

United Gulf Holding Company B.S.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 HOLDING COMPANY B.S.C.

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of United Gulf Holding Company B.S.C. (the "Company") 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 period 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 Company 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. 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 Holding Company B.S.C.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021 (Reviewed)

		<i>Reviewed</i>	<i>Audited</i>	<i>Reviewed</i>
		30 June	31 December	30 June
		2021	2020	2020
	<i>Notes</i>	US\$ 000	US\$ 000	US\$ 000
ASSETS				
Demand and call deposits with banks		466,467	465,391	602,400
Placements with banks		227,013	219,348	166,502
Investments carried at fair value through statement of income		579,632	544,548	564,818
Investments carried at fair value through other comprehensive income		361,981	347,294	257,308
Investments carried at amortised cost		9,964	9,839	9,714
Loans and receivables		584,995	593,715	499,380
Other assets		98,261	119,541	120,546
Investments in associates		713,070	700,981	701,723
Investment properties	6	152,247	115,940	119,108
Property and equipment	6	47,497	79,832	82,948
Goodwill and other intangible assets		68,008	68,472	69,220
Assets held for sale		-	-	45,590
TOTAL ASSETS		3,309,135	3,264,901	3,239,257
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks and other financial institutions		784,998	647,763	446,748
Deposits from customers		1,022,801	1,115,273	1,103,271
Loans payable		817,340	818,618	1,013,621
Long term bonds	7	133,027	131,497	129,980
Other liabilities		107,687	114,760	126,107
TOTAL LIABILITIES		2,865,853	2,827,911	2,819,727
EQUITY				
Share capital	8	219,547	219,547	206,487
Share premium		169,558	270,111	214,477
Treasury shares		(320)	(320)	(320)
Treasury share reserve		(1,518)	(1,518)	(1,518)
Statutory reserve		3,285	3,285	3,285
Fair value reserve		(108,313)	(107,590)	(96,204)
Foreign currency translation reserve		(73)	(3,148)	(5,271)
Accumulated deficit		(6,499)	(100,553)	(59,704)
CAPITAL AND RESERVES ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT		275,667	279,814	261,232
Perpetual Additional Tier 1 capital	9	33,000	33,000	33,000
Non-controlling interests		134,615	124,176	125,298
TOTAL EQUITY		443,282	436,990	419,530
TOTAL LIABILITIES AND EQUITY		3,309,135	3,264,901	3,239,257


Masaud Hayat
Chairman


Faisal Al Ayyar
Vice Chairman


Hussain Lalani
Chief Executive Officer

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

United Gulf Holding Company B.S.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
Continuing operations				
Interest income	11,128	11,625	21,907	25,197
Investment income (loss) - net	14,634	4,356	22,149	(9,379)
	<u>25,762</u>	<u>15,981</u>	<u>44,056</u>	<u>15,818</u>
Fees and commissions - net	20,902	23,820	34,080	44,616
Foreign exchange losses - net	(1,504)	(1,285)	(1,801)	(1,420)
Share of results of associates - net	14,166	6,746	18,555	5,221
	<u>59,326</u>	<u>45,262</u>	<u>94,890</u>	<u>64,235</u>
Interest expense	(16,753)	(18,773)	(31,796)	(36,913)
Operating income before expenses and provisions	<u>42,573</u>	<u>26,489</u>	<u>63,094</u>	<u>27,322</u>
Salaries and benefits	(21,285)	(11,814)	(35,762)	(28,941)
General and administrative expenses	(9,187)	(7,844)	(17,169)	(17,216)
Operating profit (loss) before provisions and tax	<u>12,101</u>	<u>6,831</u>	<u>10,163</u>	<u>(18,835)</u>
(Provision for) reversal of allowance for expected credit losses	(1,170)	(8,505)	589	(16,358)
(Impairment loss) reversal of impairment on investments	(17)	(2,349)	13	(2,382)
Profit (loss) before tax from continuing operations	<u>10,914</u>	<u>(4,023)</u>	<u>10,765</u>	<u>(37,575)</u>
Taxation - net	(605)	(3,573)	(1,309)	(4,132)
Profit (loss) for the period from continuing operations	<u>10,309</u>	<u>(7,596)</u>	<u>9,456</u>	<u>(41,707)</u>
Discontinued operations				
Profit for the period from discontinued operations	-	26	-	444
Net profit (loss) for the period	<u>10,309</u>	<u>(7,570)</u>	<u>9,456</u>	<u>(41,263)</u>
Net profit (loss) for the period attributable to:				
Shareholders of the parent				
- from continuing operations	4,124	(4,848)	461	(31,446)
- from discontinued operation	-	15	-	266
	<u>4,124</u>	<u>(4,833)</u>	<u>461</u>	<u>(31,180)</u>
Non-controlling interests				
- from continuing operations	6,185	(2,748)	8,995	(10,261)
- from discontinued operation	-	11	-	178
	<u>6,185</u>	<u>(2,737)</u>	<u>8,995</u>	<u>(10,083)</u>
Loss per share				
Basic and diluted loss per share attributable to shareholders of the parent (US cents)	<u>(0.01)</u>	<u>(0.11)</u>	<u>(0.84)</u>	<u>(8.44)</u>
Loss per share from continued operations				
Basic and diluted loss per share from continuing operations attributable to shareholders of the parent (US cents)	<u>(0.01)</u>	<u>(0.07)</u>	<u>(0.84)</u>	<u>(8.51)</u>
(Loss) earnings per share from discontinued operations				
Basic and diluted (loss) earnings per share from discontinued operations attributable to shareholders of the parent (US cents)	<u>-</u>	<u>(0.04)</u>	<u>-</u>	<u>0.06</u>

Masaud Hayat
Chairman

Faisal Al Ayyar
Vice Chairman

Hussain Lalani
Chief Executive Officer

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

United Gulf Holding Company B.S.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>	
	2021	2020	2021	2020
	Reviewed	<i>Unreviewed</i>	Reviewed	<i>Reviewed</i>
	US\$ 000	<i>US\$ 000</i>	US\$ 000	<i>US\$ 000</i>
NET PROFIT (LOSS) FOR THE PERIOD	10,309	(7,570)	9,456	(41,263)
Other comprehensive income (loss)				
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>				
Foreign currency translation reserve	1,572	2,053	3,848	(4,148)
Share of other comprehensive loss of associates - net	(646)	(22,976)	(9,526)	(28,834)
Fair value changes of investments carried at fair value through other comprehensive income	(1,121)	(6,815)	996	(10,794)
Cash flow hedges	751	4	4,959	(5,444)
	556	(27,734)	277	(49,220)
<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	(1,346)	18,429	1,021	14,511
Total other comprehensive (loss) income for the period	(790)	(9,305)	1,298	(34,709)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	9,519	(16,875)	10,754	(75,972)
Total comprehensive income (loss) attributable to				
- shareholders of the parent	1,964	(13,010)	5	(60,070)
- non-controlling interests	7,555	(3,447)	10,749	(15,902)
	9,519	(16,457)	10,754	(75,972)

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

United Gulf Holding Company B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

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

	<i>Six-month period ended 30 June</i>	
	2021	2020
<i>Note</i>	Reviewed	Reviewed
	US\$ 000	US\$ 000
OPERATING ACTIVITIES		
Net profit (loss) before tax from continuing operations	10,765	(37,575)
Profit before tax from discontinued operations	-	444
	10,765	(37,131)
Adjustments for non-cash items:		
Depreciation	3,475	3,931
Share of results of associates - net	(18,555)	(5,221)
(Reversal of allowance) provision for expected credit losses - net	(1,031)	16,358
Impairment loss on investments	429	2,382
Loss (gain) on investments carried at fair value through the statement of income	(9,963)	15,394
Gain on sale of an associate	-	(1,412)
Profit before tax from discontinued operations	-	(444)
Change in fair values of investment properties	-	-
Interest income	(21,907)	(25,197)
Interest expense	31,796	36,913
Operating (loss) profit before working capital changes	(4,991)	5,573
Changes in operating assets and liabilities:		
Placements with banks with original maturities of more than ninety days	70,775	4,435
Investments carried at fair value through statement of income	(25,121)	103,147
Investments carried at fair value through other comprehensive income	(12,839)	(50,376)
Investments carried at amortised cost	(125)	352
Loans and receivables	9,751	144,226
Other assets	26,718	9,956
Due to banks and other financial institutions	137,235	(186,282)
Deposits from customers	(92,472)	31,062
Other liabilities	(4,649)	(40,923)
Net assets held for sale	-	2,494
	104,282	23,664
Interest received	19,694	32,754
Interest paid	(33,975)	(35,675)
Directors' remuneration	(195)	(195)
Donations	(50)	(250)
Government grants	-	524
Net cash flows from operating activities	89,756	20,822
INVESTING ACTIVITIES		
Investments in associates - net	(3,060)	21,354
Property and equipment - net	(3,059)	(71)
Net cash flows (used in) from investing activities	(6,119)	21,283

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

United Gulf Holding Company B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

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

		<i>Six-month period ended 30 June</i>	
		2021	2020
		Reviewed	<i>Reviewed</i>
<i>Note</i>		US\$ 000	<i>US\$ 000</i>
FINANCING ACTIVITIES			
	(Settlement of) proceeds from term loans obtained	(1,278)	7,026
	Interest payment on Perpetual Additional Tier 1 capital	(4,152)	(3,681)
	Net cash flow (used in) from financing activities	(5,430)	3,345
	Foreign currency translation adjustments	1,077	(1,137)
	Movement in non-controlling interests	(310)	(813)
	NET CHANGE IN CASH AND CASH EQUIVALENTS	78,974	43,500
	Cash and cash equivalents at 1 January	572,838	676,237
	CASH AND CASH EQUIVALENTS AT 30 JUNE	651,812	719,737
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The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

United Gulf Holding Company B.S.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>Share capital</i>	<i>Share premium</i>	<i>Treasury shares</i>	<i>Treasury share reserve</i>	<i>Statutory reserve</i>	<i>Fair value reserve</i>	<i>Foreign currency translation reserve</i>	<i>Accumulated deficit</i>	<i>Total</i>	<i>Perpetual Additional Tier 1 capital</i>	<i>Non-controlling interests</i>	<i>Total equity</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>	<i>US\$ 000</i>
Balance at 1 January 2021	219,547	270,111	(320)	(1,518)	3,285	(107,590)	(3,148)	(100,553)	279,814	33,000	124,176	436,990
Profit for the period	-	-	-	-	-	-	-	461	461	-	8,995	9,456
Other comprehensive loss (profit) for the period	-	-	-	-	-	(3,531)	3,075	-	(456)	-	1,754	1,298
Total comprehensive (loss) profit for the period	-	-	-	-	-	(3,531)	3,075	461	5	-	10,749	10,754
Transfer upon disposal of equity investments carried at fair value through other comprehensive income	-	-	-	-	-	2,808	-	(2,808)	-	-	-	-
Interest payment on Perpetual Additional Tier 1 capital	-	-	-	-	-	-	-	(4,152)	(4,152)	-	-	(4,152)
Write-off of accumulated losses (note 10)	-	(100,553)	-	-	-	-	-	100,553	-	-	-	-
Distributions and other movements in non-controlling interests - net	-	-	-	-	-	-	-	-	-	-	(310)	(310)
Balance at 30 June 2021	219,547	169,558	(320)	(1,518)	3,285	(108,313)	(73)	(6,499)	275,667	33,000	134,615	443,282
Balance at 1 January 2020	206,487	214,477	(320)	(1,518)	3,285	(76,150)	(3,093)	(14,555)	328,613	33,000	142,013	503,626
Loss for the period	-	-	-	-	-	-	-	(31,180)	(31,180)	-	(10,083)	(41,263)
Other comprehensive loss	-	-	-	-	-	(26,712)	(2,178)	-	(28,890)	-	(5,819)	(34,709)
Total comprehensive loss for the period	-	-	-	-	-	(26,712)	(2,178)	(31,180)	(60,070)	-	(15,902)	(75,972)
Transfer upon disposal of equity investments carried at fair value through other comprehensive income	-	-	-	-	-	6,658	-	(6,658)	-	-	-	-
Modification loss net of government assistance	-	-	-	-	-	-	-	(3,630)	(3,630)	-	-	(3,630)
Interest payment on Perpetual Additional Tier 1 capital	-	-	-	-	-	-	-	(1,752)	(1,752)	-	-	(1,752)
Share of associate's interest payment on Perpetual Additional Tier 1 capital	-	-	-	-	-	-	-	(1,929)	(1,929)	-	-	(1,929)
Distributions and other movements in non-controlling interests - net	-	-	-	-	-	-	-	-	-	-	(813)	(813)
Balance at 30 June 2020	206,487	214,477	(320)	(1,518)	3,285	(96,204)	(5,271)	(59,704)	261,232	33,000	125,298	419,530

The attached notes 1 to 16 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 Holding Company B.S.C. ["the Company"] is a joint stock company incorporated in the Kingdom of Bahrain on 28 June 2017 under Commercial Registration number 114160 and is listed on the Bahrain Bourse. The address of the Company's registered office is UGB Tower, Diplomatic Area, P.O. Box 5565, Manama, Kingdom of Bahrain.

Activities

The principal activities of the Company and its subsidiaries [together the "Group"] comprise 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 Company's parent and ultimate holding company is Kuwait Projects Company Holding K.S.C.P. ["KIPCO"], a company incorporated in the State of Kuwait and listed on the Kuwait Stock Exchange (Boursa Kuwait). As at 30 June, KIPCO owned 98% of the Company's outstanding shares.

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 annual financial statements of the Group are prepared in accordance with the relevant provisions of the Bahrain Commercial Companies Law, directives and regulations and associated resolutions, rules and procedures of the Bahrain Bourse and directives of the Capital Markets Supervision Directorate (CMSD) of the Central Bank of Bahrain (CBB) including 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 (IFRS) 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; and
- (b) recognition of financial assistance received from the government and/ or regulators in response to its COVID-19 support measures that meets the government grant requirement, in equity, instead of profit or loss. This will only be to the extent of any modification loss recorded in equity as a result of (a) above, and balance of the amount to be recognized in profit or loss. Any other financial assistance is recognised in accordance with the requirements of IAS 20.

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

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

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.

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 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 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 interim consolidated statements of income, cash flows and changes in 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 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 standards, interpretations and amendments 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.

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.

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.

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

The interim condensed consolidated financial statements include the interim condensed financial statements of the Company and its subsidiaries as at and for six-month period ended 30 June 2021. The reporting dates of the subsidiaries and the Company are identical and the subsidiaries' accounting policies conform to those used by the Company for like transactions and events in similar circumstances. Where the reporting dates of the subsidiaries and the Company are not identical, the most recent financial statements of the subsidiaries are used, adjusted for the effects of significant transactions or events between their respective reporting dates and the Company's reporting date. 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 Company are as follows:

<i>Name of the subsidiary</i>	<i>Country of incorporation</i>	<i>Ownership</i>		<i>Year of incorporation</i>
		<i>30 June 2021</i>	<i>31 December 2020</i>	
<i>Held directly</i>				
United Gulf Bank B.S.C. (c) [UGB]	Bahrain	100%	100%	1980
Fimbank Group [FIMBank]	Malta	80%	80%	1994
Hatoon Real Estate Company	Kuwait	100%	100%	2008
Syria Gulf Investment Company	Syria	99%	99%	2007
<i>Held through UGB</i>				
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 Realty International, Ltd	British Virgin Islands	100%	100%	2012
United Gulf Asset Company W.L.L.	Bahrain	100%	100%	2017
<i>Held through KAMCO</i>				
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
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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2021 (Reviewed)

3 BASIS OF CONSOLIDATION (continued)

<i>Name of the subsidiary</i>	<i>Country of incorporation</i>	<i>Ownership</i>		<i>Year of incorporation</i>
		<i>30 June 2021</i>	<i>31 December 2020</i>	
<i>Held through KAMCO (continued)</i>				
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
<i>Held through FIMBank</i>				
India Factoring and Finance Solutions Private Limited	India	87%	87%	2010
FIM Holdings (Chile) S.P.A.	Chile	100%	100%	2014
London Forfaiting Company Limited	United Kingdom	100%	100%	2009
London Forfaiting International Limited	United Kingdom	100%	100%	2009
London Forfaiting Americas Inc.	U.S.A.	100%	100%	2009
London Forfaiting do Brasil Ltd.	Brazil	100%	100%	2009
FIM Factors B.V.	Netherlands	100%	100%	2009
FIM Business Solutions Limited	Malta	100%	100%	2009
FIM Property Investment Limited	Malta	100%	100%	2010
The Egyptian Company for Factoring S.A.E.	Egypt	100%	100%	2016
<i>Held through UGFS-NA</i>				
United Gulf Financial Services UGAS	Tunisia	100%	100%	2010

4 CASH AND CASH EQUIVALENTS

	<i>Reviewed 30 June 2021 US\$ 000</i>	<i>Audited 31 December 2020 US\$ 000</i>	<i>Reviewed 30 June 2020 US\$ 000</i>
Demand and call deposits with banks	466,467	465,391	602,400
Placements with banks	227,013	219,348	166,502
	693,480	684,739	768,902
Adjusted for:			
Time deposits with original maturities of more than ninety days	31,415	101,919	38,987
Mandatory reserves	10,765	10,765	10,765
Expected credit losses	(512)	(783)	(587)
Cash and cash equivalents	651,812	572,838	719,737

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2021 (Reviewed)

5 ANALYSIS OF MOVEMENT IN ECL ALLOWANCES

An analysis of movement in ECL allowances during the period is as follows:

	Stage 1 US\$ 000	Stage 2 US\$ 000	Stage 3 US\$ 000	Total US\$ 000
As at 1 January 2021	17,142	7,074	107,602	131,818
Net transfer between stages	(371)	(283)	654	-
(Reversal) charge for the period - net	(692)	(967)	1,070	(589)
Written-off during the period	-	-	(878)	(878)
Foreign exchange adjustments	320	(5)	1,435	1,750
As at 30 June 2021	16,399	5,819	109,883	132,101

An analysis of movement in ECL allowances during the six-month period ended 30 June 2020 is as follows:

Reviewed	Stage 1 US\$ 000	Stage 2 US\$ 000	Stage 3 US\$ 000	Total US\$ 000
As at 1 January 2020	15,711	7,309	56,613	79,633
Net transfer between stages	145	(515)	370	-
(Reversal) charge for the period - net	(54)	1,077	15,335	16,358
Written-off during the period	(809)	-	(891)	(1,700)
Foreign exchange adjustments	10	(5)	(269)	(264)
As at 30 June 2020	15,003	7,866	71,158	94,027

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 majority of the property is being leased out to third parties and is 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 statement of other comprehensive income. The valuation methodology, 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

	Reviewed 30 June 2021 US\$ 000	Audited 31 December 2020 US\$ 000	Reviewed 30 June 2020 US\$ 000
Fixed interest of 6.00% p.a. and maturing on 26 July 2023, (KD 14.9 million)	49,553	48,983	48,418
Floating interest of CBK* discount rate + 2.75% p.a. (capped at 7% p.a.) and maturing on 26 July 2023, (KD 25.1 million)	83,474	82,514	81,562
	133,027	131,497	129,980

* Central Bank of Kuwait

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2021 (Reviewed)

8 SHARE CAPITAL

	<i>Reviewed</i> 30 June <i>2021</i>	<i>Audited</i> <i>31 December</i> <i>2020</i>	<i>Reviewed</i> <i>30 June</i> <i>2020</i>
Authorised share capital			
Number of shares (in thousands)	505,400	505,400	505,400
Par value (US\$)	0.50	0.50	0.50
Authorised share capital (US\$ thousand)	252,700	252,700	252,700
Issued and fully paid up share capital			
Number of shares (in thousands)	439,094	439,094	412,974
Par value (US\$)	0.50	0.50	0.50
Issued and fully paid up share capital (US\$ thousand)	219,547	219,547	206,487

On 10 December 2020, the Company concluded an issuance of 26,120 thousand rights shares ("rights issue") to its existing shareholders for a consideration of US\$ 68,694 thousand. Accordingly, the issued and paid up share capital of the Company increased by US\$ 13,060 thousand. The Parent fully subscribed to its portion of rights issue.

9 PERPETUAL ADDITIONAL TIER 1 CAPITAL

On 28 March 2016, UGB (a subsidiary) issued Perpetual Additional Tier 1 Capital (the "AT1 Capital") amounting to US\$ 33,000 thousand. The AT1 Capital constitutes subordinated obligations of UGB 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 UGB at its sole discretion on or after 28 March 2021 or on any interest payment date thereafter subject to the prior consent of the CBB.

UGB at its sole discretion may elect not to distribute interest and this is not considered an event of default. If UGB does not pay interest on the AT1 Capital (for whatever reason), then UGB must not make any other distribution on or with respect to its other shares that rank equally with or junior to the AT1 Capital.

10 WRITE-OFF OF ACCUMULATED LOSSES

In an extraordinary general meeting (EGM) held on 31 March 2021, the shareholders resolved to write off the accumulated losses outstanding as of 31 December 2020 amounting to US\$ 100,553 thousand against the share premium held by the Company.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2021 (Reviewed)

11 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 ended 30 June 2021 as included in the interim condensed consolidated financial statements are as follows:

	<i>Reviewed</i>			<i>Total</i> <i>US\$ 000</i>
	<i>Six-month period ended 30 June 2021</i>			
	<i>Major</i> <i>shareholder</i> <i>US\$ 000</i>	<i>Associates</i> <i>US\$ 000</i>	<i>Other</i> <i>related</i> <i>parties</i> <i>US\$ 000</i>	
Investment income - net	1,118	-	653	1,771
Fee and commission income - net	3,277	1,439	645	5,361
Interest income	185	222	2,295	2,702
Interest expense	(748)	(7,794)	(3,419)	(11,961)
General and administrative expenses	-	-	(642)	(642)
Others	-	(88)	37	(51)

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

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

	<i>Reviewed</i>			<i>Total</i> <i>US\$ 000</i>
	<i>Six-month period ended 30 June 2020</i>			
	<i>Major</i> <i>shareholder</i> <i>US\$ 000</i>	<i>Associates</i> <i>US\$ 000</i>	<i>Other</i> <i>related</i> <i>parties</i> <i>US\$ 000</i>	
Investment income - net	-	441	-	441
Fee and commission income - net	(3)	13,678	3,754	17,429
Rental income	1,098	(430)	-	668
Interest income	242	414	579	1,235
Interest expense	(49)	(11,464)	(3,209)	(14,722)
General and administrative expenses	-	(1)	(1,160)	(1,161)
Others	-	-	45	45

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2021 (Reviewed)

11 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

	<i>Reviewed</i> 30 June 2021			
	<i>Major shareholder</i>	<i>Associates</i>	<i>Other related parties</i>	<i>Total</i>
	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>
Demand and call deposits with banks	-	2,667	372	3,039
Placements with banks	-	-	24,190	24,190
Investments carried at fair value through statement of income	-	1,977	-	1,977
Investments carried at fair value through other comprehensive income	-	3,227	156,498	159,725
Investments carried at amortised cost	10,018	-	-	10,018
Loans and receivables	-	9,558	89,754	99,312
Other assets	3,335	8,296	3,436	15,067
Due to banks and other financial institutions	-	(13,663)	(113,424)	(127,087)
Deposits from customers	(42,246)	(2,321)	(9,284)	(53,851)
Loans payable	-	(461,812)	(53,900)	(515,712)
Other liabilities	(12)	(3,218)	(3,811)	(7,041)
Perpetual Additional Tier 1 Capital	-	-	(10,000)	(10,000)
<i>Commitment and contingencies</i>				
Letters of guarantee	-	-	150	150

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2021 (Reviewed)

11 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

	<i>Audited</i>			<i>Total</i> US\$ 000
	<i>Major</i> <i>shareholder</i> US\$ 000	<i>Associates</i> US\$ 000	<i>Other</i> <i>related</i> <i>parties</i> US\$ 000	
Demand and call deposits with banks	-	4,562	270	4,832
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	-	4,186	156,696	160,882
Investments carried at amortised cost	9,910	-	-	9,910
Loans and receivables	-	9,533	48,271	57,804
Other assets	4,536	25,436	1,965	31,937
Due to banks and other financial institutions	-	(13,097)	(82,538)	(95,635)
Deposits from customers	(41,409)	(609)	(6,992)	(49,010)
Loans payable	-	(461,812)	(53,900)	(515,712)
Other liabilities	(39)	(5,168)	(3,770)	(8,977)
Perpetual Additional Tier 1 Capital	-	-	(10,000)	(10,000)
<i>Commitment and contingencies</i>				
Letters of guarantee	-	-	150	150

The ultimate parent has committed to acquire specific FVOCI investment from the Group at its carrying value of US\$ 104 million or higher.

For other transactions with related parties refer to note 13 to these interim condensed consolidated financial statements.

Compensation of key management personnel was as follows:

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2021 (Reviewed)

12 SEGMENTAL INFORMATION

Operating segments are reported in accordance with the internal reporting provided to the chief operating decision-maker, who is responsible for allocating resources to the reportable segments and assessing their performance. All operating segments reported by the Group meet the definition of a reportable segment under IFRS 8: operating segments.

For management purposes, the Group is organised into business units based on the nature of their operations and services. The Group has two reportable operating segments being 'asset management and investment banking' and 'commercial banking'.

Asset management and investment banking Undertaking asset portfolio management, corporate finance, advisory, investments in quoted and private equity/funds, real estate, capital markets, international banking and treasury activities.

Commercial banking Loans and other credit facilities, deposit and current accounts from corporate and institutional customers.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Transactions between segments are generally recorded at estimated market rates.

Segmental results

Segmental results for the six-month period ended 30 June 2021 were as follows:

	<i>Reviewed</i>			
	<i>Asset management and investment banking US\$ 000</i>	<i>Commercial banking US\$ 000</i>	<i>Adjustments and eliminations US\$ 000</i>	<i>Total US\$ 000</i>
Income from external customers	48,542	28,522	(729)	76,335
Share of results of associates - net	6,490	12,065	-	18,555
Total income	55,032	40,587	(729)	94,890
Operating (loss) income before ECL, impairment and taxation	(1,789)	11,223	729	10,163
(Allowance for) reversal of expected credit losses	(322)	911	-	589
Reversal of impairment loss on investments	13	-	-	13
Taxation - net	(10)	(1,299)	-	(1,309)
Net (loss) profit for the period	(2,108)	10,835	729	9,456
Profit attributable to shareholders of the parent				461
Profit attributable to non-controlling interests				8,995
Net profit for the period				9,456

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2021 (Reviewed)

12 SEGMENTAL INFORMATION (continued)

Segmental results (continued)

Segmental results for the six-month period ended 30 June 2020 were as follows:

	<i>Reviewed</i>			<i>Total US\$ 000</i>
	<i>Asset management and investment banking US\$ 000</i>	<i>Commercial banking US\$ 000</i>	<i>Adjustments and eliminations US\$ 000</i>	
Income from external customers	34,179	25,686	(851)	59,014
Share of results of associates - net	(10,358)	15,579	-	5,221
Total income	23,821	41,265	(851)	64,235
Operating loss before ECL, impairment and taxation	(19,528)	(158)	851	(18,835)
Allowance for expected credit losses - net	(355)	(16,003)	-	(16,358)
(Reversal of) charge for impairment loss on investments	(2,500)	118	-	(2,382)
Taxation - net	68	(4,200)	-	(4,132)
Profit from discontinued operations	444	-	-	444
Net loss for the period	(21,871)	(20,243)	851	(41,263)
Loss attributable to shareholders of the parent				(31,180)
Loss attributable to non-controlling interests				(10,083)
Net loss for the period				(41,263)

Segmental assets and liabilities

Segmental assets and liabilities at 30 June 2021 were as follows:

	<i>Reviewed</i>			<i>Total US\$ 000</i>
	<i>Asset management and investment banking US\$ 000</i>	<i>Commercial banking US\$ 000</i>	<i>Adjustments and eliminations US\$ 000</i>	
Investments in associates	182,196	530,874	-	713,070
Segment assets	1,153,325	2,381,104	(225,294)	3,309,135
Segment liabilities	1,286,019	1,623,891	(44,057)	2,865,853

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2021 (Reviewed)

12 SEGMENTAL INFORMATION (continued)

Segmental assets and liabilities (continued)

Segmental assets and liabilities at 31 December 2020 were as follows:

	<i>Audited</i>			<i>Total US\$ 000</i>
	<i>Asset management and investment banking US\$ 000</i>	<i>Commercial banking US\$ 000</i>	<i>Adjustments and eliminations US\$ 000</i>	
Investments in associates	171,465	529,516	-	700,981
Segment assets	1,134,534	2,358,932	(228,565)	3,264,901
Segment liabilities	1,272,514	1,600,888	(45,491)	2,827,911

13 COMMITMENTS, CONTINGENCIES AND OTHER OFF BALANCE SHEET ITEMS

Commitments

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

Letters of credit and guarantees (including standby letters of credit) committed by the Group to make payments on behalf of customers if certain conditions are met under the terms of the contract.

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

	<i>Reviewed 30 June 2021 US\$ 000</i>	<i>Audited 31 December 2020 US\$ 000</i>
Credit-related commitments:		
Undrawn credit facilities	55,311	73,013
Letters of credit	34,977	27,750
Letters of guarantee	14,740	14,988
	105,028	115,751
Investments related commitments*	23,902	15,605
	128,930	131,356

* Investment related commitments include commitments for capital calls of fund structures. These commitments can be called during the investment period of the funds which are normally 1 to 5 years.

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2021 (Reviewed)

14 DERIVATIVES

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

	<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>
30 June 2021 (Reviewed)			
<i>Derivatives held for trading</i>			
Forward foreign exchange contracts	736	(537)	188,948
<i>Derivatives used as hedge of net investments in foreign operations</i>			
Forward foreign exchange contracts	286	(2,500)	734,389
<i>Derivatives used as cash flow hedges</i>			
Interest rate swaps	-	(1,630)	375,000
	<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	1,030	(2,714)	282,314
<i>Derivatives used as hedge of net investments in foreign operations</i>			
Forward foreign exchange contracts	3,333	(417)	659,866
<i>Derivatives used as cash flow hedges</i>			
Interest rate swaps	-	(6,930)	375,000

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2021 (Reviewed)

15 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>
30 June 2021	US\$ 000	US\$ 000	US\$ 000	US\$ 000
Demand and call deposits with banks	-	-	466,467	466,467
Placements with banks	-	-	227,013	227,013
Investments carried at fair value through statement of income	579,632	-	-	579,632
Investments carried at fair value through other comprehensive income	-	361,981	-	361,981
Investments carried at amortised cost	-	-	9,964	9,964
Loans and receivables	-	-	584,995	584,995
Other assets	-	-	89,105	89,105
Total financial assets	579,632	361,981	1,377,544	2,319,157
Due to banks and other financial institutions	-	-	784,998	784,998
Deposits from customers	-	-	1,022,801	1,022,801
Loans payable	-	-	817,340	817,340
Long term bonds	-	-	133,027	133,027
Other liabilities	2,015	1,630	104,042	107,687
Total financial liabilities	2,015	1,630	2,862,208	2,865,853
	<i>Designated at FVTPL</i>	<i>FVOCI</i>	<i>Amortised cost</i>	<i>Total</i>
31 December 2020	US\$ 000	US\$ 000	US\$ 000	US\$ 000
Demand and call deposits with banks	-	-	465,391	465,391
Placements with banks	-	-	219,348	219,348
Investments carried at fair value through statement of income	544,548	-	-	544,548
Investments carried at fair value through other comprehensive income	-	347,294	-	347,294
Investments carried at amortised cost	-	-	9,839	9,839
Loans and receivables	-	-	593,715	593,715
Other assets	-	-	112,364	112,364
Total financial assets	544,548	347,294	1,400,657	2,292,499
Due to banks and other financial institutions	-	-	647,763	647,763
Deposits from customers	-	-	1,115,273	1,115,273
Loans payable	-	-	818,618	818,618
Long term bonds	-	-	131,497	131,497
Other liabilities	1,684	4,014	109,062	114,760
Total financial liabilities	1,684	4,014	2,822,213	2,827,911

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2021 (Reviewed)

16 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 arm's length 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.

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:

	<i>Level 1</i> US\$ 000	<i>Level 2</i> US\$ 000	<i>Level 3</i> US\$ 000	<i>Total</i> US\$ 000
Assets measured at fair value				
Investments carried at fair value through statement of income				
Forfeiting assets	-	-	478,643	478,643
Equities - quoted	6,848	-	-	6,848
Equities - unquoted	-	53	2,056	2,109
Debt securities - quoted	12,885	-	-	12,885
Investment in sub-fund of a collective investment scheme - unlisted	-	-	20,496	20,496
Managed funds	5,613	42,636	10,402	58,651
Investments carried at fair value through other comprehensive income				
Equities - quoted	5,488	-	-	5,488
Equities - unquoted	-	-	188,940	188,940
Debt securities - quoted	167,466	-	-	167,466
Managed funds	-	-	87	87
Investment properties	-	-	152,247	152,247
	198,300	42,689	852,871	1,093,860
Liabilities carried at fair value				
Derivatives				
Interest rate swap	-	(1,630)	-	(1,630)
Forward foreign exchange contracts	-	(2,015)	-	(2,015)
	-	(3,645)	-	(3,645)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2021 (Reviewed)

16 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 31 December 2020:

	<i>Level 1</i> US\$ 000	<i>Level 2</i> US\$ 000	<i>Level 3</i> US\$ 000	<i>Total</i> US\$ 000
Assets measured at fair value				
Investments carried at fair value through statement of income				
Forfeiting assets	-	-	452,327	452,327
Equities - quoted	7,916	-	-	7,916
Equities - unquoted	-	53	2,087	2,140
Debt securities - quoted	12,436	-	-	12,436
Investment in sub-fund of a collective investment scheme - unlisted	-	-	20,332	20,332
Managed funds	1,313	34,286	13,798	49,397
Investments carried at fair value through other comprehensive income				
Equities - quoted	5,034	-	-	5,034
Equities - unquoted	-	-	188,899	188,899
Debt securities - quoted	153,328	-	-	153,328
Managed funds	-	-	33	33
Derivatives				
Forward foreign exchange contracts	-	1,232	-	1,232
Investment properties	-	-	115,940	115,940
	<u>180,027</u>	<u>35,571</u>	<u>793,416</u>	<u>1,009,014</u>
Liabilities carried at fair value				
Derivatives				
Interest rate swap	-	(6,930)	-	(6,930)
	<u>-</u>	<u>(6,930)</u>	<u>-</u>	<u>(6,930)</u>

Transfers between Level 1, Level 2 and Level 3

During the six-month period ended 30 June 2021 and the year ended 31 Decemeber 2020 there were no transfers between Level 1 and Level 2 of the fair value hierarchy, and no transfers into or out of Level 3 fair value hierarchy (except for investment property transferred to property and equipment). 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 ended 30 June 2021:

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2021 (Reviewed)

16 FAIR VALUE MEASUREMENT (continued)

Transfers between Level 1, Level 2 and Level 3 (continued)

	<i>As at 1 January 2021 US\$'000</i>	<i>Net purchases, sales, transfer and settlement US\$'000</i>	<i>Gain / (loss) recorded in the Interim condensed statement of income US\$'000</i>	<i>Gain recognised in other comprehensive income US\$'000</i>	<i>As at 30 June 2021 US\$'000</i>
<i>Investments carried at fair value through statement of income</i>					
Forfeiting assets	452,327	28,673	(2,357)	-	478,643
Equities - unquoted	2,087	(83)	52	-	2,056
Investment scheme - unlisted	20,332	898	(734)	-	20,496
Managed funds	13,798	(3,735)	339	-	10,402
	488,544	25,753	(2,700)	-	511,597
<i>Investments carried at fair value through other comprehensive income</i>					
Equities - unquoted	188,899	(2,708)	-	2,749	188,940
Managed funds	33	54	-	-	87
	188,932	(2,654)	-	2,749	189,027
Investment properties (note 6)	115,940	32,383	453	3,471	152,247

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:

	<i>As at 1 January 2020 US\$'000</i>	<i>Net purchases, sales, transfer and settlement US\$'000</i>	<i>Gain / (loss) recorded in the statement of income US\$'000</i>	<i>Loss recognised in other comprehensive income US\$'000</i>	<i>As at 31 December 2020 US\$'000</i>
<i>Investments carried at fair value through statement of income</i>					
Forfeiting assets	460,239	(19,299)	11,387	-	452,327
Equities - unquoted	4,122	(1,272)	(763)	-	2,087
Investment scheme - unlisted	125,289	(106,000)	1,043	-	20,332
Managed funds	14,354	4,731	(5,287)	-	13,798
Unquoted debt securities	825	(786)	(39)	-	-
	604,829	(122,626)	6,341	-	488,544
<i>Investments carried at fair value through other comprehensive income</i>					
Equities - unquoted	134,315	64,000	-	(9,416)	188,899
Managed funds	1,006	-	-	(973)	33
	135,321	64,000	-	(10,389)	188,932
Investment properties	119,937	-	(3,997)	-	115,940

United Gulf Holding Company B.S.C.

SUPPLEMENTARY FINANCIAL INFORMATION

As at 30 June 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 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 Group's operations, the scale and duration of further developments remain uncertain at this stage and could potentially further impact the Group's financial position, financial performance and cash flows in the future, the extent of which is presently undeterminable. 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 summarises the impact that COVID-19 has had on different classes of assets for the six-month period ended 30 June 2021:

	<i>Net impact on the Group's interim condensed consolidated</i>		
	<i>Statement of</i>	<i>Statement of</i>	<i>Other</i>
	<i>Income</i>	<i>Financial</i>	<i>Comprehen-</i>
	<i>US\$ 000</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	(2,929)	(2,929)	-
Investments at fair value through profit or loss	9,125	9,125	-
Investments at fair value through other comprehensive income	-	87	87
Investments in associates	(6,940)	(6,940)	-
Loans, receivables and other assets	965	965	-
Other impacts	(14,711)	-	-
Revenues	(10,199)	-	-
Expenses	16,963	-	-

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.