

CHAIRMAN AND MANAGING DIRECTOR'S MESSAGE

Our valued Shareholders, at the outset I would like to extend our deepest thanks for your continuous support to the Bank and on behalf of the Board of Directors', I am pleased to present a brief summary of Commercial Bank of Kuwait's performance and the major achievements of the Bank during 2008.

COMMERCIAL BANK OF KUWAIT – SUPERIOR PERFORMANCE EVEN IN TOUGH TIMES

The world economy, mired in a severe financial crisis, moved into a challenging arena in the last quarter of 2008 which saw a number of financial and economic developments that negatively affected banking business. However, the Bank's financial results and profits are excellent given such turbulent economic conditions and the challenging environment for financial institutions and reflect the prudent and conservative strategy the Bank has followed in recent years.

The Bank's net profit was KD 100.7 million with earnings per share of 80.6 fils.

The Board of Directors propose the payment of a cash dividend of 40% of the nominal share capital (40 fils).

OPERATING INCOME IS 22% AHEAD OF LAST YEAR

The financial results of the Bank show an increase for 2008 operating income to KD 198 million which is 22% ahead of 2007. **The profit before provisions rose to KD 163 million or 24% ahead of the corresponding year** with interest income up 16% and fees and commissions up 18%. Expenses rose by only 13% leading to a very efficient cost to income ratio of 17.58%.

Loans and advances increased by 10% or of KD 216 million through selective lending, mainly to corporate clients. The Bank actively manages asset quality, with post liberation non-performing loans of KD 44.1 million, only 1.7% of the post liberation loan portfolio, with provision coverage of 235%.

ADDITIONAL VOLUNTARY PROVISIONS

During 2008, the Bank made provisions for possible impairment of KD 57.7 million against the loan and investment portfolios. Included in these provisions, even though asset quality is excellent, the Bank has voluntarily and conservatively taken KD 25.6million of additional general loan provisions over and above the regulatory requirements as a precautionary measure.

At the year end, the Bank has a total of KD 197 million of loan provisions with KD 109.9 million of specific provisions and KD 87.1 million of general provisions. Included in the general provision is KD 51.6 million that the Bank has accumulated over and above regulatory requirements. The Bank has built this prudent cushion over the years against any future impact of the global financial crisis as there are difficult times

ahead with it not easy to predict the future effects of the global financial crisis on the Kuwait economy. Additionally, these extra provisions will help the Bank to do business activities safely and hedge against the fallouts of any such financial meltdown.

RETAINED EARNINGS INCREASED TO KD 92 MILLION

In addition to the extra general provisions, the Bank has transferred approximately KD 47 million to the retained earnings account which totals KD 92 million at 2008. This further enhances shareholders' funds and will allow the Bank to continue distributing cash dividends in the coming years.

OUR FINANCIAL PERFORMANCE'S INDICATORS RANK THE BANK AMONG THE TOP WORLD AND LOCAL FINANCIAL INSTITUTIONS

Total assets were KD 4.3 billion and total shareholders' funds were KD 497 million as at the end of 2008. With a return on average assets of 2.34% and a return on average equity of 23.15%, the Bank continues to produce excellent returns that are above local and international standards. The Bank also has a strong capital base with a capital adequacy ratio of 15.54%, which comfortably exceeds the minimum 12% requirement of the Central Bank of Kuwait.

REVIEW OF 2008

The Bank continues to invest in its branch network, IT systems and its people. With 54 conveniently located branches, Commercial Bank continues to operate the second largest branch network in Kuwait. During 2008 the Bank opened three branches in Dahiyat Abdulla Mubarak, Al Sour Street and Fahed Al Salem Street. New locations have been secured for further branches to be opened in 2009. With the second largest branch network in Kuwait Commercial Bank provides state-of-the-art banking products and services specifically tailored to cater for all customers' needs.

Corporate Banking Division continued to expand its portfolio of credit facilities particularly in the productive & dynamic economic sectors. The Division was active in providing the required funds to some investment companies. By the end of 2008, the loan portfolio was KD 2.4 billion prudently allocated to all economic sectors.

The Bank continued in 2008, to diversify its income sources and completed the acquisition of Union Securities Brokerage Company with the objective of strengthening the Bank's brokerage activities and product offerings in the local market, in addition to providing more distinctive and unique services for CBK clients. Our investment subsidiary Al Tijari Investment Co. has started operations as CBK Capital has been actively advising certain major Kuwait financial institutions on their debt rescheduling and restructuring.

Tijari Private Banking continues to gain new high net worth clients and extend their range of wealth management tools as a part of Tijari Global Investment Solutions.

Treasury continues to fulfil corporate client's basic cash management and foreign exchange requirements efficiently and effectively by improving technical methods to assist in offering the best services to customers.

International Banking Division was active during the first half of 2008 and continues to support the Bank's regional expansion strategy. With a view to safeguard and protect the Bank from the negative effects of the financial crisis that hit several financial institutions, the Division decided to suspend certain banking relationships with a number of international banks and this helped in mitigating the Bank's risk exposures on these international institutions. The Division continues to study and consider potential acquisitions and rewarding expansion opportunities that meet the Bank's strategic criteria.

The Operations group continues to support the Business groups. Trade Services now provides advice to customers, particularly with regard to the changes in rules governing international trade.

The Information Technology group saw the implementation of EMV compliant debit and credit cards along with the introduction of an EMV compliant ATM switch.

OUR TEAM

Banking is about relationships and our ability to expand and grow depends largely on our people. The Bank exerts all effort to attract, train, motivate and retain skilled and experienced people. As a preferred employer for Kuwaiti graduates, Commercial Bank continues its efforts in offering excellent job opportunities to fresh graduates. During 2008 the Bank recruited 170 Kuwaitis that brought up the percentage of Kuwaiti manpower to over 50% of the Bank's total manpower, thereby exceeding the Governments Kuwaitisation regulations.

CORPORATE SOCIAL RESPONSIBILITY

Corporate Social responsibility has been one of the Bank's priorities since its establishment in 1960. From this starting point, the Bank has followed a balanced strategy of devoting its efforts and resources to serve society, participating in its development, providing employment and training opportunities for Kuwaitis and protecting the environment to preserve Kuwait's natural resources.

A clear demonstration of this is through the Bank's generous donations to social care centres and its contributions to social activities, awareness campaigns, educational and cultural events and sports activities. The Bank is a prominent participator and promoter

of conferences and seminars organized in Kuwait and abroad, usually presenting research papers on the issues and topics discussed in the conference

OUR VALUED SHAREHOLDERS

The global economic downturn has affected Kuwait, we see the need for prudent, conservative banking, assisting our customers to weather the storm and protecting shareholder value.

The Bank has a clear mission statement, to demonstrate excellence in all fields, including leadership, innovation, commitment and corporate citizenship. We will keep true to these principles and continue to prosper.

APPRECIATION

In conclusion, and on behalf of the Board of Directors, we wish to express our sincere gratitude and appreciation to His Highness the Amir, His Highness the Crown Prince and His Highness the Prime Minister, and to members of the Council of Ministers and National Assembly for their wise management of the nation's economic policies.

We would also like to extend our thanks to Central Bank of Kuwait, the Ministry of Finance, the Ministry of Commerce and Industry, the Chamber of Commerce and Industry and all other regulatory agencies for their continuous support to the banking sector in Kuwait.

The Board of Directors would also like to thank our valued shareholders for their confidence and continued support of Commercial Bank of Kuwait. We would also like to thank our customers for their trust and confidence in our services, and we assure them of our commitment to excellence in all fields.

Finally, we would like to thank our CGM & CEO Mr. Jamal Al-Mutawa, the senior management team and our employees who remain focussed on achieving the Bank's strategic objectives through their professionalism, dedication, energy and commitment to our goals of excellence. Their tireless efforts, innovation and teamwork to deliver the best service and value to customers are the bedrock of the Bank's success. We have great confidence in our senior management team to provide the leadership required to sustain this remarkable record of achievements and to rise to the challenges of the future.



Abdul Majeed Haji Al Shatti
Chairman & Managing Director