

GULF BANK K.S.C.

**INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED)**

30 September 2012

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

PERIOD ENDED

	<i>Note</i>	<i>3 months ended 30 September 2012 KD 000's</i>	<i>3 months ended 30 September 2011 KD 000's</i>	<i>9 months ended 30 September 2012 KD 000's</i>	<i>9 months ended 30 September 2011 KD 000's</i>
Interest income		42,903	40,418	131,510	125,454
Interest expense		14,961	16,290	45,128	50,548
Net interest income		27,942	24,128	86,382	74,906
Net fees and commissions		7,027	6,500	21,428	22,753
Net gains from dealing in foreign currencies and derivatives		10,658	712	20,094	12,349
Realised gains from disposal of investments available-for-sale		1,721	1,872	4,273	5,703
Dividend income		25	-	246	53
Other income		190	120	767	454
OPERATING INCOME		47,563	33,332	133,190	116,218
Staff expenses		8,190	7,258	25,118	23,117
Occupancy costs		791	781	2,428	2,235
Depreciation		731	700	2,149	2,082
Other expenses		5,371	2,252	12,350	6,509
Operating expenses		15,083	10,991	42,045	33,943
OPERATING PROFIT BEFORE PROVISIONS / IMPAIRMENT LOSSES		32,480	22,341	91,145	82,275
(Release) / Charge of provisions:					
- specific		(1,274)	4,326	8,041	11,587
- general		12,082	9,079	46,648	44,761
Loans written-off / (recoveries)		6,459	(1,400)	1,351	(6,988)
Impairment loss on investments available-for-sale		5,141	800	11,637	4,209
OPERATING PROFIT		10,072	9,536	23,468	28,706
Contribution to Kuwait Foundation for the Advancement of Sciences		100	95	235	287
National Labour Support Tax		249	236	581	710
Zakat		100	95	235	287
PROFIT FOR THE PERIOD		9,623	9,110	22,417	27,422
BASIC AND DILUTED EARNINGS PER SHARE (Fils)	3	4	4	9	11

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 30 September 2012 KD 000's</i>	<i>3 months ended 30 September 2011 KD 000's</i>	<i>9 months ended 30 September 2012 KD 000's</i>	<i>9 months ended 30 September 2011 KD 000's</i>
Profit for the period	9,623	9,110	22,417	27,422
Other comprehensive expense				
Net unrealised losses on investments available-for-sale	(4,262)	(4,774)	(9,754)	(4,913)
Net impairment losses on/ realised (gains) on disposal of investments available-for-sale recycled	3,495	(1,180)	8,795	(2,611)
Other comprehensive expense for the period	(767)	(5,954)	(959)	(7,524)
Total comprehensive income for the period	8,856	3,156	21,458	19,898

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

	<i>(Unaudited)</i> 30 September 2012 <i>KD 000's</i>	<i>(Audited)</i> 31 December 2011 <i>KD 000's</i>	<i>(Unaudited)</i> 30 September 2011 <i>KD 000's</i>
ASSETS			
Cash and short term funds	379,284	370,519	365,371
Treasury bills and bonds	320,801	418,221	459,029
Central Bank of Kuwait bonds	497,145	429,482	381,222
Deposits with banks and other financial institutions	22,600	20,000	88,228
Loans and advances to banks	88,959	34,140	43,878
Loans and advances to customers	3,328,120	3,334,087	3,299,404
Investments available-for-sale	124,533	106,009	109,654
Other assets	41,732	47,513	38,843
Premises and equipment	25,744	25,924	25,665
TOTAL ASSETS	4,828,918	4,785,895	4,811,294
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks	147,364	76,179	122,446
Deposits from financial institutions	872,462	776,819	810,588
Customer deposits	3,186,051	3,330,444	3,283,515
Subordinated loans	84,330	83,565	82,650
Other liabilities	92,711	88,629	81,347
TOTAL LIABILITIES	4,382,918	4,355,636	4,380,546
EQUITY			
Share capital	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	24,289
Fair valuation reserve	6,250	7,209	9,794
Retained earnings	30,643	8,226	20,036
Treasury shares	(50,651)	(44,965)	(43,408)
TOTAL LIABILITIES AND EQUITY	4,828,918	4,785,895	4,811,294

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>9 months ended 30 September 2012 KD 000's</i>	<i>9 months ended 30 September 2011 KD 000's</i>
OPERATING ACTIVITIES		
Profit for the period	22,417	27,422
Adjustments:		
Realised gains from disposal of investments available-for-sale	(4,273)	(5,703)
Dividend income	(246)	(53)
Depreciation	2,149	2,082
Effective interest rate adjustment	-	1,224
Loan loss provisions	54,689	56,348
Loans written-off/ (recoveries)	1,351	(6,988)
Impairment loss on investments available-for-sale	11,637	4,209
Foreign exchange movement on subordinated loans	765	(1,530)
OPERATING PROFIT BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES	88,489	77,011
<i>(Increase)/decrease in operating assets:</i>		
Treasury bills and bonds	97,420	62,434
Central Bank of Kuwait bonds	(67,663)	(71,167)
Deposits with banks and other financial institutions	(2,600)	22,982
Loans and advances to banks	(54,819)	(22,098)
Loans and advances to customers	(50,535)	(168,797)
Other assets	5,781	16,814
<i>(Decrease)/increase in operating liabilities:</i>		
Due to banks	71,185	55,125
Deposits from financial institutions	95,643	(75,989)
Customer deposits	(144,393)	212,649
Other liabilities	4,544	1,415
NET CASH FLOWS FROM OPERATING ACTIVITIES	43,052	110,379
INVESTING ACTIVITIES		
Purchase of investments available-for-sale	(41,751)	(44,673)
Proceeds from sale of investments available-for-sale	14,904	21,207
Purchase of premises and equipment	(1,969)	(1,923)
Dividends received	246	53
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(28,570)	(25,336)
FINANCING ACTIVITIES		
Purchase of treasury shares	(5,754)	(926)
Proceeds from sale of treasury shares	37	1,061
NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES	(5,717)	135
NET INCREASE IN CASH AND SHORT TERM FUNDS	8,765	85,178
CASH AND SHORT TERM FUNDS AT 1 JANUARY	370,519	280,193
CASH AND SHORT TERM FUNDS AT 30 SEPTEMBER	379,284	365,371
Additional cash flow information		
Interest received	143,073	145,433
Interest paid	45,158	51,721

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)
NINE MONTHS PERIOD ENDED

	RESERVES										
	<i>Share capital</i> <i>KD 000's</i>	<i>Proposed bonus shares</i> <i>KD 000's</i>	<i>Statutory reserve</i> <i>KD 000's</i>	<i>Share premium</i> <i>KD 000's</i>	<i>Property revaluation reserve</i> <i>KD 000's</i>	<i>Treasury share reserve</i> <i>KD 000's</i>	<i>Fair valuation reserve</i> <i>KD 000's</i>	<i>(Accumulated deficit) retained earnings</i> <i>KD 000's</i>	<i>Sub-total reserves</i> <i>KD 000's</i>	<i>Treasury shares</i> <i>KD 000's</i>	<i>Total</i> <i>KD 000's</i>
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	-	-	-	-	-	-	-	27,422	27,422	-	27,422
Other comprehensive expense for the period	-	-	-	-	-	-	(7,524)	-	(7,524)	-	(7,524)
Total comprehensive (expense)/income for the period	-	-	-	-	-	-	(7,524)	27,422	19,898	-	19,898
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	(926)	(926)
Sale of treasury shares	-	-	-	-	-	-	-	-	-	1,765	1,765
Loss on sale of treasury shares	-	-	-	-	-	(704)	-	-	(704)	-	(704)
At 30 September 2011	250,770	-	-	153,024	16,243	24,289	9,794	20,036	223,386	(43,408)	430,748
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	-	-	-	-	-	-	-	22,417	22,417	-	22,417
Other comprehensive expense for the period	-	-	-	-	-	-	(959)	-	(959)	-	(959)
Total comprehensive (expense)/income for the period	-	-	-	-	-	-	(959)	22,417	21,458	-	21,458
Issue of bonus shares (Note 6)	12,539	(12,539)	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	(5,754)	(5,754)
Sale of treasury shares	-	-	-	-	-	-	-	-	-	68	68
Loss on sale of treasury shares	-	-	-	-	-	(31)	-	-	(31)	-	(31)
At 30 September 2012	263,309	-	2,469	153,024	16,698	24,258	6,250	30,643	233,342	(50,651)	446,000

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)
30 September 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 nine months period ended 30 September 2012 was authorised by the Board of Directors for issue on 8 October 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 nine months period ended 30 September 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)

30 September 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 30 September 2012 KD 000's</i>	<i>3 months ended 30 September 2011 KD 000's</i>	<i>9 months ended 30 September 2012 KD 000's</i>	<i>9 months ended 30 September 2011 KD 000's</i>
Profit for the period	<u>9,623</u>	<u>9,110</u>	<u>22,417</u>	<u>27,422</u>
	<u>Shares</u>	<u>Shares</u>	<u>Shares</u>	<u>Shares</u>
Weighted average number of issued shares	<u>2,633,087,484</u>	<u>2,633,087,484</u>	<u>2,633,087,484</u>	<u>2,633,087,484</u>
Less: Weighted average number of treasury shares	<u>(62,480,761)</u>	<u>(48,202,499)</u>	<u>(57,230,084)</u>	<u>(48,693,317)</u>
	<u><u>2,570,606,723</u></u>	<u><u>2,584,884,985</u></u>	<u><u>2,575,857,400</u></u>	<u><u>2,584,394,167</u></u>
Basic and diluted earnings per share (Fils)	<u><u>4</u></u>	<u><u>4</u></u>	<u><u>9</u></u>	<u><u>11</u></u>

Earnings per share calculations for the three and nine months period ended 30 September 2011 have been adjusted to take account of the bonus shares issued in 2012.

4. SHARE CAPITAL

	<i>(Unaudited) 30 September 2012 KD 000's</i>	<i>(Audited) 31 December 2011 KD 000's</i>	<i>(Unaudited) 30 September 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><u>263,309</u></u>	<u><u>250,770</u></u>	<u><u>250,770</u></u>

5. TREASURY SHARES

	<i>(Unaudited) 30 September 2012</i>	<i>(Audited) 31 December 2011</i>	<i>(Unaudited) 30 September 2011</i>
Number of treasury shares	<u>66,227,202</u>	<u>49,958,737</u>	<u>46,863,737</u>
Percentage of treasury shares	<u>2.52%</u>	<u>1.99%</u>	<u>1.87%</u>
Cost of treasury shares (KD 000's)	<u>50,651</u>	<u>44,965</u>	<u>43,408</u>
Market value of treasury shares (KD 000's)	<u>29,140</u>	<u>25,479</u>	<u>24,369</u>

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 30 September 2011: Nil) representing 125,385,118 shares of 100 fils each.

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

30 September 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 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:

	<u>Commercial Banking</u>		<u>Treasury & Investments</u>		<u>Total</u>	
	<u>2012</u>	2011	<u>2012</u>	2011	<u>2012</u>	2011
	<u>KD 000's</u>	KD 000's	<u>KD 000's</u>	KD 000's	<u>KD 000's</u>	KD 000's
Operating income (Excluding unallocated income provided below)	<u>100,433</u>	92,626	<u>14,502</u>	14,385	<u>114,935</u>	107,011
Segment result	<u>47,704</u>	56,328	<u>9,706</u>	8,157	<u>57,410</u>	64,485
Unallocated income					<u>18,255</u>	9,207
Unallocated expense					<u>(53,248)</u>	(46,270)
Profit for the period					<u><u>22,417</u></u>	<u>27,422</u>
Segment assets	<u>3,463,739</u>	3,368,211	<u>1,297,703</u>	1,378,575	<u>4,761,442</u>	4,746,786
Unallocated assets					<u>67,476</u>	64,508
Total Assets					<u><u>4,828,918</u></u>	<u>4,811,294</u>
Segment liabilities	<u>2,921,969</u>	2,919,299	<u>1,316,350</u>	1,334,869	<u>4,238,319</u>	4,254,168
Unallocated liabilities and equity					<u>590,599</u>	557,126
Total Liabilities and Equity					<u><u>4,828,918</u></u>	<u>4,811,294</u>

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

30 September 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. The terms of these transactions are approved as per the Bank's policy.

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>30 September</i>	<i>31 December</i>	<i>30 September</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	52,749	110,674	101,449
Provision for losses on receivable from related parties	-	2,162	-
Investments available-for-sale	762	780	819
Deposits	224,484	321,622	348,597
Guarantees issued	6,493	35,917	9,900
Executive management:			
Loans	546	561	1,030
Deposits	1,213	1,382	1,438
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 6.5%** (2011: 3% to 7%) per annum. Some of the loans advanced above are collateralised. The fair value of these collaterals as of 30 September 2012 was **KD 53,775 thousand** (31 December 2011: KD 92,598 thousand and 30 September 2011: KD 95,056 thousand).

The transactions included in the interim condensed financial information are as follows:

	<i>9 months ended</i>	<i>9 months ended</i>
	<i>30 September</i>	<i>30 September</i>
	<i>2012</i>	<i>2011</i>
	<i>KD 000's</i>	<i>KD 000's</i>
Board members, directors and key management personnel:		
Interest income earned	1,589	1,624
Interest expense on deposits	2,346	2,162
Key management compensation:		
Salaries and other short-term benefits	2,224	2,087
End of service/termination benefits	71	77

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

30 September 2012

9. CONTINGENT LIABILITIES AND COMMITMENTS

	<i>(Unaudited)</i> 30 September 2012 KD 000's	<i>(Audited)</i> 31 December 2011 KD 000's	<i>(Unaudited)</i> 30 September 2011 KD 000's
Guarantees	963,254	973,591	914,083
Letters of credit	197,010	266,590	277,643
Irrevocable commitment to extend credit:			
Original term to maturity of more than one year	-	-	2,755
	<u>1,160,264</u>	<u>1,240,181</u>	<u>1,194,481</u>

As at 30 September 2012 the Bank had undrawn commitments to extend overdraft facilities to customers amounting to **KD 91,128 thousand** (31 December 2011: KD 115,499 thousand and 30 September 2011: KD 111,402 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 30 September 2012:

	<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	636	(716)	96,524	50,263	46,261	-
Credit default swaps	37	(4,886)	222,409	68,869	21,850	131,690
Structured product	2,980	-	11,244	11,244	-	-
	<u>3,653</u>	<u>(5,602)</u>	<u>330,177</u>	<u>130,376</u>	<u>68,111</u>	<u>131,690</u>

At 31 December 2011:

	<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	567	(749)	76,457	70,995	5,462	-
Credit default swaps	-	(10,844)	294,706	12,535	130,023	152,148
Structured product	8,916	-	11,142	-	11,142	-
	<u>9,483</u>	<u>(11,593)</u>	<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)

30 September 2012

10. DERIVATIVES (continued)

At 30 September 2011:

	<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	179	(167)	80,476	19,945	60,531	-
Credit default swaps	-	(11,885)	330,048	38,570	73,499	217,979
Structured products	10,428	-	11,020	-	-	11,020
	<u>10,607</u>	<u>(12,052)</u>	<u>421,544</u>	<u>58,515</u>	<u>134,030</u>	<u>228,999</u>