

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 JUNE 2024 (REVIEWED)



Building a better
working world

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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 2024, comprising of the interim consolidated statement of financial position as at 30 June 2024 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.

13 August 2024
Manama, Kingdom of Bahrain

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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024 (Reviewed)

	Note	Reviewed 30 June 2024	Audited 31 December 2023	Reviewed 30 June 2023
		US\$ 000	US\$ 000	US\$ 000
ASSETS				
Demand and call deposits with banks	4	111,732	82,467	62,819
Placements with banks	4	73,868	78,625	97,105
Investments carried at fair value through profit or loss		120,377	128,274	130,425
Investments carried at fair value through other comprehensive income		126,603	130,218	108,045
Investments carried at amortised cost		-	-	24,825
Loans and receivables		15,658	16,020	17,710
Other assets		66,011	70,515	42,826
Investment in associates		63,300	60,386	83,988
Investment properties		127,551	127,388	99,627
Property and equipment		15,580	15,679	15,680
Goodwill and other intangible assets		61,629	62,151	62,880
Assets held for sale		-	-	2,303
TOTAL ASSETS		782,309	771,723	748,233
LIABILITIES AND EQUITY				
Liabilities				
Due to banks and other financial institutions		111,594	121,510	141,694
Deposits from customers		22,381	15,915	19,497
Long term loans		221,005	203,622	74,278
Long term bonds	6	-	-	130,124
Other liabilities		82,896	86,100	66,641
Total liabilities		437,876	427,147	432,234
Equity				
Share capital	7	116,132	116,132	116,132
Share premium		5,687	5,687	5,687
Statutory reserve		54,034	54,034	54,034
General reserve		3,765	3,765	33,765
Fair value reserve		20,708	14,641	(391)
Foreign currency translation reserve		(6,180)	(6,505)	(5,483)
(Accumulated deficit) / retained earnings		(1,860)	4,007	(14,542)
Equity attributable to shareholders of the Parent		192,286	191,761	189,202
Perpetual Additional Tier 1 Capital	8	33,000	33,000	33,000
Non-controlling interests		119,147	119,815	93,797
Total equity		344,433	344,576	315,999
TOTAL LIABILITIES AND EQUITY		782,309	771,723	748,233

Masaud Hayat
Chairman

Faisal Al Ayyar
Vice Chairman

Hussain Lalani
Chief Executive Officer

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

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

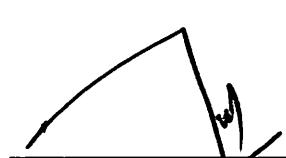
INTERIM CONSOLIDATED STATEMENT OF INCOME

For the six-month period ended 30 June 2024 (Reviewed)

Note	<i>Three-month period ended 30 June</i>		<i>Six-month period ended 30 June</i>	
	<i>2024</i>	<i>2023</i>	<i>2024</i>	<i>2023</i>
	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>
Interest income	1,973	2,582	3,983	5,263
Investment income - net	5,974	6,388	12,276	5,339
	7,947	8,970	16,259	10,602
Fees and commission income - net	15,803	10,354	27,617	21,222
Foreign exchange gain - net	38	347	473	585
Share of results of associates	(1,012)	137	2,622	(3,273)
Total income	22,776	19,808	46,971	29,136
Interest expense	(5,562)	(5,460)	(11,190)	(10,688)
Operating income before expenses and expected credit losses	17,214	14,348	35,781	18,448
Salaries and benefits	(9,880)	(9,355)	(19,824)	(17,541)
General and administrative expenses	(5,585)	(4,266)	(10,449)	(9,590)
Operating income (loss) before expected credit losses	1,749	727	5,508	(8,683)
(Allowance for) reversal of expected credit losses - net	5	(428)	366	(1,464)
Profit (loss) before tax	1,321	1,093	4,044	(8,470)
Tax expense	(221)	(125)	(507)	(125)
Net profit (loss) for the period	1,100	968	3,537	(8,595)
Net profit attributable to non-controlling interests	1,355	2,174	3,295	182
Net (loss) profit attributable to shareholders of the Parent	(255)	(1,206)	242	(8,777)


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 2024 (Reviewed)

	<i>Three-month ended 30 June</i>		<i>Six-month period ended 30 June</i>	
	<i>2024</i>	<i>2023</i>	<i>2024</i>	<i>2023</i>
	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>
Net profit (loss) for the period	1,100	968	3,537	(8,595)
<i>Other Comprehensive Income (OCI)</i>				
<i>Items that may be reclassified to profit or loss in subsequent periods</i>				
Foreign currency translation changes	148	(265)	579	(451)
Net change in cashflow hedges	(71)	370	233	189
<i>Items that will not be reclassified to profit or loss in subsequent periods</i>				
Fair value changes of equity investments carried at fair value through other comprehensive income	(637)	291	177	3,457
Share of other comprehensive income of associates	885	1,885	1,395	1,081
Other comprehensive income for the period	325	2,281	2,384	4,276
Total comprehensive income (loss) for the period	1,425	3,249	5,921	(4,319)
Total comprehensive income (loss) attributable to:				
- Shareholders of the Parent	191	955	2,286	(4,274)
- Non-controlling interests	1,234	2,294	3,635	(45)
	1,425	3,249	5,921	(4,319)

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2024 (Reviewed)

	Note	<i>Six-month period ended 30 June</i>	
		2024	2023
		US\$ 000	US\$ 000
OPERATING ACTIVITIES			
Net profit (loss) before tax		4,044	(8,470)
Adjustments for non-cash items:			
Interest expense		11,190	10,688
Depreciation and amortisation		1,418	939
Interest income		(3,983)	(5,263)
Gain on investments carried at fair value through profit or loss		(4,988)	(1,860)
Share of results of associates		(2,622)	3,273
Allowance for (reversal of) expected credit losses	5	1,464	(213)
Operating income (loss) before working capital changes		6,523	(906)
Changes in operating assets and liabilities:			
Placements with banks		1,389	1,451
Investments carried at fair value through profit or loss		12,885	(40,501)
Investments carried at fair value through OCI		3,792	(567)
Investments carried at amortised cost		-	211
Loans and receivables		362	495
Other assets		4,454	4,253
Due to banks and other financial institutions		(9,916)	2,816
Deposits from customers		6,466	(1,275)
Other liabilities		(2,913)	(11,913)
Interest received		4,033	5,391
Interest paid		(11,262)	(8,970)
Directors' remuneration paid		(19)	(245)
Donations paid		(200)	(200)
Net cash flows from (used in) operating activities		15,594	(49,960)
INVESTING ACTIVITIES			
Investments in associates - net		1,103	3,242
Property and equipment - net		(377)	(773)
Purchase of intangible assets		(420)	(210)
Net cash flows from investing activities		306	2,259
FINANCING ACTIVITIES			
Term loans obtained		17,383	12,954
Interest payment on Perpetual Additional Tier 1 Capital		(1,761)	(1,752)
Movement in non-controlling interests		(4,303)	493
Net cash flows from financing activities		11,319	11,695
NET CHANGE IN CASH AND CASH EQUIVALENTS			
Foreign currency translation adjustments		(1,322)	(2,053)
Cash and cash equivalents at 1 January		143,374	184,906
CASH AND CASH EQUIVALENTS AT 30 JUNE	4	169,271	146,847

The attached notes 1 to 14 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 2024 (Reviewed)

	Attributable to shareholders of the Parent							Perpetual Additional			Non-	
	Share capital US\$ 000	Share premium US\$ 000	Statutory reserve US\$ 000	General reserve US\$ 000	Fair value reserve US\$ 000	Foreign currency translation reserve US\$ 000	Retained earnings / (accumulated deficit) US\$ 000	Total US\$ 000	Tier 1 Capital US\$ 000	controlling interests US\$ 000	Non-controlling interests US\$ 000	Total equity US\$ 000
Balance at 1 January 2024	116,132	5,687	54,034	3,765	14,641	(6,505)	4,007	191,761	33,000	119,815	344,576	
Net profit for the period	-	-	-	-	-	-	242	242	-	3,295	3,537	
Other comprehensive income	-	-	-	-	1,719	325	-	2,044	-	340	2,384	
Total comprehensive income for the period	-	-	-	-	1,719	325	242	2,286	-	3,635	5,921	
Transfer upon disposal of equity investments carried at fair value through OCI	-	-	-	-	1,438	-	(1,438)	-	-	-	-	
Movements in associates	-	-	-	-	2,910	-	(2,910)	-	-	-	-	
Interest payment on Tier 1 capital	-	-	-	-	-	-	(1,761)	(1,761)	-	-	(1,761)	
Other movements in non-controlling interests	-	-	-	-	-	-	-	-	-	(4,303)	(4,303)	
Balance at 30 June 2024	116,132	5,687	54,034	3,765	20,708	(6,180)	(1,860)	192,286	33,000	119,147	344,433	
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	-	-	-	-	4,607	(104)	(8,777)	(8,777)	-	182	(8,595)	
Other comprehensive income (loss)	-	-	-	-	-	-	-	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	

The attached notes 1 to 14 form part of these interim condensed financial statements.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2024 (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 2024.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial statements for the six-month period ended 30 June 2024 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. The Group has 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 date of approval of the interim condensed consolidated financial statements.

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 2023. In addition, results for the six-month period ended 30 June 2024 are not necessarily indicative of the results that may be expected for the financial year ending on 31 December 2024.

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 or total equity of the Group.

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2024 (Reviewed)

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.2 Material 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 2023, except for the adoption of new and amended standards and interpretations effective as of 1 January 2024 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.

2.3 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 *Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7*

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The transition rules clarify that an entity is not required to provide the disclosures in any interim periods in the year of initial application of the amendments.

The amendments had no impact on the Group's interim condensed consolidated financial statements.

2.3.2 *Amendments to IFRS 16: Lease Liability in a Sale and Leaseback*

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments had no impact on the Group's interim condensed consolidated financial statements.

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

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

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

In addition, a requirement has been introduced whereby an entity must disclose when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments had no impact on the Group's interim condensed consolidated financial statements.

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 2024. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2024 (Reviewed)

3 BASIS OF CONSOLIDATION (continued)

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 2023.

The principal subsidiaries of the Group are as follows:

Name of the subsidiary	Country of incorporation	Ownership	
		30 June 2024	31 December 2023
Held directly			
KAMCO Investment Company K.S.C.P. [KAMCO]	Kuwait	60%	60%
United Gulf Realty International, Ltd [UGRIL]	The British Virgin Islands	50%	50%
Partly held directly and partly through KAMCO			
Manafae Investment Company N.S. 88	Kuwait	54%	54%
	Bahrain	77%	77%
Held through KAMCO			
1925 Investor Inc.	Jersey	100%	100%
Al Jazi Money Market Fund	Kuwait	51%	51%
Al Tadamun United Holding Company K.S.C.	Kuwait	96%	96%
American Boulevard Investor, Inc	U.S.A.	100%	100%
Bukeye Power Advisory Company L.L.C.	U.S.A.	48%	48%
Bukeye Power Manager Limited	Jersey	100%	100%
Centerstone Investor Inc.	U.S.A.	100%	100%
First Securities Brokerage Company K.S.C.	Kuwait	93%	93%
KAMCO Investment Company DIFC Limited	U.A.E.	100%	100%
KAMCO Investment Company Saudi	Saudi Arabia	100%	100%
KAMCO GCC Opportunistic Fund	Kuwait	66%	61%
KAMCO MENA Plus Fixed Income Fund OEIC Ltd	U.A.E.	55%	54%
Kubbar United Real Estate Company	Kuwait	100%	100%
Kuwait Private Equity Opportunity Fund	Kuwait	73%	73%
Lawson Lane Investor Incorporation	U.S.A.	100%	100%
Nawasi United Holding Company K.S.C. (Closed)	Kuwait	96%	96%
Plans United Real Estate Co.	Kuwait	100%	100%
Project Plaza Investor Inc	U.S.A.	100%	100%
HP Plaza Investor Inc.	Jersey	100%	100%
KAMCO Capital Management Ltd.	Oman	100%	100%
KAMCO Capital Partners Ltd.	Cayman Islands	100%	100%
KAMCO Investment Company DIFC Limited	U.A.E.	100%	100%
Martley Finance GP Limited	Jersey	100%	100%
Martley Holdings GP Limited	Jersey	100%	100%

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2024 (Reviewed)

4 CASH AND CASH EQUIVALENTS

	<i>Reviewed</i> 30 June 2024 US\$ 000	<i>Audited</i> 31 December 2023 US\$ 000	<i>Reviewed</i> 30 June 2023 US\$ 000
Demand and call deposits with banks	111,732	82,467	62,819
Placements with banks	73,868	78,625	97,105
	185,600	161,092	159,924
<i>Adjusted for:</i>			
Mandatory reserves	(318)	(318)	(318)
Time deposits with original maturities of more than 90 days	(16,011)	(17,400)	(12,759)
Cash and cash equivalents	169,271	143,374	146,847

5 MOVEMENT IN EXPECTED CREDIT LOSS (ECL)

An analysis of movement in ECL allowances during the six-month period ended 30 June 2024 is as follows:

	<i>Stage 1</i> US\$ 000	<i>Stage 2</i> US\$ 000	<i>Stage 3</i> US\$ 000	<i>Total</i> US\$ 000
As at 1 January 2024	16,226	-	7,840	24,066
Net transfer between stages	(80)	-	80	-
Net remeasurement of loss allowances	1,474	-	(10)	1,464
Written-off during the period	-	-	(80)	(80)
Foreign exchange adjustments	74	-	14	88
As at 30 June 2024 (Reviewed)	17,694	-	7,844	25,538

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2024 (Reviewed)

6 LONG TERM BONDS

	<i>Reviewed</i> 30 June 2024 US\$ 000	<i>Audited</i> 31 December 2023 US\$ 000	<i>Reviewed</i> 30 June 2023 US\$ 000
Fixed interest of 6.00% per annum and maturing on 26 July 2023	-	-	48,471
Floating interest at CBK discount rate + 2.75% per annum (capped at 7% per annum) and maturing on 26 July 2023	-	-	81,653
	<hr/>	<hr/>	<hr/>
	-	-	130,124
	<hr/>	<hr/>	<hr/>

7 SHARE CAPITAL

	<i>Reviewed</i> 30 June 2024 US\$ 000	<i>Audited</i> 31 December 2023 US\$ 000	<i>Reviewed</i> 30 June 2023 US\$ 000
Authorised share capital			
Number of shares (in thousands)	500,000	500,000	500,000
Par value (US\$)	0.50	0.50	0.50
Authorised share capital (US'000)	<hr/> 250,000	<hr/> 250,000	<hr/> 250,000
	<hr/>	<hr/>	<hr/>
Issued and fully paid up share capital			
Number of shares (in thousands)	232,263	232,263	232,263
Par value (US\$)	0.50	0.50	0.50
Issued and fully paid up share capital (US'000)	<hr/> 116,132	<hr/> 116,132	<hr/> 116,132
	<hr/>	<hr/>	<hr/>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2024 (Reviewed)

8 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 consolidated statement of income were as follows:

	<i>(Reviewed)</i> <i>Six-month period ended 30 June 2024</i>			
	<i>Parent</i> <i>US\$ 000</i>	<i>Associates</i> <i>US\$ 000</i>	<i>Other related parties</i> <i>US\$ 000</i>	<i>Total</i> <i>US\$ 000</i>
Investment income	-	-	(208)	(208)
Fees and commissions - net*	1,000	492	5,988	7,480
Dividend income	-	-	510	510
Rental income	-	-	550	550
Interest income	-	-	187	187
Interest expense	(217)	-	(4,546)	(4,763)
General and administrative expenses	(58)	-	(1,030)	(1,088)

	<i>(Reviewed)</i> <i>Six-month period ended 30 June 2023</i>			
	<i>Parent</i> <i>US\$ 000</i>	<i>Associates</i> <i>US\$ 000</i>	<i>Other related parties</i> <i>US\$ 000</i>	<i>Total</i> <i>US\$ 000</i>
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)

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

* 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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2024 (Reviewed)

8 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

The balances with related parties included in the interim consolidated statement of financial position are as follows:

	<i>(Reviewed)</i> <i>30 June 2024</i>			
	<i>Major</i> <i>shareholder</i>	<i>Associates</i>	<i>Other</i> <i>related</i> <i>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	-	-	10,291	10,291
Placements with banks	-	-	18,289	18,289
Investments carried at fair value through profit or loss	-	-	2,134	2,134
Investments carried at fair value through other comprehensive income*	-	-	64,210	64,210
Loans and receivables	-	-	502	502
Other assets	1,025	459	3,768	5,252
Due to banks and other financial institutions	-	-	(82,260)	(82,260)
Deposits from customers	(6,312)	-	(3,830)	(10,142)
Other liabilities	(22,341)	-	(530)	(22,871)
Perpetual Additional Tier 1 Capital	-	-	(5,000)	(5,000)
<i>Off statement of financial position items:</i>				
Letters of guarantee	-	-	157	157

	<i>(Audited)</i> <i>31 December 2023</i>			
	<i>Major</i> <i>shareholder</i>	<i>Associates</i>	<i>Other</i> <i>related</i> <i>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	-	-	10,783	10,783
Placements with banks	-	-	33,179	33,179
Investments carried at fair value through profit or loss	-	-	21,345	21,345
Investments carried at fair value through other comprehensive income*	-	-	66,256	66,256
Loans and receivables	-	-	338	338
Other assets	662	443	4,481	5,586
Due to banks and other financial institutions	-	-	(87,603)	(87,603)
Deposits from customers	(1,526)	-	(3,414)	(4,940)
Other liabilities	(24,536)	-	(539)	(25,075)
Perpetual Additional Tier 1 Capital	-	-	(10,000)	(10,000)
<i>Off statement of financial position items:</i>				
Letters of guarantee	-	-	157	157

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2024 (Reviewed)

8 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

All related party exposures are performing as of 30 June 2024 and 31 December 2023.

*The Parent has committed to acquire a FVOCI investment of the Group at its carrying value of US\$ 22.5 million (2023: US\$ 22.5 million).

Compensation of key management personnel was as follows:

	<i>Six-month period ended 30 June</i>	
	<i>2024</i>	<i>2023</i>
	<i>Reviewed</i>	<i>Reviewed</i>
Short-term employee benefits	1,259	1,137
Long-term employee benefits	191	226
	1,450	1,363

9 COMMITMENTS

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

	<i>Reviewed</i>	<i>Audited</i>	<i>Reviewed</i>
	<i>30 June</i>	<i>31 December</i>	<i>30 June</i>
	<i>2024</i>	<i>2023</i>	<i>2023</i>
Credit-related commitments:			
Letters of guarantee	2,318	2,307	2,266
Investments related commitments*	2,878	3,718	3,821
	5,196	6,025	6,087

*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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2024 (Reviewed)

10 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>US\$ 000</i>	<i>Negative fair value</i> <i>US\$ 000</i>	<i>Notional amount</i> <i>US\$ 000</i>
<i>30 June 2024 (Reviewed)</i>			
<i>Derivatives held for trading</i>			
Interest rate swaps	18,817	(18,817)	715,000
Forward foreign exchange contracts*	1,735	(1,577)	778,273
	<hr/>	<hr/>	<hr/>
<i>Derivatives used as hedge of net investments in foreign operations</i>			
Forward foreign exchange contracts	33	(293)	165,529
	<hr/>	<hr/>	<hr/>
<i>Derivatives used as cash flow hedges</i>			
Interest rate swaps	683	-	22,500
	<hr/>	<hr/>	<hr/>
	<i>Positive fair value</i> <i>US\$ 000</i>	<i>Negative fair value</i> <i>US\$ 000</i>	<i>Notional amount</i> <i>US\$ 000</i>
<i>31 December 2023 (Audited)</i>			
<i>Derivatives held for trading</i>			
Interest rate swaps	20,917	(20,917)	715,000
Forward foreign exchange contracts*	1,968	(2,177)	809,318
	<hr/>	<hr/>	<hr/>
<i>Derivatives used as hedge of net investments in foreign operations</i>			
Forward foreign exchange contracts	219	(132)	113,144
	<hr/>	<hr/>	<hr/>
<i>Derivatives used as cash flow hedges</i>			
Interest rate swaps	450	-	22,500
	<hr/>	<hr/>	<hr/>

* 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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2024 (Reviewed)

11 FINANCIAL INSTRUMENTS

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

30 June 2024 (Reviewed)	At	At	Amortised	Total
	FVTPL	FVOCI	cost	
	US\$ 000	US\$ 000	US\$ 000	US\$ 000
Demand and call deposits with banks	-	-	111,732	111,732
Placements with banks	-	-	73,868	73,868
Investments carried at FVTPL	120,377	-	-	120,377
Investments carried at FVOCI	-	126,603	-	126,603
Loans and receivables	-	-	15,658	15,658
Other assets	20,552	716	42,093	63,361
Total financial assets	140,929	127,319	243,351	511,599

Due to banks and other financial institutions	-	-	111,594	111,594
Deposits from customers	-	-	22,381	22,381
Long term loans	-	-	221,005	221,005
Other liabilities	20,394	293	62,190	82,877
Total financial liabilities	20,394	293	417,170	437,857

31 December 2023 (Audited)	At	At	Amortised	Total
	FVTPL	FVOCI	cost	
	US\$ 000	US\$ 000	US\$ 000	US\$ 000
Demand and call deposits with banks	-	-	82,467	82,467
Placements with banks	-	-	78,625	78,625
Investments carried at FVTPL	128,274	-	-	128,274
Investments carried at FVOCI	-	130,218	-	130,218
Loans and receivables	-	-	16,020	16,020
Other assets	22,885	669	45,329	68,883
Total financial assets	151,159	130,887	222,441	504,487
Due to banks and other financial institutions	-	-	121,510	121,510
Deposits from customers	-	-	15,915	15,915
Long term loans	-	-	203,622	203,622
Other liabilities	23,094	132	62,800	86,026
Total financial liabilities	23,094	132	403,847	427,073

12 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 2024 (Reviewed)

12 FAIR VALUE MEASUREMENT (continued)

Fair value hierarchy (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 2024 (Reviewed):

	Level 1 US\$ 000	Level 2 US\$ 000	Level 3 US\$ 000	Total US\$ 000
Assets measured at fair value				
Investments carried at FVTPL				
Equities	13,702	-	6,413	20,115
Debt securities	10,992	-	326	11,318
Managed funds	2,967	39,965	46,012	88,944
Investments carried at FVOCI				
Equities	993	-	125,145	126,138
Managed funds	-	-	465	465
Investment properties	-	-	127,551	127,551
Derivatives				
Interest rate swaps	-	19,500	-	19,500
Forward foreign exchange contracts	-	1,768	-	1,768
	28,654	61,233	305,912	395,799
Liabilities measured at fair value				
Derivatives				
Interest rate swaps	-	18,817	-	18,817
Forward foreign exchange contracts	-	1,870	-	1,870
	-	20,687	-	20,687

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2024 (Reviewed)

12 FAIR VALUE MEASUREMENT (continued)

Fair value hierarchy (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 2023 (Audited):

	Level 1 US\$ 000	Level 2 US\$ 000	Level 3 US\$ 000	Total US\$ 000
<i>Assets measured at fair value</i>				
Investments carried at FVTPL				
Equities	25,601	-	26,449	52,050
Debt securities	11,063	-	326	11,389
Managed funds	3,991	41,414	19,430	64,835
Investments carried at FVOCI				
Equities	1,809	-	128,316	130,125
Managed funds	-	-	93	93
Investment properties	-	-	127,388	127,388
Derivatives				
Interest rate swaps	-	21,367	-	21,367
Forward foreign exchange contracts	-	2,187	-	2,187
	42,464	64,968	302,002	409,434
<i>Liabilities measured at fair value</i>				
Derivatives				
Interest rate swaps	-	20,917	-	20,917
Forward foreign exchange contracts	-	2,309	-	2,309
	-	23,226	-	23,226

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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2024 (Reviewed)

12 FAIR VALUE MEASUREMENT (continued)

Transfers between Level 1, Level 2 and Level 3

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 2024	Net purchases, sales, transfer and settlement	in the consolidated statement of income	Gain recognised in the consolidated statement of income	Loss recognised in OCI	As at 30 June 2024
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<i>Investments carried at FVTPL</i>						
Equities	26,449	(20,929)	893	-	-	6,413
Debt securities	326	-	-	-	-	326
Managed funds	19,430	24,953	1,629	-	-	46,012
	46,205	4,024	2,522	-	-	52,751
<i>Investments carried at FVOCI</i>						
Equities	128,316	(2,296)	-	(875)	125,145	
Managed funds	93	375	-	(3)	465	
	128,409	(1,921)	-	(878)	125,610	
Investment properties	127,388	-	163	-	-	127,551
	As at 1 January 2023	Net purchases, sales, transfer and settlement	in the consolidated statement of income	Gain recognised in the consolidated statement of income	Gain recognised in OCI	As at 30 June 2023
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	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
	19,897	27,270	2,548	-	-	49,715
<i>Investments carried at FVOCI</i>						
Equities	99,144	2,174	-	4,396	105,714	
Managed funds	40	60	-	-	100	
	99,184	2,234	-	4,396	105,814	
Investment properties	99,962	-	(335)	-	-	99,627

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2024 (Reviewed)

13 BUSINESS COMBINATION

Acquisition of Manafae Holding Company ("Manafae") and N.S. 88 W.L.L. ("NS88")

During December 2023, the Bank acquired 19.7% of the share capital of Manafae (previously an associate), a closed shareholding company incorporated in the State of Kuwait, from Al Futtooh Holding Company K.S.C. (c) (a related party). KAMCO also holds a 34.1% stake in Manafae and the Group has established control over Manafae based on this additional acquisition through a combined ownership of over 50% and a majority representation on the Board of Directors of Manafae.

Manafae owns 47% in NS88, a limited liability company registered in the Kingdom of Bahrain. KAMCO also holds a 30% stake in NS88 and the Group has established control over NS88 through both a combined shareholding of over 50% and ability to control NS88 as set out in IFRS 10. This control was also triggered on the basis of the acquisition of additional stake in Manafae as set out above.

This transaction has been accounted for using the acquisition method under IFRS 3 Business combinations ("IFRS 3"). The Group has accounted for these acquisitions using provisional fair values of the acquired assets and assumed liabilities as at the acquisition date which have been disclosed in the consolidated financial statements of the Group for the year ended 31 December 2023. Adjustment to the provisional values will be finalised within twelve months of the date of acquisition as allowed by IFRS 3. There have been no changes to the provisional fair values disclosed at 31 December 2023 during the six-month period ended 30 June 2024.

14 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 2024 is 153.9% (31 December 2023: 149.8%).

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2024 (Reviewed)

14 REGULATORY RATIOS (continued)

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

71% (2023: 70%) of the total available stable funding is made up of the Group's capital base with 3% (2023: 3%) being less stable deposits and 12% (2023: 1%) comprising of secured and unsecured funding.

The Group's required stable funding comprises of 81% (2023: 86%) assets that have no specified maturity, 9% (2023: 11%) that have contractual maturities of less than 6 months, and 2% (2023: 2%) non-HQLA (the "High Quality Liquid Assets") assets (after application of risk weights).

<i>30 June 2024 (Reviewed)</i>					
<i>Unweighted values</i>					
	<i>No specified maturity</i>	<i>Less than 6 months</i>	<i>More than 6 months and less than one year</i>	<i>Over one year</i>	<i>Total weighted value</i>
	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>
Available Stable Funding (ASF)					
Capital	259,223	-	-	239,962	499,185
Stable deposits	-	700	-	-	665
Less stable deposits	-	-	-	21,226	21,226
Secured and unsecured funding	-	43,856	-	80,450	86,806
Other deposits and funding from financial institutions	-	-	-	94,907	94,907
Total ASF	259,223	44,556	-	436,545	702,789
Required Stable Funding (RSF)					
Unencumbered Level 2B HQLA	31,226	-	-	-	15,613
Unencumbered Non-HQLA securities that are not in default and exchange-traded equities in cases where the issuer is not in default	-	-	15,658	-	7,829
Loans	-	111,732	-	-	16,760
Deposits held at other financial institutions for operational purposes	-	50,706	-	23,162	48,515
All other assets including fixed assets, items deducted from regulatory capital, insurance assets and defaulted securities	367,818	-	-	-	367,818
<i>Off-Balance Sheet exposures</i>					
Trade finance-related obligations (including guarantees and letters of credit)	2,074	-	-	-	104
Total RSF	401,118	162,438	15,658	23,162	456,639
NSFR (%)					153.9%

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2024 (Reviewed)

14 REGULATORY RATIOS (continued)

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

	31 December 2023 (Audited) Unweighted values				
	No specified maturity	Less than 6 months	More 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	258,441	-	-	221,323	479,764
Stable deposits	-	643	-	-	611
Less stable deposits	-	-	-	19,773	19,773
Secured and unsecured funding	-	8,232	-	-	4,116
Other deposits and funding from financial institutions	-	41,853	-	80,034	80,034
Other liabilities	-	-	-	96,837	96,837
Total ASF	258,441	50,728	-	417,967	681,135
Required Stable Funding (RSF)					
Unencumbered Level 2B HQLA	27,975	-	-	-	13,987
Unencumbered Non-HQLA securities that are not in default and exchange-traded equities in cases where the issuer is not in default	-	-	19,679	-	9,839
Loans	-	82,467	-	-	12,370
Deposits held at other financial institutions for operational purposes	-	75,446	-	3,179	40,902
All other assets including fixed assets, items deducted from regulatory capital, insurance assets and defaulted securities	377,402	-	-	-	377,402
<i>Off-Balance Sheet exposures</i>					
Trade finance-related obligations (including guarantees and letters of credit)	2,307	-	-	-	115
Total RSF	407,684	157,913	19,679	3,179	454,615
NSFR (%)					149.8%

Liquidity Coverage Ratio ("LCR")

	Reviewed 30 June 2024	Audited 31 December 2023
Solo	277%	273%
Consolidated	745%	537%