

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

30 JUNE 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 30 June 2019, and the related interim condensed statement of income and interim condensed statement of comprehensive income for the three months and six months periods then ended and the related interim condensed statement of cash flows and interim condensed 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 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 six months period ended 30 June 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 six months period ended 30 June 2019 that might have had a material effect on the business of the Bank or on its financial position.

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03 July 2019
Kuwait

GULF BANK K.S.C.P.
Interim Condensed Statement of Income
(Unaudited)
PERIOD ENDED 30 JUNE 2019

	<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>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
<i>Notes</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
Interest income	64,403	61,838	128,139	118,718
Interest expense	27,490	21,778	53,650	41,850
Net interest income	36,913	40,060	74,489	76,868
Net fees and commissions	7,229	6,262	13,898	14,711
Net gains from dealing in foreign currencies and derivatives	2,392	2,236	4,581	4,520
Dividend income	-	110	575	588
Other income	1,803	194	2,040	414
Operating income	48,337	48,862	95,583	97,101
Staff expenses	11,515	10,646	23,250	20,591
Occupancy costs	652	1,164	1,289	2,154
Depreciation	1,730	914	3,448	1,820
Other expenses	4,450	3,710	11,942	7,468
Operating expenses	18,347	16,434	39,929	32,033
OPERATING PROFIT BEFORE PROVISIONS / IMPAIRMENT LOSSES	29,990	32,428	55,654	65,068
Charge (release) of provisions:				
- specific	22,313	15,665	35,317	33,320
- general	531	934	(346)	16,670
Loan recoveries, net of write-off	(5,802)	(943)	(4,890)	(19,334)
Net provision on other financial assets	41	17	332	26
Impairment loss on other assets	12 140	-	140	6,315
OPERATING PROFIT	12,767	16,755	25,101	28,071
Contribution to Kuwait Foundation for the Advancement of Sciences	128	167	252	281
National Labour Support Tax	316	415	622	695
Zakat	128	167	252	281
PROFIT FOR THE PERIOD	12,195	16,006	23,975	26,814
BASIC AND DILUTED EARNINGS PER SHARE (Fils)	3	4	6	8
	3	4	8	9

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 30 JUNE 2019

	<i>3 months ended</i> <i>30 June</i> <i>2019</i> <i>KD 000's</i>	<i>3 months ended</i> <i>30 June</i> <i>2018</i> <i>KD 000's</i>	<i>6 months ended</i> <i>30 June</i> <i>2019</i> <i>KD 000's</i>	<i>6 months ended</i> <i>30 June</i> <i>2018</i> <i>KD 000's</i>
Profit for the period	12,195	16,006	23,975	26,814
Other comprehensive income				
<i>Items that will not be reclassified subsequently to interim condensed statement of income :</i>				
Net changes in fair value of investment securities-equity	(918)	(73)	1,254	(53)
<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	(7)	38	(12)	38
Other comprehensive income for the period	(925)	(35)	1,242	(15)
Total comprehensive income for the period	11,270	15,971	25,217	26,799

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

	(Unaudited) 30 June 2019 KD 000's	(Audited) 31 December 2018 KD 000's	(Unaudited) 30 June 2018 KD 000's
ASSETS			
Cash and cash equivalents	847,848	742,109	592,632
Treasury bills and bonds	326,500	395,736	480,693
Central Bank of Kuwait bonds	283,992	321,953	359,091
Deposits with banks and other financial institutions	160,966	156,569	110,989
Loans and advances to banks	133,736	143,668	142,345
Loans and advances to customers	3,955,333	3,950,053	3,878,784
Investment securities	153,702	167,372	120,073
Other assets	12 111,920	107,147	125,877
Premises and equipment	36,875	31,740	30,694
TOTAL ASSETS	6,010,872	6,016,347	5,841,178
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks	505,504	414,482	335,987
Deposits from financial institutions	841,527	1,005,894	987,715
Customer deposits	3,804,447	3,734,755	3,712,471
Subordinated Tier 2 bonds	100,000	100,000	100,000
Other liabilities	134,465	132,523	105,275
TOTAL LIABILITIES	5,385,943	5,387,654	5,241,448
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	8,348	7,382	6,187
Retained earnings	157,826	162,556	139,621
	698,534	702,298	672,218
Treasury shares	5 (73,605)	(73,605)	(72,488)
TOTAL EQUITY	624,929	628,693	599,730
TOTAL LIABILITIES AND EQUITY	6,010,872	6,016,347	5,841,178


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 30 JUNE 2019

	Notes	<i>6 months ended 30 June 2019 KD 000's</i>	<i>6 months ended 30 June 2018 KD 000's</i>
OPERATING ACTIVITIES			
Profit for the period		23,975	26,814
Adjustments:			
Effective interest rate adjustment		(132)	(18)
Dividend income		(575)	(588)
Depreciation		3,448	1,820
Loan loss provisions		34,971	49,990
Net provision on other financial assets		332	26
Impairment loss on other assets	12	140	6,315
OPERATING PROFIT BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES		62,159	84,359
<i>Decrease/(increase) in operating assets:</i>			
Treasury bills and bonds		69,236	86,086
Central Bank of Kuwait bonds		37,961	35,463
Deposits with banks and other financial institutions		(4,712)	(71,963)
Loans and advances to banks		10,057	(13,504)
Loans and advances to customers		(40,028)	(118,490)
Other assets		(4,746)	(9,328)
<i>Increase/(decrease) in operating liabilities:</i>			
Due to banks		91,022	(76,118)
Deposits from financial institutions		(164,367)	18,518
Customer deposits		69,692	222,494
Other liabilities		(3,367)	(6,983)
NET CASH FLOWS FROM OPERATING ACTIVITIES		122,907	150,534
INVESTING ACTIVITIES			
Purchase of investment securities		(13,307)	(4,300)
Proceeds from sale of investment securities		28,035	850
Purchase of premises and equipment		(3,490)	(2,560)
Dividend income received		575	588
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		11,813	(5,422)
FINANCING ACTIVITIES			
Dividend paid	6	(28,981)	(26,190)
Purchase of treasury shares		-	(1,731)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(28,981)	(27,921)
NET INCREASE IN CASH AND CASH EQUIVALENTS		105,739	117,191
CASH AND CASH EQUIVALENTS AT 1 JANUARY		742,109	475,441
CASH AND CASH EQUIVALENTS AT 30 JUNE		847,848	592,632
<i>Additional cash flows information</i>			
Interest received		133,273	121,843
Interest paid		50,471	41,336

The attached notes I 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 30 JUNE 2019

	RESERVES							Treasury shares KD 000's	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			Sub-total reserves 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	-	-	-	-	-	-	26,814	26,814	-	26,814
Other comprehensive income for the period	-	-	-	-	-	(15)	-	(15)	-	(15)
Total comprehensive income for the period	-	-	-	-	-	(15)	26,814	26,799	-	26,799
Dividend paid (Note 6)	-	-	-	-	-	-	(26,190)	(26,190)	-	(26,190)
Purchase of treasury shares	-	-	-	-	-	-	-	-	(1,731)	(1,731)
At 30 June 2018	304,813	26,475	153,024	17,852	24,246	6,187	139,621	367,405	(72,488)	599,730
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	-	-	-	-	-	-	23,975	23,975	-	23,975
Other comprehensive income for the period	-	-	-	-	-	1,242	-	1,242	-	1,242
Total comprehensive income for the period	-	-	-	-	-	1,242	23,975	25,217	-	25,217
Dividend paid (Note 6)	-	-	-	-	-	-	(28,981)	(28,981)	-	(28,981)
Realised gain on equity securities at FVOCI	-	-	-	-	-	(276)	276	-	-	-
At 30 June 2019	304,813	32,429	153,024	17,983	24,111	8,348	157,826	393,721	(73,605)	624,929

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)
30 June 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 six months period ended 30 June 2019 was authorised by the Board of Directors for issue on 3 July 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)
30 June 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 six months period ended 30 June 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 30 June 2019 KD 000's</i>	<i>3 months ended 30 June 2018 KD 000's</i>	<i>6 months ended 30 June 2019 KD 000's</i>	<i>6 months ended 30 June 2018 KD 000's</i>
Profit for the period	12,195	16,006	23,975	26,814
	<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	2,898,133,288	2,908,711,208	2,898,133,288	2,909,341,628
Basic and diluted earnings per share (Fils)	<u>4</u>	<u>6</u>	<u>8</u>	<u>9</u>

4. SHARE CAPITAL

	<i>(Unaudited) 30 June 2019 KD 000's</i>	<i>(Audited) 31 December 2018 KD 000's</i>	<i>(Unaudited) 30 June 2018 KD 000's</i>
Authorised, issued and fully paid up 3,048,127,898 (31 December 2018: 3,048,127,898 and 30 June 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) 30 June 2019</i>	<i>(Audited) 31 December 2018</i>	<i>(Unaudited) 30 June 2018</i>
Number of treasury shares	149,994,610	149,994,610	145,214,098
Percentage of treasury shares	<u>4.92%</u>	<u>4.92%</u>	<u>4.76%</u>
Cost of treasury shares (KD 000's)	<u>73,605</u>	<u>73,605</u>	<u>72,488</u>
Weighted average market value of treasury shares (KD 000's)	<u>44,398</u>	<u>37,949</u>	<u>36,304</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 30 June 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)
30 June 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 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 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 six months period ended 30 June 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)	73,718	75,275	4,598	8,148	78,316	83,423
Segment result	30,356	41,212	3,737	7,585	34,093	48,797
Unallocated income					17,267	13,678
Unallocated expense					(27,385)	(35,661)
Profit for the period					23,975	26,814
Segment assets	4,206,290	4,142,014	1,735,250	1,615,134	5,941,540	5,757,148
Unallocated assets					69,332	84,030
Total Assets					6,010,872	5,841,178
Segment liabilities	2,991,231	2,942,125	2,178,595	2,147,207	5,169,826	5,089,332
Unallocated liabilities and equity					841,046	751,846
Total Liabilities and Equity					6,010,872	5,841,178

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

30 June 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>30 June 2019</i>	<i>31 December 2018</i>	<i>30 June 2018</i>	<i>30 June 2019</i>	<i>31 December 2018</i>	<i>30 June 2018</i>	<i>30 June 2019</i>	<i>31 December 2018</i>	<i>30 June 2018</i>
Board members:									
Balances									
Loans and advances	1	1	1	14	16	16	149,780	145,556	195,094
Credit cards	3	3	3	4	5	5	54	65	27
Deposits	8	8	8	53	52	48	608,098	618,269	555,164
Commitments/derivatives									
Guarances / letters of credit	1	1	1	6	8	7	5,893	6,611	7,524
Forward foreign exchange contracts	-	-	-	1	1	3	14,649	15,541	32,299
Transactions									
Interest income	1	1	1	19	24	21	3,317	7,781	4,171
Interest expense	5	5	4	17	17	15	7,715	12,623	5,736
Net fees and commissions	-	1	-	11	12	10	72	351	321
Other expenses	-	-	-	10	9	9	843	1,294	719
Purchase of equipment	-	-	-	2	3	3	115	71	59
Executive management:									
Balances									
Loans and advances	2	1	2	-	-	-	58	30	37
Credit cards	10	9	10	-	-	-	19	22	12
Deposits	11	11	10	-	-	-	1,477	1,084	1,137
Transactions									
Interest income	2	2	2	-	-	-	1	2	1
Interest expense	11	12	11	-	-	-	13	15	8

GULF BANK K.S.C.P.

Notes to the Interim Condensed Financial Information (Unaudited)

30 June 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 30 June 2019 was KD 71,177 thousand (31 December 2018: KD 58,614 thousand and 30 June 2018: KD 93,484 thousand).

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

	<i>6 months ended 30 June 2019 KD 000's</i>	<i>6 months ended 30 June 2018 KD 000's</i>
Salaries and other short-term benefits	2,204	1,820
End of service/termination benefits	259	108
	2,463	1,928

9. CONTINGENT LIABILITIES AND COMMITMENTS

	<i>(Unaudited) 30 June 2019 KD 000's</i>	<i>(Audited) 31 December 2018 KD 000's</i>	<i>(Unaudited) 30 June 2018 KD 000's</i>
Guarantees	1,251,490	1,226,081	1,257,847
Letters of credit and acceptances	219,513	214,203	178,230
	1,471,003	1,440,284	1,436,077

As at reporting date, the Bank had undrawn commitments to extend credit facilities to customers amounting to KD 208,109 thousand (31 December 2018: KD 222,882 thousand and 30 June 2018: KD 210,077 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)	261	(236)	34,317	34,138	179
Forward foreign exchange contracts	261	(236)	34,317	34,138	179

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30 June 2019

10. DERIVATIVES (continued)

At 31 December 2018:	<i>Positive fair value KD 000's</i>	<i>Notional 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	718	(615)	61,975	33,439	28,536

At 30 June 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>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	467	(488)	118,608	75,040	43,568

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 30 June 2019:

	<i>Level 1 KD '000</i>	<i>Level 2 KD '000</i>	<i>Level 3 KD '000</i>	<i>Total KD '000</i>
Financial assets at FVOCI:				
Equity securities	15,598	5,413	13,844	34,855
Debt securities	-	1,110	-	1,110
	<u>15,598</u>	<u>6,523</u>	<u>13,844</u>	<u>35,965</u>

The amortized cost and fair value of investment securities at amortised cost as at 30 June 2019 were KD 117,737 thousand (31 December 2018: KD 130,098 thousand; 30 June 2018: KD 79,213 thousand) and KD 98,736 thousand (Level 1) (31 December 2018: KD 108,348 thousand; 30 June 2018: KD 59,984 thousand) and KD 20,800 thousand (Level 2) (31 December 2018: KD 20,800 thousand; 30 June 2018: KD 17,801 thousand) respectively.

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11. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

At 31 December 2018:

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

At 30 June 2018:

	<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	15,423	5,128	16,823	37,374
Debt securities	-	3,486	-	3,486
	<u>15,423</u>	<u>8,614</u>	<u>16,823</u>	<u>40,860</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>30 June</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>30 June</i> <i>2018</i> <i>KD 000's</i>
Accrued interest receivable	16,407	21,541	18,245
Sundry debtors and others	20,839	14,575	35,091
Repossessed collaterals (refer movement below)	74,674	71,031	72,541
	<u>111,920</u>	<u>107,147</u>	<u>125,877</u>

Movement in repossessed collaterals:

	<i>(Unaudited)</i> <i>30 June</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>30 June</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	(4,649)	(90,000)	-
Impairment loss	(140)	(16,821)	(6,315)
Closing balance	<u>74,674</u>	<u>71,031</u>	<u>72,541</u>

Investment securities amounting to **KD 3,643 thousand** (31 December 2018: KD Nil and 30 June 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.