

United Gulf Bank B.S.C. (c)
INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
31 MARCH 2019 (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 31 March 2019, comprising the interim consolidated statement of financial position as at 31 March 2019 and the related interim consolidated statements of income, comprehensive income, cash flows and changes in equity for the three-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. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.



14 May 2019
Manama, Kingdom of Bahrain

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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019 (Reviewed)

		<i>Reviewed</i> 31 March 2019 <i>US\$ 000</i>	<i>Audited</i> 31 December 2018 <i>US\$ 000</i>	<i>Reviewed</i> 31 March 2018 <i>US\$ 000</i>
	<i>Notes</i>			
ASSETS				
Demand and call deposits with banks		54,100	143,510	33,822
Placements with banks		249,235	108,529	99,186
Investments carried at fair value through statement of income		75,133	81,852	34,587
Non-trading investments		157,678	167,647	140,368
Investments carried at amortised cost		283	494	-
Loans and receivables		25,920	25,191	28,915
Other assets		68,943	61,097	34,938
Investments in associates		73,509	71,513	78,061
Investment properties	6	97,801	107,629	107,003
Property and equipment	6	52,297	39,394	2,604
Goodwill		66,326	66,634	52,390
TOTAL ASSETS		921,225	873,490	611,874
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks and other financial institutions		239,674	220,879	224,440
Deposits from customers		49,636	32,608	11,367
Loans payable		78,069	67,033	81,152
Long term bonds	7	131,666	131,739	-
Other liabilities		88,390	106,375	36,442
TOTAL LIABILITIES		587,435	558,634	353,401
EQUITY				
Share capital	8	116,132	101,132	101,132
Share premium		5,687	5,687	5,687
Statutory reserve		50,890	50,890	49,881
General reserve		30,621	30,621	29,612
Fair value reserve		(10,822)	(10,121)	7,730
Foreign currency translation reserve		(4,662)	(4,534)	(2,623)
Retained earnings		16,069	13,318	8,124
CAPITAL AND RESERVES ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT		203,915	186,993	199,543
Perpetual Tier 1 capital	9	33,000	33,000	33,000
Non-controlling interests		96,875	94,863	25,930
TOTAL EQUITY		333,790	314,856	258,473
TOTAL LIABILITIES AND EQUITY		921,225	873,490	611,874

Masaud Hayat
Chairman

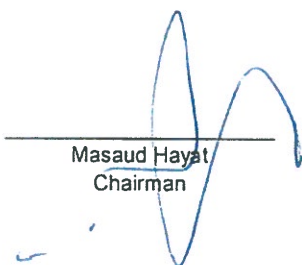
Faisal Al Ayyar
Vice Chairman

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 three-month period ended 31 March 2019 (Reviewed)

	<i>Three-month period ended 31 March</i>	
	2019	2018
	US\$ 000	US\$ 000
Investment income - net	9,503	4,510
Interest income	2,375	1,093
	11,878	5,603
Fees and commissions - net	17,322	7,937
Foreign currency translation gains - net	473	1,427
Share of results of associates - net	2,465	186
Total income	32,138	15,153
Interest expense	(5,028)	(3,252)
Operating income before expenses and provisions	27,110	11,901
Salaries and benefits	(11,935)	(5,176)
General and administrative expenses	(8,899)	(3,841)
Operating income before provisions and tax	6,276	2,884
Expected credit losses for other receivables	(635)	-
Provision for losses against unfunded participation	-	(731)
Taxation - net	(870)	779
NET PROFIT FOR THE PERIOD	4,771	2,932
Net profit for the period attributable to:		
- shareholders of the parent	2,751	2,828
- non-controlling interests	2,020	104
	4,771	2,932


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 COMPREHENSIVE INCOME

For the three-month period ended 31 March 2019 (Reviewed)

	<i>Three-month period ended 31 March</i>	
	2019	2018
	US\$ 000	US\$ 000
NET PROFIT FOR THE PERIOD	4,771	2,932
Other comprehensive (loss) income for the period to be reclassified to profit or loss in subsequent periods:		
Foreign currency translation reserve	(128)	1,415
Fair value reserve	(606)	(7,941)
Cash flow hedges	(337)	603
Total other comprehensive loss for the period to be reclassified to profit or loss in subsequent periods	(1,071)	(5,923)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	3,700	(2,991)
Total comprehensive income (loss) attributable to:		
- shareholders of the parent	1,922	(2,368)
- non-controlling interests	1,778	(623)
	3,700	(2,991)

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the three-month period ended 31 March 2019 (Reviewed)

	<i>Note</i>	<i>Three-month period ended 31 March</i>	
		2019	2018
		US\$ 000	US\$ 000
OPERATING ACTIVITIES			
Net profit for the period		4,771	2,932
Adjustments for non-cash items:			
Depreciation		990	323
Gain on investments carried at fair value through statement of income		(1,885)	(886)
Share of results of associates - net		(2,465)	(186)
Expected credit losses for other receivables		635	-
Provisions for losses against unfunded participation		-	731
Gain on fair valuation of investment properties		(2,929)	(1,132)
Interest income		(2,375)	(1,093)
Interest expense		5,028	3,252
Dividend income		(542)	(330)
Taxation - net		870	(779)
Operating income before working capital changes		2,098	2,832
Changes in operating assets and liabilities:			
Placements with banks with original maturities of more than ninety days		(30,805)	-
Investments carried at fair value through statement of income		8,605	(14,464)
Non-trading investments		9,605	45,774
Investments carried at amortised cost		211	-
Loans and receivables		(729)	1,309
Other assets		(9,460)	(914)
Due to banks and other financial institutions		18,795	(25,771)
Deposits from customers		17,027	(19,651)
Other liabilities		(17,266)	(919)
Interest received		2,146	1,017
Interest paid		(5,350)	(3,252)
Dividends received		542	330
Directors' remuneration paid		(195)	-
Donations paid		(200)	-
Net cash flows used in operating activities		(4,976)	(13,709)
INVESTING ACTIVITIES			
Investments in associates - net		468	(364)
Investment properties - net		22	(368)
Property and equipment - net		(851)	(1,247)
Net cash flows used in investing activities		(361)	(1,979)
FINANCING ACTIVITY			
Issue of share capital		15,000	-
Proceeds from (repayment of) term loans - net		11,036	(17,506)
Net cash flows from (used in) financing activities		26,036	(17,506)
Foreign currency translation adjustments		(200)	839
Movement in non-controlling interests		(9)	(1,076)
NET CHANGE IN CASH AND CASH EQUIVALENTS		20,490	(33,431)
Cash and cash equivalents at 1 January		252,954	166,252
CASH AND CASH EQUIVALENTS AT 31 MARCH	4	273,444	132,821

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 three-month period ended 31 March 2019 (Reviewed)

	Attributable to shareholders of the parent						Total before		Non-controlling interests	Total equity
	Share capital	Share premium	Statutory reserve	General reserve	Fair value reserve	Foreign currency translation reserve	Retained earnings	non-controlling interests		
	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000
Balance at 1 January 2019	101,132	5,687	50,890	30,621	(10,121)	(4,534)	13,318	186,993	33,000	314,856
Profit for the period	-	-	-	-	-	-	2,751	2,751	-	4,771
Other comprehensive loss	-	-	-	-	(701)	(128)	-	(829)	-	(1,071)
Total comprehensive (loss) income for the period	-	-	-	-	(701)	(128)	2,751	1,922	1,778	3,700
Issue of share capital	15,000	-	-	-	-	-	-	15,000	-	15,000
Other movements in non-controlling interests	-	-	-	-	-	-	-	-	234	234
Balance at 31 March 2019	116,132	5,687	50,890	30,621	(10,822)	(4,662)	16,069	203,915	33,000	333,790
Balance at 1 January 2018	101,132	5,687	49,881	29,612	12,867	(3,871)	7,659	202,967	33,000	262,869
Transition adjustment on adoption of IFRS 9 at 1 January 2018	-	-	-	-	3,037	-	(4,093)	(1,056)	-	(591)
Profit for the period	101,132	5,687	49,881	29,612	15,904	(3,871)	3,566	201,911	33,000	262,278
Other comprehensive (loss) income	-	-	-	-	-	-	2,828	2,828	-	2,932
Total comprehensive (loss) income for the period	-	-	-	-	(6,444)	1,248	-	(5,196)	-	(5,923)
Transfer upon disposal of non-trading investments	-	-	-	-	(6,444)	1,248	2,828	(2,368)	-	(2,991)
Other movements in non-controlling interests	-	-	-	-	-	-	1,730	-	-	-
Balance at 31 March 2018	101,132	5,687	49,881	29,612	7,730	(2,623)	8,124	199,543	33,000	258,473

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS

As at 31 March 2019 (Reviewed)

1 INCORPORATION AND PRINCIPAL ACTIVITIES

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. The address of the Bank's registered office is 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 issued by the Central Bank of Bahrain ("the CBB").

Activities

The principal activities of the Bank and its subsidiaries (together the "Group") comprise of investment and commercial banking. Investment banking 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 includes 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. ("UGHC") which owns 100% shares of the Bank and ultimate holding company is Kuwait Projects Company (Holding) K.S.C. ("KIPCO"). UGHC 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 14 May 2019.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements of the Group for the three-month period ended 31 March 2019 are prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

These interim condensed consolidated financial statements do not contain all the information and disclosures required for full set of financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the Group's consolidated financial statements as at 31 December 2018. In addition, results for the three-month period ended 31 March 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

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 2018, except for new standards and interpretations effective as of 1 January 2019. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

In these interim condensed consolidated financial statements, the Group has applied, for the first time, IFRS 16 Leases that requires restatement of previous financial statements. As required by IAS 34, the nature and effect of these changes are disclosed below.

New standards, interpretations and amendments adopted by the Group

IFRS 16 Leases

IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2019 (Reviewed)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards, interpretations and amendments adopted by the Group (continued)

IFRS 16 Leases (continued)

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The Group is primarily a lessor, and all lease contracts where the Group is a lessee are either short-term leases or the underlying assets are low-value assets.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

Annual Improvements 2015-2017 Cycle

IFRS 3 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where a joint control is obtained.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the interim condensed consolidated financial statements of the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2019 (Reviewed)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)**Significant accounting judgements, estimates and assumptions**

In preparing these interim condensed consolidated financial statements, significant judgements made by management in applying accounting policies and key sources of estimation were the same as those that were applied to the annual consolidated financial statements for the year ended 31 December 2018.

3 BASIS OF CONSOLIDATION

These interim condensed consolidated financial statements include the interim condensed financial statements of the Bank and its subsidiaries as at 31 March 2019. The reporting dates of the subsidiaries and the Bank are identical and the subsidiaries' accounting policies conform to those used by the Bank for like transactions and events in similar circumstances.

The principal subsidiaries of the Bank are as follows:

Name of the subsidiary	Country of incorporation	Legal ownership		Year of incorporation
		31 March 2019	31 December 2018	
Held directly				
KAMCO Investment Company K.S.C.P. [KAMCO]	Kuwait	86%	86%	1998
United Gulf Financial Services Company-North Africa	Tunisia	83%	83%	2008
United Gulf Asset Company S.P.C.	Bahrain	100%	100%	2017
United Gulf Realty International, Ltd [UGRIL]	British Virgin Islands	100%	100%	2012
Held through KAMCO				
Al Dhiyafa United Real Estate Company W.L.L.	Kuwait	100%	100%	2007
Al Jazi Money Market Fund	Kuwait	51%	51%	2007
Al Tadamon United Holding Co	Kuwait	96%	96%	2017
Al Zad Real Estate W.L.L.	Kuwait	99%	99%	2017
Bukeye Power Project Advisory Co	U.S.A.	50%	50%	2017
Bukeye Power Project Manager Ltd	Jersey	100%	100%	2017
Carnation Advisory Company LLC	U.S.A.	75%	75%	2018
Carnation Manager limited	U.K.	100%	100%	2018
Flint Advisor Company Llc	Jersey	46%	46%	2017
Flint Manager Ltd	U.S.A.	100%	100%	2017
Global Investment House	Kuwait	71%	71%	1998
Kamco GCC Opportunistic Fund	Kuwait	100%	100%	2013
KAMCO Investment Company (DIFC) Limited	U.A.E.	100%	100%	2016
KAMCO Mena Plus Fixed Income Fund	Kuwait	38%	38%	2016
Kubbar United Real Estate Company	Kuwait	100%	-	2019
Kuwait Private Equity Opportunity Fund	Kuwait	73%	73%	2004
Nawasi United Holding Co	Kuwait	96%	96%	2017
North Africa Real Estate Co.	Kuwait	100%	100%	2014
Plans United Real Estate Company	Kuwait	100%	-	2019
S17P02V Holding Ltd	U.A.E.	100%	100%	2018

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2019 (Reviewed)

4 CASH AND CASH EQUIVALENTS

	Reviewed 31 March 2019 US\$ 000	Audited 31 December 2018 US\$ 000	Reviewed 31 March 2018 US\$ 000
Demand and call deposits with banks excluding mandatory reserves	53,782	143,192	33,504
Time deposits with original maturities of ninety days or less	219,662	109,762	99,317
Cash and cash equivalents gross of expected credit losses	273,444	252,954	132,821
Time deposits with original maturities of more than ninety days	30,805	-	-
Expected credit losses as per IFRS 9	(1,232)	(1,233)	(131)
Cash and cash equivalents net of expected credit losses	303,017	251,721	132,690

5 ANALYSIS OF MOVEMENT IN ECL ALLOWANCES

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

	Stage 1 US\$ 000	Stage 2 US\$ 000	Stage 3 US\$ 000	Total US\$ 000
As at 31 December 2018	3,446	1,404	10,534	15,384
Adjustment *	10,349	766	(962)	10,153
As at 1 January 2019	13,795	2,170	9,572	25,537
Provided (reversal) during the period - net	697	(651)	589	635
Amounts written-off	(47)	-	-	(47)
Other adjustments	30	-	-	30
As at 31 March 2019	14,475	1,519	10,161	26,155

* As at 31 March 2019, the Group changed the presentation of certain of its other assets and segregated the related credit losses from gross other assets for disclosures in the interim condensed consolidated financial statements. As at 31 December 2018, the Group reported these other assets on a net basis.

6 TRANSFER OF INVESTMENT PROPERTY

As at 1 January 2019, the Group determined that there is a change in use of a land and building amounting to US\$ 12,734 thousand, and the land and building meets the definition of a owner-occupied property under IAS 16 *Property, Plant and Equipment*. The Group reclassified the land and building from investment properties to property and equipment.

The fair value of the land and building, as of the date of transfer, has been considered to be the deemed cost for subsequent accounting in accordance with IAS 16 *Property, Plant and Equipment*. The building will be depreciated over 10 years on a straight line basis from the date of transfer.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2019 (Reviewed)

7 LONG TERM BONDS

	<i>Reviewed</i> 31 March 2019 US\$ 000	<i>Audited</i> 31 December 2018 US\$ 000	<i>Reviewed</i> 31 March 2018 US\$ 000
Fixed interest of 6.00% per annum and maturing on 26 July 2023, (KD 14.9 million)	49,045	49,073	-
Floating interest of CBK discount rate + 2.75% per annum (capped at 7% per annum) and maturing on 26 July 2023, (KD 25.1 million)	82,621	82,666	-
	131,666	131,739	-

8 ISSUE OF SHARE CAPITAL

During the period, the Bank increased its share capital by issuing 30,000,000 new shares of US\$ 0.50 each (US\$ 15 million) through a rights issue subscribed by cash. The capital increase was approved by the Central Bank of Bahrain on 6 March 2019 and by the shareholders in the Extraordinary General Assembly Meeting on 24 March 2019.

9 PERPETUAL 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 or after 28 March 2021 or on any interest payment date thereafter 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2019 (Reviewed)

10 RELATED PARTY TRANSACTIONS

The Group enters into transactions with its parent, associated companies, directors, senior management and entities which are either controlled or significantly influenced by such parties.

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

	Reviewed Three-month period ended 31 March 2019			Reviewed Three-month period ended 31 March 2018 US\$ 000
	Major shareholder US\$ 000	Associates US\$ 000	Other related parties US\$ 000	Total US\$ 000
Gain on investments carried at fair value through statement of income - net	-	-	-	-
Fees and commissions - net	451	478	1,536	2,465
Dividend income	-	-	-	-
Rental income	-	-	583	583
Interest income	-	-	305	305
Interest expense	(37)	-	(1,549)	(1,586)
General and administrative expenses	-	-	(300)	(300)
				8
				4,886
				114
				614
				454
				(1,211)
				(258)

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 31 March 2019 (Reviewed)

10 RELATED PARTY TRANSACTIONS (continued)

The period-end balances in respect of related parties included in the interim condensed consolidated financial statements are as follows:

	Reviewed 31 March 2019			Audited 31 December 2018 US\$ 000	Reviewed 31 March 2018 US\$ 000
	Major shareholder US\$ 000	Associates US\$ 000	Other related parties US\$ 000	Total US\$ 000	
Demand and call deposits with banks	-	-	1,383	1,383	5,326
Placements with banks	-	-	20,184	20,184	28,817
Investments carried at fair value through statement of income	-	-	559	559	10,796
Non-trading investments	-	-	96,395	96,395	76,562
Loans and receivables	-	-	3,544	3,544	31,373
Other assets	-	695	6,474	7,169	8,730
Due to banks and other financial institutions	-	-	(133,419)	(133,419)	(134,408)
Deposits from customers	(33,703)	-	(7,148)	(40,851)	(12,150)
Loans payable	-	-	-	-	(1,000)
Other liabilities	-	-	(4,445)	(4,445)	(3,979)
Perpetual Tier 1 Capital	-	-	(10,000)	(10,000)	(10,000)

Off statement of financial position items:

Letters of guarantee	-	-	150	150	150
Investment related commitments	-	-	3,212	3,212	-

All related party exposures are performing as of the date of these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2019 (Reviewed)

11 COMMITMENTS, CONTINGENCIES AND OTHER OFF STATEMENT OF FINANCIAL POSITION ITEMS**Commitments**

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

Letters of credit, letters of guarantee (including standby letters of credit) and acceptances commit the Group to make payments on behalf of customers if certain conditions are met under the terms of the contract.

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

	Reviewed 31 March 2019 US\$ 000	<i>Audited 31 December 2018 US\$ 000</i>	<i>Reviewed 31 March 2018 US\$ 000</i>
Credit-related commitments:			
Letters of guarantee	2,169	2,162	150
	2,169	2,162	150
Investments and loan related commitments	5,157	5,157	4,018
	7,326	7,319	4,168

12 DERIVATIVES

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

	<i>Notional amounts</i>		
	Reviewed 31 March 2019 US\$ 000	<i>Audited 31 December 2018 US\$ 000</i>	<i>Reviewed 31 March 2018 US\$ 000</i>
<i>Derivatives held for trading:</i>			
Forward foreign exchange contracts *	944,906	767,694	47,746
<i>Derivatives used as hedge of net investments in foreign operations</i>			
Forward foreign exchange contracts	143,181	186,165	116,920
<i>Derivatives used as cash flow hedges</i>			
Interest rate swap	75,000	75,000	145,000

* 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2019 (Reviewed)

13 FINANCIAL INSTRUMENTS

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

	<i>Held for trading</i>	<i>Designated at FVTPL</i>	<i>FVOCI</i>	<i>Amortised cost</i>	<i>Total</i>
31 March 2019	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000
Demand and call deposits with banks	-	-	-	54,100	54,100
Placements with banks	-	-	-	249,235	249,235
Investments carried at fair value through statement of income	-	75,133	-	-	75,133
Non-trading investments	-	-	157,678	-	157,678
Amortised cost investments	-	-	-	283	283
Loans and receivables	-	-	-	25,920	25,920
Other assets	212	-	1,162	66,845	68,219
Total financial assets	212	75,133	158,840	396,383	630,568
Due to banks and other financial institutions	-	-	-	239,674	239,674
Deposits from customers	-	-	-	49,636	49,636
Loans payable	-	-	-	78,069	78,069
Long term bonds	-	-	-	131,666	131,666
Other liabilities	-	-	-	88,390	88,390
Total financial liabilities	-	-	-	587,435	587,435
31 December 2018					
Demand and call deposits with banks	-	-	-	143,510	143,510
Placements with banks	-	-	-	108,529	108,529
Investments carried at fair value through statement of income	-	81,852	-	-	81,852
Non-trading investments	-	-	167,647	-	167,647
Held-to-maturity investments	-	-	-	494	494
Loans and receivables	-	-	-	25,191	25,191
Other assets	-	-	1,280	58,931	60,211
Total financial assets	-	81,852	168,927	336,655	587,434
Due to banks and other financial institutions	-	-	-	220,879	220,879
Deposits from customers	-	-	-	32,608	32,608
Loans payable	-	-	-	67,033	67,033
Long-term bonds	-	-	-	131,739	131,739
Other liabilities	168	-	208	105,999	106,375
Total financial liabilities	168	-	208	558,258	558,634

The fair values of financial instruments on statement of financial position are not significantly different from their carrying values included in the interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2019 (Reviewed)

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.

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 31 March 2019:

	<i>Level 1</i> <i>US\$ 000</i>	<i>Level 2</i> <i>US\$ 000</i>	<i>Level 3</i> <i>US\$ 000</i>	<i>Total</i> <i>US\$ 000</i>
Assets measured at fair value				
Investments carried at fair value through statement of income				
Equities - quoted	8,479	-	-	8,479
Equities - unquoted	-	-	2,930	2,930
Debt securities - quoted	4,169	-	-	4,169
Managed funds	-	43,533	16,022	59,555
Non-trading investments				
Equities - quoted	42,537	-	-	42,537
Equities - unquoted	-	69,916	43,099	113,015
Real estate managed funds - unquoted	-	-	145	145
Other managed funds	-	-	1,981	1,981
Derivatives				
Forward foreign exchange contracts	-	431	-	431
Interest rate swap	-	943	-	943
Investment properties	-	-	97,801	97,801
	55,185	114,823	161,978	331,986

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2019 (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 31 December 2018:

	<i>Level 1</i> <i>US\$ 000</i>	<i>Level 2</i> <i>US\$ 000</i>	<i>Level 3</i> <i>US\$ 000</i>	<i>Total</i> <i>US\$ 000</i>
Assets measured at fair value				
Investments carried at fair value through statement of income				
Equities - quoted	12,278	-	-	12,278
Debt securities - quoted	6,941	-	-	6,941
Unquoted equities	-	-	3,210	3,210
Managed funds	-	43,516	15,907	59,423
Non-trading investments				
Equities - quoted	45,219	-	-	45,219
Equities - unquoted	-	69,025	51,273	120,298
Real estate managed funds - unquoted	-	-	2,130	2,130
Derivatives				
Interest rate swap	-	1,280	-	1,280
Investment properties	-	-	107,629	107,629
	<u>64,438</u>	<u>113,821</u>	<u>180,149</u>	<u>358,408</u>
Liabilities measured at fair value				
Derivatives				
Forward foreign exchange contracts	-	(376)	-	(376)
	<u>-</u>	<u>(376)</u>	<u>-</u>	<u>(376)</u>

Transfers between Level 1, Level 2 and Level 3

During the three-month period ended 31 March 2019 there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurement (year ended 31 December 2018: same).