

**The Commercial Bank of Kuwait Group**  
**Interim Condensed Consolidated Financial Information**  
**30 June 2011 (Unaudited)**

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## REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF COMMERCIAL BANK OF KUWAIT S.A.K

### Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Commercial Bank of Kuwait S.A.K (“the Parent Bank”) and its subsidiaries (together called “the Group”) as of 30 June 2011 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity, and cash flows for the six month period then ended. Management is responsible for the preparation and presentation of this interim condensed 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 condensed 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 condensed 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 condensed consolidated financial information is in agreement with the books of account of the Parent Bank, and 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 Parent Bank have occurred during the period ended 30 June 2011 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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**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

30 June 2011 (Unaudited)

		(Audited)	
	Note	30 June 2011 KD 000's	31 December 2010 KD 000's
<b>ASSETS</b>			
Cash and short term funds	5	148,575	208,353
Treasury and Central Bank bonds		548,902	500,584
Due from banks and other financial institutions	6	282,555	222,682
Loans and advances	7	2,187,474	2,348,354
Investment securities	8	330,072	278,409
Investment in an associate		8,892	8,924
Premises and equipment		24,562	24,652
Goodwill and other intangible assets		18,364	18,372
Other assets		39,375	12,273
<b>TOTAL ASSETS</b>		<b>3,588,771</b>	<b>3,622,603</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Due to banks and other financial institutions		786,616	806,332
Customer deposits		2,292,129	2,272,578
Other liabilities		50,293	57,643
<b>TOTAL LIABILITIES</b>		<b>3,129,038</b>	<b>3,136,553</b>
<b>EQUITY</b>			
<b>Equity attributable to shareholders of the Parent Bank</b>			
Share capital		127,202	127,202
Treasury shares		(75)	(75)
Reserves		216,881	225,479
Retained earnings		114,794	113,333
Proposed dividend		-	19,079
<b>Non-controlling interests</b>		<b>931</b>	<b>1,032</b>
<b>TOTAL EQUITY</b>		<b>459,733</b>	<b>486,050</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>3,588,771</b>	<b>3,622,603</b>

The interim condensed consolidated financial information has been approved for issue by the Board of Directors on 31st July 2011 and signed on their behalf by:

  
**Ali Yousef Al Awadi**  
 Chairman

  
**Elham Yousry Mahfouz**  
 Acting CEO

The attached notes 1 to 15 form an integral part of this interim condensed consolidated financial information.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME**

Period ended 30 June 2011 (Unaudited)

	Note	Three months ended 30 June		Six months ended 30 June	
		2011 KD 000's	2010 KD 000's	2011 KD 000's	2010 KD 000's
Interest income	9	36,191	32,460	68,011	66,313
Interest expense		(10,601)	(11,728)	(21,971)	(26,648)
<b>NET INTEREST INCOME</b>		<b>25,590</b>	20,732	<b>46,040</b>	39,665
Fees and commissions		6,810	5,941	13,864	12,938
Fund management fees		187	269	399	531
Net gain from dealing in foreign currencies		1,436	1,076	2,574	2,201
Net (loss) gain from investment securities		(156)	(1,024)	149	(289)
Dividend income		453	689	2,442	1,844
Share of result from an associate		-	53	165	53
Other operating income		340	201	533	423
<b>OPERATING INCOME</b>		<b>34,660</b>	27,937	<b>66,166</b>	57,366
Staff expenses		(4,084)	(4,701)	(8,151)	(9,044)
General and administrative expenses		(2,731)	(3,012)	(5,285)	(5,928)
Depreciation and amortisation		(201)	(202)	(397)	(348)
<b>OPERATING EXPENSES</b>		<b>(7,016)</b>	(7,915)	<b>(13,833)</b>	(15,320)
<b>OPERATING PROFIT BEFORE PROVISIONS</b>		<b>27,644</b>	20,022	<b>52,333</b>	42,046
Impairment and other provisions	10	(27,447)	(17,711)	(50,789)	(41,144)
<b>PROFIT BEFORE TAXATION</b>		<b>197</b>	2,311	<b>1,544</b>	902
Taxation		1	(7)	(12)	(12)
<b>NET PROFIT FOR THE PERIOD</b>		<b>198</b>	2,304	<b>1,532</b>	890
<b>Attributable to:</b>					
Shareholders of the Parent Bank		129	2,294	1,461	840
Non-controlling interests		69	10	71	50
		<b>198</b>	2,304	<b>1,532</b>	890
Basic and diluted earnings per share attributable to shareholders of the Parent Bank (fils)	11	<b>0.1</b>	1.8	<b>1.1</b>	0.7

The attached notes 1 to 15 form an integral part of this interim condensed consolidated financial information.




**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

Period ended 30 June 2011 (Unaudited)

	Three months ended 30 June		Six months ended 30 June	
	2011 KD 000's	2010 KD 000's	2011 KD 000's	2010 KD 000's
Net profit for the period	<b>198</b>	2,304	<b>1,532</b>	890
<b>OTHER COMPREHENSIVE INCOME:</b>				
Changes in fair value of investment securities	<b>(1,435)</b>	(4,679)	<b>(8,759)</b>	(2,123)
Net gain (loss) on disposal / impairment of investment securities	<b>425</b>	(301)	<b>246</b>	(3)
Share of other comprehensive income of an associate	<b>(89)</b>	-	<b>(197)</b>	-
	<b>(1,099)</b>	(4,980)	<b>(8,710)</b>	(2,126)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>(901)</b>	(2,676)	<b>(7,178)</b>	(1,236)
<b>Attributable to:</b>				
Shareholders of the Parent Bank	<b>(906)</b>	(2,638)	<b>(7,137)</b>	(1,343)
Non-controlling interests	<b>5</b>	(38)	<b>(41)</b>	107
	<b>(901)</b>	(2,676)	<b>(7,178)</b>	(1,236)

The attached notes 1 to 15 form an integral part of this interim condensed consolidated financial information.



The Commercial Bank of Kuwait Group

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

Period ended 30 June 2011 (Unaudited)

	Attributable to shareholders of the Parent Bank												
	Reserves												
	Share Capital	Treasury Shares	Share Premium	Statutory Reserve	General Reserve	Treasury Shares Reserve	Property Revaluation Reserve	Investment Valuation Reserve	Total Reserves	Retained Earnings	Proposed Dividend	Non-controlling Interests	Total
Balance at 1 January 2010	127,202	(75)	66,791	63,601	17,927	45,603	21,558	5,372	220,852	91,960	-	816	440,755
Total comprehensive income for the period	-	-	-	-	-	-	(2,183)	(2,183)	(2,183)	840	-	107	(1,236)
Balance at 30 June 2010	127,202	(75)	66,791	63,601	17,927	45,603	21,558	3,189	218,669	92,800	-	923	439,519
Balance at 1 January 2011	127,202	(75)	66,791	63,601	17,927	45,603	20,804	10,753	225,479	113,333	19,079	1,032	486,050
Total comprehensive income for the period	-	-	-	-	-	-	-	(8,598)	(8,598)	1,461	-	(41)	(7,178)
Dividend paid	-	-	-	-	-	-	-	-	-	(19,079)	(19,079)	(60)	(19,139)
Balance at 30 June 2011	127,202	(75)	66,791	63,601	17,927	45,603	20,804	2,155	216,881	114,794	-	931	459,733

Annual general meeting of the shareholders' held on 23 March 2011 approved to distribute cash dividend of 15% (15 fils per share) for the year 2010 (2009: nil) to the shareholders' registered in the Parent Bank's records as of the date of the annual general meeting.

The attached notes 1 to 15 form an integral part of this interim condensed consolidated financial information.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

Period ended 30 June 2011 (Unaudited)

	Note	Six months ended 30 June	
		2011 KD 000's	2010 KD 000's
<b>OPERATING ACTIVITIES</b>			
Profit before taxation		1,544	902
Adjustments for:			
Impairment and other provisions	10	50,789	41,144
Income from investment securities		(2,591)	(1,555)
Foreign exchange gain on investment securities		(648)	(163)
Depreciation and amortisation		397	348
Other adjustments		-	(6)
Share of results from an associate		(165)	(53)
Profit before changes in operating assets and liabilities		49,326	40,617
Changes in operating assets and liabilities:			
Treasury and Central Bank bonds		(48,318)	(102,524)
Due from banks and other financial institutions		(60,008)	(58,117)
Loans and advances		101,092	125,371
Other assets		(27,070)	20,206
Due to banks and other financial institutions		(19,716)	(176,373)
Customer deposits		19,551	201,602
Other liabilities		3,860	(14,976)
Net cash from operating activities		18,717	35,806
<b>INVESTING ACTIVITIES</b>			
Proceeds from disposal of investment securities		18,199	9,619
Acquisition of investment securities		(79,690)	(33,973)
Acquisition of further investment in an associate		-	(5,022)
Dividend income from investment securities		2,442	1,844
Proceeds from disposal of premises and equipment		-	45
Acquisition of premises and equipment		(307)	(164)
Net cash used in investing activities		(59,356)	(27,651)
<b>FINANCING ACTIVITIES</b>			
Dividends paid		(19,079)	-
Dividend paid to non controlling interest		(60)	-
Net cash used in financing activities		(19,139)	-
Net (decrease) increase in cash and short term funds		(59,778)	8,155
Cash and short term funds at 1 January		208,353	252,658
<b>Cash and short term funds at 30 June</b>	5	<b>148,575</b>	<b>260,813</b>

The attached notes 1 to 15 form an integral part of this interim condensed consolidated financial information.


**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

30 June 2011 (Unaudited)

**1 INCORPORATION AND REGISTRATION**

The Commercial Bank of Kuwait S.A.K (the "Parent Bank") is a public shareholding company incorporated in the State of Kuwait and is registered as a Bank with the Central Bank of Kuwait ("CBK") and listed on the Kuwait Stock Exchange ("KSE"). The address of the registered office of the Parent Bank is P.O. Box 2861, 13029 Safat, State of Kuwait.

The Parent Bank and its subsidiaries are together referred to as "the Group" in this interim condensed consolidated financial information.

**2 SIGNIFICANT ACCOUNTING POLICIES**

The interim condensed consolidated financial information has been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting". The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2010, except for the adoption of the following amendments to Standards applicable during the period:

- i) IAS 24: Related Party Disclosures (Revised): The amended Standard clarified the definition of a related party and laid down additional requirement for disclosure of outstanding commitments to related parties. The adoption of the amendment did not have any impact on the financial position or performance of the Group.
- ii) IAS 34: Interim Financial Reporting: Improvement to IAS 34 introduces the concept of "Significant events and transactions" and has brought in additional disclosures for changes in business and economic circumstances, transfers between levels of the fair value hierarchy used and changes in the classification of financial assets resulting from change in the purpose or use of those assets. Adoption of this improvement did not have any material impact on the financial position or performance of the Group.

The interim condensed consolidated financial information does not include all the information and notes required for complete consolidated 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 CBK. These regulations require adoption of all IFRs except for the IAS 39 "Financial instruments: recognition and measurement" requirement for collective provision, which has been replaced by the CBK'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 CBK.

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 2011 are not necessarily indicative of the results that may be expected for the year ending 31 December 2011. For further information, refer to the consolidated financial statements included in the Group's annual report for the year ended 31 December 2010.

**3 SUBSIDIARIES**

Name of entities	Country of incorporation	Principal activities	% of ownership		
			30 June 2011	31 December 2010	30 June 2010
Al Tijari Investment Company K.S.C (Closed)	Kuwait	Investment Banking	100	100	100
Union Securities Brokerage Company K.S.C (Closed)	Kuwait	Brokerage Services	80	80	80

**4 PROVISIONS NO LONGER REQUIRED**

Under the terms of Law 41/93, provision no longer required as at 30 June 2011 amounted to KD 6 thousand (30 June 2010: KD nil). The ultimate amount to be ceded to the CBK 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 2010 and in accordance with the instructions of the CBK.




**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

30 June 2011 (Unaudited)

**5 CASH AND SHORT TERM FUNDS**

	<b>30 June 2011 KD 000's</b>	<i>(Audited)</i> 31 December 2010 KD 000's	30 June 2010 KD 000's
Cash and cash items	34,242	38,185	41,028
Balances with the CBK	22,029	8,398	31,059
Deposits with banks maturing within seven days	92,304	161,770	188,726
	<b>148,575</b>	208,353	260,813

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

**6 DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS**

	<b>30 June 2011 KD 000's</b>	<i>(Audited)</i> 31 December 2010 KD 000's	30 June 2010 KD 000's
Placements with banks	243,458	182,167	303,561
Loans and advances to banks	15,191	30,803	43,457
Amounts due from other financial institutions	37,757	25,133	7,249
	<b>296,406</b>	238,103	354,267
Less : Provision for impairment	<b>(13,851)</b>	(15,421)	(21,816)
	<b>282,555</b>	222,682	332,451

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 348,483,589 shares carried at a cost of KD 126,504 thousand (31 December 2010: KD 126,504 thousand, 30 June 2010: KD 126,504 thousand) out of which the Parent Bank acquired 221,421,095 shares at a cost of KD 94,103 thousand in the year 2009 under a transaction executed through the KSE where the counterparty subsequently failed to exercise their buy back option within the agreed time frame. During 2010, the Parent Bank participated in the rights issue and acquired 127,062,494 shares at a cost of KD 32,401 thousand. As at the reporting date, the Parent Bank holds the title of the underlying shares. The counterparty raised a legal case challenging the Parent Bank's ownership that is currently pending at the court of law. Management believes that they have a meritorious defence.

During the period, the Group recognised an unrealised loss of KD 8,759 thousand (30 June 2010: KD 2,123 thousand) in the interim condensed consolidated statement of comprehensive income as arising from changes in fair value and re-cycled accumulated fair valuation changes of KD 246 thousand (30 June 2010: KD 159 thousand) to the interim condensed consolidated statement of income on disposal / impairment of "available for sale" investment securities.

Impairment loss of KD 2,120 thousand (30 June 2010: KD 6,324 thousand) was also charged to the interim condensed consolidated statement of income.


**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

30 June 2011 (Unaudited)

**9 INTEREST INCOME**

Interest income includes a release of KD 379 thousand (30 June 2010: KD 1,014 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 and 2/105 dated 23 April 2008.

**10 IMPAIRMENT AND OTHER PROVISIONS**

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

	Three months ended 30 June		Six months ended 30 June	
	2011 KD 000's	2010 KD 000's	2011 KD 000's	2010 KD 000's
Loans and advances - specific	<b>(33,796)</b>	(10,716)	<b>(46,098)</b>	(41,441)
Loans and advances - general	<b>8,239</b>	(2,390)	<b>(2,950)</b>	6,338
Investment securities	<b>(1,279)</b>	(4,552)	<b>(2,120)</b>	(6,324)
Non cash facilities	<b>(630)</b>	(35)	<b>323</b>	(242)
Other provisions	<b>19</b>	(18)	<b>56</b>	525
	<b>(27,447)</b>	(17,711)	<b>(50,789)</b>	(41,144)

**11 EARNINGS PER SHARE**

Basic and diluted earnings per share is calculated by dividing the net profit for the period attributable to shareholders of the Parent Bank by the weighted average number of shares outstanding during the period.

	Three months ended 30 June		Six months ended 30 June	
	2011	2010	2011	2010
Net profit for the period attributable to shareholders of the Parent Bank (KD 000's)	<b>129</b>	2,294	<b>1,461</b>	840
Weighted average of authorised and subscribed shares (numbers in 000's)	<b>1,272,022</b>	1,272,022	<b>1,272,022</b>	1,272,022
Less: Weighted average of treasury shares held (numbers in 000's)	<b>(70)</b>	(70)	<b>(70)</b>	(70)
	<b>1,271,952</b>	1,271,952	<b>1,271,952</b>	1,271,952
Basic and diluted earnings per share attributable to shareholders of the Parent Bank (fils)	<b>0.1</b>	1.8	<b>1.1</b>	0.7



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2011 (Unaudited)

## 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 reporting date are as follows:

	30 June 2011			30 June 2010		
	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
<b>Board of Directors</b>						
Loans	-	-	-	-	-	-
Credit cards	1	-	3	-	-	-
Deposits	7	-	65	4	1	1,121
<b>Executive Management</b>						
Loans	7	1	96	10	1	446
Credit cards	13	5	2	14	8	3
Deposits	12	20	1,736	12	23	1,956

The loans issued to directors and executive management are mainly repayable within 1 year and have interest rates ranging from 0% to 6% (30 June 2010: 0% to 1.5%).

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

	Six months ended 30 June	
	2011 KD 000's	2010 KD 000's
Key management compensation:		
Salaries and other short-term benefits	(402)	(537)
Post employment benefits	(9)	(11)
Termination benefits	(44)	(77)



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2011 (Unaudited)

## 13 SEGMENTAL ANALYSIS

The Group operates in banking, brokerage services and investment activities which are segmented between:

- Corporate and Retail banking provides a full range of lending, deposit and related banking services to domestic and international corporate and individual customers.
- Treasury and Investment banking comprises of money market, foreign exchange, treasury bonds, asset management and brokerage services.

	KD 000's					
	Corporate and Retail Banking		Treasury and Investment Banking		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2011	2010	2011	2010	2011	2010
Net interest income	44,298	39,414	1,742	251	46,040	39,665
Non interest income	13,944	12,937	6,182	4,764	20,126	17,701
Operating income	58,242	52,351	7,924	5,015	66,166	57,366
Impairment and other provisions	(48,719)	(35,291)	(2,070)	(5,853)	(50,789)	(41,144)
Net profit / (loss) for the period	1,688	7,111	(156)	(6,221)	1,532	890
Assets	2,254,991	2,311,439	1,333,780	1,292,598	3,588,771	3,604,037
Liabilities & Equity	1,343,777	1,071,108	2,244,994	2,532,929	3,588,771	3,604,037

## 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 June	(Audited) 31 December	30 June
	2011	2010	2010
	KD 000's	KD 000's	KD 000's
Acceptances	54,168	49,599	38,969
Letters of credit	163,814	155,234	166,802
Letters of guarantee	832,259	890,784	847,985
Others	34,690	37,333	39,136
	<b>1,084,931</b>	<b>1,132,950</b>	<b>1,092,892</b>




**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

30 June 2011 (Unaudited)

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

	<b>30 June</b>	<i>(Audited)</i> 31 December	30 June
	<b>2011</b>	2010	2010
	<b>KD 000's</b>	KD 000's	KD 000's
Foreign exchange contracts - spot and forward	<b>211,601</b>	62,166	45,681
Option	<b>3,281</b>	-	-

The amount subject to credit risk is insignificant and is limited to the current replacement value of instruments that are favorable 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 June 2011 is not material to the interim condensed consolidated financial information.

**(b) Fiduciary assets**

The Group manages money market and equity funds, the net asset value of which as at 30 June 2011 is KD 50,890 thousand (31 December 2010: KD 62,052 thousand and 30 June 2010: KD 85,290 thousand).

**(c) Legal claims**

At the reporting date certain legal claims existed against the Group were for which KD 1,809 thousand (31 December 2010: KD 1,898 thousand and 30 June 2010: KD 2,035 thousand) has been provided.

**15 COMPARATIVE FIGURES**

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