

GULF BANK K.S.C.P.

**INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED)**

31 MARCH 2020



**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 2020, 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 2020 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 2020 that might have had a material effect on the business of the Bank or on its financial position

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EY
AL AIBAN, AL OSAIMI & PARTNERS

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09 August 2020
Kuwait

GULF BANK K.S.C.P.
Interim Condensed Statement of Income
(Unaudited)
PERIOD ENDED 31 MARCH 2020

	<i>Notes</i>	<i>3 months ended 31 March 2020 KD 000's</i>	<i>3 months ended 31 March 2019 KD 000's</i>
Interest income		58,024	63,736
Interest expense		29,131	26,160
Net interest income		28,893	37,576
Net fees and commissions		6,757	6,669
Net gains from dealing in foreign currencies and derivatives		2,069	2,189
Dividend income		352	575
Other income		244	237
Operating income		38,315	47,246
Staff expenses		11,507	11,735
Occupancy costs		733	637
Depreciation		1,938	1,718
Other expenses		4,568	7,492
Operating expenses		18,746	21,582
OPERATING PROFIT BEFORE PROVISIONS / IMPAIRMENT LOSSES		19,569	25,664
Charge (release) of provisions:			
- specific		8,267	13,004
- general		3,299	(877)
Loan recoveries, net of write-off		(919)	912
Net provision on other financial assets		(79)	291
OPERATING PROFIT		9,001	12,334
Contribution to Kuwait Foundation for the Advancement of Sciences		91	124
National Labour Support Tax		223	306
Zakat		91	124
PROFIT FOR THE PERIOD		8,596	11,780
BASIC AND DILUTED EARNINGS PER SHARE (Fils)	3	3	4

The attached notes 1 to 13 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 2020

	<i>3 months ended 31 March 2020 KD 000's</i>	<i>3 months ended 31 March 2019 KD 000's</i>
Profit for the period	<u>8,596</u>	<u>11,780</u>
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	(3,852)	2,172
<i>Items that are reclassified or may be reclassified subsequently to interim condensed statement of income:</i>		
Net changes in fair value of debt instruments at FVOCI	-	(5)
Other comprehensive income for the period	<u>(3,852)</u>	<u>2,167</u>
Total comprehensive income for the period	<u><u>4,744</u></u>	<u><u>13,947</u></u>

The attached notes 1 to 13 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 <i>2020</i> KD 000's	<i>(Audited)</i> 31 December <i>2019</i> KD 000's	<i>(Unaudited)</i> 31 March <i>2019</i> KD 000's
ASSETS			
Cash and cash equivalents	1,012,476	847,881	677,786
Treasury bills and bonds	187,500	232,000	368,304
Central Bank of Kuwait bonds	279,357	278,675	307,798
Deposits with banks and other financial institutions	164,071	128,368	146,691
Loans and advances to banks	200,438	212,978	119,191
Loans and advances to customers	4,268,248	4,224,608	3,889,950
Investment securities	166,391	170,694	168,008
Other assets	118,571	113,549	122,319
Premises and equipment	36,119	36,664	36,981
TOTAL ASSETS	6,433,171	6,245,417	5,837,028
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks	477,848	398,713	349,972
Deposits from financial institutions	924,467	1,018,487	978,832
Customer deposits	4,143,886	3,949,901	3,631,439
Subordinated Tier 2 bonds	100,000	100,000	100,000
Other liabilities	148,012	113,993	163,126
TOTAL LIABILITIES	5,794,213	5,581,094	5,223,369
EQUITY			
Share capital	304,813	304,813	304,813
Statutory reserve	39,106	39,106	32,429
Share premium	153,024	153,024	153,024
Property revaluation reserve	18,425	18,425	17,983
Treasury share reserve	22,926	24,111	24,111
Fair valuation reserve	3,670	7,522	9,339
Retained earnings	167,576	190,927	145,565
Treasury shares	709,540 (70,582)	737,928 (73,605)	687,264 (73,605)
TOTAL EQUITY	638,958	664,323	613,659
TOTAL LIABILITIES AND EQUITY	6,433,171	6,245,417	5,837,028



Jassim Mustafa Boodai
(Chairman)



Antoine Daher
(Chief Executive Officer)

The attached notes 1 to 13 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 2020

	<i>3 months ended</i> <i>31 March</i> <i>2020</i> <i>KD 000's</i>	<i>3 months ended</i> <i>31 March</i> <i>2019</i> <i>KD 000's</i>
OPERATING ACTIVITIES		
Profit for the period	8,596	11,780
Adjustments:		
Effective interest rate adjustment	(16)	(108)
Dividend income	(352)	(575)
Depreciation	1,938	1,718
Loan loss provisions	11,566	12,127
Net provision on other financial assets	(79)	291
OPERATING PROFIT BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES	21,653	25,233
<i>Decrease/(increase) in operating assets:</i>		
Treasury bills and bonds	44,500	27,432
Central Bank of Kuwait bonds	(682)	14,155
Deposits with banks and other financial institutions	(35,634)	9,589
Loans and advances to banks	12,559	24,675
Loans and advances to customers	(54,922)	48,147
Other assets	(6,479)	(14,691)
<i>Increase/(decrease) in operating liabilities:</i>		
Due to banks	79,135	(64,510)
Deposits from financial institutions	(94,020)	(27,062)
Customer deposits	193,985	(103,316)
Other liabilities	1,785	(3,732)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	161,880	(64,080)
INVESTING ACTIVITIES		
Purchase of investment securities	(5,452)	-
Proceeds from sale of investment securities	7,708	1,623
Purchase of premises and equipment	(1,393)	(1,866)
Dividend income received	14	-
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	877	(243)
FINANCING ACTIVITIES		
Proceeds from sale of treasury shares	1,838	-
NET CASH FLOWS FROM FINANCING ACTIVITIES	1,838	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	164,595	(64,323)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	847,881	742,109
CASH AND CASH EQUIVALENTS AT 31 MARCH	1,012,476	677,786
<i>Additional cash flows information</i>		
Interest received	53,948	59,087
Interest paid	25,748	25,656

The attached notes 1 to 13 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 2020

	RESERVES								Total KD 000's	
	Share capital KD 000's	Statutory reserve KD 000's	Share premium KD 000's	Property revaluation reserve KD 000's	Treasury share reserve KD 000's	Fair valuation reserve KD 000's	Retained earnings KD 000's	Subtotal reserves KD 000's		Treasury shares KD 000's
At 1 January 2019	304,813	32,429	153,024	17,983	24,111	7,382	162,556	397,485	(73,605)	628,693
Profit for the period	-	-	-	-	-	-	11,780	11,780	-	11,780
Other comprehensive income for the period	-	-	-	-	-	2,167	-	2,167	-	2,167
Total comprehensive income for the period	-	-	-	-	-	2,167	11,780	13,947	-	13,947
Dividend (Note 6)	-	-	-	-	-	-	(28,981)	(28,981)	-	(28,981)
Realised gain on equity securities at FVOCI	-	-	-	-	-	(210)	210	-	-	-
At 31 March 2019	304,813	32,429	153,024	17,983	24,111	9,339	145,565	382,451	(73,605)	613,659
At 1 January 2020	304,813	39,106	153,024	18,425	24,111	7,522	190,927	433,115	(73,605)	664,323
Profit for the period	-	-	-	-	-	-	8,596	8,596	-	8,596
Other comprehensive income for the period	-	-	-	-	-	(3,852)	-	(3,852)	-	(3,852)
Total comprehensive income for the period	-	-	-	-	-	(3,852)	8,596	4,744	-	4,744
Dividend (Note 6)	-	-	-	-	-	-	(31,947)	(31,947)	-	(31,947)
Sale of treasury shares	-	-	-	-	-	-	-	-	3,023	3,023
Loss on sale of treasury shares	-	-	-	-	(1,185)	-	-	(1,185)	-	(1,185)
At 31 March 2020	304,813	39,106	153,024	18,425	22,926	3,670	167,576	404,727	(70,582)	638,958

The attached notes 1 to 13 form part of the interim condensed financial information.

GULF BANK K.S.C.P.
Notes to the Interim Condensed Financial Information
(Unaudited)
31 March 2020

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 Kuwait Stock Exchange. 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 2020 was authorised by the Board of Directors for issue on 22 July 2020.

The principal activities of the Bank are described in Note 7.

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 2019 were prepared in accordance with International Financial Reporting Standard ("IFRS") as adopted for use by the State of Kuwait for financial services institutions regulated by the Central Bank of Kuwait ("CBK"). These regulations require expected credit loss ("ECL") to be measured at the higher of the ECL on credit facilities computed under IFRS 9 in accordance to the CBK guidelines or the provisions as required by CBK instructions; the consequent impact on related disclosures; and the adoption of all other requirements of IFRS as issued by the International Accounting Standards Board ("IASB") (collectively referred to as IFRS, as adopted 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 2019.

Amendments to IFRSs which are effective for annual accounting period starting from 1 January 2020 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 2019. Further, operating results for the three months period ended 31 March 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

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 2020

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 2020 KD 000's</i>	<i>3 months ended 31 March 2019 KD 000's</i>
Profit for the period	<u>8,596</u>	<u>11,780</u>
	<u>Shares</u>	<u>Shares</u>
Weighted average number of shares outstanding during the period, net of treasury shares	<u>2,901,151,706</u>	<u>2,898,133,288</u>
Basic and diluted earnings per share (Fils)	<u>3</u>	<u>4</u>

4. SHARE CAPITAL

	<i>(Unaudited) 31 March 2020 KD 000's</i>	<i>(Audited) 31 December 2019 KD 000's</i>	<i>(Unaudited) 31 March 2019 KD 000's</i>
Authorised, issued and fully paid up 3,048,127,898 (31 December 2019: 3,048,127,898 and 31 March 2019: 3,048,127,898) shares of 100 fils	<u>304,813</u>	<u>304,813</u>	<u>304,813</u>

5. TREASURY SHARES

	<i>(Unaudited) 31 March 2020</i>	<i>(Audited) 31 December 2019</i>	<i>(Unaudited) 31 March 2019</i>
Number of treasury shares	<u>143,833,407</u>	<u>149,994,610</u>	<u>149,994,610</u>
Percentage of treasury shares	<u>4.72%</u>	<u>4.92%</u>	<u>4.92%</u>
Cost of treasury shares (KD 000's)	<u>70,582</u>	<u>73,605</u>	<u>73,605</u>
Weighted average market value of treasury shares (KD 000's)	<u>39,267</u>	<u>44,098</u>	<u>42,298</u>

This includes 13,641,280 treasury shares costing KD 5,488 thousand, which represent collaterals repossessed in settlement of debts from customers. The balance in the treasury share reserve of **KD 22,926 thousand** (31 December 2019: KD 24,111 thousand and 31 March 2019: KD 24,111 thousand) is not available for distribution. An amount equivalent to the cost of the treasury shares have been earmarked as non-distributable from statutory reserve, share premium, treasury shares reserve and retained earnings through out the holding period of treasury shares.

6. DIVIDEND

The shareholders at the Annual General Meeting (AGM) held on 31 March 2020 approved a cash dividend of **11 fils** per share (2018: 10 fils) for the year ended 31 December 2019. The cash dividend was recorded and will be paid subsequently.

GULF BANK K.S.C.P.
Notes to the Interim Condensed Financial Information
(Unaudited)
31 March 2020

7. 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 management of the Bank's funding operations by use of treasury bills, 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:

	<u>Commercial Banking</u>		<u>Treasury & Investments</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	<u>KD 000's</u>	<u>KD 000's</u>	<u>KD 000's</u>	<u>KD 000's</u>	<u>KD 000's</u>	<u>KD 000's</u>
Operating income (excluding unallocated income provided below)	<u>34,538</u>	<u>35,463</u>	<u>(479)</u>	<u>2,437</u>	<u>34,059</u>	<u>37,900</u>
Segment result	<u>19,909</u>	<u>15,462</u>	<u>(692)</u>	<u>1,909</u>	<u>19,217</u>	<u>17,371</u>
Unallocated income					<u>4,256</u>	<u>9,346</u>
Unallocated expense					<u>(14,877)</u>	<u>(14,937)</u>
Profit for the period					<u>8,596</u>	<u>11,780</u>
Segment assets	<u>4,568,586</u>	<u>4,129,472</u>	<u>1,782,721</u>	<u>1,627,719</u>	<u>6,351,307</u>	<u>5,757,191</u>
Unallocated assets					<u>81,864</u>	<u>79,837</u>
Total Assets					<u>6,433,171</u>	<u>5,837,028</u>
Segment liabilities	<u>2,902,086</u>	<u>3,083,995</u>	<u>2,690,741</u>	<u>1,912,942</u>	<u>5,592,827</u>	<u>4,996,937</u>
Unallocated liabilities and equity					<u>840,344</u>	<u>840,091</u>
Total Liabilities and Equity					<u>6,433,171</u>	<u>5,837,028</u>

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

31 March 2020

8. 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 (Audited)</i>		<i>Number of related parties (Audited)</i>		<i>KD 000's</i>		<i>KD 000's</i>	
	<i>31 March 2020</i>	<i>31 December 2019</i>	<i>31 March 2020</i>	<i>31 December 2019</i>	<i>31 March 2020</i>	<i>31 December 2019</i>	<i>31 March 2020</i>	<i>31 March 2019</i>
Board members:								
Balances								
Loans and advances	-	1	12	14	14	149,336	176,918	155,188
Credit cards	2	6	4	7	5	22	86	61
Deposits	5	8	68	60	53	33,099	25,560	516,906
Commitments/derivatives								
Guarantees /letter of credit	-	1	7	5	7	5,773	5,388	5,535
Forward foreign exchange contracts	-	-	-	-	1	-	-	15,570
Transactions								
Interest income	1	1	17	19	18	1,809	7,025	1,778
Interest expense	3	5	16	21	17	97	9,512	3,925
Net fees and commissions	-	-	6	12	11	5	120	53
Other expenses	-	-	11	12	8	573	2,655	429
Purchase of equipment	-	-	2	2	2	6	173	101
Executive management:								
Balances								
Loans and advances	2	2	-	-	-	41	47	29
Credit cards	12	11	-	-	-	15	28	15
Deposits	13	12	-	-	-	2,340	1,491	1,912
Transactions								
Interest income	2	2	-	-	-	1	3	1
Interest expense	13	13	-	-	-	7	28	6

GULF BANK K.S.C.P.

Notes to the Interim Condensed Financial Information (Unaudited)

31 March 2020

8. RELATED PARTY TRANSACTIONS (continued)

The loans issued to directors and executive management are repayable within CBK regulatory limits and have interest rates of **2.25% to 6%** (2019: 3.5% to 6%) per annum. Some of the loans advanced to Board members and their related parties during the period are collateralised. The fair value of these collaterals as of 31 March 2020 was **KD 58,357 thousand** (31 December 2019: KD 116,820 thousand and 31 March 2019: KD 68,085 thousand).

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

	<i>3 months ended 31 March 2020 KD 000's</i>	<i>3 months ended 31 March 2019 KD 000's</i>
Salaries and other short-term benefits	1,087	1,224
End of service/termination benefits	62	51
	1,149	1,275

9. CONTINGENT LIABILITIES AND COMMITMENTS

	<i>(Unaudited) 31 March 2020 KD 000's</i>	<i>(Audited) 31 December 2019 KD 000's</i>	<i>(Unaudited) 31 March 2019 KD 000's</i>
Guarantees	1,234,082	1,213,861	1,242,894
Letters of credit and acceptances	196,808	247,720	239,150
	1,430,890	1,461,581	1,482,044

As at reporting date, the Bank had undrawn commitments to extend credit facilities to customers amounting to **KD 294,130 thousand** (31 December 2019: KD 291,604 thousand and 31 March 2019: KD 229,358 thousand). The contractual terms entitle the Bank to withdraw these facilities at any time.

10. 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.

	<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>Notional amounts by term to maturity</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	1,187	(126)	106,982	86,776	20,206

GULF BANK K.S.C.P.
Notes to the Interim Condensed Financial Information
(Unaudited)
31 March 2020

10. DERIVATIVES (continued)

At 31 December 2019:

	<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>Notional amounts by term to maturity</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	13	(215)	74,130	71,022	3,108

At 31 March 2019:

	<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>Notional amounts by term to maturity</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	1,034	(1,007)	42,927	39,053	3,874

11. 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 2020:

	<i>Level 1 KD 000's</i>	<i>Level 2 KD 000's</i>	<i>Level 3 KD 000's</i>	<i>Total KD 000's</i>
Financial assets at FVOCI:				
Equity securities	11,989	6,004	11,937	29,930
Debt securities	-	201	-	201
	11,989	6,205	11,937	30,131

The amortized cost and fair value of investment securities at amortised cost as at 31 March 2020 were **KD 136,260 thousand** (31 December 2019: KD 136,727 thousand; 31 March 2019: KD 130,196 thousand) and **KD 112,869 thousand** (Level 1) (31 December 2019: KD 118,235 thousand; 31 March 2019: KD 110,063 thousand) and **KD 20,800 thousand** (Level 2) (31 December 2019: KD 20,800 thousand; 31 March 2019: KD 20,800 thousand) respectively.

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11. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

At 31 December 2019:

	<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	15,868	5,978	11,920	33,766
Debt securities	-	201	-	201
	<u>15,868</u>	<u>6,179</u>	<u>11,920</u>	<u>33,967</u>

At 31 March 2019:

	<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	16,860	5,522	13,862	36,244
Debt securities	-	1,568	-	1,568
	<u>16,860</u>	<u>7,090</u>	<u>13,862</u>	<u>37,812</u>

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 10.

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.

12. OTHER ASSETS

	<i>(Unaudited)</i> <i>31 March</i> <i>2020</i> <i>KD 000's</i>	<i>(Audited)</i> <i>31 December</i> <i>2019</i> <i>KD 000's</i>	<i>(Unaudited)</i> <i>31 March</i> <i>2019</i> <i>KD 000's</i>
Accrued interest receivable	26,263	22,187	26,190
Sundry debtors and others	19,482	18,536	16,666
Repossessed collaterals (refer movement below)	72,826	72,826	79,463
	<u>118,571</u>	<u>113,549</u>	<u>122,319</u>

Movement in repossessed collaterals:

	<i>(Unaudited)</i> <i>31 March</i> <i>2020</i> <i>KD 000's</i>	<i>(Audited)</i> <i>31 December</i> <i>2019</i> <i>KD 000's</i>	<i>(Unaudited)</i> <i>31 March</i> <i>2019</i> <i>KD 000's</i>
Beginning balance	72,826	71,031	71,031
Additions			
- Listed equity securities	-	8,432	8,432
Disposals	-	(5,378)	-
Impairment loss	-	(1,259)	-
Closing balance	<u>72,826</u>	<u>72,826</u>	<u>79,463</u>

Investment securities amounting to **KD 2,894 thousand** (31 December 2019: KD 2,894 thousand and 31 March 2019: KD 8,432 thousand) are fair valued using quoted market prices (Level 1).

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13. COVID-19 IMPACT

COVID-19 Pandemic 2020

The coronavirus (COVID-19) has brought about uncertainties in the global economic environment. The COVID-19 pandemic has resulted in authorities implementing numerous measures attempting to contain the spread and impact of COVID-19, such as travel bans and restrictions, quarantines, and limitations on business activities, including partial closures. COVID-19 could continue to negatively impact businesses, the Bank's counterparties and customers, and the Kuwait and/or global economy for a prolonged period of time.

Consumer and instalment loans deferral

In response to Kuwait Banking Association's Board Resolution, the Bank announced postponement the payment of consumer and instalment loans as well as payment due on credit cards for a period of six months effective from 1 April 2020, waiving also the interest and any other fees resulting from such postponement. The instalment deferrals are considered as short-term liquidity support to address individual borrower's potential cash-flow issues. Subsequent to the balance sheet date, the Bank determined a loss of **KD 42,212 thousand** arising from the modification of contractual cashflows on account of the loan deferral scheme. This will be recognised in the retained earnings for the next period as directed by the CBK.

Support measures on COVID-19

In response to the crisis the CBK took series of measures in its efforts to support the local economy and the banking sector in Kuwait by impacting various measures to enhance the ability of banks to play a vital role in the economy, expanding their lending space, strengthening their financing capabilities, encouraging them to lend to productive economic sectors and providing liquidity to the impacted customers.

Expected Credit Loss updates

The Bank has considered the potential impact of the uncertainties caused by the COVID-19 pandemic while estimating the Expected Credit Loss (ECL) requirements for the period ended 31 March 2020. The Bank takes into account their historic experience of losses updated to reflect current conditions as well as forecasts of future economic conditions to assess if there is significant increase in credit risk or objective evidence of impairment in the light of COVID-19 situation.

Notwithstanding the above, ECL requirements for credit facilities estimated as at 31 March 2020 continue to be lower than the provisions required as per CBK instructions. In accordance with Bank's accounting policy, the higher amount being provision required as per CBK instructions is recognized as provisions for credit losses on credit facilities.