



بنك الخليج المتحد
ش.م.ب. (مغلقة)
United Gulf Bank B.S.C. (c)



2023 ANNUAL REPORT

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H.M. King Hamad
Bin Isa Al Khalifa

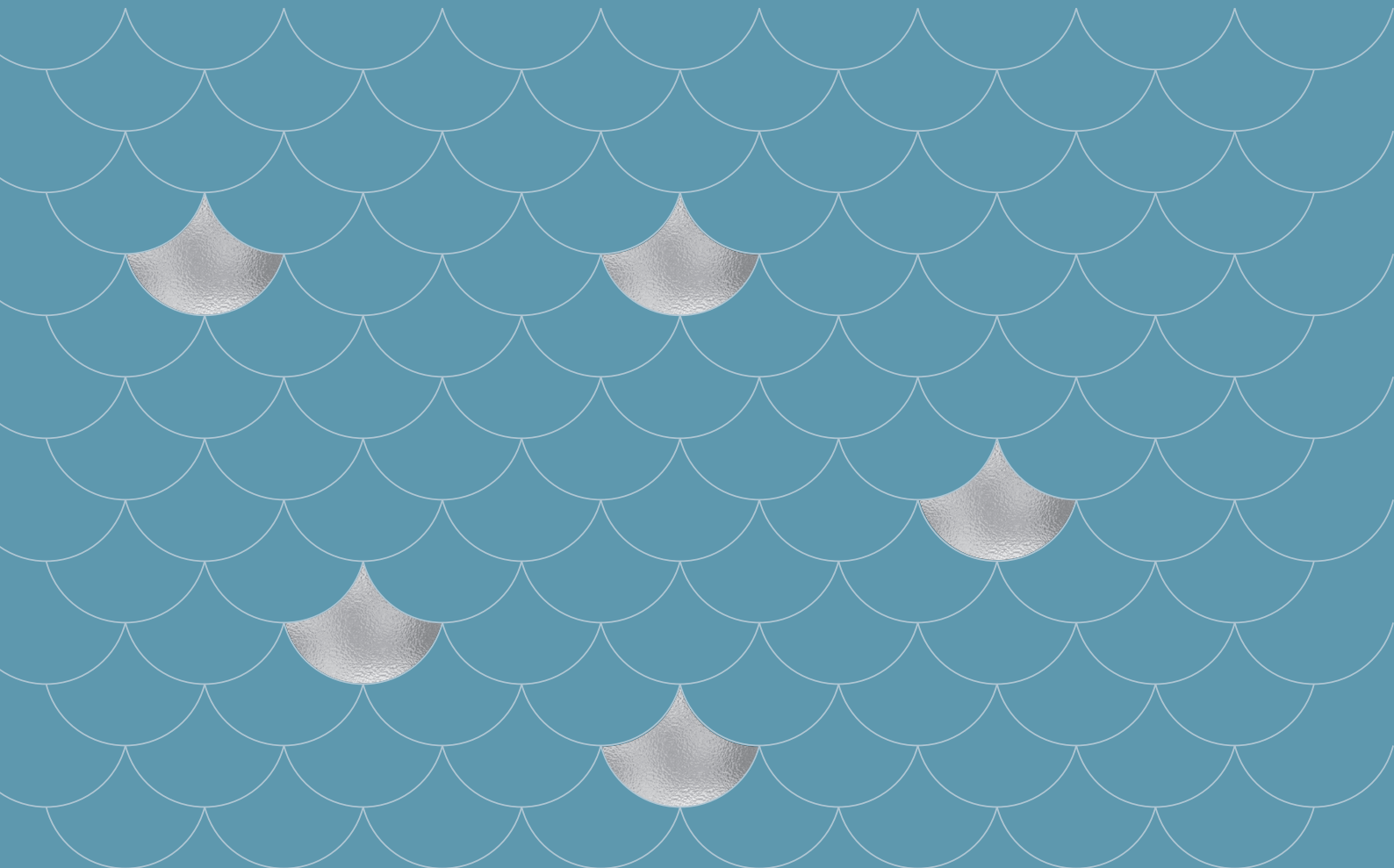
King of the Kingdom of Bahrain



H.H. Sheikh Meshal Al-Ahmad Al-Jaber
Al Sabah

Amir of the State of Kuwait

UNITED GULF BANK'S (UGB) PROPRIETARY INVESTMENTS INCLUDE ASSETS IN COMMERCIAL BANKING, REAL ESTATE, PRIVATE EQUITY, AND QUOTED SECURITIES. AS AT 31 DECEMBER 2023, UGB'S CONSOLIDATED ASSETS UNDER MANAGEMENT TOTALED US\$ 14.3 BILLION.



CORPORATE PROFILE

United Gulf Bank B.S.C. (c) (UGB, the Bank)

Established in 1980 and operating under a conventional wholesale banking license from the Central Bank of Bahrain, UGB is the merchant banking arm of the KIPCO Group. A leading asset management and investment banking group headquartered in the Kingdom of Bahrain, its operations span the MENA region.

UGB's proprietary investments include assets in commercial banking, real estate, private equity, and quoted securities. As at 31 December 2023, UGB's consolidated assets under management totaled US\$ 14.3 billion (31 December 2022: US\$ 14.2 billion).

UGB's core subsidiary is KAMCO Investment Company (KAMCO Invest) K.S.C.P, incorporated in Kuwait. UGB and KAMCO have a proven track record of successfully completing more than 60 investment banking transactions for clients since 2001. KAMCO Invest provides a comprehensive range of investment products and services in asset management, investment banking and brokerage. It has assets under management allocated across various asset classes and jurisdictions. Since its incorporation, Kamco Invest has acted as investment banker on equity and debt capital markets and mergers and acquisitions transactions with a value exceeding US\$ 36.4 billion as of 31 December 2023.

The KIPCO Group

Kuwait Projects Company (Holding) – KIPCO – is a holding company that invests in the Middle East and North Africa. Its strategy of acquiring, building, scaling and selling companies in the MENA region has worked successfully for over 30 years.

KIPCO's main business sectors are financial services, food, petrochemicals & oil services, media, real estate and education. Its financial service interests include commercial banking, asset management and investment banking.

Subsidiaries and Affiliates

KAMCO
INVEST

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

PO Box 5964, Diplomatic Area

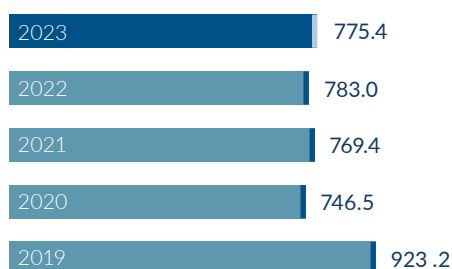
UGB Tower, Manama, Kingdom of Bahrain

Tel: (+973) 17 533 233, Fax: (+973) 17 533 137, Email: info@ugbbah.com, www.ugbbh.com

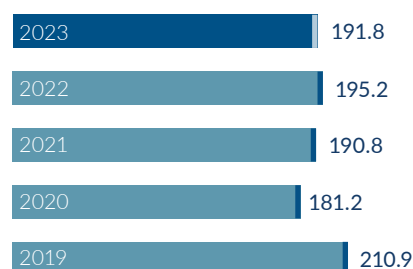
Licensed as a Conventional Wholesale Bank by the Central Bank of Bahrain

FINANCIAL HIGHLIGHTS

Total Assets
US\$ Million **775.4**



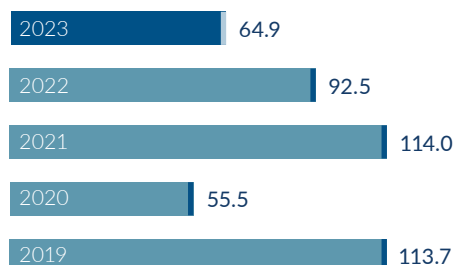
Shareholders' Equity
US\$ Million **191.8**



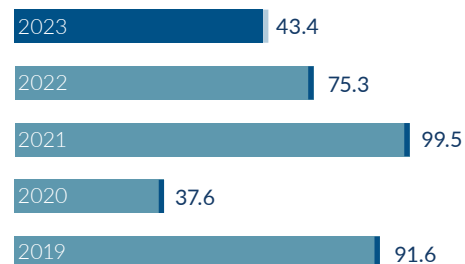
Total Assets
under management
US\$ Billion **14.3**



Total Income
US\$ Million **64.9**



Operating Income
US\$ Million **43.4**



Book value per share
US\$ **0.83**



FINANCIAL SUMMARY

Summary Financials	2023	2022	2021	2020	2019
US\$ million					
Total Income	64.9	92.5	114.0	55.5	113.7
Investment income	14.0	10.1	30.1	1.8	30.4
Operating income	43.4	75.3	99.5	37.6	91.6
Shareholders' Equity	191.8	195.2	190.8	181.2	210.9
Total Assets	775.4	783.0	769.4	746.5	923.2
Net (Loss) / Income	(9.5)	5.2	14.9	(19.5)	11.4

Key Ratios					
Return on Average Equity	-4.9%	2.6%	8.0%	-9.9%	5.7%
Return on Average Assets	-1.2%	0.7%	1.9%	-2.3%	1.2%
Operating Expense/ Operating Income	-121.9%	81.0%	65.3%	154.1%	81.9%
Average Equity to Average Assets	24.8%	25.8%	24.6%	22.9%	25.6%
Capital Adequacy Ratio	17.5%	18.7%	19.6%	17.4%	19.7%

Key Values on per share basis					
Book Value per share (US\$)	0.83	0.84	0.82	0.78	0.91
Earnings per share (US \$)	(0.04)	0.01	0.05	(0.10)	0.05

Comparatives Averages balances (based on quarterly averages)					
Assets	749.0	760.7	771.9	830.1	918.4
Liabilities	426.7	437.4	460.0	529.4	587.6
Minority Interest	100.3	94.0	89.2	77.5	95.8
Additional Tier 1 Capital	33.0	33.0	33.0	33.0	33.0
Shareholder's Equity	189.0	196.3	189.7	190.3	202.0
Guarantees and commercial LC	2.3	2.4	2.4	2.1	2.2
Commitments	3.0	0.8	0.3	3.9	5.2
Assets under management (US\$ billion)	14.3	14.7	14.5	12.8	13.4

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am privileged to present to you the annual report and consolidated financial statements for United Gulf Bank B.S.C. (c) (UGB) for the year ended 31 December 2023.





1.6B

The Investment Banking team achieved significant success in 2023, completing 9 transactions totaling US\$ 1.6 billion

Economic Background

The robust initial rebound in growth from the depths of the COVID-19 pandemic was tempered by the effects of tightening monetary policy, soaring inflation, the withdrawal of fiscal support, high debt payments and extreme weather events. The strongest recovery among major economies has been in the United States, where GDP in 2023 is estimated to exceed 4.5%. The main contributions came from the increase in consumer spending and the rise in state and local government spending.

The eurozone's economic performance has been subdued primarily due to the greater exposure to the war in Ukraine, the associated adverse terms-of-trade shock, as well as a rise in imported energy prices. In China, the pandemic-related slowdown in 2022 and the property sector crisis have been causes of concern. The performance of other emerging markets and developing economies has been subdued due to higher interest rates and depreciated currencies. Overall, global output for 2023 is estimated at 3.4 percent (or about \$3.6 trillion). There is no doubt that the last year has felt the impact of pressures from tight monetary policies, challenging credit conditions, raised inflation and the softening of global trade and investment. Internationally, the conflict in Ukraine continued to overshadow the energy market, trade flows, and supply chains. The situation in Gaza brought concerns of possible escalation across the region.

The World Bank indicated a slight decrease in estimated global economic growth to 2.4% in 2023 from 3.0% in 2022. The Middle East and Africa (MENA) experienced a much more severe decline, down from 5.6% in 2022 to 1.9% in 2023, due principally to uncertainty in the region, higher inflation, diminished oil output, and a contraction in private sector activity.

Business Performance

Despite the economic headwinds regionally and globally, UGB has been continuously in pursuit of sustainable growth and value creation through strategic initiatives. These include regional expansion of footprints in growth markets such as KSA and United Kingdom, technological innovation through digitization of wealth management offering and the new Treasury system deployment bringing a more sustainable paperless environment optimizing operational efficiency. Several new advisory mandates generating recurring fee income were inked at UGB, providing services as diverse as custody to investment management.

The Investment Banking team achieved significant success in 2023, completing 9 transactions totaling US\$ 1.6 billion. Notably, the equity capital markets team led rights issues for three major Kuwaiti banks, raising over KWD 220 million (US\$ 715 million) in new capital.

CHAIRMAN'S STATEMENT

Equity funds and managed portfolios continued to outperform their peers and respective benchmarks. During the year, the equity funds managed by the Group continued to rank amongst the top performers.

The Bank's prudent hedging strategies and tight cost controls continued during the year resulting in the alleviation of the impact of interest costs. This contributed to significant savings and are reflected in the Bank's results.

Financial Results

In 2023, despite the challenges being faced, the Group managed to break even from its normal operations. However, a recycling of previous year losses of US\$ (8.9) million was recorded on North Africa Holding, upon the successful sale of Kandil Glass, one of its associates. Regional stock markets remained depressed throughout 2023, due to the KSE Index declining by 2.2% on a year-on-year basis coupled with increased interest costs due to benchmark rates rising from 4.3% as of 31 December 2022 to 5.4% at 31 December 2023.

The Group's total income before interest and other expenses stood at US\$ 64.9 million, down from US\$ 92.5 million for 2022, as fee-based income and income from associates fell by US\$ 19.7 million and US\$ 15.3 million respectively.

Total expenses decreased to US\$ 52.9 million from US\$ 61.2 million, reflective of the cost control measures introduced.

UGB reported a net loss attributable to shareholders of US\$ 9.5 million versus profit of US\$ 5.2 million in 2022. As of 31 December 2023, total assets decreased marginally to US\$ 775 million versus US\$ 782.9 million at the end of the previous year with a total shareholder equity of US\$ 191.8 million, compared with US\$ 195.2 million at the end of 2022. Total assets under management were US\$ 14.3 billion compared to US\$ 14.2 billion in the previous year.

Governance

The current Board of Directors was reconstituted after elections to the Board of Directors were held at the annual shareholder's assembly in March 2023. Mohammed Haroon, a longstanding independent director, and impactful former chair of the Board Audit Committee, stepped down from the Board, as he had completed three consecutive terms. He was replaced by Majed Al Ajeel, who has considerable experience in corporate governance. I take this opportunity to thank Mr. Haroon for his unstinting work as a Board Member and his role on two of the three Board committees. I also welcome Mr. Al Ajeel to the current Board and wish him all success in his new position as the Chairman of the Bank's Nomination and Remuneration Committee.

During 2023, we put a renewed focus on sustaining and deepening our culture as we begin our journey towards complying with the requirements of the newly issued Environment, Social and Governance standards (ESG) issued by the CBB. We are only as strong as our team – they are the foundation of our business, and the creators of our future success. Our strong culture is a competitive advantage, and we

are proud to state that the majority of UGB's employees have been with the Bank for over two decades. This is testimony to the inclusive, committed, and collaborative workforce that has contributed to the efficiency of the Bank's operations over the years. As the world continues to change around us, we also recognize the ongoing importance of technology and continuous training in improving the skillsets of our valued employees.

Looking Ahead

As we transcend into 2024, the ongoing geopolitical situation globally and specifically in the Middle East remains a matter of concern. Any further escalation or widening of the conflict can have a severe economic impact on trade and tourism for the region.

Looking optimistically ahead, building upon our core competencies and leveraging emerging opportunities in the market, we are poised to introduce a new revenue stream with a view to further enhancing and diversifying our sources of income. This entails collaborating with the Group and through pooling of resources and expertise, we look to create synergies that will benefit all parties involved. Forging ahead, we also expect investment in regional expansion will result in expansion in the customer base and fee revenue.

Embracing the digital revolution sweeping the financial industry, the UGB Group has been on the forefront of digital transformation effort to enhance efficiency, streamline processes, and deliver a superior client experience. Similarly, UGB deployed a new state of the art Treasury System during the year which brought in significant operational efficiencies. By further investing in innovative technologies and digital solutions, we aim to drive revenue growth and gain a competitive edge in the market.

Assuming that the tensions ease during 2024, the IMF expects growth in the Middle East and North Africa region to improve moderately to 2.9 percent this year. This is an achievement in itself, as we have witnessed the most aggressive period of monetary policy tightening in decades. Emerging markets are expected to grow faster than developed economies. As UGB's profitability is intertwined with the performance of GCC capital markets, it is our ardent hope that the prospects of growth are reflected positively in the regional stock market indices.

Acknowledgements

On behalf of the Board of Directors, I convey my sincere thanks for the continued support and guidance from the Ministry of Industry & Commerce, our regulator the Central Bank of Bahrain, the Ministry of Finance, and the Bahrain Bourse. We value their guidance, their advice and constant support.

I also gratefully acknowledge the ongoing trust and confidence of our shareholders, including our parent company, KIPCO.

Masoud M. J. Hayat
Chairman of the Board



BOARD OF DIRECTORS

Masoud J. Hayat, Executive Director

Chairman of the Board of Directors
Chairman of the Executive Committee

Bachelor Degree in Economics, Kuwait University
High Diploma in Banking Sciences, Institute of Banking Studies, Kuwait.

Over 47 years of experience in the financial sector

Other Positions Held:

- Advisor to the Chairman - Kuwait Projects Company (Holding) K.S.C.P. – Kuwait
- Chairman, United Gulf Holding Company B.S.C – Bahrain
- Chairman, Tunis International Bank – Tunisia
- Vice Chairman, Gulf Bank Algeria – Algeria
- Vice Chairman, Bank of Baghdad – Iraq
- Vice Chairman, FIMBank plc – Malta
- Board Member, Jordan Kuwait Bank – Jordan
- Board Member, KAMCO Investment Company K.S.C.P. – Kuwait
- Board Member, North Africa Holding Company – Kuwait
- Board Member, United Gulf Financial Services N.A. – Tunisia
- Board Member, Mashare'a Al Khair Est. – Kuwait

Faisal Al Ayyar, Executive Director

Vice Chairman of the Board of Directors
Member of the Executive Committee
Member of the Board Audit Committee

Graduated as a fighter pilot with the Kuwait Air Force in the USA

Over 37 years' of experience in the financial sector

Other Positions Held:

- Vice Chairman of Gulf Insurance Group - Kuwait
- Vice Chairman, United Gulf Holding Company B.S.C. - Bahrain
- Vice Chairman of SADAFCO - Kingdom of Saudi Arabia
- Vice Chairman of Mashare'a Al-Khair Est. - Kuwait
- Board member of Gulf Egypt Hotels and Tourism Company S.A.E. -Egypt

Samer Khanachet, Executive Director

Member of the Executive Committee

MBA, Harvard Business School, Boston, USA

BSc, Chemical Engineering and BSc, Management Science, Massachusetts Institute of Technology, Cambridge, USA

Over 49 years' of experience in the financial sector

Other Positions Held:

- Deputy Group Chief Executive Officer, Kuwait Projects Company (Holding) K.S.C.P. – Kuwait
- Chairman, United Gulf Management, Inc. – USA
- Chairman, United Gulf Management Ltd. – UK
- Trustee, American University of Kuwait – Kuwait

BOARD OF DIRECTORS

Sheikh Abdullah Nasser Sabah Al Ahmad Al Sabah, Executive Director

Graduate of the Royal Military Academy, Sandhurst, UK

BSc, Business Administration, New York Institute of Technology, USA

Over 27 years of experience in the financial sector

Other Positions Held:

- Vice Chairman, Kuwait Projects Company (Holding) K.S.C.P. Kuwait
- Chairman, Burgan Bank K.P.S.C. – Kuwait
- Vice Chairman, KAMCO Investment Company K.S.C.P. – Kuwait
- Vice-Chairman, Al Daiya United Real Estate Company K.S.C.(Closed) – Kuwait

Jawad Al Asfoor, Independent Director

Chairman of the Board Audit Committee

Member of the Nominating and Remuneration Committee

Diploma Certificate in Accounting and Finance from the Association of Certified Chartered Accountants (ACCA)

Diploma Certificate in Islamic Banking & Finance.

Over 31 years of experience in the financial sector

Seasoned Finance professional with previous positions including:

- Head of Treasury, United Gulf Bank B.S.C. (Closed) - Bahrain
- Vice President – Sales and Marketing, Liquidity Management Centre - Bahrain
- Director – Islamic Banking- Capital Market, Credit Agricole Indosuez - Bahrain
- Senior Dealer – Corporate & Islamic, BNP Paribas - Bahrain
- Chief Dealer – Banque Indosuez - Bahrain

Mohamed Sadiq Al Rahma, Independent Director

Member of the Nominating and Remuneration Committee

Chartered Financial Analyst (CFA) Charterholder

Master of Science in Finance and Accounting (Distinction) – London, UK

Bachelor of Arts in Management – London, UK

Over 9 years of experience in the financial sector including:

- Strategic Investments – Bahrain Mumtalakat Holding Company B.S.C.(c) - Bahrain

Majed Essa Al Ajeel, Independent Director (effective 30 March 2023)

Chairman of the Nominating and Remuneration Committee

Bachelor's degree in Science in Architecture and Master's Degree in City and Regional Planning,

Catholic University of America.

Over 41 years of diversified experience in the banking, real estate, and investment sectors.

Previous Positions Held:

- Chairman, Burgan Bank K.P.S.C. - Kuwait
- Chairman, Kuwait Banking Association - Kuwait
- Board member, FIMBank plc - Malta
- Board member, London Forfaiting Company plc - UK
- Board member, Burgan Bank Turkey - Turkey
- Board member, Kuwait Banking Association - Kuwait
- Board member, Institute of Banking studies - Kuwait
- Advisory Board member, College of Graduate Studies, Kuwait University - Kuwait.

EXECUTIVE MANAGEMENT



Hussain A. Lalani FCA CISA
Chief Executive Officer

Mr. Lalani joined UGB in 2002 and was appointed as the Acting CEO in September 2015, and subsequently CEO in April 2019. His career extends over 27 years. He has worked extensively with the Board of Directors on advisory transactions in his previous capacity as the Bank's Chief Financial Officer, and partnered with business divisions to support growth and business plans. Mr. Lalani was previously employed by Ernst & Young, Bahrain; and Price Waterhouse Coopers, Pakistan. He is a Board Member of United Gulf Financial Services – North Africa, Tunisia; FIMBank plc. – Malta; Assoufid B.V. – Netherlands; London Forfaiting Company - UK and North Africa Holding Company - Kuwait. A Chartered Accountant and a Certified Information Systems Auditor, Mr. Lalani holds a Bachelor of Commerce degree from the University of Karachi, Pakistan.



Mohammed Alqumaish CIA
Assistant General Manager, Chief Audit
Executive & Corporate Secretary

Mr. Alqumaish joined UGB in September 2001. He is a banking professional with more than 27 years of regional, commercial and investment banking experience in internal auditing, risk assessment, compliance, corporate governance and quality assurance services with high executive and board level exposure. He previously worked with Ahli United Bank and Shamil Bank in Bahrain. Mr. Alqumaish had held several Board and advisory roles to Boards within the group in Algeria, Tunis, Iraq, and Syria. Mr. Alqumaish is a Certified Internal Auditor (CIA) and holds an MBA from the University of Strathclyde Business School, UK.

EXECUTIVE MANAGEMENT



Syed Rehan Ashraf FCA MBA
Senior Vice President
Chief Financial Officer

Mr. Ashraf joined UGB in 2005. He was appointed CFO in October 2015 after serving as Head of Credit and Risk Management since October 2007. He has more than 27 years' experience in the areas of credit, risk management, finance, advisory, compliance and assurance services – with Islamic and conventional banks – and the big four audit firms. He previously worked with Shamil Bank, Deloitte & Touche, Faysal Bank, and PriceWaterhouse Coopers. A Fellow Chartered Accountant (FCA) from the Institute of Chartered Accountants of Pakistan, Mr. Ashraf holds an MBA from DePaul University of Chicago, USA.



Deepa Chandrasekhar APRM CAMS FICA CFE
Chartered MCSI
Senior Vice President,
Chief Compliance Officer & MLRO

Mrs. Chandrasekhar joined UGB in 2008. She has over 35 years of experience in the areas of compliance, AML, risk management, treasury, operations, and internal audit. She holds a BA degree in Economics and an MBA from the University of Alberta, Canada as well as several professional qualifications. Mrs. Chandrasekhar is a member of the Steering Committee of the Professional Risk Managers International Association (PRMIA), Bahrain Chapter; and the Advisory Council of the Chartered Institute of Securities and Investment (CISI), Bahrain Chapter. She also serves as an International Moderator in the field of compliance and corporate governance for the Finance Accreditation Agency, Malaysia. Mrs. Chandrasekhar is a frequent speaker at professional forums and has published several financial articles.

EXECUTIVE MANAGEMENT

**Adel Al-Arab CRA****Senior Vice President, Head of Operations**

Mr. Al Arab joined UGB in 1994. He has 31 years of experience in the field of operations, credit and risk management. Mr. Al Arab holds a Bachelor of Science degree in Business Administration from the University of Bahrain. He is a Chartered Risk Analyst (CRA) from the Global Academy of Finance and Management, USA; and was awarded the Certificate of ISMA Foundation Program from the International Securities Market Association, Zurich. Mr. Al Arab has attended several professional courses in banking, finance, operations and risk management.

**Nirmal Parik CFA MBA****Senior Vice President, Head of Asset Management and Investment Banking**

Mr. Parik joined UGB in 2007. He has 20 years of experience in the financial services industry in investment management, asset management, investment banking and corporate banking. Prior to joining UGB, Mr. Parik worked in various capacities with multinational firms including ING Investment Management (I) Pvt. Ltd., the asset management arm of ING Group NV, Netherlands. Mr. Parik currently manages a portfolio of direct equity investments (primarily in the MENA region) as well as investments with third party investment managers, primarily in the US and European markets (with focus towards PE Funds). Mr. Parik serves as a Board Member of India Factoring and Finance Solutions Private Limited, India. He is a Chartered Financial Analyst (CFA), and holds an MBA degree with specialization in Finance.

EXECUTIVE MANAGEMENT

**Abbas Al Tooq APRM, MBA**

Assistant Vice President, Head of Credit & Risk Management

Mr. Al Tooq joined UGB in 1999. He assumed the role of Head of Credit and Risk Management in October 2015. He has more than 27 years of experience in the areas of credit, risk management, operations and audit. He previously worked with Jawad Habib Coopers & Lybrand, Daiwa Middle East Bank, and Arab Investment Company. Mr. Al Tooq holds an MBA degree from DePaul University, Chicago, USA; and is an Associate Professional Risk Manager (APRM) from the Professional Risk Managers International Association.

**Hussain Khalil CQF**

Vice President, Head of Treasury

Mr. Khalil joined UGB in September 2020. He is a seasoned banker with over 15 years of experience in the Treasury department, where he was intrinsically involved in managing liquidity through Money Market, Foreign Exchange and Capital Market products. He has managed Investment portfolios and dealt in Sukuk, GCC equities and structured products. He has also worked closely with regional and multinational financial institutions in trading different financial securities and regional debt issuances. Mr. Khalil holds an MSc in Finance from Loughborough University, UK.

BUSINESS REVIEW

Strategy and Business Overview

UGB's key strategic objective is to create the MENA region's premier asset management, merchant banking and investment banking group. It seeks to be the preferred gateway to the region for its clients and global partners through the delivery of both conventional and Shari'ah-compliant services, backed by strong support, infrastructure, and processes. The Bank works with strategic partners to create opportunities that position it as a leading financial institution for the region.

Either directly or through its subsidiaries and associate companies, UGB engages primarily in asset and fund management, investment banking, private equity, and corporate banking. Other business activities include proprietary investments and treasury.

Asset Management and Investment Banking

Asset Management

Asset and fund management activities – covering local, regional, and international markets – include discretionary and non-discretionary portfolio management, securities trading, portfolio structuring and asset allocation advice, mutual funds, investments and structuring, and alternative structured investments.

Investment Banking

Conventional and Islamic investment banking activities cover equity and debt underwriting, private placements, capital restructuring, and mergers and acquisitions.

Private Equity

Private equity activity focuses on key growth or demand sectors such as telecommunications, media, technology and energy.

Corporate Banking

Corporate banking advisory services include IPO and private placement advisory and execution, business valuation and financial feasibility studies, project finance, and due diligence.

Key business developments & initiatives in 2023

- On the Asset Management front, UGB made an opportunistic investment during the year. In July 2023, it contributed to the first round of capital call in the Empower Fund, a Tunisia-based Private Equity Fund, that is focused on investing in high-growth SMEs and start-ups in Tunisia. The fund is managed by UGFS-NA. Additionally, UGB also expanded its AUM base by onboarding new clients within the KIPCO Group.
- Assets under management with UGB increased to US\$ \$14.3 billion at the end of 2023 compared with US\$ 14.2 billion at the end of the previous year.
- UGB Group completed 9 investment banking transactions totalling US\$ 1.6 billion (2 M&A deals, 4 ECM transactions, and 3 DCM transactions).
- Moreover, UGB acted as an escrow agent in a real estate transaction in 2023
- Additionally, UGB implemented a new core banking system in 2023 to safeguard the internal controls and enhance its operational efficiency
- Further, it also continued its network expansion with its subsidiary KAMCO, opening a new office in London focusing on alternative investments, particularly in real estate
- UGB has been working on certain strategic initiatives which will impact its business performance in the medium to long term. Discussions on these initiatives are ongoing and more details will be available in due course.

BUSINESS REVIEW

UGB SUBSIDIARIES AND ASSOCIATES



BUSINESS REVIEW

Asset Management & Investment Banking

KAMCO Investment Company K.S.C.P (KAMCO) Consolidated Subsidiary based in Kuwait

Established in 1998, KAMCO is a leading asset management and financial institution, with one of the largest private sector assets under management (AUM) in the MENA region. Its three principal business lines are asset management, financial services, and investment advisory research services, which are offered to a diverse local, regional and international client base. At the end of 2023, assets under management totalled US\$ 13.9 billion. UGB owns 60 percent of KAMCO, which is listed on the Kuwait Stock Exchange.

North Africa Holding Company K.S.C. (c) (NorAH) UGB Associate Company based in Kuwait

North Africa Holding Company (NorAH) was established in 2006 with the aim of capitalising on the significant investment opportunities arising within North African economies by building genuine partnerships with local businesses that have demonstrated the ability, or have the potential, to deliver real value. The Company's target market spans Morocco, Algeria, Tunisia, Libya and Egypt, which together account for a sizeable proportion of the MENA population, and offer considerable untapped investment potential. Key growth sectors include real estate, industrial, logistics, healthcare, education and agribusiness. UGB has a total consolidated interest of 44 per cent in NorAH, whose shares are not listed.

Real Estate

Assoufid B.V. UGB Associate Company based in Netherlands

Assoufid is a Netherlands-based real estate development company. Its prime property is the Assoufid high-end mixed-use development in Marrakech, Morocco. Its first phase comprising the award-winning Assoufid Golf Club is now completed and operational. Infrastructure works have commenced on the second phase, which includes a 5-star hotel, luxury golf villas and other facilities. UGB holds a consolidated interest of 27 per cent in this unlisted company.

Manafae Holding Company K.S.C. (c) (Manafae) Consolidated Subsidiary based in Kuwait

Manafae is an investment holding company, which has ownership in real estate projects based in Bahrain. UGB owns ~54 percent of Manafae on a consolidated basis (~34percent through KAMCO Invest). The company is unlisted and based in Kuwait.

Shared Services

Treasury

The external factors affecting Treasury during 2023 revolved around the concern on rising interest rates and the maintenance of liquidity. The proactive protocols in managing hedging activity ensured that there was no adverse pressure that impacted the balance sheet ratios, all of which were sustained at appropriate levels. No significant movement was felt in the level of deposits, as any changes in sources of deposits were accompanied by adequate replenishment of such funding. This contributed to sustained optimal levels of liquidity. Existing medium to long term financing facilities for UGB were unchanged except for minor exits on UGB's front. Overall, no

new borrowing facilities from new counterparties were required in the course of the year. UGB's Treasury team actively assesses its counterparty list/network and has signed up several counterparties for conventional and Shari'ah compliant relationships.

The successful set up of the new banking system during 2023, preceded a live start for the year 2024, with expected enhancement of procedures, controls, and efficiency.

The Ukraine/Russia conflict, with its consequential disruption of global supply chains continue to be a cause of concern. Additionally, the emergence of the upheaval in Gaza with its potential threat of spreading further within the region will be monitored. Although neither of these has had a negative influence on UGB's treasury activities, constant diligence on these fronts is warranted as a cautionary measure. It is also the Treasury Team's expectations that there will be a gradual softening of interest rates over the next twelve months, perhaps in aggregate up to 150 basis points.

Operations

The Operations Department was heavily involved in the year 2023, in the coordination and transition to the new Core Banking System (TCS), which is now implemented and running smoothly. The team was also trained by an external trainer in processing SWIFT MX messages. The MX messages which are to become mandatory in 2025, involve financial institutions changing the payment messages they send and receive via SWIFT from the legacy MT (message type) format to the new MX (message type XML) format. This is more transparent, holds more data and is expected to boost interoperability between banks. Full testing of the MX standards will be achieved during 2024

Operations continue to provide support to the UGB's Compliance Department in various key tasks that include customer due diligence, KYC documentation updates, and AML Risk Assessment review requirements.

Human Resources and Administration

At UGB, learning has long been a key element of our employees' strategy. The Bank continues to support employees in developing their careers, improving their skillsets, and expanding knowledge. In 2023 there was a significant focus on improving governance, regulatory and compliance knowledge, professional development, cyber and information security, technical seminars, workshops, conferences, and specialist internal learning through system implementation. The Bank also expanded its training program to enhance employees' knowledge of ESG topics by conducting a range of meetings and supporting workshops covering climate risks and sustainability participation. This level of development will continue in 2024 as we focus on development initiatives that meet business needs and are aligned to the Bank's strategy.

In terms of training attendance, 75% of personnel participated in Governance, Risk Management and Code of Conduct Refreshing, 13% in Professional Programmes, and 89% in Short Professional Courses. Worthy of note is that staff turnover continues at zero. The Bank continues to support educational initiatives, with 3 university students being offered internships.

Information Technology

2023 was an intensely busy year for Information Technology Department. Each initiative undertaken impacted key, pivotally

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important areas in terms of the Bank's ability to provide excellent service internally and externally, including the vital defence against cyber criminality.

The new Core Banking System that is fundamental to the efficiency and quality of data across all parts of the Bank, was successfully introduced, tested, and implemented. Equally important has been the essential education of end users across every department as to how to best utilise the new system. The parallel run between the old system and the new one began in July 2023, and was fully implemented by the end of the year.

In line with regulatory requirements, the staff strength of the department was enhanced with the recruitment of a dedicated cyber security officer. The main objectives are to protect the Bank from any internal vulnerability, and mitigate / eliminate any dangerous phishing attempts targeting the Bank's website. Also of focus have been SWIFT security assessments, compliance, and ensuring periodic reports on penetration testing to the CBB.

Control Functions

Compliance

In March 2023, the CBB issued the revised High Level Controls (HC Module) with the objective of strengthening the governance framework of banks operating in the Kingdom of Bahrain. The entire rulebook was restructured, and an additional section on the governance of subsidiaries and branches was included in the new Module. In order to determine the extent of adherence, the CBB sought a gap analysis from the banking community.

Good corporate governance supports boards and businesses to grow, builds stakeholder confidence, and provides assurance to the regulators. The Bank has a robust set of governance guidelines and policies that guide various aspects of organizational behaviour. These policies were updated during 2023 and approved by the Board of Directors at their meeting held in November 2023. The Bank has taken proactive steps to be compliant with the new requirements.

In accordance with CBB requirements, UGB already has a designated Chief Compliance Officer (CCO) with a direct reporting line to the Board Audit Committee and an administrative line to the Chief Executive Officer. The CCO acts as the central coordinator for all matters relating to regulatory reporting, as well as other requirements. A framework of relevant policies and processes covering adherence to external regulations, ethical behaviour, and conflicts of interest, are encapsulated in the Bank's Compliance Charter, Code of Conduct, and Corporate Governance Guidelines. These documents have been approved by the Board of Directors, and help define, clarify, assert, and enforce the role of governance within UGB.

The Compliance Department is responsible for keeping abreast of new regulatory developments. Given the near-constant stream of regulatory revisions in response to changes in the markets, economy, and technology, the Department's Risk Nucleus Compliance System remains an important pillar in the pro-active identification, assessment, and monitoring of Compliance Risk.

UGB continues to value its strong rapport with its local regulators, the Central Bank of Bahrain, the Bahrain Bourse for its brokerage activities, and the Ministry of Industry and Commerce.

Anti-Money Laundering

UGB has a designated Money Laundering Reporting Officer (MLRO) and a Deputy MLRO (DMLRO) who are Controlled Persons approved by the Central Bank of Bahrain (CBB). The position of MLRO has been combined with that of the CCO. It has a direct reporting line to the Board Audit Committee and has access to the Chairman of the Board of Directors. The Bank has implemented an anti-money laundering (AML) and combating the financing of terrorism (CFT) policy, which is reviewed annually and approved by the Board.

UGB follows prudent practices related to Customer Due Diligence and Ultimate Beneficial Ownership, using the Refinitiv World Check screening tool, and KYC principles. The Bank has also subscribed to Refinitiv's Media Check services to monitor adverse media pertaining to its customers.

During 2023, the Bank commissioned Keypoint W.L.L. to undertake an enterprise-wide risk assessment of the AML framework. The findings were presented to the BAC and the AML policy was revised to incorporate enhancements that would add value to the existing robust AML controls.

Internal Audit & Quality Assurance

In line with the Internal Audit Plan, the department completed performing audits and reviews covering the key areas of the Bank's control framework, including compliance focus review; review of CBB's high level controls module; annual corporate governance related reviews; the evaluation of the Bank's risk appetite; and the internal capital adequacy assessment process. Also highlighted were operational risk controls and self-assessment frameworks; information and cyber security; personal data protection and financial control system. Emphasis was made to add value, enhance, and strengthen the Bank's over all control protocols, whilst ensuring key risk areas were highlighted to Management on a timely basis.

Quality Assurance

Internal Audit was involved in quality assurance reviews covering key risk areas facing the organisations (UGB and its parent UGH), including procedural assurance reviews over the change in external auditors that occurred during the year for UGH; legal and regulatory assurance over UGB writing-off of accumulated losses from the Bank's retained earnings; ongoing follow up over the Bank's implementation of its new front office and database management system; and review of the pan-Bank policies and procedures.

FINANCIAL REVIEW

This review provides a detailed description of the financial performance of United Gulf Bank B.S.C.(c) for the year ended 31 December 2023.

The notes to UGB's Consolidated Financial Statements provide additional relevant details, with some of these notes being cross referenced here. Figures contained in the Financial Review are subject to rounding adjustments and, in certain instances, the sum of the numbers in a column or row may not conform exactly to the total figure given for that column or row.

Incorporation and Activities

UGB is a wholesale conventional bank regulated by the CBB. As at 31 December 2023, the Bank's parent company United Gulf Holding Company B.S.C.(c) (UGH) holds 100% shares of UGB. The Kuwait Projects Company K.S.C.P. (Holding) (KIPCO) continues to be the ultimate parent company owning directly and indirectly 98% of UGH's outstanding shares on a consolidated basis.

Revenues

UGB's total revenues were US\$ 64.9 million in 2023 compared with US\$ 92.5 million in 2022, as indicated below:

Total Revenues (US\$ million)	2023	2022
Financial Associates	(0.9)	3.9
Other Associates	(9.1)	2.1
Real Estate	4.8	3
Management fees from fiduciary activities	39.7	53.5
Credit related fees and commission	2.6	11.4
Advisory fees	7.5	4.6
Interest Income	9.6	9.4
Unrealised (loss) gain on investments carried at fair Value through profit or loss	2.2	1.3
Realised (loss) gain on investments carried at fair Value through profit or loss	(0.1)	2.2
Dividend income	2.3	2.2
Other income	4.4	0.3
Foreign currency translation (losses) gains - net	1.9	(1.4)
Total	64.9	92.5

During 2023, the decrease in total revenues was mainly attributable to the downturn of global and regional markets which had witnessed a recovery in 2022, as well as certain foreign exchange losses that were recycled to the income statement of an associate upon the sale of one of its investments in Egypt. Depressed markets were also the cause of lower fee and commissions income as KAMCO earned lower fees from its funds and its assets under management.

Financial Services

UGB's financial services-related revenues were derived from its investment in associates that are involved in asset management, investment banking and brokerage.

Results from financial associates recorded a loss of US\$ (0.9) million compared with a gain of US\$ 3.9 million in 2022. The decrease was mainly on account of losses on trading investments recorded by the KAMCO Investment Fund.

The table below indicates the performance of UGB's financial associates:

Revenue - Financial Associates (US\$ million)	2023	2022
Kamco Investment Fund	(0.9)	3.9
Total	(0.9)	3.9

Real Estate

UGB's real estate revenues were derived mainly from rental income from its real estate properties in Bahrain and Kuwait and the results from its real estate based associates.

Revenues - Real Estate (US\$ million)	2023	2022
KAMCO Real Estate Yield Fund	-	(1.1)
N.S. 88 P.C.	(0.2)	0.1
Manafae Holding Company K.S.C. (Closed)	(0.2)	-
Rental Income	4.2	3.4
Unrealized gain on investment properties	1.0	0.6
Total	4.8	3.0

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Fees and Commission Income

Credit-related fees and commission.

Credit-related fees and commission income decreased to US\$ 2.6 million in 2023 from US\$ 11.4 million in 2022 due to lower deals being concluded in 2023.

Management Fees from Fiduciary Activities.

Management fee income decreased to US\$ 39.7 million in 2023 from US\$ 53.5 million in 2022, as regional equity markets remained depressed and KAMCO earned lower management fee on its funds.

Advisory Fees

Advisory fee income increased to US\$ 7.5 million in 2023 from US\$ 4.6 million in 2022.

Interest Income

The main source of interest income for KAMCO and UGB was derived from interbank placements. Interest income increased from US\$ 9.4 million in 2022 to US\$ 9.6 million in 2023 mainly on account of increasing interest rates during the year.

Trading gains / losses

Trading positions recorded a gain of US\$ 2.1 million in 2023 compared with a gain of US\$ 3.5 million for 2022. This is largely due to the continued subdued performance of regional markets. Trading gains in 2023 largely mirror the Bursa Kuwait which increased by 16% in the first quarter of 2023, only to correct itself by 9% and 4% over the following two quarters. Overall, the Bursa Kuwait recorded a gain of 2.6% for the year 2023.

Dividend Income

Dividend income increased slightly to US\$ 2.3 million in 2023 compared with US\$ 2.2 million in 2022. This was derived mainly from KAMCO's investments.

Foreign Currency Translation gains

Foreign currency translation gains of US\$ 1.9 million were recorded for 2023 compared to losses of US\$ (1.4) million in 2022. Gains were mainly recorded on Kuwaiti Dinar denominated forward deals against the US\$.

EXPENSES

Interest Expense

UGB's interest expense increased from US\$ 17.2 million in 2022 to US\$ 21.5 million in 2023. due to the rise in benchmark reference rates.

Operating Expenses

Operating expenses decreased by 14% to US\$ 52.9 million in 2023 compared with US\$ 61.2 million in 2022, largely due to lower incentive fee and bonus accruals at KAMCO for front office deals.

Salaries and benefits decreased to US\$ 34.0 million (2022: US\$ 42.1 million). General and administration expenses decreased slightly to US\$ 18.9 million (2022: US\$ 19.1 million).

Operating expenses (US\$ million)	2023	2022
Salaries and benefits	34.0	42.1
General and administrative expenses	18.9	19.1
Total	52.9	61.2

Taxation

A net tax expense of US\$ (0.1) million was recorded in 2023 compared with an expense of US\$ (1.1) million in 2022.

Provisions

Provisions for expected credit losses were reversed by US\$ 0.7 million in 2023. These were related to the reversal of excess Stage 1 and 2 provisions taken at KAMCO and UGB. The corresponding number in 2022 was a provision expense of US\$ (1.1) million.

Net Income Attributable to Parent

The Group recorded a net loss attributable to parent in 2023 of US\$ (9.5) million compared with a net income of US\$ 5.2 million in 2022.

Consolidated Assets

UGB's consolidated assets stood at US\$ 775.4 million at 31 December 2023 compared with US\$ 783.0 million at the end of 2022. A comparison of the two years is provided below

Assets (US\$ million)	2023	2022
Demand and call deposits with banks	82.5	103.0
Placements with banks	78.6	96.5
Investments carried at fair value through profit or loss	128.3	88.1
Investments carried at fair value through other comprehensive income	130.2	104.0
Investments carried at amortised cost	-	25.0
Loans and receivables	19.7	21.7
Other assets	70.4	75.9
Investment in associates	60.4	87.1
Investment properties	127.4	100.0
Property and equipment	15.7	15.8
Goodwill and other intangible assets	62.2	63.6
Assets held for sale	-	2.3
Total	775.4	783.0

Demand, Call Deposits and Placements with Banks

Demand, call and placements with banks decreased to US\$ 161.1 million in 2023 compared to US\$ 199.5 million in 2022. These mainly include nostros and time deposits with banks. Total liquid assets comprising cash, deposits, liquid securities and other assets, represented 48.2% of the balance sheet as at 31 December 2023 (2022: 42.7%).

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Investments carried at fair value through the statement of income

Investments carried at fair value through the statement of income were US\$ 128.3 million in 2023 compared with US\$ 88.1 million in 2022. This portfolio mainly comprises quoted equities, debt securities, and unquoted managed funds designated as fair value through statement of income. The increase was mainly on account of purchase of real estate based private equity investments and GIG shares at KAMCO level, along with net fair value movements on other listed investments.

Non-trading Investments

Non-trading investments were US\$ 130.2 million in 2023 compared with US\$ 104.0 million in 2022. The total portfolio mainly comprises unlisted equities of US\$ 101.0 million (2022: US\$ 69.4 million).

The major investments classified under the non-trading investments portfolio as at 31 December 2023, were:

Advanced Technologies Company (ATC): UGB holds a 5.1% stake in ATC, which is a leading medical equipment and turn-key solution provider. It was established in Kuwait in 1981 and listed on the Boursa Kuwait in 2007. It offers over 1,000 products to customers in the public and private sectors, focusing on medical, pharmaceutical, dental and laboratory equipment. ATC provides its products and services to over 500 health care facilities and has circa 45% share of the Kuwait medical sector.

Assoufid B.V.: Assoufid is incorporated in the Netherlands. Its primary assets include a Morocco-based real estate development company which owns a high-end mixed-use development in Marrakech. The property is spread over 222 hectares. The first phase is the award winning Assoufid Golf Club, which has been completed. The second phase is currently underway and includes a 5-star hotel and luxury branded golf villas. UGB owns a 27 percent stake in this unlisted company.

United Networks: United Networks is a leading solutions and service provider in the communications, information technology and media sectors in the MENA region. Operating through its subsidiaries, United Networks strives to develop, deploy, and deliver innovative products and services using state of the art technology platforms to advance connectivity, value and efficiency in the business and entertainment sectors. UGB owns a 18 percent stake in this unlisted company.

Loans and Advances

Loans and advances in 2023 amounted to US\$ 19.7 million (2022: US\$ 21.7 million). The loan book comprises of:

Loans and Advances (US\$ million)	2023	2022
Loans to customers	22.1	25.3
Staff loans	5.8	5.2
Gross loans and advances	27.9	30.5
Less: Provision for impairment	(8.2)	(8.8)
Total	19.7	21.7

Past due and impaired loans amounted to US\$ 7.8 million (2022: US\$ 7.9 million) against which specific provisions of US\$ 7.8 million (2022: US\$ 7.9 million) were recorded. Collective provisions of US\$ 0.3 million were carried in the books against performing loans and advances as of 31 December 2023 (2022: US\$ 0.9 million).

Investments in Associated Companies

Investments in UGB's associated companies decreased to US\$ 60.4 million in 2023 compared to US\$ 87.1 million in 2022. The Group's associated companies contributed a net loss of US\$ (10.4) million in 2023 (2022: net income of US\$ 5.0 million). The key contributors were North Africa Holding Company and Kamco Investment Fund, which posted losses of US\$ (8.9) million and US\$ (0.9) million respectively (2022: net incomes of US\$ 2.6 million and US\$ 3.9 million respectively).

Losses from North Africa Holding were mainly on account of recycling of foreign exchange losses on Kandil Glass, an associate based in Egypt, that was sold in 2023.

Investment Properties

UGB's investment properties mainly comprise real estate properties in Kuwait and the Kingdom of Bahrain. Rental income on these investments amounted to US\$ 4.2 million (2022: US\$ 3.4 million).

Consolidated Liabilities

UGB's consolidated liabilities were US\$ 430.8 million in 2023 down from US\$ 461.4 million in 2022. A breakup of liabilities is as follows:

Liabilities (US\$ million)	2023	2022
Due to banks and other financial institutions	121.5	138.9
Deposits from customers	15.9	20.8
Long term loans	203.6	61.3
Long term bonds	-	130.6
Other liabilities	89.8	109.8
Total	430.8	461.4

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Total Equity

The issued and fully paid up share capital as at 31 December 2023 comprised 232,263,041 shares of US\$ 0.50 each (2022: same). As at 31 December 2023, UGB's equity increased to US\$ 344.6 million (2022: US\$ 321.5 million).

Equity (US\$ million)	2023	2022
Share capital	116.1	116.1
Share premium	54.0	54.0
Statutory reserve	54.0	54.0
General reserve	3.8	33.8
Fair value reserve	14.6	(7.6)
Foreign currency translation reserve	(6.5)	(5.4)
Retained earnings / (Accumulated losses)	4.0	(1.4)
CAPITAL AND RESERVES ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT	191.7	195.2
Perpetual Tier 1 capital	33.0	33.0
Non-controlling interests in equity	119.9	93.3
TOTAL EQUITY	344.6	321.5

Off-Balance Sheet Commitments

UGB's off-balance sheet commitments comprise guarantees and undrawn investment commitments; financial instruments to cover foreign exchange risk; forward purchase and sales contracts; and interest rate and currency swaps. The Bank's investments and credit-related commitments aggregated to US\$ 6.0 million as at 31 December 2023 (2022: US\$ 3.1 million). Further details regarding off-balance sheet commitments are provided in Note 26 to the Consolidated Financial Statements for the year ended 31 December 2023.

Capital Adequacy

UGB's consolidated capital adequacy ratio of 17.6% at 31 December 2023 (2022: 18.7%) under the Basel III regulations, mandated by the Central Bank of Bahrain, was above the minimum requirement of 12.5%.

Capital adequacy (US\$ million)	2023	2022
Capital base:		
Tier 1 capital	165.2	189.2
Tier 2 capital	17.4	19.1
Total capital base (a)	182.5	208.4
Credit risk weighted exposure	911.1	982.4
Market risk weighted exposure	-	5.8
Operational risk weighted exposure	128.9	127.1
Total risk weighted exposure (b)	1,040.0	1,115.3
Capital adequacy (a/b * 100)	17.6%	18.7%
Minimum requirement	12.5%	12.5%

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Risk Management Review

UGB's Credit and Risk Management department continuously assesses and addresses vulnerabilities in potential areas and is committed to improving its understanding and monitoring of associated risks. Policies are developed to address them where appropriate. In light of the external issues such as the Russia-Ukraine conflict, supply chain disruptions, and the cost-of-living crisis, it was imperative for the risk management framework to proactively counter any impact and stress that could affect the Bank's business and operations. Backed by strong internal governance, UGB addressed the challenges imposed by the macroeconomic landscape and continued to prepare recommendations and action plans to mitigate risks inherent in the Bank's business model and operational activities. In addition, compliance with all Central Bank of Bahrain (CBB) Rulebook modules/directives and timely adherence to all reporting requirements remained top priorities in 2023.

Key developments in 2023

During the year, the CRM department updated the risk control self assessments for all departments of the Bank to incorporate areas of emerging risks and the deletion of obsolete processes. This led to an in-depth review of key risk indicators, to reflect and manage the residual risk identified from the self assessments. The number of key risk indicators was subsequently increased. The department's other activities entailed adhering to compliance with the CBB's regulatory requirements covering capital and liquidity ratios, internal capital adequacy, and stress testing and resolving/ closing issues or areas for improvement raised in the independent review of the risk management related frameworks in 2022.

The CBB's issuance of the new Module ESG that is effective year end 2024, prompted the Bank to commence climate and environmental risk assessment through designing a roadmap, finalising key performance indicators for calculation, and forming working groups within the bank. The Credit and Risk Management department played a pivotal role in the formation of the newly constituted ESG management committee that includes a pan-bank representation of all key departments. This is because ESG requirements have to be adopted across functions in order to adhere to regulatory reporting requirements.

Risk Philosophy

The Bank's risk philosophy is based on the following five principles:

1. Sound knowledge base, experience and judgement of Senior Management and Risk Management staff, are the cornerstone of successful risk mitigation.
2. Vigilance, discipline and attention to detail are mandatory.
3. Complete segregation of duties and reporting authorities must exist between business lines and support functions.
4. Policies and procedures must be clear, properly documented, well-communicated, understood, and implemented in both letter and spirit.
5. Well-established processes and systems provide the backbone of risk management practices at the Bank.

Responsibilities

The Board of Directors of UGB has the ultimate authority for setting the overall risk appetite, risk tolerance, parameters and limits within which the Bank operates. The Board approves the Bank's overall risk profile and significant risk exposures, as well as the policies, procedures and controls that have been extensively documented.

The Board has delegated day-to-day decision making to the Executive Committee (EC) that comprises three Executive Directors. The EC meets between Board meetings to approve all proposals that exceed the threshold of the Investment Committee.

The Investment Committee (IC) is responsible for approving or recommending approvals to the Executive Committee; limits for individual exposures; investments; and concentrations towards banks, countries, industries, risk-rating classes, or other special risk asset categories.

The Risk and Compliance Committee (RCC) supervises the adoption of best practice in the areas of risk and compliance. It acts as the steering committee for risk and compliance initiatives, responsible for monitoring the progress and facilitating a smooth transition towards complete compliance with the provisions of the New Capital Accord and other regulatory requirements. During 2023, the Committee met four times. Further information on the constitution and responsibilities of these committees is disclosed in the Corporate Governance Report that is part of this Annual Report and also available on the Bank's website, www.ugbbh.com

UGB's ability to properly identify, assess, manage, measure, monitor and report risk is critical to its financial strength and profitability. A comprehensive set of risk management policies, processes and limits are in place to provide guidelines and parameters. These are continuously updated with the objective of incorporating best practice, changes in market factors, and changes in the regulatory environment in the various jurisdictions in which the Bank operates.

Risk Management Strategy

The overall risk management strategy of UGB focuses on optimising the risk-return profile of the Bank's exposures (a portfolio approach) as well as avoiding losses. The risk management philosophy of the Bank for managing the main types of risk to which it is exposed, is summarized below:

RISK TYPE RISK MANAGEMENT PHILOSOPHY

Credit	Discipline its lending activities and ensure that credit facilities are granted on a sound basis and that the Bank's funds are invested in a profitable manner.
Market	Minimize the loss of the value of financial instruments or a portfolio of financial instruments due to an adverse change in market prices or rates.
Interest Rate	Capture all material sources of interest rate

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	risk, and assess the effect of interest rate changes on the income stream and equity of the Bank.
Liquidity	Identify, capture, monitor and manage the various dimensions of liquidity risk with the objective of protecting asset values and income streams, such that the interests of the Bank's shareholders are safeguarded, while maximizing returns to shareholders.
Operational	Mitigate or ensure the risk of loss arising from a failure in UGB's internal processes due to inadequate internal controls and procedures, human error, deliberate acts, and/or business interruptions caused by technology, systems or external disasters that are beyond the Bank's control.

Types of Risk

The major types of risk to which UGB is primarily exposed include credit, market, operational, liquidity and funding, interest rate, concentration, reputational and legal risks. Detailed information on each of these are provided in the Basel III Pillar III Risk Management and Capital Adequacy Disclosures available on the Bank's website at: www.ugbbh.com

The following section provides a brief synopsis of the different types of risk and the processes adopted to identify, assess and monitor them.

Credit Risk

Credit risk arises mainly from the extension of credit facilities in the UGB Group's commercial banking, investment banking and trading activities, where there is a possibility that a counterparty may fail to honour its commitments.

The Bank identifies and manages credit risk inherent in all products and activities, and ensures that such risks are assessed in depth and are well understood. These activities are then subject to adequate risk management procedures and controls which are approved by the Board of Directors prior to implementation.

The Bank mitigates its credit risk through:

- Establishing an appropriate credit risk environment
- Operating under a sound credit and investment approval process
- Ensuring adequate controls over the credit risk management process
- Knowledge of target markets, borrowers and counterparties
- Maintaining appropriate credit administration, measurement and monitoring processes

The Bank's policies and procedures provide the guidelines for credit risk management. UGB manages credit risk through its limit structure, which controls the amount of risk that it is willing to accept for individual counterparties, related parties, and for geographical and industry concentrations. Exposures with respect to the adherence of these limits are monitored on a regular basis.

There is a two-tier committee structure to approve and review credit and investment risk. The Investment Committee (IC) includes the Chief Executive Officer, the Head of Asset Management and Investment Banking, and the Chief Financial Officer. The Head of Credit and Risk Management is a non-voting member on the Committee and acts as its secretary. Exposures beyond IC delegated limits are approved by the Board's Executive Committee or the full Board of Directors.

The credit risk inherent in trading activities is also actively managed, and in case of exposures to counterparties, is calculated daily as the sum of mark-to-market values. In certain cases, the Bank has entered into legally-enforceable netting agreements covering its money market and foreign exchange trading activities. In areas where UGB acts as an agent for commodity trading on behalf of certain Islamic financial institutions, the risk is managed through simultaneous spot and forward trading in commodities through well-established financial and commodity trading institutions that have been subjected to a detailed credit review. The Bank does not trade in derivatives. Continuous monitoring of the Bank's assets through various reports and reviews is critical to early and timely identification of any impairment. A monthly risk asset review report is produced by the Credit and Risk Management Department and reviewed monthly by the Management Committee and quarterly by the Risk & Compliance Committee. All investments are assessed based on rating, industry and geographic exposure, in addition to a number of other parameters. The purpose of this report is also to ensure compliance with external regulatory requirements and internal risk policy guidelines. Additionally, a semi-annual review of all investments is conducted for monitoring performance and highlighting any recent developments.

A quarterly review of loans is prepared for the purpose of identifying impairments and providing an update on the status of each facility. The risk asset review report is looked at on a monthly basis by Management, and quarterly by the Risk and Compliance Committee.

The Bank has established overall credit limits at the level of individual borrowers and counterparties, as well as groups of connected or comparable counterparties. These are aggregated in a meaningful manner to indicate different types of exposures in the banking and trading book, and on and off the balance sheet. The credit limits recognize and reflect the risks associated with the near-term liquidation of positions in the event of counterparty default. Limits also factor in any unsecured exposure in a liquidation scenario. All extensions of credit are made on an arm's length basis. Any credit extended to companies and individuals that are outside the approved policy parameters are avoided, or are authorized on an exception basis by the appropriate authorities. A detailed review of connected party exposure is conducted monthly and reported to the CBB.

Detailed information on the Bank's credit risk exposures, including geographical distribution, industry and sector allocation, details of the collaterals and other credit enhancements, and bifurcation based on internal ratings, is provided in Note 28(c) of the Consolidated Financial Statements.

RISK MANAGEMENT REVIEW

Market Risk

Market risk is defined as the risk of losses in the value of on- or off-balance sheet financial instruments caused by a change in market prices or rates (including changes in interest rates and foreign exchange rates). UGB's policy guidelines for market risk have been vetted by the Board of Directors in accordance with the rules and guidelines provided by the Central Bank of Bahrain.

UGB has adopted the Standardized Approach for the measurement of its market risk. This involves a 'building block' methodology that aggregates charges for interest rate exposure, equities, foreign exchange, commodities, and options. The Bank has entered into forward contracts and interest rate swaps for hedging purposes and does not trade in commodities or derivatives. Consequently, UGB's market risk capital adequacy requirements cover the securities trading book and the foreign exchange book.

The minimum capital charge for interest rate exposure is expressed as the sum of the specific and general market risk of each position. For the general market risk capital charge, the Bank applies the maturity method with its respective rules. Information on interest rate sensitivity in the Bank's asset and liability structure is detailed in Note 28(d) of the Consolidated Financial Statements.

The capital charge for equities held in the Bank's trading book is also an aggregate of 'specific risk' of holding a long or short position in an individual equity; and the 'general market risk' of holding that position in the market as a whole. In case of foreign exchange risk, the open currency position is taken both in the banking and the trading book. The sensitivity towards currency movements on the Bank's equity is detailed in Note 28(d) of the Consolidated Financial Statements.

The Bank seeks to manage the market risks that it faces through diversification of exposures across dissimilar markets, industries and products. In addition to the exercise of business judgement and management experience, UGB utilises limit structures related to positions, portfolios, maturities and maximum allowable losses to control the extent of such risk.

Interest Rate Risk in the Banking Book

Interest rate risk in the banking book arises as a result of mismatches in the re-pricing or maturity of interest rate sensitive financial assets and liabilities. This is also known as re-pricing risk. Additionally, UGB is exposed to minimal basis risk which results from a change in the relationship between the yields/yield curves of long and short positions with the same maturity in different financial instruments. In effect, this means that the long and short positions no longer fully hedge each other.

The Bank clearly identifies the sources of interest rate risk, and the interest rate risk-sensitive products and activities. It proactively measures and monitors the interest rate risk in the banking book. UGB also periodically carries out stress tests to assess the effect of extreme movements in interest rates that could expose the Bank to high risks. A conscious effort is also made to match the amount of floating rate assets with floating rate liabilities in the banking book. All new products and transactions are evaluated with respect to their inherent interest rate risk, and the identification of mitigating factors. UGB also enters into certain transactions in order to

hedge exposures arising from day-to-day banking and investment activities. These hedge transactions include instruments such as interest rate swaps (IRS) and floating rate notes (FRN) to convert a floating rate asset/liability into a fixed rate one or vice-versa. The Bank continuously monitors the effectiveness of the hedges.

Operational Risk

Operational risk is defined as the risk of losses arising from a failure in UGB's internal processes due to inadequate internal controls and procedures, human error, deliberate acts and/or business interruptions caused by technology, systems or external disasters beyond the Bank's control.

In accordance with Basel guidelines, UGB has developed a comprehensive operational risk framework, whereby all activities and processes of the Bank are analyzed and residual risks identified, measured and reported as appropriate.

Internal control systems have been introduced that are based on the tenet of adequate segregation of duties. Exception and excess exposure reporting by the Credit and Risk Management Department, succession planning and business continuity planning, reliable management reporting, and supervision of the Internal Audit and Quality Assurance Department and the Board Audit Committee is also adhered to by the Bank. Anti-money laundering procedures and controls are also in place to mitigate any possible misuse of the Bank's services. These are reviewed by the external auditors on a yearly basis, and their report is forwarded to the CBB as mandated by local regulations.

The management of operational risk in the Bank is the responsibility of every employee. The operational risk framework is built around a detailed Risk Control Self-Assessment (RCSA) that identifies all risks stemming from activities of each department of the Bank. The probability of occurrence and potential severity of the risks are assessed; existing controls against each probable risk event are plotted and reviewed in terms of their effectiveness; residual risks after taking into account the effectiveness of controls are documented; and action plans are developed to reduce or mitigate the residual risks. The results of the RCSA are periodically reviewed by the Risk and Compliance Committee. Heat maps are produced to alert Senior Management to areas that may be subject to an increased level of operational risk.

In line with CBB guidelines, UGB uses the Basic Indicator Approach (BIA) to calculate the capital charge for operational risk. This is prescribed as 15% of the average annual gross income of the current year and the preceding two years. The detailed working for the capital charge on operational risk is provided in the Prudential Disclosures related to Basel III - Pillar III, which are posted on the Bank's website at: www.ugbbh.com

UGB has enhanced its Operational Risk framework by implementing a fully-automated Operational Risk System. The system comprises four key modules: loss database, risk and control self-assessment, key risk indicators, and exposure monitoring. This enables the Bank to monitor, mitigate and report its operational risk exposures in a structured and robust manner on a real-time basis.

RISK MANAGEMENT REVIEW

Liquidity Risk and Funding

Liquidity risk stems from the inability to procure sufficient cash flow to meet UGB's financial obligations as and when they fall due. The risk arises due to the timing differences between the maturity profile of the Bank's assets and liabilities. In order to ensure that the Bank can meet its financial obligations as they fall due, the tenors of UGB's assets and liabilities are closely monitored across different maturity time bands.

The Asset and Liability Committee evaluates the balance sheet from a structural, liquidity and sensitivity point of view. The whole process is aimed at ensuring availability of sufficient liquidity to fund the Bank's ongoing business activities; effectively managing maturity mismatches between assets and liabilities; managing market sensitivities; and ensuring the Bank's ability to fund its obligations as they fall due. Daily and weekly reports are generated, which monitor deposits by counterparties to ensure maintenance of a diversified funding base in terms of individual depositors, their ratings, geographical concentration and maturities.

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Liquidity risk is minimized by actively managing mismatches, and through diversification of assets and liabilities. The Bank uses a combination of maturity gap limits and liquidity ratio limits to ensure that liquidity risk is managed and controlled from the asset and liability perspective:

- Maturity gap limits: assets and liabilities in the Bank's balance sheet are grouped in specific maturity time buckets. The maximum liquidity mismatch between assets and liabilities in each defined time bucket (e.g. one to seven days, eight days to one month, one to three months, three to six months, six to twelve months, one to three years, three to five years, and more than five years), is controlled by gap limits that have been set for each time bucket. The Risk Management team tracks these limits.
- Liquidity ratio limits: UGB has limits on a set of ratios which it uses proactively for monitoring liquidity risk. These include the current ratio, liquid assets as a percentage of total assets, liquid assets as a percentage of total liabilities, and short-term liabilities as a percentage of total liabilities.

Information on the liquidity risk and maturity profile of UGB's asset and liability structure as at the end of 2023 is detailed in Note 28(e) of the Consolidated Financial Statements. As of this date, 48% of total assets and 56% of total liabilities were contracted to mature within one year (2022: 41% and 86% respectively). A significant portion of assets with longer-term

maturities comprise readily realizable securities or listed assets with active markets. A significant portion of liabilities with short-term contractual maturities comprise of term deposits from KIPCO Group entities that are expected to roll-over.

Concentration Risk

Concentration of exposures in credit portfolios is an important aspect of credit risk that is monitored separately at UGB. This risk can be considered from either a micro (idiosyncratic) or a macro (systemic) perspective. The first type – name concentration – relates to imperfect diversification of risk in the portfolio, either because of its small size or because of large exposures to specific individual obligors/investments. The second type – sector concentration – relates to imperfect diversification across systemic components of risk, namely industry sectoral factors.

Concentration risk is captured in UGB's framework through the use of internal and external regulations that cap the maximum exposure to any single obligor/investment. There are established limits in place that set thresholds for aggregate industry, geography, and counterparty. The actual levels of exposure are monitored against approved limits and regularly reviewed by Senior Management and the Board of Directors

The Bank pursues a set of internal policies and limits that ascertain to a large extent, that no defined exposure limits referred to in its various policies are exceeded. If any potential exposure is deemed to result in breach of regulatory and/or internal limits, the Bank obtains due approvals from the appropriate authority (CBB and/or the Bank's relevant approving authority) before executing the respective business transaction.

Legal Risk

Legal risk is defined as the loss that may arise as a result of the inability to enforce contracts and agreements entered into, the failure of these to adequately cover the risks, and liabilities the Bank may face, and their inability to protect the Bank's interests. In order to mitigate legal risk, UGB uses industry standard master agreements wherever available. Expert legal advice is sought on all legal structures and arrangements to which the Bank is a party. A retainer agreement is maintained with a Bahrain law firm for the review of standard business agreements and, for special assignments documentation, the Bank involves local and international law firms. Proper execution and completion of all legal contracts is ensured prior to committing funds to the transactions. All legal documents are reviewed on a periodic basis to ensure their ongoing enforceability, and are maintained under dual custody.

Reputational Risk

Reputational risk is defined as the risk arising from negative perception on the part of customers, counterparties, shareholders, regulators, investors, debt-holders, market analysts, and other shareholders which can adversely affect a bank's ability to maintain existing, or establish new, business relationships, and continued access to sources of funding (e.g. through the interbank markets, bilateral funding agreements and/or securitization markets); and associated risk to earnings, capital

RISK MANAGEMENT REVIEW

or liquidity. UGB has established a Reputational Risk Framework to provide consistent standards for the identification, assessment and management of reputational risk issues.

Basel III

The CBB issued detailed Basel III regulations with respect to capital adequacy calculations which became effective from 1 January 2015. UGB remains fully compliant with respect to CBB capital adequacy guidelines and follows a robust Internal Capital Adequacy Assessment Process (ICAAP) at the enterprise level.

Monitoring and Reporting

The monitoring and reporting of risk is conducted on a daily basis for market and liquidity risk, on a monthly basis for credit risk, and on a quarterly basis for operational risk. The regular forums in which risk-related issues are highlighted and discussed are Management meetings, Risk and Compliance Committee meetings, and Executive Committee meetings. The Board of Directors is also regularly apprised of pertinent risk issues, including the semi-annual investment reviews and the proposed corrective action.

Internal Capital Adequacy Assessment Process

The Internal Capital Adequacy Assessment Process (ICAAP) is a requirement of the Pillar II norms of Basel III, and involves appropriate identification and measurement of risks; and maintenance of an appropriate level of internal capital in alignment with the Bank's overall risk profile and business plan. The objective of the Bank's ICAAP is to ensure that adequate capital is retained at all times to support the risks that UGB undertakes in the course of its business.

The Bank recognizes that its earnings are the first line of defense against losses arising from business risks, and that capital is one of the tools to address such risks. Also important, are establishing and implementing documented procedures; defining and monitoring internal limits on the Bank's activities/exposures; strong risk management, compliance and internal control processes; as well as adequate provisions for credit, market and operational losses. Since capital is vital to ensure continued solvency, the Bank's objective is to maintain sufficient capital such that a buffer above regulatory capital adequacy requirement is available to meet risks arising from fluctuations in asset values, revenue streams, business cycles, and expansion and future requirements. UGB's ICAAP covers Pillar 1 risks, along with the following Pillar 2 risks::

- Interest Rate Risk in the Banking Book
- Liquidity Risk
- Reputational Risk
- Strategic and other Risks
- Single Name Concentration Risk
- Geographic Concentration Risk

The Bank seeks to achieve the following goals by implementing an effective capital management framework::

- Meet the regulatory capital adequacy requirement and maintain a prudent buffer
- Generate sufficient capital to support the overall business strategy
- Integrate capital allocation decisions with the strategic and financial planning process
- Provide sufficient information to the Board and Senior Management to understand how much capital flexibility exists to support the overall business strategy
- Improve the Bank's understanding on capital requirements under different economic and stress scenarios
- Create sufficient links between risks and capital, and tie performance to both of them

Capital Sources

UGB's capital is primarily derived from common shareholders' equity and retained earnings. Other sources of capital include the additional Tier 1 debt.

Capital Management

The Board of Directors of the Bank is responsible for ensuring that adequate levels of capital are maintained at all times. The Board also approves and oversees the processes adopted for capital management by the Bank.

CORPORATE GOVERNANCE REVIEW

UGB's Philosophy on the Code of Corporate Governance.

The Board of Directors (Board, BOD) of United Gulf Bank B.S.C (c) (UGB, the Bank) recognise the importance of good governance in promoting and strengthening the trust of their shareholders and the public. It is their firm belief that sound ethical practices, transparency in operations and timely disclosures, go a long way in enhancing long term shareholder value while safeguarding the interest of the stakeholders.

The Central Bank of Bahrain (CBB) issued an amended rulebook with several changes on High Level Controls that came into effect in October 2023 (Module HC). UGB has endeavoured to comply with the revised requirements of this Module and the Corporate Governance Code of the Kingdom of Bahrain, that is issued by the Ministry of Industry and Commerce (Code). The Bank's Corporate Governance (CG) guidelines and the underlying policies that constitute the CG framework were updated to reflect the new requirements and approved by the Bank's Board of Directors at their meeting held on 13 November 2023.

This report informs shareholders on the status of UGB's compliance with the rules of Module HC specified by the Bank's primary regulator – the CBB. The reasons for non-compliance are also disclosed wherever applicable.

Profile and ownership structure of the Bank

UGB is licensed as a wholesale conventional bank by the Central Bank of Bahrain (License Number: WB/04) and operates as a Bahraini closed shareholding company under its Commercial Registration # 10550. This information can be validated on the MOIC's website www.sijilat.bh.

As at 31 December 2023, the total paid up capital of the Bank was USD 116,131,520.5 with the shareholding as follows:

Name (Arabic)	Name (English)	Nationality	Number of Shares	Ownership (%)
محمد هارون نور الرحمن عبدالله خان	Mohammad Haroon Nur Rehman Abdlla Khan	Bahraini	1	N/A
شركة الخليج المتحد القابضة ش.م.ب	United Gulf Holding Company B.S.C.	Bahraini	232,263,040	100

This data is verifiable on the Ministry of Industry and Commerce's website www.sijilat.bh. No government or sovereign fund holds any shares of UGB.

Board of Directors

The Board of Directors is the apex body constituted by the shareholders for the overall supervision and governance of the Bank. The Board provides and evaluates the strategic direction of the Bank, management policies and their effectiveness and that the long-term interest of the shareholder is being served. The Chairman of the Board is assisted by the Executive Directors, the Independent Directors and senior management in overseeing the functional matters of UGB. The Board operates under the terms of the Charter of the Board of Directors that was last approved at its meeting held on 13 November 2023.

Composition of the Board of Directors

The CBB requirements state that at least half of a conventional bank licensee's Board should be non-executive directors and at least three of those persons should be independent directors. There is however an exception granted for banks with a controller which state that 'in conventional bank licenses with a controller, at least one third of the board must be independent directors.' As at year end 2023, UGB's Board members met this condition as three out of seven directors i.e., 42.8% were independent. The composition of UGB's Board of Directors is indicated below:

Category	Number of Directors	Percentage of the Board
Executive	4	57.2%
Independent directors	3	42.8%
Aggregate	7	100%

All the independent Directors of UGB are required to furnish a declaration both at the time of their appointment and annually, that they meet the criteria of independence. These declarations were last reviewed by the Bank's Nominating and Remuneration Committee (NRC) at their meeting held on 15 February 2024. For a director to be considered independent, the Board determines that the incumbent does not have any direct or indirect material, pecuniary relationships with the Bank and has not served over three successive terms as an independent director. For the year ending 2023, none of the independent directors have served more than three consecutive terms. The Board has adopted these guidelines which are in line with the applicable legal requirements.

The profile of UGB's directors, information on other Directorships they hold, and their biographical details are available in UGB's Annual Report and on its website www.ugbbh.com.

None of the Directors on the Board holds more than one directorship of a Bank in Bahrain. The effective cap of a maximum of two Directorships of banks inside Bahrain is hence maintained. UGB's Board members also meet the criteria that no two

CORPORATE GOVERNANCE REVIEW

directorships of licensees within the same category should be held by any Board member, and that no person should hold more than three directorships in public companies in Bahrain.

The CBB Rulebook and the Code of Corporate Governance (Code) requires that the Chairman of the Board should be an independent Director. It should however be noted that UGB's Chairman – Mr. Masoud J. Hayat has been an Executive Board Director of the Bank for the past 34 years and has a thorough understanding of the Bank, its history, its functioning style, and its operations. He represents the interests of the Bank's shareholder, UGH and its ultimate controller – Kuwait Projects Company (Holding) K.P.S.C. (KIPCO). The CBB's approval on his position as the Chairman was received from the Wholesale Banking Directorate of the CBB on 8 March 2023.

Board Terms and the Start Date of Each Term

As of December 2023, the Directors of UGB who were last elected at the Annual General Meeting held on 28 March 2023, were as follows: .

Sr.	Name	Position
1	Mr. Masaud J. Hayat – Chairman	Executive Director
2	Mr. Faisal Al Ayyar – Vice Chairman	Executive Director
3	Sheikh Abdullah Nasser Sabah Al Ahmad Al Sabah	Executive Director
4	Mr. Samer Khanachet	Executive Director
Independent Directors		
5	Mr. Mohammed Haroon	Independent Director (until 31 March 2023)
6	Mr. Jawad Al Asfoor	Independent Director
7	Mr. Mohamed Al Rahma	Independent Director
8	Mr. Majed Al Ajeel	Independent Director (elected on 28 March 2023)

Each term of the Board of Directors consists of three years. All the above Directors standing for election / re-election submitted the CBB's Application for Approved Persons Status (Form 3) along with their resume, educational qualifications, personal identification records and credit bureau reports. The CBB's no objection was received for the Board members to serve their term which commenced on 1 April 2023 and extends until 31 March 2026. Following their election at the AGM, each member of the Board of Directors was issued an appointment letter dated 28 March 2023, which documented his powers, duties, responsibilities, accountabilities, term, time commitment, entitlements, and access to independent professional advice.

Board Member selection

At its meeting held on 13 November 2023, the Board approved the Corporate Governance related PPMs and guidelines which were updated to reflect the changes made by the CBB in Module HC. It has a separate policy called 'Criteria for the Election / Re-election of Directors'. This policy contains the questionnaire evaluating the criteria for a person to be considered as appropriate for serving on the Board. The Charter of the Nominating and Remuneration Committee mandates that all questionnaires be assessed by the Nominating & Remuneration Committee based on information available on/from the prospective/ existing Director/s and submitted to the Board along with the Committee's recommendation. This process was followed when the current members were elected as Directors at the Annual General Assembly held on 28 March 2023. All of UGB's directors possess the requisite experience and competencies specified in Module TC (Training and Competency)

The Board has approved a separate policy called 'Ordinary / Extraordinary General Assembly Meetings Procedures.' In accordance with the Commercial Companies Law, voting takes place on a cumulative basis. A cumulative vote implies that each shareholder has a number of votes equal to the number of shares he holds and has the right to vote for one candidate or to distribute them to his chosen candidates.

In notices of meetings at which directors are to be elected or removed, the Bank ensures that where the number of candidates exceeds that of the number of available seats, the notice of the meeting explains the voting method by which the successful candidates are selected, and the method used for counting of the votes. The methodology of cumulative voting was not warranted during the OGM held in March 2023, as the number of vacancies for Board Directorships was equal the number of candidates available for re-election.

The Charter of the Board of Directors provides for the termination of membership of Board members for misuse of position; failure to attend at least three consecutive meetings or at least 75% of the meetings in a financial year without a reasonable excuse; resignation; appointment to any other managerial position in the Bank for which the member receives remuneration;

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bankruptcy or any other violation of laws. In 2023, the attendance requirement for Board meetings was met by all Board members.

Responsibilities of the Board

The Board's role and responsibilities include but are not limited to :

Strategy:

- Approving and overseeing the development of the licensee's strategy, business plans and budget.
- Actively engaging in the affairs of UGB and keeping up with material changes in the Bank's business and the external environment.
- Reviewing major strategy papers and business plans and the inherent level of risk of the plans.
- Assessing the adequacy of capital to support the strategy of UGB.

Setting performance objectives and reviewing management performance against those budgets and key performance indicators.

- Overseeing major capital expenditures, divestitures, and acquisitions.
- Monitoring and implementation of strategy by management.

Accountability for internal controls

This is done through:

- Ensuring that there is a robust finance function responsible for accounting and financial data that is used to prepare financial statements that accurately disclose UGB's financial position.
- Reviewing the integrity of the Bank's accounting and financial reporting systems while approving the annual and interim financial statements.
- Ensuring that adequate systems, controls, processes, and procedures are implemented by senior management in line with the Board approved policies.
- Receiving affirmation that management develops, implements, and oversees the effectiveness of comprehensive know your customer standards, as well as ongoing monitoring of accounts and transactions, in keeping with the requirements of relevant law, regulations and best practice.
- Establishing a control environment that maintains client confidentiality and ensures that the privacy of the Bank is not violated, and clients' rights and assets are properly safeguarded;
- Overseeing that the Bank has adequate processes to ensure full compliance with the requirements of the CBB Law, other relevant laws and the relevant rulebooks.
- Ensuring that the risk management, compliance, and internal audit functions are properly positioned, staffed, and resourced and carry out their responsibilities independently, objectively, and effectively. It is imperative that Senior management maintain an effective and transparent relationship with the CBB.
- Approving an appropriate code of conduct/ ethics outlines the acceptable practices that all Board members, senior management and other staff must follow in performing their duties, and the unacceptable practices/ conduct that must be avoided. This sets the corporate values that create expectations that the business must be conducted in a legal, professional, and ethical manner, and oversees the adherence to such values by Board members, senior management, and other employees. Directors, Senior Management, and other staff will provide an annual affirmation to the Code of Conduct, as they are aware that appropriate disciplinary or other actions will be taken to address all incidents of unacceptable behaviour, practices, and transgressions.
- The adoption and review of management structure and responsibilities. This involves approving the selection and overseeing the performance of the Chief Executive Officer (CEO), Chief Financial Officer and heads of the risk management, compliance, and internal audit functions. These must be executives with integrity, technical and managerial competence, and appropriate experience. The Board also reviews succession planning and replacing key executives when necessary, overseeing with the assistance and advise of the Remuneration Committee, the remuneration system's design and operation for approved persons and material risk-takers and monitoring and reviewing board remuneration packages and executive compensation and assessing whether it is aligned with UGB's remuneration policy, risk culture and risk appetite.
- Ensuring that there is appropriate delegation of authority from the Board to executive management.
- Convening and preparing for shareholder meetings. UGB's Board has approved a detailed policy & procedure manual on 'Ordinary / Extraordinary General Assembly Meetings' that enumerates the requirements for conducting meetings. This is based on the requirements of the Commercial Companies Law.

Accountability for internal controls

The Board is also responsible for:

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- These are enumerated in detail in the Corporate Governance guidelines published on the website, and the Charter of the Board of Directors. The responsibilities assigned to Board members, are in line with the spirit of the care and loyalty expected from them vis a vis the Bank and its shareholders. Directors understand that they should be collegial, knowledgeable and are accountable both individually and collectively in discharging their duties.
- Establishing along with senior management and the Head of Risk Management, UGB's risk appetite, that is based on the strategy, competitive and regulatory landscape, UGB's long-term interests, risk exposure and ability to manage risk effectively.
- Adherence to the risk appetite statement, risk policy and risk limits and promotes risk awareness within a strong risk culture by conveying its expectation that it does not support risk-taking beyond the risk appetite and risk limits set by the Board, and that all employees are responsible for ensuring that UGB operates within the established risk appetite and risk. These are enumerated in detail in the Corporate Governance guidelines published on the website, and the Charter of the Board of Directors. The responsibilities assigned to Board members, are in line with the spirit of the care and loyalty expected from them vis a vis the Bank and its shareholders. Directors understand that they should be collegial, knowledgeable and are accountable both individually and collectively in discharging their duties.

The minutes of the Board reflect the decisions taken by Directors during their meetings/ resolutions. A concerted effort is made to ensure that the content of minutes includes a detailed commentary of Board deliberations to ensure that minutes documented were comprehensive and complete. The strategy of the Bank was last submitted to the CBB on 29 March 2022.

Organisation of the Board

The Board of Directors held five meetings in 2023. The attendance record of the Directors at these meetings is disclosed below:

Attendance	28 Feb 2023 (Virtual)	27 Mar 2023 (Virtual)	11 May 2023 (Virtual)	13 Aug 2023 (Virtual)	13 Nov 2023 (Virtual)
Masoud J. Hayat, Chairman	x	x	x	x	x
Faisal Al Ayyar, Vice Chairman	x	x	x	x	x
Sheikh Abdullah Nasser Sabah Al Ahmad Al Sabah	x	x	x	x	x
Samer Khanachet	x	x	x	x	x
Jawad Al Asfoor	x	x	x	x	x
Mohammed Al Rahma	x	x			
Majed Al Ajeel (effective 1 April 2023)			x	x	x
Mohammed Haroon (until 31 March 2023)	x	x			

In addition to the above meetings, three resolutions of the Board of Directors were passed through circulation on 29 March 2023, 2 June 2023, and 25 December 2023.

It is a regulatory requirement that individual Board members must attend at least 75% of all Board meetings in a given financial year to enable the Board to discharge its responsibilities effectively. This condition has been met by all members over the past three years. Informal communication is also maintained among Board members between meetings. A detailed package containing the agenda, minutes of prior meetings, adequate background information on the issues is circulated by the Chairman/ Corporate Secretary, prior to the date of the Board meeting. During 2023, there were no cases of Independent Directors requiring a session at which only they needed to be present.

Evaluation of the Board, Its Committees, and the Directors

The Nominating and Remuneration Committee of the Board of Directors (NRC) completed the annual evaluation of individual Directors, the performance of the Board, the Executive Committee, the Board Audit Committee, and its own standing through a questionnaire administered by the Chairman of the Board, and the Chairmen of the various committees to their members. The written self-assessment covered an assessment of how the Board functioned, the evaluation of the performance of each committee considering its specific purpose and responsibilities, and the attendance record of each Director at Board and Committee meetings. The performance of each individual director was carried out through the completion of a structured questionnaire on the effectiveness and contribution of each member against certain pre-defined criteria as per the mandate of the Board and each Board sub-committee. The completed evaluations were collated by the Chairman of the Board and the Corporate Secretary and

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submitted to the NRC who reviewed these on 15 February 2024. The overall performance of the Board, its members and its committees were deemed to be satisfactory for the year ended 2023. This will be affirmed to the shareholders at the Annual General Meeting held each year through this Corporate Governance report.

In line with the CBB's requirement to demonstrate training and competency, the number of hours of CPD (continuing professional development) completed by all Directors is submitted to them on an annual basis. All Board members strive to meet, training and professional development hours required by the Central Bank of Bahrain. For the year 2023 the requirements were met by 6 out of 7 Board members. The report on CPD hours completed by the Directors and staff are submitted annually to the CBB as part of the statutory reports by March 31 of each year.

Directors' ownership and trading of shares during the year

None of the Directors, hold any shares in UGB.

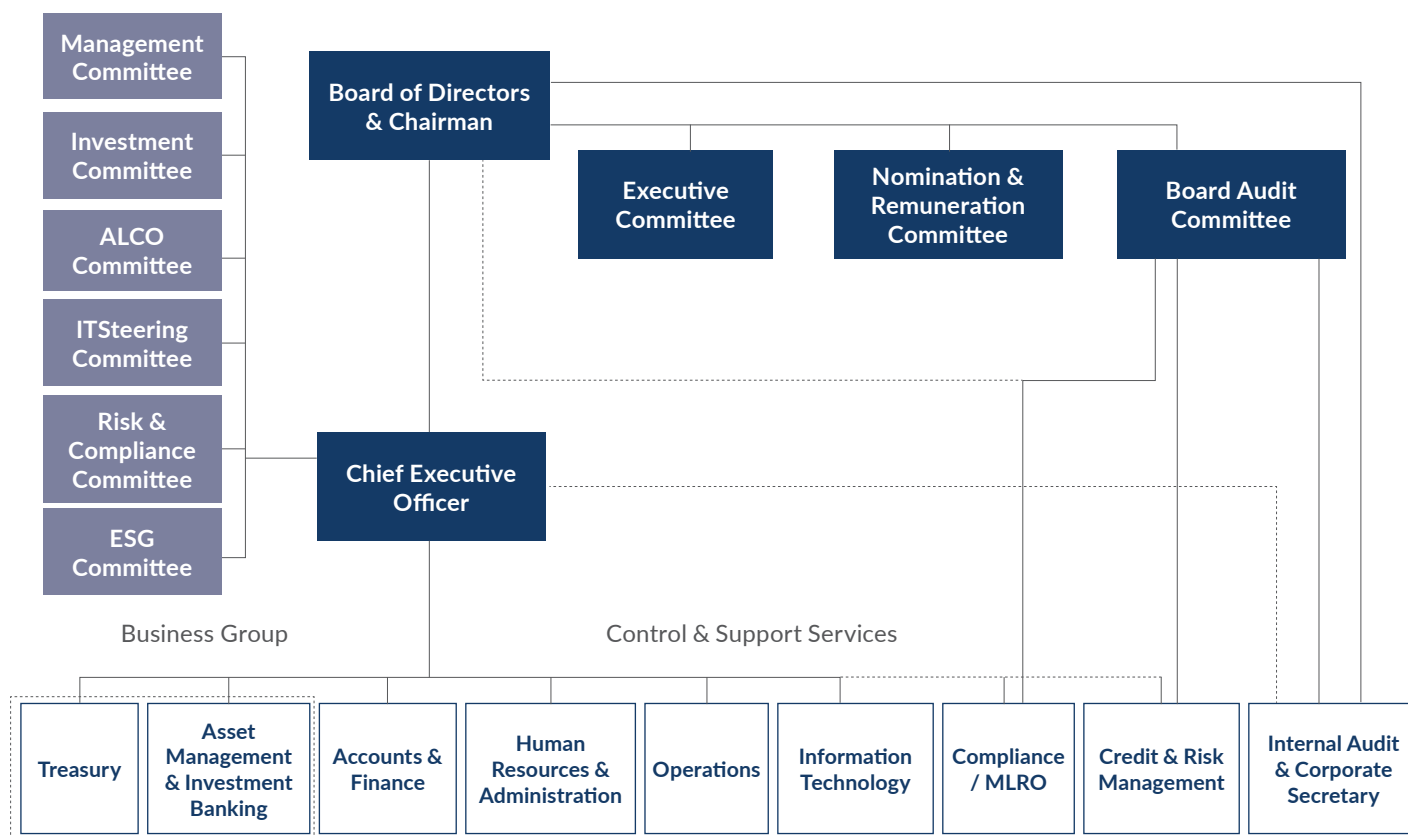
Name	31 December 2023	31 December 2022
Masoud M.J. Hayat (Chairman)	-	-
Faisal Hamad Al Ayyar (Vice Chairman)	-	-
Sheikh Abdullah Nasser Sabah Al Ahmad Al Sabah	-	-
Samer Khanachet	-	-
Jawad Al Asfoor	-	-
Mohamed Al Rahma	-	-
Majed Al Ajeel	-	-

Board Committees

The Board has approved three standing Committees – namely, the Executive Committee (EC), the Board Audit Committee (BAC) and the Nominating & Remuneration Committee (NRC). Each of these has its own charter that outlines the responsibilities of its members. The Board is authorised to constitute additional functional Committees from time to time, depending on the business needs. The membership of the Committees was re-constituted after Mr. Al Ajeel was elected as a Director at the OGM held in March 2023.

The governance structure and the organisation chart of the Bank are given below. The Chief Audit Executive, the Chief Compliance Officer, and the Head of Credit & Risk Management all report directly to the Board Audit Committee with a dotted reporting line to the Chief Executive Officer for administrative purposes. The Chief Compliance Officer who is also the MLRO, has access to the Board of Directors and the Chairman for Anti Money laundering

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Each committee has the prerogative to invite non directors or members of the management team to participate in their meetings, if they are of the opinion that the committee will gain the benefit of their advice and expertise in financial or other areas. Care is taken to ensure that their membership and constitution are in line with CBB regulations. Further information on the work done by the Committees is provided below:

Executive Committee (EC)

Composition : The three Executive Directors who serve on the Executive Committee are Mr. Masoud Hayat - Chairman, Mr. Faisal Al Ayyar and Mr. Samer Khanachet.

Responsibilities: The Executive Committee is appointed by the Board to exercise their powers and duties during the interim periods by circulation in order to ensure timely review and approvals with regards to strategic and investment related proposals. The EC is also empowered by its Charter to act on the Board's behalf, if an immediate decision is required on any matters falling outside the authority of Management. The Executive Committee Charter was last approved by the Board in November 2023.

The EC supports the BOD in investment related decision-making processes. The committee, jointly with the Investment Committee has been delegated the overall responsibility for overseeing the investment decision making by the Board and ensures that adequate measures are in place to manage investment risks.

The EC carries out the following responsibilities:

- Oversees the long term investment policy objectives of the Bank which include the review of the Bank's overall business strategy, annual operating budget and all other financial plans necessary to achieve the Bank's investment objectives as set out by the BoD;
- Propose the Bank's strategic and tactical asset allocation to BoD for approvals as recommended by the AMIB/IC;
- Takes decisions in the interim periods between BoD meetings by circulation when a full meeting of the BoD is not possible;
- Approves all new investments or changes to existing investments via Investment memo and proposal (direct investments/ third party investments) according to their authority limits as specified in the Risk PPM;
- Reviews overall investment portfolio on a regular basis.

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Meetings : The Executive Committee meetings and resolutions are held through circulation. Members sign the underlying memos constituting the decisions. During 2023, one resolution was passed, details of which are given below.

Sr.	Date	Masaud J. Hayat Chairman	Faisal Al Ayyar	Samer Khanachet
1	21 December 2023	X	X	X

Board Audit Committee (BAC)

Composition: During 2023, the Board Audit Committee comprised three members (two independent directors and one executive director, with the Chairman of the BAC being an independent director. All members have sufficient technical expertise and financial literacy to enable the Committee to function efficiently. The CEO is not a member of this committee. Mr. Mohammed Haroon was a member of the BAC during the period Jan – March 2023. He was replaced by Mr. Majed Al Ajeel at the OGM held in March 2023. As at 31 December 2023, the members were:

Name	Position
Mr Jawad Al Asfoor	Chairman
Mr. Faisal Al Ayyar	Member
Mr. Majed Al Ajeel	Member

Responsibilities : The BAC assists the Board for overseeing the quality and integrity of the accounting, auditing, and reporting practices of UGB, supervising the internal and external auditors and the Bank's compliance with the legal and regulatory requirements. Its main functions as enumerated in its Charter which was last approved by the Board on 28 February 2023 encompass:

- assessing the quality and integrity of UGB's financial audit and reporting;
- ensuring the independence of UGB's internal and external audit functions;
- reviewing the adequacy and overseeing UGB's compliance with all existing and newly-introduced laws and regulations;
- reviewing systems and means of monitoring risk including capital adequacy, liquidity, stress testing;
- reviewing the implementation of, enforcement of and adherence to the bank's code of conduct and corporate governance framework and monitoring any adverse deviations;
- recommending the appointment, compensation, and oversight of the bank's external auditors
- reviewing the work of the internal auditor, head of compliance and the head of credit & risk management
- ensuring that there are effective whistleblowing procedures in place.

The BAC is responsible for the supervision of the Bank's overall internal controls framework, Risk management profile and compliance with regulations. As the scope of corporate governance falls within this purview, permission was obtained from the CBB on 13 March 2012, to merge the Board Audit Committee and the Corporate Governance Committee to supervise the regulatory aspects of corporate governance.

The CBB introduced several new rules under the revised Module HC that pertains to the Audit Function, Compliance Function, and the Risk Function. One of these involves establishing a Board Risk Committee comprising at least three independent Directors. The task of the Risk Committee is to support the Board for its oversight and decisions related to the Bank's risk management framework. UGB's BAC has had the responsibility over several years of supervising the Risk functions of the Bank. It was hence deemed appropriate that the BAC would continue to have oversight over the risk framework. The CBB approval for the same was procured on 23 April 2019.

Meetings : During the year 2023, the Board Audit Committee met virtually nine times; the attendance details are as follows:

Sr.	Date	Jawad Al Asfoor Chairman	Faisal Al Ayyar	Mohammed Haroon	Majed Al Ajeel
1	15 January 2023	X	X	X	
2	2 February 2023	X	X	X	
3	27 February 2023	X	X	X	
4	26 March 2023	X	X	X	

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5	10 May 2023	X	X	X
6	10 August 2023	X	X	X
7	12 November 2023	X	X	X
8	19 November 2023	X		X
9	31 December 2023	X	X	X

Only one meeting was held with the external auditors – Ernst & Young during the year ended 2023. EY met with the BAC members on 19 November 2023. The Bank will strive to ensure that the stipulated number of 2 meetings per year is met in 2024. In line with regulatory requirements the BAC met with the Chief Audit Executive, the Chief Compliance Officer, and the Head of Credit & Risk Management, at its meeting held on 31 December 2023 in the absence of the CEO and members of executive management.

In line with regulatory requirements, the Bank's CEO and CFO state in writing to the audit committee and the Board of Directors each quarter, that the interim and annual financial statements present a true and fair view, in all material respects, of UGB's financial condition and results of operations in accordance with applicable accounting standards.

Nominating & Remuneration Committee (NRC)

Composition: In accordance with the requirements of the CBB Rulebook and the Code of Corporate Governance, it is mandatory for all conventional banks to have a Nominating Committee and a Remuneration Committee. After receiving the CBB's approval in March 2012 to combine both roles, UGB's Board of Directors approved the creation of a Nominating & Remuneration Committee. The NRC was re-constituted following the election of Mr. Majed Al Ajeel, at the OGM held in March 2023. He replaced Mr. Mohammed Haroon. Mr. Haroon however attended all the NRC meetings for 2023, as these were held before the election of Mr. Ajeel.

All members of the NRC are independent. The constitution of this Committee as at 31 December 2023 was as follows:

Name	Position
Mr. Majed Al Ajeel	Chairman
Mr. Jawad Al Asfoor	Member
Mr. Mohammed Al Rahma	Member

Responsibilities: The NRC assists the Board in assessing the skill sets of Board members and ensures that there is an appropriate mix of eminent persons having an independent standing in their respective field/profession and who can effectively contribute to UGB's business and policy decisions. The Committee is empowered by its Charter, which was last approved by the Board on 13 November 2023.

The Committee is tasked with overseeing the preparation of appropriate nomination documents and notifications proposing candidates for Directorships. This is done once every three years. NRC members reviewed the candidacy and credentials of the members standing for re-election at the at their meeting held on 6 March 2023. They also identified Mr. Majed Al Ajeel to replace Mr. Haroon, who has completed three successive terms as an independent Director. Their advice was shared with the Board of Directors, who in turn put forth their recommendation to the shareholders regarding the candidacy of members standing for election / re-election. It was noted that there were no conflicts of interest that were highlighted by any of the members.

The NRC also reviews the independence of Directors on an annual basis, notes the time commitment from non-executive directors, supervises the preparation of induction materials and orientation sessions, makes recommendations to the Board regarding the candidates for Board membership / management and ensures that there is a succession plan in place.

The NRC recommends/ reviews the remuneration policies for the Board of Directors and Senior Management once in two years. This was last done on 13 November 2023. Every effort is taken to ensure that the remuneration of both Directors management and material risk takers is sufficient to attract, retain and motivate persons of the quality needed to run the Bank successfully. The remuneration policy is in consonance with the existing industry practices and emphasis fairness and responsibility. The NRC also has the prerogative to compensate certain members of the UGB management team with variable remuneration, for additional responsibilities that they undertake for the Bank's parent UGH. This is under the terms of a service agreement signed between the two entities dated 24 August 2017.

The Code of Corporate Governance and the CBB rulebook, mandates that all performance-based incentives should be awarded under written objective performance standards which have been approved by the Board and are designed to enhance shareholder and the conventional bank licensee's value, and under which shares should not vest and options should not be exercisable within less than two years of the date of award of the incentive. UGB currently has no Employee Stock Option Plan in effect.

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The NRC is also responsible for the implementation of the corporate governance policy framework, and reviewing the annual corporate governance report and disclosure to ensure that it is in conformity with UGB's internal policies and the CBB's requirements.

Meetings: The Nominating & Remuneration Committee met three times during 2023; consequently, the requirement of the CBB of having at least two meetings in any financial year was met. Attendance of each Member is recorded in the minutes of NRC Meetings held during the year:

Sr.	Date	Mohammed Haroon Chairman (until 31 March 2023)	Jawad Al Asfoor	Mohammed Al Rahma
1	1 February 2023	x	X	X
2	9 February 2023	x	X	X
3	6 March 2023	x	X	X

Note: Mr. Al Ajeel did not attend any NRC meetings in 2023, as these were held prior to the date of the OGM when he was elected as a Board Member

Corporate Governance principles are uniformly endorsed by UGB's Board of Directors and Executive Management. These are in place in the Bank's primary subsidiary – KAMCO Investment Company K.P.S.C. The extent of the arrangements is however subject to the requirements of the regulators of the jurisdictions in which the subsidiaries operate.

UGB's Board of Directors approved the Directors' Induction Policy that requires each new Director to receive a formal and tailored induction with respect to UGB's vision, strategic direction, and core values including ethics, corporate governance practices, financial matters, and business operations. The familiarisation is aimed at ensuring that the new Director meets with the Bank's Senior Management, and that he/she is provided with the necessary documents, brochures, reports, and internal policies. It is also in line with the CBB's requirement that the Board of Directors should be effective and informed.

The Charter of the Nominating & Remuneration Committee states that the Nominating & Remuneration Committee is responsible for the preparation of induction materials and orientation sessions for new Directors, in consultation with senior management and with the Board Secretary. Induction materials were provided to the newly elected Director - Mr. Majed Al Ajeel in April 2023. An acknowledgement for the same was received.

Disclosure of Conflicts of Interest

During the financial year ended 2023 there were no materially significant transactions entered into between UGB and its controller, directors or the management, subsidiaries, or associates, which may have potential conflict with the interests of the Bank at large. Consequently, there was no need to declare any conflicts, in accordance with the Disclosure of Conflict of Interest policy.

The above document approved by UGB's Board of Directors requires each Director to make decisions based on his independent judgement, and in the interests of all shareholders. In the event that there is any conflict, directors are expected to inform the entire Board of conflicts of interest in their activities with, and commitments to other organisations as they arise, and abstain from voting on any matter where they perceive a conflict. This Disclosure will include all material facts in the case of a contract or transaction involving the director.

If the disclosure is upheld, the director deemed to have a conflict of interest is expected to abstain from voting on the issue. Such abstention will be recorded by the Corporate Secretary in the minutes of the committee or the Board (as appropriate). Furthermore, the policy requires the Bank to disclose to its shareholders in the Annual Report, any abstention from voting motivated by a conflict of interest, as well as any authorisation of a conflict of interest contract or transaction. There were no abstentions recorded in 2023. All individual directors have complete access to UGB's Corporate Secretary.

Remuneration

Directors' Remuneration

The remuneration policy of UGB is in consonance with the existing industry practice. In line with the regulatory requirements on transparency and disclosure, the details of the amounts paid to Board members as total allowance for attending Board and committee meetings for the year ended 2023 is indicated below. These have been classified as fixed remuneration.

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Disclosure forms for the remuneration of member of the board of directors and the executive management in the report of the board of directors

Name	Fixed remunerations				Variable remunerations						
	Remuneration of the Chairman and BOD	Total allowance for attending Board and committee meeting	Others	Total	Remuneration of the Chairman and BOD	Incentive plans	Others	Total	End-of-service award	Aggregate amount (Does not include expense allowance)	Expenses Allowance
First: Independent Directors:											
Jawad Al Asfoor	-	6,283	-	6,283	-	-	-	-	-	-	-
Majed Al Ajeel	-	6,283	-	6,283	-	-	-	-	-	-	-
Mohammed Al Rahma	-	6,283	-	6,283	-	-	-	-	-	-	-
Second: Non Executive Directors: NIL											
Third: Executive Directors:											
Masoud Hayat - Chairman	-	-	-	-	-	-	-	-	-	-	-
Faisal Al Ayyar – Vice Chairman	-	-	-	-	-	-	-	-	-	-	-
Samer Khanachet	-	-	-	-	-	-	-	-	-	-	-
Sheikh Abdullah Nasser Al Sabah Nasser Sabah Al Ahmad Al Sabah	-	-	-	-	-	-	-	-	-	-	-
Total allowance provided to independent directors is	-	BD18,850	-	BD18,850	-	-	-	-	-	-	-

None of the Directors received any other payments related to salaries, bonus, incentive plans, profit sharing, dividends, end of service benefits, compensation for technical, administrative, and advisory works or any other monetary / non-monetary perks. Directors' remuneration is accounted as an expense as per International Financial Reporting Standards and CBB regulations.

Management Remuneration Structure

As mandated by the MOIC and as disclosed in the Board of Directors' report submitted to the CBB, the details of the remuneration paid during 2023 to the six largest earning members of the executive team including the Chief Executive Officer and the Chief Financial Officer, were as follows:

Executive management	Total paid salaries and allowances (BD)	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration paid during the year*	Aggregate Amount Total (BD)
Top six remuneration for executives (2023)	889,971	3,480	82,950	976,401

*This was the variable compensation approved by the NRC of UGB on 25 January 2024 for additional responsibilities undertaken by certain executives of the management team for the Bank's parent UGH. These services are rendered under the terms of a service agreement signed between the two entities dated 24 August 2017.

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The CBB has stringent standards of remuneration to ensure that there is a balanced methodology followed by banks, while determining their compensation practices. This considers present and potential risk alongside performance goals. All payments are made based in accordance with the Labour Law and every effort is made to ensure that the Bank does not reward failure. In line with the regulator's requirements, an independent consulting firm undertakes an annual assurance review of the Bank's compliance with the remuneration rules. This is then submitted to the CBB.

The remuneration framework's design and operation for approved persons and material risk takers is approved by the Board of Directors based on the recommendation of the NRC. Comprising three independent members, it remains the main body overseeing remuneration of the Bank. No external consultants were used during the year 2023 to assist the NRC undertake its responsibilities as documented in the NRC charter.

The Board has also approved the remuneration framework comprising the following salient features:

- Approved persons engaged in support functions (risk management, audit, operations, financial controls, AML, and compliance) are remunerated in a manner that is independent of the business areas which they oversee.
- The performance appraisal of each approved person is done annually and based on the achievement of his/her objectives and targets.
- Annual Key Performance Indicators (KPI) of each Department is also factored into the remuneration framework; the KPI's are classified as both quantitative and qualitative in ratio of 75:25 accordingly.
- The mix of fixed and variable remuneration for support functions, is weighted in favour of fixed remuneration.
- Remuneration related disclosures comprise qualitative and quantitative information pertaining to remuneration practices and policies. The risk adjustment methodologies, the link between remuneration and performance, the long-term performance measures (deferral, malus, clawback), the types of remuneration (cash/equity, fixed/variable) and the quantitative disclosures are documented in the Remuneration Policy that was last approved by the Board on 13 November 2023. At its meeting held on 25 January 2024, the NRC reviewed the annual performance evaluation of the Bank's employees for the year 2023 and noted its results.

The categorisation of staff in terms of approved persons, material risk takers, approved persons in the control and support functions, and other staff working in the business and support units was reviewed by the NRC at its meeting held on 15 February 2024.

Governance of Group Structures

The revised rules of Module HC mandate that the Board of Bahraini conventional bank licensees which act as a parent, must have the overall responsibility for the Group and exercise adequate oversight over subsidiaries, while respecting the independent legal and governance responsibilities that apply to the Boards of subsidiaries. UGB's Board members recognise the need to balance the degree of control that needs to be exercised by the Bank in its capacity as a parent, and the degree of independence and authority that needs to be provided to the subsidiaries pursuant to local legislation. There also has to be a balance between standardisation of the systems and processes across the organisation and local adaptation at the subsidiary levels. The overarching principle is to ensure that the Board of UGB and the Boards of its subsidiaries incorporate systems and processes which assure the parent that there is adequate "downstream governance" that reflects the same values, ethics, controls, and processes as at the parent level as practically feasible and in line with the size, scope, regulatory jurisdiction, and business of the group organization.

In November 2023, the Board of Directors approved the new Governance of Group Structures policy and procedures manual which defines the responsibility of the Boards of UGB's subsidiaries, UGB Board Representatives in subsidiaries and Group Communication. Each subsidiary is expected to have adequate and comprehensive criteria for the composition of its Board, which is in line with the regulatory requirements of the jurisdiction in which it operates. Board members have to be qualified and responsible for developing and implementing an effective corporate governance, compliance, and risk management framework. They are also responsible for reviewing the entities' strategy, business plan, financial control, policies, and corporate values. Boards of subsidiaries are encouraged to provide adequate oversight to ensure that the management of the subsidiary is conducted in a sound and prudent manner. This includes ensuring that there are sufficient resources at the subsidiary levels to monitor risks and compliance, and that there is an open, transparent, and effective relationship with the subsidiaries' regulators.

Each subsidiary has its own strategy, business policy and a specific set of its own policies on risk management, internal audit, compliance, and financial controls similar to what is done at the UGB level. The Bank recognises that these cannot be aligned perfectly due to differing business models. The important part is to ensure that there is adequate supervision at the parent and subsidiary level over these departments that must conduct periodic reviews on the activities, controls, and structures of the entities.

UGB's primary operating subsidiary is KAMCO Investment Company K.S.C.P. (KAMCO). It is listed on the Boursa Kuwait and hence regulated by the Capital Markets Authority. (CMA). The CMA has detailed rules on Kuwait's standards of Corporate Governance which cover among others, its rules on the Board composition, financial reporting, risk management, internal audit, disclosure and transparency, ethics, and regulatory requirements. As a regulated entity of the CMA, KAMCO is obligated to

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follow the rules of the CMA's corporate governance framework module. UGB has hence sought an exemption from the CBB to have Group function roles at the parent level. The Bank and KAMCO have distinct and independent Internal Audit, Compliance, Risk Management and Financial Controls departments, which adhere to the CBB's rules and the CMA's rules respectively. There is however constant ongoing interaction on relevant matters between these functions at the parent level and the subsidiary level.

KAMCO's business entails launching funds, making proprietary investments, and having co-investments. New structures and legal entities are established at the KAMCO level in order to reduce contagion, limit legal liability and ensure tax optimization. Dormant subsidiaries are dissolved when they are no longer deemed essential. These are business decisions taken at the KAMCO level; the Legal and Compliance Department of KAMCO have a list of these entities and are informed of their decisions. KAMCO also has a separate PPM approved by its Board of Directors on Legal Entity Monitoring Policies and Procedures. It is hence not possible to have a complete synchronisation and a centralised process between UGB and KAMCO for approving the creation of new legal entities and subsidiaries including the ability to monitor and fulfil each entity's regulatory, tax, financial reporting, governance, and other requirements. Exemption has been sought from the CBB for this as well.

The divergence in the business model of UGB which is more of a proprietary investment holding bank and its which has a diverse set of operations spanning asset management, equity trading, research, private equity, advisory, custody and real estate, make it practically impossible to capture KAMCO's data in the pan bank risk management system that is part of the overall risk governance framework. An exemption has been sought from this rule as well.

Management

The positions of Chairman & Vice Chairman are established by UGB's Articles of Association. These are distinct from those of the Chief Executive Officer of the Bank. Furthermore, there is a clear division of responsibility between these two positions, as defined in the Charter of the Board of Directors.

The Chairman of the Board is responsible for the leadership and the effective functioning of the Board. He is the major point of contact between the Board and Management and also the Board and the Shareholders. The role requires that he be briefed on all material operational matters and facilitates the conduct of the Board processes and evaluation procedures. The role is also responsible for the conduct of Annual General Meetings

The Board has established a management structure that promotes accountability and transparency and facilitates effective decision making and good governance. It is headed by Mr. Hussain Lalani, the Chief Executive Officer of the Bank. He is responsible for the executive leadership and the day-to-day operations of UGB. He is assisted by the Management Committee team members, who are responsible for implementing the Board's strategies and controls. All members of Senior Management are 'approved persons' i.e., they have been pre-approved by the CBB based on their experience, competencies, personal qualities, and integrity

In accordance with best practice, there is complete segregation of duties between the business and support functions, with compliance, risk management and financial reporting functions being adequately resourced and independent. Independence is further reiterated with the Compliance, Internal Audit & Quality Assurance and Risk Management Departments having a direct reporting line to the Board Audit Committee.

The organisation chart displayed in the Section on Board Committees was last approved by the NRC at its meeting held on 15 February 2024- this is submitted to the CBB annually by March, as part of the mandatory statutory reporting. The management team comprises the following:

Name	Position
Hussain Lalani	Chief Executive Officer
Mohammed Al Qumaish	Assistant General Manager, Chief Audit Executive & Corporate Secretary
Deepa Chandrasekhar	Senior Vice President, Chief Compliance Officer & MLRO, Corporate Governance Officer
Rehan Ashraf	Senior Vice President, Chief Financial Officer
Adel Al Arab	Senior Vice President, Head of Operations
Nirmal Parik	Senior Vice President, Head of Asset Management & Investment Banking
Abbas Al Tooq	Assistant Vice President, Head of Credit & Risk Management
Hussain Khalil	Vice President, Head of Treasury

The profile of the Management Members and their biographical details are available in UGB's Annual Report, as well as the website www.ugbbh.com.

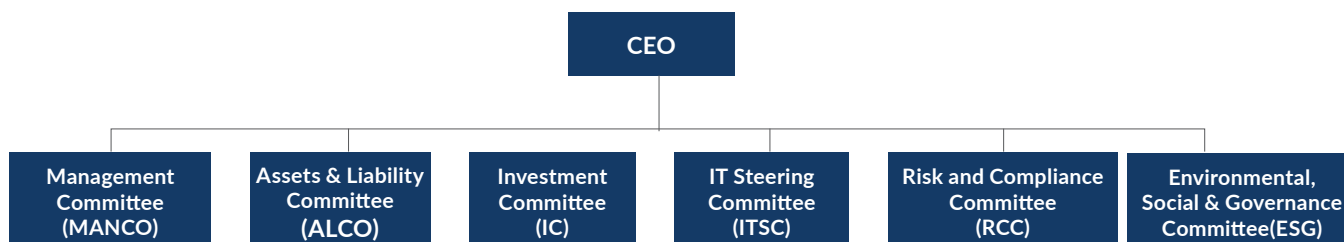
Management Committees

In addition to the Board committees, there are several management committees that have been instituted to ensure that there is adequate supervision and governance of the Bank's activities. The Executive Management of UGB is headed by the CEO who is

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responsible for the daily operations of UGB's business in line with policies and procedures approved by the Board of Directors. The management committees complement and facilitate the efforts of the Board of Directors towards meeting its responsibility towards all stakeholders.

The following chart describes the relationship of the various internal committees:



Management Committee (MANCO)

The Management Committee acts as the steering body of the Bank and consists of the CEO and certain Department Heads. It provides a forum for discussing all relevant issues pertaining to the Bank's ongoing activities and follow-up on any action points, as and when warranted. The Chief Compliance Officer and MLRO, acts as the Secretary to this Committee. In line with the CBB's requirement to demonstrate training and competency, the Bank reiterates that the necessary number of 15 continuous professional development hours (or prorated in the case of all new 'controlled persons'), should be completed by all approved persons. During 2023, this condition was met by all members of the management team.

Asset and Liability Committee (ALCO)

The Asset and Liability Committee is assigned the task of establishing policy and objectives for the asset and liability management of UGH/UGB's balance sheet in terms of structure, distribution, risk, return and its impact on liquidity. ALCO also monitors asset and liability exposures and evaluates the overall balance sheet from an interest rate risk perspective. It also coordinates proposed strategies to achieve optimal risk and return from a liquidity perspective and based on perceived trends and market conditions. The Committee aims to meet at least once a quarter and more frequently if deemed necessary. It is headed by the Chief Executive Officer and includes the Chief Financial Officer, Head of Credit and Risk Management and other senior management team members. The Head of Treasury acts as the Secretary of this Committee. The Chief Audit Executive attends the meetings in his capacity as an observer.

Investment Committee (IC)

The Investment Committee comprises the Chief Executive Officer, the Head of Asset Management and Investment Banking and the Chief Financial Officer. The Head of Credit and Risk Management is the Secretary of this Committee and participates in meetings as a non-voting member. It meets whenever deemed essential to do so. Under the terms of reference, the committee is responsible for approving or recommending approval to the Executive Committee issues related to limits for individual exposures, new as well as existing investments; and recommending the procedures relating to investment identification, approval, recording and valuation, performance measurement and appraisal, monitoring, and reporting.

Pursuant to its investment approval guidelines, the Investment Committee undertakes its function of appraisal of new investments and existing investments for monitoring as well as exit purposes, by reviewing the relevant market opportunity - the industry, sector and relevant trends, key business drivers and comparative advantages (market share, brand, cost efficiencies, etc.), regulatory requirements, competition and independent market opinion or credit rating reports. It then reviews the business model and product lines, seeks customer / client background checks and references, procures details of manufacturing / service processes, distribution, client mix and the concentration and product development. The Investment Committee focuses on other relevant information pertaining to the investment: ownership, relationships to the parent or other industrial groups, key managers, and their backgrounds (with independent references), corporate governance practices, organisational structure, employee retention and labour issues, management information systems and internal controls.

While conducting the investment appraisal, The Investment Committee also takes into consideration financial information (company financial and operational data represented by financial ratio analysis for the past three to five years). Emphasis is placed on the results of the last financial reporting period, including audits and management letters, the results of Net Present Value (NPV), Internal Rate of Return (IRR), Adjusted IRR, payback period (nominal cash flows), adjusted payback period (discounted cash flows) and tax considerations.

For any investment/exit, legal / regulatory issues, such as intellectual property, compliance with relevant statutes and regulations, constitutive documents and pending litigation are also considered and analysed. The Investment Committee reviews the use of investment proceeds, the background of other co-investors involved in the proposed transaction, their roles, and the proposed deal.

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structure, together with expected exit timeframes, and the additional underlying risks involved in the investment, (technology shift, market shift, regulatory changes, financial structure, etc.).

IT Steering Committee (ITSC)

The IT Steering Committee headed by the Chief Executive Officer, is responsible for assisting the Board in the supervision of IT related activities. It meets at least twice a year. The Committee ensures that it minimises the risks associated with UGB's investment in information technology and that it contributes to the attainment of technology related corporate objectives. Members include the Chief Financial Officer and other senior management team members. The Head of Information Technology acts as the Secretary of this Committee. The Chief Audit Executive and the Chief Compliance Officer attend the meetings in their capacity as observers.

Risk and Compliance Committee (RCC)

The primary function of the Risk and Compliance Committee is to assist the Board of Directors in fulfilling its responsibilities of defining UGB's risk appetite and overseeing the identification, measurement, monitoring and controlling of UGB's principal business risks. It also monitors adherence to stipulated regulatory deadlines, reviews compliance to internal and external policies and apprises senior management on the impact of newly introduced regulatory requirements. It is headed by the Chief Executive Officer and includes the Heads of Credit and Risk Management, Compliance, and other senior management team members. The Chief Audit Executive attends the meetings in his capacity as an observer.

Environmental, Social and Governance Committee (ESG)

The awareness of environmental issues has grown in prominence and significance over the recent years. The principle of sustainability is one of the key development goals in the Kingdom of Bahrain's Economic Vision 2030. Companies in Bahrain have been encouraged by regulators like the CBB and the Bahrain Bourse, to implement policies that contribute to the national, regional, and global vision that embrace ESG. Examples of these include compliance with Central Bank of Bahrain's ESG regulatory requirements, guidance and governance from the Bahrain Bourse's sustainability reporting practices and accelerating the fulfilment of the United Nations Sustainable Development Goals that aim to protect the planet and the global well-being of people, with a focus on reducing greenhouse gas (GHG) emissions, investing in sustainable energy, improving socioeconomic factors, and providing for transparent sustainable financial practices, reporting and disclosures.

In line with the CBB's requirements, UGB constituted the ESG Committee at the management level, chaired by the CEO and comprising the senior management team members. The Head of Credit and Risk Management acts as the secretary while the Chief Audit Executive is an observer. The Committee's Charter was approved by the Board in November 2023. Project plans related to ESG have been identified and the ESG Committee has the responsibility to finalize the roadmap and target timelines for implementation of certain milestones in the Bank's ESG journey. This will facilitate the reporting of Key Performance indicators (KPIs) that are regulatory requirements due for the year ending 2024.

Specific responsibilities of the ESG Committee include the following:

- Appointment of an effective cross-functional ESG team (members from various departments) to support the implementation and execution of the ESG strategy and reporting goals.
- Review and approve the ESG Materiality Assessment process for the internal and external stakeholders.
- Review the ESG targets and goals and the measurements of the KPIs for each ESG aspect.
- Report to the Board on progress on the development of ESG strategy and performance against target goals and dates.
- Review the ESG framework and the plan on an annual basis to ensure that it is in line with regulatory requirements and best industry practices.
- Authorize and enable key resources to facilitate the timely execution of the ESG strategy.
- Ensure that appropriate training is conducted for Board members and Bank staff to create awareness.

Employment of relatives

The NRC is also aware that as part of the Bank's Human Resources Policy, the hiring of immediate relatives including spouses, children, brothers, and sisters, is prohibited to ensure that there is no favouritism or current or potential conflicts of interest in decision making. It also reiterates the Bank's principle that any hiring of employees, is based purely on an objective evaluation of qualifications, capability, and suitability. Any exceptions to this policy must be approved by the Chairman. As of 31 December 2023, there were no cases of relatives of approved persons who were working for the Bank. This is affirmed by the CEO to the

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Board of Directors on an annual basis.

Succession Planning

UGB recognizes the significance of a structured succession plan. In accordance with the CBB's requirements, the NRC reviews and endorses a succession plan on an annual basis. This document includes an assessment of the experience, and skills for the possible successors to all Senior Management personnel, especially those who are 'approved persons' by the CBB. The objective of the plan is to identify, develop and promote personnel to ensure that there are no disruptions to the functioning of the Bank, in an event that key personnel chose to leave UGB. During the year 2023, details including an assessment of the experience, performance, skills, and planned training of identified successors/ departments were included by the Bank's Human Resources department, while finalising the plan with the CEO. The revised 2024 succession plan document was submitted for approval to the NRC and Board of Directors during March 2024.

Appointment letters and job descriptions

The bank has a long-standing practice of providing formal letters of appointment to all staff that prescribe his/her title, authorities, duties, accountabilities, and internal reporting responsibilities. Job Descriptions are assessed and updated based on changes in underlying responsibilities. During 2020, the job descriptions for all Senior Managers and staff were reviewed by the respective Department Heads, Human Resources, and the Internal Audit Departments and approved by the NRC at its meeting held in March 2020. It is envisaged that these will be reviewed during 2024.

Review of internal control processes and procedures – Internal Audit

UGB has a functional Internal Audit Department reporting directly to UGB's Board Audit Committee with an administrative reporting line to the CEO. The department is staffed by experienced and qualified employees and is governed by a Board approved Audit Charter. Its responsibilities are detailed in a Board approved policies and procedures manual. The Internal Audit Department has a close and direct work relationship with the Bank's Executive Management and Operating Committees in addition to having unrestricted access to information, records, systems, and personnel within the Bank. The internal audit team of UGB conducts the internal audit activities of the Bank and its parent UGH. It liaises actively with the internal audit team at the Group's main subsidiaries. It should however be noted that the internal audit department at the subsidiaries have their own BAC and follow audit methodology and quality assurance, which is in line with the rules of the jurisdiction in which they operate.

UGB's Internal Audit Department develops a 3-year strategic audit plan designed to implement a systematic, disciplined audit review approach by utilising the available audit resources in the most efficient and effective manner and examine the adequacy and effectiveness of internal control systems, procedures and provide recommendations to enhance its quality. Internal Audit performs follow ups on raised internal control recommendations / corrective actions and reports their updated status to the Board Audit Committee. The CBB's requirements that all internal audit findings and recommendations be resolved within six months for high risk/ critical issues and twelve months for any other issues from the issue date of the subject internal audit report, were incorporated in Internal Audit's framework and currently all issues implementation status follow ups provide auditees with a regulatory deadline. All findings in breach of its regulatory deadlines are escalated to the Board Audit Committee.

In accordance with the CBB's requirements, an independent external quality assurance review was conducted in July 2019 by an external consultancy firm to affirm the adequacy and effectiveness of the Internal Audit Department. The report expressed that the Internal Audit Department "Generally Conforms" with the International Standards for the professional practice of Internal Auditing, specifically areas related to the Department's structure, policies, procedures as well as processes whereby they comply with the requirements of the IIA's standards and Code of Ethics in all material aspects.

Review of internal control processes and procedures – Compliance.

UGB has an independent Compliance Department that has a direct reporting line to BAC and administratively to the Chief Executive Officer. The Chief Compliance Officer & MLRO also has additional access to the Chairman of the Board of Directors for AML related issues. The Compliance function is empowered by its Charter that has been approved by the Board of Directors to communicate with any staff member, obtain access to any records and conduct investigations of possible breaches of compliance policy. The Department also has the authority to request assistance from specialists within the Bank and engage outside specialists after obtaining the CEO's prior approval.

The Compliance Manual that is approved by the Board of Directors forms an integral part of the Bank's Compliance framework. It establishes the procedures and processes for identifying, assessing, monitoring, reporting, testing, and advising on compliance risk. During 2023, the department strived to improve the awareness and knowledge of staff on compliance policy requirements and issues but circulating important matters of interest. The BAC reviews the quarterly reports that it receives from the department.

During 2023, the Department updated the Compliance Risk Control Self-Assessment Register (RCSA). This as well as changes which are communicated by the regulators feed into the compliance plan that is submitted to the BAC for approval on a semi-

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annual basis. Compliance assessments and testing of various modules are completed in line with the plan.

As required by the CBB, the department acts as a contact point for compliance queries from staff members and also as a liaison with the regulators. All applications and requests for approval to the CBB have an underlying compliance assessment report that confirms that all related level and regulatory requirements pertaining to the request have been thoroughly vetted.

In accordance with the CBB's requirements, an independent external quality assurance review was conducted in June 2022 by an external consultancy firm to affirm the adequacy and effectiveness of the Compliance Department. There were no major findings. The results were shared with the BAC, the Board of Directors and the CBB.

The Compliance Department liaises actively with the Compliance team at the Group's main subsidiary - KAMCO. It should however be noted that the latter has its own framework and methodology which is in line with the environment and the laws of the jurisdiction in which KAMCO and its subsidiaries operate. Although there is no Group Compliance function, quarterly reports related to the Compliance and AML functions of the Bank and KAMCO are presented to the UGB's BAC and Risk and Compliance Committee.

Review of internal control processes and procedures – Risk Management

UGB has an effective and independent risk management framework which is largely compliant with the amended requirements of the CBB's Higher Level Controls Module. The Credit & Risk Management Department (CRM) is an independent department responsible for risk management functions; it has a direct reporting line to the BAC and administratively to the CEO.

The risk management framework has the following features:

- Active Board and senior management oversight
- Independent risk management function
- Sound risk management culture.
- Well-developed Risk Appetite Framework (RAF)
- Appropriate policy, procedures, and limits
- Comprehensive and timely identification, measurement, mitigation, monitoring and reporting of risks.
- Has a sufficient number of employees who possess the requisite experience and qualifications and are subject to regular training in the risk area.

The main activities of the CRM include:

- implementing the enterprise-wide risk governance framework that includes appropriate policies, procedures, and limits.
- identifying material individual, aggregate and emerging risks.
- evaluating the risks faced by the Bank and its overall risk profile.
- ongoing monitoring of the risk-taking activities and risk exposures in line with the Board-approved risk policies and appetite to align the Bank's business plan, strategy development and capital planning.
- establishing both qualitative and quantitative early warning or trigger system for breaches of the Bank's risk appetite or limits.
- using risk measurement and modelling techniques in addition to qualitative risk analysis and monitoring.
- evaluating possible ways to mitigate risk exposures.
- reporting regularly to the RCC and senior management on risks, including but not limited to, material exemptions and risk-mitigating actions.
- regularly comparing actual performance against risk estimates (i.e., Back testing) to assist in judging the accuracy and effectiveness of the risk management process and making necessary adjustments.
- enhancement of risk monitoring and reporting of subsidiaries according to recently issued guidelines by CBB and oversight procedures that includes periodic coordination and reporting.
- challenging decisions that give rise to material risk.

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The Head of CRM has the overall responsibility for the Bank's risk management function.

- is independent and distinct from other executive functions and business line responsibilities.
- has the responsibility for overseeing the development and implementation of the Bank's enterprise-wide risk management framework and supporting the Board and the BAC in their engagement with the oversight of the development of the Bank's risk strategy, risk appetite framework and for translating the risk appetite into risk tolerance levels/limits.
- manages and participates in the key decision-making processes mainly related to capital and liquidity planning.
- is actively engaged in monitoring performance relative to risk-taking and risk limit adherence.
- meets regularly with the non-executive directors and the BAC without executive directors and the CEO being present.
- has access to any information necessary/required from any department.
- reports the risk appetite statement to the Board every quarter and projected RAF, based on the Bank's long-range plan (LRP), once every year.
- ensures that risk reporting to the RCC is designed to convey bank-wide and other risks in a concise and meaningful manner, material risk-related information that requires immediate decisions is promptly presented to the CEO or the RCC, and the Bank has accurate internal and external data to be able to identify, assess and mitigate risks.
- presents risk approval forms to relevant committees for all new investments and loans. The form includes all material risk assessment and projections as well as comments on capitalization, leverage, liquidity, and profitability of the counterparty.

In accordance with the CBB's requirements, an independent external quality assurance review was conducted in June 2022 by an external consultancy firm to affirm the adequacy and effectiveness of the following components of the risk management framework:

- Internal Capital Adequacy Assessment Framework
- Capital Adequacy
- Stress testing
- Operational Risk
- Reputational Risk
- Recovery & Resolution Plan

The independent review reports were presented to the Board and the agreed action planning steps to remedy any material weaknesses were documented.

Authority Levels

As mentioned above, the Bank's Risk Policy & Procedures guide specifies the authority levels for investments. Approval from the entire Board is sought for any transactions exceeding the Investment Committee's authority as mentioned in the Risk Policy & Procedures Guide. The Board of Directors has also approved a Payment Authority Matrix that documents the thresholds for approval by the CEO and the CFO, for day-to-day operational expenses. The policy was last approved on 13 November 2023.

Senior Management's ownership and trading of shares during the year

No shares in UGB were held or traded by management in the year ended 2023.

Code of Conduct approved by the Board of Directors

UGB's Board of Directors has established corporate standards for all its directors and employees. These are emphasized in the Bank's Code Of Conduct that reiterates the policies of upholding sensitive and confidential information; avoiding and disclosing (wherever applicable) conflicts of interest; personal accountability; honesty; harmonious relationships with its clients, subsidiaries, affiliates and the regulators; non solicitation of gifts; transparent and accurate external communication; expected standards of professionalism, fairness, behaviour and language and accounting, audit and book keeping. The Code of Conduct was enhanced to incorporate anti bribery and corruption policies and procedures. This was last approved by the Board in February 2023.

The Board and Senior Management of UGB view the Code of Conduct as an integral part in the way they affirm their duty and loyalty to the Bank, exercise their responsibilities and conduct themselves vis-a-vis customers, shareholders, staff, and the wider community. Familiarisation sessions on the requirements of the Code of Conduct, are conducted on an annual basis by UGB's

CORPORATE GOVERNANCE REVIEW

Chief Compliance Officer. Each member of the Board and staff, submit a written affirmation that they will he/she by the tenets of the Code and disclose any conflicts of interest that they might have. Full disclosure of the ownership interests in any company in which the Director or member of staff or his/her immediate family has a >5% ownership stake, or where he/she serves as a manager, Director, or other form of significant participation, is made on an annual basis. Any incidents of non-compliance with the Code or the lack of affirmation by any member of staff, is escalated to the Board Audit Committee and the Board of Directors. A copy of the Code of Conduct is available on the website www.ugbbh.com

A declaration signed by the Chairman of the Board of Directors is given below:

I hereby confirm that UGB has obtained an affirmation from all the members of the Board and employees, that they have complied with the Code of Conduct, in respect of the financial year 2023.

Masoud J. Hayat

Chairman.

Disclosure on materially significant related party transactions

Related party transactions are defined as UGB's transaction with its controller, its directors, members of management, subsidiaries, and associations, that may have potential conflict with the interests of the Bank at large.

The Bank's major related party transactions are generally with its controller – UGH and its parent KIPCO and the subsidiaries and associates of the KIPCO Group. The related party transactions are entered into based on considerations of various business exigencies such as synergy in operations, sectoral specialization, the Bank's long-term strategy for its investments 'available for sale', optimisation of market share, profitability, legal requirements, liquidity and capital resources of its subsidiaries and its associates.

None of the transactions with any of the related parties, conflicted with the interest of the Bank. The attention of readers is drawn to the disclosure of transactions with related parties, set out in Note 25 of the Consolidated Financial Statements which is reproduced below:

RELATED PARTY TRANSACTIONS

Income from related parties	2023			Total
	Major Shareholder US\$ 000	Associates US\$ 000	Other related parties US\$ 000	
Investment income - net	-	-	781	781
Fees and commissions - net*	2,000	1,738	7,846	11,584
Dividend income	-	-	1,023	1,023
Rental	-	-	1,100	1,100
Interest income	-	-	827	827
Interest expense	(219)	-	(5,597)	(5,816)
General and administrative expenses	(12)	-	(2,925)	(2,937)

Equity transactions with related parties during the year included in the consolidated statement of changes in equity are as follows:

	2023 US\$ 000	2023 US\$ 000
Interest payment on Perpetual Additional Tier 1 Capital	(1,062)	(1,070)

*The Bank and its Parent entered into arrangement for service sharing between the two entities. In line with the arrangement, the Bank provides certain services and incurs certain expenses on behalf of its Parent.

CORPORATE GOVERNANCE REVIEW

	2023			
	Major Shareholder US\$ '000	Associate 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 and loss	-	-	21,345	21,345
Investments carried at fair value through other comprehensive income	-	40	69,836	69,836
Loans and receivables	-	-	3,997	3,997
Other assets	1,916	443	3,227	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)
Off statement of financial position items:				
Letters of guarantee:	-	-	150	150

All related party transactions were on terms that are mutually agreed between the counterparties. All such exposures were performing as of 31 December 2023 and 2022.

The nature of the income and expense generated is summarized below:

Owner	Financial Classification	Counterparty Name	US\$ '000
UGB	Investment Income	Bank Of Baghdad	707
KAMCO	Investment Income	Gulf Insurance Group	523
UGB	Investment Income	Adv Technology Co	501
UGB	Investment Income	Commercial Tower	404
UGB	Investment Income	Al Sharq Real Estate	365
UGB	Investment Income	Chairman S Club	331
Various	Investment Income	Individually below US\$ 250 thousand	74
UGB	Financing Income	Tunis Intl Bank	366
UGB	Financing Income	Panther Media Group	265
Various	Financing Income	Individually below US\$ 250 thousand	195
KAMCO	Commission & Fees	Kuwait Proj Co Hold	5,424
UGB	Commission & Fees	United Gulf Holding	2,000
KAMCO	Commission & Fees	United Real Estate Company	1,593
KAMCO	Commission & Fees	Kamco Investment Fund	1,188
KAMCO	Commission & Fees	North Africa Holding	517
UGB	Commission & Fees	Burgan Private Equity	457
KAMCO	Commission & Fees	Napesco	325
Various	Commission & Fees	Individually below US\$ 250 thousand	80

CORPORATE GOVERNANCE REVIEW

Various	Interest Expenses	Individually below US\$ 250 thousand	(454)
UGB	Interest Expenses	Jordan Kuwait Bank	(349)
UGB	Interest Expenses	Burgan Bank	(452)
UGB	Interest Expenses	Syria Gulf Bank	(561)
UGB	Interest Expenses	Tunis Intl Bank	(1,193)
UGB	Interest Expenses	Bank Of Baghdad	(2,806)
KAMCO	Staff Salaries and benefits	Gulf Insurance Group	(834)
Various	General and administrative expenses	Individually below US\$ 250 thousand	(170)
KAMCO	General and administrative expenses	Ufm Car Co.	(331)
KAMCO	General and administrative expenses	Gulf Insurance Group	(427)
KAMCO	Staff Salaries and benefits	Shaheed Tower	(1,174)

It is noted that the Code of Corporate Governance requires all transactions between UGB and related parties to be approved by the Board of Directors prior to implementation. As this is not practically feasible, a report is prepared on a post facto basis at the end of each year on all related party transactions which was reviewed by the BAC on 27 February 2024 and approved by the Board of directors on in their meeting that was held on 28 February 2024.

Disclosure and Transparency Policy

The CBB's disclosure standards and rulebook requires all locally incorporated banks to have a formal disclosure policy as part of the overall communications strategy as approved by the Board of Directors. This Policy reiterates the Bank's commitment to disclose all relevant information to stakeholders on a timely basis in a timely manner, and emphasises:

- Adequate documentation and definition of the key components of UGB's disclosure controls and procedures and the standards to which they are designed and implemented.
- Information with respect to the steps that UGB will take when it has material information to release to the public.
- Approval of the limited group of authorised spokespersons who are entitled to speak on behalf of the Bank when material information may be disclosed.
- Adequate awareness for Directors, officers, and employees of UGB for understanding the disclosure practices and policies of UGB.

Means of Communication

a) Annual General Meeting: The Company schedules an annual general assembly for its shareholders within three months of yearend. This provides the forum for shareholders to approve the Board of Directors' report and financial statements for the year, appoint the external auditor, review the external auditor's report, review the corporate governance report and the related party transactions and other matters which require their approval. While invitations are sent to all Directors, only the Chairman and the Chairman of the BAC attended the last virtual general assembly alongside representatives of the CBB, the MOIC and the external auditors. Attendance of each director is primarily dependent on his availability.

b) Annual and Quarterly Results: In accordance with the CBB's Disclosure Standards, these are published in 'The Gulf Daily News' and the 'Al Ayam'. These are also displayed on the Bank's website www.ugbbh.com.

c) News Releases, Presentations, etc.: Official news releases, detailed presentations made to the media, analysts, institutional investors etc. are displayed on the Bank's website www.ugbbh.com, after they have been released to the CBB and the Bahrain Bourse. This is in line with the Bank's policy of providing relevant information to stakeholders on a timely basis in a timely manner.

CORPORATE GOVERNANCE REVIEW

d) Website: The Bank maintains a website www.ugbbh.com which contains information related to its profile as well as audited financial data for over five years.

e) Annual Report: The Bank's Annual Report containing, inter alia, the Audited Annual Accounts, Consolidated Financial Statements, Directors' Report, Auditors' Report, and other public information is circulated to shareholders, regulators, correspondent bankers, and others entitled thereto. The Management Discussion and Analysis report forms part of the Annual Report and is displayed on the Bank's website www.ugbbh.com.

Each quarter the Chief Executive Officer and the Chief Financial Officer certify to the Board of Directors and the Board Audit Committee, that to the best of their knowledge and belief, the Bank's financial statements for the relevant period, present a true and fair view in all material respects of its financial condition and results of operations, in accordance with applicable accounting and financial reporting standards. The financial statements are signed by the Chairman of the Board of Directors, Vice Chairman of the Board of Directors, and the Chief Executive Officer.

f) Basel III related Pillar 3 disclosures, including corporate governance disclosures on remuneration: In accordance with the Bank's requirement, the prudential disclosures are published annually and semi-annually on the Bank's website www.ugbbh.com.

g) Chairman's Communiqué: A printed copy of the Chairman's statement is distributed along with the consolidated financial statements at the OGM.

h) Communication with investors: The agenda and proxy forms for attendance in the Annual General Assembly, are made available on the Bank's website www.ugbbh.com. Representatives of the CBB and the Ministry of Industry, Commerce and Tourism, are always present at the OGM.

i) Corporate governance guidelines: These are available on the website www.ugbbh.com. A copy of this corporate governance report which documents the extent of UGB's adherence to the CBB requirements, as well as explains any deviations thereof, is made available at the AGM. It is also posted on the Bank's website.

j) Designated exclusive email-ID's: In accordance with the Dispute Resolution Policy and the Whistleblowing Policy, the designated the following e-mail ids exclusively for handling complaints and potential whistle blowing cases:

- For the resolution of complaints: complaints@ugbbah.com
- For the investigation of whistle blowing instances: auditcompliance@ugbbah.com

Both policies are available on the Bank's website www.ugbbh.com

There is a separate section on the website (under Investor Relations) where the bank posts relevant shareholders' information e.g. OGM agenda, proxies, Corporate Governance report etc.). The bank has an email (info@ugbbh.com) which is already in place to allow shareholders to obtain the above information – shareholders who require more such information, can always raise their queries using this email address.

External Auditor

The Bank's external auditors are Ernst and Young. They have been the auditors since 2001. In accordance with Article 206 of the Bahrain Commercial Companies Law (2001), the external auditors are appointed / re-appointed each year by the shareholders at the OGM, subject to the procurement of the no objection letter from the CBB. The decision was taken to re-appoint Ernst & Young as the external auditors, as they are a well-established name and part of the Big 4 audit firms in the world. There is no conflict of interest for engaging EY as the external auditors, as the Bank has no financial dealings with EY.

The disclosure with respect to audit and non-audit fees for the year ended 2023 are as follows:

Name of the audit firm	Ernst & Young
Name of the partner in charge of the Company's audit	Kazim Merchant
The partner's years of service as the partner in charge of the Company's audit	4.5 years
Total audit fees for the financial statements for the year 2023 (USD)	\$ 42,559
Other special fees and charges for non-audit services other than auditing the consolidated financial statements for the year 2023 (USD)	\$ 94,268
Aggregate fees paid to Ernst & Young (including VAT)	\$ 136,827

Note: These are the fees paid until December 2023

CORPORATE GOVERNANCE REVIEW

Audit services comprise review of the financial statements while non audit services consist of agreed upon procedures performed by the external auditor that are part of the statutory submissions mandated by the CBB. The external partner Mr. Kazim Merchant, has reviewed UGB's financials since 2019.

The Board of Directors has approved a policy for the 'Evaluation of Independence of External Auditors.' This document mandates the external auditor to maintain a quality control system that provides reasonable assurance that its independence will not be impaired and was last approved by the Board on 13 November 2023.

The External Audit Firm annually confirms its independence in writing, specifically stating whether any non-audit services provided during the year compromised its independence and that they are compliant with Section 4 "prohibited serves" of the Bank's Policy for Evaluation of Independence of External Auditors, or any other relationship that could impair their ability to exercise independent judgment. Furthermore, the External auditor also confirms that all non-assurance services that they have performed during the year are in line with agreed pre-concurrence list and are permissible under International Code of Ethics for Professional Accountants Code. This certification was signed and furnished by the external audit partner on 20 February 2024. A list of non-audit services was tabulated and presented along with the independence statement, to the Board Audit Committee for ratification.

The Audit Committee evaluated the non-audit services and received the external auditor's independence affirmation in its meeting held on 27 February 2024. The aggregate fees for non-audit services were also ratified in the said Board Audit Committee Meeting. As authorised by the policy, the Board Audit Committee regularly reviews the external auditor's scope and results of its audit, any difficulties that the auditor encountered including any restrictions on its access to requested information and any disagreements or difficulties encountered with management.

CORPORATE SOCIAL RESPONSIBILITY REVIEW

UGB strongly believes in its responsibility to support the well-being of communities in which it operates.

The Board of Directors of UGB recognize that in recent years, financial markets have taken measures aimed at improving environment, social and governance (ESG) practices. This is based on evidence that institutions which implement sustainable practices are widely respected and outperform the market across key sectors. During 2023, the Bank continued to support the Bahrain Authority for Culture and Antiquities (BACA), and the national campaign for afforestation initiated by the Bahrain Association of Banks.

As has been the practice in previous years, the Bank also continued to emphasise education and career development for young Bahrainis; development of the regional banking sector; and charitable and community-based activities.

EDUCATION AND CAREER DEVELOPMENT FOR YOUNG BAHRAINIS

UGB supports the philosophy that education is the best source of empowerment. The Bank provides education and career development opportunities for young Bahraini students through the following activities:

University of Bahrain Student Internships

UGB was a founding member of this programme. Over the years, the Bank provided selected students with work experience and the opportunity of placement.

TradeQuest – The Trading Challenge

TradeQuest is a business-education partnership that was established 25 years ago. Conducted under the aegis of the Bahrain Bourse, it provides school and university students with an opportunity to participate in a simulated trading competition by investing in shares listed on the New York Stock Exchange, NASDAQ, and the Bahrain Bourse. UGB has ardently supported this competition for the past 21 years by sponsoring and mentoring one of the participating schools or universities.

Mashare'a Al Khair Scholarship Program

This program assists qualified UGB employees' dependents to study at accredited colleges, universities or other recognised academic institutions. The Bank also extends educational support to its staff to constantly enhance their academic and professional qualifications and fulfil their continuous professional development (CPD) commitments.

DEVELOPMENT OF THE REGIONAL BANKING SECTOR

UGB contributes to the growth and development of the regional banking and financial services sector in a number of different ways:

- The Bank supports a wide range of banking-related organisations including the Bahrain Association of Banks, Union of Arab Banks, Bahrain Institute of Banking and Finance (BIBF), and International Islamic Financial Market of Bahrain.
- UGB management and staff are members of professional institutions and associations.

Commitment to Social Responsibility and governance

Over the years, UGB has provided financial assistance for numerous charitable, cultural, social, medical, educational, and child welfare organisations that work with orphans, needy families, and the underprivileged sections of society.

The donations made during 2023 were as follows:

Recipients	Amount USD
Charitable and Community Welfare Activities	71,354
Cultural Institutions	83,552
Education	29,178
Health	7,958
Sports & Training	7,958
Aggregate	200,000

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FINANCIAL HIGHLIGHTS



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