

GULF BANK K.S.C.P.
INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED)
31 MARCH 2019



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 2019, 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 2019 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 2019 that might have had a material effect on the business of the Bank or on its financial position.

WALEED A. AL OSAIMI
LICENCE NO. 68 A
EY
AL-AIBAN, AL-OSAIMI & PARTNERS

7 April 2019
Kuwait

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GULF BANK K.S.C.P.
Interim Condensed Statement of Income
(Unaudited)
PERIOD ENDED 31 MARCH 2019

	<i>Notes</i>	<i>3 months ended 31 March 2019 KD 000's</i>	<i>3 months ended 31 March 2018 KD 000's</i>
Interest income		63,736	56,880
Interest expense		26,160	20,072
Net interest income		37,576	36,808
Net fees and commissions		6,669	8,449
Net gains from dealing in foreign currencies and derivatives		2,189	2,284
Dividend income		575	478
Other income		237	220
Operating income		47,246	48,239
Staff expenses		11,735	9,945
Occupancy costs		637	990
Depreciation		1,718	906
Other expenses		7,492	3,758
Operating expenses		21,582	15,599
OPERATING PROFIT BEFORE PROVISIONS / IMPAIRMENT LOSSES		25,664	32,640
Charge (release) of provisions:			
- specific		13,004	17,655
- general		(877)	15,736
Loan recoveries, net of write-off		912	(18,391)
Net provision on other financial assets		291	9
Impairment loss on other assets	12	-	6,315
OPERATING PROFIT		12,334	11,316
Contribution to Kuwait Foundation for the Advancement of Sciences		124	114
National Labour Support Tax		306	280
Zakat		124	114
PROFIT FOR THE PERIOD		11,780	10,808
BASIC AND DILUTED EARNINGS PER SHARE (Fils)	3	4	4

The attached notes 1 to 12 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 2019

	<i>3 months ended</i> <i>31 March</i> <i>2019</i> <i>KD 000's</i>	<i>3 months ended</i> <i>31 March</i> <i>2018</i> <i>KD 000's</i>
Profit for the period	11,780	10,808
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	2,172	20
<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	2,167	20
Total comprehensive income for the period	13,947	10,828

The attached notes 1 to 12 form part of the interim condensed financial information.

GULF BANK K.S.C.P.
Interim Condensed Statement of Financial Position

	Notes	(Unaudited) 31 March 2019 KD 000's	(Audited) 31 December 2018 KD 000's	(Unaudited) 31 March 2018 KD 000's
ASSETS				
Cash and cash equivalents		677,786	742,109	558,234
Treasury bills and bonds		368,304	395,736	537,784
Central Bank of Kuwait bonds		307,798	321,953	387,911
Deposits with banks and other financial institutions		146,691	156,569	14,785
Loans and advances to banks		119,191	143,668	112,850
Loans and advances to customers		3,889,950	3,950,053	3,820,373
Investment securities		168,008	167,372	116,371
Other assets	12	122,319	107,147	127,928
Premises and equipment		36,981	31,740	30,235
TOTAL ASSETS		5,837,028	6,016,347	5,706,471
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks		349,972	414,482	365,772
Deposits from financial institutions		978,832	1,005,894	929,576
Customer deposits		3,631,439	3,734,755	3,590,730
Subordinated Tier 2 bonds		100,000	100,000	100,000
Other liabilities		163,126	132,523	134,903
TOTAL LIABILITIES		5,223,369	5,387,654	5,120,981
EQUITY				
Share capital	4	304,813	304,813	304,813
Statutory reserve		32,429	32,429	26,475
Share premium		153,024	153,024	153,024
Property revaluation reserve		17,983	17,983	17,852
Treasury share reserve		24,111	24,111	24,246
Fair valuation reserve		9,339	7,382	6,222
Retained earnings		145,565	162,556	123,615
		687,264	702,298	656,247
Treasury shares	5	(73,605)	(73,605)	(70,757)
TOTAL EQUITY		613,659	628,693	585,490
TOTAL LIABILITIES AND EQUITY		5,837,028	6,016,347	5,706,471



Omar Kutayba Alghanim
(Chairman)



Antoine Daher
(Chief Executive Officer)

The attached notes 1 to 12 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 2019

	<i>3 months ended 31 March 2019 KD 000's</i>	<i>3 months ended 31 March 2018 KD 000's</i>
OPERATING ACTIVITIES		
Profit for the period	11,780	10,808
Adjustments:		
Effective interest rate adjustment	(108)	-
Dividend income	(575)	(478)
Depreciation	1,718	906
Loan loss provisions	12,127	33,391
Net provision on other financial assets	291	9
Impairment loss on other assets	-	6,315
OPERATING PROFIT BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES	25,233	50,951
<i>Decrease/(increase) in operating assets:</i>		
Treasury bills and bonds	27,432	29,000
Central Bank of Kuwait bonds	14,155	6,644
Deposits with banks and other financial institutions	9,589	24,259
Loans and advances to banks	24,675	16,242
Loans and advances to customers	48,147	(42,341)
Other assets	(14,691)	(10,635)
<i>(Decrease)/increase in operating liabilities:</i>		
Due to banks	(64,510)	(46,333)
Deposits from financial institutions	(27,062)	(39,621)
Customer deposits	(103,316)	100,753
Other liabilities	(3,732)	(4,953)
NET CASH FLOWS (USED IN)/FROM OPERATING ACTIVITIES	(64,080)	83,966
INVESTING ACTIVITIES		
Proceeds from sale of investment securities	1,623	-
Purchase of premises and equipment	(1,866)	(1,187)
Dividend income received	-	14
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(243)	(1,173)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(64,323)	82,793
CASH AND CASH EQUIVALENTS AT 1 JANUARY	742,109	475,441
CASH AND CASH EQUIVALENTS AT 31 MARCH	677,786	558,234
Additional cash flows information		
Interest received	59,087	51,382
Interest paid	25,656	19,849

The attached notes 1 to 12 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 2019

	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 2018	304,813	26,475	153,024	17,852	24,246	6,444	139,181	367,222	(70,757)	601,278
Impact on initial application of IFRS 9	-	-	-	-	-	(242)	(184)	(426)	-	(426)
At 1 January 2018 (restated)	304,813	26,475	153,024	17,852	24,246	6,202	138,997	366,796	(70,757)	600,852
Profit for the period	-	-	-	-	-	-	10,808	10,808	-	10,808
Other comprehensive income for the period	-	-	-	-	-	20	-	20	-	20
Total comprehensive income for the period	-	-	-	-	-	20	10,808	10,828	-	10,828
Dividend (Note 6)	-	-	-	-	-	-	(26,190)	(26,190)	-	(26,190)
At 31 March 2018	304,813	26,475	153,024	17,852	24,246	6,222	123,615	351,434	(70,757)	585,490
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

The attached notes 1 to 12 form part of the interim condensed financial information.

GULF BANK K.S.C.P.
Notes to the Interim Condensed Financial Information
(Unaudited)
31 March 2019

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 2019 was authorised by the Board of Directors for issue on 7 April 2019.

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 2018 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 2018 except for the adoption of the following new standard which is effective from 1 January 2019:

IFRS 16: Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The only exceptions are short-term (i.e., where the lease term is 12 months or less) and low-value leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The Bank, as a lessee, has adopted the following accounting policy in respect of its leases:

At inception of a contract, the Bank assesses whether the contract is a lease. A contract is a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. If the contract is identified as a lease, the Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. The right-of-use asset is subsequently depreciated using the straight-line method over the lease term. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Bank’s incremental borrowing rate. The lease liability is subsequently measured at amortised cost using the effective interest method.

The Bank has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated. Lease liabilities and right of use of assets were both recorded at the present value of future lease payments, thus no impact was recorded on the opening retained earnings. The Bank has availed the short-term and low-value leases exceptions. The right-of-use assets and lease liabilities recorded as at 1 January 2019 amounted to **KD 5,726 thousand**. The Bank presents right-of-use assets in ‘property and equipment’ and lease liabilities in ‘other liabilities’ in the interim condensed statement of financial position.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2019 did not have any material impact on the accounting policies, financial position or performance of the Bank.

GULF BANK K.S.C.P.
Notes to the Interim Condensed Financial Information
(Unaudited)
31 March 2019

2. BASIS OF PRESENTATION (continued)

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 2018. Further, operating results for the three months period ended 31 March 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

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.

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 2019 KD 000's</i>	<i>3 months ended 31 March 2018 KD 000's</i>
Profit for the period	<u>11,780</u>	<u>10,808</u>
	<u>Shares</u>	<u>Shares</u>
Weighted average number of shares outstanding during the period, net of treasury shares	<u>2,898,133,288</u>	<u>2,909,979,052</u>
Basic and diluted earnings per share (Fils)	<u>4</u>	<u>4</u>

4. SHARE CAPITAL

	<i>(Unaudited) 31 March 2019 KD 000's</i>	<i>(Audited) 31 December 2018 KD 000's</i>	<i>(Unaudited) 31 March 2018 KD 000's</i>
Authorised, issued and fully paid up 3,048,127,898 (31 December 2018: 3,048,127,898 and 31 March 2018: 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 2019</i>	<i>(Audited) 31 December 2018</i>	<i>(Unaudited) 31 March 2018</i>
Number of treasury shares	<u>149,994,610</u>	<u>149,994,610</u>	<u>138,148,846</u>
Percentage of treasury shares	<u>4.92%</u>	<u>4.92%</u>	<u>4.53%</u>
Cost of treasury shares (KD 000's)	<u>73,605</u>	<u>73,605</u>	<u>70,757</u>
Weighted average market value of treasury shares (KD 000's)	<u>42,298</u>	<u>37,949</u>	<u>34,261</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 24,111 thousand** (31 December 2018: KD 24,111 thousand and 31 March 2018: KD 24,246 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.

GULF BANK K.S.C.P.
Notes to the Interim Condensed Financial Information
(Unaudited)
31 March 2019

6. DIVIDEND

The shareholders at the Annual General Meeting (AGM) held on 11 March 2019 approved a cash dividend of **10 fils** per share (2017: 9 fils) for the year ended 31 December 2018. The cash dividend was recorded on 28 March 2019 and will be paid subsequently.

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:

	Commercial Banking		Treasury & Investments		Total	
	2019	2018	2019	2018	2019	2018
	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)	35,463	38,745	2,437	3,809	37,900	42,554
Segment result	15,462	26,602	1,909	3,597	17,371	30,199
Unallocated income					9,346	5,685
Unallocated expense					(14,937)	(25,076)
Profit for the period					11,780	10,808
Segment assets	4,129,472	4,044,848	1,627,719	1,576,002	5,757,191	5,620,850
Unallocated assets					79,837	85,621
Total Assets					5,837,028	5,706,471
Segment liabilities	3,083,995	2,819,415	1,912,942	2,114,469	4,996,937	4,933,884
Unallocated liabilities and equity					840,091	772,587
Total Liabilities and Equity					5,837,028	5,706,471

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

31 March 2019

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 2019</i>	<i>31 March 2018</i>	<i>31 March 2019</i>	<i>31 December 2018</i>	<i>31 March 2019</i>	<i>31 December 2018</i>	<i>31 March 2018</i>	<i>31 March 2018</i>
Board members:								
Balances								
Loans and advances	1	1	14	16	15	145,556	199,586	
Credit cards	4	3	5	5	5	61	52	
Deposits	8	8	53	52	49	516,906	542,676	
Commitments/derivatives								
Guarantees /letter of credit	1	1	7	8	7	5,535	11,914	
Forward foreign exchange contracts	-	-	1	1	1	15,570	2,052	
Transactions								
Interest income	1	1	18	24	19	1,778	2,147	
Interest expense	5	5	17	17	14	3,925	2,625	
Net fees and commissions	-	1	11	12	10	53	300	
Other expenses	-	-	8	9	9	429	459	
Purchase of equipment	-	-	2	3	3	101	71	
Executive management:								
Balances								
Loans and advances	1	1	-	-	-	29	40	
Credit cards	8	9	-	-	-	15	11	
Deposits	10	11	-	-	-	1,912	1,516	
Transactions								
Interest income	1	2	-	-	-	1	2	
Interest expense	11	12	-	-	-	6	15	

GULF BANK K.S.C.P.

Notes to the Interim Condensed Financial Information (Unaudited)

31 March 2019

8. RELATED PARTY TRANSACTIONS (continued)

The loans issued to directors and executive management are repayable within CBK regulatory limits and have interest rates of **3.5% to 6%** (2018: 3.25% 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 2019 was **KD 68,085 thousand** (31 December 2018: KD 58,614 thousand and 31 March 2018: KD 99,178 thousand).

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

	<i>3 months ended 31 March 2019 KD 000's</i>	<i>3 months ended 31 March 2018 KD 000's</i>
Salaries and other short-term benefits	1,224	959
End of service/termination benefits	51	26
	1,275	985

9. CONTINGENT LIABILITIES AND COMMITMENTS

	<i>(Unaudited) 31 March 2019 KD 000's</i>	<i>(Audited) 31 December 2018 KD 000's</i>	<i>(Unaudited) 31 March 2018 KD 000's</i>
Guarantees	1,242,894	1,226,081	1,281,353
Letters of credit and acceptances	239,150	214,203	220,145
	1,482,044	1,440,284	1,501,498

As at reporting date, the Bank had undrawn commitments to extend credit facilities to customers amounting to **KD 229,358 thousand** (31 December 2018: KD 222,882 thousand and 31 March 2018: KD 237,038 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>Notional amounts by term to maturity</i>		
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>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

GULF BANK K.S.C.P.

Notes to the Interim Condensed Financial Information (Unaudited)

31 March 2019

10. DERIVATIVES (continued)

At 31 December 2018:	<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	718	(615)	61,975	33,439	28,536
At 31 March 2018:					
	<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	368	(396)	141,468	114,350	27,118

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 2019:

	<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>
<i>Financial assets at FVOCI:</i>				
Equity securities	16,860	5,522	13,862	36,244
Debt securities	-	1,568	-	1,568
	16,860	7,090	13,862	37,812

The amortized cost and fair value of investment securities at amortised cost as at 31 March 2019 were **KD 130,196 thousand** (31 December 2018: KD 130,098 thousand; 31 March 2018: KD 78,927 thousand) and **KD 110,063 thousand** (Level 1) (31 December 2018: KD 108,348 thousand; 31 March 2018: KD 60,234 thousand) and **KD 20,800 thousand** (Level 2) (31 December 2018: KD 20,800 thousand; 31 March 2018: KD 17,811 thousand) respectively.

GULF BANK K.S.C.P.

Notes to the Interim Condensed Financial Information (Unaudited)

31 March 2019

11. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

At 31 December 2018:

	<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	15,723	5,531	13,847	35,101
Debt securities	-	2,173	-	2,173
	15,723	7,704	13,847	37,274

At 31 March 2018:

	<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	15,438	5,172	16,834	37,444
	15,438	5,172	16,834	37,444

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>2019</i> <i>KD 000's</i>	<i>(Audited)</i> <i>31 December</i> <i>2018</i> <i>KD 000's</i>	<i>(Unaudited)</i> <i>31 March</i> <i>2018</i> <i>KD 000's</i>
Accrued interest receivable	26,190	21,541	26,868
Sundry debtors and others	16,666	14,575	28,519
Repossessed collaterals (refer movement below)	79,463	71,031	72,541
	122,319	107,147	127,928

Movement in repossessed collaterals:

	<i>(Unaudited)</i> <i>31 March</i> <i>2019</i> <i>KD 000's</i>	<i>(Audited)</i> <i>31 December</i> <i>2018</i> <i>KD 000's</i>	<i>(Unaudited)</i> <i>31 March</i> <i>2018</i> <i>KD 000's</i>
Beginning balance	71,031	78,856	78,856
Additions			
- Listed equity securities	8,432	-	-
- Real estate properties	-	98,996	-
Disposals	-	(90,000)	-
Impairment loss	-	(16,821)	(6,315)
	79,463	71,031	72,541
Closing balance			

Investment securities amounting to **KD 8,432 thousand** (31 December 2018: KD Nil and 31 March 2018: KD Nil) are fair valued using quoted market prices (Level 1). The fair values of the real estate properties are not materially different from their carrying values.