

**GULF BANK K.S.C.P.**

**INTERIM CONDENSED FINANCIAL INFORMATION  
(UNAUDITED)**

**31 MARCH 2023**



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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 31 March 2023, and the related interim condensed statement of income, interim condensed statement of comprehensive income, interim condensed statement of cash flows and interim condensed statement of changes in equity for the three 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 three months period ended 31 March 2023 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 three months period ended 31 March 2023 that might have had a material effect on the business of the Bank or on its financial position.

ABDULKARIM AL SAMDAN  
LICENCE NO. 208 A  
EY  
AL AIBAN, AL OSAIMI & PARTNERS

TALAL YOUSEF AL-MUZAINI  
LICENCE NO. 209 A  
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AL-WAZZAN & CO.

26 April 2023  
Kuwait

**GULF BANK K.S.C.P.**  
**Interim Condensed Statement of Income**  
**(Unaudited)**

PERIOD ENDED 31 MARCH 2023

	<i>Note</i>	<i>3 months ended 31 March 2023 KD 000's</i>	<i>3 months ended 31 March 2022 KD 000's</i>
Interest income		85,575	46,656
Interest expense		50,765	14,431
<b>Net interest income</b>		<b>34,810</b>	<b>32,225</b>
Net fees and commissions		7,649	6,741
Net gains from dealing in foreign currencies and derivatives		2,626	2,369
Dividend income		211	-
Other income		1,083	185
<b>Operating income</b>		<b>46,379</b>	<b>41,520</b>
Staff expenses		13,484	12,660
Occupancy costs		701	611
Depreciation		1,744	1,701
Other expenses		5,473	4,817
<b>Operating expenses</b>		<b>21,402</b>	<b>19,789</b>
<b>OPERATING PROFIT BEFORE PROVISIONS / IMPAIRMENT LOSSES</b>		<b>24,977</b>	<b>21,731</b>
Charge (release) of provisions:			
- specific		14,193	5,156
- general		(277)	880
Loan recoveries, net of write-off		(7,037)	(71)
Net provision on other financial assets		(50)	(9)
<b>OPERATING PROFIT</b>		<b>18,148</b>	<b>15,775</b>
Directors' remuneration		30	20
Contribution to Kuwait Foundation for the Advancement of Sciences		182	158
National Labour Support Tax		450	391
Zakat		182	158
<b>PROFIT FOR THE PERIOD</b>		<b>17,304</b>	<b>15,048</b>
<b>BASIC AND DILUTED EARNINGS PER SHARE (Fils)</b>	<b>3</b>	<b>5</b>	<b>5</b>

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 31 MARCH 2023

	<i>3 months ended</i> <i>31 March</i> <i>2023</i> <i>KD 000's</i>	<i>3 months ended</i> <i>31 March</i> <i>2022</i> <i>KD 000's</i>
<b>Profit for the period</b>	<b>17,304</b>	<b>15,048</b>
<b>Other comprehensive income</b>		
<i>Items that will not to be reclassified subsequently to interim condensed statement of income:</i>		
Net changes in fair value of investment securities-equity	(487)	1,714
<b>Other comprehensive (loss) income for the period</b>	<b>(487)</b>	<b>1,714</b>
<b>Total comprehensive income for the period</b>	<b>16,817</b>	<b>16,762</b>

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**

		(Unaudited) 31 March 2023 KD 000's	(Audited) 31 December 2022 KD 000's	(Unaudited) 31 March 2022 KD 000's
	Notes			
<b>ASSETS</b>				
Cash and cash equivalents		1,047,293	929,888	1,025,761
Kuwait Government treasury bonds		22,000	22,000	48,000
Central Bank of Kuwait bonds		342,885	337,703	281,800
Deposits with banks and other financial institutions		56,160	131,222	-
Loans and advances to banks	4	268,941	262,786	290,436
Loans and advances to customers	4	4,840,006	4,865,894	4,561,381
Investment securities		92,212	128,935	128,558
Other assets	5	112,250	134,392	122,140
Premises and equipment		38,985	38,660	34,545
<b>TOTAL ASSETS</b>		<b>6,820,732</b>	<b>6,851,480</b>	<b>6,492,621</b>
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
Due to banks		322,078	489,651	602,127
Deposits from financial institutions		907,535	774,611	609,557
Customer deposits		4,190,604	4,246,837	4,255,299
Other borrowed funds	6	539,322	493,926	245,390
Other liabilities		156,358	126,432	118,072
<b>TOTAL LIABILITIES</b>		<b>6,115,897</b>	<b>6,131,457</b>	<b>5,830,445</b>
<b>EQUITY</b>				
Share capital	7	320,053	320,053	304,813
Proposed bonus shares	8	16,003	16,003	15,241
Statutory reserve		53,052	53,052	46,562
Share premium		153,024	153,024	153,024
Property revaluation reserve		18,154	18,154	18,194
Fair valuation reserve		1,062	1,549	4,088
Retained earnings		143,487	158,188	138,411
		<b>704,835</b>	<b>720,023</b>	<b>680,333</b>
Treasury shares	9	-	-	(18,157)
<b>TOTAL EQUITY</b>		<b>704,835</b>	<b>720,023</b>	<b>662,176</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>6,820,732</b>	<b>6,851,480</b>	<b>6,492,621</b>

  
**Jassim Mustafa Boodai**  
*(Chairman)*

  
**Waleed Mandani**  
*(Acting 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 31 MARCH 2023**

	<i>Note</i>	<b>3 months ended 31 March 2023 KD 000's</b>	<b>3 months ended 31 March 2022 KD 000's</b>
<b>OPERATING ACTIVITIES</b>			
Profit for the period		17,304	15,048
Adjustments:			
Dividend income		(211)	-
Depreciation		1,744	1,701
Loan loss provisions		13,916	6,036
Net provision on other financial assets		(50)	(9)
<b>CASH FLOWS FROM OPERATING ACTIVITIES BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES</b>		<b>32,703</b>	<b>22,776</b>
<i>(Increase)/decrease in operating assets:</i>			
Kuwait Government treasury bonds		-	26,000
Central Bank of Kuwait bonds		(5,182)	(603)
Deposits with banks and other financial institutions		75,098	124,645
Loans and advances to banks		(6,217)	(12,154)
Loans and advances to customers		11,532	(8,957)
Other assets		21,802	(1,517)
<i>(Decrease)/increase in operating liabilities:</i>			
Due to banks		(167,573)	6,626
Deposits from financial institutions		132,924	(63,612)
Customer deposits		(56,233)	(48,696)
Other liabilities		(1,577)	(4,964)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>37,277</b>	<b>39,544</b>
<b>INVESTING ACTIVITIES</b>			
Proceeds from sale/maturity of investment securities		36,801	15,185
Purchase of premises and equipment		(2,069)	(1,853)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>34,732</b>	<b>13,332</b>
<b>FINANCING ACTIVITIES</b>			
Net proceeds from other borrowed funds	6	45,396	30,390
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>45,396</b>	<b>30,390</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>117,405</b>	<b>83,266</b>
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>		<b>929,888</b>	<b>942,495</b>
<b>CASH AND CASH EQUIVALENTS AT 31 MARCH</b>		<b>1,047,293</b>	<b>1,025,761</b>
<b>Additional cash flows information</b>			
Interest received		82,415	45,537
Interest paid		42,580	14,683

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 31 MARCH 2023

	RESERVES									
	Share capital KD 000's	Proposed bonus shares 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	Subtotal reserves KD 000's	Treasury shares KD 000's	Total KD 000's
At 1 January 2022	304,813	15,241	46,562	153,024	18,194	2,374	144,441	364,595	(18,157)	666,492
Profit for the period	-	-	-	-	-	-	15,048	15,048	-	15,048
Other comprehensive income for the period	-	-	-	-	-	1,714	-	1,714	-	1,714
Total comprehensive income for the period	-	-	-	-	-	1,714	15,048	16,762	-	16,762
Dividend (Note 8)	-	-	-	-	-	-	(21,078)	(21,078)	-	(21,078)
At 31 March 2022	304,813	15,241	46,562	153,024	18,194	4,088	138,411	360,279	(18,157)	662,176
At 1 January 2023	320,053	16,003	53,052	153,024	18,154	1,549	158,188	383,967	-	720,023
Profit for the period	-	-	-	-	-	-	17,304	17,304	-	17,304
Other comprehensive loss for the period	-	-	-	-	-	(487)	-	(487)	-	(487)
Total comprehensive (loss) income for the period	-	-	-	-	-	(487)	17,304	16,817	-	16,817
Dividend (Note 8)	-	-	-	-	-	-	(32,005)	(32,005)	-	(32,005)
At 31 March 2023	320,053	16,003	53,052	153,024	18,154	1,062	143,487	368,779	-	704,835

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

**GULF BANK K.S.C.P.**  
**Notes to the Interim Condensed Financial Information**  
**(Unaudited)**  
31 March 2023

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**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 three months period ended 31 March 2023 was authorised by the Board of Directors for issue on 12 April 2023.

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 2022 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
- Modification losses on financial assets, arising from payment holidays to customers extended during the financial year ended 31 December 2020 as a result of Covid-19, to be recognised in retained earnings as required by the CBK circular no. 2/BS/IBS/461/2020 instead of income statement in accordance with IFRS 9. However, modification losses on financial assets, arising from any other payment holidays to customers including payment holidays extended during the year ended 31 December 2021 in response to Covid-19 has been recognised in the income statement.

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 2022.

Amendments to IFRSs which are effective for annual accounting period starting from 1 January 2023 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 2022. Further, operating results for the three months period ended 31 March 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

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)**  
31 March 2023

**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 31 March 2023 KD 000's</i>	<i>3 months ended 31 March 2022 KD 000's</i>
Profit for the period	<b>17,304</b>	15,048
	<u>Shares</u>	<u>Shares</u>
Weighted average number of shares outstanding during the period, net of treasury shares	<b>3,360,561,006</b>	3,319,768,506
Basic and diluted earnings per share (Fils)	<b>5</b>	5

Earnings per share calculations for the period ended 31 March 2022 have been adjusted to the account of the bonus shares, which will be issued on 13 April 2023 (Note 8).

**4. LOANS AND ADVANCES TO BANKS AND CUSTOMERS**

Loans and advances represent amounts paid to banks and customers.

	<i>(Unaudited) 31 March 2023 KD 000's</i>	<i>(Audited) 31 December 2022 KD 000's</i>	<i>(Unaudited) 31 March 2022 KD 000's</i>
Gross loans and advances to banks	<b>271,193</b>	264,976	292,141
Less: Provision for impairment	<b>(2,252)</b>	(2,190)	(1,705)
Loans and advances to banks	<b>268,941</b>	262,786	290,436
Gross loans and advances to customers	<b>5,122,354</b>	5,157,745	4,836,696
Less: Provision for impairment	<b>(282,348)</b>	(291,851)	(275,315)
Loans and advances to customers	<b>4,840,006</b>	4,865,894	4,561,381

Provision for non-cash facilities of **KD 18,878 thousand** (31 December 2022: KD 19,380 thousand and 31 March 2022: KD 18,768 thousand) is included under other liabilities.



**GULF BANK K.S.C.P.**  
**Notes to the Interim Condensed Financial Information**  
**(Unaudited)**  
31 March 2023

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

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

	<i>(Unaudited)</i> <b>31 March</b> <b>2023</b> <b>KD 000's</b>	<i>(Audited)</i> <b>31 December</b> <b>2022</b> <b>KD 000's</b>	<i>(Unaudited)</i> <b>31 March</b> <b>2022</b> <b>KD 000's</b>
Provision on cash facilities	<b>284,600</b>	294,041	277,020
Provision on non-cash facilities	<b>18,878</b>	19,380	18,768
<b>Total provisions on credit facilities</b>	<b><u>303,478</u></b>	<u>313,421</u>	<u>295,788</u>
IFRS 9 ECL on credit facilities	<b>164,238</b>	189,748	180,224
Excess of total provisions over IFRS 9 ECL on credit facilities	<b>139,240</b>	123,673	115,564
Excess provisions as a percentage of total provisions	<b>46%</b>	39%	39%

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 31 March 2023:**

	<i>Stage 1</i> <b>KD 000's</b>	<i>Stage 2</i> <b>KD 000's</b>	<i>Stage 3</i> <b>KD 000's</b>	<i>Total</i> <b>KD 000's</b>
Loans and advances to banks and customers	<b>5,093,476</b>	<b>256,548</b>	<b>43,523</b>	<b>5,393,547</b>
Contingent liabilities and commitments (Note 12)	<b>2,348,347</b>	<b>206,731</b>	<b>19,234</b>	<b>2,574,312</b>
IFRS 9 ECL on credit facilities	<b>36,197</b>	<b>75,123</b>	<b>52,918</b>	<b>164,238</b>

**At 31 December 2022:**

	<i>Stage 1</i> <b>KD 000's</b>	<i>Stage 2</i> <b>KD 000's</b>	<i>Stage 3</i> <b>KD 000's</b>	<i>Total</i> <b>KD 000's</b>
Loans and advances to banks and customers	5,085,594	274,356	62,771	5,422,721
Contingent liabilities and commitments (Note 12)	2,411,911	242,188	19,389	2,673,488
IFRS 9 ECL on credit facilities	38,179	78,970	72,599	189,748

**At 31 March 2022:**

	<i>Stage 1</i> <b>KD 000's</b>	<i>Stage 2</i> <b>KD 000's</b>	<i>Stage 3</i> <b>KD 000's</b>	<i>Total</i> <b>KD 000's</b>
Loans and advances to banks and customers	4,844,884	231,624	52,329	5,128,837
Contingent liabilities and commitments (Note 12)	2,283,254	247,452	18,955	2,549,661
IFRS 9 ECL on credit facilities	41,236	84,726	54,262	180,224



# GULF BANK K.S.C.P.

## Notes to the Interim Condensed Financial Information

(Unaudited)

31 March 2023

### 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 31 March 2023:

	<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 2023	38,179	78,970	72,599	189,748
Impact due to transfer between stages	4,469	2,426	(6,895)	-
ECL (release) charge for the period	(6,451)	(6,273)	11,073	(1,651)
ECL release on written off facilities	-	-	(23,859)	(23,859)
ECL balance as at 31 March 2023	36,197	75,123	52,918	164,238

At 31 March 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	2,216	(667)	(1,549)	-
ECL (release) charge for the period	(2,704)	(10,879)	16,289	2,706
ECL release on written off facilities	-	-	(11,113)	(11,113)
ECL balance as at 31 March 2022	41,236	84,726	54,262	180,224

### 5. OTHER ASSETS

	<i>(Unaudited)</i> <i>31 March</i> <i>2023</i> <i>KD 000's</i>	<i>(Audited)</i> <i>31 December</i> <i>2022</i> <i>KD 000's</i>	<i>(Unaudited)</i> <i>31 March</i> <i>2022</i> <i>KD 000's</i>
Accrued interest receivable	29,149	25,989	17,274
Sundry debtors and others	14,437	13,655	19,350
Government Grant receivable	-	26,084	26,084
Reposessed collaterals (refer movement below)	68,664	68,664	59,432
	112,250	134,392	122,140

*Movement in reposessed collaterals:*

	<i>(Unaudited)</i> <i>31 March</i> <i>2023</i> <i>KD 000's</i>	<i>(Audited)</i> <i>31 December</i> <i>2022</i> <i>KD 000's</i>	<i>(Unaudited)</i> <i>31 March</i> <i>2022</i> <i>KD 000's</i>
Beginning balance	68,664	59,432	59,432
Additions	-	9,232	-
Closing balance	68,664	68,664	59,432

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)**  
31 March 2023

**6. OTHER BORROWED FUNDS**

		<i>(Unaudited)</i> <b>31 March</b> <b>2023</b> <b>KD 000's</b>	<i>(Audited)</i> <b>31 December</b> <b>2022</b> <b>KD 000's</b>	<i>(Unaudited)</i> <b>31 March</b> <b>2022</b> <b>KD 000's</b>
	<i>Effective interest rate</i>			
Subordinated Tier 2 bonds- KWD 2031 (Fixed tranche)	4.00%	<b>25,000</b>	25,000	25,000
Subordinated Tier 2 bonds- KWD 2031 (Floating tranche capped at 5%)	CBK+2.25%	<b>25,000</b>	25,000	25,000
Medium term borrowings-Floating	4.13% to 5.95%	<b>489,322</b>	443,926	195,390
		<b>539,322</b>	493,926	245,390

**7. SHARE CAPITAL**

	<i>(Unaudited)</i> <b>31 March</b> <b>2023</b> <b>KD 000's</b>	<i>(Audited)</i> <b>31 December</b> <b>2022</b> <b>KD 000's</b>	<i>(Unaudited)</i> <b>31 March</b> <b>2022</b> <b>KD 000's</b>
Authorised, issued and fully paid up 3,200,534,292 (31 December 2022: 3,200,534,292 and 31 March 2022: 3,048,127,898) shares of 100 fils	<b>320,053</b>	320,053	304,813

**8. DIVIDEND**

The shareholders at the Annual General Meeting (AGM) held on 18 March 2023 approved a cash dividend of **10 fils** per share (2021: 7 fils per share) and bonus shares of 5% amounting to **KD 16,003 thousand** (2021: KD 15,241 thousand) for the year ended 31 December 2022. The cash dividend amounting to **KD 32,005 thousand** was recorded in other liabilities and will be paid subsequently. The bonus shares would be distributed on 13 April 2023.

**9. TREASURY SHARES**

	<i>(Unaudited)</i> <b>31 March</b> <b>2023</b>	<i>(Audited)</i> <b>31 December</b> <b>2022</b>	<i>(Unaudited)</i> <b>31 March</b> <b>2022</b>
Number of treasury shares	-	-	37,000,000
Percentage of treasury shares	<b>0.00%</b>	0.00%	1.21%
Cost of treasury shares (KD 000's)	-	-	18,157
Weighted average market value of treasury shares (KD 000's)	-	-	11,285



**GULF BANK K.S.C.P.**  
**Notes to the Interim Condensed Financial Information**  
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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 three months period ended 31 March is as follows:

	<b>Commercial Banking</b>		<b>Treasury &amp; Investments</b>		<b>Total</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>KD 000's</b>	<b>KD 000's</b>	<b>KD 000's</b>	<b>KD 000's</b>	<b>KD 000's</b>	<b>KD 000's</b>
Operating income (excluding unallocated income provided below)	<b>36,234</b>	36,541	<b>(634)</b>	1,072	<b>35,600</b>	37,613
Segment result	<b>20,771</b>	22,893	<b>(1,066)</b>	615	<b>19,705</b>	23,508
Unallocated income					<b>10,779</b>	3,907
Unallocated expense					<b>(13,180)</b>	(12,367)
<b>Profit for the period</b>					<b>17,304</b>	15,048
Segment assets	<b>5,228,267</b>	4,954,726	<b>1,509,893</b>	1,440,641	<b>6,738,160</b>	6,395,367
Unallocated assets					<b>82,572</b>	97,254
<b>Total Assets</b>					<b>6,820,732</b>	6,492,621
Segment liabilities	<b>3,221,054</b>	3,334,795	<b>2,685,560</b>	2,319,682	<b>5,906,614</b>	5,654,477
Unallocated liabilities and equity					<b>914,118</b>	838,144
<b>Total Liabilities and Equity</b>					<b>6,820,732</b>	6,492,621



**GULF BANK K.S.C.P.**  
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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>(Audited)</i>			<i>(Audited)</i>					
	<i>31 March 2023</i>	<i>31 December 2022</i>	<i>31 March 2022</i>	<i>31 March 2023</i>	<i>31 December 2022</i>	<i>31 March 2022</i>	<i>31 March 2023</i>	<i>31 December 2022</i>	<i>31 March 2022</i>
							<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
<b>Board members:</b>									
<b>Balances</b>									
Loans and advances	1	1	1	9	10	9	170,747	166,370	156,514
Credit cards	3	3	2	6	5	5	20	18	10
Deposits	8	8	8	74	77	74	73,008	42,389	43,360
<b>Commitments/derivatives</b>									
Guarantees /letter of credit	-	-	-	13	13	10	36,569	32,742	7,754
Forward foreign exchange contracts	-	-	-	1	-	-	41	-	-
<b>Transactions</b>									
Interest income	1	1	1	10	18	13	2,090	5,582	1,003
Interest expense	4	4	4	13	16	12	168	564	133
Net fees and commissions	-	-	-	10	17	10	32	138	30
Other expenses	-	-	-	9	12	8	376	1,764	275
Purchase of equipment	-	-	-	-	2	1	-	276	147
<b>Executive management:</b>									
<b>Balances</b>									
Loans and advances	6	7	5	-	-	-	918	1,158	1,118
Credit cards	8	11	12	-	-	-	21	22	28
Deposits	14	17	15	-	-	-	4,311	4,229	3,776
<b>Transactions</b>									
Interest income	6	7	5	-	-	-	12	41	5
Interest expense	17	18	15	-	-	-	54	74	10

# GULF BANK K.S.C.P.

## Notes to the Interim Condensed Financial Information (Unaudited)

31 March 2023

### 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 **5% to 6.25%** (2022: 2.75% to 5.75%) per annum. Some of the loans advanced to Board members and their related parties are collateralised. The fair value of these collaterals as of 31 March 2023 was **KD 66,295 thousand** (31 December 2022: KD 66,821 thousand and 31 March 2022: KD 102,631 thousand).

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

	<i>3 months ended 31 March 2023 KD 000's</i>	<i>3 months ended 31 March 2022 KD 000's</i>
Salaries and other short-term benefits	<b>1,273</b>	1,419
End of service/termination benefits	<b>300</b>	132
	<b><u>1,573</u></b>	<b><u>1,551</u></b>

### 12. CONTINGENT LIABILITIES AND COMMITMENTS

	<i>(Unaudited) 31 March 2023 KD 000's</i>	<i>(Audited) 31 December 2022 KD 000's</i>	<i>(Unaudited) 31 March 2022 KD 000's</i>
Guarantees	<b>1,092,588</b>	1,146,960	1,187,040
Letters of credit and acceptances	<b>371,851</b>	366,055	304,142
Undrawn irrevocable commitments	<b>26,144</b>	33,323	12,117
Undrawn revocable commitments	<b>1,083,729</b>	1,127,150	1,046,362
	<b><u>2,574,312</u></b>	<b><u>2,673,488</u></b>	<b><u>2,549,661</u></b>

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.

<b>At 31 March 2023:</b>	<i>Notional amounts by term to maturity</i>				
	<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>Within 3 months KD 000's</i>	<i>3-12 months KD 000's</i>
<b>Derivatives instruments held as:</b>					
Trading (and non qualifying hedges)					
Forward foreign exchange contracts	<b>393</b>	<b>(1)</b>	<b>65,586</b>	<b>65,464</b>	<b>122</b>



# GULF BANK K.S.C.P.

## Notes to the Interim Condensed Financial Information (Unaudited)

31 March 2023

### 13. DERIVATIVES (continued)

At 31 December 2022:	Positive fair value KD 000's	Negative fair value KD 000's	Notional amount total KD 000's	Notional amounts by term to maturity	
				Within 3 months KD 000's	3-12 months KD 000's
Derivatives instruments held as:					
Trading (and non qualifying hedges)					
Forward foreign exchange contracts	52	(46)	7,834	7,834	-

At 31 March 2022:	Positive fair value KD 000's	Negative fair value KD 000's	Notional amount total KD 000's	Notional amounts by term to maturity	
				Within 3 months KD 000's	3-12 months KD 000's
Derivatives instruments held as:					
Trading (and non qualifying hedges)					
Forward foreign exchange contracts	149	(38)	25,770	21,911	3,859

### 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 31 March 2023:

	Level 1 KD 000's	Level 2 KD 000's	Level 3 KD 000's	Total KD 000's
<b>Financial assets at FVOCI:</b>				
Equity securities	9,794	832	22,237	32,863
Debt securities	-	203	-	203
	9,794	1,035	22,237	33,066

The amortized cost and fair value of investment securities at amortised cost as at 31 March 2023 were **KD 59,146 thousand** (31 December 2022: KD 95,396 thousand; 31 March 2022: KD 90,439 thousand) and **KD 58,705 thousand** (Level 1) (31 December 2022: KD 94,737 thousand; 31 March 2022: KD 90,721 thousand) respectively.





# GULF BANK K.S.C.P.

## Notes to the Interim Condensed Financial Information (Unaudited)

31 March 2023

### 14. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

At 31 December 2022:

	<i>Level 1</i> <i>KD 000's</i>	<i>Level 2</i> <i>KD 000's</i>	<i>Level 3</i> <i>KD 000's</i>	<i>Total</i> <i>KD 000's</i>
<i>Financial assets at FVOCI:</i>				
Equity securities	10,268	836	22,232	33,336
Debt securities	-	203	-	203
	<u>10,268</u>	<u>1,039</u>	<u>22,232</u>	<u>33,539</u>

At 31 March 2022:

	<i>Level 1</i> <i>KD 000's</i>	<i>Level 2</i> <i>KD 000's</i>	<i>Level 3</i> <i>KD 000's</i>	<i>Total</i> <i>KD 000's</i>
<i>Financial assets at FVOCI:</i>				
Equity securities	12,760	689	23,148	36,597
Debt securities	-	1,522	-	1,522
	<u>12,760</u>	<u>2,211</u>	<u>23,148</u>	<u>38,119</u>

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

	<b>At</b> <b>1 January</b> <b>KD 000's</b>	<b>Change in</b> <b>fair value</b> <b>KD 000's</b>	<b>Additions</b> <b>KD 000's</b>	<b>Exchange</b> <b>rate</b> <b>movements</b> <b>KD 000's</b>	<b>At</b> <b>31 March</b> <b>KD 000's</b>
<i>Financial assets at FVOCI:</i>					
Equity securities					
<b>2023</b>	<b>22,232</b>	-	-	<b>5</b>	<b>22,237</b>
<b>2022</b>	<b>23,146</b>	-	-	<b>2</b>	<b>23,148</b>

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.

