

**The Commercial Bank of Kuwait Group**  
**Interim Condensed Consolidated Financial Information**  
**31 March 2010 (Unaudited)**

## **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 The Commercial Bank of Kuwait S.A.K (“the Parent Bank”) and its subsidiaries (together called “the Group”) as of 31 March 2010 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity, and cash flows for the three 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*

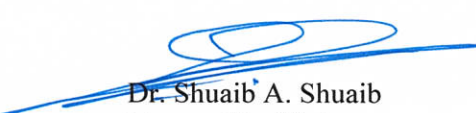
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared in all material respects in accordance with the basis of presentation set out in Note 2.

### *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 during the period ended 31 March 2010 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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Member of RSM International

09 May 2010  
Kuwait


**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

31 March 2010 (Unaudited)

		(Audited)	
	Note	31 March 2010 KD 000's	31 December 2009 KD 000's
			31 March 2009 KD 000's
<b>ASSETS</b>			
Cash and short term funds	5	264,091	252,658
Treasury and Central Bank bonds		440,001	361,345
Due from banks and other financial institutions	6	289,690	275,573
Loans and advances	7	2,333,449	2,406,910
Investment securities	8	248,138	222,144
Investment in an associate		3,721	3,721
Premises and equipment		26,045	26,153
Goodwill and other intangible assets		18,513	18,517
Other assets		29,156	28,276
<b>TOTAL ASSETS</b>		<b>3,652,804</b>	<b>3,595,297</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Due to banks and other financial institutions		944,818	1,044,014
Customer deposits		2,196,697	2,041,909
Other liabilities		69,094	68,619
<b>TOTAL LIABILITIES</b>		<b>3,210,609</b>	<b>3,154,542</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		223,601	220,852
Retained earnings		90,506	91,960
<b>Non-controlling interests</b>		<b>961</b>	<b>816</b>
<b>TOTAL EQUITY</b>		<b>442,195</b>	<b>440,755</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>3,652,804</b>	<b>3,595,297</b>

The interim condensed consolidated financial information has been approved for issue by the Board of Directors on 09 May 2010 and signed on their behalf by:

**Bader Sulaiman Al-Ahmed**  
Deputy Chairman

**Loai Fadel Mukamis**  
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 31 March 2010 (Unaudited)

	Note	Three months ended 31 March	
		2010 KD 000's	2009 KD 000's
Interest income	9	33,853	49,276
Interest expense		(14,920)	(24,086)
<b>NET INTEREST INCOME</b>		<b>18,933</b>	<b>25,190</b>
Fees and commissions		6,997	7,646
Fund management fees		262	270
Net gain (loss) from dealing in foreign currencies		1,125	(362)
Net gain (loss) from investment securities		735	(1,429)
Dividend income		1,155	1,881
Other operating income		222	183
<b>OPERATING INCOME</b>		<b>29,429</b>	<b>33,379</b>
Staff expenses		(4,343)	(4,731)
General and administrative expenses		(2,916)	(3,034)
Depreciation and amortisation		(146)	(439)
<b>OPERATING EXPENSES</b>		<b>(7,405)</b>	<b>(8,204)</b>
<b>OPERATING PROFIT BEFORE PROVISIONS</b>		<b>22,024</b>	<b>25,175</b>
Impairment and other provisions	10	(23,433)	(21,883)
<b>OPERATING (LOSS) / PROFIT BEFORE TAXATION</b>		<b>(1,409)</b>	<b>3,292</b>
Taxation		(5)	(153)
<b>NET (LOSS) / PROFIT FOR THE PERIOD</b>		<b>(1,414)</b>	<b>3,139</b>
<b>Attributable to:</b>			
Shareholders of the Parent Bank		(1,454)	3,335
Non-controlling interests		40	(196)
		<b>(1,414)</b>	<b>3,139</b>
(Loss) / earnings per share attributable to shareholders of the Parent Bank (fils)	11	<b>(1.1)</b>	<b>2.6</b>

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 31 March 2010 (Unaudited)

	Three months ended 31 March	
	2010 KD 000's	2009 KD 000's
Net (loss) / profit for the period	(1,414)	3,139
<b>OTHER COMPREHENSIVE INCOME:</b>		
Changes in fair value of financial assets	2,556	613
Net gain on disposal / impairment of investment securities	298	1,075
	<b>2,854</b>	1,688
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>1,440</b>	4,827
<b>Attributable to:</b>		
Shareholders of the Parent Bank	1,295	4,838
Non-controlling interests	145	(11)
	<b>1,440</b>	4,827

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 31 March 2010 (Unaudited)

	KD 000's													
	Attributable to shareholders of the Parent Bank													
	Share Capital	Treasury Shares	Treasury Shares	Share Premium	Statutory Reserve	General Reserve	Reserves			Retained Earnings	Proposed Dividend	Non-controlling Interests	Total	
Treasury Shares Reserve							Property Revaluation Reserve	Investment Valuation Reserve	Total Reserves					
Balance at 1 January 2009	127,202	-	-	66,791	63,601	17,927	25,336	7,547	226,805	91,814	50,881	496,702	691	497,393
Total comprehensive income (expense) for the period	-	-	-	-	-	-	-	1,503	1,503	3,335	-	4,838	(11)	4,827
Dividend paid	-	-	-	-	-	-	-	-	-	-	(50,881)	(50,881)	(64)	(50,945)
Balance at 31 March 2009	127,202	-	-	66,791	63,601	17,927	25,336	9,050	228,308	95,149	-	450,659	616	451,275
Balance at 1 January 2010	127,202	(75)	-	66,791	63,601	17,927	21,558	5,372	220,852	91,960	-	439,939	816	440,755
Total comprehensive income for the period	-	-	-	-	-	-	-	2,749	2,749	(1,454)	-	1,295	145	1,440
Balance at 31 March 2010	127,202	(75)	-	66,791	63,601	17,927	21,558	8,121	223,601	90,506	-	441,234	961	442,195

Annual general meeting of the shareholders' held on 7 April 2010 approved not to distribute cash dividend for the year 2009 (2008: 40 fils per share) 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 31 March 2010 (Unaudited)

	Note	Three months ended 31 March	
		2010 KD 000's	2009 KD 000's
<b>OPERATING ACTIVITIES</b>			
Operating (loss) / profit before taxation		(1,409)	3,292
Adjustments for :			
Impairment and other provisions		23,433	21,883
Income from investment securities		(1,890)	(452)
Foreign exchange and other losses on investment securities		(142)	(714)
Depreciation and amortisation		146	439
Other adjustments		(15)	-
Operating profit before changes in operating assets and liabilities		<u>20,123</u>	<u>24,448</u>
Changes in operating assets and liabilities:			
Treasury and Central Bank bonds		(78,656)	(29,793)
Due from banks and other financial institutions		(15,824)	283,425
Loans and advances		51,690	(68,505)
Other assets		(880)	75,219
Due to banks and other financial institutions		(99,196)	171,636
Customer deposits		154,788	(373,472)
Other liabilities		2,287	(19,904)
Net cash from operating activities		<u>34,332</u>	<u>63,054</u>
<b>INVESTING ACTIVITIES</b>			
Proceeds from disposal of investment securities		4,698	5,648
Acquisition of investment securities		(28,698)	(16,248)
Dividend income from investment securities		1,155	1,881
Proceeds from disposal of premises and equipment		22	2
Acquisition of premises and equipment		(76)	(656)
Net cash used in investing activities		<u>(22,899)</u>	<u>(9,373)</u>
<b>FINANCING ACTIVITIES</b>			
Dividends paid		-	(50,881)
Net cash used in financing activities		<u>-</u>	<u>(50,881)</u>
Net increase in cash and short term funds		11,433	2,800
Cash and short term funds at 1 January		252,658	319,709
<b>Cash and short term funds at 31 March</b>	5	<u>264,091</u>	<u>322,509</u>

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**

31 March 2010 (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". However, this 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 ("IAS 39") 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.

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 2009.

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 2010 are not necessarily indicative of the results that may be expected for the year ending 31 December 2010. For further information, refer to the consolidated financial statements included in the Group's annual report for the year ended 31 December 2009.

**3 SUBSIDIARIES**

Name of entities	Country of incorporation	Principal activities	% of ownership		
			31 March 2010	31 December 2009	31 March 2009
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 31 March 2010 amounted to KD nil (31 March 2009: KD 17 thousand). 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 2009 and in accordance with the instructions of the CBK.





## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31 March 2010 (Unaudited)

**5 CASH AND SHORT TERM FUNDS**

	<i>(Audited)</i>		
	<b>31 March 2010</b>	31 December 2009	31 March 2009
	<b>KD 000's</b>	KD 000's	KD 000's
Cash and cash items	40,919	45,912	33,178
Balances with the Central Bank of Kuwait	2,295	45,127	57,013
Deposits with banks maturing within seven days	220,877	161,619	232,318
	<b>264,091</b>	252,658	322,509

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

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

	<i>(Audited)</i>		
	<b>31 March 2010</b>	31 December 2009	31 March 2009
	<b>KD 000's</b>	KD 000's	KD 000's
Deposits with banks	257,412	242,973	560,695
Loans and advances to banks	45,208	44,925	59,961
Amounts due from other financial institutions	9,741	8,225	39,430
	<b>312,361</b>	296,123	660,086
Less : Specific provision	<b>(22,671)</b>	(20,550)	(4,350)
	<b>289,690</b>	275,573	655,736

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 332,131,642 shares carried at a cost of KD 122,334 thousand (31 December 2009: KD 94,103 thousand, 31 March 2009: KD nil) 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 110,710,547 shares at a cost of KD 28,232 thousand. As at the reporting date, the Parent Bank holds the title of the underlying shares. In 2009, the counterparty had raised a legal case challenging the Parent Bank's ownership.

During the period, the Group recognised an unrealised gain of KD 2,556 thousand (31 March 2009: unrealised gain of KD 613 thousand) in other comprehensive income as arising from changes in fair value and re-cycled of KD nil (31 March 2009: KD 93 thousand) to income on disposal of "available for sale" investment securities.

Impairment loss of KD 1,772 thousand (31 March 2009: KD 20,619 thousand) was also charged to the interim condensed consolidated statement of income.


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

31 March 2010 (Unaudited)

**9 INTEREST INCOME**

Interest income includes a release of KD 785 thousand (31 March 2009: KD 41 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 interim condensed consolidated statement of income during the period:

	Three months ended 31 March	
	2010 KD 000's	2009 KD 000's
Loans and advances - specific	(30,725)	(1,109)
Loans and advances - general	8,728	(131)
Investment securities	(1,772)	(20,619)
Non cash facilities	(207)	(145)
Other provisions	543	121
	<u>(23,433)</u>	<u>(21,883)</u>

**11 EARNINGS PER SHARE**

	Three months ended 31 March	
	2010	2009
Net (loss) / profit for the period attributable to shareholders of the Parent Bank (KD 000's)	<u>(1,454)</u>	<u>3,335</u>
Weighted average of authorised and subscribed shares (numbers in 000's)	1,272,022	1,272,022
Less: Weighted average of treasury shares held (numbers in 000's)	(70)	-
	<u>1,271,952</u>	<u>1,272,022</u>
(Loss) / earnings per share attributable to shareholders of the Parent Bank	<u>(1.1)</u>	<u>2.6</u>



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31 March 2010 (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:

	31 March 2010			31 March 2009		
	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	-	4	17,021	1	2	36,907
Credit cards	3	3	5	1	1	-
Deposits	7	13	1,899	7	17	1,085
<b>Executive Management</b>						
Loans	10	2	452	11	2	317
Credit cards	7	5	4	6	1	6
Deposits	13	28	1,758	14	31	6,075

The loans issued to directors and executive management are mainly repayable within 1 year and have interest rates ranging from 2.63% to 6% (31 March 2009: 3.75 % to 7.75%). The loans given to related parties are collateralised by real-estate and equities. The fair value of these collaterals as at 31 March 2010 is KD 13,457 thousand (31 March 2009: KD 35,234 thousand).

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

	Three months ended 31 March	
	2010 KD 000's	2009 KD 000's
Key management compensation:		
Short-term benefits	(317)	(338)
Post employment benefits	(6)	(4)
Termination benefits	(39)	(17)



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31 March 2010 (Unaudited)

## 13 SEGMENTAL ANALYSIS

The Group operates in three business segments namely 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	
	Three months ended 31 March		Three months ended 31 March		Three months ended 31 March	
	2010	2009	2010	2009	2010	2009
Interest income	30,985	41,987	2,868	7,289	33,853	49,276
Non interest income	6,395	7,195	4,101	994	10,496	8,189
Total revenues	37,380	49,182	6,969	8,283	44,349	57,465
Impairment and other provisions	(22,206)	(1,395)	(1,227)	(20,488)	(23,433)	(21,883)
Net (loss)/ profit for the period	(2,192)	26,717	778	(23,578)	(1,414)	3,139
Assets	2,418,892	2,598,483	1,233,912	1,439,621	3,652,804	4,038,104
Liabilities & Equity	1,044,721	983,232	2,608,083	3,054,872	3,652,804	4,038,104

## 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

	<i>(Audited)</i>		
	31 March 2010 KD 000's	31 December 2009 KD 000's	31 March 2009 KD 000's
Acceptances	39,693	34,223	251,480
Letters of credit	179,666	184,845	414,347
Letters of guarantee	844,940	849,666	1,098,927
Others	40,230	40,230	43,322
	<b>1,104,529</b>	1,108,964	1,808,076




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

31 March 2010 (Unaudited)

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

	<b>31 March 2010 KD 000's</b>	<i>(Audited)</i> 31 December 2009 KD 000's	31 March 2009 KD 000's
Foreign exchange contracts - spot and forward	<b>21,295</b>	30,128	48,470
Interest rate swaps	<b>74</b>	74	225

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 31 March 2010 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 31 March 2010 is KD 99,481 thousand (31 December 2009: KD 95,946 thousand and 31 March 2009: KD 106,325 thousand).

**(c) Legal claims**

At the reporting date certain legal claims existed against the Group were for which KD 2,040 thousand (31 December 2009: KD 2,691 thousand and 31 March 2009: KD 2,932 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.