

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

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

**30 June 2023 (REVIEWED)**

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

### *Introduction*

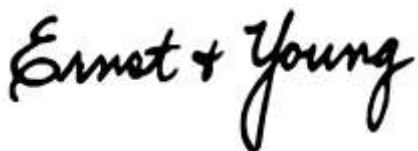
We have reviewed the accompanying interim condensed consolidated financial statements of United Gulf Bank B.S.C. (c) (the "Bank") and its subsidiaries (together, the "Group") as at 30 June 2023, comprising of the interim consolidated statement of financial position as at 30 June 2023 and the related interim consolidated statements of income and comprehensive income for the three month and six month periods then ended, and the interim consolidated statements of cash flows and changes in equity for the six month period then ended and explanatory notes. The Board of Directors of the Bank is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34"). 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 and consequently, 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.



*Ernst & Young*

13 August 2023  
Manama, Kingdom of Bahrain

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

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023 (Reviewed)

	Note	Reviewed 30 June 2023	Audited 31 December 2022	Reviewed 30 June 2022
		US\$ 000	US\$ 000	US\$ 000
<b>ASSETS</b>				
Demand and call deposits with banks	4	62,819	102,969	101,806
Placements with banks	4	97,105	96,465	117,340
Investments carried at fair value through profit or loss		130,425	88,064	89,366
Investments carried at fair value through other comprehensive income		108,045	104,021	101,232
Investments carried at amortised cost		24,825	25,036	25,125
Loans and receivables		21,170	21,690	28,472
Other assets		42,826	46,922	53,759
Investment in associates		83,988	87,050	87,899
Investment properties		99,627	99,962	99,351
Property and equipment		15,680	15,846	14,623
Goodwill and other intangible assets		62,880	63,556	64,739
Assets held for sale	9	2,303	2,306	1,251
<b>TOTAL ASSETS</b>		<b>751,693</b>	<b>753,887</b>	<b>784,963</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Liabilities</b>				
Due to banks and other financial institutions		141,694	138,878	170,929
Deposits from customers		19,497	20,772	30,508
Long term loans		74,278	61,324	61,316
Long term bonds	6	130,124	130,595	130,527
Other liabilities		70,101	80,741	69,407
<b>Total liabilities</b>		<b>435,694</b>	<b>432,310</b>	<b>462,687</b>
<b>Equity</b>				
Share capital	7	116,132	116,132	116,132
Share premium		5,687	5,687	5,687
Statutory reserve		54,034	54,034	53,519
General reserve		33,765	33,765	33,250
Fair value reserve		(391)	(7,586)	(12,120)
Foreign currency translation reserve		(5,483)	(5,379)	(5,446)
(Accumulated deficit) retained earnings		(14,542)	(1,425)	5,009
Equity attributable to shareholders of the Parent		189,202	195,228	196,031
Perpetual Additional Tier 1 Capital	8	33,000	33,000	33,000
Non-controlling interests		93,797	93,349	93,245
<b>Total equity</b>		<b>315,999</b>	<b>321,577</b>	<b>322,276</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>751,693</b>	<b>753,887</b>	<b>784,963</b>

Masaud Hayat  
Chairman

Faisal Al Ayyar  
Vice Chairman

Hussain Lalani  
Chief Executive Officer

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

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

## INTERIM CONSOLIDATED STATEMENT OF INCOME

For the six-month period ended 30 June 2023 (Reviewed)

Note	Three-month period ended 30 June		Six-month period ended 30 June	
	2023 US\$ 000	2022 US\$ 000	2023 US\$ 000	2022 US\$ 000
Interest income	2,582	2,046	5,263	3,772
Investment income (loss) - net	6,067	(2,012)	5,339	6,682
	8,649	34	10,602	10,454
Fees and commission income - net	10,186	19,143	21,222	35,389
Foreign exchange gain (loss) - net	347	(26)	585	(1,111)
Share of results of associates	137	(1,610)	(3,273)	6,702
<b>Total income</b>	<b>19,319</b>	<b>17,541</b>	<b>29,136</b>	<b>51,434</b>
Interest expense	(5,460)	(3,967)	(10,688)	(7,442)
<b>Operating income before expenses and expected credit losses</b>	<b>13,859</b>	<b>13,574</b>	<b>18,448</b>	<b>43,992</b>
Salaries and benefits	(9,355)	(8,282)	(17,541)	(21,814)
General and administrative expenses	(4,347)	(4,454)	(9,590)	(9,774)
<b>Operating income (loss) before expected credit losses</b>	<b>157</b>	<b>838</b>	<b>(8,683)</b>	<b>12,404</b>
Reversal of expected credit loss - net	5	855	419	213
<b>Profit (loss) before tax</b>	<b>1,012</b>	<b>1,257</b>	<b>(8,470)</b>	<b>12,525</b>
Tax expense	(44)	(13)	(125)	(16)
<b>Net profit (loss) for the period</b>	<b>968</b>	<b>1,244</b>	<b>(8,595)</b>	<b>12,509</b>
<b>Net profit attributable to non-controlling interests</b>	<b>2,174</b>	<b>1,048</b>	<b>182</b>	<b>5,771</b>
<b>Net (loss) profit attributable to shareholders of the Parent</b>	<b>(1,206)</b>	<b>196</b>	<b>(8,777)</b>	<b>6,738</b>

Masaud Hayat  
Chairman

Faisal Al Ayyar  
Vice Chairman

Hussain Lalani  
Chief Executive Officer

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

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six-month period ended 30 June 2023 (Reviewed)

	Three-month period ended 30 June		Six-month period ended 30 June	
	2023	2022	2023	2022
	US\$ 000	US\$ 000	US\$ 000	US\$ 000
<b>Net profit (loss) for the period</b>	<b>968</b>	<b>1,244</b>	<b>(8,595)</b>	<b>12,509</b>
<b><i>Other Comprehensive Income (OCI)</i></b>				
<b><i>Items that may be reclassified to profit or loss in subsequent periods</i></b>				
Foreign currency translation changes	(265)	(1,467)	(451)	(2,186)
Net change in cashflow hedges	370	-	189	-
<b><i>Items that will not be reclassified to profit or loss in subsequent periods</i></b>				
Fair value changes of equity investments carried at fair value through other comprehensive income	291	(434)	3,457	1,653
Share of other comprehensive income / (loss) of associates	1,885	(86)	1,081	29
<b>Other comprehensive income (loss) for the period</b>	<b>2,281</b>	<b>(1,987)</b>	<b>4,276</b>	<b>(504)</b>
<b>Total comprehensive income (loss) for the period</b>	<b>3,249</b>	<b>(743)</b>	<b>(4,319)</b>	<b>12,005</b>
<b>Total comprehensive income (loss) attributable to:</b>				
- Shareholders of the Parent	955	(817)	(4,274)	6,983
- Non-controlling interests	2,294	74	(45)	5,022
	<b>3,249</b>	<b>(743)</b>	<b>(4,319)</b>	<b>12,005</b>

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

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2023 (Reviewed)

	Note	Six-month period ended 30 June	
		2023 US\$ 000	2022 US\$ 000
<b>OPERATING ACTIVITIES</b>			
Net (loss) profit before tax		(8,470)	12,525
Adjustments for non-cash items:			
Interest expense		10,688	7,442
Depreciation and amortisation		939	1,242
Interest income		(5,263)	(3,772)
Gain on investments carried at fair value through profit or loss		(1,860)	(3,456)
Share of results of associates		3,273	(6,702)
Reversal of expected credit losses - net	5	(213)	(121)
Operating (loss) income before working capital changes		(906)	7,158
Changes in operating assets and liabilities:			
Placements with banks		1,451	(2,092)
Investments carried at fair value through profit or loss		(40,501)	7,295
Investments carried at fair value through OCI		(567)	5,277
Investments carried at amortised cost		211	47
Loans and receivables		495	5,075
Other assets		4,253	104
Due to banks and other financial institutions		2,816	21,328
Deposits from customers		(1,275)	(39,669)
Other liabilities		(11,913)	(14,144)
Interest received		5,391	4,393
Interest paid		(8,970)	(7,420)
Directors' remuneration paid		(245)	(260)
Donations paid		(200)	(200)
Net cash flows used in operating activities		(49,960)	(13,108)
<b>INVESTING ACTIVITIES</b>			
Investments in associates - net		3,242	1,240
Property and equipment - net		(773)	(1,086)
Acquisition of non-current assets classified as held for sale		-	(1,251)
Net cash flows from (used in) investing activities		2,469	(1,097)
<b>FINANCING ACTIVITIES</b>			
Long term loans obtained		12,954	44,769
Interest payment on Perpetual Additional Tier 1 Capital		(1,752)	(1,752)
Movement in non-controlling interests		493	(4,679)
Net cash flows from financing activities		11,695	38,338
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>			
Foreign currency translation adjustments		(35,796)	24,133
Cash and cash equivalents at 1 January		(2,263)	(2,080)
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	4	<b>184,906</b>	<b>191,083</b>
		<b>146,847</b>	<b>213,136</b>

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

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

## INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2023 (Reviewed)

	Attributable to shareholders of the Parent								Perpetual		
	Share capital US\$ 000	Share premium US\$ 000	Statutory reserve US\$ 000	General reserve US\$ 000	Fair value reserve US\$ 000	Foreign currency translation US\$ 000	(Accumulated deficit) US\$ 000	Retained earnings US\$ 000	Total US\$ 000	Additional	
										Tier 1 Capital US\$ 000	controlling interests US\$ 000
	116,132	5,687	54,034	33,765	(7,586)	(5,379)	(1,425)	195,228	33,000	93,349	321,577
Balance at 1 January 2023	116,132	5,687	54,034	33,765	(7,586)	(5,379)	(1,425)	195,228	33,000	93,349	321,577
Net (loss) profit for the period	-	-	-	-	-	-	(8,777)	(8,777)	-	182	(8,595)
Other comprehensive income (loss)	-	-	-	-	4,607	(104)	-	4,503	-	(227)	4,276
Total comprehensive income (loss) for the period	-	-	-	-	4,607	(104)	(8,777)	(4,274)	-	(45)	(4,319)
Transfer upon disposal of equity investments carried at fair value through OCI	-	-	-	-	11	-	(11)	-	-	-	-
Movements in associates	-	-	-	-	2,577	-	(2,577)	-	-	-	-
Interest payment on Tier 1 capital	-	-	-	-	-	-	(1,752)	(1,752)	-	-	(1,752)
Other movements in non-controlling interests	-	-	-	-	-	-	-	-	-	493	493
Balance at 30 June 2023	116,132	5,687	54,034	33,765	(391)	(5,483)	(14,542)	189,202	33,000	93,797	315,999
Balance at 1 January 2022	116,132	5,687	53,519	33,250	(13,477)	(4,572)	261	190,800	33,000	92,902	316,702
Net profit for the period	-	-	-	-	-	-	6,738	6,738	-	5,771	12,509
Other comprehensive income (loss)	-	-	-	-	1,119	(874)	-	245	-	(749)	(504)
Total comprehensive income (loss) for the period	-	-	-	-	1,119	(874)	6,738	6,983	-	5,022	12,005
Transfer upon disposal of equity investments carried at fair value through OCI	-	-	-	-	238	-	(238)	-	-	-	-
Interest payment on Tier 1 capital	-	-	-	-	-	-	(1,752)	(1,752)	-	-	(1,752)
Other movements in non-controlling interests	-	-	-	-	-	-	-	-	-	(4,679)	(4,679)
Balance at 30 June 2022	116,132	5,687	53,519	33,250	(12,120)	(5,446)	5,009	196,031	33,000	93,245	322,276

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

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

---

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2023 (Reviewed)

### 1 CORPORATE INFORMATION

#### 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 issued by the Ministry of Industry and Commerce ("MOIC"). 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 with the Bank, 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. ("UGH" or the "Parent"), which owns 100% shares of the Bank and the ultimate holding company is Kuwait Projects Company Holding K.S.C.P. ("KIPCO" or the "Ultimate Parent"). UGH 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 13 August 2023.

### 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Basis of preparation

The interim condensed consolidated financial statements for the six-month period ended 30 June 2023 have been prepared in accordance with IAS 34 - Interim Financial Reporting. The Group has prepared the interim condensed consolidated financial statements on the basis that it will continue to operate as a going concern. The Board of Directors consider that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

Certain corresponding figures have been reclassified in order to conform to the presentation of the consolidated financial statements for the current period. Such reclassifications did not affect previously reported net profit, total assets, total liabilities and total equity of the Group.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2022.

These interim condensed consolidated financial statements are reviewed, not audited.

#### 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 2022, except for the adoption of new and amended standards and interpretations effective as of 1 January 2023 as stated in note 2.3. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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

**2.3 New standards, interpretations and amendments adopted by the Group**

The adoption of below new and amended standards and interpretations had no impact on the interim condensed consolidated financial statements of the Group:

**2.3.1 IFRS 17 Insurance Contracts**

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

**2.3.2 Definition of Accounting Estimates - Amendments to IAS 8**

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

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

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide 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.

**2.3.4 Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12**

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2023 (Reviewed)

### 3 BASIS OF CONSOLIDATION

These interim condensed consolidated financial statements include the interim condensed financial statements of the Bank and its subsidiaries as at and for the six-month period ended 30 June 2023. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. 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 2022.

The principal subsidiaries of the Bank are as follows:

<b>Name of the subsidiary</b>	<b>Country of incorporation</b>	<b>Ownership</b>		<b>Year of incorporation</b>
		<b>30 June 2023</b>	<b>31 December 2022</b>	
<b>Held directly</b>				
KAMCO Investment Company K.S.C.P. [KAMCO]	Kuwait	<b>60%</b>	60%	1998
United Gulf Realty International, Ltd [UGRIL]	The British Virgin Islands	<b>50%</b>	50%	2012
<b>Held through KAMCO</b>				
1925 Investor Inc.	Jersey	<b>100%</b>	100%	2022
Al Jazi Money Market Fund	Kuwait	<b>51%</b>	51%	2007
Al Tadamun United Holding Company K.S.C.	Kuwait	<b>96%</b>	96%	2017
American Boulevard Investor, Inc	U.S.A.	<b>100%</b>	100%	2022
Bukeye Power Advisory Company L.L.C.	U.S.A.	<b>48%</b>	48%	2017
Bukeye Power Manager Limited	Jersey	<b>100%</b>	100%	2017
Centerstone Investor Inc.	U.S.A.	<b>100%</b>	100%	2021
First Securities Brokerage Company K.S.C.	Kuwait	<b>93%</b>	93%	1985
KAMCO Investment Company DIFC Limited	U.A.E.	<b>100%</b>	100%	2013
KAMCO Investment Company Saudi	Saudi Arabia	<b>100%</b>	100%	2013
KAMCO GCC Opportunistic Fund	Kuwait	<b>59%</b>	91%	2013
KAMCO MENA Plus Fixed Income Fund OEIC Ltd	U.A.E.	<b>54%</b>	56%	2019
Kubbar United Real Estate Company	Kuwait	<b>100%</b>	100%	2017
Kuwait Private Equity Opportunity Fund	Kuwait	<b>73%</b>	73%	2004
Lawson Lane Investor Incorporation	U.S.A.	<b>100%</b>	100%	2020
Nawasi United Holding Company K.S.C. (Closed)	Kuwait	<b>96%</b>	100%	2017
Plans United Real Estate Co.	Kuwait	<b>100%</b>	100%	2017
Project Plaza Investor Inc	U.S.A.	<b>100%</b>	100%	2019
HP Plaza Investor Inc.	Jersey	<b>100%</b>	100%	2019
KAMCO Capital Management Ltd.	Oman	<b>100%</b>	100%	1998
KAMCO Capital Partners Ltd.	Cayman Islands	<b>100%</b>	100%	2007
KAMCO Investment Company DIFC Limited	U.A.E.	<b>100%</b>	100%	2016
Martley Finance GP Limited	Jersey	<b>100%</b>	100%	2020
Martley Holdings GP Limited	Jersey	<b>100%</b>	100%	2020

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2023 (Reviewed)

### 4 CASH AND CASH EQUIVALENTS

	<i>Reviewed</i> <b>30 June</b> <b>2023</b> <b>US\$ 000</b>	<i>Audited</i> <b>31 December</b> <b>2022</b> <b>US\$ 000</b>	<i>Reviewed</i> <b>30 June</b> <b>2022</b> <b>US\$ 000</b>
Demand and call deposits with banks	<b>62,819</b>	102,969	101,806
Placements with banks	<b>97,105</b>	96,465	117,340
	<b>159,924</b>	199,434	219,146
<i>Adjusted for:</i>			
Time deposits with original maturities of more than 90 days	<b>(12,759)</b>	(14,210)	(5,692)
Mandatory reserves	<b>(318)</b>	(318)	(318)
<b>Cash and cash equivalents</b>	<b>146,847</b>	184,906	213,136

### 5 MOVEMENT IN EXPECTED CREDIT LOSS (ECL)

An analysis of movement in ECL allowances during the six-month period ended 30 June 2023 is as follows:

	<i>Stage 1</i> <b>US\$ 000</b>	<i>Stage 2</i> <b>US\$ 000</b>	<i>Stage 3</i> <b>US\$ 000</b>	<i>Total</i> <b>US\$ 000</b>
<b>As at 1 January 2023</b>	<b>17,296</b>	-	<b>7,915</b>	<b>25,211</b>
Net transfer between stages	<b>(2,349)</b>	<b>2,037</b>	<b>312</b>	-
Net remeasurement of loss allowances	<b>17</b>	-	<b>(230)</b>	<b>(213)</b>
Written-off during the period	-	-	<b>(75)</b>	<b>(75)</b>
Foreign exchange adjustments	<b>(45)</b>	-	<b>(29)</b>	<b>(74)</b>
<b>As at 30 June 2023 (Reviewed)</b>	<b>14,919</b>	<b>2,037</b>	<b>7,893</b>	<b>24,849</b>

An analysis of movement in ECL allowances during the six-month period ended 30 June 2022 is as follows:

	<i>Stage 1</i> <b>US\$ 000</b>	<i>Stage 2</i> <b>US\$ 000</b>	<i>Stage 3</i> <b>US\$ 000</b>	<i>Total</i> <b>US\$ 000</b>
As at 1 January 2022	14,830	787	8,444	24,061
Net transfer between stages	(151)	-	151	-
Net remeasurement of loss allowances	231	21	(373)	(121)
Written-off during the period	-	-	(151)	(151)
Foreign exchange adjustments	(79)	-	(118)	(197)
<b>As at 30 June 2022 (Reviewed)</b>	<b>14,831</b>	<b>808</b>	<b>7,953</b>	<b>23,592</b>

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2023 (Reviewed)

### 6 LONG TERM BONDS

	<b>Reviewed</b> <b>30 June</b> <b>2023</b> <b>US\$ 000</b>	<b>Audited</b> <b>31 December</b> <b>2022</b> <b>US\$ 000</b>	<b>Reviewed</b> <b>30 June</b> <b>2022</b> <b>US\$ 000</b>
Fixed interest of 6.00% per annum and maturing on 26 July 2023	<b>48,471</b>	48,647	48,621
Floating interest of Central Bank of Kuwait discount rate + 2.75% per annum (capped at 7% per annum) and maturing on 26 July 2023	<b>81,653</b>	81,948	81,906
	<b>130,124</b>	130,595	130,527

### 7 SHARE CAPITAL

	<b>Reviewed</b> <b>30 June</b> <b>2023</b> <b>US\$ 000</b>	<b>Audited</b> <b>31 December</b> <b>2022</b> <b>US\$ 000</b>	<b>Reviewed</b> <b>30 June</b> <b>2022</b> <b>US\$ 000</b>
Authorised share capital			
Number of shares (in thousands)	<b>500,000</b>	500,000	500,000
Par value (US\$)	<b>0.50</b>	0.50	0.50
Authorised share capital (US'000)	<b>250,000</b>	250,000	250,000
Issued and fully paid up share capital			
Number of shares (in thousands)	<b>232,263</b>	232,263	232,263
Par value (US\$)	<b>0.50</b>	0.50	0.50
Issued and fully paid up share capital (US'000)	<b>116,132</b>	116,132	116,132

### 8 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 any interest payment date 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.

## 9 ASSETS HELD FOR SALE

The prior year transactions were as follows:

- The Group made an investment in certain special purpose vehicles (the “Entities”), for a consideration of US\$ 6.3 million. Through these Entities, the Group acquired a property in the United States of America and classified it as “disposal group held for sale”.

Subsequently, the Group fully disposed its interest in these Entities for a consideration equivalent to its carrying value. Accordingly, no gain or loss from the disposal of these Entities was recognized in the interim condensed consolidated statement of income.

- Further, the Group made an investment in certain special purpose vehicles (the “SPV Entities”) and subsequently disposed majority interest in the SPV Entities with the remaining interest amounting to US\$ 2.3 million classified in accordance with IFRS 5 - Non-current Assets held for sale as the Group actively plans to dispose its stake in these SPV Entities.

## 10 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent the Ultimate Parent, Parent, associates and joint ventures, directors and key management personnel and entities which are controlled, jointly controlled or significantly influenced by any of the above mentioned parties.

The income and expenses in respect of related party transactions included in the interim condensed consolidated financial statements were as follows:

	<i>(Reviewed)</i> <i>Six-month period ended 30 June 2023</i>			
	<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>
Investment income	-	-	12	12
Fees and commissions - net*	995	684	3,772	5,451
Dividend income	-	-	1,023	1,023
Rental income	-	-	548	548
Interest income	-	-	643	643
Interest expense	(102)	-	(2,856)	(2,958)
General and administrative expenses	-	-	(1,599)	(1,599)

	<i>(Reviewed)</i> <i>Six-month period ended 30 June 2022</i>			
	<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>
Investment income	-	-	4	4
Fees and commissions - net*	497	1,134	3,281	4,912
Dividend income	-	-	384	384
Rental income	-	-	554	554
Interest income	-	-	1,727	1,727
Interest expense	(164)	-	(2,612)	(2,776)
General and administrative expenses	-	-	(965)	(965)
Others	-	-	60	60

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

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2023 (Reviewed)

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

\* The Bank and its Parent have entered into an arrangement for service sharing between the two entities. In line with the arrangement, the Bank provides certain service to the Parent against mutually agreed service fee.

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

	(Reviewed) 30 June 2023			
	Major shareholder US\$ 000	Associates US\$ 000	Other related parties US\$ 000	Total US\$ 000
Demand and call deposits with banks	-	-	11,619	11,619
Placements with banks	-	-	18,796	18,796
Investments carried at fair value through profit or loss (FVTPL)	-	-	19,220	19,220
Investments carried at fair value through other comprehensive income (FVOCI)	-	53	65,319	65,372
Loans and receivables	-	-	5,990	5,990
Other assets	-	461	4,935	5,396
Due to banks and other financial institutions	-	-	(84,174)	(84,174)
Deposits from customers	(6,563)	(68)	(2,973)	(9,604)
Other liabilities	(2)	-	(3,888)	(3,890)
Perpetual Additional Tier 1 Capital	-	-	(10,000)	(10,000)
<i>Off statement of financial position items:</i>				
Letters of guarantee	-	-	157	157

	(Audited) 31 December 2022			
	Major shareholder US\$ 000	Associates US\$ 000	Other related parties US\$ 000	Total US\$ 000
Demand and call deposits with banks	-	-	16,955	16,955
Placements with banks	-	-	23,255	23,255
Investments carried at FVTPL	-	-	2,082	2,082
Investments carried at FVOCI	-	56	65,133	65,189
Loans and receivables	-	-	6,641	6,641
Other assets	-	3,506	4,833	8,339
Due to banks and other financial institutions	-	-	(89,904)	(89,904)
Deposits from customers	(4,751)	(345)	(4,807)	(9,903)
Other liabilities	(1)	-	(2,774)	(2,775)
Perpetual Additional Tier 1 Capital	-	-	(10,000)	(10,000)
<i>Off statement of financial position items:</i>				
Letters of guarantee	-	-	157	157

All related party exposures are performing as of 30 June 2023 and 31 December 2022.

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2023 (Reviewed)

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

Compensation of key management personnel was as follows:

	<i>Six-month period ended 30 June</i>	
	<b>2023</b>	<b>2022</b>
	<b>Reviewed</b> <b>US\$ 000</b>	<b>Reviewed</b> <b>US\$ 000</b>
Short-term employee benefits	1,137	1,100
Long-term employee benefits	226	266
	<b>1,363</b>	<b>1,366</b>

### 11 COMMITMENTS

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

	<b>Reviewed</b> <b>30 June</b> <b>2023</b>	<b>Audited</b> <b>31 December</b> <b>2022</b>	<b>Reviewed</b> <b>30 June</b> <b>2022</b>
	<b>US\$ 000</b>	<b>US\$ 000</b>	<b>US\$ 000</b>
Credit-related commitments:			
Letters of guarantee	2,266	2,269	2,363
Investments related commitments*	3,821	825	826
	<b>6,087</b>	<b>3,094</b>	<b>3,189</b>

\*Investment related commitments are Group's commitment to invest in private equity funds representing the uncalled capital by the investment managers (general partners) of various private equity funds in which the Group has made investments. The capital can be called at the investment manager's discretion.

### 12 DERIVATIVES

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

<i>30 June 2023 (Reviewed)</i>	<b>Positive fair value</b>	<b>Negative fair value</b>	<b>Notional amount</b>
	<b>US\$ 000</b>	<b>US\$ 000</b>	<b>US\$ 000</b>
<b><i>Derivatives held for trading*</i></b>			
Forward foreign exchange contracts	2,589	(2,534)	754,295
<b><i>Derivatives used as hedge of net investments in foreign operations</i></b>			
Forward foreign exchange contracts	58	(836)	157,793
<b><i>Derivatives used as cash flow hedges</i></b>			
Interest rate swaps	632	-	22,500

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2023 (Reviewed)

### 12 DERIVATIVES (continued)

	Positive fair value US\$ 000	Negative fair value US\$ 000	Notional amount US\$ 000
<i>31 December 2022 (Audited)</i>			
<i>Derivatives held for trading*</i>			
Forward foreign exchange contracts	3,272	(3,337)	762,620
<i>Derivatives used as hedge of net investments in foreign operations</i>			
Forward foreign exchange contracts	-	(854)	164,079
<i>Derivatives used as cash flow hedges</i>			
Interest rate swaps	443	-	22,500

\* The Group uses foreign currency denominated borrowings and forward currency contracts to manage some of its transaction exposures. These currency forward contracts are not designated as cash flow, fair value or net investment in foreign operations hedges and are entered into for periods consistent with currency transaction exposures.

Forward foreign exchange contracts are contractual agreements to either buy or sell a specified currency, at a specific price and date in the future, and are customised contracts transacted in the over-the-counter market.

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

### 13 FINANCIAL INSTRUMENTS

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

	At FVTPL US\$ 000	At FVOCI US\$ 000	Amortised cost US\$ 000	Total US\$ 000
<i>30 June 2023 (Reviewed)</i>				
Demand and call deposits with banks	-	-	62,819	62,819
Placements with banks	-	-	97,105	97,105
Investments carried at FVTPL	130,425	-	-	130,425
Investments carried at FVOCI	-	108,045	-	108,045
Investments carried at amortised cost	-	-	24,825	24,825
Loans and receivables	-	-	21,170	21,170
Other assets	55	632	39,772	40,459
<b>Total financial assets</b>	<b>130,480</b>	<b>108,677</b>	<b>245,691</b>	<b>484,848</b>
Due to banks and other financial institutions	-	-	141,694	141,694
Deposits from customers	-	-	19,497	19,497
Long term loans	-	-	74,278	74,278
Long term bonds	-	-	130,124	130,124
Other liabilities	-	778	69,232	70,010
<b>Total financial liabilities</b>	<b>-</b>	<b>778</b>	<b>434,825</b>	<b>435,603</b>

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2023 (Reviewed)

### 13 FINANCIAL INSTRUMENTS (continued)

	At FVTPL US\$ 000	At FVOCI US\$ 000	Amortised cost US\$ 000	Total US\$ 000
<i>31 December 2022 (Audited)</i>				
Demand and call deposits with banks	-	-	102,969	102,969
Placements with banks	-	-	96,465	96,465
Investments carried at FVTPL	88,064	-	-	88,064
Investments carried at FVOCI	-	104,021	-	104,021
Investments carried at amortised cost	-	-	25,036	25,036
Loans and receivables	-	-	21,690	21,690
Other assets	-	443	45,395	45,838
<b>Total financial assets</b>	<b>88,064</b>	<b>104,464</b>	<b>291,555</b>	<b>484,083</b>
Due to banks and other financial institutions	-	-	138,878	138,878
Deposits from customers	-	-	20,772	20,772
Long term loans	-	-	61,324	61,324
Long-term bonds	-	-	130,595	130,595
Other liabilities	65	854	79,712	80,631
<b>Total financial liabilities</b>	<b>65</b>	<b>854</b>	<b>431,281</b>	<b>432,200</b>

The fair values of financial instruments carried at amortised cost are not significantly different from their carrying values included in the interim condensed consolidated financial statements.

### 14 FAIR VALUE MEASUREMENT

#### *Fair value hierarchy*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair values of quoted securities are derived from quoted market prices in active markets, if available. For unquoted securities, fair value is estimated using appropriate valuation techniques. Such techniques may include using recent market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

The fair values of the funds that are listed on active markets are determined by reference to their quoted bid prices. The fair values of unlisted funds are based on net asset values which are determined by the fund manager using the quoted market prices of the underlying assets, if available, or other acceptable methods such as a recent price paid by another investor or the market value of a comparable company.

For assets and liabilities that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

There were no changes in the Group's valuation processes, valuation techniques, and types of inputs used in the fair value measurements during the period.

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.

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2023 (Reviewed)

### 14 FAIR VALUE MEASUREMENT (continued)

The following table shows an analysis of the Group's assets and liabilities recorded at fair value by level of the fair value hierarchy at 30 June 2023 (Reviewed):

	Level 1 US\$ 000	Level 2 US\$ 000	Level 3 US\$ 000	Total US\$ 000
<b>Assets measured at fair value</b>				
Investments carried at FVTPL				
Equities	22,320	-	29,448	51,768
Debt securities	11,782	-	-	11,782
Managed funds	3,911	42,697	20,267	66,875
Investments carried at FVOCI				
Equities	2,231	-	105,714	107,945
Managed funds	-	-	100	100
Investment properties	-	-	99,627	99,627
Derivatives				
Forward foreign exchange contracts	-	55	-	55
Interest rate swaps	-	632	-	632
	<b>40,244</b>	<b>43,384</b>	<b>255,156</b>	<b>338,784</b>
<b>Liabilities measured at fair value</b>				
Derivatives				
Forward foreign exchange contracts	-	778	-	778
	<b>-</b>	<b>778</b>	<b>-</b>	<b>778</b>

The following table shows an analysis of the Group's assets and liabilities recorded at fair value by level of the fair value hierarchy at 31 December 2022 (Audited):

	Level 1 US\$ 000	Level 2 US\$ 000	Level 3 US\$ 000	Total US\$ 000
<b>Assets measured at fair value</b>				
Investments carried at FVTPL				
Equities	6,000	-	2,129	8,129
Debt securities	14,504	-	326	14,830
Managed funds	4,324	43,339	17,442	65,105
Investments carried at FVOCI				
Equities	4,837	-	99,144	103,981
Managed funds	-	-	40	40
Investment properties	-	-	99,962	99,962
Derivatives				
Interest rate swaps	-	443	-	443
	<b>29,665</b>	<b>43,782</b>	<b>219,043</b>	<b>292,490</b>
<b>Liabilities measured at fair value</b>				
Derivatives				
Forward foreign exchange contracts	-	919	-	919
	<b>-</b>	<b>919</b>	<b>-</b>	<b>919</b>

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2023 (Reviewed)

### 14 FAIR VALUE MEASUREMENT (continued)

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

During the six-month period ended 30 June 2023, an investment carried at US\$ 2,283 thousand has been transferred from Level 1 to Level 3 (30 June 2022: nil).

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 2023 US\$'000	Net purchases, sales, transfer and settlement US\$'000	Gain (loss) recorded in the consolidated statement of income US\$'000	Profit recognised in OCI US\$'000	As at 30 June 2023 (Reviewed) US\$'000
<i>Investments carried at FVTPL</i>					
Equities	2,129	27,295	24	-	29,448
Debt securities	326	(326)	-	-	-
Managed funds	17,442	301	2,524	-	20,267
	<b>19,897</b>	<b>27,270</b>	<b>2,548</b>	<b>-</b>	<b>49,715</b>
<i>Investments carried at FVOCI</i>					
Equities	99,144	2,174	-	4,396	105,714
Managed funds	40	60	-	-	100
	<b>99,184</b>	<b>2,234</b>	<b>-</b>	<b>4,396</b>	<b>105,814</b>
Investment properties	<b>99,962</b>	-	<b>(335)</b>	-	<b>99,627</b>
	As at 1 January 2022 US\$'000	Net purchases, sales, transfer and settlement US\$'000	(Loss) gain recorded in the consolidated statement of income US\$'000	Loss recognised in OCI US\$'000	As at 30 June 2022 (Reviewed) US\$'000
<i>Investments carried at FVTPL</i>					
Equities	156	2,002	(10)	-	2,148
Debt securities	827	(496)	(5)	-	326
Managed funds	23,264	(9,099)	6	-	14,171
	<b>24,247</b>	<b>(7,593)</b>	<b>(9)</b>	<b>-</b>	<b>16,645</b>
<i>Investments carried at FVOCI</i>					
Equities	76,953	357	-	(2,384)	74,926
Managed funds	42	-	-	(1)	41
	<b>76,995</b>	<b>357</b>	<b>-</b>	<b>(2,385)</b>	<b>74,967</b>
Investment properties	<b>100,564</b>	-	<b>(1,213)</b>	-	<b>99,351</b>

**15 REGULATORY RATIOS**

**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%. The Group's consolidated NSFR as of 30 June 2023 is 114.1% (31 December 2022: 124.1%).

78% (2022: 74%) of the total available stable funding is made up of the Group's capital base with 4% (2022: 11%) being less stable deposits and 1% (2022: 2%) comprising of funding, which is due to be repaid in 6 months or less.

The Group's required stable funding comprises of 83% (2022: 85%) assets that have no specified maturity, 14% (2022: 12%) that have contractual maturities of less than 6 months, and 3% (2022: 3%) non-HQLA (the "High Quality Liquid Assets") assets (after application of risk weights).

**30 June 2023 (Reviewed)**  
**Unweighted values**

	<i>No specified maturity</i>	<i>Less than 6 months</i>	<i>and less than one year</i>	<i>Over one year</i>	<i>Total weighted value</i>
	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000
<b>Available Stable Funding (ASF)</b>					
Capital	260,834	-	-	79,462	340,296
Stable deposits		1,000	-	-	950
Less stable deposits	-	-	-	19,705	19,705
Secured and unsecured funding	-	11,533	-	-	5,767
Other deposits and funding from financial institutions	-	64,317	-	71,971	71,971
<b>Total ASF</b>	<b>260,834</b>	<b>76,850</b>	<b>-</b>	<b>171,138</b>	<b>438,689</b>

**Required Stable Funding (RSF)**

Unencumbered Non-HQLA securities that are not in default and exchange-traded equities in cases where the issuer is not in default

Loans

Deposits held at other financial institutions for operational purposes

All other assets including fixed assets, items deducted from regulatory capital, insurance assets and defaulted securities

*Off-Balance Sheet exposures*

Trade finance-related obligations (including guarantees and letters of credit)

**Total RSF**

**NSFR (%)**

-	-	21,931	-	10,965
-	95,897	-	-	14,385
-	77,436	-	-	38,718
320,462	-	-	-	320,462
<b>2,266</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>113</b>
<b>322,728</b>	<b>173,333</b>	<b>21,931</b>	<b>-</b>	<b>384,643</b>
				<b>114.1%</b>

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2023 (Reviewed)

### 15 REGULATORY RATIOS (continued)

#### Net Stable Funding Ratio ("NSFR") (continued)

	31 December 2022 (Audited)				
	Unweighted values				
	No specified maturity	Less than 6 months	and less than one year	Over one year	Total weighted value
	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000
Available Stable Funding (ASF)					
Capital	286,378	-	-	92,677	379,055
Stable deposits	-	905	-	-	860
Less stable deposits	-	64,150	-	-	57,735
Secured and unsecured funding	-	13,683	-	-	6,841
Other deposits and funding from financial institutions	-	109,478	130,595	-	65,298
<b>Total ASF</b>	<b>286,378</b>	<b>188,216</b>	<b>130,595</b>	<b>92,677</b>	<b>509,789</b>
Required Stable Funding (RSF)					
Unencumbered Non-HQLA securities that are not in default and exchange-traded equities in cases where the issuer is not in default	-	-	21,690	-	10,845
Loans	-	102,970	-	-	15,445
Deposits held at other financial institutions for operational purposes	-	67,065	-	-	33,533
All other assets including fixed assets, items deducted from regulatory capital, insurance assets and defaulted securities	350,937	-	-	-	350,937
<i>Off-Balance Sheet exposures</i>					
Trade finance-related obligations (including guarantees and letters of credit)	2,269	-	-	-	113
<b>Total RSF</b>	<b>353,206</b>	<b>170,035</b>	<b>21,690</b>	<b>-</b>	<b>410,873</b>
<b>NSFR (%)</b>					<b>124.1%</b>

#### Liquidity Coverage Ratio ("LCR")

	Reviewed	Audited
	30 June 2023	31 December 2022
Solo	214%	202%
Consolidated	573%	632%

**16 SUBSEQUENT EVENTS**

Subsequent to the reporting period, the Group has fully settled long term bonds amounting to US\$ 130,124 thousand on maturity date of 26 July 2023.