

**GULF BANK GROUP**  
**INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**  
**(UNAUDITED)**

**30 SEPTEMBER 2023**



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

### *Introduction*

We have reviewed the accompanying interim condensed consolidated statement of financial position of Gulf Bank K.S.C.P. (the "Bank") and its subsidiary (collectively the "Group") as at 30 September 2023, and the related interim condensed consolidated statement of income, interim condensed consolidated statement of comprehensive income for the three months and nine months periods then ended and the related interim condensed consolidated statement of cash flows and interim condensed consolidated 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 consolidated 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 consolidated 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 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 consolidated 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 consolidated 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 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 nine months period ended 30 September 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  
DELOITTE & TOUCHE  
AL-WAZZAN & CO.



**GULF BANK GROUP**  
**Interim Condensed Consolidated Statement of Income**  
**(Unaudited)**

PERIOD ENDED 30 SEPTEMBER 2023

	<i>Note</i>	<i>3 months ended 30 September 2023 KD 000's</i>	<i>3 months ended 30 September 2022 KD 000's</i>	<i>9 months ended 30 September 2023 KD 000's</i>	<i>9 months ended 30 September 2022 KD 000's</i>
Interest income		94,963	67,003	270,381	166,208
Interest expense		56,233	29,600	159,995	63,100
<b>Net interest income</b>		<b>38,730</b>	<b>37,403</b>	<b>110,386</b>	<b>103,108</b>
Net fees and commissions		5,761	6,005	19,460	20,243
Net gains from dealing in foreign currencies and derivatives		3,033	2,949	8,078	7,779
Dividend income		120	120	556	344
Other income		225	500	1,645	837
<b>Operating income</b>		<b>47,869</b>	<b>46,977</b>	<b>140,125</b>	<b>132,311</b>
Staff expenses		13,290	14,100	40,542	40,780
Occupancy costs		773	668	2,183	1,881
Depreciation		1,838	1,693	5,406	5,120
Other expenses		6,042	5,167	16,753	15,104
<b>Operating expenses</b>		<b>21,943</b>	<b>21,628</b>	<b>64,884</b>	<b>62,885</b>
<b>OPERATING PROFIT BEFORE PROVISIONS / IMPAIRMENT LOSSES</b>		<b>25,926</b>	<b>25,349</b>	<b>75,241</b>	<b>69,426</b>
Charge (release) of provisions:					
- specific		8,213	9,322	29,327	21,980
- general		(119)	1,111	(384)	5,356
Loan recoveries, net of write-off		(1,004)	(1,274)	(10,046)	(5,897)
Net provision on other financial assets		(24)	14	(105)	55
<b>OPERATING PROFIT</b>		<b>18,860</b>	<b>16,176</b>	<b>56,449</b>	<b>47,932</b>
Directors' remuneration		30	21	90	62
Contribution to Kuwait Foundation for the Advancement of Sciences		189	161	565	479
National Labour Support Tax		467	403	1,398	1,189
Zakat		189	161	565	479
<b>PROFIT FOR THE PERIOD</b>		<b>17,985</b>	<b>15,430</b>	<b>53,831</b>	<b>45,723</b>
<b>BASIC AND DILUTED EARNINGS PER SHARE (Fils)</b>	3	<b>5</b>	<b>5</b>	<b>16</b>	<b>14</b>

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



**GULF BANK GROUP**  
**Interim Condensed Consolidated Statement of Comprehensive Income**  
**(Unaudited)**

PERIOD ENDED 30 SEPTEMBER 2023

	<i>3 months ended 30 September 2023 KD 000's</i>	<i>3 months ended 30 September 2022 KD 000's</i>	<i>9 months ended 30 September 2023 KD 000's</i>	<i>9 months ended 30 September 2022 KD 000's</i>
<b>Profit for the period</b>	<b>17,985</b>	<b>15,430</b>	<b>53,831</b>	<b>45,723</b>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified subsequently to interim condensed consolidated statement of income :</i>				
Net changes in fair value of investment securities-equity	(1,335)	(508)	(1,811)	(722)
<b>Other comprehensive loss for the period</b>	<b>(1,335)</b>	<b>(508)</b>	<b>(1,811)</b>	<b>(722)</b>
<b>Total comprehensive income for the period</b>	<b>16,650</b>	<b>14,922</b>	<b>52,020</b>	<b>45,001</b>

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

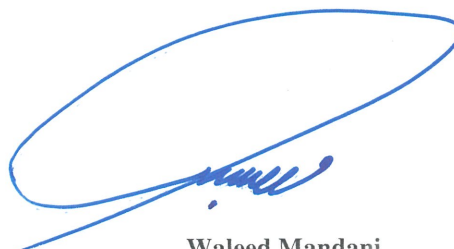


**GULF BANK GROUP**  
**Interim Condensed Consolidated Statement of Financial Position**

		(Unaudited) 30 September 2023 KD 000's	(Audited) 31 December 2022 KD 000's	(Unaudited) 30 September 2022 KD 000's
	Notes			
<b>ASSETS</b>				
Cash and cash equivalents		1,130,113	929,888	1,034,704
Kuwait Government treasury bonds		16,500	22,000	22,000
Central Bank of Kuwait bonds		331,875	337,703	370,155
Deposits with banks and other financial institutions		74,261	131,222	76,968
Loans and advances	4	5,156,703	5,128,680	5,269,843
Investment securities		108,758	128,935	106,346
Other assets	5	113,755	134,392	140,197
Premises and equipment		38,842	38,660	35,734
<b>TOTAL ASSETS</b>		<b>6,970,807</b>	<b>6,851,480</b>	<b>7,055,947</b>
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
Due to banks		415,615	489,651	618,336
Deposits from financial institutions		855,337	774,611	806,743
Customer deposits		4,265,143	4,246,837	4,468,656
Other borrowed funds	6	540,116	493,926	321,080
Other liabilities		154,552	126,432	136,832
<b>TOTAL LIABILITIES</b>		<b>6,230,763</b>	<b>6,131,457</b>	<b>6,351,647</b>
<b>EQUITY</b>				
Share capital	7	336,056	320,053	320,053
Proposed bonus shares	8	-	16,003	-
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		(262)	1,549	1,867
Retained earnings		180,020	158,188	164,600
<b>TOTAL EQUITY</b>		<b>740,044</b>	<b>720,023</b>	<b>704,300</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>6,970,807</b>	<b>6,851,480</b>	<b>7,055,947</b>



**Jassim Mustafa Boodai**  
(Chairman)



**Waleed Mandani**  
(Acting Chief Executive Officer)

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



**GULF BANK GROUP**  
**Interim Condensed Consolidated Statement of Cash Flows**  
**(Unaudited)**

PERIOD ENDED 30 SEPTEMBER 2023

	<i>Notes</i>	<b>9 months ended 30 September 2023 KD 000's</b>	<b>9 months ended 30 September 2022 KD 000's</b>
<b>OPERATING ACTIVITIES</b>			
Profit for the period		53,831	45,723
Adjustments:			
Dividend income		(556)	(344)
Depreciation		5,406	5,120
Loan loss provisions		28,943	27,336
Net provision on other financial assets		(105)	55
<b>CASH FLOWS FROM OPERATING ACTIVITIES BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES</b>		<b>87,519</b>	<b>77,890</b>
<i>Decrease/(increase) in operating assets:</i>			
Kuwait Government treasury bonds		5,500	52,000
Central Bank of Kuwait bonds		5,828	(88,958)
Deposits with banks and other financial institutions		56,997	47,649
Loans and advances		(58,083)	(460,091)
Other assets		19,237	(18,827)
<i>(Decrease)/increase in operating liabilities:</i>			
Due to banks		(74,036)	22,835
Deposits from financial institutions		80,726	133,574
Customer deposits		18,306	164,661
Other liabilities		29,237	34,528
<b>NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES</b>		<b>171,231</b>	<b>(34,739)</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of investment securities		(84,813)	(13,452)
Proceeds from sale/maturity of investment securities		104,648	47,630
Purchase of premises and equipment		(5,588)	(6,461)
Dividend income received		556	344
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>14,803</b>	<b>28,061</b>
<b>FINANCING ACTIVITIES</b>			
Net proceeds from other borrowed funds	6	46,190	106,080
Dividend paid	8	(32,005)	(21,078)
Proceeds from sale of treasury shares		6	13,885
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>14,191</b>	<b>98,887</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>200,225</b>	<b>92,209</b>
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>		<b>929,888</b>	<b>942,495</b>
<b>CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER</b>		<b>1,130,113</b>	<b>1,034,704</b>
<b>Additional cash flows information</b>			
Interest received		266,493	158,736
Interest paid		139,269	48,763

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



**GULF BANK GROUP**  
**Interim Condensed Consolidated Statement of Changes in Equity**  
**(Unaudited)**

PERIOD ENDED 30 SEPTEMBER 2023

	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 2022	304,813	15,240	46,562	153,024	18,194	2,374	144,442	364,596	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	-	-	-	-	-	-	-	-	-
Loss on sale of treasury shares	-	-	-	-	-	-	(4,272)	(4,272)	18,157
At 30 September 2022	320,053	-	46,562	153,024	18,194	1,867	164,600	384,247	704,300
<b>At 1 January 2023</b>	<b>320,053</b>	<b>16,003</b>	<b>53,052</b>	<b>153,024</b>	<b>18,154</b>	<b>1,549</b>	<b>158,188</b>	<b>383,967</b>	<b>720,023</b>
Profit for the period	-	-	-	-	-	-	53,831	53,831	53,831
Other comprehensive loss for the period	-	-	-	-	-	(1,811)	-	(1,811)	(1,811)
Total comprehensive (loss) income for the period	-	-	-	-	-	(1,811)	53,831	52,020	52,020
Dividend paid (Note 8)	-	-	-	-	-	-	(32,005)	(32,005)	(32,005)
Issue of bonus shares (Note 8)	16,003	(16,003)	-	-	-	-	-	-	-
Profit on sale of treasury shares	-	-	-	-	-	-	6	6	6
<b>At 30 September 2023</b>	<b>336,056</b>	<b>-</b>	<b>53,052</b>	<b>153,024</b>	<b>18,154</b>	<b>(262)</b>	<b>180,020</b>	<b>403,988</b>	<b>740,044</b>

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

**GULF BANK GROUP**  
**Notes to the Interim Condensed Consolidated Financial Information**  
**(Unaudited)**  
30 September 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.

During the period, a 100% owned subsidiary, Gulf Capital Investment Company KSCC was incorporated with an authorized, issued and fully paid up capital of **KD 10,000 thousand** for engaging in investment activities. Initial approval from the Capital Markets Authority ("CMA") has been obtained and the subsidiary is in progress to fulfill CMA requirements.

The Bank and its subsidiary are together referred to as (the "Group") in this interim condensed consolidated financial information.

The interim condensed consolidated financial information of the Group for the nine months period ended 30 September 2023 was authorised by the Board of Directors for issue on 8 October 2023.

The principal activities of the Group are described in Note 9.

**2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES**

**2.1 Basis of preparation**

This interim condensed consolidated financial information of the Group 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 amendment:

- 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.

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

The interim condensed consolidated 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 nine months period ended 30 September 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

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

**2.2 New standards, interpretations and amendments and accounting policies adopted by the Group**

The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2022, except for first application of IFRS 10 "Consolidated Financial Statements".





**GULF BANK GROUP**  
**Notes to the Interim Condensed Consolidated Financial Information**  
**(Unaudited)**  
30 September 2023

**2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)**

**IFRS 10 Consolidated Financial Statements - Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Bank and its subsidiary as at 31 December each year.

Subsidiaries are those entities controlled by the Bank. Control is achieved when the Bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Bank re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. The financial statements of subsidiaries are included in these consolidated financial statements on a line-by-line basis, from the date on which the control is transferred to the Group until the date that such control ceases.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances based on the financial information of the subsidiaries. Intra-group balances, transactions, income and expenses are eliminated in full. Profits and losses resulting from intra-group transactions are also eliminated in full.

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 Group.

**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 2023 KD 000's</i>	<i>3 months ended 30 September 2022 KD 000's</i>	<i>9 months ended 30 September 2023 KD 000's</i>	<i>9 months ended 30 September 2022 KD 000's</i>
Profit for the period	<u>17,985</u>	<u>15,430</u>	<u>53,831</u>	<u>45,723</u>
	<u>Shares</u>	<u>Shares</u>	<u>Shares</u>	<u>Shares</u>
Weighted average number of shares outstanding during the period, net of treasury shares	<u>3,360,561,006</u>	<u>3,341,101,058</u>	<u>3,360,561,006</u>	<u>3,327,638,844</u>
Basic and diluted earnings per share (Fils)	<u>5</u>	<u>5</u>	<u>16</u>	<u>14</u>

Earnings per share calculations for the period ended 30 September 2022 have been adjusted to the account of the bonus shares issued on 13 April 2023 (Note 8).



**GULF BANK GROUP**  
**Notes to the Interim Condensed Consolidated Financial Information**  
**(Unaudited)**

30 September 2023

**4. LOANS AND ADVANCES**

	<i>(Unaudited)</i> 30 September 2023 KD 000's	<i>(Audited)</i> 31 December 2022 KD 000's	<i>(Unaudited)</i> 30 September 2022 KD 000's
Gross loans and advances	5,449,290	5,422,721	5,561,192
Less: Provision for impairment	<u>(292,587)</u>	<u>(294,041)</u>	<u>(291,349)</u>
Loans and advances	<u><u>5,156,703</u></u>	<u><u>5,128,680</u></u>	<u><u>5,269,843</u></u>

Provision for non-cash facilities of **KD 18,263 thousand** (31 December 2022: KD 19,380 thousand and 30 September 2022: KD 19,114 thousand) is included under other liabilities.

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

	<i>(Unaudited)</i> 30 September 2023 KD 000's	<i>(Audited)</i> 31 December 2022 KD 000's	<i>(Unaudited)</i> 30 September 2022 KD 000's
Provision on cash facilities	292,587	294,041	291,349
Provision on non-cash facilities	<u>18,263</u>	<u>19,380</u>	<u>19,114</u>
<b>Total provisions on credit facilities</b>	<u><u>310,850</u></u>	<u><u>313,421</u></u>	<u><u>310,463</u></u>
IFRS 9 ECL on credit facilities	<u>190,467</u>	<u>189,748</u>	<u>201,859</u>
Excess of total provisions over IFRS 9 ECL on credit facilities	<u>120,383</u>	<u>123,673</u>	<u>108,604</u>
Excess provisions as a percentage of total provisions	<u><u>39%</u></u>	<u><u>39%</u></u>	<u><u>35%</u></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 2023:**

	<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	5,143,834	238,643	66,813	5,449,290
Contingent liabilities and commitments (Note 11)	<u>2,647,311</u>	<u>154,083</u>	<u>18,425</u>	<u>2,819,819</u>
IFRS 9 ECL on credit facilities	<u>39,656</u>	<u>78,842</u>	<u>71,969</u>	<u>190,467</u>



**GULF BANK GROUP**  
**Notes to the Interim Condensed Consolidated Financial Information**  
**(Unaudited)**  
30 September 2023

**4. LOANS AND ADVANCES (continued)**

At 31 December 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>
Loans and advances	5,085,594	274,356	62,771	5,422,721
Contingent liabilities and commitments (Note 11)	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 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>
Loans and advances	5,212,109	277,458	71,625	5,561,192
Contingent liabilities and commitments (Note 11)	2,563,359	209,384	19,697	2,792,440
IFRS 9 ECL on credit facilities	42,872	83,581	75,406	201,859

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 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	8,708	3,769	(12,477)	-
ECL (release)/charge for the period	(7,231)	(3,897)	43,361	32,233
ECL release on written off facilities	-	-	(31,514)	(31,514)
ECL balance as at 30 September 2023	39,656	78,842	71,969	190,467

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	42,872	83,581	75,406	201,859



**GULF BANK GROUP**  
**Notes to the Interim Condensed Consolidated Financial Information**  
**(Unaudited)**  
30 September 2023

**5. OTHER ASSETS**

	<i>(Unaudited)</i> 30 September 2023 KD 000's	<i>(Audited)</i> 31 December 2022 KD 000's	<i>(Unaudited)</i> 30 September 2022 KD 000's
Accrued interest receivable	29,877	25,989	23,627
Sundry debtors and others	15,214	13,655	31,054
Government Grant receivable	-	26,084	26,084
Reposessed collaterals (refer movement below)	68,664	68,664	59,432
	<u>113,755</u>	<u>134,392</u>	<u>140,197</u>

*Movement in reposessed collaterals:*

	<i>(Unaudited)</i> 30 September 2023 KD 000's	<i>(Audited)</i> 31 December 2022 KD 000's	<i>(Unaudited)</i> 30 September 2022 KD 000's
Beginning balance	68,664	59,432	59,432
Additions	-	9,232	-
Closing balance	<u>68,664</u>	<u>68,664</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.

**6. OTHER BORROWED FUNDS**

	<i>Effective interest rate</i>	<i>(Unaudited)</i> 30 September 2023 KD 000's	<i>(Audited)</i> 31 December 2022 KD 000's	<i>(Unaudited)</i> 30 September 2022 KD 000's
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	5.12% to 6.55%	490,116	443,926	271,080
		<u>540,116</u>	<u>493,926</u>	<u>321,080</u>

**7. SHARE CAPITAL**

The authorised share capital of the Bank comprises 4,860,561,006 shares (31 December 2022: 3,200,534,292 shares and 30 September 2022: 3,200,534,292 shares) of 100 fils each. The Extraordinary General Assembly meeting of the Bank's shareholders held on 13 May 2023 approved to increase the Bank's authorised share capital from **KD 336,056 thousand** to **KD 486,056 thousand**.

	<i>(Unaudited)</i> 30 September 2023 KD 000's	<i>(Audited)</i> 31 December 2022 KD 000's	<i>(Unaudited)</i> 30 September 2022 KD 000's
Issued and fully paid up 3,360,561,006 (31 December 2022: 3,200,534,292 and 30 September 2022: 3,200,534,292) shares of 100 fils each	<u>336,056</u>	<u>320,053</u>	<u>320,053</u>



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**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 15,240 thousand) for the year ended 31 December 2022. The cash dividend was recorded and paid subsequently. The bonus shares was distributed on 13 April 2023.

**9. 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 Group'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:

	<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>104,374</b>	111,135	<b>2,984</b>	4,629	<b>107,358</b>	115,764
Segment result	<b>58,627</b>	64,720	<b>1,614</b>	3,061	<b>60,241</b>	67,781
Unallocated income					<b>32,767</b>	16,547
Unallocated expense					<b>(39,177)</b>	(38,605)
<b>Profit for the period</b>					<b>53,831</b>	45,723
Segment assets	<b>5,291,822</b>	5,358,132	<b>1,595,051</b>	1,581,315	<b>6,886,873</b>	6,939,447
Unallocated assets					<b>83,934</b>	116,500
<b>Total Assets</b>					<b>6,970,807</b>	7,055,947
Segment liabilities	<b>2,980,673</b>	3,253,121	<b>3,043,959</b>	2,905,641	<b>6,024,632</b>	6,158,762
Unallocated liabilities and equity					<b>946,175</b>	897,185
<b>Total Liabilities and Equity</b>					<b>6,970,807</b>	7,055,947



# GULF BANK GROUP

## Notes to the Interim Condensed consolidated Financial Information

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### 10. RELATED PARTY TRANSACTIONS

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

The transaction and balances included in the interim condensed consolidated statement of income and interim condensed consolidated 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>(Audited)</i>	
	<i>management</i>		<i>(Audited)</i>		<i>(Audited)</i>		<i>(Audited)</i>		<i>(Audited)</i>	
	30 September 2023	31 December 2022	30 September 2022	31 December 2022	30 September 2023	31 December 2022	30 September 2022	31 December 2022	30 September 2022	31 December 2022
<b>Board members:</b>										
<b>Balances</b>										
Loans and advances	1	1	1	8	10	10	146,464	166,370	168,265	
Credit cards	4	3	2	5	5	4	15	18	21	
Deposits	8	8	8	83	77	77	788,281	42,389	49,463	
<b>Commitments/derivatives</b>										
Guarantees / letters of credit	-	-	-	15	13	13	47,811	32,742	28,561	
<b>Transactions</b>										
Interest income	1	1	1	16	18	17	6,153	5,582	3,768	
Interest expense	4	4	4	16	16	16	2,791	564	408	
Net fees and commissions	-	-	-	13	17	14	155	138	84	
Other expenses	-	-	-	10	12	10	1,236	1,764	1,098	
Purchase of equipment	-	-	-	2	2	2	266	276	172	
<b>Executive management:</b>										
<b>Balances</b>										
Loans and advances	6	7	6	-	-	-	873	1,158	1,136	
Credit cards	9	11	13	-	-	-	18	22	21	
Deposits	14	17	16	-	-	-	2,655	4,229	3,842	
<b>Transactions</b>										
Interest income	7	7	7	-	-	-	36	41	27	
Interest expense	19	18	18	-	-	-	113	74	45	

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

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### 10. RELATED PARTY TRANSACTIONS (continued)

The loans issued to Board members and executive management are repayable within CBK regulatory limits and have interest rates of **5.25% to 6.25%** (2022: 4% to 6.25%) 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 2023 was **KD 66,098 thousand** (31 December 2022: KD 66,821 thousand and 30 September 2022: KD 67,016 thousand).

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

	<i>9 months ended 30 September 2023</i>	<i>9 months ended 30 September 2022</i>
	<i>KD 000's</i>	<i>KD 000's</i>
Salaries and other benefits	2,896	3,562
End of service/termination benefits	404	330
	<b>3,300</b>	<b>3,892</b>

### 11. CONTINGENT LIABILITIES AND COMMITMENTS

	<i>(Unaudited) 30 September 2023</i>	<i>(Audited) 31 December 2022</i>	<i>(Unaudited) 30 September 2022</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
Guarantees	1,134,703	1,146,960	1,196,700
Letters of credit and acceptances	402,075	366,055	378,695
Undrawn irrevocable commitments	140,217	33,323	20,940
Undrawn revocable commitments	1,142,824	1,127,150	1,196,105
	<b>2,819,819</b>	<b>2,673,488</b>	<b>2,792,440</b>

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

### 12. DERIVATIVES

In the ordinary course of business the Group 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 30 September 2023:</b>	<i>Notional amounts by term to maturity</i>				
	<i>Positive fair value</i>	<i>Negative fair value</i>	<i>Notional amount total</i>	<i>Within 3 months</i>	<i>3-12 months</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
<b>Derivatives instruments held as:</b>					
Trading (and non qualifying hedges)					
Forward foreign exchange contracts	46	(44)	3,877	3,877	-



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

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### 12. DERIVATIVES (continued)

At 31 December 2022:	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	52	(46)	7,834	7,834	-

At 30 September 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	540	(844)	75,801	73,528	2,273

### 13. 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 2023:

	Level 1 KD '000	Level 2 KD '000	Level 3 KD '000	Total KD '000
<b>Financial assets at FVOCI:</b>				
Equity securities	11,162	838	21,462	33,462

The amortized cost and fair value of investment securities at amortised cost as at 30 September 2023 were **KD 75,296 thousand** (31 December 2022: KD 95,396 thousand; 30 September 2022: KD 72,507 thousand) and **KD 75,021 thousand** (Level 1) (31 December 2022: KD 94,737 thousand; 30 September 2022: KD 71,881 thousand) respectively.





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

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

At 31 December 2022:

	Level 1 KD '000	Level 2 KD '000	Level 3 KD '000	Total KD '000
<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 30 September 2022:

	Level 1 KD '000	Level 2 KD '000	Level 3 KD '000	Total KD '000
<i>Financial assets at FVOCI:</i>				
Equity securities	10,427	694	22,517	33,638
Debt securities	-	201	-	201
	<u>10,427</u>	<u>895</u>	<u>22,517</u>	<u>33,839</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					
<b>2023</b>	<b>22,232</b>	<b>-</b>	<b>(788)</b>	<b>18</b>	<b>21,462</b>
<b>2022</b>	<b>23,146</b>	<b>(99)</b>	<b>(555)</b>	<b>25</b>	<b>22,517</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 12.

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.

### 14. INTEREST RATE BENCHMARK REFORM

The Group's exposure to IBOR linked financial assets is mainly through USD LIBOR.

The Group's exposure to financial assets that are based on USD LIBOR maturing after 30 September 2023 is **KD 55,589 thousand** (31 December 2022: KD 450,181 thousand and 30 September 2022: KD 534,844 thousand). The Group's exposure to USD IBOR linked financial liabilities is relatively insignificant.

