

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

31 March 2012

REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF GULF BANK K.S.C.

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Gulf Bank K.S.C. ("the Bank") as at 31 March 2012 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 Commercial Companies' Law of 1960, as amended, or of the Articles of Association of the Bank during the three months period ended 31 March 2012 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 organisation of banking business, and its related regulations, during the three months period ended 31 March 2012.



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ERNST & YOUNG
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GULF BANK K.S.C.
Interim Condensed Statement of Income
(Unaudited)
PERIOD ENDED

	<i>Note</i>	<i>3 months ended 31 March 2012 KD 000's</i>	<i>3 months ended 31 March 2011 KD 000's</i>
Interest income		44,031	41,887
Interest expense		15,304	17,470
Net interest income		28,727	24,417
Net fees and commissions		7,956	7,666
Net gains from dealing in foreign currencies and derivatives		7,173	5,068
Realised gains from disposal of investments available-for-sale		163	805
Dividend income		-	3
Other income		320	155
OPERATING INCOME		44,339	38,114
Staff expenses		8,950	7,800
Occupancy costs		780	680
Depreciation		700	683
Other expenses		4,085	2,809
Operating expenses		14,515	11,972
OPERATING PROFIT BEFORE PROVISIONS / IMPAIRMENT LOSSES		29,824	26,142
Charge of provisions:			
- specific		7,919	3,912
- general		13,824	20,984
Loans recoveries		(3,434)	(11,727)
Impairment loss on investments available-for-sale		3,799	2,737
OPERATING PROFIT		7,716	10,236
Contribution to Kuwait Foundation for the Advancement of Sciences		77	102
National Labour Support Tax		192	254
Zakat		77	102
PROFIT FOR THE PERIOD		7,370	9,778
BASIC AND DILUTED EARNINGS PER SHARE (Fils)	3	3	4

The attached notes 1 to 10 form part of the interim condensed financial information.

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

	<i>3 months ended 31 March 2012 KD 000's</i>	<i>3 months ended 31 March 2011 KD 000's</i>
Profit for the period	<u>7,370</u>	<u>9,778</u>
Other comprehensive income		
Net unrealised (losses)/gains on investments available-for-sale	(2,846)	603
Net realised losses on disposal of/ impairment losses on investments available-for-sale recycled	<u>3,671</u>	<u>700</u>
Other comprehensive income for the period	<u>825</u>	<u>1,303</u>
Total comprehensive income for the period	<u><u>8,195</u></u>	<u><u>11,081</u></u>

The attached notes 1 to 10 form part of the interim condensed financial information.

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

		(Unaudited) 31 March 2012 KD 000's	(Audited) 31 December 2011 KD 000's	(Unaudited) 31 March 2011 KD 000's
	Notes			
ASSETS				
Cash and short term funds		435,540	370,519	367,871
Treasury bills and bonds		440,975	418,221	543,176
Central Bank of Kuwait bonds		441,181	429,482	306,351
Deposits with banks and other financial institutions		19,001	20,000	41,175
Loans and advances to banks		48,027	34,140	32,796
Loans and advances to customers		3,316,489	3,334,087	3,246,216
Investments available-for-sale		117,864	106,009	87,386
Other assets		61,731	47,513	56,281
Premises and equipment		25,958	25,924	25,742
TOTAL ASSETS		4,906,766	4,785,895	4,706,994
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks		161,611	76,179	123,091
Deposits from financial institutions		857,605	776,819	842,154
Customer deposits		3,281,135	3,330,444	3,157,643
Subordinated loans		83,325	83,565	83,160
Other liabilities		85,706	88,629	79,155
TOTAL LIABILITIES		4,469,382	4,355,636	4,285,203
EQUITY				
Share capital	4	263,309	250,770	250,770
Proposed bonus shares		-	12,539	-
Statutory reserve		2,469	2,469	-
Share premium		153,024	153,024	153,024
Property revaluation reserve		16,698	16,698	16,243
Treasury share reserve		24,258	24,289	24,993
Fair valuation reserve		8,034	7,209	18,621
Retained earnings		15,596	8,226	2,392
		483,388	475,224	466,043
Treasury shares	5	(46,004)	(44,965)	(44,252)
		437,384	430,259	421,791
TOTAL LIABILITIES AND EQUITY		4,906,766	4,785,895	4,706,994


Mahmoud Abdul Khaleq Al Nouri
(Chairman)


Michel Accad
(Chief General Manager & Chief Executive Officer)

The attached notes 1 to 10 form part of the interim condensed financial information.

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

	<i>3 months ended 31 March 2012 KD 000's</i>	<i>3 months ended 31 March 2011 KD 000's</i>
OPERATING ACTIVITIES		
Profit for the period	7,370	9,778
Adjustments:		
Realised gains from disposal of investments available-for-sale	(163)	(805)
Dividend income	-	(3)
Depreciation	700	683
Effective interest rate adjustment	-	2,020
Loan loss provisions	21,743	24,896
Loans recoveries	(3,434)	(11,727)
Impairment loss on investments available-for-sale	3,799	2,737
Foreign exchange movement on subordinated loans	(240)	(1,020)
OPERATING PROFIT BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES	29,775	26,559
<i>(Increase)/decrease in operating assets:</i>		
Treasury bills and bonds	(22,754)	(21,713)
Central Bank of Kuwait bonds	(11,699)	3,704
Deposits with banks and other financial institutions	999	70,035
Loans and advances to banks	(13,887)	(11,016)
Loans and advances to customers	(786)	(80,375)
Other assets	(14,218)	(624)
<i>(Decrease)/increase in operating liabilities:</i>		
Due to banks	85,432	55,770
Deposits from financial institutions	80,786	(44,423)
Customer deposits	(49,309)	86,777
Other liabilities	(2,848)	(616)
NET CASH FLOWS FROM OPERATING ACTIVITIES	81,491	84,078
INVESTING ACTIVITIES		
Purchase of investments available-for-sale	(15,078)	(617)
Proceeds from sale of investments available-for-sale	412	4,820
Purchase of premises and equipment	(734)	(601)
Dividends received	-	3
NET CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES	(15,400)	3,605
FINANCING ACTIVITIES		
Purchase of treasury shares	(1,107)	(5)
Proceeds from sale of treasury shares	37	-
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(1,070)	(5)
NET INCREASE IN CASH AND SHORT TERM FUNDS	65,021	87,678
CASH AND SHORT TERM FUNDS AT 1 JANUARY	370,519	280,193
CASH AND SHORT TERM FUNDS AT 31 MARCH	435,540	367,871
Additional cash flow information		
Interest received	31,336	39,970
Interest paid	16,747	18,896

The attached notes 1 to 10 form part of the interim condensed financial information.

GULF BANK K.S.C.
Interim Condensed Statement of Changes in Equity (Unaudited)
THREE MONTHS PERIOD ENDED

	RESERVES										
	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	(Accumulated deficit) retained earnings KD 000's	Subtotal reserves KD 000's	Treasury shares KD 000's	Total KD 000's
At 1 January 2011	250,770	-	-	153,024	16,243	24,993	17,318	(7,386)	204,192	(44,247)	410,715
Profit for the period	-	-	-	-	-	-	-	9,778	9,778	-	9,778
Other comprehensive income for the period	-	-	-	-	-	-	1,303	-	1,303	-	1,303
Total comprehensive income for the period	-	-	-	-	-	-	1,303	9,778	11,081	-	11,081
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	(5)	(5)
At 31 March 2011	250,770	-	-	153,024	16,243	24,993	18,621	2,392	215,273	(44,252)	421,791
At 1 January 2012	250,770	12,539	2,469	153,024	16,698	24,289	7,209	8,226	211,915	(44,965)	430,259
Profit for the period	-	-	-	-	-	-	-	7,370	7,370	-	7,370
Other comprehensive income for the period	-	-	-	-	-	-	825	-	825	-	825
Total comprehensive income for the period	-	-	-	-	-	-	825	7,370	8,195	-	8,195
Issue of bonus shares (Note 6)	12,539	(12,539)	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	(1,107)	(1,107)
Sale of treasury shares	-	-	-	-	-	-	-	-	-	68	68
Loss on sale of treasury shares	-	-	-	-	-	(31)	-	-	(31)	-	(31)
At 31 March 2012	263,309	-	2,469	153,024	16,698	24,258	8,034	15,596	220,079	(46,004)	437,384

The attached notes 1 to 10 form part of the interim condensed financial information.

GULF BANK K.S.C.
Notes to the Interim Condensed Financial Information
(Unaudited)
31 March 2012

1. INCORPORATION AND REGISTRATION

Gulf Bank K.S.C. (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 2012 was authorised by the Board of Directors for issue on 9 April 2012.

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 2011 were prepared in accordance with the regulations of the State of Kuwait for financial services institutions regulated by the Central Bank of Kuwait. These regulations require adoption of all International Financial Reporting Standards (IFRS) except for the IAS 39 requirement for collective impairment provision, which has been replaced by the Central Bank of Kuwait'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 2011.

Amendments to IFRS, which are effective for the annual accounting period starting from 1 January 2012 did not have any material impact on the accounting policies, financial position or performance of the Bank.

The Bank has not early adopted any other standards, interpretations or amendments that have been issued but not effective.

The interim condensed financial information does not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the Bank's annual financial statements for the year ended 31 December 2011. Further, operating results for the three months period ended 31 March 2012 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2012.

This interim condensed financial information has been presented in Kuwaiti Dinars rounded off to the nearest thousand.

GULF BANK K.S.C.
Notes to the Interim Condensed Financial Information
(Unaudited)
31 March 2012

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 2012 KD 000's</i>	<i>3 months ended 31 March 2011 KD 000's</i>
Profit for the period	7,370	9,778
	<u>Shares</u>	<u>Shares</u>
Weighted average number of Bank's issued and paid up shares	2,633,087,484	2,633,087,484
Less: Weighted average number of treasury shares	(52,810,882)	(49,429,784)
	<u>2,580,276,602</u>	<u>2,583,657,700</u>
Basic and diluted earnings per share (Fils)	<u>3</u>	<u>4</u>

4. SHARE CAPITAL

	<i>(Unaudited) 31 March 2012 KD 000's</i>	<i>(Audited) 31 December 2011 KD 000's</i>	<i>(Unaudited) 31 March 2011 KD 000's</i>
Authorised, issued and fully paid up 2,633,087,484 (2011: 2,507,702,366) shares of 100 fils each	<u>263,309</u>	<u>250,770</u>	<u>250,770</u>

5. TREASURY SHARES

	<i>(Unaudited) 31 March 2012</i>	<i>(Audited) 31 December 2011</i>	<i>(Unaudited) 31 March 2011</i>
Number of treasury shares	54,799,673	49,958,737	46,888,737
Percentage of treasury shares	2.08%	1.99%	1.87%
Cost of treasury shares (KD 000's)	46,004	44,965	44,252
Market value of treasury shares (KD 000's)	25,208	25,479	23,913

6. BONUS SHARES

The shareholders at the Annual General Meeting held on 17 March 2012 approved the distribution of bonus shares of 5% on the outstanding issued share capital as at 31 December 2011 amounting to KD 12,539 thousand (31 December 2011: Nil and 31 March 2011: Nil)

GULF BANK K.S.C.
Notes to the Interim Condensed Financial Information
(Unaudited)
31 March 2012

7. SEGMENTAL ANALYSIS

By Business Unit

Commercial Banking	Acceptance of deposits from individuals, corporates' and institutional customers and providing consumer loans, overdrafts, credit card facilities and funds transfer facilities to individuals; and handling loans 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 month period ended 31 March is as follows:

	Commercial Banking		Treasury & Investments		Total	
	2012	2011	2012	2011	2012	2011
	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)	33,664	28,264	5,173	4,689	38,837	32,953
Segment result	15,281	24,464	3,209	1,290	18,490	25,754
Unallocated income					5,502	5,161
Unallocated expense					(16,622)	(21,137)
Operating profit					7,370	9,778
Segment assets	3,395,482	3,336,752	1,423,595	1,326,401	4,819,077	4,663,153
Unallocated assets					87,689	43,841
Total Assets					4,906,766	4,706,994
Segment liabilities	2,848,073	2,795,865	1,479,714	1,372,048	4,327,787	4,167,913
Unallocated liabilities and equity					578,979	539,081
Total Liabilities and Equity					4,906,766	4,706,994

GULF BANK K.S.C.
Notes to the Interim Condensed Financial Information
(Unaudited)
31 March 2012

8. RELATED PARTY TRANSACTIONS

Certain related parties (directors 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 balances included in the financial position are as follows:

	Directors and Key Management Personnel		
	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>
	<i>31 March</i>	<i>31 December</i>	<i>31 March</i>
	<i>2012</i>	<i>2011</i>	<i>2011</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
Board members:			
Loans, receivables and advances	120,199	110,674	159,387
Provision for losses on receivable from related parties	3,657	2,162	-
Deposits	295,542	321,622	416,508
Guarantees issued	45,010	35,917	14,076
Executive management:			
Loans	556	561	1,046
Deposits	1,771	1,382	1,732
Guarantees issued	1	1	1

The loans granted to directors and key management personnel are repayable within three years and have interest rates of **3% to 7%** (2011: 3% to 7%) per annum. Some of the loans advanced above are collateralised. The fair value of these collaterals as of 31 March 2012 was **KD 97,952 thousand** (31 December 2011: KD 92,598 thousand and 31 March 2011: KD 215,028 thousand).

The transactions included in the interim condensed statement of income are as follows:

	<i>3 months ended</i>	<i>3 months ended</i>
	<i>31 March 2012</i>	<i>31 March 2011</i>
	<i>KD 000's</i>	<i>KD 000's</i>
Directors and key management personnel:		
Interest income earned	867	1,370
Interest expense on deposits	1,022	1,892
Provision for losses on receivable from related parties	1,495	-
Key management compensation:		
Salaries and other short-term benefits	724	701
End of service/termination benefits	23	30

GULF BANK K.S.C.
Notes to the Interim Condensed Financial Information
(Unaudited)
31 March 2012

9. CONTINGENT LIABILITIES AND COMMITMENTS

	<i>(Unaudited)</i> 31 March 2012 KD 000's	<i>(Audited)</i> 31 December 2011 KD 000's	<i>(Unaudited)</i> 31 March 2011 KD 000's
Guarantees	980,863	973,591	874,149
Letters of credit	254,989	266,590	239,169
Capital commitment	-	-	924
Irrevocable commitment to extend credit:			
Original term to maturity of more than one year	-	-	15,000
	<u>1,235,852</u>	<u>1,240,181</u>	<u>1,129,242</u>

As at the reporting date the Bank had undrawn commitments to extend overdraft facilities to customers amounting to **KD 111,847 thousand** (31 December 2011: KD 115,499 thousand and 31 March 2011: KD 90,347 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 notional amounts of derivative financial instruments 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.

At 31 March 2012:

	<i>Notional amounts by term to maturity</i>			
	<i>Notional amount total KD 000's</i>	<i>Within 3 months KD 000's</i>	<i>3-12 months KD 000's</i>	<i>Over 1 year KD 000's</i>
Derivatives instruments held as:				
Trading (and non qualifying hedges)				
Forward foreign exchange contracts	68,766	32,929	35,837	-
Credit default swaps	267,472	28,271	87,491	151,710
Structured products	11,110	-	11,110	-
	<u>347,348</u>	<u>61,200</u>	<u>134,438</u>	<u>151,710</u>

At 31 December 2011:

	<i>Notional amounts by term to maturity</i>			
	<i>Notional amount total KD 000's</i>	<i>Within 3 months KD 000's</i>	<i>3-12 months KD 000's</i>	<i>Over 1 year KD 000's</i>
Derivatives instruments held as:				
Trading (and non qualifying hedges)				
Forward foreign exchange contracts	76,457	70,995	5,462	-
Credit default swaps	294,706	12,535	130,023	152,148
Structured products	11,142	-	11,142	-
	<u>382,305</u>	<u>83,530</u>	<u>146,627</u>	<u>152,148</u>

GULF BANK K.S.C.
Notes to the Interim Condensed Financial Information
(Unaudited)
31 March 2012

10. DERIVATIVES (continued)

At 31 March 2011:

	<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	29,558	28,574	984	-
Credit default swaps	365,351	8,316	56,826	300,209
Structured products	11,088	-	-	11,088
	<u>405,997</u>	<u>36,890</u>	<u>57,810</u>	<u>311,297</u>