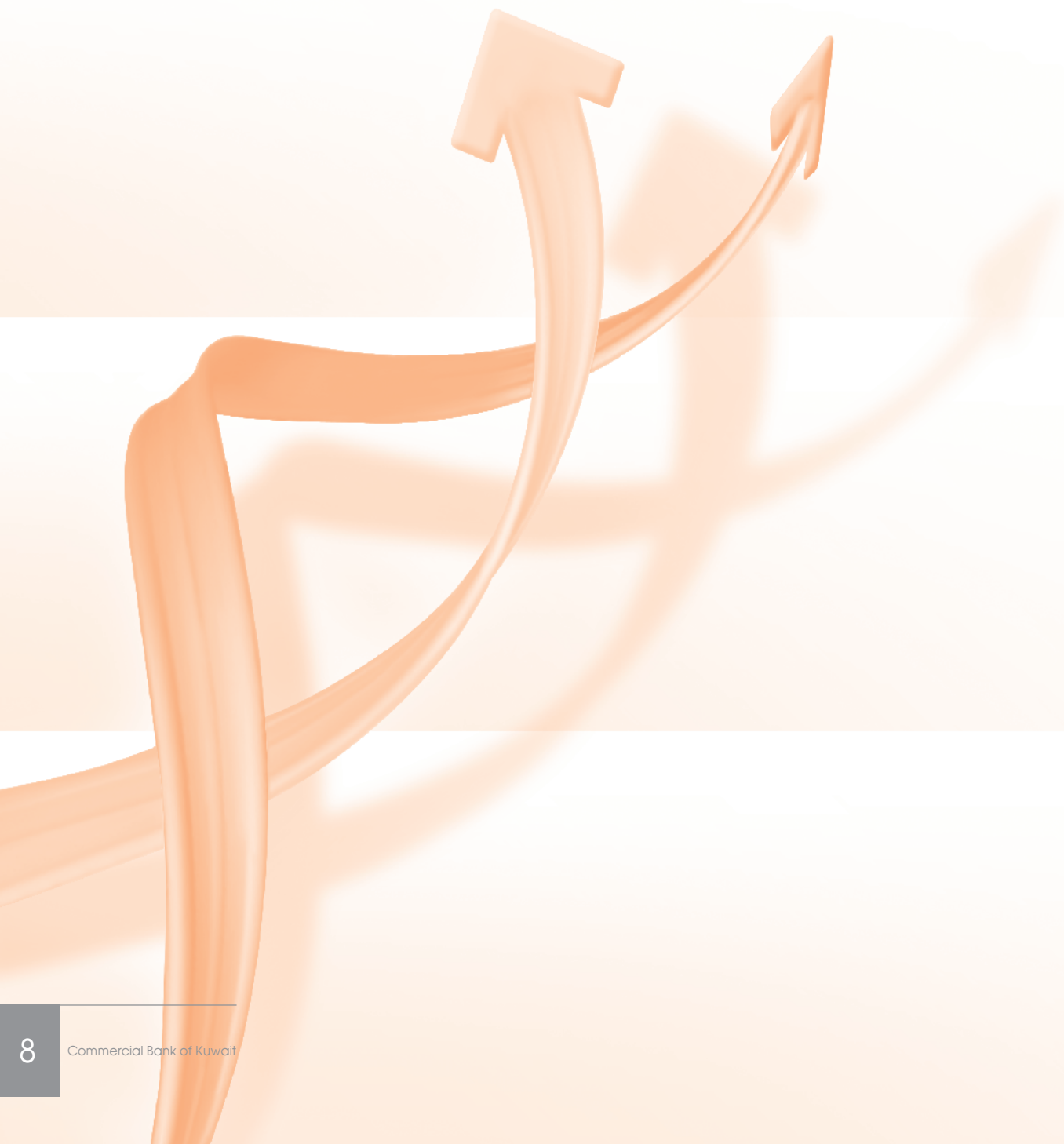


Chairman & Managing Director's Message





Dear Shareholders,

On behalf of the Board of Directors, I would like to extend my deepest thanks for your continuous support to the Bank, and it is my pleasure to present a summary of the Commercial Bank of Kuwait's performance and major achievements.

Commercial Bank of Kuwait 50 years of success and growth.

In June 2010 your Bank will be celebrating its 50th anniversary, with the Amiri Decree establishing the Commercial Bank of Kuwait having been issued on 19th June 1960. During the past 50 years the Bank has witnessed significant developments in all banking & operational areas. The previous decade (2000 – 2009) has particularly been a landmark in Commercial Bank of Kuwait's history with the Bank ranked as the second highest rated financial institution in Kuwait on the back of its strong capital base and strong franchise along with its revenue generating capabilities.

The past ten years have seen an increase in shareholders' funds from KD 183 million in 2000 to KD 440 million in 2009. Assets also increased from KD 1.5 billion in 2000 to KD 3.6 billion in 2009, operating income increased from KD 54 million in 2000 to approximately KD 158 million in 2009. Similarly, the share price was 250 fils in year 2000 and closed on 930 fils per share at the end of December 2009 and was as high as KD 1.5 per share in 2007. As regarding the net profit of the Bank it was KD 30 million in 2000, increasing to KD 120 million in 2007 and to KD 100 million in 2008. Had the global financial crisis not occurred and the Bank not been required to build up additional provisions for improving its loan books, your Bank would have been able to continue recording net profits for 2009 at acceptable levels.

To increase the Bank's competitive edge, we have invested highly in our people and the percentage of national manpower in the Bank reached 60%. We continued also upgrading and developing technology platforms to provide international best practices. Further, our investment in our branch network continued with the number of branches increasing from 28 branches in 2000 to 55 branches in 2009 providing the Bank with the second largest branch network in Kuwait and helping the Bank to further strengthen its franchise in Kuwait.

Our achievements over the past period are a clear demonstration of the sound business strategies the management has adopted even in difficult times. All these achievements would have not been realized without the dedication, loyalty and hard work of all staff members and the executive management team whose efforts helped in maintaining the Bank's position among top ranked banks. As such we have ended 2009 with your Bank maintaining the second highest rating among Kuwaiti banks on the back of its strong capital base and with a capital adequacy ratio of 18.22% at 31st December 2009.

Commercial Bank of Kuwait – Sustained Performance in Challenging Times

The year 2009 was a difficult year for the banking industry, being strongly affected by the negative aftermath of the global financial turmoil which was at its peak in the first quarter of 2009. Add to this is the absence of political stability in Kuwait with the dissolution of National Assembly leading to a new election. There can be no doubt that all these factors have collectively had negative implications for the banking sector and its customers as well. However, to limit and weather such a critical and sensitive period, the Bank has adopted a conservative policy that placed a high emphasis on maintaining shareholders' funds and enhancing the Bank's capital base.

Despite the challenging business environment, Operating Income Reached KD 157.3 million.

The Bank's profit before provisions was KD 130.9 million, and after the Board of Directors allocated provisions against the loan and investment portfolios, the net profit was KD 0.15 million with earnings per share of 0.1 fils.

Expenses were down on last year leading to a very efficient cost to income ratio of 16.74%. Gross Loans and advances increased by 2.8% or KD 74.0 million through selective lending, mainly to corporate clients. Total assets were KD 3.6 billion and total shareholder funds were KD 439.9 million at the end of 2009.

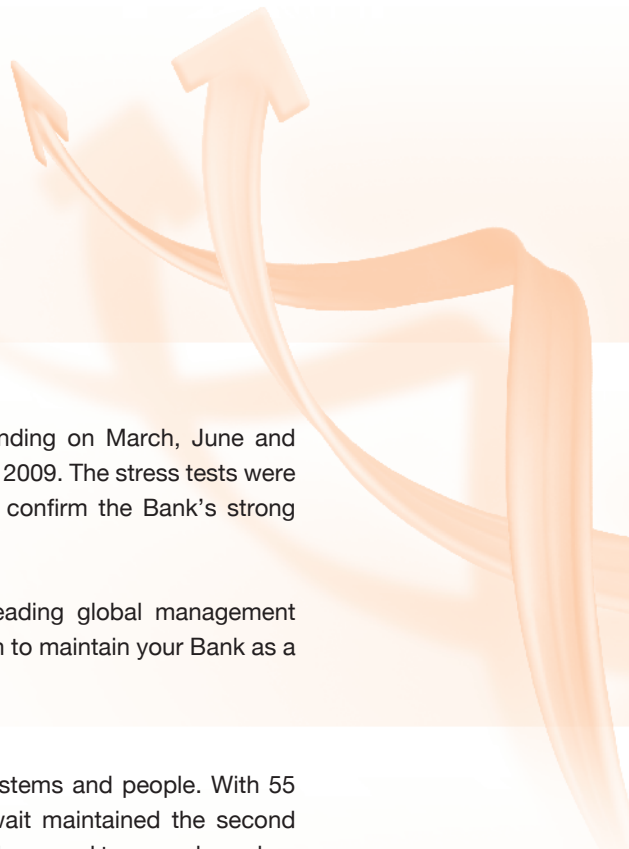
Strong Capital Base: despite the negative impact the financial crisis left on the national economy and the banking industry, your Bank was able to limit the repercussions and to proceed with building up a strong capital base that will further enhance the Bank's competitive advantage and allow us to absorb any future defaults.

At year end, the Bank had a total of KD 285.5 million of loan provisions with KD 210.5 million of specific provisions and KD 75.0 million of general provisions. Included in the general provision was KD 42.6 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. We see difficult times ahead and the future effects of the downturn on Kuwait's economy are difficult to predict. These extra provisions will also help the Bank to do business safely and hedge against any fallout from the meltdown.

In addition to the extra general provisions, the Bank has approximately KD 91.9 million of retained earnings as at 2009. This further enhances shareholders' funds which stood at approximately KD 440 million.

The Bank also has a strong capital base with a capital adequacy ratio of 18.22%, which comfortably exceeds the minimum 12% requirement of the Central Bank of Kuwait.





The Bank has conducted stress tests for the quarters ending on March, June and September 2009 and for the year ending on 31st December 2009. The stress tests were reviewed by an international independent consultant and confirm the Bank's strong capital base even under severe stress scenarios.

The Board of Directors has, with the assistance of a leading global management consulting firm, worked to develop a five-year strategic plan to maintain your Bank as a top tier bank in Kuwait.

Review of 2009

The Bank continued to invest in its branch network, IT systems and people. With 55 conveniently located branches, Commercial Bank of Kuwait maintained the second largest branch network in the country. During 2009, the Bank opened two new branches in Dasma and Hadiya and renovated branches in Khaitan and Sharq. New locations have been secured for more branches to be opened in 2010. The Bank provided state-of-the-art banking products and services specifically tailored to cater for all customer needs.

Our customer service offerings have become more focused as our segmentation targeted their needs more accurately. The Bank collaborated with a major insurance company to offer a wide range of insurance products.

Corporate Banking Division continued to expand its portfolio of credit facilities particularly in the productive and dynamic economic sectors by adopting a prudent credit policy.

The Bank's subsidiaries, Union Securities Brokerage Company and Al Tijari Investment Co. continued to expand services in 2009. USBC opened additional branches and trading desks to offer brokerage services. CBK Capital took over the management of the Tijari equity funds and will soon introduce portfolio management services for the Bank's valued customers.

Treasury pressed ahead in fulfilling corporate clients' 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 continued to safeguard and protect the Bank from the negative effects of the financial crisis. It reviewed all international banking relationships to help mitigate the Bank's international risk exposures.

The Operations group supported the business groups by improving the quality of customer service.

The Bank has started the implementation of its Integrated Computerized Banking System (ICBS) which will contribute to increased productivity, increase competitive advantage and add further improvements to customer services.

Our Team

Banking is about relationships and our ability to expand and grow depends largely on our people. The Bank exerted all effort to attract, train, motivate and retain skilled and experienced people. As a preferred employer for Kuwaiti graduates, Commercial Bank of Kuwait continued its efforts in offering excellent job opportunities to fresh graduates. During 2009, the Bank recruited 230 Kuwaitis, bringing up the percentage of Kuwaiti employees to over 60% of the Bank's total manpower, and exceeding the government's Kuwaitisation regulations.

Corporate Social Responsibility

Corporate social responsibility has been one of the Bank's priorities since its establishment in 1960. Commercial Bank of Kuwait has followed a balanced strategy of devoting efforts and resources to serve society, participate in its development, provide employment and training opportunities for Kuwaitis, and protect the environment.

The Bank has demonstrated this commitment by generous donations to social care centres and contributions to social functions, awareness campaigns, educational and cultural events and sports activities. The Bank has been a prominent participant and promoter of conferences and seminars organized in Kuwait and abroad, presenting research papers in these meetings.

Our Valued Shareholders

The global economic downturn has affected Kuwait, and we see the need for prudent, conservative banking to protect shareholder value and assist our customers in weathering the storm.

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

Appreciation

In conclusion, and on behalf of the Board of Directors, I wish to express sincere gratitude and appreciation to His Highness the Amir Sheikh Sabah Al-Ahmed Al-Sabah, His Highness the Crown Prince Sheik Nawaf Al-Ahmed Al-Sabah, and His Highness the Prime Minister Sheikh Nasser Al-Mohammed Al-Sabah. Thanks also go to members of the Council of Ministers and the National Assembly for their wise management of the nation's economy.



We would also like to extend our thanks to the Central Bank of Kuwait, and all other regulatory agencies for their continuous support to the Banking sector in Kuwait.

The Board of Directors would also like to express gratitude to our valued shareholders for their confidence and continued support of Commercial Bank of Kuwait. We also 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 focused 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 AlShatti
Chairman & Managing Director