

The Commercial Bank of Kuwait S.A.K.

Interim Consolidated Financial Report

30 September 2009

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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 September 2009 and the related condensed consolidated statements of income, comprehensive income, changes in equity, and cash flows for the nine 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.

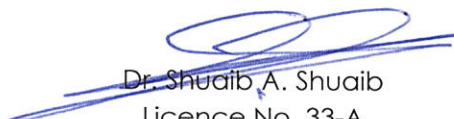
Report on other Legal and Regulatory Requirements

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, during the course of our review we have not become aware of any material violations of the Commercial Companies' Law of 1960, as amended, or of the Articles of Association of the Bank for the period ended 30 September 2009 that might have had a material effect on the business of the Group or on its financial position.

We further report that, during the course of our review, we have not become aware of any material violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the Organization of Banking Business, and its related regulations.



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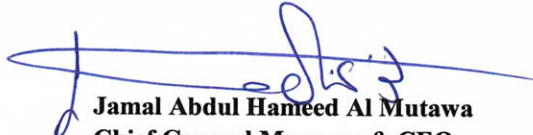
**CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)**

30 September 2009

	Note	30-09-2009 KD 000's	31-12-2008 KD 000's	30-09-2008 KD 000's
ASSETS				
Cash and short term funds	5	167,707	319,709	144,981
Treasury and Central Bank bonds		332,322	251,811	255,329
Due from banks and other financial institutions	6	495,770	939,161	1,228,232
Loans and advances	7	2,401,845	2,430,381	2,444,695
Investment securities	8	238,117	130,492	169,186
Premises and equipment		30,575	30,784	28,766
Goodwill and intangible assets		18,652	18,662	18,666
Other assets		29,798	185,651	54,407
TOTAL ASSETS		3,714,786	4,306,651	4,344,262
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks and other financial institutions		1,209,920	1,042,693	1,033,002
Customer deposits		1,953,436	2,644,840	2,703,527
Subordinated loan		-	-	15,978
Other liabilities		106,527	121,725	111,422
Total liabilities		3,269,883	3,809,258	3,863,929
EQUITY				
Equity attributable to shareholders of the parent Bank				
Share capital		127,202	127,202	127,202
Treasury shares		(75)	-	(27,988)
Reserves		226,760	226,805	230,334
Retained earnings		90,106	91,814	149,958
Proposed dividend		-	50,881	-
Non-controlling interests		443,993	496,702	479,506
		910	691	827
Total equity		444,903	497,393	480,333
TOTAL LIABILITIES AND EQUITY		3,714,786	4,306,651	4,344,262

The interim consolidated financial report has been approved for issue by the Board of Directors on 8 November 2009 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 report.

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

Period ended 30 September 2009

	Note	Period From			
		01-07-2009 to 30-09-2009 KD 000's	01-07-2008 to 30-09-2008 KD 000's	01-01-2009 to 30-09-2009 KD 000's	01-01-2008 to 30-09-2008 KD 000's
Interest income	9	37,976	65,015	129,531	197,171
Interest expense		(14,071)	(33,933)	(55,903)	(105,712)
NET INTEREST INCOME		23,905	31,082	73,628	91,459
Fees and commissions		5,701	8,155	23,682	23,612
Fund management fees		346	525	936	1,694
Dividend income		59	686	2,271	5,347
Net gain from dealing in foreign currencies		966	2,180	1,771	4,997
Net gain from investment securities		8,327	991	20,257	30,627
Other operating income		198	317	584	842
OPERATING INCOME		39,502	43,936	123,129	158,578
Staff		(4,318)	(4,692)	(13,825)	(13,972)
General and administration		(2,360)	(3,392)	(8,604)	(9,812)
Depreciation		(705)	(760)	(1,670)	(1,674)
OPERATING EXPENSES		(7,383)	(8,844)	(24,099)	(25,458)
PROFIT BEFORE PROVISIONS		32,119	35,092	99,030	133,120
Impairment and other provisions	10	(34,623)	968	(100,693)	(23,207)
(LOSS)/ PROFIT FROM OPERATIONS		(2,504)	36,060	(1,663)	109,913
Taxes and contributions		20	(1,599)	(2)	(4,786)
Directors' fees		-	(64)	-	(194)
NET (LOSS)/ PROFIT FOR THE PERIOD		(2,484)	34,397	(1,665)	104,933
Attributable to:					
Shareholders of the parent Bank		(2,602)	34,420	(1,708)	104,889
Non-controlling interests		118	(23)	43	44
		(2,484)	34,397	(1,665)	104,933
(Loss)/ earnings per share attributable to shareholders of the parent Bank (fils)	11	(2.0)	27.4	(1.3)	83.2

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


CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

Period ended 30 September 2009

	Period From			
	01-07-2009 to 30-09-2009 KD 000's	01-07-2008 to 30-09-2008 KD 000's	01-01-2009 to 30-09-2009 KD 000's	01-01-2008 to 30-09-2008 KD 000's
Net (loss)/ profit for the period	(2,484)	34,397	(1,665)	104,933
Other comprehensive income:				
Changes in fair value of financial assets	(3,115)	(23,638)	9,044	(20,251)
Net (loss)/ gain on disposal/ impairment of financial assets	(1,786)	2,391	(8,849)	(9,272)
	(4,901)	(21,247)	195	(29,523)
TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE PERIOD	(7,385)	13,150	(1,470)	75,410
Attributable to:				
Shareholders of the parent Bank	(7,707)	13,173	(1,753)	75,364
Non-controlling interests	322	(23)	283	46
	(7,385)	13,150	(1,470)	75,410

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



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period ended 30 September 2009

	Attributable to shareholders of the parent Bank												
	Reserves												
	Share Capital	Proposed Bonus Shares	Treasury Shares	Share Premium	Statutory Reserve	General Reserve	Treasury Shares Reserve	Property Revaluation Reserve	Fair Valuation Reserve	Retained Earnings	Proposed Dividend	Non-controlling Interests	Total
	121,145	6,057	(7,223)	66,791	60,572	17,927	52,242	22,915	39,684	44,372	102,534	-	527,016
Balance 31-12-2007													
Total comprehensive (loss)/ income for the period	-	-	-	-	-	-	-	-	(30,022)	105,386	-	46	75,410
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	781	781
Treasury shares purchased	-	-	(22,951)	-	-	-	-	-	-	-	-	-	(22,951)
Treasury shares sold	-	-	2,186	-	-	-	225	-	-	-	-	-	2,411
Bonus shares issued	6,057	(6,057)	-	-	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	200	(102,534)	-	(102,334)
Balance 30-09-2008	127,202	-	(27,988)	66,791	60,572	17,927	52,467	22,915	9,662	149,958	-	827	480,333
Balance 31-12-2008	127,202	-	-	66,791	63,601	17,927	45,603	25,336	7,547	91,814	50,881	691	497,393
Total comprehensive (loss)/ income for the period	-	-	-	-	-	-	-	-	(45)	(1,708)	-	283	(1,470)
Treasury shares purchased	-	-	(75)	-	-	-	-	-	-	-	-	-	(75)
Dividend paid	-	-	-	-	-	-	-	-	-	-	(50,881)	(64)	(50,945)
Balance 30-09-2009	127,202	-	(75)	66,791	63,601	17,927	45,603	25,336	7,502	90,106	-	910	444,903

Annual general meeting held on 11 March 2009 approved the distribution of cash dividend of 40% (40 fils per share) to the shareholders registered in the parent Bank's records as of the date of annual general meeting.

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

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

Period ended 30 September 2009

	Note	Period Ended	
		30-09-2009 KD 000's	30-09-2008 KD 000's
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/ Profit from operations		(1,663)	109,913
Adjustments for :			
Provisions for loans and advances		74,347	20,866
Income from investment securities		(22,528)	(35,974)
Foreign exchange and other (gains)/ losses on investment securities		(467)	736
Foreign exchange gain on financing activities		-	(402)
Depreciation		1,670	1,674
Other provisions and valuation adjustments		26,347	2,353
		<u>77,706</u>	<u>99,166</u>
Changes in operating assets and liabilities:			
Treasury and Central Bank bonds		(80,511)	(47,684)
Due from banks and other financial institutions		434,315	(22,249)
Loans and advances		(36,735)	(251,340)
Other assets		61,677	(30,154)
Due to banks and other financial institutions		167,227	23,506
Customer deposits		(691,404)	67,677
Other liabilities		(14,880)	4,522
Net cash used in operating activities		<u>(82,605)</u>	<u>(156,556)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of investment securities		74,232	150,448
Acquisition of investment securities		(93,483)	(77,102)
Acquisition of a subsidiary		-	(21,622)
Dividend income from investment securities		2,271	5,347
Proceeds from disposal of premises and equipment		5	(29)
Acquisition of premises and equipment		(1,466)	(2,655)
Net cash (used in)/ from investing activities		<u>(18,441)</u>	<u>54,387</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Purchase of treasury shares		(75)	(22,951)
Sale of treasury shares		-	2,411
Dividends paid		(50,881)	(102,334)
Net cash used in financing activities		<u>(50,956)</u>	<u>(122,874)</u>
Net decrease in cash and short term funds		(152,002)	(225,043)
Cash and short term funds at the beginning of the period		319,709	370,024
Cash and short term funds at the end of the period	5	<u>167,707</u>	<u>144,981</u>

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


NOTES TO THE INTERIM CONSOLIDATED FINANCIAL REPORT (UNAUDITED)

30 September 2009

1 INCORPORATION AND REGISTRATION

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

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 report 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 statements 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 report are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2008, except for the adoption of amendments in IAS 34 "Interim Financial Reporting".

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 September 2009 are not necessarily indicative of the results that may be expected for the year ending 31 December 2009. For further information, refer to the consolidated financial statements included in the Group's annual report for the year ended 31 December 2008.

3 SUBSIDIARIES

Name of entities	Country of incorporation	Principal business	% of Ownership
Al Tijari Investment Company K.S.C (Closed)	Kuwait	Investment banking	100
Union Securities Brokerage Company K.S.C (Closed)	Kuwait	Brokerage services	80

4 PROVISIONS NO LONGER REQUIRED

Under the terms of Law 41/93, provision no longer required as at 30 September 2009 amounted to KD 24 thousand (30 September 2008: KD 90 thousand). The ultimate amount to be ceded to the 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 2008 and in accordance with the instructions of the Central Bank of Kuwait.

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

30 September 2009

5 CASH AND SHORT TERM FUNDS

	30-09-2009	31-12-2008	30-09-2008
	KD 000's	KD 000's	KD 000's
Cash and cash items	66,739	42,631	47,035
Balances with the Central Bank of Kuwait	22,817	29,104	31,037
Deposits with banks maturing within seven days	78,151	247,974	66,909
	167,707	319,709	144,981

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

6 DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30-09-2009	31-12-2008	30-09-2008
	KD 000's	KD 000's	KD 000's
Deposits with banks	455,637	801,375	1,086,103
Loans and advances to banks	48,818	85,268	116,528
Amounts due from other financial institutions	4,721	56,639	29,577
	509,176	943,282	1,232,208
Less : Specific provision	(13,406)	(4,121)	(3,976)
	495,770	939,161	1,228,232

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

7 LOANS AND ADVANCES

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

8 INVESTMENT SECURITIES

Investment securities include a 32% equity holding in Al Cham Bank of KD 6,056 thousand, that is not equity accounted as it is not material to the accompanying interim consolidated financial report.

Investment securities also include 221,421,095 shares acquired at a cost of KD 94,103 thousand under a transaction executed through the Kuwait Stock Exchange where the counterparty subsequently failed to exercise their buy back option within the agreed time frame. As at the balance sheet date, the Parent Bank holds the title of the underlying securities. The counterparty has raised a legal case challenging the Parent Bank's ownership.


NOTES TO THE INTERIM CONSOLIDATED FINANCIAL REPORT (UNAUDITED)

30 September 2009

9 INTEREST INCOME

Interest income includes a release of KD 3,075 thousand (30 September 2008: charge of KD 10 thousand) due to adjustments 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 2007, as per Central Bank circular 2/202BS RSA/2007 dated 13 February 2007.

10 IMPAIRMENT AND OTHER PROVISIONS

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

	Period From			
	01-07-2009 to 30-09-2009 KD 000's	01-07-2008 to 30-09-2008 KD 000's	01-01-2009 to 30-09-2009 KD 000's	01-01-2008 to 30-09-2008 KD 000's
Loans and advances to customers - specific	(34,274)	(1,975)	(74,294)	(4,939)
Loans and advances to customers - general	(2,506)	2,964	(51)	(15,927)
Non cash facilities	3,459	(66)	(1,036)	(1,236)
Investment securities	(1,243)	-	(25,735)	-
Other provisions	(59)	45	423	(1,105)
	(34,623)	968	(100,693)	(23,207)

11 (LOSS)/ EARNINGS PER SHARE

	Period From			
	01-07-2009 to 30-09-2009	01-07-2008 to 30-09-2008	01-01-2009 to 30-09-2009	01-01-2008 to 30-09-2008
Net (loss)/ profit for the period attributable to shareholders of the parent Bank (KD 000's)	(2,602)	34,420	(1,708)	104,889
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)	(70)	(16,478)	(31)	(12,055)
	1,271,952	1,255,544	1,271,991	1,259,967
(Loss)/ earnings per share attributable to shareholders of the parent	(2.0)	27.4	(1.3)	83.2


NOTES TO THE INTERIM CONSOLIDATED FINANCIAL REPORT (UNAUDITED)

30 September 2009

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:

	30-09-2009			30-09-2008		
	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	7	16,956	1	2	34,910
Credit cards	3	3	6	1	3	3
Deposits	7	17	1,140	7	14	486
Executive Management						
Loans	4	4	249	12	1	382
Credit cards	7	4	10	8	4	8
Deposits	15	32	3,084	14	31	644

The loans issued to directors and executive management are mainly repayable within 1 year and have interest rates ranging from 5.00 % to 7.00 % (30 September 2008: 4.75 % to 8.25%). The loans given to related parties are collateralised by real-estate and equities. The fair value of these collaterals as at 30 September 2009 is KD 6,569 thousand (30 September 2008: KD 46,089 thousand).

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

	Period Ended	
	30-09-2009 KD 000's	30-09-2008 KD 000's
Interest income	734	2,218
Interest expense	(138)	(29)
Key management compensation:		
Short-term benefits	(883)	(968)
Post employment benefits	(14)	(12)
Termination benefits	(60)	(183)



NOTES TO THE INTERIM CONSOLIDATED FINANCIAL REPORT (UNAUDITED)

30 September 2009

13 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.

	30-09-2009			30-09-2008		
	KD 000's			KD 000's		
	Domestic	International	Total	Domestic	International	Total
Interest income	128,152	1,379	129,531	191,692	5,479	197,171
Non interest income	47,452	2,049	49,501	65,026	2,093	67,119
Total revenues	175,604	3,428	179,032	256,718	7,572	264,290
Impairment and other provisions	(83,085)	(17,608)	(100,693)	(23,207)	-	(23,207)
Net (loss)/ profit for the period	13,614	(15,279)	(1,665)	102,166	2,767	104,933
Assets	3,678,937	35,849	3,714,786	4,230,614	113,648	4,344,262
Liabilities & Equity	3,687,374	27,412	3,714,786	4,323,888	20,374	4,344,262

(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.

(i) Financial instruments with contractual amounts representing credit risk

	30-09-2009	31-12-2008	30-09-2008
	KD 000's	KD 000's	KD 000's
Acceptances	49,382	252,065	245,090
Letters of credit	270,189	562,471	754,738
Letters of guarantee	889,179	1,122,408	1,201,274
Others	40,428	42,251	36,229
	1,249,178	1,979,195	2,237,331


NOTES TO THE INTERIM CONSOLIDATED FINANCIAL REPORT (UNAUDITED)

30 September 2009

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

	30-09-2009 KD 000's	31-12-2008 KD 000's	30-09-2008 KD 000's
Foreign exchange contracts - spot and forward	28,930	118,186	85,329
Interest rate swaps	147	213	274

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.

The fair value of derivative instruments outstanding as at 30 September 2009 is not material.

(b) Fiduciary assets

The Group manages money market and equity funds, the net asset value of which at 30 September 2009 is KD 113,399 thousand (31 December 2008: KD 127,020 thousand and 30 September 2008: KD 187,263 thousand).

(c) Legal claims

At the balance sheet date certain legal claims existed against the Group were for which KD 2,619 thousand (31 December 2008: KD 3,109 thousand and 30 September 2008: KD 2,190 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.