

GULF BANK K.S.C.P.

**INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED)**

31 MARCH 2016



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 2016, and the related interim condensed statement of income and 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 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 and the executive regulation of Law No 25 of 2012, or of the Bank's Memorandum of Incorporation and Articles of Association, as amended, during the three months period ended 31 March 2016 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 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 2016 that might have had a material effect on the business of the Bank or on its financial position.

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15 May 2016
Kuwait

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

PERIOD ENDED 31 MARCH 2016

	<i>Note</i>	<i>3 months ended 31 March 2016 KD 000's</i>	<i>3 months ended 31 March 2015 KD 000's</i>
Interest income		43,641	43,304
Interest expense		13,968	12,063
Net interest income		29,673	31,241
Net fees and commissions		8,155	7,263
Net gains from dealing in foreign currencies and derivatives		2,363	1,828
Dividend income		3,124	776
Other income		708	401
Operating income		44,023	41,509
Staff expenses		10,320	10,204
Occupancy costs		1,012	884
Depreciation		651	532
Other expenses		3,600	2,698
Operating expenses		15,583	14,318
OPERATING PROFIT BEFORE PROVISIONS / IMPAIRMENT LOSSES		28,440	27,191
Charge of provisions:			
- specific		10,180	13,249
- general		8,463	74
Loan recoveries net of write-off		(9,233)	3,167
Impairment loss on investment securities		3,105	458
Impairment loss on other assets		6,750	-
OPERATING PROFIT		9,175	10,243
Contribution to Kuwait Foundation for the Advancement of Sciences		91	103
National Labour Support Tax		227	254
Zakat		91	103
PROFIT FOR THE PERIOD		8,766	9,783
BASIC AND DILUTED EARNINGS PER SHARE (Fils)	3	3	3

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 2016

	<i>3 months ended 31 March 2016 KD 000's</i>	<i>3 months ended 31 March 2015 KD 000's</i>
Profit for the period	8,766	9,783
Other comprehensive income		
<i>Items that are reclassified to interim condensed statement of income :</i>		
Investment securities: - Impairment loss	3,105	458
<i>Items that may be reclassified subsequently to interim condensed statement of income in subsequent periods:</i>		
Net unrealised gains (losses) on investment securities	80	(595)
Other comprehensive income for the period	3,185	(137)
Total comprehensive income for the period	11,951	9,646

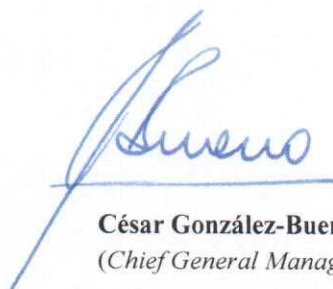
The attached notes 1 to 12 form part of the interim condensed financial information.

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

	<i>(Unaudited)</i> 31 March 2016 KD 000's	<i>(Audited)</i> 31 December 2015 KD 000's	<i>(Unaudited)</i> 31 March 2015 KD 000's
ASSETS			
Cash and cash equivalents	790,651	837,048	654,342
Treasury bills and bonds	268,105	245,609	201,232
Central Bank of Kuwait bonds	425,738	361,425	574,062
Deposits with banks and other financial institutions	32,000	34,107	10,000
Loans and advances to banks	89,010	80,858	122,575
Loans and advances to customers	3,568,851	3,633,591	3,608,065
Investment securities	163,387	115,117	87,891
Other assets	92,714	101,439	108,623
Premises and equipment	28,810	28,522	27,962
TOTAL ASSETS	5,459,266	5,437,716	5,394,752
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks	381,258	261,384	465,670
Deposits from financial institutions	749,671	726,032	685,028
Customer deposits	3,716,579	3,837,422	3,654,451
Other liabilities	73,262	74,622	70,075
TOTAL LIABILITIES	4,920,770	4,899,460	4,875,224
EQUITY			
Share capital	4 304,813	304,813	304,813
Statutory reserve	16,923	16,923	12,824
Share premium	153,024	153,024	153,024
Property revaluation reserve	19,001	19,001	18,874
Treasury share reserve	24,246	24,246	24,246
Fair valuation reserve	4,315	1,130	9,037
Retained earnings	86,903	89,777	64,657
Treasury shares	5 (70,729)	(70,658)	(67,947)
	538,496	538,256	519,528
TOTAL LIABILITIES AND EQUITY	5,459,266	5,437,716	5,394,752



Omar Kutayba Alghanim
(Chairman)



César González-Bueno
(Chief General Manager & 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 2016

	Note	<i>3 months ended</i> <i>31 March</i> <i>2016</i> <i>KD 000's</i>	<i>3 months ended</i> <i>31 March</i> <i>2015</i> <i>KD 000's</i>
OPERATING ACTIVITIES			
Profit for the period		8,766	9,783
Adjustments:			
Effective interest rate adjustment		(90)	(1,335)
Unrealised fair value (gains) losses on credit default swaps		(254)	217
Dividend income		(3,124)	(776)
Depreciation		651	532
Loan loss provisions		18,643	13,323
Impairment loss on investment securities		3,105	458
Impairment loss on other assets		6,750	-
Foreign exchange movement on subordinated loan		-	120
OPERATING PROFIT BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES		34,447	22,322
<i>(Increase)/decrease in operating assets:</i>			
Treasury bills and bonds		(22,496)	(13,146)
Central Bank of Kuwait bonds		(64,313)	14,154
Deposits with banks and other financial institutions		2,107	12,000
Loans and advances to banks		(8,234)	5,030
Loans and advances to customers		46,250	(38,263)
Other assets		2,517	(4,179)
<i>Increase/(decrease) in operating liabilities:</i>			
Due to banks		119,874	110,993
Deposits from financial institutions		23,639	6,359
Customer deposits		(120,843)	(7,273)
Other liabilities		(1,087)	(9,365)
NET CASH FLOWS FROM OPERATING ACTIVITIES		11,861	98,632
INVESTING ACTIVITIES			
Purchase of investment securities		(50,482)	(26,723)
Proceeds from sale of investment securities		1,750	20,576
Purchase of premises and equipment		(939)	(767)
Dividend income received		3,124	776
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(46,547)	(6,138)
FINANCING ACTIVITIES			
Dividends paid	6	(11,640)	-
Purchase of treasury shares		(71)	(1,479)
Repayment of subordinated loan		-	(44,040)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(11,711)	(45,519)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(46,397)	46,975
CASH AND CASH EQUIVALENTS AT 1 JANUARY		837,048	607,367
CASH AND CASH EQUIVALENTS AT 31 MARCH		790,651	654,342
Additional cash flows information			
Interest received		38,973	35,982
Interest paid		15,043	14,830

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 2016

	RESERVES										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	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 2015	290,298	14,515	12,824	153,024	18,874	24,246	9,174	54,874	273,016	(66,468)	511,361
Profit for the period	-	-	-	-	-	-	-	9,783	9,783	-	9,783
Other comprehensive income for the period	-	-	-	-	-	-	(137)	-	(137)	-	(137)
Total comprehensive income for the period	-	-	-	-	-	-	(137)	9,783	9,646	-	9,646
Issue of bonus shares (Note 6)	14,515	(14,515)	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	(1,479)	(1,479)
At 31 March 2015	304,813	-	12,824	153,024	18,874	24,246	9,037	64,657	282,662	(67,947)	519,528
At 1 January 2016	304,813	-	16,923	153,024	19,001	24,246	1,130	89,777	304,101	(70,658)	538,256
Profit for the period	-	-	-	-	-	-	-	8,766	8,766	-	8,766
Other comprehensive income for the period	-	-	-	-	-	-	3,185	-	3,185	-	3,185
Total comprehensive income for the period	-	-	-	-	-	-	3,185	8,766	11,951	-	11,951
Dividends paid (Note 6)	-	-	-	-	-	-	-	(11,640)	(11,640)	-	(11,640)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	(71)	(71)
At 31 March 2016	304,813	-	16,923	153,024	19,001	24,246	4,315	86,903	304,412	(70,729)	538,496

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 2016

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 2016 was authorised by the Board of Directors for issue on 15 May 2016.

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

The new Companies Law No. 1 of 2016 was issued on 24 January 2016 and was published in the Official Gazette on 1 February 2016 cancelled the Companies Law No 25 of 2012, and its amendments. According to article No. 5, the new Law will be effective retrospectively from 26 of November 2012, the executive regulation of Law No. 25 of 2012 will continue until a new set of executive regulation is issued.

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 2015 were prepared in accordance with International Financial Reporting Standards (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 adoption of all IFRS except for the IAS 39, Financial Instruments: Recognition and Measurement, requirement for a collective provision, which has been replaced by the CBK’s requirement for a minimum general provision made on all applicable credit facilities (net of certain categories of collateral) that are not provided specifically.

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 2015.

Amendments to IFRSs which are effective for annual accounting period starting from 1 January 2016 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 2015. Further, operating results for the three months period ended 31 March 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016.

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).

GULF BANK K.S.C.P.
Notes to the Interim Condensed Financial Information
(Unaudited)
31 March 2016

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 2016 KD 000's</i>	<i>3 months ended 31 March 2015 KD 000's</i>
Profit for the period	<u>8,766</u>	<u>9,783</u>
	<u>Shares</u>	<u>Shares</u>
Weighted average number of shares outstanding during the period, net of treasury shares	<u>2,910,238,766</u>	<u>2,922,672,478</u>
Basic and diluted earnings per share (Fils)	<u>3</u>	<u>3</u>

4. SHARE CAPITAL

	<i>(Unaudited) 31 March 2016 KD 000's</i>	<i>(Audited) 31 December 2015 KD 000's</i>	<i>(Unaudited) 31 March 2015 KD 000's</i>
Authorised, issued and fully paid up 3,048,127,898 (31 December 2015: 3,048,127,898 and 31 March 2015: 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 2016</i>	<i>(Audited) 31 December 2015</i>	<i>(Unaudited) 31 March 2015</i>
Number of treasury shares	<u>138,025,846</u>	<u>137,687,846</u>	<u>127,804,905</u>
Percentage of treasury shares	<u>4.53%</u>	<u>4.52%</u>	<u>4.19%</u>
Cost of treasury shares (KD 000's)	<u>70,729</u>	<u>70,658</u>	<u>67,947</u>
Weighted average market value of treasury shares (KD 000's)	<u>29,676</u>	<u>38,277</u>	<u>37,702</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 24,246 thousand** (31 December 2015: KD 24,246 thousand and 31 March 2015: KD 24,246 thousand) is not available for distribution. An amount equivalent to the cost of purchase 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 2016

6. DIVIDEND AND BONUS SHARES

The shareholders at the Annual General Meeting (AGM) held on 9 March 2016 approved a cash dividend of 4 fils per share (2014: Nil) for the year ended 31 December 2015. The cash dividend was paid subsequently.

During the previous year, the shareholders at the AGM held on 9 March 2015 approved the distribution of bonus shares of 5% on the outstanding issued share capital as at 31 December 2014 amounting to KD 14,515 thousand representing 145,148,947 shares of 100 fils each.

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 of 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>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</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>34,055</u>	<u>35,515</u>	<u>2,165</u>	<u>1,025</u>	<u>36,220</u>	<u>36,540</u>
Segment result	<u>11,044</u>	<u>7,257</u>	<u>1,062</u>	<u>57</u>	<u>12,106</u>	<u>7,314</u>
Unallocated income					<u>7,803</u>	<u>4,969</u>
Unallocated expense					<u>(11,143)</u>	<u>(2,500)</u>
Profit for the period					<u>8,766</u>	<u>9,783</u>
Segment assets	<u>3,760,761</u>	<u>3,854,768</u>	<u>1,579,581</u>	<u>1,403,399</u>	<u>5,340,342</u>	<u>5,258,167</u>
Unallocated assets					<u>118,924</u>	<u>136,585</u>
Total Assets					<u>5,459,266</u>	<u>5,394,752</u>
Segment liabilities	<u>3,123,701</u>	<u>3,058,205</u>	<u>1,667,887</u>	<u>1,684,457</u>	<u>4,791,588</u>	<u>4,742,662</u>
Unallocated liabilities and equity					<u>667,678</u>	<u>652,090</u>
Total Liabilities and Equity					<u>5,459,266</u>	<u>5,394,752</u>

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

31 March 2016

8. RELATED PARTY TRANSACTIONS

Certain related parties (Major shareholder, Board members and officers 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 financial information are as follows:

	<i>Number of Board Members or executive management members (Audited)</i>		<i>Number of related parties (Audited)</i>		<i>(Audited)</i>		<i>KD 000's</i>	<i>KD 000's</i>
	<i>31 March 2016</i>	<i>31 December 2015</i>	<i>31 March 2016</i>	<i>31 December 2015</i>	<i>31 March 2016</i>	<i>31 December 2015</i>		
Board members:								
Balances								
Loans and advances	-	-	8	5	4	70,114	65,155	61,596
Investment securities	-	-	-	-	1	-	-	34
Deposits	6	6	23	22	19	418,386	435,458	349,738
Commitments								
Guarantees /letter of credit	1	1	8	7	6	3,468	4,423	3,913
Transactions								
Interest income	-	-	9	10	6	488	1,642	404
Interest expense	1	1	6	7	7	1,189	3,310	737
Executive management:								
Balances								
Loans and advances	2	2	-	-	-	61	64	96
Deposits	12	13	-	-	-	1,190	764	2,434
Commitments								
Guarantees /letter of credit	1	1	-	-	-	1	1	1
Transactions								
Interest income	2	2	-	-	-	1	4	1
Interest expense	12	13	-	-	-	3	16	4

GULF BANK K.S.C.P.

Notes to the Interim Condensed Financial Information (Unaudited)

31 March 2016

8. RELATED PARTY TRANSACTIONS (continued)

The loans issued to directors and key management personnel are repayable within CBK regulatory limits and have interest rates of **2% to 5.5%** (2015: 2% to 5%) 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 2016 was **KD 50,234 thousand** (31 December 2015: KD 48,264 thousand and 31 March 2015: KD 57,426 thousand).

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

	<i>3 months ended 31 March 2016 KD 000's</i>	<i>3 months ended 31 March 2015 KD 000's</i>
Salaries and other short-term benefits	935	807
End of service/termination benefits	37	29
	972	836

9. CONTINGENT LIABILITIES AND COMMITMENTS

	<i>(Unaudited) 31 March 2016 KD 000's</i>	<i>(Audited) 31 December 2015 KD 000's</i>	<i>(Unaudited) 31 March 2015 KD 000's</i>
Guarantees	1,283,570	1,299,019	1,234,541
Letters of credit	212,768	192,271	200,541
	1,496,338	1,491,290	1,435,082

As at reporting date, the Bank had undrawn commitments to extend overdraft facilities to customers amounting to **KD 174,031 thousand** (31 December 2015: KD 157,170 thousand and 31 March 2015: KD 182,916 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.

At 31 March 2016:

	<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>	<i>Over 1 year KD 000's</i>
Derivatives instruments held as:						
Trading (and non qualifying hedges)						
Forward foreign exchange contracts	207	(185)	61,508	58,505	3,003	-
Credit default swaps	-	(259)	89,046	-	60,370	28,676
	207	(444)	150,554	58,505	63,373	28,676

GULF BANK K.S.C.P.

Notes to the Interim Condensed Financial Information (Unaudited)

31 March 2016

10. DERIVATIVES (continued)

At 31 December 2015:

	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	Over 1 year KD 000's
Derivatives instruments held as:						
Trading (and non qualifying hedges)						
Forward foreign exchange contracts	264	(427)	49,626	24,514	25,112	-
Credit default swaps	-	(513)	89,532	-	30,350	59,182
	<u>264</u>	<u>(940)</u>	<u>139,158</u>	<u>24,514</u>	<u>55,462</u>	<u>59,182</u>

At 31 March 2015:

	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	Over 1 year KD 000's
Derivatives instruments held as:						
Trading (and non qualifying hedges)						
Forward foreign exchange contracts	1	(134)	12,637	3,701	8,936	-
Credit default swaps	-	(361)	88,574	-	-	88,574
	<u>1</u>	<u>(495)</u>	<u>101,211</u>	<u>3,701</u>	<u>8,936</u>	<u>88,574</u>

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 2016

	Level 1 KD 000's	Level 2 KD 000's	Level 3 KD 000's	Total KD 000's
<i>Financial assets available for sale:</i>				
Equity securities	53,765	6,600	-	60,365
Debt securities	23,032	16,410	-	39,442
	<u>76,797</u>	<u>23,010</u>	<u>-</u>	<u>99,807</u>

The amortized cost and fair value of investment securities held to maturity as at 31 March 2016 were **KD 42,928 thousand** (31 December 2015: KD 43,529 thousand; 31 March 2015: KD 26,863 thousand) and **KD 43,052 thousand** (Level 1) (31 December 2015: KD 43,388 thousand; 31 March 2015: KD 26,804 thousand) respectively.

There are certain unquoted equity investments carried at cost net of impairment with a carrying amount of **KD 20,652 thousand** (31 December 2015: KD 20,684 thousand; 31 March 2015: KD 21,871 thousand).

Investment securities include **KD 36,227 thousand** (Level 1), which represent collaterals repossessed in settlement of debts from customers. (31 December 2015: KD Nil and 31 March 2015: KD Nil).

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31 March 2016

11. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

At 31 December 2015

	<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 available for sale:</i>				
Equity securities	19,527	6,622	-	26,149
Debt securities	23,251	1,504	-	24,755
	42,778	8,126	-	50,904

At 31 March 2015

	<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 available for sale:</i>				
Equity securities	27,566	6,893	-	34,459
Debt securities	4,698	-	-	4,698
	32,264	6,893	-	39,157

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 and credit default swaps 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

This includes investment securities and real estate collaterals repossessed in settlement of debts from customers, amounting to **KD 49,425 thousand** (31 December 2015: KD 54,590 thousand and 31 March 2015: KD 62,280 thousand).

The Bank is compliant with the CBK regulations to dispose these within the stipulated time limit except on investment securities amounting to **KD 1,100 thousand** (31 December 2015: KD 10,064 thousand and 31 March 2015: KD Nil).

During the period, the Bank obtained possession of investment securities valued at **KD 34,157 thousand** (31 December 2015: KD Nil and 31 March 2015: KD Nil), real estate properties valued at **KD 8,639 thousand** (31 December 2015: KD 10,895 thousand and 31 March 2015: KD Nil) held as collaterals in settlement of debts from customers. The legal formalities to transfer the ownership of the certain real estate properties repossessed currently in progress. These repossessed collaterals will be disposed within the stipulated time limit prescribed by the CBK. Investment securities amounting to **KD 804 thousand** (31 December 2015: KD 1,918 thousand and 31 March 2015: KD 15,317 thousand) are accounted for as investments available for sale and are consequently fair valued using quoted market prices (Level 1) and the balance amounting to **KD 4,602 thousand** (31 December 2015: KD 13,566 thousand and 31 March 2015: KD 18,751 thousand) is fair valued using observable market data (Level 2). The fair values of the real estate properties are not materially different from their carrying values.