

GULF BANK K.S.C.P.
INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED)
30 SEPTEMBER 2017



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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 September 2017, and the related interim condensed statement of income and interim condensed statement of comprehensive income for the three months and nine months periods then ended and the related interim condensed statement of cash flows and interim condensed statement of changes in equity for the nine 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, or of the Bank's Memorandum of Incorporation and Articles of Association, as amended, during the nine months period ended 30 September 2017 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 and its Executive Regulations, concerning currency, the Central Bank of Kuwait and the organization of banking business, and its related regulations, during the nine months period ended 30 September 2017 that might have had a material effect on the business of the Bank or on its financial position.

WALEED A. AL OSAIMI
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EY
AL-AIBAN, AL-OSAIMI & PARTNERS

TALAL YOUSEF AL-MUZAINI
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11 October 2017
Kuwait

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

PERIOD ENDED 30 SEPTEMBER 2017

	<i>3 months ended</i> <i>30 September</i> <i>2017</i> <i>KD 000's</i>	<i>3 months ended</i> <i>30 September</i> <i>2016</i> <i>KD 000's</i>	<i>9 months ended</i> <i>30 September</i> <i>2017</i> <i>KD 000's</i>	<i>9 months ended</i> <i>30 September</i> <i>2016</i> <i>KD 000's</i>
Interest income	52,537	45,886	151,339	134,343
Interest expense	18,784	16,791	54,114	46,201
Net interest income	33,753	29,095	97,225	88,142
Net fees and commissions	7,172	7,837	23,363	23,955
Net gains from dealing in foreign currencies and derivatives	2,649	2,532	6,825	7,371
Realised gains (losses) from disposal of investment securities	49	(57)	2,798	125
Dividend income	90	-	639	4,128
Other income	636	263	3,767	1,503
Operating income	44,349	39,670	134,617	125,224
Staff expenses	9,812	9,919	29,028	30,226
Occupancy costs	1,122	1,015	3,225	3,102
Depreciation	842	737	2,365	2,068
Other expenses	3,326	3,332	10,258	9,274
Operating expenses	15,102	15,003	44,876	44,670
OPERATING PROFIT BEFORE PROVISIONS / IMPAIRMENT LOSSES	29,247	24,667	89,741	80,554
Charge (release) of provisions:				
- specific	13,073	4,983	44,581	(6,233)
- general	3,378	6,950	8,999	27,210
Loan recoveries, net of write-off	(1,674)	(51)	(4,540)	14,392
Impairment loss on investment securities	-	112	33	4,096
Impairment loss on other assets	460	-	2,826	6,750
OPERATING PROFIT	14,010	12,673	37,842	34,339
Contribution to Kuwait Foundation for the Advancement of Sciences	140	127	379	344
National Labour Support Tax	347	313	937	850
Zakat	140	127	379	344
PROFIT FOR THE PERIOD	13,383	12,106	36,147	32,801
BASIC AND DILUTED EARNINGS PER SHARE (Fils)	5	4	12	11

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 SEPTEMBER 2017

	<i>3 months ended</i> <i>30 September</i> <i>2017</i> <i>KD 000's</i>	<i>3 months ended</i> <i>30 September</i> <i>2016</i> <i>KD 000's</i>	<i>9 months ended</i> <i>30 September</i> <i>2017</i> <i>KD 000's</i>	<i>9 months ended</i> <i>30 September</i> <i>2016</i> <i>KD 000's</i>
Profit for the period	13,383	12,106	36,147	32,801
Other comprehensive income				
<i>Items that are reclassified or may be reclassified subsequently to interim condensed statement of income:</i>				
Investment securities:				
- Net realised (losses) gains on disposal	(42)	286	(313)	144
- Impairment loss	-	112	33	4,096
- Net unrealised gains (losses)	<u>382</u>	<u>(172)</u>	<u>2,227</u>	<u>(2,501)</u>
Other comprehensive income for the period	340	226	1,947	1,739
Total comprehensive income for the period	<u>13,723</u>	<u>12,332</u>	<u>38,094</u>	<u>34,540</u>

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> 30 September 2017 KD 000's	<i>(Audited)</i> 31 December 2016 KD 000's	<i>(Unaudited)</i> 30 September 2016 KD 000's
ASSETS			
Cash and cash equivalents	610,659	665,520	732,108
Treasury bills and bonds	584,784	372,919	337,562
Central Bank of Kuwait bonds	329,802	376,240	368,224
Deposits with banks and other financial institutions	122,409	108,013	98,880
Loans and advances to banks	126,381	136,606	133,613
Loans and advances to customers	3,560,298	3,445,997	3,685,044
Investment securities	119,017	146,181	155,026
Other assets	12 173,563	186,642	81,441
Premises and equipment	29,801	28,997	29,144
TOTAL ASSETS	5,656,714	5,467,115	5,621,042
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks	426,262	480,364	488,707
Deposits from financial institutions	931,927	824,680	728,081
Customer deposits	3,507,618	3,395,340	3,663,104
Subordinated Tier 2 bonds	100,000	100,000	100,000
Other liabilities	99,691	93,239	80,093
TOTAL LIABILITIES	5,065,498	4,893,623	5,059,985
EQUITY			
Share capital	4 304,813	304,813	304,813
Statutory reserve	21,433	21,433	16,923
Share premium	153,024	153,024	153,024
Property revaluation reserve	18,610	18,610	19,001
Treasury share reserve	24,246	24,246	24,246
Fair valuation reserve	7,500	5,553	2,869
Retained earnings	132,347	116,570	110,938
Treasury shares	5 (70,757)	(70,757)	(70,757)
TOTAL EQUITY	591,216	573,492	561,057
TOTAL LIABILITIES AND EQUITY	5,656,714	5,467,115	5,621,042


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 SEPTEMBER 2017

	Notes	<i>9 months ended 30 September 2017 KD 000's</i>	<i>9 months ended 30 September 2016 KD 000's</i>
OPERATING ACTIVITIES			
Profit for the period		36,147	32,801
Adjustments:			
Effective interest rate adjustment		-	(155)
Unrealised fair value gains on credit default swaps		(18)	(506)
Realised gains from disposal of investment securities		(2,798)	(125)
Dividend income		(639)	(4,128)
Depreciation		2,365	2,068
Loan loss provisions		53,580	20,977
Impairment loss on investment securities		33	4,096
Impairment loss on other assets	12	2,826	6,750
OPERATING PROFIT BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES		91,496	61,778
<i>(Increase)/decrease in operating assets:</i>			
Treasury bills and bonds		(211,865)	(91,953)
Central Bank of Kuwait bonds		46,438	(6,799)
Deposits with banks and other financial institutions		(14,396)	(64,773)
Loans and advances to banks		10,304	(53,288)
Loans and advances to customers		(167,334)	(72,260)
Other assets		12,457	13,248
<i>(Decrease)/increase in operating liabilities:</i>			
Due to banks		(54,102)	227,323
Deposits from financial institutions		107,247	2,049
Customer deposits		112,278	(174,318)
Other liabilities		5,844	6,495
NET CASH FLOWS USED IN OPERATING ACTIVITIES		(61,633)	(152,498)
INVESTING ACTIVITIES			
Purchase of investment securities		(14,066)	(66,632)
Proceeds from sale of investment securities		43,738	24,491
Purchase of premises and equipment		(3,169)	(2,690)
Dividend income received		639	4,128
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		27,142	(40,703)
FINANCING ACTIVITIES			
Net proceeds from issue of Subordinated Tier 2 bonds		-	100,000
Dividend paid	6	(20,370)	(11,640)
Purchase of treasury shares		-	(99)
NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES		(20,370)	88,261
NET DECREASE IN CASH AND CASH EQUIVALENTS		(54,861)	(104,940)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		665,520	837,048
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER		610,659	732,108
Additional cash flows information			
Interest received		150,598	133,757
Interest paid		50,738	39,422

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 30 SEPTEMBER 2017

	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 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	-	-	-	-	-	-	32,801	32,801	-	32,801
Other comprehensive income for the period	-	-	-	-	-	1,739	-	1,739	-	1,739
Total comprehensive income for the period	-	-	-	-	-	1,739	32,801	34,540	-	34,540
Dividend paid (Note 6)	-	-	-	-	-	-	(11,640)	(11,640)	-	(11,640)
Purchase of treasury shares	-	-	-	-	-	-	-	-	(99)	(99)
At 30 September 2016	304,813	16,923	153,024	19,001	24,246	2,869	110,938	327,001	(70,757)	561,057
At 1 January 2017	304,813	21,433	153,024	18,610	24,246	5,553	116,570	339,436	(70,757)	573,492
Profit for the period	-	-	-	-	-	-	36,147	36,147	-	36,147
Other comprehensive income for the period	-	-	-	-	-	1,947	-	1,947	-	1,947
Total comprehensive income for the period	-	-	-	-	-	1,947	36,147	38,094	-	38,094
Dividend paid (Note 6)	-	-	-	-	-	-	(20,370)	(20,370)	-	(20,370)
At 30 September 2017	304,813	21,433	153,024	18,610	24,246	7,500	132,347	357,160	(70,757)	591,216

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 September 2017

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 nine months period ended 30 September 2017 was authorised by the Board of Directors for issue on 11 October 2017.

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 2016 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 2016.

Amendments to IFRSs which are effective for annual accounting period starting from 1 January 2017 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 2016. Further, operating results for the nine months period ended 30 September 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

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)

30 September 2017

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 September 2017 KD 000's</i>	<i>3 months ended 30 September 2016 KD 000's</i>	<i>9 months ended 30 September 2017 KD 000's</i>	<i>9 months ended 30 September 2016 KD 000's</i>
Profit for the period	<u>13,383</u>	<u>12,106</u>	<u>36,147</u>	<u>32,801</u>
	<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	<u>2,909,979,052</u>	<u>2,909,979,052</u>	<u>2,909,979,052</u>	<u>2,910,090,862</u>
Basic and diluted earnings per share (Fils)	<u>5</u>	<u>4</u>	<u>12</u>	<u>11</u>

4. SHARE CAPITAL

	<i>(Unaudited) 30 September 2017 KD 000's</i>	<i>(Audited) 31 December 2016 KD 000's</i>	<i>(Unaudited) 30 September 2016 KD 000's</i>
Authorised, issued and fully paid up 3,048,127,898 (31 December 2016: 3,048,127,898 and 30 September 2016: 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 September 2017</i>	<i>(Audited) 31 December 2016</i>	<i>(Unaudited) 30 September 2016</i>
Number of treasury shares	<u>138,148,846</u>	<u>138,148,846</u>	<u>138,148,846</u>
Percentage of treasury shares	<u>4.53%</u>	<u>4.53%</u>	<u>4.53%</u>
Cost of treasury shares (KD 000's)	<u>70,757</u>	<u>70,757</u>	<u>70,757</u>
Weighted average market value of treasury shares (KD 000's)	<u>33,985</u>	<u>31,498</u>	<u>31,803</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 2016: KD 24,246 thousand and 30 September 2016: 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 September 2017

6. DIVIDEND

The shareholders at the Annual General Meeting (AGM) held on 8 March 2017 approved a cash dividend of 7 fils per share (2015: 4 fils) for the year ended 31 December 2016. The cash dividend was 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 nine months period ended 30 September is as follows:

	Commercial Banking		Treasury & Investments		Total	
	2017	2016	2017	2016	2017	2016
	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)	110,501	104,737	6,461	4,017	116,962	108,754
Segment result	49,305	66,057	5,727	3,129	55,032	69,186
Unallocated income					17,655	16,470
Unallocated expense					(36,540)	(52,855)
Profit for the period					36,147	32,801
Segment assets	3,840,431	3,968,301	1,741,659	1,583,778	5,582,090	5,552,079
Unallocated assets					74,624	68,963
Total Assets					5,656,714	5,621,042
Segment liabilities	2,840,374	2,788,887	2,069,517	2,138,110	4,909,891	4,926,997
Unallocated liabilities and equity					746,823	694,045
Total Liabilities and Equity					5,656,714	5,621,042

During the period, the Bank has revised the allocation method for centrally managed shared costs. In the prior periods, shared costs were allocated to Business Units, however, from the current period they are included within the unallocated expense. This change does not have any impact on the profit and equity of the Bank. Such change has been made to improve the segment analysis and amounts for comparative periods have been restated to conform to the current period presentation.

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

30 September 2017

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 financial information are as follows:

	<i>Number of Board Members or executive management members</i>				<i>Number of related parties</i>				<i>KD 000's</i>		<i>KD 000's</i>	
	<i>30 September 2017</i>	<i>31 December 2016</i>	<i>30 September 2017</i>	<i>30 September 2016</i>	<i>31 December 2016</i>	<i>30 September 2016</i>	<i>30 September 2017</i>	<i>30 September 2016</i>	<i>31 December 2016</i>	<i>30 September 2017</i>	<i>30 September 2016</i>	<i>30 September 2016</i>
Board members:												
Balances												
Loans and advances	1	1	1	1	13	11	11	11	111,649	172,292	111,649	94,373
Deposits	8	8	8	8	39	35	35	35	424,712	512,000	424,712	475,919
Commitments/derivatives												
Guarantees / letters of credit	1	1	1	1	8	8	8	8	25,086	26,175	25,086	25,907
Forward foreign exchange contracts	-	-	-	-	2	2	-	-	24,852	19,529	24,852	-
Transactions												
Interest income	1	1	1	1	16	14	14	13	2,799	3,954	2,799	2,023
Interest expense	3	3	2	2	14	9	9	8	5,293	5,549	5,293	3,719
Net fees and commissions	1	1	1	1	8	9	9	8	209	175	209	136
Other expenses	-	-	-	-	7	7	7	7	486	329	486	389
Executive management:												
Balances												
Loans and advances	2	2	2	2	-	-	-	-	53	45	53	56
Deposits	10	11	12	12	-	-	-	-	889	932	889	882
Commitments												
Guarantees /letter of credit	-	-	-	1	-	-	-	-	-	-	-	1
Transactions												
Interest income	2	2	2	2	-	-	-	-	3	2	3	2
Interest expense	12	13	13	13	-	-	-	-	14	13	14	11

GULF BANK K.S.C.P.

Notes to the Interim Condensed Financial Information (Unaudited)

30 September 2017

8. RELATED PARTY TRANSACTIONS (continued)

The loans issued to directors and executive management are repayable within CBK regulatory limits and have interest rates of 2.5% to 5% (2016: 2% to 5.5%) 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 30 September 2017 was KD 108,103 thousand (31 December 2016: KD 73,705 thousand and 30 September 2016: KD 58,252 thousand).

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

	<i>9 months ended 30 September 2017</i>	<i>9 months ended 30 September 2016</i>
	<i>KD 000's</i>	<i>KD 000's</i>
Salaries and other short-term benefits	2,491	2,857
End of service/termination benefits	94	88
	2,585	2,945

9. CONTINGENT LIABILITIES AND COMMITMENTS

	<i>(Unaudited) 30 September 2017</i>	<i>(Audited) 31 December 2016</i>	<i>(Unaudited) 30 September 2016</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
Guarantees	1,251,323	1,320,869	1,316,507
Letters of credit and acceptances	192,073	192,496	198,577
	1,443,396	1,513,365	1,515,084

As at reporting date, the Bank had undrawn commitments to extend credit facilities to customers amounting to KD 192,494 thousand (31 December 2016: KD 188,662 thousand and 30 September 2016: KD 160,671 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 30 September 2017:

	<i>Positive fair value</i>	<i>Negative fair value</i>	<i>Notional amount total</i>	<i>Notional amounts by term to maturity</i>		
				<i>Within 3 months</i>	<i>3-12 months</i>	<i>Over 1 year</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
Derivatives instruments held as*:						
Trading (and non qualifying hedges)						
Forward foreign exchange contracts	1,413	(1,447)	180,246	130,472	49,774	-

*All credit default swaps instruments were matured during the period.

GULF BANK K.S.C.P.

Notes to the Interim Condensed Financial Information (Unaudited)

30 September 2017

10. DERIVATIVES (continued)

At 31 December 2016:

	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	707	(887)	119,283	83,990	15,468	19,825
Credit default swaps	35	(53)	59,680	30,605	29,075	-
	<u>742</u>	<u>(940)</u>	<u>178,963</u>	<u>114,595</u>	<u>44,543</u>	<u>19,825</u>

At 30 September 2016:

	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	38	(25)	28,705	28,705	-	-
Credit default swaps	72	(79)	88,898	30,135	58,763	-
	<u>110</u>	<u>(104)</u>	<u>117,603</u>	<u>58,840</u>	<u>58,763</u>	<u>-</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 30 September 2017:

	Level 1 KD '000	Level 2 KD '000	Level 3 KD '000	Total KD '000
Financial assets available for sale :				
Equity securities	16,494	4,732	-	21,226
Debt securities	2,432	17,883	-	20,315
	<u>18,926</u>	<u>22,615</u>	<u>-</u>	<u>41,541</u>

The amortized cost and fair value of investment securities held to maturity as at 30 September 2017 were **KD 60,012 thousand** (31 December 2016: KD 67,061 thousand; 30 September 2016: KD 58,003 thousand) and **KD 60,061 thousand** (Level 1) (31 December 2016: KD 66,730 thousand; 30 September 2016: KD 58,055 thousand) respectively.

There are certain unquoted equity investments carried at cost net of impairment with a carrying amount of **KD 17,464 thousand** (31 December 2016: KD 20,609 thousand; 30 September 2016: KD 20,595 thousand) since fair value cannot be reliably estimated.

Investment securities include **KD Nil** (Level 1), which represent collaterals repossessed in settlement of debts from customers (31 December 2016: KD Nil and 30 September 2016: KD 19,731 thousand).

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11. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

At 31 December 2016:

	<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 available for sale :</i>				
Equity securities	16,452	6,142	-	22,594
Debt securities	18,593	17,324	-	35,917
	35,045	23,466	-	58,511

At 30 September 2016:

	<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 available for sale :</i>				
Equity securities	35,259	5,994	-	41,253
Debt securities	18,263	16,912	-	35,175
	53,522	22,906	-	76,428

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

	<i>(Unaudited)</i> <i>30 September</i> <i>2017</i> <i>KD 000's</i>	<i>(Audited)</i> <i>31 December</i> <i>2016</i> <i>KD 000's</i>	<i>(Unaudited)</i> <i>30 September</i> <i>2016</i> <i>KD 000's</i>
Accrued interest receivable	23,176	22,435	25,419
Sundry debtors and others	21,648	19,426	15,169
Repossessed collaterals (refer movement below)	128,739	144,781	40,853
	173,563	186,642	81,441

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12. OTHER ASSETS (continued)

Movement in repossessed collaterals:

	<i>(Unaudited)</i> 30 September 2017 KD 000's	<i>(Audited)</i> 31 December 2016 KD 000's	<i>(Unaudited)</i> 30 September 2016 KD 000's
Beginning balance	144,781	54,590	54,590
Additions			
- Real estate properties	-	121,000	8,639
Disposals	(13,216)	(19,413)	(15,626)
Impairment loss	(2,826)	(11,396)	(6,750)
Closing balance	<u>128,739</u>	<u>144,781</u>	<u>40,853</u>

The closing balance includes investment securities amounting to KD Nil (31 December 2016: KD Nil and 30 September 2016: KD 114 thousand) that 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 Nil (31 December 2016: KD 3,457 thousand and 30 September 2016: KD 4,343 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.

The Bank is compliant with the CBK regulations to dispose these within the stipulated time limit except for certain investment securities amounting to KD Nil (31 December 2016: KD 3,457 thousand and 30 September 2016: KD 1,100 thousand) and real estate properties amounting to KD Nil (31 December 2016: KD 2,500 thousand and 30 September 2016: KD Nil).