

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 SEPTEMBER 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 September 2024, comprising of the interim consolidated statement of financial position as at 30 September 2024 and the related interim consolidated statements of income and comprehensive income for the three month and nine month periods then ended, and the interim consolidated statements of cash flows and changes in equity for the nine month period then ended and explanatory notes. The Board of Directors of the Bank is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34"). 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 November 2024
Manama, Kingdom of Bahrain

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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2024 (Reviewed)

	Note	Reviewed 30 September 2024	Audited 31 December 2023	Reviewed 30 September 2023
		US\$ 000	US\$ 000	US\$ 000
ASSETS				
Demand and call deposits with banks	4	94,374	82,467	86,444
Treasury bills	4	4,838	-	-
Placements with banks	4	73,706	78,625	88,335
Investments carried at fair value through profit or loss		106,590	128,274	121,652
Investments carried at fair value through other comprehensive income		124,712	130,218	106,198
Loans and receivables		13,264	16,020	15,561
Other assets		43,772	70,515	43,424
Investment in associates		65,944	60,386	83,498
Investment properties		128,114	127,388	99,160
Property and equipment		15,316	15,679	15,725
Goodwill and other intangible assets		61,162	62,151	62,482
TOTAL ASSETS		731,792	771,723	722,479
LIABILITIES AND EQUITY				
Liabilities				
Due to banks and other financial institutions		112,226	121,510	125,921
Deposits from customers		21,499	15,915	21,424
Long term loans		192,560	203,622	203,581
Other liabilities		63,971	86,100	61,842
Total liabilities		390,256	427,147	412,768
Equity				
Share capital	6	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	3,765
Fair value reserve		20,346	14,641	9,780
Foreign currency translation reserve		(5,950)	(6,505)	(5,775)
(Accumulated deficit) / retained earnings		(2,121)	4,007	1,429
Equity attributable to shareholders of the Parent		191,893	191,761	185,052
Perpetual Additional Tier 1 Capital		33,000	33,000	33,000
Non-controlling interests		116,643	119,815	91,659
Total equity		341,536	344,576	309,711
TOTAL LIABILITIES AND EQUITY		731,792	771,723	722,479

Masaud Hayat
Chairman

Faisal Al Ayyar
Vice Chairman

Hussain Lalani
Chief Executive Officer

The attached notes 1 to 13 form part of these interim condensed financial statements.

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

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the nine-month period ended 30 September 2024 (Reviewed)

Note	<i>Three-month period ended 30 September</i>		<i>Nine-month period ended 30 September</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	2,036	2,287	6,019	7,550
Investment income - net	4,016	(1,260)	16,292	4,079
	6,052	1,027	22,311	11,629
Fees and commission income - net	13,657	10,763	41,274	31,985
Foreign exchange (loss) gain - net	(802)	698	(329)	1,283
Share of results of associates	1,194	(2,087)	3,816	(5,360)
Total income	20,101	10,401	67,072	39,537
Interest expense	(5,065)	(5,548)	(16,255)	(16,236)
Operating income before expenses and expected credit losses	15,036	4,853	50,817	23,301
Salaries and benefits	(9,779)	(8,203)	(29,603)	(25,744)
General and administrative expenses	(5,130)	(3,869)	(15,579)	(13,459)
Operating income (loss) before expected credit losses	127	(7,219)	5,635	(15,902)
Allowance for expected credit losses - net	5	(34)	(481)	(1,498)
Profit (loss) before tax	93	(7,700)	4,137	(16,170)
Tax (expense) / credit		(167)	28	(674)
Net (loss) profit for the period	(74)	(7,672)	3,463	(16,267)
Net profit (loss) attributable to non-controlling interests	1,468	(2,251)	4,763	(2,069)
Net loss attributable to shareholders of the Parent	(1,542)	(5,421)	(1,300)	(14,198)

Masaud Hayat
Chairman

Faisal Al Ayyar
Vice Chairman

Hussain Lalani
Chief Executive Officer

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

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

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine-month period ended 30 September 2024 (Reviewed)

	<i>Three-month period ended 30 September</i>		<i>Nine-month period ended 30 September</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 (loss) profit for the period	(74)	(7,672)	3,463	(16,267)
<i>Other Comprehensive Income (OCI)</i>				
<i>Items that may be reclassified to profit or loss in subsequent periods</i>				
Foreign currency translation changes	70	2,506	649	2,055
Share of other comprehensive loss of associates	-	(2,236)	-	(2,236)
Net change in cashflow hedges	(552)	402	(319)	591
<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	650	(813)	827	2,644
Share of other comprehensive income (loss) of associates	1,130	(1,215)	2,525	(134)
Other comprehensive income (loss) for the period	1,298	(1,356)	3,682	2,920
Total comprehensive income (loss) for the period	1,224	(9,028)	7,145	(13,347)
Total comprehensive income (loss) attributable to:				
- Shareholders of the Parent	(393)	(6,178)	1,893	(10,452)
- Non-controlling interests	1,617	(2,850)	5,252	(2,895)
	1,224	(9,028)	7,145	(13,347)

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine-month period ended 30 September 2024 (Reviewed)

		Nine-month period ended 30 September	
		2024	2023
	Note	US\$ 000	US\$ 000
OPERATING ACTIVITIES			
Net profit (loss) before tax		4,137	(16,170)
Adjustments for non-cash items:			
Interest expense		16,255	16,236
Depreciation and amortisation		2,518	2,086
Interest income		(6,019)	(7,550)
Gain (loss) on investments carried at fair value through profit or loss		(6,470)	1,165
Share of results of associates		(3,816)	5,360
Allowance for expected credit losses	5	1,498	268
Operating income before working capital changes		8,103	1,395
Changes in operating assets and liabilities:			
Placements with banks		1,310	(1,685)
Investments carried at fair value through profit or loss		28,154	(34,753)
Investments carried at fair value through OCI		6,333	467
Investments carried at amortised cost		-	25,036
Loans and receivables		2,756	2,474
Other assets		26,693	3,471
Due to banks and other financial institutions		(9,284)	(12,957)
Deposits from customers		5,584	652
Other liabilities		(21,839)	(13,133)
Interest received		6,069	7,821
Interest paid		(16,326)	(17,920)
Directors' remuneration paid		(19)	(245)
Donations paid		(200)	(200)
Net cash flows from (used in) operating activities		37,334	(39,577)
INVESTING ACTIVITIES			
Investments in associates - net		783	(1,483)
Property and equipment - net		(679)	(606)
Purchase of intangible assets		(487)	(285)
Net cash flows used in investing activities		(383)	(2,374)
FINANCING ACTIVITIES			
Term loans (repaid) obtained		(11,062)	142,257
Repayment of bonds		-	(130,595)
Interest payment on Perpetual Additional Tier 1 Capital		(1,761)	(1,752)
Movement in non-controlling interests		(8,424)	538
Net cash flows (used in) from financing activities		(21,247)	10,448
NET CHANGE IN CASH AND CASH EQUIVALENTS			
Foreign currency translation adjustments		(2,568)	5,163
Cash and cash equivalents at 1 January		143,374	184,906
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	4	156,510	158,566

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

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

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine-month period ended 30 September 2024 (Reviewed)

	Attributable to shareholders of the Parent								Perpetual Additional Tier 1 Capital US\$ 000	Non- controlling interests US\$ 000	Total equity US\$ 000
	Share capital US\$ 000	Share premium US\$ 000	Statutory reserve US\$ 000	General reserve US\$ 000	Fair value reserve US\$ 000	Foreign currency translation reserve US\$ 000	Retained earnings / (accumulated deficit) US\$ 000	Total 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 (loss) profit for the period	-	-	-	-	-	-	(1,300)	(1,300)	-	4,763	3,463
Other comprehensive income	-	-	-	-	2,638	555	-	3,193	-	489	3,682
Total comprehensive income (loss) for the period	-	-	-	-	2,638	555	(1,300)	1,893	-	5,252	7,145
Transfer upon disposal of equity investments carried at fair value through OCI	-	-	-	-	(787)	-	787	-	-	-	-
Movements in associates	-	-	-	-	3,854	-	(3,854)	-	-	-	-
Interest payment on Tier 1 capital	-	-	-	-	-	-	(1,761)	(1,761)	-	-	(1,761)
Other movements in non-controlling interests	-	-	-	-	-	-	-	-	-	(8,424)	(8,424)
Balance at 30 September 2024	116,132	5,687	54,034	3,765	20,346	(5,950)	(2,121)	191,893	33,000	116,643	341,536
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 for the period	-	-	-	-	4,103	(357)	(14,198)	(14,198)	-	(2,069)	(16,267)
Other comprehensive income (loss)	-	-	-	-	-	(357)	-	3,746	-	(826)	2,920
Total comprehensive income (loss) for the period	-	-	-	-	4,103	(357)	(14,198)	(10,452)	-	(2,895)	(13,347)
Transfer upon disposal of equity investments carried at fair value through OCI	-	-	-	-	(10)	-	10	-	-	-	-
Movements in associates	-	-	-	-	4,167	-	(3,052)	1,115	-	31	1,146
Other movements	-	-	-	-	9,106	(39)	(8,154)	913	-	636	1,549
Interest payment on Tier 1 capital	-	-	-	-	-	-	(1,752)	(1,752)	-	-	(1,752)
Transfer from general reserve to accumulated deficit	-	-	-	(30,000)	-	-	30,000	-	-	-	-
Other movements in non-controlling interests	-	-	-	-	-	-	-	-	-	538	538
Balance at 30 September 2023	116,132	5,687	54,034	3,765	9,780	(5,775)	1,429	185,052	33,000	91,659	309,711

The attached notes 1 to 13 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 September 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, 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 November 2024.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial statements for the nine-month period ended 30 September 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 nine-month period ended 30 September 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 interim condensed 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.

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 nine-month period ended 30 September 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 September 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 September 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 Bahrain	54% 77%	54% 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	97%	61%
KAMCO MENA Plus Fixed Income Fund OEIC Ltd	U.A.E.	56%	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 September 2024 (Reviewed)

4 CASH AND CASH EQUIVALENTS

	Reviewed 30 September 2024 US\$ 000	Audited 31 December 2023 US\$ 000	Reviewed 30 September 2023 US\$ 000
Demand and call deposits with banks	94,374	82,467	86,444
Treasury bills	4,838	-	-
Placements with banks	73,706	78,625	88,335
	172,918	161,092	174,779
<i>Adjusted for:</i>			
Mandatory reserves	(318)	(318)	(318)
Time deposits with original maturities of more than 90 days	(16,090)	(17,400)	(15,895)
Cash and cash equivalents	156,510	143,374	158,566

5 MOVEMENT IN EXPECTED CREDIT LOSS (ECL)

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

	Stage 1 US\$ 000	Stage 2 US\$ 000	Stage 3 US\$ 000	Total US\$ 000
As at 1 January 2024	16,226	-	7,840	24,066
Net transfer between stages	(402)	-	402	-
Net remeasurement of loss allowances	1,566	-	(68)	1,498
Written-off during the period	-	-	(389)	(389)
Foreign exchange adjustments	77	-	61	138
As at 30 September 2024 (Reviewed)	17,467	-	7,846	25,313

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

	Stage 1 US\$ 000	Stage 2 US\$ 000	Stage 3 US\$ 000	Total US\$ 000
As at 1 January 2023	17,296	-	7,915	25,211
Net transfer between stages	(2,117)	2,037	80	-
Net remeasurement of loss allowances	250	-	18	268
Written-off during the period	-	-	(75)	(75)
Foreign exchange adjustments	(41)	-	(69)	(110)
As at 30 September 2023 (Reviewed)	15,388	2,037	7,869	25,294

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2024 (Reviewed)

6 SHARE CAPITAL

	Reviewed 30 September 2024	Audited 31 December 2023	Reviewed 30 September 2023
	US\$ 000	US\$ 000	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)	250,000	250,000	250,000
Issued and fully paid up share capital			
Number of shares (in thousands)	232,263	232,263	232,263
Par value (US\$)	0.50	0.50	0.50
Issued and fully paid up share capital (US'000)	116,132	116,132	116,132

7 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:

	(Reviewed) Nine-month period ended 30 September 2024			
	Other related parties			
	Parent US\$ 000	Associates US\$ 000	parties US\$ 000	Total US\$ 000
Investment income	-	-	(207)	(207)
Fees and commissions - net*	1,500	495	6,135	8,129
Dividend income	-	-	510	510
Rental income	-	-	827	827
Interest income	-	-	310	310
Interest expense	(314)	-	(6,838)	(7,152)
General and administrative expenses	(61)	-	(1,037)	(1,098)

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2024 (Reviewed)

7 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

	<i>(Reviewed)</i> <i>Nine-month period ended 30 September 2023</i>			
	Parent US\$ 000	Associates US\$ 000	Other related parties US\$ 000	Total US\$ 000
Investment income	-	-	70	70
Fees and commissions - net*	1,500	978	6,212	8,690
Dividend income	-	-	1,020	1,020
Rental income	-	-	826	826
Interest income	-	-	718	718
Interest expense	(159)	-	(4,187)	(4,346)
General and administrative expenses	-	-	(2,334)	(2,334)

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.

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

	<i>(Reviewed)</i> <i>30 September 2024</i>			
	Parent US\$ 000	Associates US\$ 000	Other related parties US\$ 000	Total US\$ 000
Demand and call deposits with banks	-	-	9,934	9,934
Placements with banks	-	-	18,367	18,367
Investments carried at fair value through profit or loss	-	-	2,147	2,147
Investments carried at fair value through other comprehensive income*	-	-	65,661	65,661
Loans and receivables	-	-	261	261
Other assets	2,069	462	3,499	6,029
Due to banks and other financial institutions	-	-	(82,714)	(82,714)
Deposits from customers	(9,330)	-	(2,583)	(11,913)
Other liabilities	(2,300)	-	(662)	(2,962)
Perpetual Additional Tier 1 Capital	-	-	(5,000)	(5,000)
<i>Off statement of financial position items:</i>				
Letters of guarantee	-	-	157	157

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2024 (Reviewed)

7 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

	<i>(Audited)</i> 31 December 2023			
	Parent US\$ 000	Associates US\$ 000	Other related parties US\$ 000	Total US\$ 000
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

All related party exposures are performing as of 30 September 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>Nine-month period ended 30 September</i>	
	2024	2023
	Reviewed US\$ 000	Reviewed US\$ 000
Short-term employee benefits	1,937	1,800
Long-term employee benefits	538	312
	2,475	2,112

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2024 (Reviewed)

8 COMMITMENTS

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

	Reviewed 30 September 2024 US\$ 000	Audited 31 December 2023 US\$ 000	Reviewed 30 September 2023 US\$ 000
Credit-related commitments:			
Letters of guarantee	2,318	2,307	2,270
Investments related commitments*	2,878	3,718	3,825
	5,196	6,025	6,095

*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.

9 DERIVATIVES

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

	Positive fair value US\$ 000	Negative fair value US\$ 000	Notional amount US\$ 000
<i>30 September 2024 (Reviewed)</i>			
<i>Derivatives held for trading</i>			
Interest rate swaps	1,699	(1,699)	165,000
Forward foreign exchange contracts*	1,830	(2,337)	738,376
<hr/>			
<i>Derivatives used as hedge of net investments in foreign operations</i>			
Forward foreign exchange contracts	222	(401)	197,633
<hr/>			
<i>Derivatives used as cash flow hedges</i>			
Interest rate swaps	131	-	22,500
<hr/>			
	Positive fair value US\$ 000	Negative fair value US\$ 000	Notional amount US\$ 000
<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/>			
<i>Derivatives used as hedge of net investments in foreign operations</i>			
Forward foreign exchange contracts	219	(132)	113,144
<hr/>			
<i>Derivatives used as cash flow hedges</i>			
Interest rate swaps	450	-	22,500
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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2024 (Reviewed)

9 DERIVATIVES (continued)

* 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.

10 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
30 September 2024 (Reviewed)				
Demand and call deposits with banks	-	-	94,374	94,374
Treasury bills	-	-	4,838	4,838
Placements with banks	-	-	73,706	73,706
Investments carried at FVTPL	106,590	-	-	106,590
Investments carried at FVOCI	-	124,712	-	124,712
Loans and receivables	-	-	13,264	13,264
Other assets	3,529	353	37,824	41,706
Total financial assets	110,119	125,065	224,006	459,190
Due to banks and other financial institutions	-	-	112,226	112,226
Deposits from customers	-	-	21,499	21,499
Long term loans	-	-	192,560	192,560
Other liabilities	4,036	401	59,524	63,961
Total financial liabilities	4,036	401	385,809	390,246
31 December 2023 (Audited)				
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

11 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.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2024 (Reviewed)

11 FAIR VALUE MEASUREMENT (continued)

Fair value hierarchy (continued)

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.

The following table shows an analysis of the Group's assets and liabilities recorded at fair value by level of the fair value hierarchy at 30 September 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	8,059	-	19,014	27,073
Debt securities	10,799	-	328	11,127
Managed funds	3,008	40,875	24,507	68,390
Investments carried at FVOCI				
Equities	632	-	123,608	124,240
Managed funds	-	-	472	472
Investment properties	-	-	128,114	128,114
Derivatives				
Interest rate swaps	-	1,830	-	1,830
Forward foreign exchange contracts	-	2,052	-	2,052
	22,498	44,757	296,043	363,298
Liabilities measured at fair value				
Derivatives				
Interest rate swaps	-	1,699	-	1,699
Forward foreign exchange contracts	-	2,738	-	2,738
	-	4,437	-	4,437

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2024 (Reviewed)

11 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.

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:

			Gain		As at 2024 (Reviewed)	
	As at 1 January 2024	Net purchases, sales, transfer and settlement US\$'000	in the consolidated statement of income US\$'000	Gain recognised in OCI US\$'000		
<i>Investments carried at FVTPL</i>						
Equities	26,449	(8,415)	980	-	19,014	
Debt securities	326	-	2	-	328	
Managed funds	19,430	3,468	1,609	-	24,507	
	46,205	(4,947)	2,591	-	43,849	
<i>Investments carried at FVOCI</i>						
Equities	128,316	(4,999)	-	291	123,608	
Managed funds	93	384	-	(5)	472	
	128,409	(4,615)	-	286	124,080	
Investment properties	127,388	-	726	-	128,114	

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2024 (Reviewed)

11 FAIR VALUE MEASUREMENT (continued)

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

	As at 1 January 2023 US\$'000	Net purchases, sales, transfer and settlement US\$'000	Gain (loss) recognised in the consolidated statement of income US\$'000	Gain recognised in OCI US\$'000	As at 30 September 2023 (Reviewed) US\$'000
<i>Investments carried at FVTPL</i>					
Equities	2,129	25,018	210	-	27,357
Debt securities	326	-	(2)	-	324
Managed funds	17,442	(199)	1,095	-	18,338
	<u>19,897</u>	<u>24,819</u>	<u>1,303</u>	<u>-</u>	<u>46,019</u>
<i>Investments carried at FVOCI</i>					
Equities	99,144	2,055	-	2,827	104,026
Managed funds	40	57	-	-	97
	<u>99,184</u>	<u>2,112</u>	<u>-</u>	<u>2,827</u>	<u>104,123</u>
Investment properties	<u>99,962</u>	<u>-</u>	<u>(802)</u>	<u>-</u>	<u>99,160</u>

12 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 nine-month period ended 30 September 2024.

13 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 September 2024 is 157.5% (31 December 2023: 149.8%).

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2024 (Reviewed)

13 REGULATORY RATIOS (continued)

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

70% (2023: 70%) of the total available stable funding is made up of the Group's capital base with 4% (2023: 3%) being less stable deposits and 13% (2023: 1%) comprising of secured and unsecured funding.

The Group's required stable funding comprises of 85% (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 September 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	257,816	-	-	210,646	468,462
Stable deposits	-	785	-	-	745
Less stable deposits	-	-	-	24,871	24,871
Secured and unsecured funding	-	40,283	-	80,593	84,918
Other deposits and funding from financial institutions	-	-	-	93,127	93,127
Total ASF	257,816	41,068	-	409,237	672,123
Required Stable Funding (RSF)					
Unencumbered Level 2B HQLA	31,387	-	-	-	15,693
Unencumbered Non-HQLA securities that are not in default and exchange-traded equities in cases where the issuer is not in default	-	-	13,264	-	6,632
Loans	-	94,374	-	-	14,156
Deposits held at other financial institutions for operational purposes	-	50,501	-	18,367	43,617
All other assets including fixed assets, items deducted from regulatory capital, insurance assets and defaulted securities	346,472	-	-	-	346,472
<i>Off-Balance Sheet exposures</i>					
Trade finance-related obligations (including guarantees and letters of credit)	2,074	-	-	-	104
Total RSF	379,933	144,875	13,264	18,367	426,674
NSFR (%)					157.5%

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2024 (Reviewed)

13 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
Off-Balance Sheet exposures					
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 September 2024	Audited 31 December 2023
Solo	284%	273%
Consolidated	729%	537%