

The Commercial Bank of Kuwait S.A.K.

Interim Consolidated Financial Information (Unaudited)

31 March 2008

Bader & Co. PricewaterhouseCoopers

P.O. Box 20174, Safat 13062
7th Floor, Dar Al-Awadi Complex
Ahmed Al-Jaber Street, Sharq - Kuwait
Telephone (965) 2408844
Facsimile (965) 2408855
E-mail: pwc.kwt@kw.pwc.com

Member of **RSM** International

Kuwait Airways Building, 7th Floor
Shuhada Street, P.O. Box 2115 Safat
13022 – State of Kuwait
T + 965 2410010
F + 965 2412761
www.albazie.com

**The Commercial Bank of Kuwait S.A.K
State of Kuwait**

REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF COMMERCIAL BANK OF KUWAIT S.A.K

Introduction

We have reviewed the accompanying condensed consolidated balance sheet of The Commercial Bank of Kuwait S.A.K ("the Bank") and its subsidiary (together called "the Group") as of 31 March 2008 and the related condensed consolidated statements of income, changes in shareholders' funds and cash flows for the three month period then ended. Management is responsible for the preparation and presentation of this interim consolidated financial information in accordance with the basis of presentation set out in Note 2. Our responsibility is to express a conclusion on this interim consolidated financial information based on our review.

Scope of Review

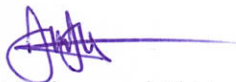
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial 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 consolidated 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 consolidated 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, no violations of the Commercial Companies' Law of 1960, as amended, or of the Articles of Association of the Bank have occurred during the period ended 31 March 2008 that might have had a material effect on the business of the Group or on its financial position.



Ali Mohammed Al Hamad
Licence No. 111-A
PricewaterhouseCoopers



Dr. Shuaib A. Shuaib
Licence No. 33-A
Albazie & Co.
Member of RSM International

Kuwait
08 April 2008

**CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)**

31 March 2008

	Note	31-03-2008 KD 000's	31-12-2007 KD 000's	31-03-2007 KD 000's
ASSETS				
Cash and short term funds	6	119,548	370,024	452,208
Treasury and Central Bank bonds		268,617	207,645	227,191
Due from banks and other financial institutions	7	1,360,423	1,205,261	559,150
Loans and advances	8	2,241,180	2,214,221	1,559,675
Certificates of deposit		-	-	12,342
Investment securities		181,030	240,985	211,255
Premises and equipment		28,173	27,648	24,290
Other assets		28,877	23,509	15,424
TOTAL ASSETS		4,227,848	4,289,293	3,061,535
LIABILITIES AND SHAREHOLDERS' FUNDS				
LIABILITIES				
Due to banks and other financial institutions		1,290,555	1,009,496	740,740
Customer deposits		2,377,481	2,635,850	1,795,238
Subordinated loan	9	15,930	16,380	17,348
Other liabilities		102,802	100,551	82,149
Total liabilities		3,786,768	3,762,277	2,635,475
SHAREHOLDERS' FUNDS				
Share capital		127,202	121,145	121,145
Proposed bonus shares		-	6,057	-
Bank's own shares		(16,929)	(7,223)	(7,618)
Reserves		251,618	260,131	249,018
Retained earnings		79,189	44,372	63,515
Proposed dividend		-	102,534	-
Total shareholders' funds		441,080	527,016	426,060
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		4,227,848	4,289,293	3,061,535

The interim consolidated financial information has been approved for issue by the Board of Directors on 8 April 2008 and signed on their behalf by:

Abdulmajeed Haji AlShatti
Chairman & Managing Director

Jamal Abdul Hameed Al Mutawa
Chief General Manager & CEO

The attached notes 1 to 15 form part of the interim consolidated financial information.

**CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)**

Period ended 31 March 2008

	Note	Period Ended	
		31-03-2008 KD 000's	31-03-2007 KD 000's
Interest income		67,911	48,345
Interest expense		(38,052)	(24,672)
NET INTEREST INCOME		29,859	23,673
Fees and commissions		7,188	4,038
Fund management fees		571	390
Dividend income		2,615	5,411
Net gains from dealing in foreign currencies		1,584	786
Net gains from investment securities		27,580	5,164
Other operating income		210	171
OPERATING INCOME		69,607	39,633
Staff		(4,251)	(3,696)
General and administration		(2,844)	(2,413)
Depreciation		(386)	(223)
OPERATING EXPENSES		(7,481)	(6,332)
PROFIT BEFORE PROVISIONS		62,126	33,301
Impairment and other provisions	10	(26,403)	(4,218)
PROFIT FROM OPERATIONS		35,723	29,083
Taxes and contributions		(1,538)	(1,009)
Directors' fees		(65)	(54)
NET PROFIT FOR THE PERIOD		34,120	28,020
Earnings per share (fils)	11	27.0	22.1

The attached notes 1 to 15 form part of the interim consolidated financial information.



The Commercial Bank of Kuwait S.A.K.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' FUNDS (UNAUDITED)

Period ended 31 March 2008

	KD 000's											
	Share Capital	Proposed Bonus Shares	Bank's Own Shares	Share Premium	Statutory Reserve	General Reserve	Own Shares Reserve	Property Revaluation Reserve	Fair Valuation Reserve	Retained Earnings	Proposed Dividend	Total
Balance 31-12-2006	115,376	5,769	(7,420)	66,791	57,688	17,927	48,297	19,344	38,883	35,981	85,955	484,591
Changes in fair value	-	-	-	-	-	-	-	-	1,898	-	-	1,898
Gain on disposal of "Available for sale" investments	-	-	-	-	-	-	-	-	(2,791)	(265)	-	(3,056)
Net expense directly recognised in equity	-	-	-	-	-	-	-	-	(893)	(265)	-	(1,158)
Net profit for the period	-	-	-	-	-	-	-	-	-	28,020	-	28,020
Total (expense) / income	-	-	-	-	-	-	-	-	(893)	27,755	-	26,862
Own shares purchased	-	-	(3,282)	-	-	-	-	-	-	-	-	(3,282)
Own shares sold	-	-	3,084	-	-	-	981	-	-	-	-	4,065
Bonus shares issued	5,769	(5,769)	-	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	(221)	(85,955)	(86,176)
Balance 31-03-2007	121,145	-	(7,618)	66,791	57,688	17,927	49,278	19,344	37,990	63,515	-	426,060
Balance 31-12-2007	121,145	6,057	(7,223)	66,791	60,572	17,927	52,242	22,915	39,684	44,372	102,534	527,016
Changes in fair value	-	-	-	-	-	-	-	-	3,387	-	-	3,387
Gain on disposal of "Available for sale" investments	-	-	-	-	-	-	-	-	(12,160)	497	-	(11,663)
Net (expense) / income directly recognised in equity	-	-	-	-	-	-	-	-	(8,773)	497	-	(8,276)
Net profit for the period	-	-	-	-	-	-	-	-	-	34,120	-	34,120
Total (expense) / income	-	-	-	-	-	-	-	-	(8,773)	34,617	-	25,844
Own shares purchased	-	-	(11,618)	-	-	-	-	-	-	-	-	(11,618)
Own shares sold	-	-	1,912	-	-	-	260	-	-	-	-	2,172
Bonus shares issued	6,057	(6,057)	-	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	200	(102,534)	(102,334)
Balance 31-03-2008	127,202	-	(16,929)	66,791	60,572	17,927	52,502	22,915	30,911	79,189	-	441,080

Annual general meeting held on 02 March 2008 approved the distribution of cash dividend of 85% (85 fils per share) and a bonus issue of 5 shares for every 100 shares held as of 31 December 2007.

The attached notes 1 to 15 form part of the interim consolidated financial information.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (UNAUDITED)**

Period ended 31 March 2008

	Note	Period Ended	
		31-03-2008 KD 000's	31-03-2007 KD 000's
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit from operations		35,723	29,083
Adjustments for :			
Provisions for loans and advances		25,165	1,865
Income from investment securities		(30,195)	(10,575)
Foreign exchange and other (gains) / losses on investment securities		587	(42)
Foreign exchange gain on financing activities		(450)	-
Depreciation		386	223
Other provisions and valuation adjustments		1,238	2,353
		<u>32,454</u>	<u>22,907</u>
Changes in operating assets and liabilities:			
Treasury and Central Bank bonds		(60,972)	(62,278)
Due from banks and other financial institutions		(155,162)	(21,581)
Loans and advances		(52,124)	(52,381)
Certificates of deposit purchased		-	82,425
Government debt bond		-	5,250
Other assets		(5,384)	(4,727)
Due to banks and other financial institutions		281,059	171,649
Customer deposits		(258,369)	45,117
Other liabilities		754	2,649
Net cash (used in) / from operating activities		<u>(217,744)</u>	<u>189,030</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of investment securities		116,235	29,375
Acquisition of investment securities		(38,891)	(28,571)
Dividend income from investment securities		2,615	5,411
Proceeds from disposal of premises and equipment		2	-
Acquisition of premises and equipment		(913)	(536)
Net cash from investing activities		<u>79,048</u>	<u>5,679</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term borrowings		-	(20,000)
Purchase of own shares		(11,618)	(3,282)
Sale of own shares		2,172	4,065
Dividends paid		(102,334)	(86,176)
Net cash used in financing activities		<u>(111,780)</u>	<u>(105,393)</u>
Net (decrease) / increase in cash and short term funds		(250,476)	89,316
Cash and short term funds at the beginning of the period		370,024	362,892
Cash and short term funds at the end of the period	6	<u>119,548</u>	<u>452,208</u>

The attached notes 1 to 15 form part of the interim consolidated financial information.



1 INCORPORATION AND REGISTRATION

The Commercial Bank of Kuwait (the Bank) is a public shareholding company incorporated in Kuwait and is registered as a Bank with the Central Bank of Kuwait. The Bank and its subsidiary are together referred to as "the Group" in this interim consolidated financial information.

The address of the registered office of the Bank is: The Commercial Bank of Kuwait S.A.K., P.O. Box 2861, 13029 Safat, Kuwait.

2 SIGNIFICANT ACCOUNTING POLICIES

The interim consolidated financial information has been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting". However, this does not include all the information and notes required for complete financial information prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use by the Government 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 provision, which has been replaced by the Central Bank of Kuwait's requirement for a minimum general provision.

The policy of the Group for calculation of the impairment provisions for loans and advances complies in all material respects with the specific provision requirements of the Central Bank of Kuwait.

The accounting policies used in the preparation of the interim consolidated financial information are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2007, except for the accounting policy mentioned in note number 3.

In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the period ended 31 March 2008 are not necessarily indicative of the results that may be expected for the year ending 31 December 2008. For further information, refer to the financial statements included in the Bank's annual report for the year ended 31 December 2007.

3 BASIS OF CONSOLIDATION

Subsidiaries are those enterprises controlled by the Parent Company. Control exists when the Parent Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements on a line -by-line basis, from the date on which the control is transferred to the Parent Company until the date that control ceases.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances based on the financial information of the subsidiaries. Intragroup balances, transactions, income and expenses are eliminated in full. Profits and losses resulting from intragroup transactions are also eliminated in full.

4 SUBSIDIARIES

In February 2008, the Bank acquired 51% of the equity of Union Security Brokerage Company K.S.C. (Closed) Kuwait, engaged in brokerage services, for a consideration of KD 13,853 thousand. The fair values of the net assets acquired will be determined and accounted for within twelve months from the date of acquisition. This subsidiary has not been consolidated.

In December 2007, the Bank incorporated a 100% owned subsidiary, Tijari Investment Company K.S.C. (Closed), with an authorized and subscribed capital of KD 15,000 thousand and is engaged in investment activities.

5 PROVISIONS NO LONGER REQUIRED

Under the terms of Law 41/93, provision no longer required as at 31 March 2008 amounted to KD Nil (31 March 2007: KD Nil). The ultimate amount to be ceded to Central Bank of Kuwait will depend on the situation at the year end. The identification of provisions no longer required was made on a basis consistent with that adopted at 31 December 2007 and in accordance with the instructions of Central Bank of Kuwait.


NOTES TO THE INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

31 March 2008

6 CASH AND SHORT TERM FUNDS

	31-03-2008 KD 000's	31-12-2007 KD 000's	31-03-2007 KD 000's
Cash and cash items	32,810	36,553	39,530
Balances with the Central Bank of Kuwait	19,867	96,846	238,914
Deposits with banks maturing within seven days	66,871	236,625	173,764
	119,548	370,024	452,208

Cash and short term funds are classified as "loans and receivables".

7 DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	31-03-2008 KD 000's	31-12-2007 KD 000's	31-03-2007 KD 000's
Deposits with banks	1,145,873	964,278	365,307
Loans and advances to banks	170,491	160,444	97,608
Amounts due from other financial institutions	48,023	84,615	100,552
	1,364,387	1,209,337	563,467
Less : Specific provision	(3,964)	(4,076)	(4,317)
	1,360,423	1,205,261	559,150

Due from banks and other financial institutions are classified as "loans and receivables".

8 LOANS AND ADVANCES

Loans and advances are classified as "loans and receivables".

9 SUBORDINATED LOAN

This represents US dollar loan amounting to KD 15,930 thousand (31 December 2007: KD 16,380 thousand and 31 March 2007: KD 17,348 thousand) from a financial institution outside Kuwait which is subordinated to all third party claims. This loan will mature in June 2015 and interest rate is 3 month LIBOR plus 75 basis points. This qualifies as Tier 2 capital. The loan is repayable at maturity, with an option for early re-payment at the Bank's discretion.



NOTES TO THE INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

31 March 2008

10 IMPAIRMENT AND OTHER PROVISIONS

The following amounts were charged to the condensed consolidated statement of income during the period:

	Period Ended	
	31-03-2008	31-03-2007
	KD 000's	KD 000's
Loans and advances to customers - specific	(2,135)	(1,246)
Loans and advances to customers - general	(23,030)	(619)
Non cash facilities	77	(533)
Other provisions	(1,315)	(1,820)
	(26,403)	(4,218)

11 EARNINGS PER SHARE

	Period Ended	
	31-03-2008	31-03-2007
Net profit for the period (KD 000's)	34,120	28,020
Weighted average of authorised and subscribed shares (numbers in 000's)	1,272,022	1,272,022
Less: Weighted average of own shares held (numbers in 000's)	(6,447)	(6,998)
	1,265,575	1,265,024
Earnings per share (fils)	27.0	22.1

Earnings per share for the period ended 31 March 2007 was 23.3 fils before retroactive adjustment relating to the bonus shares issued during the current year.

12 RELATED PARTY TRANSACTIONS

During the period certain related parties (directors and officers of the Group, their families and companies of which they are principal owners) were customers of the Group 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 at the balance sheet date are as follows:

	31-03-2008			31-03-2007		
	Number of Directors/ Executives	Number of Related Members	Amount in KD 000's	Number of Directors/ Executives	Number of Related Members	Amount in KD 000's
Board of Directors						
Loans	1	2	34,112	1	2	26,319
Credit cards	1	4	3	4	3	9
Deposits	7	15	14,802	6	17	178
Executive Management						
Loans	12	2	612	9	2	213
Credit cards	4	4	14	6	8	13
Deposits	14	32	983	11	31	728

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)**

31 March 2008

The loans issued to directors and executive management are mainly repayable within 1 year and have interest rates ranging from 4.75 % to 9.75 % (31 March 2007: 5.00 % to 10.25%). The loans given to related parties are collateralised by real-estate and equities. The fair value of these collaterals as at 31 March 2008 is KD 54,315 thousand (31 March 2007: KD 50,429 thousand).

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

	Period Ended	
	31-03-2008	31-03-2007
	KD 000's	KD 000's
Interest income	685	547
Interest expense	(12)	(10)
Key management compensation:		
Short-term benefits	(313)	(197)
Post employment benefits	(4)	(3)
Termination benefits	(36)	(23)

13 SEGMENTAL ANALYSIS**(a) By business units**

The Bank operates in no business other than banking , which is segmented between international lending and other domestic activities.

	31-03-2008			31-03-2007		
	KD 000's			KD 000's		
	Domestic	International	Total	Domestic	International	Total
Interest income	65,478	2,433	67,911	46,917	1,428	48,345
Non interest income	39,096	652	39,748	15,505	455	15,960
Total revenues	104,574	3,085	107,659	62,422	1,883	64,305
Impairment and other provisions	(26,402)	(1)	(26,403)	(4,218)	-	(4,218)
Net profit for the period	33,123	997	34,120	27,191	829	28,020
Assets	4,035,622	192,226	4,227,848	2,966,871	94,664	3,061,535
Liabilities & Shareholders' funds	4,205,300	22,548	4,227,848	3,041,709	19,826	3,061,535

(b) By geographic sector

All business is conducted from Kuwait.

14 OFF BALANCE SHEET ITEMS**(a) Financial instruments with contractual amounts**

In the normal course of business the Group makes commitments to extend credit to customers. The contracted amounts represent the credit risk assuming that the amounts are fully advanced and that any collateral is of no value. The total contractual amount of the commitment does not necessarily represent the future cash requirement as in many cases these contracts terminate without being funded.


NOTES TO THE INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

31 March 2008

(i) Financial instruments with contractual amounts representing credit risk

	31-03-2008 KD 000's	31-12-2007 KD 000's	31-03-2007 KD 000's
Acceptances	55,042	79,422	23,481
Letters of credit	621,307	658,198	387,111
Letters of guarantee	1,055,857	1,021,150	761,463
Others	35,975	36,265	33,537
	1,768,181	1,795,035	1,205,592

(ii) Financial instruments with contractual or notional amounts that are subject to credit risk

	31-03-2008 KD 000's	31-12-2007 KD 000's	31-03-2007 KD 000's
Foreign exchange contracts - spot and forward	252,781	230,414	34,196
Interest rate swaps	341	350	519

The amount subject to credit risk is insignificant and is limited to the current replacement value of instruments that are favourable to the Group, which is only a fraction of the contractual or notional amounts used to express the volumes outstanding.

(b) Fiduciary assets

The Group manages investment/money market funds, the net asset value of which at 31 March 2008 is KD 220,619 thousand (31 December 2007: KD 194,751 thousand and 31 March 2007: KD 164,915 thousand).

(c) Legal claims

At the balance sheet date certain legal claims existed against the Group and for which KD 2,342 thousand (31 December 2007: KD 2,371 thousand and 31 March 2007: KD 1,706 thousand) has been provided.

15 COMPARATIVE FIGURES

Certain of the prior period amounts have been reclassified to conform with the presentation in the current period.