

GULF BANK GROUP
INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
(UNAUDITED)

30 JUNE 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 June 2023, and the related interim condensed consolidated statement of income, interim condensed consolidated statement of comprehensive income for the three months and six 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 six 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.

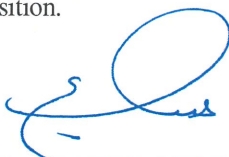
Conclusion

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 six months period ended 30 June 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 six months period ended 30 June 2023 that might have had a material effect on the business of the Bank or on its financial position.



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



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

27 July 2023
Kuwait



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

PERIOD ENDED 30 JUNE 2023

		<i>3 months ended</i>	<i>3 months ended</i>	<i>6 months ended</i>	<i>6 months ended</i>
		<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>
		<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</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		89,843	52,549	175,418	99,205
Interest expense		52,997	19,069	103,762	33,500
Net interest income		36,846	33,480	71,656	65,705
Net fees and commissions		6,050	7,497	13,699	14,238
Net gains from dealing in foreign currencies and derivatives		2,419	2,461	5,045	4,830
Dividend income		225	224	436	224
Other income		337	152	1,420	337
Operating income		45,877	43,814	92,256	85,334
Staff expenses		13,768	14,020	27,252	26,680
Occupancy costs		709	602	1,410	1,213
Depreciation		1,824	1,726	3,568	3,427
Other expenses		5,238	5,120	10,711	9,937
Operating expenses		21,539	21,468	42,941	41,257
OPERATING PROFIT BEFORE PROVISIONS / IMPAIRMENT LOSSES		24,338	22,346	49,315	44,077
Charge (release) of provisions:					
- specific		6,921	7,502	21,114	12,658
- general		12	3,365	(265)	4,245
Loan recoveries, net of write-off		(2,005)	(4,552)	(9,042)	(4,623)
Net provision on other financial assets		(31)	50	(81)	41
OPERATING PROFIT		19,441	15,981	37,589	31,756
Directors' remuneration		30	21	60	41
Contribution to Kuwait Foundation for the Advancement of Sciences		194	160	376	318
National Labour Support Tax		481	395	931	786
Zakat		194	160	376	318
PROFIT FOR THE PERIOD		18,542	15,245	35,846	30,293
BASIC AND DILUTED EARNINGS PER SHARE (Fils)	3	6	5	11	9

The attached notes 1 to 15 form part of the interim condensed consolidated financial information.

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

PERIOD ENDED 30 JUNE 2023

	<i>3 months ended</i> <i>30 June</i> <i>2023</i> <i>KD 000's</i>	<i>3 months ended</i> <i>30 June</i> <i>2022</i> <i>KD 000's</i>	<i>6 months ended</i> <i>30 June</i> <i>2023</i> <i>KD 000's</i>	<i>6 months ended</i> <i>30 June</i> <i>2022</i> <i>KD 000's</i>
Profit for the period	18,542	15,245	35,846	30,293
Other comprehensive income				
<i>Items that will not be reclassified subsequently to</i> <i>interim condensed consolidated statement of income :</i>				
Net changes in fair value of investment securities-equity	11	(1,928)	(476)	(214)
Other comprehensive income (loss) for the period	11	(1,928)	(476)	(214)
Total comprehensive income for the period	18,553	13,317	35,370	30,079

The attached notes 1 to 15 form part of the interim condensed consolidated financial information.

GULF BANK GROUP

Interim Condensed Consolidated Statement of Financial Position

		<i>(Unaudited)</i> 30 June 2023 KD 000's	<i>(Audited)</i> 31 December 2022 KD 000's	<i>(Unaudited)</i> 30 June 2022 KD 000's
	<i>Notes</i>			
ASSETS				
Cash and cash equivalents		1,078,978	929,888	1,027,727
Kuwait Government treasury bonds		22,000	22,000	48,000
Central Bank of Kuwait bonds		341,878	337,703	299,276
Deposits with banks and other financial institutions		66,014	131,222	57,983
Loans and advances	4	5,173,723	5,128,680	5,181,553
Investment securities		73,443	128,935	111,247
Other assets	5	117,363	134,392	116,257
Premises and equipment		40,179	38,660	35,667
TOTAL ASSETS		6,913,578	6,851,480	6,877,710
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks		317,882	489,651	682,220
Deposits from financial institutions		969,850	774,611	598,662
Customer deposits		4,215,606	4,246,837	4,571,389
Other borrowed funds	6	539,484	493,926	245,670
Other liabilities		147,368	126,432	102,673
TOTAL LIABILITIES		6,190,190	6,131,457	6,200,614
EQUITY				
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		1,073	1,549	2,160
Retained earnings		162,029	158,188	153,245
		723,388	720,023	693,238
Treasury shares	9	-	-	(16,142)
TOTAL EQUITY		723,388	720,023	677,096
TOTAL LIABILITIES AND EQUITY		6,913,578	6,851,480	6,877,710


Ali Morad Benbehani
(Deputy Chairman)


Waleed Mandani
(Acting Chief Executive Officer)

The attached notes 1 to 15 form part of the interim condensed consolidated financial information.

GULF BANK GROUP
Interim Condensed Consolidated Statement of Cash Flows
(Unaudited)
PERIOD ENDED 30 JUNE 2023

	<i>Notes</i>	<i>6 months ended 30 June 2023 KD 000's</i>	<i>6 months ended 30 June 2022 KD 000's</i>
OPERATING ACTIVITIES			
Profit for the period		35,846	30,293
Adjustments:			
Dividend income		(436)	(224)
Depreciation		3,568	3,427
Loan loss provisions		20,849	16,903
Net provision on other financial assets		(81)	41
CASH FLOWS FROM OPERATING ACTIVITIES BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES		59,746	50,440
<i>(Increase)/decrease in operating assets:</i>			
Kuwait Government treasury bonds		-	26,000
Central Bank of Kuwait bonds		(4,175)	(18,079)
Deposits with banks and other financial institutions		65,244	66,653
Loans and advances		(66,802)	(361,427)
Other assets		16,357	4,947
<i>(Decrease)/increase in operating liabilities:</i>			
Due to banks		(171,769)	86,719
Deposits from financial institutions		195,239	(74,507)
Customer deposits		(31,231)	267,394
Other liabilities		21,846	428
NET CASH FLOWS FROM OPERATING ACTIVITIES		84,455	48,568
INVESTING ACTIVITIES			
Purchase of investment securities		(25,695)	(12,527)
Proceeds from sale/maturity of investment securities		81,428	42,473
Purchase of premises and equipment		(5,087)	(4,701)
Dividend income received		436	224
NET CASH FLOWS FROM INVESTING ACTIVITIES		51,082	25,469
FINANCING ACTIVITIES			
Net proceeds from other borrowed funds	6	45,558	30,670
Dividend paid	8	(32,005)	(21,078)
Proceeds from sale of treasury shares		-	1,603
NET CASH FLOWS FROM FINANCING ACTIVITIES		13,553	11,195
NET INCREASE IN CASH AND CASH EQUIVALENTS		149,090	85,232
CASH AND CASH EQUIVALENTS AT 1 JANUARY		929,888	942,495
CASH AND CASH EQUIVALENTS AT 30 JUNE		1,078,978	1,027,727
Additional cash flows information			
Interest received		167,265	102,993
Interest paid		86,170	29,422

The attached notes 1 to 15 form part of the interim condensed consolidated financial information.

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

PERIOD ENDED 30 JUNE 2023

	RESERVES									
	Share capital KD 000's	Proposed bonus shares KD 000's	Statutory reserve KD 000's	Share premium KD 000's	Property revaluation reserve KD 000's	Fair valuation reserve KD 000's	Retained earnings KD 000's	Sub-total reserves KD 000's	Treasury shares KD 000's	Total KD 000's
At 1 January 2022	304,813	15,240	46,562	153,024	18,194	2,374	144,442	364,596	(18,157)	666,492
Profit for the period	-	-	-	-	-	-	30,293	30,293	-	30,293
Other comprehensive loss for the period	-	-	-	-	-	(214)	-	(214)	-	(214)
Total comprehensive (loss) income for the period	-	-	-	-	-	(214)	30,293	30,079	-	30,079
Dividend paid (Note 8)	-	-	-	-	-	-	(21,078)	(21,078)	-	(21,078)
Issue of bonus shares (Note 8)	15,240	(15,240)	-	-	-	-	-	-	-	-
Sale of treasury shares	-	-	-	-	-	-	-	-	2,015	2,015
Loss on sale of treasury shares	-	-	-	-	-	-	(412)	(412)	-	(412)
At 30 June 2022	320,053	-	46,562	153,024	18,194	2,160	153,245	373,185	(16,142)	677,096
At 1 January 2023	320,053	16,003	53,052	153,024	18,154	1,549	158,188	383,967	-	720,023
Profit for the period	-	-	-	-	-	-	35,846	35,846	-	35,846
Other comprehensive loss for the period	-	-	-	-	-	(476)	-	(476)	-	(476)
Total comprehensive (loss) income for the period	-	-	-	-	-	(476)	35,846	35,370	-	35,370
Dividend paid (Note 8)	-	-	-	-	-	-	(32,005)	(32,005)	-	(32,005)
Issue of bonus shares (Note 8)	16,003	(16,003)	-	-	-	-	-	-	-	-
At 30 June 2023	336,056	-	53,052	153,024	18,154	1,073	162,029	387,332	-	723,388

The attached notes 1 to 15 form part of the interim condensed consolidated financial information.

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

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 quarter, 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 six months period ended 30 June 2023 was authorised by the Board of Directors for issue on 13 July 2023.

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

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 six months period ended 30 June 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 June 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 June 2023 KD 000's</i>	<i>3 months ended 30 June 2022 KD 000's</i>	<i>6 months ended 30 June 2023 KD 000's</i>	<i>6 months ended 30 June 2022 KD 000's</i>
Profit for the period	18,542	15,245	35,846	30,293
	<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	3,360,561,006	3,321,812,544	3,360,561,006	3,320,796,171
Basic and diluted earnings per share (Fils)	6	5	11	9

Earnings per share calculations for the period ended 30 June 2022 have been adjusted to the account of the bonus shares issued on 13 April 2023 (Note 8). Earnings per share for the six months period ended 30 June 2022 was 10 fils per share before retroactive adjustment to the number of shares following the bonus issue.

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

4. LOANS AND ADVANCES

	<i>(Unaudited)</i> 30 June 2023 KD 000's	<i>(Audited)</i> 31 December 2022 KD 000's	<i>(Unaudited)</i> 30 June 2022 KD 000's
Gross loans and advances	5,462,623	5,422,721	5,466,440
Less: Provision for impairment	(288,900)	(294,041)	(284,887)
Loans and advances	<u>5,173,723</u>	<u>5,128,680</u>	<u>5,181,553</u>

Provision for non-cash facilities of **KD 18,470 thousand** (31 December 2022: KD 19,380 thousand and 30 June 2022: KD 19,055 thousand) is included under other liabilities.

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

	<i>(Unaudited)</i> 30 June 2023 KD 000's	<i>(Audited)</i> 31 December 2022 KD 000's	<i>(Unaudited)</i> 30 June 2022 KD 000's
Provision on cash facilities	288,900	294,041	284,887
Provision on non-cash facilities	18,470	19,380	19,055
Total provisions on credit facilities	<u>307,370</u>	<u>313,421</u>	<u>303,942</u>
IFRS 9 ECL on credit facilities	185,398	189,748	189,967
Excess of total provisions over IFRS 9 ECL on credit facilities	121,972	123,673	113,975
Excess provisions as a percentage of total provisions	<u>40%</u>	<u>39%</u>	<u>37%</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 June 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	5,148,576	258,702	55,345	5,462,623
Contingent liabilities and commitments (Note 12)	2,442,219	190,700	18,621	2,651,540
IFRS 9 ECL on credit facilities	38,328	82,563	64,507	185,398

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

30 June 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 12)	2,411,911	242,188	19,389	2,673,488
IFRS 9 ECL on credit facilities	38,179	78,970	72,599	189,748

At 30 June 2022:

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

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

At 30 June 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	5,649	3,381	(9,030)	-
ECL (release)/charge for the period	(5,500)	212	27,838	22,550
ECL release on written off facilities	-	-	(26,900)	(26,900)
ECL balance as at 30 June 2023	38,328	82,563	64,507	185,398

At 30 June 2022:

	<i>Stage 1</i> <i>KD 000's</i>	<i>Stage 2</i> <i>KD 000's</i>	<i>Stage 3</i> <i>KD 000's</i>	<i>Total</i> <i>KD 000's</i>
ECL balance as at 1 January 2022	41,724	96,272	50,635	188,631
Impact due to transfer between stages	4,192	409	(4,601)	-
ECL (release)/charge for the period	(2,345)	(10,151)	27,899	15,403
ECL release on written off facilities	-	-	(14,067)	(14,067)
ECL balance as at 30 June 2022	43,571	86,530	59,866	189,967

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

30 June 2023

5. OTHER ASSETS

	<i>(Unaudited)</i> 30 June 2023 KD 000's	<i>(Audited)</i> 31 December 2022 KD 000's	<i>(Unaudited)</i> 30 June 2022 KD 000's
Accrued interest receivable	34,142	25,989	12,367
Sundry debtors and others	14,557	13,655	18,374
Government Grant receivable	-	26,084	26,084
Reposessed collaterals (refer movement below)	68,664	68,664	59,432
	<u>117,363</u>	<u>134,392</u>	<u>116,257</u>

Movement in reposessed collaterals:

	<i>(Unaudited)</i> 30 June 2023 KD 000's	<i>(Audited)</i> 31 December 2022 KD 000's	<i>(Unaudited)</i> 30 June 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>(Unaudited)</i> 30 June 2023 KD 000's	<i>(Audited)</i> 31 December 2022 KD 000's	<i>(Unaudited)</i> 30 June 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	5.00% to 6.83%	489,484	443,926	195,670
		<u>539,484</u>	<u>493,926</u>	<u>245,670</u>

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

30 June 2023

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

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. TREASURY SHARES

	<i>(Unaudited)</i> 30 June 2023	<i>(Audited)</i> 31 December 2022	<i>(Unaudited)</i> 30 June 2022
Number of treasury shares	-	-	34,539,604
Percentage of treasury shares	0.00%	0.00%	1.08%
Cost of treasury shares (KD 000's)	-	-	16,142
Weighted average market value of treasury shares (KD 000's)	-	-	10,984

GULF BANK GROUP
Notes to the Interim Condensed Consolidated Financial Information
(Unaudited)
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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 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 six months period ended 30 June is as follows:

	Commercial Banking		Treasury & Investments		Total	
	2023	2022	2023	2022	2023	2022
	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)	70,836	73,598	(228)	2,471	70,608	76,069
Segment result	41,238	44,919	(1,086)	1,467	40,152	46,386
Unallocated income					21,648	9,265
Unallocated expense					(25,954)	(25,358)
Profit for the period					35,846	30,293
Segment assets	5,322,641	5,320,143	1,502,058	1,465,074	6,824,699	6,785,217
Unallocated assets					88,879	92,493
Total Assets					6,913,578	6,877,710
Segment liabilities	3,118,642	3,333,184	2,865,513	2,691,898	5,984,155	6,025,082
Unallocated liabilities and equity					929,423	852,628
Total Liabilities and Equity					6,913,578	6,877,710

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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:

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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 **5% to 6.25%** (2022: 3.25% 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 June 2023 was **KD 66,096 thousand** (31 December 2022: KD 66,821 thousand and 30 June 2022: KD 66,178 thousand).

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

	<i>6 months ended 30 June 2023 KD 000's</i>	<i>6 months ended 30 June 2022 KD 000's</i>
Salaries and other benefits	2,078	2,409
End of service/termination benefits	340	247
	<u>2,418</u>	<u>2,656</u>

12. CONTINGENT LIABILITIES AND COMMITMENTS

	<i>(Unaudited) 30 June 2023 KD 000's</i>	<i>(Audited) 31 December 2022 KD 000's</i>	<i>(Unaudited) 30 June 2022 KD 000's</i>
Guarantees	1,126,446	1,146,960	1,207,590
Letters of credit and acceptances	382,904	366,055	392,330
Undrawn irrevocable commitments	18,345	33,323	19,535
Undrawn revocable commitments	1,123,845	1,127,150	1,170,997
	<u>2,651,540</u>	<u>2,673,488</u>	<u>2,790,452</u>

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

13. 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.

At 30 June 2023:	<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	63	(173)	143,110	143,030	80

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13. 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 June 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	155	(129)	80,226	69,255	10,971

14. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

At 30 June 2023:

	Level 1 KD '000	Level 2 KD '000	Level 3 KD '000	Total KD '000
Financial assets at FVOCI:				
Equity securities	12,493	838	21,453	34,784
Debt securities	-	152	-	152
	12,493	990	21,453	34,936

The amortized cost and fair value of investment securities at amortised cost as at 30 June 2023 were **KD 38,507 thousand** (31 December 2022: KD 95,396 thousand; 30 June 2022: KD 76,359 thousand) and **KD 38,281 thousand** (Level 1) (31 December 2022: KD 94,737 thousand; 30 June 2022: KD 75,896 thousand) respectively.

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14. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

At 31 December 2022:

	<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	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 June 2022:

	<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	10,848	688	23,151	34,687
Debt securities	-	201	-	201
	<u>10,848</u>	<u>889</u>	<u>23,151</u>	<u>34,888</u>

The 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 June KD 000's
<i>Financial assets at FVOCI:</i>					
Equity securities					
2023	22,232	-	(788)	9	21,453
2022	23,146	-	-	5	23,151

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.

15. 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 June 2023 is **KD 397,777 thousand** (31 December 2022: KD 450,181 thousand and 30 June 2022: KD 756,972 thousand). The Group's exposure to USD IBOR linked financial liabilities is relatively insignificant.