

GULF BANK K.S.C.

**INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED)**

30 JUNE 2009

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

	3 months ended 30 June 2009 KD 000's	3 months ended 30 June 2008 KD 000's	6 months ended 30 June 2009 KD 000's	6 months ended 30 June 2008 KD 000's
Interest income	48,575	84,278	114,423	172,870
Interest expense	30,143	52,337	72,073	111,153
Net interest income	18,432	31,941	42,350	61,717
Net fees and commissions	5,658	7,227	11,517	13,870
Net gains from dealing in foreign currencies and derivatives (including fair value movements of credit default swaps)	22,610	3,414	21,270	10,361
Realised gains on disposal of investments available-for-sale	3,811	4,373	3,846	7,246
Dividend income	137	1,250	142	1,326
Impairment loss on investments available-for-sale	(1,187)	-	(4,560)	-
Other operating income	36	79	110	145
OPERATING INCOME	49,497	48,284	74,675	94,665
Staff expenses	5,929	5,609	12,235	11,720
Occupancy costs	626	516	1,154	950
Depreciation	594	614	1,190	1,212
Other expenses	6,774	1,159	8,957	3,531
Operating expenses	13,923	7,898	23,536	17,413
OPERATING PROFIT BEFORE PROVISIONS	35,574	40,386	51,139	77,252
Charge/(release) of provisions:				
Specific	83,389	14,898	89,538	17,699
General	(38,656)	559	(30,908)	870
OPERATING (LOSS)/PROFIT	(9,159)	24,929	(7,491)	58,683
Contribution to Kuwait Foundation for the Advancement of Sciences	(17)	250	-	587
National Labour Support Tax	(41)	644	-	1,479
Zakat	(17)	250	-	587
(LOSS)/PROFIT FOR THE PERIOD	(9,084)	23,785	(7,491)	56,030
BASIC (LOSS)/EARNINGS PER SHARE (Fils)	(4)	19	(3)	46

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</i> <i>30 June</i> <i>2009</i> <i>KD 000's</i>	<i>3 months ended</i> <i>30 June</i> <i>2008</i> <i>KD 000's</i>	<i>6 months ended</i> <i>30 June</i> <i>2009</i> <i>KD 000's</i>	<i>6 months ended</i> <i>30 June</i> <i>2008</i> <i>KD 000's</i>
(Loss)/ profit for the period	(9,084)	23,785	(7,491)	56,030
Other comprehensive income				
Net unrealised gain/(loss) on available-for-sale investments	11,894	3,793	20,342	(6,680)
Net realised gains transferred to statement of income on disposal of available-for-sale investments	(1,494)	(1,668)	(1,494)	(4,541)
Other comprehensive income/(loss) for the period included in equity	10,400	2,125	18,848	(11,221)
Total comprehensive income for the period	1,316	25,910	11,357	44,809

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 June 2009 KD 000's	<i>(Audited)</i> 31 December 2008 KD 000's	<i>(Unaudited)</i> 30 June 2008 KD 000's
ASSETS				
Cash and short term funds		346,901	381,921	409,087
Treasury bills and bonds		577,045	426,597	388,167
Central Bank of Kuwait bonds		69,289	24,983	97,666
Deposits with banks and other financial institutions		77,504	413,926	584,946
Loans and advances to banks		31,533	31,973	14,870
Loans and advances to customers		3,399,989	3,448,322	3,334,155
Investments available-for-sale		156,233	156,092	241,064
Other assets		32,000	39,968	43,255
Premises and equipment		24,374	23,665	23,046
TOTAL ASSETS		4,714,868	4,947,447	5,136,256
LIABILITIES AND EQUITY				
LIABILITIES				
Due to Central Bank of Kuwait		-	80,000	-
Due to banks		20,160	91,509	329,705
Deposits from financial institutions		737,205	658,508	771,555
Customer deposits		3,304,897	3,825,721	3,366,136
Floating rate notes		-	-	52,960
Subordinated loans		86,115	82,785	79,440
Other liabilities		140,290	170,936	91,648
		4,288,667	4,909,459	4,691,444
EQUITY				
Share capital	4	250,770	125,385	125,385
Share premium	4	153,024	46,044	46,044
Statutory reserve	4	-	89,438	89,438
General reserve	4	-	2,356	2,356
Property revaluation reserve		15,528	15,528	15,159
Treasury share reserve		27,979	27,979	27,979
Fair valuation reserve		29,467	10,619	(2,354)
(Accumulated deficit) /retained earnings		(5,863)	(233,957)	181,589
		470,905	83,392	485,596
Treasury shares	6	(44,704)	(45,404)	(40,784)
		426,201	37,988	444,812
TOTAL LIABILITIES AND EQUITY		4,714,868	4,947,447	5,136,256

Ali Al-Rashaid Al-Bader
(Chairman)

Louis Myers
(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)
SIX MONTHS PERIOD ENDED

	<i>6 months ended</i> 30 June <i>2009</i> KD 000's	<i>6 months ended</i> 30 June <i>2008</i> KD 000's
OPERATING ACTIVITIES		
(Loss)/profit for the period	(7,491)	56,030
Adjustments:		
Realised gain from disposal of investments available-for-sale	(3,846)	(7,246)
Dividend income	(142)	(1,326)
Impairment loss on investments available-for-sale	4,560	-
Depreciation	1,190	1,212
Loans loss provisions	58,630	18,569
OPERATING PROFIT BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES	52,901	67,239
<i>(Increase) decrease in operating assets:</i>		
Treasury bonds	(150,448)	24,740
Central Bank of Kuwait bonds	(44,306)	78,259
Deposits with banks and other financial institutions	336,422	(271,205)
Loans and advances to banks	440	23,123
Loans and advances to customers	3	(80,596)
Other assets	7,968	(20,122)
<i>(Decrease) increase in operating liabilities:</i>		
Due to banks	(71,349)	28,059
Deposits from financial institutions	78,697	(102,910)
Customer deposits	(520,824)	174,807
Floating rate notes	-	(1,640)
Subordinated loans	3,330	(2,460)
Other liabilities	(40,946)	(29)
NET CASH USED IN OPERATING ACTIVITIES	(348,112)	(82,735)
INVESTING ACTIVITIES		
Purchase of investments available-for-sale	(155)	(101,349)
Proceeds from sale of investments available-for-sale	18,148	99,189
Purchase of premises and equipment	(1,899)	(989)
Dividend received	142	1,326
NET CASH FROM (USED IN) INVESTING ACTIVITIES	16,236	(1,823)
FINANCING ACTIVITIES		
Due to Central Bank of Kuwait	(80,000)	-
Dividend paid	-	(69,820)
Capital contribution from rights issue	376,156	-
Purchase of treasury shares	-	(21,041)
Sale of treasury shares	-	240
Proceeds from sale of treasury shares rights entitlement	700	-
NET CASH FROM (USED IN) FINANCING ACTIVITIES	296,856	(90,621)
NET DECREASE IN CASH AND SHORT TERM FUNDS	(35,020)	(175,179)
CASH AND SHORT TERM FUNDS AT 1 JANUARY	381,921	584,266
CASH AND SHORT TERM FUNDS AT 30 JUNE	346,901	409,087

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)
SIX MONTHS PERIOD ENDED

	RESERVES												Total KD 000's
	Share capital KD 000's	Proposed bonus shares KD 000's	Statutory reserve KD 000's	General 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	Sub-total reserves KD 000's	Treasury shares KD 000's	Proposed dividend KD 000's	
At 1 January 2008	109,030	16,355	89,438	2,356	46,044	15,159	27,928	8,867	125,559	315,351	(19,932)	69,820	490,624
Issue of capital	16,355	(16,355)	-	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	(21,041)	-	(21,041)
Sale of treasury shares	-	-	-	-	-	-	-	-	-	-	189	-	189
Dividend paid	-	-	-	-	-	-	-	-	-	-	-	(69,820)	(69,820)
Profit on sale of treasury shares	-	-	-	-	-	-	51	-	-	51	-	-	51
Total comprehensive income for the period	-	-	-	-	-	-	-	(11,221)	56,030	44,809	-	-	44,809
At 30 June 2008	125,385	-	89,438	2,356	46,044	15,159	27,979	(2,354)	181,589	360,211	(40,784)	-	444,812
At 1 January 2009	125,385	-	89,438	2,356	46,044	15,528	27,979	10,619	(233,957)	(41,993)	(45,404)	-	37,988
Issue of capital	125,385	-	-	-	250,771	-	-	-	-	250,771	-	-	376,156
Sale of rights entitlement on treasury shares	-	-	-	-	-	-	-	-	-	-	700	-	700
Accumulated deficit set off against reserves (Note 4).	-	-	(89,438)	(2,356)	(143,791)	-	-	-	235,585	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	-	-	18,848	(7,491)	11,357	-	-	11,357
At 30 June 2009	250,770	-	-	-	153,024	15,528	27,979	29,467	(5,863)	220,135	(44,704)	-	426,201

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

GULF BANK K.S.C.
Notes to the Interim Condensed Financial Information
(Unaudited)
30 June 2009

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 six months period ended 30 June 2009 was authorised by the Board of Directors for issue on 27 July 2009.

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 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 2008, except as noted below. The annual financial statements for the year ended 31 December 2008 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.

During the period, the Bank has adopted the following standards effective for the interim/annual periods beginning on or after 1 January 2009.

IAS 1 'Presentation of Financial Statements' (Revised):

The revised standard requires all non-owner changes in equity (i.e. comprehensive income) to be presented separately in a statement of comprehensive income.

IFRS 8 'Operating segments':

The new standard which replaced IAS 14 'Segment reporting' requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision - maker.

Operating results for the six months period are not necessarily indicative of the results that may be expected for the year ending 31 December 2009.

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

GULF BANK K.S.C.
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(Unaudited)
30 June 2009

3. BASIC (LOSS) EARNINGS PER SHARE

Basic (loss) earnings per share is based on the weighted average number of shares outstanding during the period, which is as follows:

	<i>3 months ended 30 June 2009 KD 000's</i>	<i>3 months ended 30 June 2008 KD 000's</i>	<i>6 months ended 30 June 2009 KD 000's</i>	<i>6 months ended 30 June 2008 KD 000's</i>
(Loss) profit for the period	(9,084)	23,785	(7,491)	56,030
	Shares	Shares	Shares	Shares
Weighted average number of issued shares	2,507,702,366	1,253,851,185	2,333,556,368	1,253,851,185
Less: Weighted average number of treasury shares	(36,263,737)	(29,432,913)	(36,263,737)	(23,140,125)
	2,471,438,629	1,224,418,272	2,297,292,631	1,230,711,060
(Loss) earnings per share (Fils)	(4)	19	(3)	46

The (loss) earnings per share for the three months and six months period ended 30 June 2009 and the corresponding period of previous year have not been adjusted to give effect to the bonus element in the rights issue due to the non-availability of the market price of the Bank's shares (Note 6).

4. SHARE CAPITAL

	<i>(Unaudited) 30 June 2009 KD 000's</i>	<i>(Audited) 31 December 2008 KD 000's</i>	<i>(Unaudited) 30 June 2008 KD 000's</i>
Authorised			
2,507,702,366 (31 December 2008):			
2,507,702,366; 30 June 2008: 1,253,851,183)			
shares of 100 fils each	250,770	250,770	125,385
Issued and fully paid:			
2,507,702,366 (31 December 2008):			
1,253,851,183; 30 June 2008: 1,253,851,183)			
shares of 100 fils each	250,770	125,385	125,385

In 2008, the Bank's Board of Directors resolved to recommend an increase in equity share capital from KD 125,385,118 to KD 250,770,236 through a rights issue of 1,253,851,183 shares of 100 fils each at a premium of 200 fils per share, to shareholders on record as of 26 October 2008. The terms of rights issue were approved at the ordinary and extraordinary general meetings of shareholders held on 2 December 2008. The Amiri decree authorising this capital increase was issued on 23 December 2008.

During the subscription period in January 2009 the rights issue was fully subscribed to and as a result, the minimum capital adequacy ratio was restored. The existing shareholders participated in 68% of the rights issue and in line with the resolutions adopted by shareholders at the above extraordinary general meeting, Kuwait Investment Authority took the unsubscribed shares.

GULF BANK K.S.C.
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4. SHARE CAPITAL (continued)

The share premium, statutory and general reserves as of 31 January 2009 were utilised to offset accumulated losses of KD 235,585,000 as of that date which was approved by the shareholders on 11 April 2009.

5. PROVISIONS TO BE CEDED TO THE CENTRAL BANK OF KUWAIT

As at 30 June 2009 provisions to be ceded to the Central Bank of Kuwait is **KD Nil** (30 June 2008: KD Nil). The ultimate amount to be ceded to the Central Bank of Kuwait for the year will depend on the situation at the year end. The identification of provisions no longer required was made in the same manner as adopted at the end of 2008 and in accordance with Central Bank of Kuwait instructions.

6. TREASURY SHARES

	<i>(Unaudited)</i> 30 June 2009	<i>(Audited)</i> 31 December 2008	<i>(Unaudited)</i> 30 June 2008
Number of treasury shares	36,263,737	36,263,737	32,123,737
Percentage of treasury shares	1.45%	2.89%	2.56%
Cost of treasury shares (KD 000's)	44,704	45,404	40,784
Market value of treasury shares (KD 000's)	13,780	-	41,118

It is not possible to disclose the market value of the treasury shares as of 31 December 2008, as the Kuwait Stock Exchange had suspended the trading in the Bank's share with effect from 26 October 2008. The Bank's shares resumed trading on 14 April 2009.

GULF BANK K.S.C.
Notes to the Interim Condensed Financial Information
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7. SEGMENTAL ANALYSIS

By Business Unit

As at 30 June 2009	<i>TREASURY & INTERNATIONAL KD 000's</i>	<i>DOMESTIC BANKING KD 000's</i>	<i>TOTAL KD 000's</i>
Income Statement:			
Interest income from external sources	19,161	95,262	114,423
(Loss)/profit for the period	(28,318)	20,827	(7,491)
Balance Sheet:			
Total assets	1,326,653	3,388,215	4,714,868
Liabilities:			
Due to banks, deposits and subordinated loans	1,894,157	2,254,220	4,148,377
Other liabilities	81,358	58,932	140,290
Central treasury	(1,075,063)	1,075,063	-
	900,452	3,388,215	4,288,667
Capital expenditure	45	1,854	1,899
Depreciation	465	725	1,190

By Business Unit

As at 30 June 2008	<i>TREASURY & INTERNATIONAL KD 000's</i>	<i>DOMESTIC BANKING KD 000's</i>	<i>TOTAL KD 000's</i>
Income Statement:			
Interest income from external sources	41,467	131,403	172,870
Profit for the period	16,248	39,782	56,030
Balance Sheet:			
Total assets	2,118,862	3,017,394	5,136,256
Liabilities:			
Due to banks, deposits, floating rate notes and subordinated loans	1,792,136	2,807,660	4,599,796
Other liabilities	45,357	46,291	91,648
Central treasury	(163,443)	163,443	-
	1,674,050	3,017,394	4,691,444
Capital expenditure	1	988	989
Depreciation	22	1,190	1,212

GULF BANK K.S.C.
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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> 30 June 2009 <i>KD 000's</i>	<i>(Audited)</i> 31 December 2008 <i>KD 000's</i>	<i>(Unaudited)</i> 30 June 2008 <i>KD 000's</i>
Board members:			
Loans, receivables and advances	420,817	46,749	10,284
Provision for losses on receivable from a related party	208,877	200,800	-
Investments available-for-sale	6,300	6,300	-
Impairment loss on investments available-for-sale	3,150	3,150	-
Deposits	404,012	807	142
Guarantees issued	11,978	2,190	81
Executive management:			
Loans	2,837	3,589	2,784
Deposits	-	14	10
Guarantees issued	1	2	2

The loans granted to directors and key management personnel are repayable within three years and have interest rates of 5% to 7% (2008: 5.75 % to 7.75 %) per annum. Some of the loans advanced to the directors during the period are collateralised. The fair value of these collaterals as of 30 June 2009 was KD 139,040,244 (31 December 2008: 117,190,000 and 30 June 2008: KD 95,785,000).

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

	6 months ended 30 June 2009 <i>KD 000's</i>	6 months ended 30 June 2008 <i>KD 000's</i>
Directors and key management personnel:		
Interest income earned	5,586	2,940
Interest expense on deposits	9,075	32
Key management compensation:		
Salaries and other short-term benefits	1,069	965
End of service/termination benefits	157	135

GULF BANK K.S.C.
Notes to the Interim Condensed Financial Information
(Unaudited)
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9. CONTINGENT LIABILITIES AND COMMITMENTS

	<i>(Unaudited)</i> 30 June 2009 KD 000's	<i>(Audited)</i> 31 December 2008 KD 000's	<i>(Unaudited)</i> 30 June 2008 KD 000's
Guarantees	911,247	1,376,958	1,407,845
Letters of credit	502,397	830,246	856,474
Irrevocable commitments to extend credit:			
Original term to maturity of one year or less	74,698	121,535	84,172
Original term to maturity of more than one year	500	321	-
	<u>75,198</u>	<u>121,856</u>	<u>84,172</u>
	<u><u>1,488,842</u></u>	<u><u>2,329,060</u></u>	<u><u>2,348,491</u></u>

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 June 2009:

Notional amounts by term to maturity

	<i>Notional amount total</i> KD 000's	<i>Within 3 months</i> KD 000's	<i>3-12 months</i> KD 000's	<i>Over 1 year</i> KD 000's
Derivatives instruments held as:				
Trading (and non qualifying hedges)				
Forward foreign exchange contracts	16,425	15,887	538	-
Credit default swaps	440,544	-	8,753	431,791
Structured products	75,254	-	14,353	60,901
	<u>532,223</u>	<u>15,887</u>	<u>23,644</u>	<u>492,692</u>

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Notes to the Interim Condensed Financial Information
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10. DERIVATIVES (continued)

At 31 December 2008:	<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	64,632	60,530	4,102	-
Credit default swaps	433,190	-	-	433,190
Structured products	72,437	-	-	72,437
	<u>570,259</u>	<u>60,530</u>	<u>4,102</u>	<u>505,627</u>
At 30 June 2008:	<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)				
Interest rate swaps	17,324	-	-	17,324
Forward foreign exchange contracts	586,797	537,251	49,546	-
Credit default swaps	442,167	-	35,748	406,419
Structured products	241,067	-	-	241,067
	<u>1,287,355</u>	<u>537,251</u>	<u>85,294</u>	<u>664,810</u>