

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

30 SEPTEMBER 2022



Building a better
working world

Ernst & Young
Al Aiban, Al Osaimi & Partners
P.O. Box 74
18-20th Floor, Baitak Tower
Ahmed Al Jaber Street
Safat Square 13001, Kuwait

Tel: +965 2295 5000
Fax: +965 2245 6419
kuwait@kw.ey.com
ey.com/mena

Deloitte.

**Deloitte & Touche
Al-Wazzan & Co.**

Ahmed Al-Jaber Street, Sharq
Dar Al-Awadi Complex, Floors 7 & 9
P.O. Box 20174, Safat 13062
Kuwait

Tel : + 965 22408844, 22438060
Fax: + 965 22408855, 22452080
www.deloitte.com

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 September 2022, and the related interim condensed statement of income, interim condensed statement of comprehensive income for the three months and nine months periods then ended and the related interim condensed statement of cash flows and interim condensed statement of changes in equity for the nine 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.

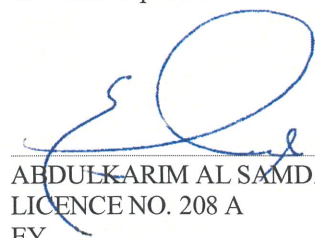
Conclusion

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 nine months period ended 30 September 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 nine months period ended 30 September 2022 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
DELOITTE & TOUCHE
AL-WAZZAN & CO.

19 October 2022
Kuwait

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

PERIOD ENDED 30 SEPTEMBER 2022

		<i>3 months ended</i>	<i>3 months ended</i>	<i>9 months ended</i>	<i>9 months ended</i>
		<i>30 September</i>	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>
		<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
<i>Note</i>		<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
Interest income		67,003	46,739	166,208	137,968
Interest expense		29,600	13,469	63,100	39,400
Net interest income		37,403	33,270	103,108	98,568
Net fees and commissions		6,005	6,017	20,243	19,701
Net gains from dealing in foreign currencies and derivatives		2,949	2,554	7,779	6,519
Dividend income		120	314	344	379
Other income		500	124	837	359
Operating income		46,977	42,279	132,311	125,526
Staff expenses		14,100	11,402	40,780	34,657
Occupancy costs		668	633	1,881	1,964
Depreciation		1,693	1,712	5,120	5,158
Other expenses		5,167	5,191	15,104	17,298
Operating expenses		21,628	18,938	62,885	59,077
OPERATING PROFIT BEFORE PROVISIONS / IMPAIRMENT LOSSES		25,349	23,341	69,426	66,449
Charge of provisions:					
- specific		9,322	13,444	21,980	42,705
- general		1,111	1,310	5,356	2,185
Loan recoveries, net of write-off		(1,274)	(2,941)	(5,897)	(7,376)
Net provision on other financial assets		14	28	55	105
OPERATING PROFIT		16,176	11,500	47,932	28,830
Directors' remuneration		21	15	62	45
Contribution to Kuwait Foundation for the Advancement of Sciences		161	115	479	289
National Labour Support Tax		403	285	1,189	714
Zakat		161	115	479	289
PROFIT FOR THE PERIOD		15,430	10,970	45,723	27,493
BASIC AND DILUTED EARNINGS PER SHARE (Fils)	3	5	3	14	9

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 SEPTEMBER 2022

	<i>3 months ended 30 September 2022 KD 000's</i>	<i>3 months ended 30 September 2021 KD 000's</i>	<i>9 months ended 30 September 2022 KD 000's</i>	<i>9 months ended 30 September 2021 KD 000's</i>
Profit for the period	15,430	10,970	45,723	27,493
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	(508)	(1)	(722)	980
Other comprehensive (loss) income for the period	(508)	(1)	(722)	980
Total comprehensive income for the period	14,922	10,969	45,001	28,473

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 September 2022 KD 000's	<i>(Audited)</i> 31 December 2021 KD 000's	<i>(Unaudited)</i> 30 September 2021 KD 000's
	<i>Notes</i>			
ASSETS				
Cash and cash equivalents		1,034,704	942,495	876,497
Kuwait Government treasury bonds		22,000	74,000	91,000
Central Bank of Kuwait bonds		370,155	281,197	281,371
Deposits with banks and other financial institutions		76,968	124,642	112,588
Loans and advances to banks	4	297,298	278,451	246,766
Loans and advances to customers	4	4,972,545	4,558,086	4,422,071
Investment securities		106,346	141,941	150,120
Other assets	5	140,197	120,705	115,715
Premises and equipment		35,734	34,393	33,471
TOTAL ASSETS		7,055,947	6,555,910	6,329,599
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks		618,336	595,501	563,568
Deposits from financial institutions		806,743	673,169	718,531
Customer deposits		4,468,656	4,303,995	4,154,199
Other borrowed funds	6	321,080	215,000	150,000
Other liabilities		136,832	101,753	89,659
TOTAL LIABILITIES		6,351,647	5,889,418	5,675,957
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		1,867	2,374	4,161
Retained earnings		164,600	144,442	149,497
		704,300	684,649	671,799
Treasury shares	9	-	(18,157)	(18,157)
TOTAL EQUITY		704,300	666,492	653,642
TOTAL LIABILITIES AND EQUITY		7,055,947	6,555,910	6,329,599


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 SEPTEMBER 2022

	<i>Notes</i>	9 months ended 30 September 2022 KD 000's	9 months ended 30 September 2021 KD 000's
OPERATING ACTIVITIES			
Profit for the period		45,723	27,493
Adjustments:			
Dividend income		(344)	(379)
Depreciation		5,120	5,158
Loan loss provisions		27,336	44,890
Net provision on other financial assets		55	105
CASH FLOWS FROM OPERATING ACTIVITIES BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES		77,890	77,267
<i>Decrease/(increase) in operating assets:</i>			
Kuwait Government treasury bonds		52,000	17,500
Central Bank of Kuwait bonds		(88,958)	(647)
Deposits with banks and other financial institutions		47,649	(109,562)
Loans and advances to banks		(19,518)	(54,709)
Loans and advances to customers		(440,573)	(347,501)
Other assets		(18,827)	(16,434)
<i>Increase/(decrease) in operating liabilities:</i>			
Due to banks		22,835	13,025
Deposits from financial institutions		133,574	13,194
Customer deposits		164,661	120,480
Other liabilities		34,528	997
NET CASH FLOWS USED IN OPERATING ACTIVITIES		(34,739)	(286,390)
INVESTING ACTIVITIES			
Purchase of investment securities		(13,452)	(19,698)
Proceeds from sale/maturity of investment securities		47,630	43,052
Purchase of premises and equipment		(6,461)	(4,576)
Dividend income received		344	379
NET CASH FLOWS FROM INVESTING ACTIVITIES		28,061	19,157
FINANCING ACTIVITIES			
Net proceeds from other borrowed funds	6	106,080	50,000
Dividend paid	8	(21,078)	(15,056)
Proceeds from sale of treasury shares		13,885	2,861
NET CASH FLOWS FROM FINANCING ACTIVITIES		98,887	37,805
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		92,209	(229,428)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		942,495	1,105,925
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER		1,034,704	876,497
Additional cash flows information			
Interest received		158,736	135,698
Interest paid		48,763	40,533

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 SEPTEMBER 2022

	R E S E R V E S								Treasury shares KD 000's	Total KD 000's
	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	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	-	-	-	-	-	-	27,493	27,493	-	27,493
Other comprehensive income for the period	-	-	-	-	-	980	-	980	-	980
Total comprehensive income for the period	-	-	-	-	-	980	27,493	28,473	-	28,473
Dividend paid (Note 8)	-	-	-	-	-	-	(15,056)	(15,056)	-	(15,056)
Realised gain on equity securities at FVOCI	-	-	-	-	-	(505)	505	-	-	-
Sale of treasury shares	-	-	-	-	-	-	-	-	6,379	6,379
Loss on sale of treasury shares	-	-	-	-	-	-	(3,518)	(3,518)	-	(3,518)
At 30 September 2021	304,813	-	42,135	153,024	18,169	4,161	149,497	366,986	(18,157)	653,642
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	-	-	-	-	-	-	45,723	45,723	-	45,723
Other comprehensive loss for the period	-	-	-	-	-	(722)	-	(722)	-	(722)
Total comprehensive (loss) income for the period	-	-	-	-	-	(722)	45,723	45,001	-	45,001
Dividend paid (Note 8)	-	-	-	-	-	-	(21,078)	(21,078)	-	(21,078)
Issue of bonus shares (Note 8)	15,240	(15,240)	-	-	-	-	-	-	-	-
Realised loss on equity securities at FVOCI	-	-	-	-	-	215	(215)	-	-	-
Sale of treasury shares	-	-	-	-	-	-	-	-	18,157	18,157
Loss on sale of treasury shares	-	-	-	-	-	-	(4,272)	(4,272)	-	(4,272)
At 30 September 2022	320,053	-	46,562	153,024	18,194	1,867	164,600	384,247	-	704,300

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)

30 September 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 nine months period ended 30 September 2022 was authorised by the Board of Directors for issue on 13 October 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 nine months period ended 30 September 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 September 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 September 2022 KD 000's</i>	<i>3 months ended 30 September 2021 KD 000's</i>	<i>9 months ended 30 September 2022 KD 000's</i>	<i>9 months ended 30 September 2021 KD 000's</i>
Profit for the period	15,430	10,970	45,723	27,493
	<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	3,183,016,845	3,161,684,293	3,169,554,631	3,158,183,641
Basic and diluted earnings per share (Fils)	5	3	14	9

Earnings per share calculations for the period ended 30 September 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 September 2022 KD 000's</i>	<i>(Audited) 31 December 2021 KD 000's</i>	<i>(Unaudited) 30 September 2021 KD 000's</i>
Gross loans and advances to banks	299,505	279,987	247,929
Less: Provision for impairment	(2,207)	(1,536)	(1,163)
Loans and advances to banks	297,298	278,451	246,766
Gross loans and advances to customers	5,261,687	4,838,328	4,699,563
Less: Provision for impairment	(289,142)	(280,242)	(277,492)
Loans and advances to customers	4,972,545	4,558,086	4,422,071

Provision for non-cash facilities of **KD 19,114 thousand** (31 December 2021: KD 18,563 thousand and 30 September 2021: KD 18,323 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 September 2022.

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

30 September 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 September 2022 KD 000's	<i>(Audited)</i> 31 December 2021 KD 000's	<i>(Unaudited)</i> 30 September 2021 KD 000's
Provision on cash facilities	291,349	281,778	278,655
Provision on non-cash facilities	19,114	18,563	18,323
Total provisions on credit facilities	<u>310,463</u>	<u>300,341</u>	<u>296,978</u>
IFRS 9 ECL on credit facilities	<u>201,859</u>	<u>188,631</u>	<u>182,970</u>
Excess of total provisions over IFRS 9 ECL on credit facilities	<u>108,604</u>	<u>111,710</u>	<u>114,008</u>
Excess provisions as a percentage of total provisions	<u>35%</u>	<u>37%</u>	<u>38%</u>

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 September 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	5,212,109	277,458	71,625	5,561,192
Contingent liabilities and commitments (Note 12)	2,563,359	209,384	19,697	2,792,440
IFRS 9 ECL on credit facilities	42,872	83,581	75,406	201,859

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 September 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	4,602,527	277,861	67,104	4,947,492
Contingent liabilities and commitments (Note 12)	2,306,365	124,461	18,678	2,449,504
IFRS 9 ECL on credit facilities	39,939	80,306	62,725	182,970

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

30 September 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 September 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	6,627	732	(7,359)	-
ECL (release)/charge for the period	(5,479)	(13,423)	50,437	31,535
ECL release on written off facilities	-	-	(18,307)	(18,307)
ECL balance as at 30 September 2022	<u>42,872</u>	<u>83,581</u>	<u>75,406</u>	<u>201,859</u>

At 30 September 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	(26)	(1,654)	1,680	-
ECL (release)/charge for the period	(1,007)	6,764	38,225	43,982
ECL release on written off facilities	-	-	(32,990)	(32,990)
ECL balance as at 30 September 2021	<u>39,939</u>	<u>80,306</u>	<u>62,725</u>	<u>182,970</u>

5. OTHER ASSETS

	<i>(Unaudited)</i> <i>30 September</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 September</i> <i>2021</i> <i>KD 000's</i>
Accrued interest receivable	23,627	16,155	16,750
Sundry debtors and others	31,054	19,034	13,449
Government Grant receivable	26,084	26,084	26,084
Reposessed collaterals (refer movement below)	59,432	59,432	59,432
	<u>140,197</u>	<u>120,705</u>	<u>115,715</u>

Movement in reposessed collaterals:

	<i>(Unaudited)</i> <i>30 September</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 September</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 September 2022

6. OTHER BORROWED FUNDS

		<i>(Unaudited)</i> 30 September 2022 KD 000's	<i>(Audited)</i> 31 December 2021 KD 000's	<i>(Unaudited)</i> 30 September 2021 KD 000's
	<i>Effective</i> <i>interest rate</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	3.24% to 4.35%	271,080	165,000	100,000
		321,080	215,000	150,000

7. SHARE CAPITAL

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

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)</i> 30 September 2022	<i>(Audited)</i> 31 December 2021	<i>(Unaudited)</i> 30 September 2021
Number of treasury shares	-	37,000,000	37,000,000
Percentage of treasury shares	0.00%	1.21%	1.21%
Cost of treasury shares (KD 000's)	-	18,157	18,157
Weighted average market value of treasury shares (KD 000's)	-	8,695	8,473

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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 nine months period ended 30 September is as follows:

	Commercial Banking		Treasury & Investments		Total	
	2022	2021	2022	2021	2022	2021
	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's
Operating income (excluding unallocated income provided below)	111,135	104,804	4,629	9,324	115,764	114,128
Segment result	64,720	46,259	3,061	8,223	67,781	54,482
Unallocated income					16,547	11,398
Unallocated expense					(38,605)	(38,387)
Profit for the period					45,723	27,493
Segment assets	5,358,132	4,774,793	1,581,315	1,465,051	6,939,447	6,239,844
Unallocated assets					116,500	89,755
Total Assets					7,055,947	6,329,599
Segment liabilities	3,253,121	3,342,027	2,905,641	2,184,761	6,158,762	5,526,788
Unallocated liabilities and equity					897,185	802,811
Total Liabilities and Equity					7,055,947	6,329,599

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Notes to the Interim Condensed Financial Information
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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:

Number of Board Members or executive management									
(Audited)				Number of related parties			(Audited)		
30 September 2022	31 December 2021	30 September 2021	30 September 2022	31 December 2021	30 September 2021	30 September 2022	31 December 2021	30 September 2021	30 September 2022
KD 000's									
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Notes to the Interim Condensed Financial Information (Unaudited)

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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 **4% 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 September 2022 was **KD 67,016 thousand** (31 December 2021: KD 109,687 thousand and 30 September 2021: KD 108,152 thousand).

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

	<i>9 months ended 30 September 2022 KD 000's</i>	<i>9 months ended 30 September 2021 KD 000's</i>
Salaries and other benefits	3,562	3,012
End of service/termination benefits	330	78
	<u>3,892</u>	<u>3,090</u>

12. CONTINGENT LIABILITIES AND COMMITMENTS

	<i>(Unaudited) 30 September 2022 KD 000's</i>	<i>(Audited) 31 December 2021 KD 000's</i>	<i>(Unaudited) 30 September 2021 KD 000's</i>
Guarantees	1,196,700	1,177,918	1,145,038
Letters of credit and acceptances	378,695	285,744	247,328
Undrawn irrevocable commitments	20,940	17,542	16,000
Undrawn revocable commitments	1,196,105	923,626	1,041,138
	<u>2,792,440</u>	<u>2,404,830</u>	<u>2,449,504</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 September 2022:	<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>
Derivatives instruments held as:					
Trading (and non qualifying hedges)					
Forward foreign exchange contracts	540	(844)	75,801	73,528	2,273

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Notes to the Interim Condensed Financial Information (Unaudited)

30 September 2022

13. DERIVATIVES (continued)

At 31 December 2021:	Positive fair value KD 000's	Notional 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	7	(4)	6,851	-	6,851

At 30 September 2021:	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	6	(4)	3,928	3,928	-

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 September 2022:

	Level 1 KD '000	Level 2 KD '000	Level 3 KD '000	Total KD '000
Financial assets at FVOCI:				
Equity securities	10,427	694	22,517	33,638
Debt securities	-	201	-	201
	10,427	895	22,517	33,839

The amortized cost and fair value of investment securities at amortised cost as at 30 September 2022 were **KD 72,507 thousand** (31 December 2021: KD 104,056 thousand; 30 September 2021: KD 113,276 thousand) and **KD 71,881 thousand** (Level 1) (31 December 2021: KD 105,235 thousand; 30 September 2021: KD 111,962 thousand) and **KD Nil** (Level 2) (31 December 2021: KD Nil; 30 September 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 September 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	11,289	583	24,771	36,643
Debt securities	-	201	-	201
	<u>11,289</u>	<u>784</u>	<u>24,771</u>	<u>36,844</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/ disposals KD 000's	Exchange rate movements KD 000's	At 30 September KD 000's
<i>Financial assets at FVOCI:</i>					
Equity securities					
2022	23,146	(99)	(555)	25	22,517
2021	25,415	2	(632)	(14)	24,771

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.