

GULF BANK K.S.C.P.

**INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED)**

31 March 2014



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 2014 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 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 25 of 2012, as amended, or of the Bank's Memorandum of Incorporation and Articles of Association during the three months period ended 31 March 2014 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 organisation of banking business, and its related regulations, during the three months period ended 31 March 2014 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 2014
Kuwait

BADER A. AL WAZZAN
LICENCE NO. 62 A
DELOITTE & TOUCHE
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GULF BANK K.S.C.P.
Interim Condensed Statement of Income
(Unaudited)
PERIOD ENDED

	<i>Note</i>	<i>3 months ended 31 March 2014 KD 000's</i>	<i>3 months ended 31 March 2013 KD 000's</i>
Interest income		39,838	39,158
Interest expense		11,136	11,890
Net interest income		28,702	27,268
Net fees and commissions		6,055	7,456
Net gains from dealing in foreign currencies and derivatives		2,071	3,371
Realised gains from disposal of investments available-for-sale		3,857	425
Dividend income		463	310
Other income		360	377
OPERATING INCOME		41,508	39,207
Staff expenses		11,135	10,834
Occupancy costs		859	887
Depreciation		675	770
Other expenses		5,223	3,720
Operating expenses		17,892	16,211
OPERATING PROFIT BEFORE PROVISIONS / IMPAIRMENT LOSSES		23,616	22,996
Charge of provisions:			
- specific		18,748	4,712
- general		5,699	10,855
Loans recoveries net of write-off		(10,070)	(966)
Impairment loss on investments available-for-sale		96	88
OPERATING PROFIT		9,143	8,307
Contribution to Kuwait Foundation for the Advancement of Sciences		93	83
National Labour Support Tax		228	206
Zakat		93	83
PROFIT FOR THE PERIOD		8,729	7,935
BASIC AND DILUTED EARNINGS PER SHARE (Fils)	3	3	3

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


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

	<i>3 months ended 31 March 2014 KD 000's</i>	<i>3 months ended 31 March 2013 KD 000's</i>
Profit for the period	8,729	7,935
Other comprehensive income		
<i>Other comprehensive income reclassified to interim condensed statement of income :</i>		
Net realised gains on disposal of investments available-for-sale transferred to statement of income	(2,978)	(376)
Net impairment losses on disposal of investments available-for-sale transferred to statement of income	96	88
<i>Other comprehensive income to be reclassified to interim condensed statement of income in subsequent periods:</i>		
Net unrealised (losses) / gains on investments available-for-sale	(335)	3,701
Other comprehensive income for the period	(3,217)	3,413
Total comprehensive income for the period	5,512	11,348

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

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

	(Unaudited) 31 March 2014 Notes KD 000's	(Audited) 31 December 2013 KD 000's	(Unaudited) 31 March 2013 KD 000's
ASSETS			
Cash and short term funds	809,922	533,421	565,822
Treasury bills and bonds	179,096	177,142	222,922
Central Bank of Kuwait bonds	451,355	539,521	391,484
Deposits with banks and other financial institutions	2,816	14,102	24,001
Loans and advances to banks	116,540	125,415	107,081
Loans and advances to customers	3,452,268	3,361,234	3,443,870
Investments available-for-sale	111,720	123,982	125,179
Other assets	155,959	164,103	59,855
Premises and equipment	25,815	25,839	25,338
TOTAL ASSETS	5,305,491	5,064,759	4,965,552
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks	320,141	307,840	156,482
Deposits from financial institutions	747,448	759,803	843,040
Customer deposits	3,562,787	3,326,251	3,335,005
Subordinated loans	84,495	84,615	85,455
Other liabilities	102,409	103,116	85,215
TOTAL LIABILITIES	4,817,280	4,581,625	4,505,197
EQUITY			
Share capital	4 276,474	276,474	276,474
Proposed bonus shares	13,824	13,824	-
Statutory reserve	9,097	9,097	5,716
Share premium	153,024	153,024	153,024
Property revaluation reserve	17,635	17,635	16,698
Treasury share reserve	24,246	24,246	24,258
Fair valuation reserve	10,896	14,113	10,117
Retained earnings	46,385	37,656	30,636
	551,581	546,069	516,923
Treasury shares	5 (63,370)	(62,935)	(56,568)
	488,211	483,134	460,355
TOTAL LIABILITIES AND EQUITY	5,305,491	5,064,759	4,965,552


Omar Kutayba Afghani
 (Chairman)


César González-Bueno
 (Chief General Manager & Chief Executive Officer)

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

GULF BANK K.S.C.P.
Interim Condensed Statement of Cash Flows
(Unaudited)
PERIOD ENDED

	<i>3 months ended 31 March 2014 KD 000's</i>	<i>3 months ended 31 March 2013 KD 000's</i>
OPERATING ACTIVITIES		
Profit for the period	8,729	7,935
Adjustments:		
Effective interest rate adjustment	(92)	(242)
Unrealised fair value gains on credit default swaps	(200)	(1,343)
Realised gains from disposal of investments available-for-sale	(3,857)	(425)
Dividend income	(463)	(310)
Depreciation	675	770
Loan loss provisions	24,447	15,567
Impairment loss on investments available-for-sale	96	88
Foreign exchange movement on subordinated loans	(120)	1,080
OPERATING PROFIT BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES	29,215	23,120
<i>(Increase)/decrease in operating assets:</i>		
Treasury bills and bonds	(1,954)	67,310
Central Bank of Kuwait bonds	88,166	32,891
Deposits with banks and other financial institutions	11,286	8,687
Loans and advances to banks	8,875	(14,476)
Loans and advances to customers	(114,534)	(137,224)
Other assets	8,308	(6,776)
<i>(Decrease)/increase in operating liabilities:</i>		
Due to banks	12,301	29,128
Deposits from financial institutions	(12,355)	(3,563)
Customer deposits	236,536	87,376
Other liabilities	(1,362)	(4,375)
NET CASH FLOWS FROM OPERATING ACTIVITIES	264,482	82,098
INVESTING ACTIVITIES		
Purchase of investments available-for-sale	(110)	(1,695)
Proceeds from sale of investments available-for-sale	12,752	2,618
Purchase of premises and equipment	(651)	(505)
Dividend income received	463	310
NET CASH FLOWS FROM INVESTING ACTIVITIES	12,454	728
FINANCING ACTIVITY		
Purchase of treasury shares	(435)	(234)
NET CASH FLOWS USED IN FINANCING ACTIVITY	(435)	(234)
NET INCREASE IN CASH AND SHORT TERM FUNDS	276,501	82,592
CASH AND SHORT TERM FUNDS AT 1 JANUARY	533,421	483,230
CASH AND SHORT TERM FUNDS AT 31 MARCH	809,922	565,822
Additional cash flow information		
Interest received	33,324	32,152
Interest paid	10,477	13,840

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

GULF BANK K.S.C.P.
Interim Condensed Statement of Changes in Equity
(Unaudited)

PERIOD ENDED

	Share capital KD 000's	Proposed bonus shares KD 000's	RESERVES							Treasury shares KD 000's	Total 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		
At 1 January 2013	263,309	13,165	5,716	153,024	16,698	24,258	6,704	22,701	229,101	(56,334)	449,241
Profit for the period	-	-	-	-	-	-	-	7,935	7,935	-	7,935
Other comprehensive income for the period	-	-	-	-	-	-	3,413	-	3,413	-	3,413
Total comprehensive income for the period	-	-	-	-	-	-	3,413	7,935	11,348	-	11,348
Issue of bonus shares (Note 6)	13,165	(13,165)	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	(234)	(234)
At 31 March 2013	276,474	-	5,716	153,024	16,698	24,258	10,117	30,636	240,449	(56,568)	460,355
At 1 January 2014	276,474	13,824	9,097	153,024	17,635	24,246	14,113	37,656	255,771	(62,935)	483,134
Profit for the period	-	-	-	-	-	-	-	8,729	8,729	-	8,729
Other comprehensive income for the period	-	-	-	-	-	-	(3,217)	-	(3,217)	-	(3,217)
Total comprehensive income for the period	-	-	-	-	-	-	(3,217)	8,729	5,512	-	5,512
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	(435)	(435)
At 31 March 2014	276,474	13,824	9,097	153,024	17,635	24,246	10,896	46,385	261,283	(63,370)	488,211

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

GULF BANK K.S.C.P.
Notes to the Interim Condensed Financial Information
(Unaudited)
31 March 2014

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. Its registered office is at Mubarak Al Kabir Street, P.O. Box 3200, 13032 Safat, Kuwait.

The interim condensed financial information of the Bank for the three months period ended 31 March 2014 was authorised by the Board of Directors for issue on 7 April 2014.

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

The New Companies Law issued on 26 November 2012 by Decree Law No. 25 of 2012 (the “Companies Law”), cancelled the Commercial Companies Law No. 15 of 1960. The Companies Law was subsequently amended on 27 March 2013 by Decree Law No. 97 of 2013.

The Executive Regulations of the new amended law issued on 29 September 2013 and were published in the official Gazette on 6 October 2013. As per article three of the executive regulations, the Bank has one year from the date of publishing the executive regulations to comply with the new amended law.

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 2013 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 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 2013.

The Bank has adopted the following new standard which is effective from 1 January 2014:

IAS 32: Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amendment)

These amendments are effective for annual periods beginning on or after 1 January 2014 and clarify the meaning of “currently has a legally enforceable right to set-off” and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendment has not resulted in any impact on the financial position or performance of the Bank.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2014 did not have any significant 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 2013. Further, operating results for the three months period ended 31 March 2014 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2014.

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 2014

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 2014 KD 000's</i>	<i>3 months ended 31 March 2013 KD 000's</i>
Profit for the period	8,729	7,935
	<u>Shares</u>	<u>Shares</u>
Weighted average number of Bank's issued and paid up shares	2,764,741,858	2,764,741,858
Less: Weighted average number of treasury shares	(100,734,452)	(83,907,145)
	<u>2,664,007,406</u>	<u>2,680,834,713</u>
Basic and diluted earnings per share (Fils)	<u>3</u>	<u>3</u>

4. SHARE CAPITAL

	<i>(Unaudited) 31 March 2014 KD 000's</i>	<i>(Audited) 31 December 2013 KD 000's</i>	<i>(Unaudited) 31 March 2013 KD 000's</i>
Authorised, issued and fully paid up 2,764,741,858 (2013: 2,764,741,858) shares of 100 fils	<u>276,474</u>	<u>276,474</u>	<u>276,474</u>

5. TREASURY SHARES

	<i>(Unaudited) 31 March 2014</i>	<i>(Audited) 31 December 2013</i>	<i>(Unaudited) 31 March 2013</i>
Number of treasury shares	101,397,952	100,194,952	84,239,652
Percentage of treasury shares	3.67%	3.62%	3.05%
Cost of treasury shares (KD 000's)	<u>63,370</u>	<u>62,935</u>	<u>56,568</u>
Market value of treasury shares (KD 000's)	<u>37,517</u>	<u>37,573</u>	<u>34,117</u>

6. BONUS SHARES

The shareholders at the Annual General Meeting held on 23 March 2014 approved the distribution of bonus shares of 5% on the outstanding issued share capital as at 31 December 2013 amounting to KD 13,824 thousand (31 December 2012: 13,165) representing 13,824,000 shares of 100 fils each. This would be distributed pursuant to completion of regulatory approvals.

GULF BANK K.S.C.P.
Notes to the Interim Condensed Financial Information
(Unaudited)
31 March 2014

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:

	Commercial Banking		Treasury & Investments		Total	
	2014	2013	2014	2013	2014	2013
	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)	33,395	34,258	4,176	1,673	37,571	35,931
Segment result	8,233	19,021	3,198	764	11,431	19,785
Unallocated income					3,937	3,276
Unallocated expense					(6,639)	(15,126)
Profit for the period					8,729	7,935
Segment assets	3,674,787	3,597,564	1,448,930	1,282,795	5,123,717	4,880,359
Unallocated assets					181,774	85,193
Total Assets					5,305,491	4,965,552
Segment liabilities	3,074,681	3,003,272	1,568,058	1,361,696	4,642,739	4,364,968
Unallocated liabilities and equity					662,752	600,584
Total Liabilities and Equity					5,305,491	4,965,552

31 March 2014

8. RELATED PARTY TRANSACTIONS

Certain related parties (Major shareholders, 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. Such transactions were made on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with unrelated parties, and did not involve more than a normal amount of risk.

The transactions and balances included in the interim condensed statement of financial position are as follows:

	<i>Number of Board Members or executive management members</i>						<i>Number of related parties</i>			
	<i>(Audited)</i>		<i>(Audited)</i>		<i>(Audited)</i>		<i>(Audited)</i>			
	<i>31 March 2014</i>	<i>31 December 2013</i>	<i>31 March 2013</i>	<i>31 March 2014</i>	<i>31 December 2013</i>	<i>31 March 2013</i>	<i>31 March 2014</i>	<i>31 December 2013</i>	<i>(Audited) 31 December 2013</i>	<i>31 March 2013</i>
	<i>KD 000's</i>									<i>KD 000's</i>
Board members:										
Balances										
Loans, receivable and advances	-	-	-	3	4	3	53,531	59,115	58,645	
Investment available-for-sale	-	-	-	1	1	-	39	40	-	
Deposits	7	7	7	14	14	14	227,466	205,481	185,795	
Commitments										
Guarantees	-	-	-	3	3	3	6,434	6,292	5,115	
Transactions										
Interest income	-	-	-	7	4	3	399	1,809	451	
Interest expense	2	2	1	3	6	5	462	1,350	398	
Executive management:										
Balances										
Loans, receivable and advances	1	1	1	-	-	-	54	55	57	
Deposits	11	10	11	-	-	-	1,251	659	1,820	
Commitments										
Guarantees	1	1	1	-	-	-	1	1	1	
Transactions										
Interest income	1	1	1	-	-	-	1	3	1	
Interest expense	10	11	11	-	-	-	3	15	5	

GULF BANK K.S.C.P.
Notes to the Interim Condensed Financial Information
(Unaudited)
31 March 2014

8. RELATED PARTY TRANSACTIONS (continued)

The loans issued to directors and key management personnel are repayable within 3 years and have interest rates of **2% to 5%** (2013: 2% to 7%) 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 2014 was **KD 47,442 thousand** (31 December 2013: KD 48,060 thousand and 31 March 2013: KD 51,823 thousand).

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

	<i>3 months ended 31 March 2014 KD 000's</i>	<i>3 months ended 31 March 2013 KD 000's</i>
Salaries and other short-term benefits	780	751
End of service/termination benefits	27	27
	<u>807</u>	<u>778</u>

9. CONTINGENT LIABILITIES AND COMMITMENTS

	<i>(Unaudited) 31 March 2014 KD 000's</i>	<i>(Audited) 31 December 2013 KD 000's</i>	<i>(Unaudited) 31 March 2013 KD 000's</i>
Guarantees	1,068,468	959,961	953,960
Letters of credit	205,794	163,153	188,560
	<u>1,274,262</u>	<u>1,123,114</u>	<u>1,142,520</u>

As at reporting date, the Bank had undrawn commitments to extend overdraft facilities to customers amounting to **KD 151,071 thousand** (31 December 2013: KD 137,720 thousand and 31 March 2013: KD 115,165 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 amount 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 2014:

	<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	25	(21)	5,799	5,799	-	-
Credit default swaps	200	-	116,321	21,969	11,266	83,086
	<u>225</u>	<u>(21)</u>	<u>122,120</u>	<u>27,768</u>	<u>11,266</u>	<u>83,086</u>

GULF BANK K.S.C.P.

Notes to the Interim Condensed Financial Information (Unaudited) 31 March 2014

10. DERIVATIVES (continued)

At 31 December 2013:

	<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	30	(24)	6,815	1,150	5,665	-
Credit default swaps	20	(440)	116,487	-	33,282	83,205
	<u>50</u>	<u>(464)</u>	<u>123,302</u>	<u>1,150</u>	<u>38,947</u>	<u>83,205</u>

At 31 March 2013:

	<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	434	(448)	38,324	30,512	7,812	-
Credit default swaps	22	(2,094)	139,784	-	22,142	117,642
	<u>456</u>	<u>(2,542)</u>	<u>178,108</u>	<u>30,512</u>	<u>29,954</u>	<u>117,642</u>

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair values 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 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 2014

	<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				
<i>Financial assets available for sale :</i>				
Equity securities	31,272	12,354	-	43,626
Debt securities	30,464	-	-	30,464
	<u>61,736</u>	<u>12,354</u>	<u>-</u>	<u>74,090</u>

GULF BANK K.S.C.P.

Notes to the Interim Condensed Financial Information (Unaudited)

31 March 2014

11. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

At 31 December 2013

	<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>
Financial assets				
<i>Financial assets available for sale :</i>				
Equity securities	30,362	21,834	-	52,196
Debt securities	30,774	-	-	30,774
	<u>61,136</u>	<u>21,834</u>	<u>-</u>	<u>82,970</u>

At 31 March 2013

	<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>
Financial assets				
<i>Financial assets available for sale :</i>				
Equity securities	27,804	23,517	-	51,321
Debt securities	31,611	-	-	31,611
	<u>59,415</u>	<u>23,517</u>	<u>-</u>	<u>82,932</u>

During the period, there were no transfers between level 1 and level 2 fair value measurements and there is no movement in level 3 financial instruments.

The positive and negative fair values of forward foreign exchange contracts and credit default swaps, which 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. REPOSSESSED COLLATERAL

During the period, the Bank obtained possession of investment securities valued at KD Nil (31 December 2013: KD 24,943 thousand and 31 March 2013: KD Nil), real estate properties valued at **KD 12,293 thousand** (31 December 2013: KD 15,918 thousand and 31 March 2013: KD Nil) and treasury shares valued at KD Nil (31 December 2013: KD 5,488 thousand and 31 March 2013: Nil) held as collaterals in settlement of debts from customers. These repossessed collaterals will be disposed within the stipulated time limit prescribed by the CBK. Investment securities amounting to KD 14,879 thousand (31 December 2013: KD 14,879 thousand and 31 March 2013: KD Nil) are fair valued using quoted market prices (Level 1) and the balance amounting to KD 10,064 thousand (31 December 2013: KD 10,064 thousand and 31 March 2013: KD Nil) 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.

13. FAMILY SUPPORT FUND

During the previous year, CBK issued its Circular No. 2/BS,IS/305/2013 to all local banks and investment companies regarding formation of Family Support Fund (the "Fund") under Law No. 104/2013. Ministry of Finance has established a Fund to purchase outstanding balance of instalment and consumer loans from the Bank as on 12 June 2013 for loans granted before 30 March 2008. Other assets include **KD 43,810 thousand** (31 December 2013: KD 71,000 thousand and 31 March 2013: KD Nil) related to eligible loans under the Fund.