ 000	US\$ 000	US\$ 000
<b>Continuing operations</b>				
Investment income (loss) - net	5,688	1,900	(873)	19,150
Interest income	1,228	2,876	3,963	8,039
	6,916	4,776	3,090	27,189
Fees and commissions - net	13,371	15,589	44,494	46,412
Foreign currency translation gains - net	2,526	709	2,702	805
Share of results of associates - net	675	(857)	(6,476)	3,084
<b>Total income</b>	<b>23,488</b>	<b>20,217</b>	<b>43,810</b>	<b>77,490</b>
Interest expense	(4,730)	(5,857)	(13,849)	(16,864)
Operating income before expenses and provisions	18,758	14,360	29,961	60,626
Salaries and benefits	(7,278)	(9,147)	(23,576)	(32,135)
General and administrative expenses	(4,791)	(5,494)	(15,361)	(20,653)
<b>Operating income (loss) before provisions and tax</b>	<b>6,689</b>	<b>(281)</b>	<b>(8,976)</b>	<b>7,838</b>
Expected credit losses - net	184	1,225	(171)	1,349
<b>Profit (loss) before tax from continuing operations</b>	<b>6,873</b>	<b>944</b>	<b>(9,147)</b>	<b>9,187</b>
Taxation - net	(27)	22	(62)	(855)
<b>PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS</b>	<b>6,846</b>	<b>966</b>	<b>(9,209)</b>	<b>8,332</b>
<b>Discontinued operations</b>				
Net profit from discontinued operations	112	-	556	-
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>6,958</b>	<b>966</b>	<b>(8,653)</b>	<b>8,332</b>
<b>Net profit (loss) for the period attributable to:</b>				
<b>Shareholders of the parent</b>				
- from continuing operations	3,395	424	(7,062)	4,681
- from discontinued operation	68	-	334	-
	<b>3,463</b>	<b>424</b>	<b>(6,728)</b>	<b>4,681</b>
<b>Non-controlling interests</b>				
- from continuing operations	3,451	542	(2,147)	3,651
- from discontinued operation	44	-	222	-
	<b>3,495</b>	<b>542</b>	<b>(1,925)</b>	<b>3,651</b>

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 COMPREHENSIVE INCOME

For the nine-month period ended 30 September 2020 (Reviewed)

	Three-month period ended 30 September 2020		Nine-month period ended 30 September 2020	
	US\$ 000	US\$ 000	US\$ 000	US\$ 000
	NET PROFIT (LOSS) FOR THE PERIOD	6,958	966	(8,653)
<b>Other comprehensive profit (loss)</b>				
<i>Items that may be reclassified to profit or loss in subsequent periods</i>				
Foreign currency translation reserve	771	(375)	(2,226)	(669)
Fair value changes of investments carried at fair value through other comprehensive income	932	-	(2,715)	-
Cash flow hedges	-	(144)	(129)	(979)
	<b>1,703</b>	<b>(519)</b>	<b>(5,070)</b>	<b>(1,648)</b>
<i>Items that will not be reclassified to profit or loss in subsequent periods</i>				
Fair value changes of investments carried at fair value through other comprehensive income	519	(3,989)	(3,689)	(10,291)
Total other comprehensive profit (loss)	<b>2,222</b>	<b>(4,508)</b>	<b>(8,759)</b>	<b>(11,939)</b>
<b>TOTAL COMPREHENSIVE PROFIT (LOSS) FOR THE PERIOD</b>				
	<b>9,180</b>	<b>(3,542)</b>	<b>(17,412)</b>	<b>(3,607)</b>
<b>Total comprehensive profit (loss) income attributable to:</b>				
- shareholders of the parent	4,441	(3,466)	(11,530)	(5,469)
- non-controlling interests	4,739	(76)	(5,882)	1,862
	<b>9,180</b>	<b>(3,542)</b>	<b>(17,412)</b>	<b>(3,607)</b>

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

**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**

For the nine-month period ended 30 September 2020 (Reviewed)

	Note	<i>Nine-month period ended 30 September</i>	
		<b>2020</b>	<b>2019</b>
		<b>US\$ 000</b>	<b>US\$ 000</b>
<b>OPERATING ACTIVITIES</b>			
(Loss) profit after tax		<b>(9,147)</b>	9,187
Net profit from discontinued operations		<b>556</b>	-
		<b>(8,591)</b>	9,187
Adjustments for non-cash items:			
Interest expense		<b>13,849</b>	16,864
Depreciation and amortisation		<b>2,750</b>	2,853
Interest income		<b>(3,963)</b>	(8,039)
Loss (gain) on investments carried at fair value through statement of income		<b>8,664</b>	(4,056)
Share of results of associates - net		<b>6,476</b>	(3,084)
Expected credit losses - net		<b>171</b>	(1,349)
Gain on fair valuation of investment properties		<b>-</b>	(2,830)
Gain on sale of an associate		<b>(1,420)</b>	-
Operating profit before working capital changes		<b>17,936</b>	9,546
Changes in operating assets and liabilities:			
Placements with banks with original maturities of more than ninety days		<b>5,832</b>	(8,650)
Investments carried at fair value through statement of income		<b>3,290</b>	4,176
Investments carried at fair value through other comprehensive income		<b>(1,053)</b>	29,134
Investments carried at amortised cost		<b>280</b>	211
Loans and receivables		<b>(59)</b>	(972)
Other assets		<b>(582)</b>	(5,032)
Due to banks and other financial institutions		<b>(134,279)</b>	(10,060)
Deposits from customers		<b>45,404</b>	3,935
Other liabilities		<b>(3,966)</b>	(12,274)
		<b>(67,197)</b>	10,014
Interest received		<b>3,936</b>	8,056
Interest paid		<b>(15,115)</b>	(12,411)
Directors' remuneration paid		<b>(195)</b>	(195)
Donations paid		<b>(250)</b>	(200)
Net cash flows (used in) from operating activities		<b>(78,821)</b>	5,264
<b>INVESTING ACTIVITIES</b>			
Acquisition of assets held for sale		<b>(5,371)</b>	(8,221)
Investments in associates - net		<b>4,258</b>	589
Property and equipment - net		<b>159</b>	(911)
Net cash flows used in investing activities		<b>(954)</b>	(8,543)
<b>FINANCING ACTIVITIES</b>			
Proceeds from new term loans		<b>193,781</b>	22,227
Repayments of term loans		<b>(139,500)</b>	-
Interest payment on Tier 1 capital		<b>(1,761)</b>	(1,752)
Issue of share capital		<b>-</b>	15,000
Net cash flows from financing activities		<b>52,520</b>	35,475
Foreign currency translation adjustments - net		<b>(776)</b>	(771)
Movement in non-controlling interests		<b>(2,918)</b>	(1,188)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>(30,949)</b>	30,237
Cash and cash equivalents at 1 January		<b>292,584</b>	237,428
<b>CASH AND CASH EQUIVALENTS AT 30 September</b>	4	<b>261,635</b>	267,665

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 2020 (Reviewed)

	Attributable to shareholders of the parent								Perpetual Tier 1 capital US\$ 000	Non- controlling interests US\$ 000	Total equity US\$ 000
	Share capital US\$ 000	Share premium US\$ 000	Statutory reserve US\$ 000	General reserve US\$ 000	Fair value reserve US\$ 000	Foreign currency translation reserve US\$ 000	Retained earnings US\$ 000	non- controlling interests US\$ 000			
Balance at 1 January 2020	116,132	5,687	52,032	31,763	(6,009)	(4,569)	15,911	210,947	33,000	89,057	333,004
Loss for the period	-	-	-	-	-	-	(6,728)	(6,728)	-	(1,925)	(8,653)
Other comprehensive loss for the period	-	-	-	-	(4,077)	(725)	-	(4,802)	-	(3,957)	(8,759)
Total comprehensive loss for the period	-	-	-	-	(4,077)	(725)	(6,728)	(11,530)	-	(5,882)	(17,412)
Transfer upon disposal of equity investments carried at fair value through other comprehensive income	-	-	-	-	1,853	-	(1,853)	-	-	-	-
Interest payment on Tier 1 capital	-	-	-	-	-	-	(1,761)	(1,761)	-	-	(1,761)
Distributions and other movements in non-controlling interests - net	-	-	-	-	-	-	-	-	-	(2,918)	(2,918)
<b>Balance at 30 September 2020</b>	<b>116,132</b>	<b>5,687</b>	<b>52,032</b>	<b>31,763</b>	<b>(8,233)</b>	<b>(5,294)</b>	<b>5,569</b>	<b>197,656</b>	<b>33,000</b>	<b>80,257</b>	<b>310,913</b>
Balance at 1 January 2019	101,132	5,687	50,890	30,621	(10,121)	(4,534)	13,318	186,993	33,000	94,863	314,856
Profit for the period	-	-	-	-	-	-	4,681	4,681	-	3,651	8,332
Other comprehensive loss for the period	-	-	-	-	(9,601)	(549)	-	(10,150)	-	(1,789)	(11,939)
Total comprehensive (loss) income for the period	-	-	-	-	(9,601)	(549)	4,681	(5,469)	-	1,862	(3,607)
Issue of share capital	15,000	-	-	-	-	-	-	15,000	-	-	15,000
Transfer upon disposal of equity investments carried at fair value through other comprehensive income	-	-	-	-	8,215	-	(8,215)	-	-	-	-
Interest payment on Tier 1 capital	-	-	-	-	-	-	(1,752)	(1,752)	-	-	(1,752)
Distributions and other movements in non-controlling interests - net	-	-	-	-	-	-	-	-	-	601	601
<b>Balance at 30 September 2019</b>	<b>116,132</b>	<b>5,687</b>	<b>50,890</b>	<b>30,621</b>	<b>(11,507)</b>	<b>(5,083)</b>	<b>8,032</b>	<b>194,772</b>	<b>33,000</b>	<b>97,326</b>	<b>325,098</b>

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 2020 (Reviewed)

### 1 INCORPORATION AND PRINCIPAL ACTIVITIES

#### **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 address of the Bank's registered office is 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 issued by the Central Bank of Bahrain ("the CBB").

#### **Activities**

The principal activities of the Bank and its subsidiaries (together the "Group") comprise of investment and commercial banking. Investment banking includes asset portfolio management, corporate finance, advisory, investment in quoted and private equity / funds, real estate, capital markets, international banking and treasury functions. Commercial banking includes 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. ("UGHC") which owns 100% shares of the Bank and the ultimate holding company is Kuwait Projects Company Holding K.S.C.P ("KIPCO"). UGHC 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).

#### *Impact of COVID-19*

During the period ended 30 September 2020, there was an outbreak of coronavirus (COVID-19). The existing and anticipated effects of the outbreak on the global economy is expected to continue to evolve. While these developments continue to impact the Group's operations, the scale and duration of further developments remain uncertain at this stage and could potentially further impact the Group's financial position, financial performance and cash flows in the future, the extent of which is presently undeterminable.

These interim condensed consolidated financial statements were authorised for issue by the Board of Directors on 15 November 2020.

### 2 SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of preparation**

The interim condensed consolidated financial statements of the Group have been prepared in accordance with applicable rules and regulations issued by the Central Bank of Bahrain ("CBB") including the recently issued CBB circulars on regulatory concessionary measures in response to COVID-19. These rules and regulations, in particular CBB circular OG/226/2020 dated 21 June 2020, require the adoption of all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) (IFRS), except for:

- (a) recognition of modification losses on financial assets arising from payment holidays provided to customers impacted by COVID-19 without charging additional interest, in equity instead of profit or loss as required by IFRS 9 Financial Instruments. Any other modification gains or losses on financial assets are recognised in accordance with the requirements of IFRS 9. Refer note 9 for further details; and
- (b) recognition of financial assistance received from the government and/ or regulators in response to its COVID-19 support measures that meets the government grant requirement, in equity, instead of profit or loss. This will only be to the extent of any modification loss recorded in equity as a result of (a) above, and balance of the amount to be recognized in profit or loss. Any other financial assistance is recognised in accordance with the requirements of IAS 20. Refer note 9 for further details.

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### Basis of preparation (continued)

The above framework for basis of preparation of the annual financial statements is hereinafter referred to as 'IFRS as modified by CBB'.

The interim condensed consolidated financial statements of the Group have been presented in condensed form in accordance with the guidance provided by International Accounting Standard 34 – 'Interim Financial Reporting', using the IFRS as modified by CBB framework. Hence, the framework used in the preparation of the interim condensed consolidated financial statements of the Group is hereinafter referred to as 'IAS 34 as modified by CBB'.

The accounting policies used in the preparation of annual audited consolidated financial statements of the Group for the year ended 31 December 2019 were in accordance with IFRS as issued by IASB. However, except for the above-mentioned modifications to accounting policies and the change in accounting policies as a result of adoption of new and amended accounting standards / interpretations (as disclosed below), that have been applied retrospectively, all other accounting policies remain the same and have been consistently applied in these interim condensed consolidated financial statements. The retrospective application of the change in accounting policies did not result in any change to the financial information reported for the comparative period.

These interim condensed consolidated financial statements do not contain all the information and disclosures required for the annual audited consolidated financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2019. In addition, results for the nine-month period ended 30 September 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

### 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 2019, except for the modifications disclosed earlier and the adoption of new standards and interpretations effective as of 1 January 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

### New standards, interpretations and amendments adopted by the Group

#### ***Amendments to IFRS 3: Definition of a Business***

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the interim condensed consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

#### ***Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform***

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the interim condensed consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2020 (Reviewed)

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### New standards, interpretations and amendments adopted by the Group (continued)

##### ***Amendments to IAS 1 and IAS 8: Definition of Material***

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the interim condensed consolidated financial statements of the Group.

##### **Significant accounting judgements, estimates and assumptions**

In preparing these interim condensed consolidated financial statements, significant judgements made by management in applying accounting policies and key sources of estimation were the same as those that were applied to the annual consolidated financial statements for the year ended 31 December 2019.

### 3 BASIS OF CONSOLIDATION

These interim condensed consolidated financial statements include the interim condensed financial statements of the Bank and its subsidiaries as at 30 September 2020. 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 date of these interim condensed consolidated financial statements. 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 2019.

The principal subsidiaries of the Bank are as follows:

<b>Name of the subsidiary</b>	<b>Country of incorporation</b>	<b>Legal ownership</b>		<b>Year of incorporation</b>
		<b>30 September 2020</b>	<b>31 December 2019</b>	
<b>Held directly</b>				
KAMCO Investment Company K.S.C.P. [KAMCO]	Kuwait	<b>60%</b>	60%	1998
United Gulf Financial Services Company-North Africa	Tunisia	<b>84%</b>	84%	2008
United Gulf Asset Company S.P.C.	Bahrain	<b>100%</b>	100%	2017
United Gulf Realty International, Ltd [UGRIL]	British Virgin Islands	<b>100%</b>	100%	2012
<b>Held through KAMCO</b>				
Al Dhiyafa United Real Estate Company W.L.L.	Kuwait	<b>100%</b>	100%	2007
Al Jazi Money Market Fund	Kuwait	<b>51%</b>	51%	2007
Al Tadamon United Holding Co	Kuwait	<b>96%</b>	100%	2017
Al Zad Real Estate W.L.L.	Kuwait	<b>100%</b>	100%	2017
Bukeye Power Project Advisory Co	U.S.A.	<b>50%</b>	50%	2017
Bukeye Power Project Manager Ltd	Jersey	<b>100%</b>	100%	2017
Carnation Advisory Company LLC	U.S.A.	<b>75%</b>	75%	2018
Carnation Manager limited	U.K.	<b>100%</b>	100%	2018
Centerstone Investor	Jersey	<b>100%</b>	-	2020
First Brokerage	Kuwait	<b>93%</b>	93%	1985
Flint Advisor Company LLC	Jersey	<b>0%</b>	46%	2017
Flint Manager Ltd	U.S.A.	<b>0%</b>	100%	2017

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2020 (Reviewed)

### 3 BASIS OF CONSOLIDATION (continued)

<i>Name of the subsidiary</i>	<i>Country of incorporation</i>	<i>Legal ownership</i>		<i>Year of incorporation</i>
		<i>30 September 2020</i>	<i>31 December 2019</i>	
Global DIFC	Kuwait	100%	100%	2013
Global Saudi	Saudi Arabia	100%	100%	2016
KAMCO Egypt Holding Ltd	U.A.E.	100%	100%	2018
Kamco GCC Opportunistic Fund	Kuwait	100%	100%	2013
KAMCO Investment Company (DIFC) Limited	U.A.E.	100%	100%	2016
KAMCO Mena Plus (DIFC)	U.A.E.	58%	100%	2019
Kubbar United Real Estate Company	Kuwait	100%	100%	2019
Kuwait Private Equity Opportunity Fund	Kuwait	73%	73%	2004
Lawson Lane Investor Inc.	U.S.A.	100%	50%	2019
Nawasi United Holding Co	Kuwait	96%	100%	2017
North Africa Real Estate Co.	Kuwait	100%	100%	2014
Plans United Real Estate Company	Kuwait	100%	100%	2019
Project Plaza Investor Inc	Jersey	100%	100%	2019
Shuroq Investment Services	Oman	77%	77%	1998

### 4 CASH AND CASH EQUIVALENTS

	<i>Reviewed</i>	<i>Audited</i>	<i>Reviewed</i>
	<i>30 September</i>	<i>31 December</i>	<i>30 September</i>
	<i>2020</i>	<i>2019</i>	<i>2019</i>
	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>
Demand and call deposits with banks			
excluding mandatory reserves	<b>125,345</b>	71,051	94,402
Time deposits with original maturities of ninety days or less	<b>136,290</b>	221,533	173,263
Cash and cash equivalents gross of expected credit losses	<b>261,635</b>	292,584	267,665
Time deposits with original maturities of more than ninety days	<b>8,913</b>	14,745	23,411
Expected credit losses	-	(168)	(168)
<b>Cash and cash equivalents net of expected credit losses</b>	<b>270,548</b>	307,161	290,908

### 5 ANALYSIS OF MOVEMENT IN ECL ALLOWANCES

An analysis of movement in ECL allowances during the period 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 2020	14,130	503	8,903	23,536
Transfers from stage 1 and 2 to stage 3	(816)	(330)	1,146	-
(Reversed) provided during the period - net	(149)	419	(99)	171
Written-off during the period - net	-	-	(780)	(780)
Foreign exchange adjustments	31	(3)	(72)	(44)
As at 30 September 2020	<b>13,196</b>	<b>589</b>	<b>9,098</b>	<b>22,883</b>

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2020 (Reviewed)

### 6 ASSETS OF DISPOSAL GROUP HELD FOR SALE

During the current period, the Group acquired interest in certain special purpose vehicles (the “Entities”), for a consideration of US\$ 101 million (KWD 30.9 million) and the Entities obtained financing of US\$ 185 million (KWD 56.6 million). 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 disposed a majority interest in these Entities with the carrying value of US\$ 94,979 thousands (KWD 29,063 thousand) for a consideration of US\$ 95,535 thousand (KWD 29,235 thousand). Accordingly, a net gain on disposal of these Entities amounting to US\$ 556 thousands (KWD 170 thousands) is recognized in the interim consolidated statement of income. Furthermore, the Group received distribution amounting to US\$ 1,206 thousand (KWD 369 thousand) from these Entities. As at 30 September 2020, the Group's remaining effective interest of 4.8% amounting to US\$ 4,815 thousand (KWD 1,473 thousand) continues to be classified as “Non-current asset held for sale” in accordance with IFRS 5 - Non-current Assets held for sale as the Group actively plans to dispose its stake in these entities.

The Group concluded that the above Entities meet the criteria to be classified as held for sale for the following reasons:

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

Subsequent to the reporting date, the Group has disposed of the partial remaining majority interest in these entities. The Group's remaining interest is held through Lawson Lane Investor Inc. to provide management services for the property.

### 7 LONG TERM BONDS

	<b>Reviewed 30 September 2020 US\$ 000</b>	<b>Audited 31 December 2019 US\$ 000</b>	<b>Reviewed 30 September 2019 US\$ 000</b>
Fixed interest of 6.00% per annum and maturing on 26 July 2023, (KD 14.9 million)	<b>48,693</b>	49,151	48,997
Floating interest of CBK* discount rate + 2.75% per annum (capped at 7% per annum) and maturing on 26 July 2023, (KD 25.1 million)	<b>82,026</b>	82,797	82,539
	<b>130,719</b>	131,948	131,536

\* Central Bank of Kuwait

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2020 (Reviewed)

### 8 SHARE CAPITAL

	<i>Reviewed</i> <b>30 September</b> <b>2020</b> <b>US\$ 000</b>	<i>Audited</i> <b>31 December</b> <b>2019</b> <b>US\$ 000</b>	<i>Reviewed</i> <b>30 September</b> <b>2019</b> <b>US\$ 000</b>
Authorised share capital			
Number of shares (in thousands)	<b>500,000</b>	500,000	500,000
Par value (US\$)	<b>0.50</b>	0.50	0.50
	<b>250,000</b>	250,000	250,000
Issued and fully paid up share capital			
Number of shares (in thousands)	<b>232,263</b>	232,263	232,263
Par value (US\$)	<b>0.50</b>	0.50	0.50
	<b>116,132</b>	116,132	116,132

### 9 GOVERNMENT GRANT

Government assistance amounting to US\$ 1,924 thousand is recorded in profit or loss during the nine months period ended 30 September 2020 as the Group had no modification losses to be recorded in equity (in line with note 2). The amount was recorded as a deduction from related expenses in the interim consolidated statement of income.

### 10 PERPETUAL 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 or after 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.

## 11 RELATED PARTY TRANSACTIONS

The Group enters into transactions with its parent, associated companies, directors, senior management and entities which are either controlled or significantly influenced by such parties.

The income and expenses in respect of related party transactions during the nine-month period are included in the interim condensed consolidated financial statements and are as follows:

	Reviewed			
	Nine-month period ended 30 September 2020			
	Major shareholder US\$ 000	Associates US\$ 000	Other related parties US\$ 000	Total US\$ 000
Investment income	-	-	433	433
Fees and commissions - net*	4,648	1,464	7,925	14,037
Dividend income	-	-	260	260
Rental income	-	-	1,227	1,227
Interest income	-	-	796	796
Interest expense	(841)	-	(3,455)	(4,296)
General and administrative expenses	-	-	(1,576)	(1,576)
Others	-	12	101	113

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

\*The Bank and its parent entered into arrangement for service sharing between the two group entities. In line with the arrangement, the Bank will provide certain services and incur certain expenses on behalf of its parent.

**11 RELATED PARTY TRANSACTIONS (continued)**

The income and expenses in respect of related party transactions during the nine-month period 30 September 2019 are as follow:

	Reviewed				Total US\$ 000	
	Nine-month period ended 30 September 2019			Other related parties US\$ 000		
	Major shareholder US\$ 000	Associates US\$ 000				
Investment income	-	-		1,958	1,958	
Fees and commissions - net*	2,250	1,586		6,168	10,004	
Dividend income	-	-		566	566	
Rental income	-	-		1,717	1,717	
Interest income	-	-		1,586	1,586	
Interest expense	(623)	-		(4,706)	(5,329)	
General and administrative expenses	-	-		(343)	(343)	

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

\*The Bank and its parent entered into arrangement for service sharing between the two group entities. In line with the arrangement, the Bank will provide certain services and incur certain expenses on behalf of its parent.

**11 RELATED PARTY TRANSACTIONS (continued)**

The period-end balances in respect of related parties included in the interim condensed consolidated financial statements are as follows:

	Reviewed 30 September 2020			<i>Total</i> US\$ 000
	<i>Major</i> shareholder US\$ 000	<i>Associates</i> US\$ 000	<i>Other</i> related parties US\$ 000	
Demand and call deposits with banks	-	-	1,961	1,961
Placements with banks	-	-	26,349	26,349
Investments carried at fair value through statement of income	-	-	2,557	2,557
Investments carried at fair value through other comprehensive income*	-	-	99,966	99,966
Loans and receivables	-	-	7,286	7,286
Other assets	-	6,857	8,508	15,365
Due to banks and other financial institutions	-	-	(108,894)	(108,894)
Deposits from customers	(50,337)	(3)	(6,058)	(56,398)
Other liabilities	(9)	-	(5,386)	(5,395)
Perpetual Tier 1 Capital	-	-	(10,000)	(10,000)
<i>Off statement of financial position items:</i>				
Letters of guarantee	-	-	150	150
Investment related commitments	-	-	3,195	3,195

All related party exposures are performing as of the reporting date.

\*The ultimate parent has committed to acquire specific FVOCI investment from the Group at its carrying value of US\$ 28 million.

**11 RELATED PARTY TRANSACTIONS (continued)**

The 31 December year-end balances in respect of related parties included in the audited consolidated financial statements are as follows:

	<i>Audited</i> <i>31 December 2019</i>			
	<i>Major</i> <i>shareholder</i>	<i>Associates</i>	<i>Other</i> <i>related</i> <i>parties</i>	<i>Total</i>
	US\$ 000	US\$ 000	US\$ 000	US\$ 000
Demand and call deposits with banks	-	-	1,689	1,689
Placements with banks	-	-	25,270	25,270
Investments carried at fair value through statement of income	-	-	3,084	3,084
Investments carried at fair value through other comprehensive income	-	-	91,280	91,280
Loans and receivables	-	-	7,441	7,441
Other assets	-	3,621	7,098	10,719
Due to banks and other financial institutions	-	-	(214,811)	(214,811)
Deposits from customers	(8,032)	(673)	(5,687)	(14,392)
Other liabilities	(2)	-	(3,275)	(3,277)
Perpetual Tier 1 Capital	-	-	(10,000)	(10,000)
<i>Off statement of financial position items:</i>				
Letters of guarantee	-	-	150	150
Investment related commitments	-	-	3,195	3,195

All related party exposures are performing as of the reporting date.

\*The ultimate parent has committed to acquire specific FVOCI investment from the Group at its carrying value of US\$ 28 million.

As at 30 September 2020 (Reviewed)

**12 COMMITMENTS, CONTINGENCIES AND OTHER OFF STATEMENT OF FINANCIAL POSITION 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:

	<i>Reviewed</i> <b>30 September</b> <b>2020</b> <b>US\$ 000</b>	<i>Audited</i> <b>31 December</b> <b>2019</b> <b>US\$ 000</b>	<i>Reviewed</i> <b>30 September</b> <b>2019</b> <b>US\$ 000</b>
Credit-related commitments:			
Letters of guarantee	<b>2,074</b>	2,237	2,237
	<b>2,074</b>	2,237	2,237
Investments and loan related commitments	<b>5,162</b>	5,152	5,152
	<b>7,236</b>	7,389	7,389

**13 DERIVATIVES**

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

	<i>Positive</i> <i>fair value</i> <b>US\$ 000</b>	<i>Negative</i> <i>fair value</i> <b>US\$ 000</b>	<i>Notional</i> <i>amount</i> <b>Total</b> <b>US\$ 000</b>
<b>30 September 2020 (Reviewed)</b>			
<i>Derivatives held for trading</i>			
Forward foreign exchange contracts *	<b>3,945</b>	<b>(5,557)</b>	<b>887,379</b>
<i>Derivatives used as hedge of net investments in foreign operations</i>			
Forward foreign exchange contracts	-	<b>(84)</b>	<b>128,674</b>

\* 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 operation 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 customised contracts transacted in the over-the-counter market.

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## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2020 (Reviewed)

### 13 DERIVATIVES (continued)

	Positive fair value US\$ 000	Negative fair value US\$ 000	Notional amount US\$ 000
31 December 2019 (Audited)			
<i>Derivatives held for trading</i>			
Forward foreign exchange contracts*	1,886	(2,246)	815,428
<i>Derivatives used as hedge of net investments in foreign operations</i>			
Forward foreign exchange contracts	7	(276)	114,776
<i>Derivatives used as cash flow hedges</i>			
Interest rate swaps	148	-	75,000

\* 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 operation 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 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.

### 14 FINANCIAL INSTRUMENTS

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

	Designated at FVTPL US\$ 000	FVOCI US\$ 000	Amortised cost US\$ 000	Total US\$ 000
<b>30 September 2020</b>				
Demand and call deposits with banks	-	-	125,663	125,663
Placements with banks	-	-	145,203	145,203
Investments carried at fair value through statement of income	85,824	-	-	85,824
Investments carried at fair value through other comprehensive income	-	123,844	-	123,844
Loans and receivables	-	-	27,911	27,911
Other assets	-	-	61,314	61,314
<b>Total financial assets</b>	<b>85,824</b>	<b>123,844</b>	<b>360,091</b>	<b>569,759</b>
Due to banks and other financial institutions	-	-	173,505	173,505
Deposits from customers	-	-	68,051	68,051
Loans payable	-	-	91,093	91,093
Long term bonds	-	-	130,719	130,719
Other liabilities	1,612	84	83,592	85,288
<b>Total financial liabilities</b>	<b>1,612</b>	<b>84</b>	<b>546,960</b>	<b>548,656</b>

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## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2020 (Reviewed)

### 14 FINANCIAL INSTRUMENTS (continued)

	Designated at FVTPL US\$ 000	FVOCI US\$ 000	Amortised cost US\$ 000	Total US\$ 000
<i>31 December 2019</i>				
Demand and call deposits with banks	-	-	71,369	71,369
Placements with banks	-	-	236,110	236,110
Investments carried at fair value through statement of income	97,778	-	-	97,778
Investments carried at fair value through other comprehensive income	-	131,048	-	131,048
Investments at amortised cost	-	-	280	280
Loans and receivables	-	-	27,778	27,778
Other assets	-	148	62,174	62,322
<b>Total financial assets</b>	<b>97,778</b>	<b>131,196</b>	<b>397,711</b>	<b>626,685</b>
Due to banks and other financial institutions	-	-	307,784	307,784
Deposits from customers	-	-	22,647	22,647
Loans payable	-	-	36,875	36,875
Long-term bonds	-	-	131,948	131,948
Other liabilities	360	269	90,336	90,965
<b>Total financial liabilities</b>	<b>360</b>	<b>269</b>	<b>589,590</b>	<b>590,219</b>

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.

### 15 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.

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## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2020 (Reviewed)

### 15 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 2020:

	Level 1 US\$ 000	Level 2 US\$ 000	Level 3 US\$ 000	Total US\$ 000
<b>Assets measured at fair value</b>				
Investments carried at fair value through statement of income				
Equities - quoted	13,157	-	-	13,157
Equities - unquoted	-	-	3,128	3,128
Debt securities - quoted	12,140	-	-	12,140
Debt securities - unquoted	-	-	817	817
Managed funds	1,233	45,422	9,927	56,582
Investments carried at fair value through other comprehensive income				
Equities - quoted	3,197	-	-	3,197
Equities - unquoted	-	-	120,615	120,615
Managed funds	-	-	32	32
Investment properties	-	-	102,197	102,197
	<b>29,727</b>	<b>45,422</b>	<b>236,716</b>	<b>311,865</b>
<b>Liabilities measured at fair value</b>				
Derivatives				
Forward foreign exchange contracts	-	(1,696)	-	(1,696)
	<b>-</b>	<b>(1,696)</b>	<b>-</b>	<b>(1,696)</b>

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 2019:

	Level 1 US\$ 000	Level 2 US\$ 000	Level 3 US\$ 000	Total US\$ 000
<b>Assets measured at fair value</b>				
Investments carried at fair value through statement of income				
Equities - quoted	13,545	-	-	13,545
Debt securities - quoted	12,245	-	-	12,245
Unquoted equities	-	-	4,335	4,335
Unquoted debt securities	-	-	825	825
Managed funds	3,494	49,193	14,141	66,828
Investments carried at fair value through other comprehensive income				
Equities - quoted	2,284	-	-	2,284
Equities - unquoted	-	-	127,758	127,758
Managed funds	-	-	1,006	1,006
Derivatives				
Interest rate swap	-	148	-	148
Investment properties	-	-	102,713	102,713
	<b>31,568</b>	<b>49,341</b>	<b>250,778</b>	<b>331,687</b>
<b>Liabilities measured at fair value</b>				
Derivatives				
Forward foreign exchange contracts	-	(629)	-	(629)
	<b>-</b>	<b>(629)</b>	<b>-</b>	<b>(629)</b>

As at 30 September 2020 (Reviewed)

**15 FAIR VALUE MEASUREMENT (continued)**

**Transfers between Level 1, Level 2 and Level 3**

During the nine-month period ended 30 September 2020 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 2019: same). The following table shows a reconciliation of the opening and closing amount of level 3 financial instruments which are recorded at fair value:

	<i>As at</i> <i>1 January</i> <i>2020</i> <i>US\$'000</i>	<i>Net purchases,</i> <i>sales,</i> <i>transfer and</i> <i>settlement</i> <i>US\$'000</i>	<i>Loss recorded</i> <i>in the</i> <i>statement</i> <i>of income</i> <i>US\$'000</i>	<i>Loss</i> <i>recognised</i> <i>in OCI</i> <i>US\$'000</i>	<i>As at</i> <i>30 September</i> <i>2020</i> <i>US\$'000</i>
<i>Investments carried at fair value through statement of income</i>					
Equities - unquoted					
Equities - unquoted	4,335	(20)	(1,187)	-	3,128
Debt securities - unquoted	825	9	(17)	-	817
Managed funds	14,141	(3,402)	(812)	-	9,927
	<b>19,301</b>	<b>(3,413)</b>	<b>(2,016)</b>	<b>-</b>	<b>13,872</b>
<i>Investments carried at fair value through other comprehensive income</i>					
Equities - unquoted					
Equities - unquoted	127,758	367	-	(7,510)	120,615
Managed funds	1,006	-	-	(974)	32
	<b>128,764</b>	<b>367</b>	<b>-</b>	<b>(8,484)</b>	<b>120,647</b>
Investment properties	<b>102,713</b>	<b>-</b>	<b>(516)</b>	<b>-</b>	<b>102,197</b>

As at 30 September 2020

**16 REGULATORY RATIOS**

**Liquidity Coverage Ratio ("LCR")**

	<i>'30 September 2020</i>	<i>31 December 2019</i>
Solo	128%	148%
Consolidated	392%	409%

**The Net Stable Funding Ratio ("NSFR")**

The Net Stable Funding Ratio ("NSFR") is calculated in accordance with the Liquidity Risk Management Module guidelines, as issued by the CBB and is effective from 1 January 2019. As per the recent CBB circular OG/106/2020 dated 17 March 2020, the limit for NSFR has been reduced from 100% to 80% for a period of six months, to provide support against the impacts of COVID-19. The Group's consolidated NSFR as of 30 September 2020 is 99% (31 December 2019: 118%).

85% of the total available stable funding is made up of the Group's capital base with only 1% comprising of funding which is due to be repaid in 6 months or more.

The Group's Required Stable Funding ("RSF") comprises of 79% assets that have indefinite maturity, 17% that have contractual maturities of less than 6 months, and 5% non-HQLA (High Quality Liquid Assets) assets (after application of risk weights).

	<i>Unweighted values</i>				
	No specified maturity	<i>More than 6 months and less than one year</i>			<i>Total weighted value</i>
		<i>Less than 6 months</i>	<i>US\$ 000</i>	<i>Over one year</i>	
<b>Available Stable Funding</b>					
Capital	245,220	-	-	236,638	481,858
Secured and unsecured funding	-	76,132	5,639	-	2,819
<b>Total available stable funding</b>	<b>245,220</b>	<b>76,132</b>	<b>5,639</b>	<b>236,638</b>	<b>484,677</b>

**Required Stable Funding**

Unencumbered Non-HQLA securities that are not in default and exchange-traded equities in cases where the issuer is not in default	-	-	47,438	-	23,719
Loans	-	112,849	-	-	18,427
Deposits held at other financial institutions for operational purposes	-	126,460	-	-	63,230
All other assets including fixed assets, items deducted from regulatory capital, insurance assets and defaulted securities	385,763	-	-	-	385,763
<i>Off-Balance Sheet exposures</i>					
Trade finance-related obligations (including guarantees and letters of credit)	2,237	-	-	-	111
<b>Total required stable funding</b>	<b>388,000</b>	<b>239,309</b>	<b>47,438</b>	<b>-</b>	<b>491,250</b>
<b>NET STABLE FUNDING RATIO</b>					
					<b>98.7%</b>

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SUPPLEMENTARY FINANCIAL INFORMATION

As at 30 September 2020

**(The attached schedules do not form part of the reviewed  
interim condensed consolidated financial statements)**

As at 30 September 2020

**COVID-19 IMPACT**

During the period ended 30 September 2020, there was an outbreak of coronavirus (COVID-19). The existing and anticipated effects of the outbreak on the global economy is expected to continue to evolve. While these developments continue to impact the Bank's operations, the scale and duration of further developments remain uncertain at this stage and could potentially further impact the Bank's financial position, financial performance and cash flows in the future, the extent of which is presently undeterminable. The Group is monitoring the situation closely, and has undertaken various risk minimisation and management practices to limit and minimise the impact on the Group's operations, financial position and performance.

The Group's Board of Directors and management has been monitoring the impact of COVID-19 on the Group's revenues, impact on valuations of assets and impairments, etc. The Group's contingency plans were activated including business continuity, liquidity management etc.

The regulators in various jurisdictions announced several measures to combat the effects of COVID-19 to assist banks in operating with adequate liquidity and in complying with regulatory requirements. These included payment holiday for 6 months to eligible customers, 0% concessionary repo facilities to banks, reduction of cash reserve requirements from 5% to 3%, reduction in liquidity coverage ratio and net stable funds ratio from 100% to 80%, and the modification losses and additional ECL provisions on Stage 1 and Stage 2 exposures to be added back to Tier 1 capital for two years.

Since the Bank does not provide any retail loans to customers within the Kingdom of Bahrain, no modification losses or significant incremental ECL provisions were recorded or are being added back to the Bank's Tier 1 capital for the purpose of calculating capital adequacy ratios.

The Government of the Kingdom of Bahrain has announced various stimulus programmes to support businesses. The Bank received, for certain months, financial assistance in the form of reimbursement of a portion of staff costs and waiver of utility charges during the nine-month period to 30 September 2020 amounting to US\$ 524 thousand. Further, the Government of the State of Kuwait has announced similar programmes to support business by reimbursing portion of the salaries paid to the Kuwaiti employees. As a result, the Bank's subsidiary, KAMCO Invest received reimbursements amounting to US\$ 1,400 thousand during the period.

**Impact on financial statements**

The following table summarises the impact that COVID-19 has had on different classes of assets for the nine-month period to 30 September 2020:

<b>Impact on:</b>	<b><u>Net impact on the Group's consolidated Statement of</u></b>		
	<b>Statement of</b>	<b>Other</b>	
	<b>Income</b>	<b>Financial</b>	<b>Comprehen-</b>
	<b>Statement</b>	<b>Position</b>	<b>sive income</b>
	<b>US\$ 000</b>	<b>US\$ 000</b>	<b>US\$ 000</b>
Real estate assets	(3,037)	(3,037)	-
Investments at fair value through profit or loss	(12,721)	(12,721)	-
Investments at fair value through other comprehensive income	-	(366)	(366)
Investments in associates	(8,141)	(8,141)	-
Loans, receivables and other assets	(1,519)	(1,519)	-
Other impacts	(2,025)	-	-

**COVID-19 IMPACT**

**Going concern**

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

This information has not been subject to any review by external auditors.