

## PRESS RELEASES

26.10.08 | PRESS STATEMENT

### Gulf Bank

H.E. Sheikh Salem Abdulaziz Al-Sabah, the Governor of the Central Bank of Kuwait (CBK), announced that CBK received information from the Gulf Bank, at end of business on Thursday 23 October 2008, that some of its clients suffered financial losses in their transactions through the bank involving derivative contracts. The Gulf Bank pointed out that these losses resulted from the drop of the Euro's exchange rate against the US dollar.

The information reported to CBK by the Gulf Bank indicated that, on account of the refusal by those clients to honor their commitments to the bank and cover their losses, the Gulf Bank is to incur these losses, at this stage, until its dispute with those clients is resolved.

It may be noted that these data on the clients' derivatives transactions were not reported to the CBK earlier, and such data pertain to off balance sheet entries.

Upon receiving the information, CBK immediately started to study it and a meeting was held 25 October 2008 with Gulf Bank management to discuss the issue. A full inquiry into these transactions and their details was initiated by CBK to ascertain its final outcome and to identify those bank officials responsible for exposing the bank to these losses.

H.E. the Governor's also announced that, according to the Gulf Bank, the losses to be suffered by the bank will not have fundamental impact on the soundness of the bank's financial position nor affect its ability to carry on its business, and it should not be a cause for worry. He also stressed that CBK strongly supports the Gulf Bank's financial position, in order to fully protect depositor rights and infuse full confidence to the public dealing with the bank domestically and internationally in the activities of the bank and its ability to carry on its normal banking business. In addition, a controller would be appointed, after the approval of the CBK Board of Directors, who would supervise the Gulf Bank activities in management of the treasury department and dealings in the exchange and securities markets on its own account or on behalf of its clients to ensure proper risk management and strengthen relevant internal risk controls to make certain the protection of the bank's financial position

H.E. the Governor added in this regard that CBK emphasizes the soundness of the banking system in Kuwait and it would like to indicate that to consolidate confidence in our banking system and enhance its competitiveness with banks whose deposits have been guaranteed by their countries, the Government will submit on an urgent basis a bill to guarantee customer deposits with local banks.

of Directors issued a number of  
resolutions concerning the supervisory  
instructions directed to banks.

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