بنك الخليج المتحد ش.م.ب.
UGB United Gulf Bank B.S.C.

Interim Consolidated Statement of Financial Position
As at 30 June 2016 (Reviewed)

	Reviewed 30 June 2016 US$ 000	Audited 31 December 2015 US$ 000	Reviewed 30 June 2015 US$ 000
ASSETS			
Demand and call deposits with banks	199,981	176,793	248,907
Placements with banks	218,753	57,026	125,833
Investments carried at fair value through statement of income	51,950	50,661	66,974
Non-trading investments	346,414	285,003	177,487
Loans and receivables	1,141,754	1,032,098	920,462
Other assets	141,929	119,686	116,652
Investments in associates and joint ventures	683,604	853,984	857,200
Investment properties	102,148	46,222	42,223
Property and equipment	39,581	41,694	41,708
Goodwill	52,321	52,321	54,304
Assets of disposal group classified as held for sale	382	1,028	1,748
TOTAL ASSETS	2,978,817	2,716,516	2,653,498
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks and other financial institutions	725,053	838,160	700,447
Deposits from customers	882,060	462,086	464,358
Loans payable	650,051	714,568	802,442
Subordinated debt	123,470	143,270	93,270
Other liabilities	62,069	54,999	57,545
Liabilities of disposal group classified as held for sale	218	166	296
TOTAL LIABILITIES	2,442,921	2,213,249	2,118,358
EQUITY			
Share capital	208,651	208,651	208,651
Treasury shares	(18,131)	(18,131)	(18,131)
Share premium	11,459	11,459	11,459
Statutory reserve	99,888	99,888	98,766
General reserve	80,373	80,373	79,251
Treasury shares reserve	14,248	14,248	14,248
Fair value reserve	(53,681)	(48,159)	(20,649)
Foreign currency translation reserve	(32,260)	(34,890)	(31,299)
Retained earnings	84,731	80,497	76,726
CAPITAL AND RESERVES ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT	395,278	393,936	419,022
Perpetual Tier 1 capital	33,000	-	-
Non-controlling interests	107,618	109,331	116,118
TOTAL EQUITY	535,896	503,267	535,140
TOTAL LIABILITIES AND EQUITY	2,978,817	2,716,516	2,653,498

Interim Consolidated Statement of Income
For the six-month period ended 30 June 2016 (Reviewed)

	Three-month period ended 30 June		Six-month period ended 30 June	
	2016 US$ 000	2015 US$ 000	2016 US$ 000	2015 US$ 000
Investment income - net	118	5,846	7,701	5,676
Interest income	11,739	14,318	23,030	31,276
	11,857	20,164	30,731	36,952
Fees and commissions	11,708	7,723	20,178	15,423
Foreign currency translation (losses) gains - net	4,496	(1,153)	(75)	1,866
Share of results of associates and joint ventures - net	10,904	13,335	21,138	21,066
Total income	38,965	40,069	71,972	75,307
Interest expense	(14,427)	(13,171)	(27,111)	(25,433)
Operating income before expenses and provisions	24,538	26,898	44,861	49,874
Salaries and benefits	(12,743)	(12,995)	(25,008)	(25,137)
General and administrative expenses	(7,500)	(8,102)	(14,442)	(15,054)
Operating income before provisions	4,295	5,801	5,411	9,683
Provisions for loans and receivables	(2,740)	(5,996)	(1,989)	(8,556)
Provision for impairment on investments	-	-	(1,700)	-
Taxation - net	(1,177)	1,380	(899)	1,431
Net profit for the period from continuing operations	378	1,185	823	2,558
Discontinued operations				
Net loss from discontinued operations	(30)	(1,136)	(48)	(2,342)
Net profit for the period	348	47	775	216
Net loss attributable to non-controlling interests	(857)	(3,034)	(3,459)	(4,988)
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT	1,205	3,081	4,234	5,204
Net (loss) profit for the period attributable to: Non-controlling interests				
- from continuing operations	(845)	(2,593)	(3,440)	(4,080)
- from discontinued operations	(12)	(441)	(19)	(908)
	(857)	(3,034)	(3,459)	(4,988)
Shareholders of the parent				
- from continuing operations	1,223	3,778	4,263	6,638
- from discontinued operations	(18)	(697)	(29)	(1,434)
	1,205	3,081	4,234	5,204
Earnings per share				
Basic and diluted earnings per share attributable to shareholders of the parent (US cents)	0.15	0.38	0.52	0.64
Basic and diluted earnings per share from continuing operations attributable to shareholders of the parent (US cents)	0.15	0.46	0.52	0.81

Interim Consolidated Statement of Comprehensive Income
For the six-month period ended 30 June 2016 (Reviewed)

	Three-month period ended 30 June		Six-month period ended 30 June	
	2016 US$ 000	2015 US$ 000	2016 US$ 000	2015 US$ 000
NET PROFIT FOR THE PERIOD	348	47	775	216
Other comprehensive income (loss) for the period to be reclassified to profit or loss in subsequent periods:				
- Foreign currency translation reserve	498	(4,063)	2,763	(21,663)
- Fair values reserve	(1,746)	4,982	1,233	4,075
- Transfer to interim consolidated statement of income upon disposal	65	-	2,295	(19,623)
- Share of other comprehensive income (loss) of associates and joint ventures - net	1,689	(4,299)	(6,459)	(11,183)
- Cash flow hedges	344	27	(282)	(42)
Other comprehensive income (loss) for the period to be reclassified to profit or loss in subsequent periods	850	(3,353)	(450)	(48,436)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	1,198	(3,306)	325	(48,220)
Total comprehensive income (loss) attributable to				
- shareholders of the parent	2,429	(1,548)	1,342	(43,880)
- non-controlling interests	(1,231)	(1,758)	(1,017)	(4,340)
	1,198	(3,306)	325	(48,220)

Interim Condensed Consolidated Statement of Cash Flows
For the six-month period ended 30 June 2016 (Reviewed)

	Six-month period ended 30 June	
	2016 US$ 000	2015 US$ 000
Net cash from (used in) operating activities	205,253	(39,664)
Net cash from (used in) investing activities	38,591	(21,612)
Net cash (used in) from financing activities	(51,317)	21,095
Foreign currency translation adjustments	2,630	(20,898)
Movement in non-controlling interests	1,746	3,622
NET CHANGE IN CASH AND CASH EQUIVALENTS	196,903	(57,457)
Cash and cash equivalents at 1 January	220,957	418,417
CASH AND CASH EQUIVALENTS AT 30 JUNE	417,860	360,960

Interim Consolidated Statement of Changes in Equity
For the six-month period ended 30 June 2016 (Reviewed)

	Attributable to shareholders of the parent												
	Share capital US$ 000	Treasury shares US$ 000	Share premium US$ 000	Statutory reserve US$ 000	General reserve US$ 000	Treasury share reserve US$ 000	Fair value reserve US$ 000	Foreign currency translation reserve US$ 000	Retained earnings US$ 000	Total before non-controlling interests US$ 000	Perpetual Tier 1 capital US$ 000	Non-controlling interests US$ 000	Total equity US$ 000
Balance at 1 January 2016	208,651	(18,131)	11,459	99,888	80,373	14,248	(48,159)	(34,890)	80,497	393,936	-	109,331	503,267
Profit (loss) for the period	-	-	-	-	-	-	-	-	4,234	4,234	-	(3,459)	775
Other comprehensive (loss) income	-	-	-	-	-	-	(5,522)	2,630	-	(2,892)	-	2,442	(450)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	(5,522)	2,630	4,234	1,342	-	(1,017)	325
Perpetual Tier 1 capital	-	-	-	-	-	-	-	-	-	-	33,000	-	33,000
Other movements in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(696)	(696)
Balance at 30 June 2016	208,651	(18,131)	11,459	99,888	80,373	14,248	(53,681)	(32,260)	84,731	395,278	33,000	107,618	535,896
Balance at 1 January 2015	208,651	(18,131)	11,459	98,766	79,251	14,248	7,539	(10,403)	71,522	462,902	-	117,485	580,387
Profit (loss) for the period	-	-	-	-	-	-	-	-	5,204	5,204	-	(4,988)	216
Other comprehensive (loss) income	-	-	-	-	-	-	(28,188)	(20,896)	-	(49,084)	-	648	(48,436)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	(28,188)	(20,896)	5,204	(43,880)	-	(4,340)	(48,220)
Other movements in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	2,973	2,973
Balance at 30 June 2015	208,651	(18,131)	11,459	98,766	79,251	14,248	(20,649)	(31,299)	76,726	419,022	-	116,118	535,140

The above Interim Consolidated Statement of Financial Position, Interim Consolidated Statement of Income, Interim Condensed Consolidated Statement of Cash Flows, Interim Consolidated Statement of Changes in Equity and Interim Consolidated Statement of Comprehensive Income have been extracted from the Interim Condensed Consolidated Financial Statements of United Gulf Bank B.S.C. for the six-month period ended 30 June 2016, which were approved by the Board of Directors on 10 August 2016 and were reviewed by Ernst & Young, Kingdom of Bahrain.

Masaud Hayat
Chairman

Faisal Al Ayyar
Vice Chairman

Hussain Lalani
Acting Chief Executive Officer

The Business

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UGB's net profit tops $4.2 million

MANAMA: Bahrain-based United Gulf Bank (UGB), the merchant banking subsidiary of Kuwait's Kipco Group, yesterday reported a net profit of $4.2 million for the six months ended June 30 as against $5.2m in the same period last year.

A statement said the profit for the first half this year is lower by 19 per cent when compared with the same period last year.

Net profit for the second quarter ended June at $1.2m is lower by 61pc, when compared with $3.1m for the same quarter last year.

Total income for the first half was $72m as against $75.3m earlier and earning per share was 0.52 cents as against 0.64 cents earlier.

■ Mr Lalani

Total equity increased to $535.9m as of end-June this year from $503.3m as of end-December last year, mainly reflective of the $33m additional tier 1 capital facility raised during the first quarter this year.

"During the past six months UGB has raised in excess of $130m in medium- and long-term financing through bilaterals and club deals which is a testament of investor confidence on UGB's strategy and asset quality," said acting chief executive Hussain Lalani.

"The liquidity raised will be used to refinance the maturing medium-term facilities.

"UGB will continue to focus on improving recurring revenues stream while maintaining adequate capital and liquidity resources."

Total assets as of June 30 were $3 billion as against $2.7bn as of December 31 last year.

Forum focus on business continuity management

MANAMA: A two-day interactive awareness workshop on business continuity management (BCM) was organised by national carrier Gulf Air.

Delivered by industry experts, the workshop was attended by more than 30 employees from various departments of the airline.

The main objectives were to increase the knowledge of the participants and to explain the main reasons and benefits of implementing a BCM programme within large corporations.

It also highlighted ISO 22301 framework and common methodology of preparing and exercising recovery plans, to resume business operations in the event of a disaster as quick as possible with minimum losses.

■ *The airline's chief operating officer Captain Nasser Al Salmi, left, and director of information technology Dr Jassim Haji, right, at the event*

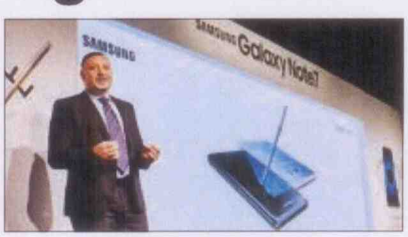
Participants had the opportunity to form a direct dialogue with the experts to share their thoughts and past experiences in an interactive approach.

Samsung launches Note7

MANAMA: Samsung Gulf has announced the Bahrain launch of "its most intelligent smartphone" – the Galaxy Note7.

The Galaxy Note7 will be available in Bahrain on August 19, in Gold Platinum, Silver Titanium and Black Onyx with a price tag of BD315.

A 128 GB microSD card will be supplied to complement the 64GB of internal memory.



■ *Mr Sabbagh at the launch*

With refined craftsmanship, premium materials and a unique symmetrical edge design, the Galaxy Note7 features: a water resistant body and S Pen (IP68), top-of-the-line security that combines Samsung Knox with biometric authentication including a new iris scanning feature, and immersive entertainment features with HDR video streaming capabilities.

Samsung's partnership with Holiday Factory will benefit Note7 buyers to opt for 'buy one get one free' holiday package with up to 5,000 dirhams savings. The device is also loaded with Galaxy Entertainer application with benefits of 400,000 dirhams through 'buy one get one' free offers.

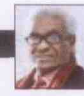
The Samsung Galaxy Note7 is virtually indistinguishable from the S7 or S7 Edge.

It has the same Qualcomm Snapdragon 820 processor, same 4GB of RAM, same quick charging and quick wireless charging, and same 12-megapixel camera with f/1.7 lens and optical stabilisation as the S7 series.

"With the Galaxy Note7 we have reinvented the large-screen smartphone segment with a unique combination of productivity tools, entertainment services and security features," said Samsung Gulf Electronics head of IT and mobile division Tarek Sabbagh.

Private sector's role vital to development

By DR ABDELGADIR WARSAMA GHALIB



For a long time, it has been globally recognised that the private sector can play a dynamic role in accelerating growth and development.

In this respect, many countries are encouraging direct private sector involvement and are making strong efforts to attract new money from them through new project financing techniques.

Likewise, it has been recognised that private sector involvement can bring with it the ability to finish projects in a shorter time, expectation of more efficient operation, better management and higher technical ability or capability and, in some cases, introduction of an element of fair competition into monopolistic structures.

The search for new way to finance and promote infrastructure projects led to the introduction of new techniques. This financing technique, technically known as "project finance" was originally perfected for major private sector projects.

Project finance techniques are now applied across the world to numerous privately promoted infrastructure projects including power stations, gas pipelines, waste-disposal plants, waste-to-energy plants, bridges, tunnels, telecommunication facilities, roads, railway networks, hospitals, schools, government accommodation and tourist facilities.

Bahrain is on the move.

Investment banks and financial markets have become increasingly sophisticated in "engineering" packages to finance almost any type of reasonably predictable revenue stream.

Over last years, it has been noticed that certain major international contracting firms and private individual entrepreneurs in some countries have begun to promote infrastructure projects under what is known in law as "BOOT contracts".

Under this type of contract certain projects are financed on a limited-resource basis, built and operated under a concession from the government or public agency, as a private venture.

At the end of the concession the project is to be transferred back to the government or the public agency according to the terms of the contract.

"BOOT contract" is basically a method wherein the private sector is involved in large-scale infrastructure investments by granting a concession from the government to build, finance, own and operate a facility and after the time specified in the concession period is obliged to hand it back to the government according to the terms of the contract.

However, drafting BOOT contracts requires certain skills and know-how.

It would be better to highlight major components of BOOT contracts:

B in BOOT stands for build, this is because the concession grants the promoter the right to design, construct, build and finance the project.

Here a construction contract will be required between the promoter and a contractor.

This contract is often among the most difficult to negotiate in a BOOT project because of the conflicts between the promoter, the contractor responsible for building the facility and those financing its construction.

Banks and other providers of funds will insist that the commercial terms of the construction contract are reasonable and that the construction risk is placed as far as possible on the contractors.

The contractor undertakes responsibility for constructing the asset and to build the project on time, within budget, according to clear specifications to warrant that the asset will perform its design function.

Typically this work is done by way of a lump-sum turnkey contract.

The O stands for own, normally in this case the concession from the government provides for the concessionaire to own, or at least possess, the assets that are to be built and to operate them for a period of time.

The concession agreement between the government and the concessionaire defines the extent to which ownership, and its associated attributes of possession and control, of the assets lies with the concessionaire.

The second O stands for operate, here the operator is to assume full responsibility for maintaining the facility's assets and operating them on a basis that maximises profit or minimises cost on behalf of the concessionaire and, like the contractor undertaking construction of the project, the operator may provide funds to finance construction and to be a shareholder in the project company.

The operator is an independent company appointed under an arms-length agreement.

However, in some cases the promoter operates the facility directly through the promoter company.

The T stands for transfer, this transfer refers to a change in ownership of the assets which occurs at the end of the concession period, when the concession assets revert to the grantor.

Transfer may be at book value or no value and may occur earlier in the event of failure of the concessionaire.

BOOT contracts are widely used as a new way to find suitable project financing through the involvement of the private sector.

This no doubt opens the door for the private sector to shoulder an active clear responsibility towards development in their countries.

The private sector, along with banks, in Bahrain, are urged to take advantage of benefiting from BOOT contracts particularly in performing and financing new development projects designed by the government and public authorities for the welfare of the society and all related and concerned.

The time when the government and the public sector was the sole undertaker and performer of all needed projects is long gone.

Economic crises, shortage of funds, increase in population, diversification of services, globalisation and interaction between all countries and more, all those factors demand private sector to become partners in the development.

The private sector in Bahrain needs to take an active positive role to make Bahrain better.

The author is a Bahrain-based lawyer and professor of business law