

The Commercial Bank of Kuwait S.A.K.

Interim Consolidated Financial Information (Unaudited)

30 June 2008

**The Commercial Bank of Kuwait SAK
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 subsidiaries (together called "the Group") as of 30 June 2008 and the related condensed consolidated statements of income, changes in shareholders' funds and cash flows for the six 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

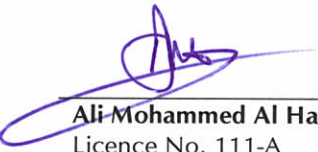
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial 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.

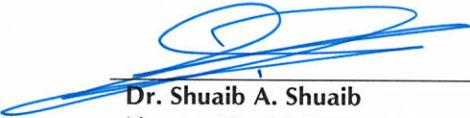
Conclusion

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 30 June 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

08 July 2008

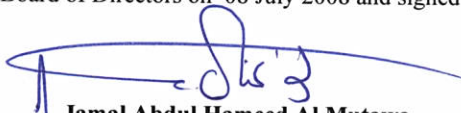
**CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)**

30 June 2008

	Note	30-06-2008 KD 000's	31-12-2007 KD 000's	30-06-2007 KD 000's
ASSETS				
Cash and short term funds	7	191,623	370,024	433,976
Treasury and Central Bank bonds		262,595	207,645	230,597
Due from banks and other financial institutions	8	1,281,322	1,205,261	880,869
Loans and advances	9	2,293,399	2,214,221	1,884,976
Investment securities		186,993	240,985	226,926
Premises and equipment		28,705	27,648	24,388
Goodwill and intangible assets	5	18,670	-	-
Other assets		34,575	23,509	12,812
TOTAL ASSETS		4,297,882	4,289,293	3,694,544
LIABILITIES AND SHAREHOLDERS' FUNDS				
LIABILITIES				
Due to banks and other financial institutions		1,106,160	1,009,496	1,105,064
Customer deposits		2,596,050	2,635,850	2,012,700
Subordinated loan	10	15,888	16,380	17,284
Other liabilities		103,291	100,551	82,160
Total liabilities		3,821,389	3,762,277	3,217,208
SHAREHOLDERS' FUNDS				
Share capital		127,202	121,145	121,145
Proposed bonus shares		-	6,057	-
Treasury shares		(22,626)	(7,223)	(1,185)
Reserves		255,525	260,131	260,974
Retained earnings		115,538	44,372	96,402
Proposed dividend		-	102,534	-
Minority interest		475,639	527,016	477,336
		854	-	-
Total shareholders' funds		476,493	527,016	477,336
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		4,297,882	4,289,293	3,694,544

The interim consolidated financial information has been approved for issue by the Board of Directors on 08 July 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 17 form part of the interim consolidated financial information.

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

Period ended 30 June 2008

	Note	Period From			
		01-04-2008 to 30-06-2008 KD 000's	01-04-2007 to 30-06-2007 KD 000's	01-01-2008 to 30-06-2008 KD 000's	01-01-2007 to 30-06-2007 KD 000's
Interest income	11	64,245	52,252	132,156	100,597
Interest expense		(33,727)	(29,606)	(71,779)	(54,278)
NET INTEREST INCOME		30,518	22,646	60,377	46,319
Fees and commissions		8,269	6,963	15,457	11,001
Fund management fees		598	534	1,169	924
Dividend income		2,046	2,349	4,661	7,760
Net gains from dealing in foreign currencies		1,233	1,404	2,817	2,190
Net gains from investment securities		2,056	7,919	29,636	13,083
Other operating income		315	202	525	373
OPERATING INCOME		45,035	42,017	114,642	81,650
Staff		(5,029)	(4,417)	(9,280)	(8,113)
General and administration		(3,576)	(2,658)	(6,420)	(5,071)
Depreciation		(528)	(379)	(914)	(602)
OPERATING EXPENSES		(9,133)	(7,454)	(16,614)	(13,786)
PROFIT BEFORE PROVISIONS		35,902	34,563	98,028	67,864
Impairment and other provisions	12	2,228	(430)	(24,175)	(4,648)
PROFIT FROM OPERATIONS		38,130	34,133	73,853	63,216
Taxes and contributions		(1,649)	(1,185)	(3,187)	(2,194)
Directors' fees		(65)	(55)	(130)	(109)
NET PROFIT FOR THE PERIOD		36,416	32,893	70,536	60,913
Attributable to:					
Shareholders of the Bank		36,349	32,893	70,469	60,913
Minority interest		67	-	67	-
		36,416	32,893	70,536	60,913
Earnings per share attributable to shareholders of the Bank (fils)	13	28.9	26.0	55.8	48.1

The attached notes 1 to 17 form part of the interim consolidated financial information.

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

Period ended 30 June 2008

	KD 000's												Total
	Attributable to shareholders of the Bank												
	Share Capital	Proposed Bonus Shares	Treasury Shares	Share Premium	Statutory Reserve	General Reserve	Reserves			Retained Earnings	Proposed Dividend	Minority Interest	
Treasury Shares Reserve							Property Revaluation Reserve	Fair Valuation Reserve					
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	-	-	-	-	-	-	-	-	14,520	-	-	-	14,520
Gain on disposal of "Available for sale" investments	-	-	-	-	-	-	-	-	(5,966)	(271)	-	-	(6,237)
Net income / (loss) directly recognised in equity	-	-	-	-	-	-	-	-	8,554	(271)	-	-	8,283
Net profit for the period	-	-	-	-	-	-	-	-	-	60,913	-	-	60,913
Total income	-	-	-	-	-	-	-	-	8,554	60,642	-	-	69,196
Treasury shares purchased	-	-	(11,050)	-	-	-	-	-	-	-	-	-	(11,050)
Treasury shares sold	-	-	17,285	-	-	-	3,490	-	-	-	-	-	20,775
Bonus shares issued	5,769	(5,769)	-	-	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	(221)	(85,955)	-	(86,176)
Balance 30-06-2007	121,145	-	(1,185)	66,791	57,688	17,927	51,787	19,344	47,437	96,402	-	-	477,336
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	-	-	-	-	-	-	-	-	1,866	-	-	-	1,866
Gain on disposal of "Available for sale" investments	-	-	-	-	-	-	-	-	(6,732)	497	-	6	(6,229)
Net (loss) / income directly recognised in equity	-	-	-	-	-	-	-	-	(4,866)	497	-	6	(4,363)
Net profit for the period	-	-	-	-	-	-	-	-	-	70,469	-	67	70,536
Total (loss) / income	-	-	-	-	-	-	-	-	(4,866)	70,966	-	73	66,173
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	781	781
Treasury shares purchased	-	-	(17,315)	-	-	-	-	-	-	-	-	-	(17,315)
Treasury shares sold	-	-	1,912	-	-	-	260	-	-	-	-	-	2,172
Bonus shares issued	6,057	(6,057)	-	-	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	200	(102,534)	-	(102,334)
Balance 30-06-2008	127,202	-	(22,626)	66,791	60,572	17,927	52,502	22,915	34,818	115,538	-	854	476,493

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 17 form part of the interim consolidated financial information.

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

Period ended 30 June 2008

	Note	Period Ended	
		30-06-2008 KD 000's	30-06-2007 KD 000's
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit from operations		73,853	63,216
Adjustments for :			
Provisions for loans and advances		21,855	3,312
Income from investment securities		(34,297)	(20,843)
Foreign exchange and other (gains) / losses on investment securities		725	(39)
Foreign exchange gain on financing activities		(492)	(64)
Depreciation		914	602
Other provisions and valuation adjustments		2,329	1,336
		<u>64,887</u>	<u>47,520</u>
Changes in operating assets and liabilities:			
Treasury and Central Bank bonds		(54,950)	(65,684)
Due from banks and other financial institutions		(75,339)	(343,300)
Loans and advances		(101,033)	(379,129)
Certificates of deposit purchased		-	94,767
Government debt bond		-	5,250
Other assets		(10,318)	(2,215)
Due to banks and other financial institutions		96,664	535,973
Customer deposits		(39,800)	262,579
Other liabilities		(1,929)	2,537
Net cash (used in) / from operating activities		<u>(121,818)</u>	<u>158,298</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of investment securities		131,914	72,538
Acquisition of investment securities		(52,196)	(70,048)
Acquisition of a subsidiary		(21,622)	-
Dividend income from investment securities		4,661	7,760
Proceeds from disposal of premises and equipment		9	39
Acquisition of premises and equipment		(1,872)	(1,052)
Net cash from investing activities		<u>60,894</u>	<u>9,237</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term borrowings		-	(20,000)
Purchase of treasury shares		(17,315)	(11,050)
Sale of treasury shares		2,172	20,775
Dividends paid		(102,334)	(86,176)
Net cash used in financing activities		<u>(117,477)</u>	<u>(96,451)</u>
Net (decrease) / increase in cash and short term funds		(178,401)	71,084
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	7	<u>191,623</u>	<u>433,976</u>

The attached notes 1 to 17 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 subsidiaries 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 policies mentioned in Note 3 and 4.

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 30 June 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 GOODWILL AND INTANGIBLE ASSETS

Goodwill represents the excess of the cost of an acquisition over the fair value of the Bank's share of identifiable net assets acquired in a business combination at the date of acquisition. Goodwill is allocated to each cash generating unit for the purpose of impairment testing. Goodwill is tested at least annually for impairment and carried at cost less accumulated impairment losses.

Identifiable non-monetary assets acquired in connection with the business and from which future benefits are expected to flow are treated as intangible assets. Intangible assets with indefinite useful lives are not subject to amortization and are tested at least annually for impairment. Intangible assets which have a finite life are amortized over their useful lives.

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

30 June 2008

5 SUBSIDIARIES

- (a) In February 2008, the Bank acquired 51% of the equity of Union Securities Brokerage Company K.S.C. (Closed) engaged in brokerage services, for a consideration of KD 13,853 thousand. In April 2008, the percentage of holding was increased to 80% for a total purchase consideration of 21,730 thousand. The Bank has assigned provisional fair values to the identifiable assets, liabilities and contingent liabilities of Union Securities Brokerage Company K.S.C. (Closed) as on the date of acquisition. As a result, the Bank has provisionally recognized KD 18,605 thousand as goodwill and intangible assets. The fair values of the identifiable net assets acquired will be determined and accounted for within twelve months from the date of acquisition.
- (b) 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.

6 PROVISIONS NO LONGER REQUIRED

Under the terms of Law 41/93, provision no longer required as at 30 June 2008 amounted to KD 55 thousand (30 June 2007: KD 36 thousand). 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.

7 CASH AND SHORT TERM FUNDS

	30-06-2008 KD 000's	31-12-2007 KD 000's	30-06-2007 KD 000's
Cash and cash items	44,834	36,553	50,678
Balances with the Central Bank of Kuwait	16,982	96,846	172,893
Deposits with banks maturing within seven days	129,807	236,625	210,405
	191,623	370,024	433,976

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

8 DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30-06-2008 KD 000's	31-12-2007 KD 000's	30-06-2007 KD 000's
Deposits with banks	1,079,663	964,278	607,626
Loans and advances to banks	144,904	160,444	113,682
Amounts due from other financial institutions	60,709	84,615	163,862
	1,285,276	1,209,337	885,170
Less : Specific provision	(3,954)	(4,076)	(4,301)
	1,281,322	1,205,261	880,869

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

9 LOANS AND ADVANCES

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

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

30 June 2008

10 SUBORDINATED LOAN

This represents US dollar loan amounting to KD 15,888 thousand (31 December 2007: KD 16,380 thousand and 30 June 2007: KD 17,284 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.

11 INTEREST INCOME

Interest income has been reduced by KD 10 thousand due to an adjustment arising from revised estimates of future cash flows, discounted at the original contracted rates of interest from a portfolio of performing loans that have had their terms modified during the year.

12 IMPAIRMENT AND OTHER PROVISIONS

The following amounts were (charged) / released to the condensed consolidated statement of income during the period:

	Period From			
	01-04-2008 to 30-06-2008 KD 000's	01-04-2007 to 30-06-2007 KD 000's	01-01-2008 to 30-06-2008 KD 000's	01-01-2007 to 30-06-2007 KD 000's
Loans and advances to customers - specific	(829)	(1,365)	(2,964)	(2,611)
Loans and advances to customers - general	4,139	(82)	(18,891)	(701)
Non cash facilities	(1,247)	12	(1,170)	(521)
Other provisions	165	1,005	(1,150)	(815)
	2,228	(430)	(24,175)	(4,648)

13 EARNINGS PER SHARE

	Period From			
	01-04-2008 to 30-06-2008	01-04-2007 to 30-06-2007	01-01-2008 to 30-06-2008	01-01-2007 to 30-06-2007
Net profit for the period attributable to shareholders of the Bank (KD 000's)	36,349	32,893	70,469	60,913
Weighted average of authorised and subscribed shares (numbers in 000's)	1,272,022	1,272,022	1,272,022	1,272,022
Less: Weighted average of treasury shares held (numbers in 000's)	(13,190)	(6,163)	(9,819)	(6,578)
	1,258,832	1,265,859	1,262,203	1,265,444
Earnings per share attributable to shareholders of the Bank (fils)	28.9	26.0	55.8	48.1

Earnings per share for the three months and six months ended 30 June 2007 was 27.3 fils and 50.5 fils respectively before retroactive adjustment relating to the bonus shares issued for the year ended 31 December 2007.



30 June 2008

14 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:

	30-06-2008			30-06-2007		
	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	3	34,111	2	3	29,105
Credit cards	1	4	3	2	2	2
Deposits	7	14	547	6	15	177
Executive Management						
Loans	12	2	307	9	1	195
Credit cards	6	6	22	6	7	15
Deposits	14	31	1,002	11	31	1,113

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 % (30 June 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 30 June 2008 is KD 56,584 thousand (30 June 2007: KD 50,032 thousand).

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

	Period Ended	
	30-06-2008 KD 000's	30-06-2007 KD 000's
Interest income	1,179	1,165
Interest expense	(22)	(16)
Key management compensation:		
Short-term benefits	(606)	(451)
Post employment benefits	(8)	(7)
Termination benefits	(104)	(282)



30 June 2008

15 SEGMENTAL ANALYSIS**(a) By business segments**

The Group operates in three business segments namely banking, brokerage services and investment activities which are segmented between domestic and international activities.

	30-06-2008			30-06-2007		
	KD 000's			KD 000's		
	Domestic	International	Total	Domestic	International	Total
Interest income	127,977	4,179	132,156	97,419	3,178	100,597
Non interest income	52,936	1,329	54,265	34,444	887	35,331
Total revenues	180,913	5,508	186,421	131,863	4,065	135,928
Impairment and other provisions	(24,175)	-	(24,175)	(4,648)	-	(4,648)
Net profit for the period	68,653	1,883	70,536	59,309	1,604	60,913
Assets	4,155,448	142,434	4,297,882	3,569,866	124,678	3,694,544
Liabilities & Shareholders' funds	4,278,616	19,266	4,297,882	3,675,156	19,388	3,694,544

(b) By geographic sector

All business is conducted from Kuwait.

16 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.

(i) Financial instruments with contractual amounts representing credit risk

	30-06-2008	31-12-2007	30-06-2007
	KD 000's	KD 000's	KD 000's
Acceptances	111,299	79,422	20,164
Letters of credit	726,951	658,198	533,099
Letters of guarantee	1,187,325	1,021,150	806,922
Others	38,688	36,265	34,231
	2,064,263	1,795,035	1,394,416



30 June 2008

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

	30-06-2008	31-12-2007	30-06-2007
	KD 000's	KD 000's	KD 000's
Foreign exchange contracts - spot and forward	134,129	230,414	117,156
Interest rate swaps	272	350	443

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 30 June 2008 is KD 209,065 thousand (31 December 2007: KD 194,751 thousand and 30 June 2007: KD 195,826 thousand).

(c) Legal claims

At the balance sheet date certain legal claims existed against the Group and for which KD 2,266 thousand (31 December 2007: KD 2,371 thousand and 30 June 2007: KD 2,125 thousand) has been provided.

17 COMPARATIVE FIGURES

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