

GULF BANK K.S.C.P.
INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED)

30 JUNE 2022



**Building a better
working world**

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REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF GULF BANK K.S.C.P.

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Gulf Bank K.S.C.P. (the "Bank") as at 30 June 2022, and the related interim condensed statement of income, interim condensed statement of comprehensive income for the three months and six months periods then ended and the related interim condensed statement of cash flows and interim condensed statement of changes in equity for the six months period then ended. The management of the Bank is responsible for the preparation and presentation of this interim condensed financial information in accordance with the basis of presentation set out in Note 2. Our responsibility is to express a conclusion on this interim condensed financial information 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 condensed financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial information is not prepared, in all material respects, in accordance with the basis of presentation set out in Note 2.

Report on other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed financial information is in agreement with the books of account of the Bank. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended, or of the Bank's Memorandum of Incorporation and Articles of Association, as amended, during the six months period ended 30 June 2022 that might have had a material effect on the business of the Bank or on its financial position.

We further report that, during the course of our review, to the best of our knowledge and belief, we have not become aware of any material violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organization of banking business, and its related regulations, during the six months period ended 30 June 2022 that might have had a material effect on the business of the Bank or on its financial position.

ABDULKARIM AL SAMDAN
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EY
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27 July 2022
Kuwait

GULF BANK K.S.C.P.
Interim Condensed Statement of Income
(Unaudited)
PERIOD ENDED 30 JUNE 2022

	<i>Note</i>	<i>3 months ended</i>	<i>3 months ended</i>	<i>6 months ended</i>	<i>6 months ended</i>
		<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>
		<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
		<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
Interest income		52,549	45,973	99,205	91,229
Interest expense		19,069	13,283	33,500	25,931
Net interest income		33,480	32,690	65,705	65,298
Net fees and commissions		7,497	6,777	14,238	13,684
Net gains from dealing in foreign currencies and derivatives		2,461	2,083	4,830	3,965
Dividend income		224	65	224	65
Other income		152	113	337	235
Operating income		43,814	41,728	85,334	83,247
Staff expenses		14,020	11,023	26,680	23,255
Occupancy costs		602	657	1,213	1,331
Depreciation		1,726	1,756	3,427	3,446
Other expenses		5,120	6,247	9,937	12,107
Operating expenses		21,468	19,683	41,257	40,139
OPERATING PROFIT BEFORE PROVISIONS / IMPAIRMENT LOSSES		22,346	22,045	44,077	43,108
Charge of provisions:					
- specific		7,502	19,134	12,658	29,261
- general		3,365	794	4,245	875
Loan recoveries, net of write-off		(4,552)	(2,620)	(4,623)	(4,435)
Net provision on other financial assets		50	(42)	41	77
OPERATING PROFIT		15,981	4,779	31,756	17,330
Directors' remuneration		21	15	41	30
Contribution to Kuwait Foundation for the Advancement of Sciences		160	48	318	174
National Labour Support Tax		395	118	786	429
Zakat		160	48	318	174
PROFIT FOR THE PERIOD		15,245	4,550	30,293	16,523
BASIC AND DILUTED EARNINGS PER SHARE (Fils)	3	5	1	10	5

The attached notes 1 to 14 form part of the interim condensed financial information.

GULF BANK K.S.C.P.
Interim Condensed Statement of Comprehensive Income
(Unaudited)
PERIOD ENDED 30 JUNE 2022

	<i>3 months ended</i> <i>30 June</i> <i>2022</i> <i>KD 000's</i>	<i>3 months ended</i> <i>30 June</i> <i>2021</i> <i>KD 000's</i>	<i>6 months ended</i> <i>30 June</i> <i>2022</i> <i>KD 000's</i>	<i>6 months ended</i> <i>30 June</i> <i>2021</i> <i>KD 000's</i>
Profit for the period	15,245	4,550	30,293	16,523
Other comprehensive income				
<i>Items that will not be reclassified subsequently to interim condensed statement of income :</i>				
Net changes in fair value of investment securities-equity	(1,928)	1,440	(214)	981
Other comprehensive (loss) income for the period	<u>(1,928)</u>	<u>1,440</u>	<u>(214)</u>	<u>981</u>
Total comprehensive income for the period	<u><u>13,317</u></u>	<u><u>5,990</u></u>	<u><u>30,079</u></u>	<u><u>17,504</u></u>

The attached notes 1 to 14 form part of the interim condensed financial information.

GULF BANK K.S.C.P.
Interim Condensed Statement of Financial Position

		<i>(Unaudited)</i> 30 June 2022 KD 000's	<i>(Audited)</i> 31 December 2021 KD 000's	<i>(Unaudited)</i> 30 June 2021 KD 000's
ASSETS				
Cash and cash equivalents		1,027,727	942,495	1,100,716
Kuwait Government treasury bonds		48,000	74,000	91,000
Central Bank of Kuwait bonds		299,276	281,197	280,680
Deposits with banks and other financial institutions		57,983	124,642	-
Loans and advances to banks	4	300,581	278,451	232,444
Loans and advances to customers	4	4,880,972	4,558,086	4,285,666
Investment securities		111,247	141,941	152,791
Other assets	5	116,257	120,705	114,688
Premises and equipment		35,667	34,393	33,308
TOTAL ASSETS		6,877,710	6,555,910	6,291,293
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks		682,220	595,501	634,740
Deposits from financial institutions		598,662	673,169	603,614
Customer deposits		4,571,389	4,303,995	4,166,995
Other borrowed funds	6	245,670	215,000	150,000
Other liabilities		102,673	101,753	93,271
TOTAL LIABILITIES		6,200,614	5,889,418	5,648,620
EQUITY				
Share capital	7	320,053	304,813	304,813
Proposed bonus shares	8	-	15,240	-
Statutory reserve		46,562	46,562	42,135
Share premium		153,024	153,024	153,024
Property revaluation reserve		18,194	18,194	18,169
Fair valuation reserve		2,160	2,374	4,625
Retained earnings		153,245	144,442	138,064
Treasury shares	9	693,238 (16,142)	684,649 (18,157)	660,830 (18,157)
TOTAL EQUITY		677,096	666,492	642,673
TOTAL LIABILITIES AND EQUITY		6,877,710	6,555,910	6,291,293



Jassim Mustafa Boodai
(Chairman)



Antoine Daher
(Chief Executive Officer)

The attached notes 1 to 14 form part of the interim condensed financial information.

GULF BANK K.S.C.P.
Interim Condensed Statement of Cash Flows
(Unaudited)
PERIOD ENDED 30 JUNE 2022

	<i>Notes</i>	<i>6 months ended 30 June 2022 KD 000's</i>	<i>6 months ended 30 June 2021 KD 000's</i>
OPERATING ACTIVITIES			
Profit for the period		30,293	16,523
Adjustments:			
Dividend income		(224)	(65)
Depreciation		3,427	3,446
Loan loss provisions		16,903	30,136
Net provision on other financial assets		41	77
CASH FLOWS FROM OPERATING ACTIVITIES BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES		50,440	50,117
<i>Decrease/(increase) in operating assets:</i>			
Kuwait Government treasury bonds		26,000	17,500
Central Bank of Kuwait bonds		(18,079)	44
Deposits with banks and other financial institutions		66,653	3,033
Loans and advances to banks		(22,345)	(40,248)
Loans and advances to customers		(339,082)	(197,287)
Other assets		4,947	(16,142)
<i>Increase/(decrease) in operating liabilities:</i>			
Due to banks		86,719	84,197
Deposits from financial institutions		(74,507)	(101,723)
Customer deposits		267,394	133,276
Other liabilities		428	5,415
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		48,568	(61,818)
INVESTING ACTIVITIES			
Purchase of investment securities		(12,527)	(19,698)
Proceeds from sale/maturity of investment securities		42,473	41,138
Purchase of premises and equipment		(4,701)	(2,701)
Dividend income received		224	65
NET CASH FLOWS FROM INVESTING ACTIVITIES		25,469	18,804
FINANCING ACTIVITIES			
Net proceeds from other borrowed funds	6	30,670	50,000
Dividend paid	8	(21,078)	(15,056)
Proceeds from sale of treasury shares		1,603	2,861
NET CASH FLOWS FROM FINANCING ACTIVITIES		11,195	37,805
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		85,232	(5,209)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		942,495	1,105,925
CASH AND CASH EQUIVALENTS AT 30 JUNE		1,027,727	1,100,716
<i>Additional cash flows information</i>			
Interest received		102,993	92,905
Interest paid		29,422	28,422

The attached notes 1 to 14 form part of the interim condensed financial information.

GULF BANK K.S.C.P.
Interim Condensed Statement of Changes in Equity
(Unaudited)
PERIOD ENDED 30 JUNE 2022

	Share capital KD 000's	Proposed bonus shares KD 000's	RESERVES							Treasury shares KD 000's	Total KD 000's
			Statutory reserve KD 000's	Share premium KD 000's	Property revaluation reserve KD 000's	Fair valuation reserve KD 000's	Retained earnings KD 000's	Sub-total reserves KD 000's	Sub-total reserves KD 000's		
At 1 January 2021	304,813	-	42,135	153,024	18,169	3,686	140,073	357,087	(24,536)	637,364	
Profit for the period	-	-	-	-	-	-	16,523	16,523	-	16,523	
Other comprehensive income for the period	-	-	-	-	-	981	-	981	-	981	
Total comprehensive income for the period	-	-	-	-	-	981	16,523	17,504	-	17,504	
Dividend paid (Note 8)	-	-	-	-	-	-	(15,056)	(15,056)	-	(15,056)	
Realised gain on equity securities at FVOCI	-	-	-	-	-	(42)	42	-	-	-	
Sale of treasury shares	-	-	-	-	-	-	-	-	6,379	6,379	
Loss on sale of treasury shares	-	-	-	-	-	-	(3,518)	(3,518)	-	(3,518)	
At 30 June 2021	304,813	-	42,135	153,024	18,169	4,625	138,064	356,017	(18,157)	642,673	
At 1 January 2022	304,813	15,240	46,562	153,024	18,194	2,374	144,442	364,596	(18,157)	666,492	
Profit for the period	-	-	-	-	-	-	30,293	30,293	-	30,293	
Other comprehensive loss for the period	-	-	-	-	-	(214)	-	(214)	-	(214)	
Total comprehensive (loss) income for the period	-	-	-	-	-	(214)	30,293	30,079	-	30,079	
Dividend paid (Note 8)	-	-	-	-	-	-	(21,078)	(21,078)	-	(21,078)	
Issue of bonus shares (Note 8)	15,240	(15,240)	-	-	-	-	-	-	-	-	
Sale of treasury shares	-	-	-	-	-	-	-	-	2,015	2,015	
Loss on sale of treasury shares	-	-	-	-	-	-	(412)	(412)	-	(412)	
At 30 June 2022	320,053	-	46,562	153,024	18,194	2,160	153,245	373,185	(16,142)	677,096	

The attached notes I to 14 form part of the interim condensed financial information.

GULF BANK K.S.C.P.
Notes to the Interim Condensed Financial Information
(Unaudited)
30 June 2022

1. INCORPORATION AND REGISTRATION

Gulf Bank K.S.C.P. (the “Bank”) is a public shareholding company incorporated in Kuwait on 29 October 1960 and is registered as a bank with the Central Bank of Kuwait. The Bank’s shares are listed on Boursa Kuwait. Its registered office is at Mubarak Al Kabir Street, P.O. Box 3200, 13032 Safat, Kuwait City.

The interim condensed financial information of the Bank for the six months period ended 30 June 2022 was authorised by the Board of Directors for issue on 20 July 2022.

The principal activities of the Bank are described in Note 10.

2. BASIS OF PRESENTATION

This interim condensed financial information of the Bank has been prepared in accordance with International Accounting Standard (IAS) 34 “Interim Financial Reporting” except as noted below:

The annual financial statements for the year ended 31 December 2021 were prepared in accordance with the regulations for financial services institutions as issued by the Central Bank of Kuwait (CBK) in the State of Kuwait. These regulations, require banks and other financial institutions regulated by CBK to adopt the International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board (IASB) with the following amendments:

- Expected credit loss (“ECL”) on credit facilities to be measured at the higher of ECL computed under IFRS 9 in accordance to the CBK guidelines or the provisions as required by CBK instructions along with its consequent impact on related disclosures; and
- Recognition of modification losses on financial assets arising from payment holidays to customers as a result of COVID during the financial year ended 31 December 2020, as required by CBK circular No. 2/BS/IBS/461/2020. Modification losses referred to in the circular, should be recognized in retained earnings instead of income statement as would be required by IFRS 9. However, modification loss on financial assets arising from any other payment holidays to customers shall be recognized in income statement in accordance with IFRS 9. All modification losses incurred after the year ended 31 December 2020 are recognized in the income statement. The application of the policy will result in application of different accounting presentation for modification loss in 2020 compared to 2021.

The above framework is hereinafter referred to as “IFRS as adopted by CBK for use by the State of Kuwait”.

The accounting policies used in the preparation of the interim condensed financial information are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2021.

Amendments to IFRSs which are effective for annual accounting period starting from 1 January 2022 did not have any material impact on the accounting policies, financial position or performance of the Bank.

The interim condensed financial information does not contain all information and disclosures required for full financial statements prepared in accordance with IFRS, and should be read in conjunction with the Bank’s annual financial statements for the year ended 31 December 2021. Further, operating results for the six months period ended 30 June 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

This interim condensed financial information has been presented in Kuwaiti Dinars (“KD”) which is the Bank’s functional currency, rounded off to the nearest thousand (KD 000’s), except when otherwise indicated.

GULF BANK K.S.C.P.
Notes to the Interim Condensed Financial Information
(Unaudited)
30 June 2022

3. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share are based on the weighted average number of shares outstanding during the period, which is as follows:

	<i>3 months ended 30 June 2022 KD 000's</i>	<i>3 months ended 30 June 2021 KD 000's</i>	<i>6 months ended 30 June 2022 KD 000's</i>	<i>6 months ended 30 June 2021 KD 000's</i>
Profit for the period	<u>15,245</u>	<u>4,550</u>	<u>30,293</u>	<u>16,523</u>
	<u>Shares</u>	<u>Shares</u>	<u>Shares</u>	<u>Shares</u>
Weighted average number of shares outstanding during the period, net of treasury shares	<u>3,163,728,331</u>	<u>3,161,684,293</u>	<u>3,162,711,958</u>	<u>3,156,404,304</u>
Basic and diluted earnings per share (Fils)	<u>5</u>	<u>1</u>	<u>10</u>	<u>5</u>

Earnings per share calculations for the period ended 30 June 2021 have been adjusted to the account of the bonus shares issued on 14 April 2022 (Note 8).

4. LOANS AND ADVANCES TO BANKS AND CUSTOMERS

Loans and advances represent amounts paid to banks and customers.

	<i>(Unaudited) 30 June 2022 KD 000's</i>	<i>(Audited) 31 December 2021 KD 000's</i>	<i>(Unaudited) 30 June 2021 KD 000's</i>
Gross loans and advances to banks	<u>302,332</u>	<u>279,987</u>	<u>233,468</u>
Less: Provision for impairment	<u>(1,751)</u>	<u>(1,536)</u>	<u>(1,024)</u>
Loans and advances to banks	<u>300,581</u>	<u>278,451</u>	<u>232,444</u>
Gross loans and advances to customers	<u>5,164,108</u>	<u>4,838,328</u>	<u>4,565,213</u>
Less: Provision for impairment	<u>(283,136)</u>	<u>(280,242)</u>	<u>(279,547)</u>
Loans and advances to customers	<u>4,880,972</u>	<u>4,558,086</u>	<u>4,285,666</u>

Provision for non-cash facilities of **KD 19,055 thousand** (31 December 2021: KD 18,563 thousand and 30 June 2021: KD 17,517 thousand) is included under other liabilities.

The Bank has considered the potential impact of the uncertainties caused by the COVID-19 pandemic while estimating the ECL requirements for the period ended 30 June 2022.

GULF BANK K.S.C.P.
Notes to the Interim Condensed Financial Information
(Unaudited)
30 June 2022

4. LOANS AND ADVANCES TO BANKS AND CUSTOMERS (continued)

Comparison between total provisions and IFRS 9 ECL on credit facilities:

	<i>(Unaudited)</i> 30 June 2022 KD 000's	<i>(Audited)</i> 31 December 2021 KD 000's	<i>(Unaudited)</i> 30 June 2021 KD 000's
Provision on cash facilities	284,887	281,778	280,571
Provision on non-cash facilities	19,055	18,563	17,517
Total provisions on credit facilities	303,942	300,341	298,088
IFRS 9 ECL on credit facilities	189,967	188,631	191,373
Excess of total provisions over IFRS 9 ECL on credit facilities	113,975	111,710	106,715
Excess provisions as a percentage of total provisions	37%	37%	36%

An analysis of the carrying amounts of Credit Facilities, and the corresponding ECL based on the staging criteria under IFRS 9 in accordance to the CBK guidelines is as follows:

At 30 June 2022:

	<i>Stage 1</i> KD 000's	<i>Stage 2</i> KD 000's	<i>Stage 3</i> KD 000's	<i>Total</i> KD 000's
Loans and advances to banks and customers	5,149,354	257,832	59,254	5,466,440
Contingent liabilities and commitments (Note 12)	2,559,008	212,548	18,896	2,790,452
IFRS 9 ECL on credit facilities	43,571	86,530	59,866	189,967

At 31 December 2021:

	<i>Stage 1</i> KD 000's	<i>Stage 2</i> KD 000's	<i>Stage 3</i> KD 000's	<i>Total</i> KD 000's
Loans and advances to banks and customers	4,750,997	317,668	49,650	5,118,315
Contingent liabilities and commitments (Note 12)	2,187,642	197,847	19,341	2,404,830
IFRS 9 ECL on credit facilities	41,724	96,272	50,635	188,631

At 30 June 2021:

	<i>Stage 1</i> KD 000's	<i>Stage 2</i> KD 000's	<i>Stage 3</i> KD 000's	<i>Total</i> KD 000's
Loans and advances to banks and customers	4,460,169	268,498	70,014	4,798,681
Contingent liabilities and commitments (Note 12)	2,345,209	110,935	19,141	2,475,285
IFRS 9 ECL on credit facilities	41,781	73,733	75,859	191,373

GULF BANK K.S.C.P.
Notes to the Interim Condensed Financial Information
(Unaudited)
30 June 2022

4. LOANS AND ADVANCES TO BANKS AND CUSTOMERS (continued)

An analysis of the movement in the ECL in relation to credit facilities (cash and non-cash facilities) computed under IFRS 9 in accordance with the CBK guidelines:

At 30 June 2022:

	<i>Stage 1</i> <i>KD 000's</i>	<i>Stage 2</i> <i>KD 000's</i>	<i>Stage 3</i> <i>KD 000's</i>	<i>Total</i> <i>KD 000's</i>
ECL balance as at 1 January 2022	41,724	96,272	50,635	188,631
Impact due to transfer between stages	4,192	409	(4,601)	-
ECL (release)/charge for the period	(2,345)	(10,151)	27,899	15,403
ECL release on written off facilities	-	-	(14,067)	(14,067)
	<u>43,571</u>	<u>86,530</u>	<u>59,866</u>	<u>189,967</u>

At 30 June 2021:

	<i>Stage 1</i> <i>KD 000's</i>	<i>Stage 2</i> <i>KD 000's</i>	<i>Stage 3</i> <i>KD 000's</i>	<i>Total</i> <i>KD 000's</i>
ECL balance as at 1 January 2021	40,972	75,196	55,810	171,978
Impact due to transfer between stages	(388)	(842)	1,230	-
ECL charge/(release) for the period	1,197	(621)	34,488	35,064
ECL release on written off facilities	-	-	(15,669)	(15,669)
	<u>41,781</u>	<u>73,733</u>	<u>75,859</u>	<u>191,373</u>

5. OTHER ASSETS

	<i>(Unaudited)</i> <i>30 June</i> <i>2022</i> <i>KD 000's</i>	<i>(Audited)</i> <i>31 December</i> <i>2021</i> <i>KD 000's</i>	<i>(Unaudited)</i> <i>30 June</i> <i>2021</i> <i>KD 000's</i>
Accrued interest receivable	12,367	16,155	12,804
Sundry debtors and others	18,374	19,034	16,368
Government Grant receivable	26,084	26,084	26,084
Repossessed collaterals (refer movement below)	59,432	59,432	59,432
	<u>116,257</u>	<u>120,705</u>	<u>114,688</u>

Movement in repossessed collaterals:

	<i>(Unaudited)</i> <i>30 June</i> <i>2022</i> <i>KD 000's</i>	<i>(Audited)</i> <i>31 December</i> <i>2021</i> <i>KD 000's</i>	<i>(Unaudited)</i> <i>30 June</i> <i>2021</i> <i>KD 000's</i>
Beginning balance	59,432	60,238	60,238
Disposals	-	(806)	(806)
Closing balance	<u>59,432</u>	<u>59,432</u>	<u>59,432</u>

The fair value of the real estate properties was determined by approved valuers based on the market comparable approach (Level 3); and not materially different from their carrying values.

GULF BANK K.S.C.P.
Notes to the Interim Condensed Financial Information
(Unaudited)
30 June 2022

6. OTHER BORROWED FUNDS

	<i>Effective interest rate</i>	<i>(Unaudited) 30 June 2022 KD 000's</i>	<i>(Audited) 31 December 2021 KD 000's</i>	<i>(Unaudited) 30 June 2021 KD 000's</i>
Subordinated Tier 2 bonds- KWD 2031 (Fixed tranche)	4.00%	25,000	25,000	25,000
Subordinated Tier 2 bonds- KWD 2031 (Floating tranche capped at 5%)	CBK+2.25%	25,000	25,000	25,000
Medium term borrowings-Floating	2.87% to 3.45%	195,670	165,000	100,000
		<u>245,670</u>	<u>215,000</u>	<u>150,000</u>

7. SHARE CAPITAL

	<i>(Unaudited) 30 June 2022 KD 000's</i>	<i>(Audited) 31 December 2021 KD 000's</i>	<i>(Unaudited) 30 June 2021 KD 000's</i>
Authorised, issued and fully paid up 3,200,534,293 (31 December 2021: 3,048,127,898 and 30 June 2021: 3,048,127,898) shares of 100 fils	<u>320,053</u>	<u>304,813</u>	<u>304,813</u>

8. DIVIDEND

The shareholders at the Annual General Meeting (AGM) held on 22 March 2022 approved a cash dividend of **7 fils per share** (2020: 5 fils per share) and bonus shares of 5% amounting to **KD 15,240 thousand** (2020: KD Nil) for the year ended 31 December 2021. The cash dividend was recorded and paid subsequently. The bonus shares was distributed on 14 April 2022.

9. TREASURY SHARES

	<i>(Unaudited) 30 June 2022</i>	<i>(Audited) 31 December 2021</i>	<i>(Unaudited) 30 June 2021</i>
Number of treasury shares	34,539,604	37,000,000	37,000,000
Percentage of treasury shares	<u>1.08%</u>	<u>1.21%</u>	<u>1.21%</u>
Cost of treasury shares (KD 000's)	<u>16,142</u>	<u>18,157</u>	<u>18,157</u>
Weighted average market value of treasury shares (KD 000's)	<u>10,984</u>	<u>8,695</u>	<u>8,251</u>

An amount equivalent to the cost of the treasury shares have been earmarked as non-distributable from statutory reserve, share premium and retained earnings through out the holding period of treasury shares.

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10. SEGMENTAL ANALYSIS

By Business Unit

Commercial Banking	Acceptance of deposits from individuals, corporate and institutional customers and providing consumer loans, overdrafts, credit card facilities and funds transfer facilities to individuals; and other credit facilities to corporate and institutional customers.
Treasury & Investments	Providing money market, trading and treasury services, as well as the management of the Bank's funding operations by use of Kuwait Government treasury bonds, government securities, placements and acceptances with other banks. The proprietary investments of the Bank are managed by the Investments unit.

Segmental information for the six months period ended 30 June is as follows:

	Commercial Banking		Treasury & Investments		Total	
	2022 KD 000's	2021 KD 000's	2022 KD 000's	2021 KD 000's	2022 KD 000's	2021 KD 000's
Operating income (excluding unallocated income provided below)	<u>73,598</u>	<u>69,221</u>	<u>2,471</u>	<u>6,393</u>	<u>76,069</u>	<u>75,614</u>
Segment result	<u>44,919</u>	<u>29,953</u>	<u>1,467</u>	<u>5,630</u>	<u>46,386</u>	<u>35,583</u>
Unallocated income					<u>9,265</u>	<u>7,633</u>
Unallocated expense					<u>(25,358)</u>	<u>(26,693)</u>
Profit for the period					<u><u>30,293</u></u>	<u><u>16,523</u></u>
Segment assets	<u>5,320,143</u>	<u>4,616,818</u>	<u>1,465,074</u>	<u>1,585,910</u>	<u>6,785,217</u>	<u>6,202,728</u>
Unallocated assets					<u>92,493</u>	<u>88,565</u>
Total Assets					<u><u>6,877,710</u></u>	<u><u>6,291,293</u></u>
Segment liabilities	<u>3,333,184</u>	<u>3,319,714</u>	<u>2,691,898</u>	<u>2,177,235</u>	<u>6,025,082</u>	<u>5,496,949</u>
Unallocated liabilities and equity					<u>852,628</u>	<u>794,344</u>
Total Liabilities and Equity					<u><u>6,877,710</u></u>	<u><u>6,291,293</u></u>

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11. RELATED PARTY TRANSACTIONS

Certain related parties (major shareholder, Board members and executive management of the Bank, their families and companies of which they are principal owners) were customers of the Bank in the ordinary course of business. The terms of these transactions were approved as per the Bank's policies.

The transaction and balances included in the interim condensed statement of income and interim condensed financial information are as follows:

	<i>Number of Board Members or executive management</i>		<i>Number of related parties</i>		<i>KD 000's</i>	
	<i>30 June 2022</i>	<i>30 June 2021</i>	<i>(Audited) 31 December 2021</i>	<i>(Audited) 30 June 2021</i>	<i>30 June 2022</i>	<i>31 December 2021</i>
Board members:						
Balances						
Loans and advances	1	1	6	10	159,017	163,558
Credit cards	2	2	6	4	15	34
Deposits	8	8	73	74	49,504	72,124
Commitments/derivatives						
Guarantees / letters of credit	-	-	11	10	7,868	7,898
Transactions						
Interest income	1	1	14	15	2,156	4,147
Interest expense	4	4	14	13	280	374
Net fees and commissions	-	-	12	12	50	100
Other expenses	-	-	10	13	625	1,257
Purchase of equipment	-	-	2	3	154	162
Executive management:						
Balances						
Loans and advances	6	4	-	-	1,139	207
Credit cards	11	14	-	-	19	20
Deposits	15	15	-	-	3,759	2,631
Transactions						
Interest income	6	5	-	-	15	9
Interest expense	16	16	-	-	26	22

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11. RELATED PARTY TRANSACTIONS (continued)

The loans issued to Board members and executive management are repayable within CBK regulatory limits and have interest rates of 3.25% to 6.25% (2021: 2% to 5.5%) per annum. Some of the loans advanced to Board members and their related parties are collateralised. The fair value of these collaterals as of 30 June 2022 was **KD 66,178 thousand** (31 December 2021: KD 109,687 thousand and 30 June 2021: KD 106,694 thousand).

Compensation for key management, including executive management, comprises the following:

	<i>6 months ended 30 June 2022 KD 000's</i>	<i>6 months ended 30 June 2021 KD 000's</i>
Salaries and other benefits	2,409	2,024
End of service/termination benefits	247	78
	<u>2,656</u>	<u>2,102</u>

12. CONTINGENT LIABILITIES AND COMMITMENTS

	<i>(Unaudited) 30 June 2022 KD 000's</i>	<i>(Audited) 31 December 2021 KD 000's</i>	<i>(Unaudited) 30 June 2021 KD 000's</i>
Guarantees	1,207,590	1,177,918	1,157,832
Letters of credit and acceptances	392,330	285,744	242,346
Undrawn irrevocable commitments	19,535	17,542	39,052
Undrawn revocable commitments	1,170,997	923,626	1,036,055
	<u>2,790,452</u>	<u>2,404,830</u>	<u>2,475,285</u>

The contractual terms entitle the Bank to withdraw undrawn revocable facilities at any time.

13. DERIVATIVES

In the ordinary course of business the Bank enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price of one or more underlying financial instruments, reference rate or index.

The table below shows the positive and negative fair value of derivative financial instruments, together with the notional amounts analysed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured.

The notional amounts indicate the volume of transactions outstanding at the period end and are not indicative of either market or credit risk. All derivative contracts are fair valued based on observable market data.

At 30 June 2022:	<i>Positive fair value KD 000's</i>	<i>Negative fair value KD 000's</i>	<i>Notional amount total KD 000's</i>	<i>Notional amounts by term to maturity</i>	
				<i>Within 3 months KD 000's</i>	<i>3-12 months KD 000's</i>
Derivatives instruments held as:					
Trading (and non qualifying hedges)					
Forward foreign exchange contracts	155	(129)	80,226	69,255	10,971

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13. DERIVATIVES (continued)

At 31 December 2021:	<i>Positive fair value KD 000's</i>	<i>Notional Negative fair value KD 000's</i>	<i>Notional amount total KD 000's</i>	<i>Notional amounts by term to maturity</i>	
				<i>Within 3 months KD 000's</i>	<i>3-12 months KD 000's</i>
Derivatives instruments held as:					
Trading (and non qualifying hedges)					
Forward foreign exchange contracts	7	(4)	6,851	-	6,851

At 30 June 2021:	<i>Positive fair value KD 000's</i>	<i>Negative fair value KD 000's</i>	<i>Notional amount total KD 000's</i>	<i>Notional amounts by term to maturity</i>	
				<i>Within 3 months KD 000's</i>	<i>3-12 months KD 000's</i>
Derivatives instruments held as:					
Trading (and non qualifying hedges)					
Forward foreign exchange contracts	12	(9)	5,751	1,827	3,924

14. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of all financial instruments are not materially different from their carrying values. For financial assets and financial liabilities that are liquid or having a short-term maturity (less than three months), the carrying amounts approximate to their fair value and this applies to demand deposits, savings accounts without a specific maturity and variable rate financial instruments.

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

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

At 30 June 2022:

	<i>Level 1 KD '000</i>	<i>Level 2 KD '000</i>	<i>Level 3 KD '000</i>	<i>Total KD '000</i>
<i>Financial assets at FVOCI:</i>				
Equity securities	10,848	688	23,151	34,687
Debt securities	-	201	-	201
	<u>10,848</u>	<u>889</u>	<u>23,151</u>	<u>34,888</u>

The amortized cost and fair value of investment securities at amortised cost as at 30 June 2022 were **KD 76,359 thousand** (31 December 2021: KD 104,056 thousand; 30 June 2021: KD 113,586 thousand) and **KD 75,896 thousand** (Level 1) (31 December 2021: KD 105,235 thousand; 30 June 2021: KD 112,957 thousand) and **KD Nil** (Level 2) (31 December 2021: KD Nil; 30 June 2021: KD 3,000 thousand) respectively.

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14. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

At 31 December 2021:

	<i>Level 1</i> <i>KD '000</i>	<i>Level 2</i> <i>KD '000</i>	<i>Level 3</i> <i>KD '000</i>	<i>Total</i> <i>KD '000</i>
<i>Financial assets at FVOCI:</i>				
Equity securities	11,038	686	23,146	34,870
Debt securities	-	3,015	-	3,015
	<u>11,038</u>	<u>3,701</u>	<u>23,146</u>	<u>37,885</u>

At 30 June 2021:

	<i>Level 1</i> <i>KD '000</i>	<i>Level 2</i> <i>KD '000</i>	<i>Level 3</i> <i>KD '000</i>	<i>Total</i> <i>KD '000</i>
<i>Financial assets at FVOCI:</i>				
Equity securities	13,001	598	25,405	39,004
Debt securities	-	201	-	201
	<u>13,001</u>	<u>799</u>	<u>25,405</u>	<u>39,205</u>

The following table analyses the movement in level 3 of financial assets:

	At 1 January KD 000's	Change in fair value KD 000's	Additions KD 000's	Exchange rate movements KD 000's	At 30 June KD 000's
<i>Financial assets at FVOCI:</i>					
Equity securities					
2022	23,146	-	-	5	23,151
2021	25,415	2	-	(12)	25,405

The fair value of the above investment securities classified under Level 1, Level 2 and Level 3 is categorised as per the policy on fair value measurement in note to the annual financial statements. During the period, there were no transfers between any of the fair value hierarchy levels.

The positive and negative fair values of forward foreign exchange contracts are valued using significant inputs of observable market data (Level 2). Refer Note 13.

Other financial assets and liabilities are carried at amortized cost and the carrying values are not materially different from their fair values as most of these assets and liabilities are of short term maturities or are repriced immediately based on market movement in interest rates.