

GULF BANK K.S.C.P.

**INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED)**

31 MARCH 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 31 March 2022, 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.

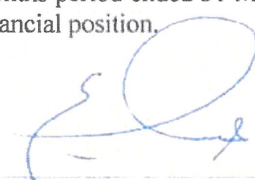
Conclusion

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 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 three months period ended 31 March 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

26 April 2022
Kuwait



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

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

PERIOD ENDED 31 MARCH 2022

		<i>3 months ended</i> <i>31 March</i> <i>2022</i> <i>KD 000's</i>	<i>3 months ended</i> <i>31 March</i> <i>2021</i> <i>KD 000's</i>
	<i>Note</i>		
Interest income		46,656	45,256
Interest expense		14,431	12,648
Net interest income		32,225	32,608
Net fees and commissions		6,741	6,907
Net gains from dealing in foreign currencies		2,369	1,882
Other income		185	122
Operating income		41,520	41,519
Staff expenses		12,660	12,232
Occupancy costs		611	674
Depreciation		1,701	1,690
Other expenses		4,817	5,860
Operating expenses		19,789	20,456
OPERATING PROFIT BEFORE PROVISIONS / IMPAIRMENT LOSSES		21,731	21,063
Charge of provisions:			
- specific		5,156	10,127
- general		880	81
Loan recoveries, net of write-off		(71)	(1,815)
Net provision on other financial assets		(9)	119
OPERATING PROFIT		15,775	12,551
Directors' remuneration		20	15
Contribution to Kuwait Foundation for the Advancement of Sciences		158	126
National Labour Support Tax		391	311
Zakat		158	126
PROFIT FOR THE PERIOD		15,048	11,973
BASIC AND DILUTED EARNINGS PER SHARE (Fils)	3	5	4

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 2022

	<i>3 months ended 31 March 2022 KD 000's</i>	<i>3 months ended 31 March 2021 KD 000's</i>
Profit for the period	15,048	11,973
Other comprehensive income		
<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	1,714	(459)
Other comprehensive income (loss) for the period	1,714	(459)
Total comprehensive income for the period	16,762	11,514

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> 31 March 2022 KD 000's	<i>(Audited)</i> 31 December 2021 KD 000's	<i>(Unaudited)</i> 31 March 2021 KD 000's
	<i>Notes</i>			
ASSETS				
Cash and cash equivalents		1,025,761	942,495	1,101,752
Kuwait Government treasury bonds		48,000	74,000	108,500
Central Bank of Kuwait bonds		281,800	281,197	280,864
Deposits with banks and other financial institutions		-	124,642	75,701
Loans and advances to banks	4	290,436	278,451	184,771
Loans and advances to customers	4	4,561,381	4,558,086	4,226,862
Investment securities		128,558	141,941	166,909
Other assets	5	122,140	120,705	93,357
Premises and equipment		34,545	34,393	33,390
TOTAL ASSETS		6,492,621	6,555,910	6,272,106
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks		602,127	595,501	590,312
Deposits from financial institutions		609,557	673,169	664,816
Customer deposits		4,255,299	4,303,995	4,177,868
Other borrowed funds	6	245,390	215,000	100,000
Other liabilities		118,072	101,753	102,427
TOTAL LIABILITIES		5,830,445	5,889,418	5,635,423
EQUITY				
Share capital	7	304,813	304,813	304,813
Proposed bonus shares	8	15,241	15,241	-
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		4,088	2,374	3,227
Retained earnings		138,411	144,441	133,472
Treasury shares	9	680,333 (18,157)	684,649 (18,157)	654,840 (18,157)
TOTAL EQUITY		662,176	666,492	636,683
TOTAL LIABILITIES AND EQUITY		6,492,621	6,555,910	6,272,106



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 31 MARCH 2022

	<i>Note</i>	<i>3 months ended 31 March 2022 KD 000's</i>	<i>3 months ended 31 March 2021 KD 000's</i>
OPERATING ACTIVITIES			
Profit for the period		15,048	11,973
Adjustments:			
Depreciation		1,701	1,690
Loan loss provisions		6,036	10,208
Net provision on other financial assets		(9)	119
CASH FLOWS FROM OPERATING ACTIVITIES BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES		22,776	23,990
<i>Decrease/(increase) in operating assets:</i>			
Kuwait Government treasury bonds		26,000	-
Central Bank of Kuwait bonds		(603)	(140)
Deposits with banks and other financial institutions		124,645	(72,684)
Loans and advances to banks		(12,154)	7,527
Loans and advances to customers		(8,957)	(119,436)
Other assets		(1,517)	4,770
<i>Increase/(decrease) in operating liabilities:</i>			
Due to banks		6,626	39,769
Deposits from financial institutions		(63,612)	(40,521)
Customer deposits		(48,696)	144,149
Other liabilities		(4,964)	294
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		39,544	(12,282)
INVESTING ACTIVITIES			
Purchase of investment securities		-	(19,698)
Proceeds from sale/maturity of investment securities		15,185	25,973
Purchase of premises and equipment		(1,853)	(1,027)
NET CASH FLOWS FROM INVESTING ACTIVITIES		13,332	5,248
FINANCING ACTIVITIES			
Net proceeds from other borrowed funds	6	30,390	-
Proceeds from sale of treasury shares		-	2,861
NET CASH FLOWS FROM FINANCING ACTIVITIES		30,390	2,861
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		83,266	(4,173)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		942,495	1,105,925
CASH AND CASH EQUIVALENTS AT 31 MARCH		1,025,761	1,101,752
Additional cash flows information			
Interest received		45,537	42,744
Interest paid		14,683	17,473

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

GULF BANK K.S.C.P.
Interim Condensed Statement of Changes in Equity
(Unaudited)

PERIOD ENDED 31 MARCH 2022

	RESERVES									
	<i>Share capital KD 000's</i>	<i>Proposed bonus shares KD 000's</i>	<i>Statutory reserve KD 000's</i>	<i>Share premium KD 000's</i>	<i>Property revaluation reserve KD 000's</i>	<i>Fair valuation reserve KD 000's</i>	<i>Retained earnings KD 000's</i>	<i>Subtotal reserves KD 000's</i>	<i>Treasury shares KD 000's</i>	<i>Total KD 000's</i>
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	-	-	-	-	-	-	11,973	11,973	-	11,973
Other comprehensive loss for the period	-	-	-	-	-	(459)	-	(459)	-	(459)
Total comprehensive (loss) income for the period	-	-	-	-	-	(459)	11,973	11,514	-	11,514
Dividend (Note 8)	-	-	-	-	-	-	(15,056)	(15,056)	-	(15,056)
Sale of treasury shares	-	-	-	-	-	-	-	-	6,379	6,379
Loss on sale of treasury shares	-	-	-	-	-	-	(3,518)	(3,518)	-	(3,518)
At 31 March 2021	304,813	-	42,135	153,024	18,169	3,227	133,472	350,027	(18,157)	636,683
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

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 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 three months period ended 31 March 2022 was authorised by the Board of Directors for issue on 14 April 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 three months period ended 31 March 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)
31 March 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 31 March 2022 KD 000's</i>	<i>3 months ended 31 March 2021 KD 000's</i>
Profit for the period	15,048	11,973
	<u>Shares</u>	<u>Shares</u>
Weighted average number of shares outstanding during the period, net of treasury shares	3,161,684,293	3,151,065,649
Basic and diluted earnings per share (Fils)	5	4

Earnings per share calculations for the period ended 31 March 2021 have been adjusted to the account of the bonus shares, which will be 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) 31 March 2022 KD 000's</i>	<i>(Audited) 31 December 2021 KD 000's</i>	<i>(Unaudited) 31 March 2021 KD 000's</i>
Gross loans and advances to banks	292,141	279,987	185,693
Less: Provision for impairment	(1,705)	(1,536)	(922)
Loans and advances to banks	<u>290,436</u>	<u>278,451</u>	<u>184,771</u>
Gross loans and advances to customers	4,836,696	4,838,328	4,502,125
Less: Provision for impairment	(275,315)	(280,242)	(275,263)
Loans and advances to customers	<u>4,561,381</u>	<u>4,558,086</u>	<u>4,226,862</u>

Provision for non-cash facilities of **KD 18,768 thousand** (31 December 2021: KD 18,563 thousand and 31 March 2021: KD 16,738 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 31 March 2022.

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

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

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

	<i>(Unaudited)</i> 31 March 2022 KD 000's	<i>(Audited)</i> 31 December 2021 KD 000's	<i>(Unaudited)</i> 31 March 2021 KD 000's
Provision on cash facilities	277,020	281,778	276,185
Provision on non-cash facilities	18,768	18,563	16,738
Total provisions on credit facilities	<u>295,788</u>	<u>300,341</u>	<u>292,923</u>
IFRS 9 ECL on credit facilities	180,224	188,631	196,687
Excess of total provisions over IFRS 9 ECL on credit facilities	115,564	111,710	96,236
Excess provisions as a percentage of total provisions	39%	37%	33%

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 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	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

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 31 March 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	4,338,300	276,598	72,920	4,687,818
Contingent liabilities and commitments (Note 12)	2,323,753	123,780	19,286	2,466,819
IFRS 9 ECL on credit facilities	40,340	77,999	78,348	196,687

GULF BANK K.S.C.P.
Notes to the Interim Condensed Financial Information
(Unaudited)
31 March 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 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 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	<u>41,236</u>	<u>84,726</u>	<u>54,262</u>	<u>180,224</u>

At 31 March 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	(732)	(486)	1,218	-
ECL charge for the period	100	3,289	22,430	25,819
ECL release on written off facilities	-	-	(1,110)	(1,110)
ECL balance as at 31 March 2021	<u>40,340</u>	<u>77,999</u>	<u>78,348</u>	<u>196,687</u>

5. OTHER ASSETS

	<i>(Unaudited)</i> <i>31 March</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>31 March</i> <i>2021</i> <i>KD 000's</i>
Accrued interest receivable	17,274	16,155	16,992
Sundry debtors and others	19,350	19,034	16,933
Government Grant receivable	26,084	26,084	-
Reposessed collaterals (refer movement below)	59,432	59,432	59,432
	<u>122,140</u>	<u>120,705</u>	<u>93,357</u>

Movement in reposessed collaterals:

	<i>(Unaudited)</i> <i>31 March</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>31 March</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)
31 March 2022

6. OTHER BORROWED FUNDS

		<i>(Unaudited)</i> 31 March 2022 KD 000's	<i>(Audited)</i> 31 December 2021 KD 000's	<i>(Unaudited)</i> 31 March 2021 KD 000's
	<i>Effective interest rate</i>			
Subordinated Tier 2 bonds- KWD 2031 (Fixed tranche)	4.00%	25,000	25,000	-
Subordinated Tier 2 bonds- KWD 2031 (Floating tranche capped at 5%)	CBK+2.25%	25,000	25,000	-
Medium term borrowings-Floating	1.96% to 2.87%	195,390	165,000	-
Subordinated Tier 2 bonds- KWD 2026 (Fixed tranche)*	6.00%	-	-	50,000
Subordinated Tier 2 bonds- KWD 2026 (Floating tranche capped at 7%)*	CBK+4.00%	-	-	50,000
		<u>245,390</u>	<u>215,000</u>	<u>100,000</u>

*Subordinated Tier 2 bonds had been fully repaid during the prior period.

7. SHARE CAPITAL

	<i>(Unaudited)</i> 31 March 2022 KD 000's	<i>(Audited)</i> 31 December 2021 KD 000's	<i>(Unaudited)</i> 31 March 2021 KD 000's
Authorised, issued and fully paid up 3,048,127,898 (31 December 2021: 3,048,127,898 and 31 March 2021: 3,048,127,898) shares of 100 fils	<u>304,813</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 15,241 thousand** (2020: KD Nil) for the year ended 31 December 2021. The cash dividend was recorded and will be paid subsequently. The bonus shares would be distributed on 14 April 2022.

9. TREASURY SHARES

	<i>(Unaudited)</i> 31 March 2022	<i>(Audited)</i> 31 December 2021	<i>(Unaudited)</i> 31 March 2021
Number of treasury shares	37,000,000	37,000,000	37,000,000
Percentage of treasury shares	1.21%	1.21%	1.21%
Cost of treasury shares (KD 000's)	18,157	18,157	18,157
Weighted average market value of treasury shares (KD 000's)	11,285	8,695	8,066

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.

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

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:

	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)	36,541	34,139	1,072	3,585	37,613	37,724
Segment result	22,893	19,167	615	3,141	23,508	22,308
Unallocated income					3,907	3,795
Unallocated expense					(12,367)	(14,130)
Profit for the period					15,048	11,973
Segment assets	4,954,726	4,506,340	1,440,641	1,698,450	6,395,367	6,204,790
Unallocated assets					97,254	67,316
Total Assets					6,492,621	6,272,106
Segment liabilities	3,334,795	3,246,809	2,319,682	2,227,482	5,654,477	5,474,291
Unallocated liabilities and equity					838,144	797,815
Total Liabilities and Equity					6,492,621	6,272,106

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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>(Audited)</i>		<i>Number of related parties</i>		<i>(Audited)</i>		<i>(Audited)</i>	
	<i>31 March</i>	<i>31 December</i>	<i>31 March</i>	<i>2021</i>	<i>31 March</i>	<i>2022</i>	<i>31 December</i>	<i>2021</i>	<i>31 March</i>	<i>31 December</i>
	<i>2022</i>								<i>2022</i>	<i>2021</i>
									<i>KD 000's</i>	<i>KD 000's</i>
Board members:										
Balances										
Loans and advances	1	1		1	9		10	8	156,514	163,558
Credit cards	2	2		2	5		4	5	10	34
Deposits	8	8		8	74		73	72	43,360	72,124
Commitments/derivatives										
Guarantees /letter of credit	-	-		-	10		10	9	7,754	7,898
Transactions										
Interest income	1	1		1	13		15	13	1,003	4,147
Interest expense	4	4		4	12		13	10	133	374
Net fees and commissions	-	-		-	10		12	8	30	100
Other expenses	-	-		-	8		13	11	275	1,257
Purchase of equipment	-	-		-	1		3	2	147	162
Executive management:										
Balances										
Loans and advances	5	4		4	-		-	-	1,118	207
Credit cards	12	14		11	-		-	-	28	20
Deposits	15	15		14	-		-	-	3,776	2,631
Transactions										
Interest income	5	5		4	-		-	-	5	9
Interest expense	15	16		14	-		-	-	10	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 **2.75% to 5.75%** (2021: 2.25% 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 31 March 2022 was **KD 102,631 thousand** (31 December 2021: KD 109,687 thousand and 31 March 2021: KD 105,724 thousand).

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

	<i>3 months ended 31 March 2022 KD 000's</i>	<i>3 months ended 31 March 2021 KD 000's</i>
Salaries and other benefits	1,419	1,176
End of service/termination benefits	132	78
	<u>1,551</u>	<u>1,254</u>

12. CONTINGENT LIABILITIES AND COMMITMENTS

	<i>(Unaudited) 31 March 2022 KD 000's</i>	<i>(Audited) 31 December 2021 KD 000's</i>	<i>(Unaudited) 31 March 2021 KD 000's</i>
Guarantees	1,187,040	1,177,918	1,119,334
Letters of credit and acceptances	304,142	285,744	241,142
Undrawn irrevocable commitments	12,117	17,542	66,253
Undrawn revocable commitments	1,046,362	923,626	1,040,090
	<u>2,549,661</u>	<u>2,404,830</u>	<u>2,466,819</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 31 March 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	149	(38)	25,770	21,911	3,859

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13. DERIVATIVES (continued)

			<i>Notional amounts by term to maturity</i>	
			<i>Within 3 months</i>	<i>3-12 months</i>
			<i>KD 000's</i>	<i>KD 000's</i>
			<i>Notional amount total</i>	
			<i>KD 000's</i>	<i>KD 000's</i>
			<i>Positive fair value</i>	<i>Negative fair value</i>
			<i>KD 000's</i>	<i>KD 000's</i>
At 31 December 2021:				
Derivatives instruments held as:				
Trading (and non qualifying hedges)				
Forward foreign exchange contracts			7	(4)
			6,851	-
			6,851	
At 31 March 2021:				
Derivatives instruments held as:				
Trading (and non qualifying hedges)				
Forward foreign exchange contracts			62	(67)
			75,114	73,283
			1,831	

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 2022:

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

The amortized cost and fair value of investment securities at amortised cost as at 31 March 2022 were **KD 90,439 thousand** (31 December 2021: KD 104,056 thousand; 31 March 2021: KD 128,985 thousand) and **KD 90,721 thousand** (Level 1) (31 December 2021: KD 105,235 thousand; 31 March 2021: KD 128,460 thousand) and **KD Nil** (Level 2) (31 December 2021: KD Nil; 31 March 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'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	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 31 March 2021:

	<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	11,659	654	25,410	37,723
Debt securities	-	201	-	201
	<u>11,659</u>	<u>855</u>	<u>25,410</u>	<u>37,924</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 31 March KD 000's
<i>Financial assets at FVOCI:</i>					
Equity securities					
2022	23,146	-	-	2	23,148
2021	25,415	-	-	(5)	25,410

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.