

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

**30 JUNE 2021 (REVIEWED)**

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

### ***Introduction***

We have reviewed the accompanying interim condensed consolidated financial statements of United Gulf Bank B.S.C. (c) (the "Bank") and its subsidiaries (together the "Group") as at 30 June 2021, comprising the interim consolidated statement of financial position as at 30 June 2021 and the related interim consolidated statements of income and comprehensive income for the three-month and six-month periods then ended and the related interim consolidated statements of cash flows and changes in equity for the six-month period then ended and explanatory notes. The Board of Directors of the Bank is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 Interim Financial Reporting (IAS 34) as modified by the Central Bank of Bahrain ("CBB"). 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. 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.

### ***Other matter***

Due to the outbreak of the novel coronavirus (COVID-19) in early 2020, the Central Bank of Bahrain vide its circular OG/124/2020 dated 30 March 2020 had exempted all public shareholding companies and locally incorporated banks from preparation and publication of interim condensed financial statements for the three-month period ended 31 March 2020. Accordingly, we have not reviewed the comparative information for the three-month period ended 30 June 2020 presented in these interim condensed consolidated financial statements which have been extracted from management accounts and, we do not express any review conclusion on them.

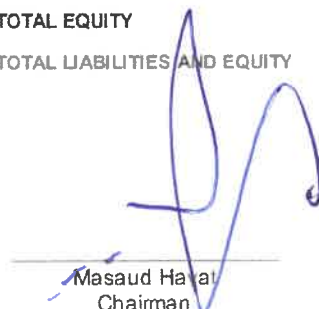


12 August 2021  
Manama, Kingdom of Bahrain

**United Gulf Bank B.S.C. (c)**
**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 30 June 2021 (Reviewed)

		<i>Reviewed</i> <b>30 June</b> <b>2021</b> <b>US\$ 000</b>	<i>Audited</i> <b>31 December</b> <b>2020</b> <b>US\$ 000</b>	<i>Reviewed</i> <b>30 June</b> <b>2020</b> <b>US\$ 000</b>
	<i>Notes</i>			
<b>ASSETS</b>				
Demand and call deposits with banks		135,688	111,000	162,091
Placements with banks		63,413	72,486	103,551
Investments carried at fair value through statement of income		80,440	71,836	77,975
Investments carried at fair value through other comprehensive income		118,934	120,089	120,484
Loans and receivables		33,340	33,098	27,841
Other assets		61,329	62,729	63,425
Investments in associates		76,734	64,675	65,509
Investment properties	6	135,023	98,716	101,884
Property and equipment	6	16,190	47,666	50,142
Goodwill and other intangible assets		63,815	64,242	64,835
Assets of disposal group held for sale		-	-	41,360
<b>TOTAL ASSETS</b>		<b>784,906</b>	<b>746,537</b>	<b>879,097</b>
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
Due to banks and other financial institutions		186,647	167,519	154,702
Deposits from customers		43,754	42,053	77,174
Loans payable		26,652	32,906	131,896
Long term bonds	7	133,027	131,497	129,980
Other liabilities		80,450	79,601	83,770
<b>TOTAL LIABILITIES</b>		<b>470,530</b>	<b>453,576</b>	<b>577,522</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	52,032
General reserve		31,763	31,763	31,763
Fair value reserve		(4,499)	(10,720)	(8,972)
Foreign currency translation reserve		(5,045)	(4,693)	(5,597)
(Accumulated deficit) / retained earnings		(4,204)	(8,959)	2,170
<b>CAPITAL AND RESERVES ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT</b>		<b>191,866</b>	<b>181,242</b>	<b>193,215</b>
Perpetual Additional Tier 1 capital	9	33,000	33,000	33,000
Non-controlling interests		89,510	78,719	75,360
<b>TOTAL EQUITY</b>		<b>314,376</b>	<b>292,961</b>	<b>301,575</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>784,906</b>	<b>746,537</b>	<b>879,097</b>



Masaud Haval  
Chairman



Faisal Al Ayyar  
Vice Chairman



Hussain Lalani  
Chief Executive Officer

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

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

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the six-month period ended 30 June 2021 (Reviewed)

	Three-month period ended 30 June		Six-month period ended 30 June	
	2021 Reviewed US\$ 000	2020 Unreviewed US\$ 000	2021 Reviewed US\$ 000	2020 Reviewed US\$ 000
Note				
<b>Continuing operations</b>				
Investment income (loss) - net	14,492	3,956	19,364	(6,561)
Interest income	1,753	1,021	3,436	2,735
	16,245	4,977	22,800	(3,826)
Fees and commissions - net	18,183	10,951	29,916	31,123
Foreign currency translation (loss) gain - net	(646)	1,657	(1,012)	176
Share of results of associates - net	4,656	104	5,884	(7,151)
<b>Total income</b>	38,438	17,689	57,588	20,322
Interest expense	(4,318)	(4,499)	(7,765)	(9,119)
Operating income before expenses and provisions	34,120	13,190	49,823	11,203
Salaries and benefits	(14,761)	(5,556)	(23,149)	(16,298)
General and administrative expenses	(4,842)	(3,993)	(8,752)	(10,570)
<b>Operating income (loss) before provisions and tax</b>	14,517	3,641	17,922	(15,665)
Expected credit losses - net	(72)	2,266	(309)	(355)
<b>Profit (loss) before tax from continuing operations</b>	14,445	5,907	17,613	(16,020)
Taxation - net	8	45	1	(35)
<b>PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS</b>	14,453	5,952	17,614	(16,055)
<b>Discontinued operations</b>				
Net profit from discontinued operations	-	26	-	444
<b>NET PROFIT (LOSS) FOR THE PERIOD</b>	14,453	5,978	17,614	(15,611)
<b>Net profit (loss) for the period attributable to:</b>				
<b>Shareholders of the parent</b>				
- from continuing operations	7,900	4,937	9,035	(10,457)
- from discontinued operation	-	15	-	266
	7,900	4,952	9,035	(10,191)
<b>Non-controlling interests</b>				
- from continuing operations	6,553	1,015	8,579	(5,598)
- from discontinued operation	-	11	-	178
	6,553	1,026	8,579	(5,420)

Masoud Hayat  
Chairman

Faisal Al Ayyar  
Vice Chairman

Hussain Lalani  
Chief Executive Officer

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

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

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six-month period ended 30 June 2021 (Reviewed)

	<i>Three-month period ended 30 June</i>		<i>Six-month period ended 30 June</i>	
	<b>2021</b>	2020	<b>2021</b>	2020
	<i>Reviewed</i>	<i>Unreviewed</i>	<i>Reviewed</i>	<i>Reviewed</i>
	<b>US\$ 000</b>	<b>US\$ 000</b>	<b>US\$ 000</b>	<b>US\$ 000</b>
<b>NET PROFIT (LOSS) FOR THE PERIOD</b>	<b>14,453</b>	5,978	<b>17,614</b>	(15,611)
<b>Other comprehensive income (loss)</b>				
<i>Items that may be reclassified to profit or loss in subsequent periods</i>				
Foreign currency translation reserve	<b>464</b>	4,446	<b>492</b>	(2,997)
Fair value changes of investments carried at fair value through other comprehensive income	<b>4,615</b>	(2,234)	<b>6,794</b>	(3,647)
Cash flow hedges	<b>(19)</b>	-	<b>(19)</b>	(129)
	<b>5,060</b>	2,212	<b>7,267</b>	(6,773)
<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	<b>(3,288)</b>	(1,489)	<b>(1,453)</b>	(4,208)
Total other comprehensive income (loss)	<b>1,772</b>	723	<b>5,814</b>	(10,981)
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD</b>	<b>16,225</b>	6,701	<b>23,428</b>	(26,592)
<b>Total comprehensive income (loss) attributable to:</b>				
- shareholders of the parent	<b>7,886</b>	6,343	<b>12,376</b>	(15,971)
- non-controlling interests	<b>8,339</b>	358	<b>11,052</b>	(10,621)
	<b>16,225</b>	6,701	<b>23,428</b>	(26,592)

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

# INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2021 (Reviewed)

		Six-month period ended 30 June	
	Note	2021 Reviewed US\$ 000	2020 Reviewed US\$ 000
<b>OPERATING ACTIVITIES</b>			
Profit (loss) before tax from continuing operations		17,613	(16,020)
Net profit from discontinued operations		-	444
		<b>17,613</b>	<b>(15,576)</b>
Adjustments for non-cash items:			
Interest expense		7,765	9,119
Depreciation and amortisation		1,744	1,810
Interest income		(3,436)	(2,735)
(Gain) loss on investments carried at fair value through statement of income		(13,509)	11,886
Share of results of associates - net		(5,884)	7,151
Expected credit losses - net		309	355
Gain on sale of an associate		-	(1,412)
Net profit from discontinued operations		-	(444)
		<b>4,602</b>	<b>10,154</b>
Operating profit before working capital changes			
Changes in operating assets and liabilities:			
Placements with banks with original maturities of more than ninety days		3,852	13,608
Investments carried at fair value through statement of income		4,905	7,917
Investments carried at fair value through other comprehensive income		3,519	(383)
Investments carried at amortised cost		-	280
Loans and receivables		-	302
Other assets		553	(927)
Due to banks and other financial institutions		19,128	(153,082)
Deposits from customers		1,701	54,527
Other liabilities		389	(4,745)
		<b>38,649</b>	<b>(72,349)</b>
Interest received		3,711	2,799
Interest paid		(7,060)	(11,124)
Directors' remuneration paid		(195)	(195)
Donations paid		(50)	(250)
		<b>35,055</b>	<b>(81,119)</b>
Net cash flows from (used in) operating activities			
<b>INVESTING ACTIVITIES</b>			
Acquisition of assets held for sale		-	(40,916)
Investments in associates - net		(6,175)	4,526
Property and equipment - net		(2,224)	653
		<b>(8,399)</b>	<b>(35,737)</b>
Net cash flows used in investing activities			
<b>FINANCING ACTIVITIES</b>			
Proceeds from new term loans		3,417	95,021
Repayment of term loans		(9,671)	-
Interest payment on Additional Tier 1 capital		(1,752)	(1,761)
		<b>(8,006)</b>	<b>93,260</b>
Net cash flows (used in) from financing activities			
Foreign currency translation adjustments - net		1,078	(1,139)
Movement in non-controlling interests		(261)	(3,076)
		<b>19,467</b>	<b>(27,811)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>168,334</b>	<b>267,314</b>
Cash and cash equivalents at 1 January			
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	4	<b>187,801</b>	<b>239,503</b>

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

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

## INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2021 (Reviewed)

	<i>Attributable to shareholders of the parent</i>							<i>Total before non-controlling interests</i>	<i>Perpetual Additional Tier 1 capital</i>	<i>Non-controlling interests</i>	<i>Total equity</i>
	<i>Share capital</i>	<i>Share premium</i>	<i>Statutory reserve</i>	<i>General reserve</i>	<i>Fair value reserve</i>	<i>Foreign currency translation reserve</i>	<i>(Accumulated deficit) Retained earnings</i>				
	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>
Balance at 1 January 2021	116,132	5,687	52,032	31,763	(10,720)	(4,693)	(8,959)	181,242	33,000	78,719	292,961
Profit for the period	-	-	-	-	-	-	9,035	9,035	-	8,579	17,614
Other comprehensive income (loss) for the period	-	-	-	-	3,693	(352)	-	3,341	-	2,473	5,814
Total comprehensive income (loss) for the period	-	-	-	-	3,693	(352)	9,035	12,376	-	11,052	23,428
Transfer upon disposal of equity investments carried at fair value through other comprehensive income	-	-	-	-	2,528	-	(2,528)	-	-	-	-
Interest payment on Additional Tier 1 capital	-	-	-	-	-	-	(1,752)	(1,752)	-	-	(1,752)
Other movements in non-controlling interests - net	-	-	-	-	-	-	-	-	-	(261)	(261)
<b>Balance at 30 June 2021</b>	<b>116,132</b>	<b>5,687</b>	<b>52,032</b>	<b>31,763</b>	<b>(4,499)</b>	<b>(5,045)</b>	<b>(4,204)</b>	<b>191,866</b>	<b>33,000</b>	<b>89,510</b>	<b>314,376</b>
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	-	-	-	-	-	-	(10,191)	(10,191)	-	(5,420)	(15,611)
Other comprehensive loss for the period	-	-	-	-	(4,752)	(1,028)	-	(5,780)	-	(5,201)	(10,981)
Total comprehensive loss for the period	-	-	-	-	(4,752)	(1,028)	(10,191)	(15,971)	-	(10,621)	(26,592)
Transfer upon disposal of equity investments carried at fair value through other comprehensive income	-	-	-	-	1,789	-	(1,789)	-	-	-	-
Interest payment on Additional Tier 1 capital	-	-	-	-	-	-	(1,761)	(1,761)	-	-	(1,761)
Other movements in non-controlling interests - net	-	-	-	-	-	-	-	-	-	(3,076)	(3,076)
<b>Balance at 30 June 2020</b>	<b>116,132</b>	<b>5,687</b>	<b>52,032</b>	<b>31,763</b>	<b>(8,972)</b>	<b>(5,597)</b>	<b>2,170</b>	<b>193,215</b>	<b>33,000</b>	<b>75,360</b>	<b>301,575</b>

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2021 (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).

These interim condensed consolidated financial statements were authorised for issue by the Board of Directors on 12 August 2021.

### 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

#### Basis of preparation

The interim condensed consolidated financial statements of the Group are prepared in accordance with applicable rules and regulations issued by the Central Bank of Bahrain ("CBB") including the CBB circulars issued 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), 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.
- (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.

The above framework for basis of preparation of the annual consolidated 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'.



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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2021 (Reviewed)

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Basis of preparation (continued)**

These interim condensed consolidated financial statements do not contain all the information and disclosures required for the annual consolidated financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2020. In addition, results for the six-month period ended 30 June 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

These interim condensed consolidated financial statements are reviewed, not audited. Due to the outbreak of the novel coronavirus (COVID-19), the Central Bank of Bahrain had exempted all public shareholding companies and locally incorporated banks from preparation and publication of their interim condensed consolidated financial statements for the three-month period ended 31 March 2020. Accordingly, the comparatives for the interim consolidated statement of financial position have been extracted from the audited consolidated financial statements for the year ended 31 December 2020 while the comparatives for the interim consolidated statements of income, comprehensive income, cash flows and changes in equity and related notes have been extracted from the management accounts for the six-month period ended 30 June 2020. Further, the comparative information included in the statements of income, comprehensive income, cash flows and changes in owners' equity and related notes are not reviewed by external auditors.

**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 2020, except for the modifications disclosed earlier and the adoption of new standards and interpretations effective as of 1 January 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

**New and amended standards and interpretations adopted by the Group**

***Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7 (IBOR reform phase 1)***

On August 27, 2020, the IASB issued Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (the amendments). The amendments introduce various practical expedients with respect to changes arising due to IBOR reform as explained below:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the IBOR reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

**New and amended standards and interpretations adopted by the Group**

**Amendments to IFRS 16 Covid-19 Related Rent Concessions**

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. This had no material impact on the interim condensed consolidated financial statements of the Group.

These amendments had no impact on the interim condensed consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2021 (Reviewed)

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

***Reference to the Conceptual Framework – Amendments to IFRS 3***

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

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

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

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

The Group's management is currently assessing the impact of these amendments on the consolidated financial statements of the Group.

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

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

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

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received by the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

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

The Group's management is currently assessing the impact of these amendments on the consolidated financial statements of the Group.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2021 (Reviewed)

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)****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 2020.

**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 June 2021. 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 report date of the Bank. The basis of consolidation used in these interim condensed consolidated financial statements of the Group is consistent to the basis of consolidation used and disclosed in the annual consolidated financial statements of the Group for the year ended 31 December 2020.

The principal subsidiaries of the Bank are as follows:

Name of the subsidiary	Country of incorporation	Legal ownership		Year of incorporation
		30 June 2021	31 December 2020	
<b>Held directly</b>				
KAMCO Investment Company K.S.C.P. [KAMCO]	Kuwait	60%	60%	1998
United Gulf Financial Services Company - North Africa [UGFS-NA]	Tunisia	84%	84%	2008
United Gulf Asset Company W.L.L.	Bahrain	100%	100%	2017
United Gulf Realty International, Ltd [UGRIL]	British Virgin Islands	100%	100%	2012
<b>Held through KAMCO</b>				
Al Dhiyafa United Real Estate Company W.L.L.	Kuwait	100%	100%	2007
Al Jazi Money Market Fund	Kuwait	51%	51%	2007
Al Tadamon United Holding Co	Kuwait	96%	96%	2017
Al Zad Real Estate W.L.L.	Kuwait	99%	99%	2007
Bukeye Power Project Advisory Co	U.S.A.	48%	48%	2017
Bukeye Power Project Manager Ltd	Jersey	100%	100%	2017
Carnation Advisory Company LLC	U.S.A.	75%	75%	2018
<b>Held through KAMCO</b>				
Carnation Manager limited	U.K.	100%	100%	2018
Centerstone Investor	Jersey	100%	100%	2020
First Brokerage	Kuwait	93%	93%	1985
Global Saudi	Saudi Arabia	100%	100%	2016
KAMCO Investment Company (DIFC) Limited	U.A.E.	100%	100%	2016
KAMCO Egypt Holding Ltd	U.A.E.	100%	100%	2018
Kamco GCC Opportunistic Fund	Kuwait	91%	100%	2013
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%	100%	2019
Nawasi United Holding Co	Kuwait	96%	96%	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
<b>Held through UGFS-NA</b>				
United Gulf Financial Services UGAS	Tunisia	100%	100%	2010

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2021 (Reviewed)

**4 CASH AND CASH EQUIVALENTS**

	<i>Reviewed</i> <b>30 June</b> <i>2021</i> <b>US\$ 000</b>	<i>Audited</i> <i>31 December</i> <i>2020</i> <i>US\$ 000</i>	<i>Reviewed</i> <i>30 June</i> <i>2020</i> <i>US\$ 000</i>
Demand and call deposits with banks	<b>135,688</b>	111,000	162,091
Placements with banks	<b>63,413</b>	72,486	103,551
	<b>199,101</b>	183,486	265,642
Adjusted for:			
Mandatory reserves	<b>318</b>	318	318
Time deposits with original maturities of more than ninety days	<b>10,982</b>	14,834	26,408
Expected credit losses	-	-	(587)
<b>Cash and cash equivalents</b>	<b>187,801</b>	168,334	239,503

**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>
<b>Reviewed</b>				
As at 1 January 2021	14,277	928	8,506	23,711
Transfers to stage 3	(423)	(143)	566	-
Provided (reversed) during the period - net	553	-	(244)	309
Written-off during the period	-	-	(430)	(430)
Foreign exchange adjustments	88	2	99	189
<b>As at 30 June 2021</b>	<b>14,495</b>	<b>787</b>	<b>8,497</b>	<b>23,779</b>

An analysis of movement in ECL allowances during the six-month period ended 30 June 2020 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>
<b>Reviewed</b>				
As at 1 January 2020	14,130	503	8,903	23,536
Transfers to stage 3	(16)	(330)	346	-
(Reversed) provided during the period - net	(85)	419	21	355
Written-off during the period	(809)	-	33	(776)
Foreign exchange adjustments	8	(121)	(320)	(433)
<b>As at 30 June 2020</b>	<b>13,228</b>	<b>471</b>	<b>8,983</b>	<b>22,682</b>

**6 INVESTMENT PROPERTIES / PROPERTY AND EQUIPMENT**

During the period, a property consisting of land and building was transferred from property and equipment to investment properties, since the majority of the property is being leased out to third parties and no longer being occupied by the Group. At the date of reclassification, the fair value was determined by an independent valuer. At the date of the reclassification, the carrying value of the property was US\$ 32,383 thousand and its fair value was estimated to be US\$ 35,853 thousand. Accordingly, the increase of US\$ 3,471 thousand was recorded in the interim consolidated statement of comprehensive income. The methodology, valuation techniques and significant unobservable inputs used in measuring the fair value of the building at the date of transfer were the same as those applied to investment properties as at 31 December 2020.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2021 (Reviewed)

**7 LONG TERM BONDS**

	<i><b>Reviewed</b></i> <i><b>30 June</b></i> <i><b>2021</b></i> <i><b>US\$ 000</b></i>	<i><b>Audited</b></i> <i><b>31 December</b></i> <i><b>2020</b></i> <i><b>US\$ 000</b></i>	<i><b>Reviewed</b></i> <i><b>30 June</b></i> <i><b>2020</b></i> <i><b>US\$ 000</b></i>
Fixed interest of 6.00% per annum and maturing on 26 July 2023, (KD 14.9 million)	<b>49,553</b>	48,983	48,418
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>83,474</b>	82,514	81,562
	<b>133,027</b>	131,497	129,980

\* Central Bank of Kuwait

**8 SHARE CAPITAL**

	<i><b>Reviewed</b></i> <i><b>30 June</b></i> <i><b>2021</b></i>	<i><b>Audited</b></i> <i><b>31 December</b></i> <i><b>2020</b></i>	<i><b>Reviewed</b></i> <i><b>30 June</b></i> <i><b>2020</b></i>
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
Authorised share capital (US'000)	<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
Issued and fully paid up share capital (US'000)	<b>116,132</b>	116,132	116,132

**9 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 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.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2021 (Reviewed)

**10 RELATED PARTY TRANSACTIONS AND BALANCES**

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 six-month period 30 June 2021 and included in the interim condensed consolidated financial statements and are as follows:

	Reviewed			
	Six-month period ended 30 June 2021			
	Major shareholder US\$ 000	Associates US\$ 000	Other related parties US\$ 000	Total US\$ 000
Fees and commissions - net*	995	1,123	4,225	6,343
Dividend income	-	-	653	653
Rental income	-	-	1,118	1,118
Interest income	-	-	1,619	1,619
Interest expense	(438)	-	(2,754)	(3,192)
General and administrative expenses	-	-	(642)	(642)
Others	-	-	50	50

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

\*The Bank and its parent entered into arrangement for service sharing between the two group entities. In line with the arrangement, the Bank provides certain services charges for such services to the Parent

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2021 (Reviewed)

**10 RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

The income and expenses in respect of related party transactions during the six-month period 30 June 2020 and included in the interim condensed consolidated financial statements and are as follows:

	Reviewed			
	Six-month period ended 30 June 2020			
	Major shareholder	Associates	Other related parties	Total
	US\$ 000	US\$ 000	US\$ 000	US\$ 000
Gain on investments carried at fair value through statement of income - net	-	-	433	433
Fees and commissions - net*	2,992	965	3,944	7,901
Dividend income	-	-	8	8
Rental income	-	-	668	668
Interest income	-	-	356	356
Interest expense	(408)	-	(2,291)	(2,699)
General and administrative expenses	-	-	(1,115)	(1,115)

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 provides certain services charges for such services to the Parent

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2021 (Reviewed)

**10 RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

The balances as of 30 June 2021 in respect of related parties included in the interim condensed consolidated financial statements are as follows:

	<i>Reviewed</i> <i>30 June 2021</i>		
	<i>Major shareholder</i> <i>US\$ 000</i>	<i>Associates</i> <i>US\$ 000</i>	<i>Other related parties</i> <i>US\$ 000</i>
			<i>Total</i> <i>US\$ 000</i>
Demand and call deposits with banks	-	-	2,778
Placements with banks	-	-	24,190
Investments carried at fair value through statement of income	-	-	1,977
Investments carried at fair value through other comprehensive income*	-	-	81,390
Loans and receivables	-	-	7,299
Other assets	-	7,064	7,201
Due to banks and other financial institutions	-	-	(104,182)
Deposits from customers	(27,359)	(12)	(6,010)
Other liabilities	(4)	-	(3,828)
Perpetual Additional Tier 1 Capital	-	-	(10,000)
<i>Off statement of financial position items:</i>			
Letters of guarantee	-	-	150



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2021 (Reviewed)

**10 RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

The balances as of 31 December 2020 in respect of related parties included in the interim condensed consolidated financial statements are as follows:

	Audited 31 December 2020			
	Major shareholder US\$ 000	Associates US\$ 000	Other related parties US\$ 000	Total US\$ 000
Demand and call deposits with banks	-	-	3,903	3,903
Placements with banks	-	-	28,370	28,370
Investments carried at fair value through statement of income	-	-	2,052	2,052
Investments carried at fair value through other comprehensive income	-	-	83,428	83,428
Loans and receivables	-	-	7,534	7,534
Other assets	191	6,842	7,128	14,161
Due to banks and other financial institutions	-	-	(97,627)	(97,627)
Deposits from customers	(28,073)	(166)	(5,234)	(33,473)
Other liabilities	35	-	(3,813)	(3,778)
Perpetual Additional Tier 1 Capital	-	-	(10,000)	(10,000)
<i>Off statement of financial position items:</i>				
Letters of guarantee	-	-	150	150

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

Compensation of key management personnel was as follows:

	<b><i>Reviewed</i></b> <b><i>30 June</i></b> <b><i>2021</i></b> <b><i>US\$ 000</i></b>	<b><i>Reviewed</i></b> <b><i>30 June</i></b> <b><i>2020</i></b> <b><i>US\$ 000</i></b>
Employee benefits	<b>3,162</b>	<b>3,371</b>

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

For other transactions with related parties refer to note 11 to these interim condensed consolidated financial statements.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2021 (Reviewed)

**11 COMMITMENTS, CONTINGENCIES AND OTHER OFF BALANCE SHEET ITEMS****Commitments**

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

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

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

	<b>Reviewed 30 June 2021 US\$ 000</b>	<i>Audited 31 December 2020 US\$ 000</i>	<b>Reviewed 30 June 2020 US\$ 000</b>
Credit-related commitments:			
Letters of guarantee	<b>2,207</b>	2,277	2,073
Investments and loan related commitments	<b>150</b>	273	5,154
	<b>2,357</b>	2,550	7,227

**Off-balance sheet items (Offsetting)**

The Group has interest bearing receivables from and payables to related parties amounting to US\$ 330.5 million (2020: US\$ 325 million). These receivables and payables have been offset in these interim condensed consolidated financial statements as the criteria for offsetting of financial instruments has been met. Interest income and interest expense on these related party balances amounting to US\$ 1,467 thousand and US\$ 748 thousand respectively for the six-month period ended 30 June 2021 (30 June 2020: US\$ 80 thousand and \$ 49 thousand respectively) have been recorded in these interim condensed consolidated financial statements.

**12 DERIVATIVES**

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

	<b>Positive fair value US\$ 000</b>	<b>Negative fair value US\$ 000</b>	<b>Notional amount total US\$ 000</b>
<b>30 June 2021 (Reviewed)</b>			
<b>Derivatives held for trading</b>			
Forward foreign exchange contracts	<b>2,069</b>	<b>(2,561)</b>	<b>820,272</b>
<b>Derivatives used as hedge of net investments in foreign operations</b>			
Forward foreign exchange contracts	<b>-</b>	<b>(230)</b>	<b>143,783</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2021 (Reviewed)

**12 DERIVATIVES (continued)**

	<i>Positive fair value</i>	<i>Negative fair value</i>	<i>Notional amount Total</i>
	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>
31 December 2020 (Audited)			
<i>Derivatives held for trading</i>			
Forward foreign exchange contracts	3,000	(4,005)	960,903
<i>Derivatives used as hedge of net investments in foreign operations</i>			
Forward foreign exchange contracts	463	-	149,382
<i>Derivatives used as cash flow hedges</i>			

The Group uses foreign currency denominated borrowings and forward currency contracts to manage some of its 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.

**13 FINANCIAL INSTRUMENTS**

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

	<i>Designated at FVTPL</i>	<i>FVOCI</i>	<i>Amortised cost</i>	<i>Total</i>
	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>
<b>30 June 2021 (reviewed)</b>				
Demand and call deposits with banks	-	-	135,688	135,688
Placements with banks	-	-	63,413	63,413
Investments carried at fair value through statement of income	80,440	-	-	80,440
Investments carried at fair value through other comprehensive income	-	118,934	-	118,934
Loans and receivables	-	-	33,340	33,340
Other assets	-	-	59,030	59,030
<b>Total financial assets</b>	<b>80,440</b>	<b>118,934</b>	<b>291,471</b>	<b>490,845</b>
Due to banks and other financial institutions	-	-	186,647	186,647
Deposits from customers	-	-	43,754	43,754
Loans payable	-	-	26,652	26,652
Long term bonds	-	-	133,027	133,027
Other liabilities	492	230	79,728	80,450
<b>Total financial liabilities</b>	<b>492</b>	<b>230</b>	<b>469,808</b>	<b>470,530</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2021 (Reviewed)

**13 FINANCIAL INSTRUMENTS (continued)**

	<i>Designated at FVTPL US\$ 000</i>	<i>FVOCI US\$ 000</i>	<i>Amortised cost US\$ 000</i>	<i>Total US\$ 000</i>
<i>31 December 2020 (audited)</i>				
Demand and call deposits with banks	-	-	111,000	111,000
Placements with banks	-	-	72,486	72,486
Investments carried at fair value through statement of income	71,836	-	-	71,836
Investments carried at fair value through other comprehensive income	-	120,089	-	120,089
Loans and receivables	-	-	33,098	33,098
Other assets	-	463	60,993	61,456
<b>Total financial assets</b>	<b>71,836</b>	<b>120,552</b>	<b>277,577</b>	<b>469,965</b>
Due to banks and other financial institutions	-	-	167,519	167,519
Deposits from customers	-	-	42,053	42,053
Loans payable	-	-	32,906	32,906
Long-term bonds	-	-	131,497	131,497
Other liabilities	1,005	-	78,596	79,601
<b>Total financial liabilities</b>	<b>1,005</b>	<b>-</b>	<b>452,571</b>	<b>453,576</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.

**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.

The Group uses the following hierarchy for determining and disclosing the fair value of the Group's assets and liabilities by valuation technique:

**Level 1:** quoted (unadjusted) prices in active markets for identical assets or liabilities;

**Level 2:** other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

**Level 3:** techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2021 (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 June 2021:

Reviewed	<i>Level 1</i> <i>US\$ 000</i>	<i>Level 2</i> <i>US\$ 000</i>	<i>Level 3</i> <i>US\$ 000</i>	<i>Total</i> <i>US\$ 000</i>
<b>Assets measured at fair value</b>				
Investments carried at fair value through statement of income				
Equities - quoted	6,848	-	-	6,848
Equities - unquoted	-	-	2,056	2,056
Debt securities - quoted	12,885	-	-	12,885
Managed funds	5,613	42,636	10,402	58,651
Investments carried at fair value through other comprehensive income				
Equities - quoted	2,903	-	-	2,903
Equities - unquoted	-	-	115,925	115,925
Managed funds	-	-	106	106
Investment properties	-	-	135,023	135,023
	<b>28,249</b>	<b>42,636</b>	<b>263,512</b>	<b>334,397</b>
<b>Liabilities measured at fair value</b>				
Derivatives				
Forward foreign exchange contracts	-	262	-	262
	<b>-</b>	<b>262</b>	<b>-</b>	<b>262</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 2020:

Audited	<i>Level 1</i> <i>US\$ 000</i>	<i>Level 2</i> <i>US\$ 000</i>	<i>Level 3</i> <i>US\$ 000</i>	<i>Total</i> <i>US\$ 000</i>
<b>Assets measured at fair value</b>				
Investments carried at fair value through statement of income				
Equities - quoted	7,916	-	-	7,916
Equities - unquoted	-	-	2,087	2,087
Debt securities - quoted	12,436	-	-	12,436
Managed funds	1,313	34,285	13,799	49,397
Investments carried at fair value through other comprehensive income				
Equities - quoted	2,506	-	-	2,506
Equities - unquoted	-	-	117,550	117,550
Managed funds	-	-	33	33
Derivatives				
Forward foreign exchange contracts	-	463	-	463
Investment properties	-	-	98,716	98,716
	<b>24,171</b>	<b>34,748</b>	<b>232,185</b>	<b>291,104</b>
<b>Liabilities measured at fair value</b>				
Derivatives				
Forward foreign exchange contracts	-	1,005	-	1,005
	<b>-</b>	<b>1,005</b>	<b>-</b>	<b>1,005</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2021 (Reviewed)

**14 FAIR VALUE MEASUREMENT (continued)****Transfers between Level 1, Level 2 and Level 3**

During the six-month period ended 30 June 2021 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 2020: same). 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 for the six month period ended 30 June 2021:

	<b>As at 1 January 2020 US\$'000</b>	<b>Net purchases, sales, transfer and settlement US\$'000</b>	<b>Gain recorded in the interim condensed statement of income US\$'000</b>	<b>Gain recognised in other comprehensive income US\$'000</b>	<b>As at 30 June 2021 US\$'000</b>
<i>Investments carried at fair value through statement of income</i>					
Equities - unquoted	2,087	(83)	52	-	2,056
Managed funds	13,799	(3,735)	338	-	10,402
	<b>15,886</b>	<b>(3,818)</b>	<b>390</b>	<b>-</b>	<b>12,458</b>
<i>Investments carried at fair value through other comprehensive income</i>					
Equities - unquoted	117,550	(2,708)	-	1,083	115,925
Managed funds	33	54	-	19	106
	<b>117,583</b>	<b>(2,654)</b>	<b>-</b>	<b>1,102</b>	<b>116,031</b>
Investment properties (Note 6)	<b>98,716</b>	<b>32,383</b>	<b>453</b>	<b>3,471</b>	<b>135,023</b>

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 for the year ended 31 December 2020:

	<b>As at 1 January US\$'000</b>	<b>Net purchases, sales, transfer and settlement US\$'000</b>	<b>Loss recorded in the interim condensed statement of income US\$'000</b>	<b>Loss recognised in other comprehensive income US\$'000</b>	<b>As at 31 December 2020 US\$'000</b>
<i>Investments carried at fair value through profit or loss</i>					
Equities - unquoted	4,122	(1,273)	(762)	-	2,087
Debt securities - unquoted	825	(786)	(39)	-	-
Managed funds	14,354	4,731	(5,286)	-	13,799
	<b>19,301</b>	<b>2,672</b>	<b>(6,087)</b>	<b>-</b>	<b>15,886</b>
<i>Investments carried at fair value through other comprehensive income</i>					
Equities - unquoted	127,758	(3,037)	-	(7,171)	117,550
Managed funds	1,006	-	-	(973)	33
	<b>128,764</b>	<b>(3,037)</b>	<b>-</b>	<b>(8,144)</b>	<b>117,583</b>
Investment properties	<b>102,713</b>	<b>-</b>	<b>(3,997)</b>	<b>-</b>	<b>98,716</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2021

## 15 REGULATORY RATIOS

## Liquidity Coverage Ratio ("LCR")

	30 June 2021	31 December 2020
Solo	100%	86%
Consolidated	482%	386%

## The 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%. However, as per CBB circulars OG/106/2020 dated 17 March 2020, OG/296/2020 dated 26 August 2020 and OG/431/2020 dated 29 December 2020, the limit was reduced to 80% until 31 December 2021, to contain the financial repercussions of COVID-19. The Group's consolidated NSFR as of 30 June 2021 is 117% (31 December 2020: 112%).

95% of the total available stable funding is made up of the Group's capital base and 11% of the required stable funding is due to be repaid in 6 months or more.

The Group's Required Stable Funding ("RSF") comprises of 87% assets that have indefinite maturity, 9% that have contractual maturities of less than 6 months, and 4% non-HQLA (High Quality Liquid Assets) assets (after application of risk weights).

	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
<b>Available Stable Funding</b>					
Capital	258,894	-	-	239,969	498,863
Secured and unsecured funding	-	45,247	52,000	-	26,000
<b>Total available stable funding</b>	<b>258,894</b>	<b>45,247</b>	<b>52,000</b>	<b>239,969</b>	<b>524,863</b>
<b>Required Stable Funding</b>					
Unencumbered Non-HQLA securities that are not in default and exchange-traded equities in cases where the issuer is not in default	-	-	33,340	-	16,670
Loans	-	135,688	-	-	20,353
Deposits held at other financial institutions for operational purposes	-	43,413	-	-	21,707
All other assets including fixed assets, items deducted from regulatory capital, insurance assets and defaulted securities	389,672	-	-	-	389,672
<i>Off-Balance Sheet exposures</i>					
Trade finance-related obligations (including guarantees and letters of credit)	2,074	-	-	-	104
<b>Total required stable funding</b>	<b>391,746</b>	<b>179,101</b>	<b>33,340</b>	<b>-</b>	<b>448,506</b>
<b>NET STABLE FUNDING RATIO</b>					<b>117.0%</b>

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

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SUPPLEMENTARY FINANCIAL INFORMATION

As at 30 June 2021

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



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**SUPPLEMENTARY DISCLOSURES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**


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As at 30 June 2021

**COVID-19 IMPACT**

During 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.

**Impact on interim condensed consolidated financial statements**

The following table summarizes the impact that COVID-19 has had on different classes of assets for the six-month period to 30 June 2021:

	<b><i>Net impact on the Group's consolidated</i></b>		
	<b><i>Statement of</i></b>		
	<b><i>Income</i></b>	<b><i>Financial</i></b>	<b><i>Other</i></b>
	<b><i>Statement</i></b>	<b><i>Position</i></b>	<b><i>-sive income</i></b>
	<b><i>US\$ 000</i></b>	<b><i>US\$ 000</i></b>	<b><i>US\$ 000</i></b>
<b>Impact on:</b>			
Real estate assets	(2,929)	(2,929)	-
Investments at fair value through profit or loss	9,133	9,133	-
Investments at fair value through other comprehensive income	-	(365)	(365)
Investments in associates	1,943	1,943	-
Loans, receivables and other assets	(433)	(433)	-
Other impacts	(4,833)	-	-
Revenues	(2,634)	-	-
Expenses	10,367	-	-

**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.