

United Gulf Bank B.S.C.
INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
30 JUNE 2013 (UNAUDITED)

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of United Gulf Bank B.S.C. (the Bank) and its subsidiaries (together the Group) as at 30 June 2013, comprising of the interim consolidated statement of financial position as at 30 June 2013 and the related interim consolidated statements of income, comprehensive income, cash flows and changes in equity for the six-month period then ended and explanatory notes. The Board of Directors of the Bank is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 *Interim Financial Reporting* (IAS 34). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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



13 August 2013
Manama, Kingdom of Bahrain

United Gulf Bank B.S.C.

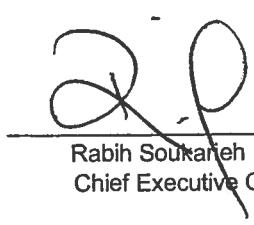
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013 (Unaudited)

	Note	Unaudited 30 June 2013 US\$ 000	Audited 31 December 2012 US\$ 000	Unaudited 30 June 2012 US\$ 000
ASSETS				
Demand and call deposits with banks		18,241	15,682	30,958
Placements with banks		72,561	67,030	73,510
Investments carried at fair value through statement of income		53,538	53,296	55,958
Non-trading investments	4	198,080	190,838	178,862
Loans and receivables		33,941	4,286	5,213
Other assets		26,629	24,181	71,564
Investments in associates and joint ventures accounted for under the equity method	5	781,964	799,314	954,331
Investment properties		14,020	14,020	16,054
Property and equipment		736	627	806
Goodwill		56,303	56,303	56,782
TOTAL ASSETS		1,256,013	1,225,577	1,444,038
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks and other financial institutions		186,365	175,369	158,056
Deposits from customers		60,248	64,520	97,412
Loans payable		401,256	382,389	472,311
Subordinated debt		100,000	100,000	100,000
Other liabilities		26,381	25,117	33,911
TOTAL LIABILITIES		774,250	747,395	861,690
EQUITY				
Share capital		208,650	208,644	208,644
Treasury shares		(18,111)	(15,340)	(15,340)
Share premium		11,459	11,459	11,459
Statutory reserve		96,623	96,623	95,518
General reserve		77,108	77,108	76,003
Treasury shares reserve		14,248	14,308	14,308
Fair value reserve		(4,903)	(3,562)	(22,164)
Foreign currency translation reserve		9,968	12,586	35,764
Retained earnings		64,046	54,382	158,491
CAPITAL AND RESERVES ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT				
Non-controlling interests in equity		22,675	21,974	19,665
TOTAL EQUITY		481,763	478,182	582,348
TOTAL LIABILITIES AND EQUITY		1,256,013	1,225,577	1,444,038


Masaad Hayat
Chairman


Faisal Al Ayyar
Director


Rabih Soukareh
Chief Executive Officer

United Gulf Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the six-month period ended 30 June 2013 (Unaudited)

Note	Three-month period ended 30 June		Six-month period ended 30 June	
	2013 US\$ 000	2012 US\$ 000	2013 US\$ 000	2012 US\$ 000
Investment income - net	2,537	20,343	5,306	24,066
Interest income	1,656	1,662	3,341	3,295
	4,193	22,005	8,647	27,361
Fees and commissions	3,903	4,843	9,263	11,539
Foreign currency translation gains (losses) - net	1,020	38	1,065	(196)
Share of results of associates and joint ventures accounted for under the equity method - net	6	6,616	924	18,659
Total income	15,732	27,810	37,634	60,264
Interest expense	(7,653)	(11,996)	(15,632)	(25,301)
Operating income before expenses and provisions	8,079	15,814	22,002	34,963
Salaries and benefits	(3,635)	(5,001)	(8,171)	(10,583)
General and administrative expenses	(1,804)	(2,859)	(3,763)	(4,884)
Operating income before provisions	2,640	7,954	10,068	19,496
Impairment loss on investments	(170)	(6,797)	(1,330)	(9,223)
Write-back of doubtful loans, guarantees and other assets - net	1,092	12	1,689	12
NET PROFIT FOR THE PERIOD	3,562	1,169	10,427	10,285
Profit (loss) attributable to:				
- shareholders of the parent	3,179	7,334	9,664	16,454
- non-controlling interests	383	(6,165)	763	(6,169)
	3,562	1,169	10,427	10,285
Earnings per share				
Basic and diluted earnings per share (US cents)	0.39	0.89	1.19	2.00

Masaud Hayat
Chairman



Faisal Al Ayyar
Director



Rabih Soukaneh
Chief Executive Officer



United Gulf Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six-month period ended 30 June 2013 (Unaudited)

	<i>Three-month period ended 30 June</i>		<i>Six-month period ended 30 June</i>	
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>
NET PROFIT FOR THE PERIOD	3,562	1,169	10,427	10,285
Other comprehensive (loss) income to be reclassified to profit or loss in subsequent periods:				
Foreign currency translation reserve	(1,313)	(4,329)	(3,042)	(4,661)
Fair value reserve	1,715	(9,964)	2,531	(1,025)
Transfer to interim consolidated statement of income upon disposal / impairment	2,097	(21,321)	1,302	(20,927)
Share of other comprehensive income of associates and joint ventures accounted for under the equity method	(6,746)	7,947	(5,535)	9,336
Cash flow hedges	591	1,473	714	2,846
Other comprehensive loss for the period to be reclassified to profit or loss in subsequent periods	(3,656)	(26,194)	(4,030)	(14,431)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	(94)	(25,025)	6,397	(4,146)
Total comprehensive income (loss) attributable to				
- shareholders of the parent	(756)	(15,837)	5,705	3,452
- non-controlling interests	662	(9,188)	692	(7,598)
	(94)	(25,025)	6,397	(4,146)

United Gulf Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2013 (Unaudited)

		<i>Six-month period ended 30 June</i>	
		<i>2013</i>	<i>2012</i>
	<i>Note</i>	<i>US\$ 000</i>	<i>US\$ 000</i>
OPERATING ACTIVITIES			
Net profit for the period including profit attributable to non-controlling interests		10,427	10,285
Adjustments for non-cash items:			
Depreciation		181	244
(Gain) loss on investments carried at fair value through income statement		(3,240)	3,144
Share of results of associates and joint ventures accounted for under the equity method - net	6	(18,659)	(21,560)
Gain on sale of associated companies		-	(966)
Impairment loss on investments		1,330	9,223
Write-back of provision for doubtful loans, guarantees and other assets - net		(1,689)	(12)
Interest income		(3,341)	(3,295)
Interest expense		15,632	25,301
Dividend income		(2,043)	(5,401)
Operating (loss) gain before working capital changes		(1,402)	16,963
Changes in operating assets and liabilities:			
Investments carried at fair value through statement of income		2,998	14,081
Non-trading investments		(5,091)	226,129
Loans and receivables		(27,966)	22,742
Other assets		(1,786)	(31,495)
Due to banks and other financial institutions		10,996	(53,739)
Deposits from customers		(4,272)	17,063
Other liabilities		2,382	(7,811)
Interest received		3,393	3,562
Interest paid		(16,350)	(27,350)
Dividends received		2,043	5,401
Donations		(200)	(200)
Directors' remuneration		(200)	(50)
Net cash (used in) from operating activities		(35,455)	185,296
INVESTING ACTIVITIES			
Investments in associates and joint ventures accounted for under the equity method - net		30,474	80,471
Property and equipment - net		(290)	(104)
Net cash from investing activities		30,184	80,367
FINANCING ACTIVITIES			
Loans repaid		18,867	(258,874)
Purchase of treasury shares		(2,884)	(2,615)
Proceeds from issue of shares		59	4
Net cash from (used in) financing activities		16,042	(261,485)
Foreign currency translation adjustments		(2,618)	(4,370)
Movement in non-controlling interests		(62)	(15,478)
NET CHANGE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at 1 January		82,393	119,820
CASH AND CASH EQUIVALENTS AT 30 JUNE	7	90,484	104,150

The attached explanatory notes 1 to 12 form part of these interim condensed consolidated financial statements.

United Gulf Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six-month period ended 30 June 2013 (Unaudited)

Attributable to shareholders of the parent										Total before non-controlling interests US\$'000		Total equity US\$'000	
	Share capital/ US\$'000	Treasury shares US\$'000	Share premium US\$'000	Statutory reserve US\$'000	General reserve US\$'000	Treasury share reserve US\$'000	Fair value reserve US\$'000	Foreign currency translation reserve US\$'000	Retained earnings US\$'000	Non-controlling interests US\$'000	Non-controlling interests US\$'000	Non-controlling interests US\$'000	Total equity US\$'000
Balance at 1 January 2013	208,644	(15,340)	11,459	96,623	77,108	14,308	(3,562)	12,586	54,382	456,208	21,974	478,182	
Profit for the period	-	-	-	-	-	-	(1,341)	(2,618)	9,664	9,664	763	10,427	
Other comprehensive loss	-	-	-	-	-	-	-	-	(3,959)	(3,959)	(71)	(4,030)	
Total comprehensive income (loss) for the period	208,650	(18,111)	11,459	96,623	77,108	14,248	(4,903)	9,968	64,046	459,088	22,675	481,763	
Share issued	6	-	-	-	-	-	(60)	-	-	-	6	-	6
Purchase of treasury shares - net	-	(2,771)	-	-	-	-	-	-	-	-	(2,831)	-	(2,831)
Other movements in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	9	9
Balance at 30 June 2013	208,644	(12,725)	11,459	95,518	76,003	14,308	(13,532)	40,134	142,037	561,842	41,312	603,154	
Balance at 1 January 2012	208,640	(15,340)	11,459	95,518	76,003	14,308	(22,164)	35,764	158,491	562,683	19,665	582,348	
Profit (loss) for the period	-	-	-	-	-	-	(8,632)	(4,370)	-	16,454	16,454	(6,169)	10,285
Other comprehensive loss	-	-	-	-	-	-	-	-	(13,002)	(13,002)	(1,429)	(14,431)	
Total comprehensive income (loss) for the period	208,644	(15,340)	11,459	95,518	76,003	14,308	(22,164)	35,764	158,491	562,683	19,665	582,348	
Share issued	4	-	-	-	-	-	(8,632)	(4,370)	16,454	3,452	(7,598)	(4,146)	
Purchase of treasury shares	-	(2,615)	-	-	-	-	-	-	-	4	-	4	
Dividend of subsidiaries	-	-	-	-	-	-	-	-	-	(2,615)	-	(2,615)	
Other movements in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(19,252)	(19,252)	
Balance at 30 June 2012	208,644	(15,340)	11,459	95,518	76,003	14,308	(22,164)	35,764	158,491	562,683	19,665	582,348	

United Gulf Bank B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2013 (Unaudited)

1 INCORPORATION AND PRINCIPAL ACTIVITY

United Gulf Bank B.S.C. [the Bank] is a joint stock company incorporated in the Kingdom of Bahrain in 1980, under Commercial Registration number 10550, and is listed on the Bahrain Bourse. The address of the Bank's registered office is UGB Tower, Diplomatic Area, P.O. Box 5964, Manama, Kingdom of Bahrain.

The Bank operates in Bahrain under a Wholesale Banking License issued by the Central Bank of Bahrain [the CBB].

The principal activities of the Bank and its principal subsidiaries [together the Group] comprise of investment and commercial banking. Investment banking includes asset portfolio management, corporate finance, advisory, investment in quoted and private equity / funds, real estate, capital markets, international banking and treasury functions. Commercial banking includes extending loans and other credit facilities, accepting deposits and current accounts from corporate and institutional customers.

The Bank's parent and ultimate holding company is Kuwait Projects Company (Holding) K.S.C. [KIPCO], a company incorporated in the State of Kuwait and listed on the Kuwait Stock Exchange. As at 31 March 2013, KIPCO owned 96.82% of the Bank's outstanding shares (31 December 2012: 96.23%).

These interim condensed consolidated financial statements were authorised for issue by the Board of Directors on 13 August 2013.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements of the Bank and its subsidiaries [together the Group] for the six-month period ended 30 June 2013 are prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not contain all the information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2012. In addition, results for the six-month period ended 30 June 2013 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2013.

Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2012, except for the adoption of new standards and interpretations effective as of 1 January 2013.

The nature and the impact of each new standard / amendment is described below:

IAS 1 *Presentation of Items of Other Comprehensive Income – Amendments to IAS 1*

IAS 1 *Presentation of Items of Other Comprehensive Income – Amendments to IAS 1* became effective as of 1 July 2012 and is applied by the Group for the first time in the interim condensed consolidated financial statements. The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affected presentation only and had no impact on the Group's financial position or performance.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required for financial instruments by IAS 34.16A(j), thereby affecting the interim condensed consolidated financial statements period. The Group provides these disclosures in Note 12.

IAS 34 Interim financial reporting and segment information for total assets and liabilities (Amendment)

The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 Operating Segments. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment. The Group provides this disclosure as total segment assets were reported to the chief operating decision maker (CODM). The Group already includes disclosure of total segment liabilities in its interim condensed consolidated financial statements (note 9).

In addition to the above, the Group adopted the following new standards and amendments effective as of 1 January 2013 which did not have any material impact on the Group's financial position, performance or disclosures:

- IAS 1 Clarification of the requirement for comparative information (Amendment);
- IAS 19 Employee Benefits (Revised 2011) (IAS 19R);
- IAS 32 Tax effects of distributions to holders of equity instruments (Amendment);
- IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7;
- IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements;
- IFRS 11 Joint Arrangements, IAS 28 Investment in Associates and IAS 31 Interests in Joint Ventures; and
- IFRS 12 Disclosure of Interests in Other Entities.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3 BASIS OF CONSOLIDATION

These interim condensed consolidated financial statements incorporate the interim condensed financial statements of the Bank and its principal subsidiaries.

4 NON - TRADING INVESTMENTS

Included under non-trading investments are unquoted available for sale investments, primarily representing nominal equity stakes of up to 13% (31 December 2012: 13%) in various geographically and sectorally dispersed entities, amounting to US\$ 54,026 thousand (31 December 2012: US\$ 56,055 thousand) for which fair value cannot be determined with sufficient accuracy, as future cash flows are not determinable.

United Gulf Bank B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2013 (Unaudited)

5 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES ACCOUNTED FOR UNDER THE EQUITY METHOD

In June 2013, the Group has acquired 12.6% equity interest in FIMBank P.L.C. (the FIMBank) for US\$ 12,564 thousand. The Group has the ability to exercise significant influence on FIMBank through its representation on the board of directors of FIMBank. As a result of this acquisition, no bargain gain has been recorded on a provisional basis.

6 SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES ACCOUNTED FOR UNDER THE EQUITY METHOD - NET

	<i>Unaudited Six-month period ended 30 June</i>	
	<i>2013 US\$ 000</i>	<i>2012 US\$ 000</i>
Al Sharq Financial Brokerage Co.	51	(15)
Burgan Bank	16,891	21,780
KAMCO Energy Service Fund	-	(782)
Kuwait Private Equity Opportunities Fund	-	(117)
Manafae Investment Company	(379)	(360)
Meena Homes Real Estate Co.	24	-
North Africa Holding Company	249	(1,473)
Overland Real Estate Company	-	(12,819)
Royal Capital Company P.S.C.	(36)	641
Syria Gulf Bank	(1,949)	(77)
Takaud Savings and Pensions Company	(1,094)	(629)
United Capital Transport Company	950	1,753
United Industries Company	-	1,674
United Real Estate Company - Kuwait	3,952	11,984
	18,659	21,560

7 CASH AND CASH EQUIVALENTS

	<i>Unaudited 30 June 2013 US\$ 000</i>	<i>Audited 31 December 2012 US\$ 000</i>	<i>Unaudited 30 June 2012 US\$ 000</i>
Demand and call deposits with banks	18,241	15,682	30,958
Time deposits with original maturities of ninety days or less	72,243	66,711	73,192
	90,484	82,393	104,150

United Gulf Bank B.S.C.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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8 RELATED PARTY TRANSACTIONS

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

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

	<i>Unaudited Six-month period ended 30 June 2013</i>			<i>Unaudited Six-month period ended 30 June 2012</i>
	<i>Major shareholder</i>	<i>Associates</i>	<i>Other related parties</i>	<i>Total</i>
	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>
Gain (Loss) on investments carried at fair value through statement of income-net	-	-	301	301 (181)
Gain (loss) on sale of non-trading investments	-	-	(13)	(13) 14,206
Gain on sale of an associate	-	-	-	- 966
Fees and commissions	1,398	1,980	3,171	6,549 8,221
Dividend income	6	31	72	109 163
Interest income	-	43	343	386 423
Interest expense	(1,998)	(4,843)	(684)	(7,525) (7,703)
Others	3	47	(453)	(403) 5
Sales transactions				
Investments carried at fair value through statement of income	-	-	-	- 10,928
Non-trading investments	-	-	-	- 203,053
Investments in associated companies	-	-	-	- 17,878

United Gulf Bank B.S.C.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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8 RELATED PARTY TRANSACTIONS (continued)

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

	<i>Unaudited</i>			<i>Audited</i>		
	<i>30 June 2013</i>			<i>30 June 2012</i>		
	<i>Major shareholder</i>	<i>Associates</i>	<i>Other related parties</i>	<i>Total</i>	<i>31 December 2012</i>	<i>US\$ 000</i>
	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>
Demand and call deposits with banks	-	7,082	120	7,202	8,051	20,795
Placements with banks	-	25,000	10,085	35,085	34,022	55,916
Investments carried at fair value through statement of income	627	207	1,044	1,878	4,337	6,404
Investments carried at fair value through statement of income in funds managed by related party	-	-	10,969	10,969	11,075	10,960
Non-trading investments	-	-	41,222	41,222	6,630	3,496
Loans and receivables	-	32,668	1,636	34,304	4,620	5,570
Other assets	1,100	4,472	6,059	11,631	21,613	30,019
Due to banks and other financial institutions	-	(73,847)	(15,108)	(88,955)	(118,980)	(109,793)
Deposits from customers	(134)	(338)	(49,293)	(49,765)	(55,137)	(76,687)
Loans payable	-	(288,131)	-	(288,131)	(261,113)	(302,485)
Other liabilities	-	(418)	(1,892)	(2,310)	(4,734)	(5,950)
<i>Off statement of financial position items:</i>						
Letters of credit	-	-	-	-	14,602	20,685
Letters of guarantee	-	27,960	3,000	30,960	64,909	52,188
Funds managed or advised by the Group (including funds under management)	-	-	63,915	63,915	62,226	58,638

All related party exposures are performing and are free of any provision for possible credit losses.

United Gulf Bank B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2013 (Unaudited)

9 SEGMENTAL INFORMATION

Operating segments are reported in accordance with the internal reporting provided to the Chief Executive Officer (the chief operating decision-maker), who is responsible for allocating resources to the reportable segments and assessing their performance. All operating segments reported by the Group meet the definition of a reportable segment under IFRS 8.

For management purposes, the Group is organised into business units based on the nature of their operations and services. The Group has two reportable operating segments being 'asset management and investment banking' and 'commercial banking'.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Transactions between segments are generally recorded at estimated market rates.

Segmental results

Segmental results for the six-month period ended 30 June 2013 were as follows:

	<i>Unaudited</i>		
	<i>Asset management and investment banking</i> US\$ 000	<i>Commercial banking</i> US\$ 000	<i>Total</i> US\$ 000
Income from external customers	18,975	-	18,975
Share of results of associates and joint ventures accounted for under the equity method	3,717	14,942	18,659
Total income	22,692	14,942	37,634
Operating (loss) income before provisions	(4,874)	14,942	10,068
Impairment loss on investments	(1,330)	-	(1,330)
Write-back of doubtful loans, guarantees and other assets - net	1,689	-	1,689
Net (loss) profit for the period	(4,515)	14,942	10,427
Profit attributable to shareholders of the parent			9,664
Profit attributable to non-controlling interests			763
			10,427

United Gulf Bank B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2013 (Unaudited)

9 SEGMENTAL INFORMATION (continued)

Segmental results (continued)

Segmental results for the six-month period ended 30 June 2012 were as follows:

	<i>Unaudited</i>		
	<i>Asset management and investment banking</i> US\$ 000	<i>Commercial banking</i> US\$ 000	<i>Total</i> US\$ 000
Income from external customers	38,704	-	38,704
Share of results of associates and joint venture accounted for under the equity method	(143)	21,703	21,560
Total income	38,561	21,703	60,264
Operating income before provisions	(2,207)	21,703	19,496
Impairment loss on investments	(9,223)	-	(9,223)
Write-back of provision for doubtful loans, guarantees and other assets - net	12	-	12
Net (loss) profit for the period	(11,418)	21,703	10,285
Profit attributable to shareholders of the parent			16,454
Loss attributable to non-controlling interests			(6,169)
			10,285

Segmental assets and liabilities

Segmental assets and liabilities at 30 June 2013 were as follows:

	<i>Unaudited</i>		
	<i>Asset management and investment banking</i> US\$ 000	<i>Commercial banking</i> US\$ 000	<i>Total</i> US\$ 000
Investments in associates and joint ventures accounted for under the equity method	247,901	534,063	781,964
Segment assets	721,950	534,063	1,256,013
Segment liabilities	774,250	-	774,250

Segmental assets and liabilities at 31 December 2012 were as follows:

	<i>Audited</i>		
	<i>Asset management and investment banking</i> US\$ 000	<i>Commercial banking</i> US\$ 000	<i>Total</i> US\$ 000
Investments in associates and joint ventures accounted for under the equity method	297,195	502,119	799,314
Segment assets	723,458	502,119	1,225,577
Segment liabilities	747,395	-	747,395

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2013 (Unaudited)

10 COMMITMENTS, CONTINGENCIES AND OTHER OFF STATEMENT OF FINANCIAL POSITION ITEMS

Commitments

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

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

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

	<i>Unaudited</i> 30 June 2013 US\$ 000	<i>Audited</i> 31 December 2012 US\$ 000	<i>Unaudited</i> 30 June 2012 US\$ 000
Credit-related commitments:			
Letters of credit	-	14,602	21,327
Letters of guarantee	31,659	64,909	51,546
	31,659	79,511	72,873
Investment-related commitments			
	11,451	11,947	12,247
	43,110	91,458	85,120

All credit-related commitments mature within one year.

Investment-related commitments represent commitments for capital calls of fund structures. These commitments can be called during the investment period of the fund, which is normally between 1 to 5 years.

Funds under management

The Group holds assets amounting to US\$ 9,233 million (31 December 2012: US\$ 8,112 million) under its management on behalf of third parties. As these are third party funds managed in a fiduciary capacity, without risk or recourse to the Group, these are not included as assets in the interim consolidated statement of financial position.

11 DERIVATIVES

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

	<i>Unaudited</i> 30 June 2013 US\$ 000	<i>Audited</i> 31 December 2012 US\$ 000	<i>Unaudited</i> 30 June 2012 US\$ 000
<i>Derivatives held for trading:</i>			
Forward foreign exchange contracts *	408,581	341,448	297,149
<i>Derivatives used as hedge of net investments in foreign operations</i>			
Forward foreign exchange contracts	425,006	714,521	802,544
Cross currency swaps	741,638	749,518	405,057
<i>Derivatives used as cash flow hedges</i>			
Interest rate swap	175,000	175,000	100,000

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2013 (Unaudited)

11 DERIVATIVES (continued)

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

12 FINANCIAL INSTRUMENTS

Set out below is an overview of financial instruments, other than cash and cash equivalents, held by the Group as at 30 June 2013:

	<i>Loans and receivables</i> US\$ 000	<i>Available-for-sale</i> US\$ 000	<i>Fair value through profit or loss</i> US\$ 000	<i>Fair value through other comprehensive income</i> US\$ 000
Financial assets:				
Placements with banks	318	-	-	-
Investments carried at fair value through statement of income	-	-	53,538	-
Non-trading investments	-	198,080	-	-
Loans and receivables	33,941	-	-	-
Other assets	5,433	-	-	-
Investment properties	-	-	14,020	-
Derivative financial assets	-	-	4	7,434
Total	39,692	198,080	67,562	7,434
 Financial liabilities:				
Due to banks and other financial institutions	186,365	-	-	-
Deposits from customers	60,248	-	-	-
Loans payable	401,256	-	-	-
Subordinated debt	100,000	-	-	-
Other liabilities	26,381	-	-	-
Total	774,250	-	-	-

The fair values of financial instruments on statement of financial position are not significantly different from their carrying values included in the interim condensed consolidated financial statements except for non-trading investments of US\$ 54,026 thousand carried at cost (note 4) and the following:

	<i>Carrying value</i> US\$ 000	<i>Fair value</i> US\$ 000
Subordinated debt	100,000	72,818

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2013 (Unaudited)

12 FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable and willing parties in an arm's length transaction.

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

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

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy at 30 June 2013:

	Level 1 US\$ 000	Level 2 US\$ 000	Level 3 US\$ 000	Total US\$ 000
Investments carried at fair value through statement of income				
Quoted equities	29,572	-	-	29,572
Quoted managed funds	13,956	-	-	13,956
Unquoted managed funds	-	10,010	-	10,010
	43,528	10,010	-	53,538
Non-trading investments				
<i>Quoted securities</i>				
Equities	6,360	-	-	6,360
<i>Unquoted securities</i>				
Equities	4,289	6,112	37	10,438
Real estate managed funds	-	12,958	-	12,958
Other managed funds	65,027	27,505	19,879	112,411
Debt securities	-	-	1,887	1,887
	75,676	46,575	21,803	144,054
	119,204	56,585	21,803	197,592

Transfers between Level 1, Level 2 and Level 3

During the six-month period ended 30 June 2013 there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurement.