

United Gulf Bank B.S.C. (c)
INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
30 SEPTEMBER 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 September 2021, comprising the interim consolidated statement of financial position as at 30 September 2021 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 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 were not prepared, in all material respects, in accordance with IAS 34 as modified by CBB.



9 November 2021
Manama, Kingdom of Bahrain

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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021 (Reviewed)

		Reviewed 30 September 2021 US\$ 000	Audited 31 December 2020 US\$ 000	Reviewed 30 September 2020 US\$ 000
	Notes			
ASSETS				
Demand and call deposits with banks		82,107	111,000	125,663
Placements with banks		58,676	72,486	145,203
Investments carried at fair value through statement of income		87,780	71,836	85,824
Investments carried at fair value through other comprehensive income		107,006	120,089	123,844
Investments carried at amortised cost		25,339	-	-
Loans and receivables		33,666	33,098	27,911
Other assets		62,888	62,729	63,121
Investments in associates		85,018	64,675	66,460
Investment properties	6	134,853	98,716	102,197
Property and equipment	6	16,013	47,666	49,904
Goodwill and other intangible assets		63,509	64,242	64,627
Assets of disposal group held for sale		2,829	-	4,815
TOTAL ASSETS		759,684	746,537	859,569
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks and other financial institutions		186,480	167,519	173,505
Deposits from customers		14,452	42,053	68,051
Loans payable		26,621	32,906	91,093
Long term bonds	7	132,780	131,497	130,719
Other liabilities		83,843	79,601	85,288
TOTAL LIABILITIES		444,176	453,576	548,656
EQUITY				
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		(11,757)	(10,720)	(8,233)
Foreign currency translation reserve		(4,687)	(4,693)	(5,294)
Retained earnings (accumulated deficit)		1,221	(8,959)	5,569
Capital and reserves attributable to shareholders of the Parent		190,391	181,242	197,656
Perpetual Additional Tier 1 capital	9	33,000	33,000	33,000
Non-controlling interests		92,117	78,719	80,257
TOTAL EQUITY		315,508	292,961	310,913
TOTAL LIABILITIES AND EQUITY		759,684	746,537	859,569

Masaud Hayat
Chairman

Faisal Al Ayyar
Vice Chairman

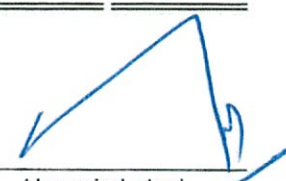
Hussain Lalani
Chief Executive Officer

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 INCOME

For the nine-month period ended 30 September 2021 (Reviewed)

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2021 Reviewed US\$ 000	2020 Reviewed US\$ 000	2021 Reviewed US\$ 000	2020 Reviewed US\$ 000
Note				
Continuing operations				
Investment income (loss) - net	3,180	5,688	22,544	(873)
Interest income	1,782	1,228	5,218	3,963
	4,962	6,916	27,762	3,090
Fees and commissions - net	16,410	13,371	46,326	44,494
Foreign currency translation (loss) gain - net	(809)	2,526	(1,821)	2,702
Share of results of associates - net	1,681	675	7,565	(6,476)
Total income	22,244	23,488	79,832	43,810
Interest expense	(3,507)	(4,730)	(11,272)	(13,849)
Operating income before expenses and provisions	18,737	18,758	68,560	29,961
Salaries and benefits	(9,346)	(7,278)	(32,495)	(23,576)
General and administrative expenses	(4,404)	(4,791)	(13,156)	(15,361)
Operating income (loss) before provisions and tax	4,987	6,689	22,909	(8,976)
Expected credit losses - net	5 (184)	184	(493)	(171)
Profit (loss) before tax from continuing operations	4,803	6,873	22,416	(9,147)
Taxation - net	(6)	(27)	(5)	(62)
PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS	4,797	6,846	22,411	(9,209)
Discontinued operations				
Net profit from discontinued operations	-	112	-	556
NET PROFIT (LOSS) FOR THE PERIOD	4,797	6,958	22,411	(8,653)
Net profit (loss) for the period attributable to:				
Shareholders of the Parent				
- from continuing operations	2,187	3,395	11,222	(7,062)
- from discontinued operation	-	68	-	334
	2,187	3,463	11,222	(6,728)
Non-controlling interests				
- from continuing operations	2,610	3,451	11,189	(2,147)
- from discontinued operation	-	44	-	222
	2,610	3,495	11,189	(1,925)
  				
	Masaud Hayat	Faisal Al Ayyar	Hussain Lalani	
	Chairman	Vice Chairman	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 nine-month period ended 30 September 2021 (Reviewed)

	<i>Three-month period ended 30 September</i>		<i>Nine-month period ended 30 September</i>	
	2021	2020	2021	2020
	Reviewed	Reviewed	Reviewed	Reviewed
	US\$ 000	US\$ 000	US\$ 000	US\$ 000
NET PROFIT (LOSS) FOR THE PERIOD	4,797	6,958	22,411	(8,653)
Other comprehensive (loss) income				
<i>Items that may be reclassified to profit or loss in subsequent periods</i>				
Foreign currency translation reserve	202	771	694	(2,226)
Fair value changes of investments carried at fair value through other comprehensive income	(7,292)	932	(498)	(2,715)
Cash flow hedges	-	-	(19)	(129)
	(7,090)	1,703	177	(5,070)
<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	2,716	519	1,263	(3,689)
Total other comprehensive (loss) income	(4,374)	2,222	1,440	(8,759)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	423	9,180	23,851	(17,412)
Total comprehensive income (loss) attributable to:				
- shareholders of the Parent	(1,475)	4,441	10,901	(11,530)
- non-controlling interests	1,898	4,739	12,950	(5,882)
	423	9,180	23,851	(17,412)

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine-month period ended 30 September 2021 (Reviewed)

		Nine-month period ended 30 September	
	Note	2021 Reviewed US\$ 000	2020 Reviewed US\$ 000
OPERATING ACTIVITIES			
Profit (loss) before tax from continuing operations		22,416	(9,147)
Net profit from discontinued operations		-	556
		22,416	(8,591)
Adjustments for non-cash items:			
Interest expense		11,272	13,849
Depreciation and amortisation		1,618	2,750
Interest income		(5,218)	(3,963)
(Gain) loss on investments carried at fair value through statement of income		(15,357)	8,664
Share of results of associates		(7,565)	6,476
Expected credit losses - net		493	171
Gain on sale of an associate		-	(1,420)
		7,659	17,936
Operating profit before working capital changes			
Changes in operating assets and liabilities:			
Placements with banks with original maturities of more than ninety days		(1,456)	5,832
Investments carried at fair value through statement of income		(587)	3,290
Investments carried at fair value through other comprehensive income		15,207	(1,053)
Investments carried at amortised cost		(25,339)	280
Loans and receivables		(300)	(59)
Other assets		(386)	(582)
Due to banks and other financial institutions		18,961	(134,279)
Deposits from customers		(27,601)	45,404
Other liabilities		2,900	(3,966)
		(10,942)	(67,197)
Interest received		4,666	3,936
Interest paid		(9,686)	(15,115)
Directors' remuneration paid		(195)	(195)
Donations paid		(50)	(250)
		(16,207)	(78,821)
Net cash flows used in operating activities			
INVESTING ACTIVITIES			
Acquisition of assets held for sale		(2,829)	(5,371)
Investments in associates - net		(12,778)	4,258
Property and equipment - net		(5,086)	159
		(20,693)	(954)
Net cash flows used in investing activities			
FINANCING ACTIVITIES			
Issuance of new loans		-	193,781
Repayment of term loans		(6,285)	(139,500)
Interest payment on Perpetual Additional Tier 1 Capital		(1,752)	(1,761)
		(8,037)	52,520
Net cash flows (used in) from financing activities			
Foreign currency translation adjustments - net		1,005	(776)
Movement in non-controlling interests		(227)	(2,918)
		(44,159)	(30,949)
NET CHANGE IN CASH AND CASH EQUIVALENTS		(44,159)	(30,949)
Cash and cash equivalents at 1 January		168,334	292,584
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	4	124,175	261,635

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 nine-month period ended 30 September 2021 (Reviewed)

	Attributable to shareholders of the Parent								Perpetual Additional 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	(Accumulated deficit) Retained earnings US\$ 000	Total US\$ 000			
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	-	-	-	-	-	-	11,222	11,222	-	11,189	22,411
Other comprehensive income (loss)	-	-	-	-	(327)	6	-	(321)	-	1,761	1,440
Total comprehensive income (loss) for the period	-	-	-	-	(327)	6	11,222	10,901	-	12,950	23,851
Transfer upon disposal of equity investments carried at fair value through other comprehensive income	-	-	-	-	(710)	-	710	-	-	-	-
Interest payment on Perpetual Additional Tier 1 Capital	-	-	-	-	-	-	(1,752)	(1,752)	-	-	(1,752)
Other movements in non-controlling interests - net	-	-	-	-	-	-	-	-	-	448	448
Balance at 30 September 2021	116,132	5,687	52,032	31,763	(11,757)	(4,687)	1,221	190,391	33,000	92,117	315,508
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	-	-	-	-	(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 Perpetual Additional Tier 1 capital	-	-	-	-	-	-	(1,761)	(1,761)	-	-	(1,761)
Other movements in non-controlling interests - net	-	-	-	-	-	-	-	-	-	(2,918)	(2,918)
Balance at 30 September 2020	116,132	5,687	52,032	31,763	(8,233)	(5,294)	5,569	197,656	33,000	80,257	310,913

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 September 2021 (Reviewed)

1 INCORPORATION AND PRINCIPAL ACTIVITIES

1.1 Incorporation

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

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

1.2 Activities

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

The Bank's parent company is United Gulf Holding Company B.S.C. ("UGHC") or ("Parent"), 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 9 November 2021.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial statements of the Group were 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, required 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 the Statement of income 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; 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 the Statement of income. 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 the Statement of income. Any other financial assistance is recognised in accordance with the requirements of IAS 20-Accounting for Government Grants and Disclosure.

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'.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2021 (Reviewed)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 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 nine-month period ended 30 September 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. 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.

2.2 Significant accounting policies

The accounting policies adopted in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2020, except for the modifications disclosed in note 2.1 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.

2.3 New and amended standards and interpretations adopted by the Group

2.3.1 Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7 (IBOR reform phase 2)

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.

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.

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

The below are new and amended standards and interpretations issued but not yet effective. The Group's management is currently assessing the impact of these amendments on the consolidated financial statements of the Group however the amendments are not expected to have a material impact on the Group.

2.4.1 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 IASB 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2021 (Reviewed)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 New and amended standards and interpretations issued but not yet effective (continued)

2.4.2 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.

2.4.3 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.

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

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

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group 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.

2.4.5 Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement.
- That a right to defer must exist at the end of the reporting period.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2021 (Reviewed)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**2.4 New and amended standards and interpretations issued but not yet effective (continued)****2.4.6 Definition of Accounting Estimates - Amendments to IAS 8**

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation however these amendments are not expected to have a material impact.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

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

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

2.5 Significant accounting judgments, estimates and assumptions

In preparing these interim condensed consolidated financial statements, significant judgments 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 of the Group 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 September 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 September 2021	31 December 2020	
Held directly				
KAMCO Investment Company K.S.C.P. [KAMCO]	Kuwait	60%	60%	1998
United Gulf Financial Services Company - North Africa [UGFS-NA]	Tunisia	84%	84%	2008
United Gulf Asset Company W.L.L.	Bahrain	100%	100%	2017
United Gulf Realty International, Ltd [UGRIL]	British Virgin Islands	100%	100%	2012

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2021 (Reviewed)

3 BASIS OF CONSOLIDATION (continued)

Name of the subsidiary	Country of incorporation	Legal ownership		Year of incorporation
		30 September 2021	31 December 2020	
Held through KAMCO				
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 L.L.C	U.S.A.	75%	75%	2018
Held through KAMCO				
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	100%	96%	2017
North Africa Real Estate Co.	Kuwait	96%	100%	2014
Plans United Real Estate Company	Kuwait	100%	100%	2019
Project Plaza Investor Inc	Jersey	100%	100%	2019
Shuroq Investment Services	Oman	100%	77%	1998
Held through UGFS-NA				
United Gulf Financial Services UGAS	Tunisia	100%	100%	2010

4 CASH AND CASH EQUIVALENTS

	Reviewed 30 September 2021 US\$ 000	Audited 31 December 2020 US\$ 000	Reviewed 30 September 2020 US\$ 000
Demand and call deposits with banks	82,107	111,000	125,663
Placements with banks	58,676	72,486	145,203
	140,783	183,486	270,866
Less:			
Mandatory reserves	318	318	318
Time deposits with original maturities of more than ninety days	16,290	14,834	8,913
Cash and cash equivalents	124,175	168,334	261,635

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2021 (Reviewed)

5 ANALYSIS OF MOVEMENT IN EXPECTED CREDIT LOSS (ECL) ALLOWANCES

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

	<i>Stage 1</i> <i>US\$ 000</i>	<i>Stage 2</i> <i>US\$ 000</i>	<i>Stage 3</i> <i>US\$ 000</i>	<i>Total</i> <i>US\$ 000</i>
Reviewed				
As at 1 January 2021	14,277	928	8,506	23,711
Net transfers between stages	10	(143)	133	-
Net remeasurment during the period - net	761	-	(268)	493
Written-off during the period	(499)	-	-	(499)
Foreign exchange adjustments	83	2	83	168
As at 30 September 2021	14,632	787	8,454	23,873

An analysis of movement in ECL allowances during the nine-month period ended 30 September 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>
Reviewed				
As at 1 January 2020	14,130	503	8,903	23,536
Transfers to Stage 3	(816)	(330)	1,146	-
Net remeasurment during the period - net	(149)	419	(99)	171
Written-off during the period	-	-	(780)	(780)
Foreign exchange adjustments	31	(3)	(72)	(44)
As at 30 September 2020	13,196	589	9,098	22,883

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, as majority of the property was 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 fair value was estimated to be US\$ 35,853 thousand. Accordingly, the increase of US\$ 3,470 thousand was recorded in the interim consolidated statement of comprehensive income as other 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.

7 LONG TERM BONDS

	<i>Reviewed</i> <i>30 September</i> <i>2021</i> <i>US\$ 000</i>	<i>Audited</i> <i>31 December</i> <i>2020</i> <i>US\$ 000</i>	<i>Reviewed</i> <i>30 September</i> <i>2020</i> <i>US\$ 000</i>
Fixed interest of 6.00% per annum, maturing on 26 July 2023 (equivalent to KD 14.9 million)	49,461	48,983	48,693
Floating interest of CBK* discount rate + 2.75% per annum (capped at 7% per annum), maturing on 26 July 2023 (equivalent to KD 25.1 million)	83,319	82,514	82,026
	132,780	131,497	130,719

* Central Bank of Kuwait

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2021 (Reviewed)

8 SHARE CAPITAL

	<i>Reviewed</i> <i>30 September</i> <i>2021</i>	<i>Audited</i> <i>31 December</i> <i>2020</i>	<i>Reviewed</i> <i>30 September</i> <i>2020</i>
Authorised share capital			
Number of shares (in thousands)	500,000	500,000	500,000
Par value (US\$)	0.50	0.50	0.50
Authorised share capital (US'000)	250,000	250,000	250,000
Issued and fully paid up share capital			
Number of shares (in thousands)	232,263	232,263	232,263
Par value (US\$)	0.50	0.50	0.50
Issued and fully paid up share capital (US'000)	116,132	116,132	116,132

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 September 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 nine-month period 30 September 2021 and included in the interim condensed consolidated financial statements were as follows:

	Reviewed			
	Nine-month period ended 30 September 2021			
	Major shareholder US\$ 000	Associates US\$ 000	Other related parties US\$ 000	Total US\$ 000
Fees and commissions - net*	1,500	1,735	5,530	8,765
Dividend income	-	-	653	653
Rental income	-	-	1,688	1,688
Interest income	-	-	2,505	2,505
Interest expense	(560)	-	(3,943)	(4,503)
General and administrative expenses	-	-	(861)	(861)
Others	-	-	55	55

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 September 2021 (Reviewed)

10 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

	Reviewed			
	Nine-month period ended 30 September 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*	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 provides certain services charges for such services to the Parent.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2021 (Reviewed)

10 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

	<i>Reviewed</i> <i>30 September 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	-	-	3,231
Placements with banks	-	-	23,710
Investments carried at fair value through statement of income	-	-	2,103
Investments carried at fair value through other comprehensive income	-	-	68,944
Loans and receivables	-	-	7,210
Other assets	-	7,037	7,970
Due to banks and other financial institutions	-	-	(113,108)
Deposits from customers	-	(12)	(4,854)
Other liabilities	(1)	-	(4,264)
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 September 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 were 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:

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

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 September 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 had the following credit and investment-related commitments:

	Reviewed 30 September 2021 US\$ 000	Audited 31 December 2020 US\$ 000	Reviewed 30 September 2020 US\$ 000
Credit-related commitments:			
Letters of guarantee	2,357	2,277	2,074
Investments and loan related commitments	1,494	273	5,162
	3,851	2,550	7,236

Off-balance sheet items (Offsetting)

The Group has interest bearing receivables from and payables to related parties amounting to US\$ 45.5 million (31 December 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\$ 2,321 thousand and US\$ 1,151 thousand respectively for the nine-month period ended 30 September 2021 (30 September 2020: US\$ 80 thousand and US\$ 49 thousand respectively) had 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.

	Positive fair value US\$ 000	Negative fair value US\$ 000	Notional amount total US\$ 000
30 September 2021 (Reviewed)			
Derivatives held for trading			
Forward foreign exchange contracts	1,319	(1,380)	791,666
Derivatives used as hedge of net investments in foreign operations			
Forward foreign exchange contracts	10	(153)	161,690

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 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>
30 September 2021 (reviewed)				
Demand and call deposits with banks	-	-	82,107	82,107
Placements with banks	-	-	58,676	58,676
Investments carried at fair value through statement of income	87,780	-	-	87,780
Investments carried at fair value through other comprehensive income	-	107,006	-	107,006
Loans and receivables	-	-	33,666	33,666
Other assets	-	-	60,728	60,728
Total financial assets	87,780	107,006	235,177	429,963
Due to banks and other financial institutions	-	-	186,480	186,480
Deposits from customers	-	-	14,452	14,452
Loans payable	-	-	26,621	26,621
Long term bonds	-	-	132,780	132,780
Other liabilities	61	143	83,639	83,843
Total financial liabilities	61	143	443,972	444,176

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 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
Total financial assets	71,836	120,552	277,577	469,965
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
Total financial liabilities	1,005	-	452,571	453,576

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 September 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 September 2021:

<i>Reviewed</i>	<i>Level 1</i> <i>US\$ 000</i>	<i>Level 2</i> <i>US\$ 000</i>	<i>Level 3</i> <i>US\$ 000</i>	<i>Total</i> <i>US\$ 000</i>
Assets measured at fair value				
Investments carried at fair value through statement of income				
Equities - quoted	12,110	-	-	12,110
Equities - unquoted	-	-	626	626
Debt securities - quoted	12,866	-	-	12,866
Managed funds	3,257	46,261	12,660	62,178
Investments carried at fair value through other comprehensive income				
Equities - quoted	5,075	-	-	5,075
Equities - unquoted	-	-	101,844	101,844
Managed funds	-	-	87	87
Investment properties	-	-	134,853	134,853
	33,308	46,261	250,070	329,639
Liabilities measured at fair value				
Derivatives				
Forward foreign exchange contracts	-	204	-	204
	-	204	-	204

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:

<i>Audited</i>	<i>Level 1</i> <i>US\$ 000</i>	<i>Level 2</i> <i>US\$ 000</i>	<i>Level 3</i> <i>US\$ 000</i>	<i>Total</i> <i>US\$ 000</i>
Assets measured at fair value				
Investments carried at 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
	24,171	34,748	232,185	291,104
Liabilities measured at fair value				
Derivatives				
Forward foreign exchange contracts	-	1,005	-	1,005
	-	1,005	-	1,005

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2021 (Reviewed)

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

During the nine-month period ended 30 September 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:

	As at 1 January 2020 US\$'000	Net purchases, sales, transfer and settlement US\$'000	Gain recorded in the interim condensed statement of income US\$'000	Gain recognised in other comprehensive income US\$'000	As at 30 September 2021 US\$'000
<i>Investments carried at fair value through statement of income</i>					
Equities - unquoted	2,087	(1,514)	53	-	626
Managed funds	13,799	(1,617)	478	-	12,660
	<u>15,886</u>	<u>(3,131)</u>	<u>531</u>	<u>-</u>	<u>13,286</u>
<i>Investments carried at fair value through other comprehensive income</i>					
Equities - unquoted	117,550	(9,959)	-	(5,747)	101,844
Managed funds	33	-	-	54	87
	<u>117,583</u>	<u>(9,959)</u>	<u>-</u>	<u>(5,693)</u>	<u>101,931</u>
Investment properties (Note 6)	<u>98,716</u>	<u>32,383</u>	<u>284</u>	<u>3,470</u>	<u>134,853</u>

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:

	As at 1 January US\$'000	Net purchases, sales, transfer and settlement US\$'000	Loss recorded in the interim condensed statement of income US\$'000	Loss recognised in other comprehensive income US\$'000	As at 31 December 2020 US\$'000
<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
	<u>19,301</u>	<u>2,672</u>	<u>(6,087)</u>	<u>-</u>	<u>15,886</u>
<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
	<u>128,764</u>	<u>(3,037)</u>	<u>-</u>	<u>(8,144)</u>	<u>117,583</u>
Investment properties	<u>102,713</u>	<u>-</u>	<u>(3,997)</u>	<u>-</u>	<u>98,716</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2021 (Reviewed)

15 REGULATORY RATIOS**Liquidity Coverage Ratio ("LCR")**

	30 September 2021	31 December 2020
Solo	91%	86%
Consolidated	515%	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 September 2021 was 116% (31 December 2020: 112%).

95% of the total Available Stable Funding (the "AFS") is made up of the Group's capital base and 9% of the Required Stable Funding ("RSF") is due to be repaid in 6 months or more.

The Group's RSF comprises of 90% assets that have indefinite maturity, 7% that have contractual maturities of less than 6 months, and 3% non-HQLA (the "High Quality Liquid Assets") assets (after application of risk weights).

	<i>Unweighted values</i>				<i>Total weighted value</i>
	<i>No specified maturity</i>	<i>Less than 6 months</i>	<i>More than 6 months and less than one year</i>	<i>Over one year</i>	
	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>
Available Stable Funding					
Capital	275,088	-	-	238,987	514,075
Secured and unsecured funding	-	45,080	52,000	-	26,000
Total AFS	275,088	45,080	52,000	238,987	540,075
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	-	-	33,666	-	16,833
Loans	-	82,107	-	-	12,316
Deposits held at other financial institutions for operational purposes	-	38,676	-	-	19,338
All other assets including fixed assets, items deducted from regulatory capital, insurance assets and defaulted securities	417,694	-	-	-	417,694
<i>Off-Balance Sheet exposures</i>					
Trade finance-related obligations (including guarantees and letters of credit)	2,074	-	-	-	104
Total RSF	419,768	120,783	33,666	-	466,285
NET STABLE FUNDING RATIO					116%

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

SUPPLEMENTARY FINANCIAL INFORMATION

As at 30 September 2021

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

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

As at 30 September 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 related 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 nine-month period to 30 September 2021:

	<i>Net impact on the Group's consolidated</i>		
	<i>Statement of</i>		
	<i>Income</i>	<i>Financial</i>	<i>Other</i>
	<i>Statement</i>	<i>Position</i>	<i>-sive income</i>
	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>
Impact on:			
Real estate assets	(2,830)	(2,830)	-
Investments at fair value through profit or loss	11,301	11,301	-
Investments at fair value through other comprehensive income	-	(366)	(366)
Investments in associates	4,481	4,481	-
Loans, receivables and other assets	(1,841)	(1,841)	-
Other impacts	(7,338)	-	-
Revenues	(2,908)	-	-
Expenses	13,580	-	-

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.