

GULF BANK K.S.C.

**INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED)**

30 September 2011

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

	<i>3 months ended</i> <i>30 September</i> <i>2011</i> <i>KD 000's</i>	<i>3 months ended</i> <i>30 September</i> <i>2010</i> <i>KD 000's</i>	<i>9 months ended</i> <i>30 September</i> <i>2011</i> <i>KD 000's</i>	<i>9 months ended</i> <i>30 September</i> <i>2010</i> <i>KD 000's</i>
Interest income	40,418	37,197	125,454	131,740
Interest expense	16,290	18,496	50,548	59,529
Net interest income	24,128	18,701	74,906	72,211
Net fees and commissions	6,500	6,313	22,753	21,413
Net gains from dealing in foreign currencies and derivatives (including fair value movements of credit default swaps)	712	6,268	12,349	24,668
Realised gains/(losses) from disposal of investments available-for-sale	1,872	(176)	5,703	21,837
Dividend income	-	53	53	137
Impairment loss on investments available-for-sale	(800)	(328)	(4,209)	(1,050)
Other income	120	265	454	378
OPERATING INCOME	32,532	31,096	112,009	139,594
Staff expenses	7,039	6,992	22,616	21,202
Occupancy costs	781	736	2,235	2,000
Depreciation	700	645	2,082	1,881
Other expenses	2,471	3,647	7,010	8,282
Operating expenses	10,991	12,020	33,943	33,365
OPERATING PROFIT BEFORE PROVISIONS	21,541	19,076	78,066	106,229
Charge/ (release) of provisions:				
- specific	4,326	(6,727)	11,587	86,499
- general	9,079	17,029	44,761	7,953
Loans (recovery)/ written-off	(1,400)	-	(6,988)	928
OPERATING PROFIT	9,536	8,774	28,706	10,849
Contribution to Kuwait Foundation for the Advancement of Sciences	95	87	287	108
National Labour Support Tax	236	218	710	269
Zakat	95	87	287	108
PROFIT FOR THE PERIOD	9,110	8,382	27,422	10,364
BASIC AND DILUTED EARNINGS PER SHARE (Fils)	3	3	11	4

The attached notes 1 to 9 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 2011 KD 000's</i>	<i>3 months ended 30 September 2010 KD 000's</i>	<i>9 months ended 30 September 2011 KD 000's</i>	<i>9 months ended 30 September 2010 KD 000's</i>
Profit for the period	<u>9,110</u>	<u>8,382</u>	<u>27,422</u>	<u>10,364</u>
Other comprehensive expense				
Net unrealised losses on investments available-for-sale	(4,774)	(2,103)	(4,913)	(2,864)
Net realised gains on disposal of/ impairment losses on investments available-for-sale recycled	<u>(1,180)</u>	<u>(77)</u>	<u>(2,611)</u>	<u>(19,759)</u>
Other comprehensive expense for the period	<u>(5,954)</u>	<u>(2,180)</u>	<u>(7,524)</u>	<u>(22,623)</u>
Total comprehensive income/(expense) for the period	<u><u>3,156</u></u>	<u><u>6,202</u></u>	<u><u>19,898</u></u>	<u><u>(12,259)</u></u>

The attached notes 1 to 9 form part of the interim condensed financial information.

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

	<i>(Unaudited)</i> 30 September 2011 <i>KD 000's</i>	<i>(Audited)</i> 31 December 2010 <i>KD 000's</i>	<i>(Unaudited)</i> 30 September 2010 <i>KD 000's</i>
<i>Notes</i>			
ASSETS			
Cash and short term funds	365,371	280,193	426,399
Treasury bills and bonds	459,029	521,463	512,047
Central Bank of Kuwait bonds	381,222	310,055	306,351
Deposits with banks and other financial institutions	88,228	111,210	79,660
Loans and advances to banks	43,878	21,780	7,414
Loans and advances to customers	3,299,404	3,181,377	3,101,585
Investments available-for-sale	109,654	92,218	92,934
Other assets	38,843	55,657	46,671
Premises and equipment	25,665	25,824	26,412
TOTAL ASSETS	4,811,294	4,599,777	4,599,473
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks	122,446	67,321	90,037
Deposits from financial institutions	810,588	886,577	824,936
Customer deposits	3,283,515	3,070,866	3,111,789
Subordinated loans	82,650	84,180	85,320
Other liabilities	81,347	80,118	89,675
TOTAL LIABILITIES	4,380,546	4,189,062	4,201,757
EQUITY			
Share capital	250,770	250,770	250,770
Share premium	153,024	153,024	153,024
Property revaluation reserve	16,243	16,243	16,639
Treasury share reserve	24,289	24,993	25,180
Fair valuation reserve	9,794	17,318	12,894
Retained earnings (accumulated deficit)	20,036	(7,386)	(16,081)
Treasury shares	(43,408)	(44,247)	(44,710)
TOTAL LIABILITIES AND EQUITY	4,811,294	4,599,777	4,599,473

Ali Al-Rashaid Al-Bader
(Chairman)

Michel Accad
(Chief General Manager & Chief Executive Officer)

The attached notes 1 to 9 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 2011 KD 000's</i>	<i>9 months ended 30 September 2010 KD 000's</i>
OPERATING ACTIVITIES		
Profit for the period	27,422	10,364
Adjustments:		
Realised gains from disposal of investments available-for-sale	(5,703)	(21,837)
Dividend income	(53)	(137)
Impairment loss on investments available-for-sale	4,209	1,050
Depreciation	2,082	1,881
Effective interest rate adjustment	1,224	355
Loans (recovery)/written-off	(6,988)	928
Loan loss provisions	56,348	94,452
Foreign exchange movement on subordinated loans	(1,530)	(720)
OPERATING PROFIT BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES	77,011	86,336
<i>(Increase)/decrease in operating assets:</i>		
Treasury bills and bonds	62,434	(25,841)
Central Bank of Kuwait bonds	(71,167)	(33,864)
Deposits with banks and other financial institutions	22,982	(9,393)
Loans and advances to banks	(22,098)	1,844
Loans and advances to customers	(168,797)	65,588
Other assets	16,814	4,386
<i>(Decrease)/increase in operating liabilities:</i>		
Due to banks	55,125	163
Deposits from financial institutions	(75,989)	(94,026)
Customer deposits	212,649	(37,651)
Other liabilities	1,415	(272)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	110,379	(42,730)
INVESTING ACTIVITIES		
Purchase of investments available-for-sale	(44,673)	(461)
Proceeds from sale of investments available-for-sale	21,207	49,387
Purchase of premises and equipment	(1,923)	(3,406)
Dividends received	53	137
NET CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES	(25,336)	45,657
FINANCING ACTIVITIES		
Purchase of treasury shares	(926)	(90)
Proceeds from sale of treasury shares	1,061	2,212
NET CASH FLOWS FROM FINANCING ACTIVITIES	135	2,122
NET INCREASE IN CASH AND SHORT TERM FUNDS	85,178	5,049
CASH AND SHORT TERM FUNDS AT 1 JANUARY	280,193	421,350
CASH AND SHORT TERM FUNDS AT 30 SEPTEMBER	365,371	426,399
Additional cash flow information		
Interest received	145,433	33,177
Interest paid	51,721	62,086

The attached notes 1 to 9 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>Treasury shares</i> <i>KD 000's</i>	<i>Total</i> <i>KD 000's</i>	
	<i>Share capital</i> <i>KD 000's</i>	<i>Statutory reserve</i> <i>KD 000's</i>	<i>General 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>Retained earnings (accumulated deficit)</i> <i>KD 000's</i>			<i>Sub-total reserves</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
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	(926)	(926)
Sale of treasury shares	-	-	-	-	-	-	-	-	-	1,765	1,765
Loss on sale of treasury shares	-	-	-	-	-	(704)	-	-	(704)	-	(704)
Total comprehensive (expense)/income for the period	-	-	-	-	-	-	(7,524)	27,422	19,898	-	19,898
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 2010	250,770	-	-	153,024	16,639	27,979	35,517	(26,445)	206,714	(49,631)	407,853
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	(90)	(90)
Sale of treasury shares	-	-	-	-	-	-	-	-	-	5,011	5,011
Loss on sale of treasury shares	-	-	-	-	-	(2,799)	-	-	(2,799)	-	(2,799)
Total comprehensive (expense)/income for the period	-	-	-	-	-	-	(22,623)	10,364	(12,259)	-	(12,259)
At 30 September 2010	250,770	-	-	153,024	16,639	25,180	12,894	(16,081)	191,656	(44,710)	397,716

The attached notes 1 to 9 form part of the interim condensed financial information.

GULF BANK K.S.C.
Notes to the Interim Condensed Financial Information
(Unaudited)
30 September 2011

1. INCORPORATION AND REGISTRATION

Gulf Bank K.S.C. (the Bank) is a public shareholding company incorporated in Kuwait and is registered as a Bank with the Central Bank of Kuwait and 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 2011 was authorised by the Board of Directors for issue on 9 October 2011.

2. BASIS OF PRESENTATION

This interim condensed financial information of the Bank has been prepared in accordance with IAS 34, Interim Financial Reporting, except as noted below:

The annual financial statements for the year ended 31 December 2010 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 2010.

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 2010. Further, operating results for the nine months period ended 30 September 2011 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2011.

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

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 2011 KD 000's</i>	<i>3 months ended 30 September 2010 KD 000's</i>	<i>9 months ended 30 September 2011 KD 000's</i>	<i>9 months ended 30 September 2010 KD 000's</i>
Profit for the period	9,110	8,382	27,422	10,364
	<u>Shares</u>	<u>Shares</u>	<u>Shares</u>	<u>Shares</u>
Weighted average number of issued shares	2,507,702,366	2,507,702,366	2,507,702,366	2,507,702,366
Less: Weighted average number of treasury shares	(45,651,563)	(47,693,954)	(46,142,382)	(49,720,404)
	<u>2,462,050,803</u>	<u>2,460,008,412</u>	<u>2,461,559,984</u>	<u>2,457,981,962</u>
Basic and diluted earnings per share (Fils)	<u>4</u>	<u>3</u>	<u>11</u>	<u>4</u>

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Notes to the Interim Condensed Financial Information
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30 September 2011

4. SHARE CAPITAL

	<i>(Unaudited)</i> 30 September 2011 <i>KD 000's</i>	<i>(Audited)</i> 31 December 2010 <i>KD 000's</i>	<i>(Unaudited)</i> 30 September 2010 <i>KD 000's</i>
Authorised, issued and fully paid up 2,507,702,366 (2010: 2,507,702,366) shares of 100 fils each	250,770	250,770	250,770

5. TREASURY SHARES

	<i>(Unaudited)</i> 30 September 2011	<i>(Audited)</i> 31 December 2010	<i>(Unaudited)</i> 30 September 2010
Number of treasury shares	46,863,737	46,878,737	47,363,737
Percentage of treasury shares	1.87%	1.87%	1.89%
Cost of treasury shares (KD 000's)	43,408	44,247	44,710
Market value of treasury shares (KD 000's)	24,369	26,721	24,629

GULF BANK K.S.C.
Notes to the Interim Condensed Financial Information
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6. 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 month period ended 30 September is as follows:

	Commercial Banking		Treasury & Investments		Total	
	2011	2010	2011	2010	2011	2010
	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)	92,626	82,866	10,176	35,745	102,802	118,611
Segment result	56,328	(33,811)	8,157	33,656	64,485	(155)
Unallocated income					9,207	20,983
Unallocated expense					(46,270)	(10,464)
Profit for the period					27,422	10,364
Segment assets	3,368,211	3,138,591	1,378,575	1,401,011	4,746,786	4,539,602
Unallocated assets					64,508	59,871
Total Assets					4,811,294	4,599,473
Segment liabilities	2,919,299	2,631,944	1,350,952	1,432,598	4,270,251	4,064,542
Unallocated liabilities and equity					541,043	534,931
Total Liabilities and Equity					4,811,294	4,599,473

GULF BANK K.S.C.
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7. 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>30 September</i>	<i>31 December</i>	<i>30 September</i>
	<i>2011</i>	<i>2010</i>	<i>2010</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
Board members:			
Loans, receivables and advances	101,449	160,448	161,512
Deposits	348,597	488,133	496,333
Guarantees issued	9,900	10,157	9,190
Executive management:			
Loans	1,030	1,026	1,524
Deposits	1,438	977	927
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%** (2010: 2.5% to 6.5%) per annum. Some of the loans advanced above are collateralised. The fair value of these collaterals as of 30 September 2011 was **KD 95,056 thousand** (31 December 2010: KD 193,457 thousand and 30 September 2010: KD 180,628 thousand).

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

	<i>9 months ended</i>	<i>9 months ended</i>
	<i>30 September</i>	<i>30 September</i>
	<i>2011</i>	<i>2010</i>
	<i>KD 000's</i>	<i>KD 000's</i>
Board members, directors and key management personnel:		
Interest income earned	1,624	4,706
Interest expense on deposits	2,162	8,012
Provision for losses on receivable from related parties	1,193	-
Key management compensation:		
Salaries and other short-term benefits	2,087	1,911
End of service/termination benefits	77	63

GULF BANK K.S.C.
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8. CONTINGENT LIABILITIES AND COMMITMENTS

	<i>(Unaudited)</i> 30 September 2011 KD 000's	<i>(Audited)</i> 31 December 2010 KD 000's	<i>(Unaudited)</i> 30 September 2010 KD 000's
Guarantees	914,083	969,495	978,548
Letters of credit	277,643	211,209	258,681
Capital commitment	-	1,122	1,593
Irrevocable commitments to extend credit:			
Original term to maturity of more than one year	2,755	15,000	252
	<u>1,194,481</u>	<u>1,196,826</u>	<u>1,239,074</u>

As at the reporting date the Bank had undrawn commitments to extend overdraft facilities to customers amounting to **KD 111,402 thousand** (31 December 2010: KD 82,376 thousand and 30 September 2010: KD 75,697 thousand). The contractual terms entitle the Bank to withdraw these facilities at any time.

9. 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 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>

At 31 December 2010:

	<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	-	-	13,979	13,979	-	-
Credit default swaps	-	(14,473)	380,650	8,418	65,941	306,291
Structured products	10,688	-	11,224	-	-	11,224
	<u>10,688</u>	<u>(14,473)</u>	<u>405,853</u>	<u>22,397</u>	<u>65,941</u>	<u>317,515</u>

GULF BANK K.S.C.
Notes to the Interim Condensed Financial Information
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9. DERIVATIVES (continued)

At 30 September 2010:

	<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	-	-	17,614	17,614	-	-
Credit default swaps	-	(18,186)	387,227	-	35,550	351,677
Structured products	25,211	(69)	46,132	2,761	-	43,371
	<u>25,211</u>	<u>(18,255)</u>	<u>450,973</u>	<u>20,375</u>	<u>35,550</u>	<u>395,048</u>