



The Commercial Bank of Kuwait S.A.K.

Interim Consolidated Financial Information (Unaudited)

30 September 2008

Bader & Co. PricewaterhouseCoopers

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**The Commercial Bank of Kuwait SAK
State of Kuwait**

**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 2008 and the related condensed consolidated statements of income, changes in shareholders' funds 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, to the best of our knowledge and belief, no violations of the Commercial Companies' Law of 1960, as amended, or of the Articles of Association of the Bank have occurred during the period ended 30 September 2008 that might have had a material effect on the business of the Group or on its financial position.



Ali Mohammed Al Hamad
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PricewaterhouseCoopers



Dr. Shuaib A. Shuaib
Licence No. 33-A
Albazie & Co.
Member of RSM International

Kuwait
7 October 2008

**CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)**

30 September 2008

| | Note | 30-09-2008 KD 000's | 31-12-2007 KD 000's | 30-09-2007 KD 000's |
|--------------------------------------------------|------|------------------------|------------------------|------------------------|
| ASSETS | | | | |
| Cash and short term funds | 7 | 144,981 | 370,024 | 215,878 |
| Treasury and Central Bank bonds | | 255,329 | 207,645 | 200,566 |
| Due from banks and other financial institutions | 8 | 1,228,232 | 1,205,261 | 1,028,050 |
| Loans and advances | 9 | 2,444,695 | 2,214,221 | 2,119,186 |
| Investment securities | | 169,186 | 240,985 | 227,994 |
| Premises and equipment | | 28,766 | 27,648 | 24,540 |
| Goodwill and intangible assets | 5 | 18,666 | - | - |
| Other assets | | 54,407 | 23,509 | 16,123 |
| TOTAL ASSETS | | 4,344,262 | 4,289,293 | 3,832,337 |
| LIABILITIES AND SHAREHOLDERS' FUNDS | | | | |
| LIABILITIES | | | | |
| Due to banks and other financial institutions | | 1,033,002 | 1,009,496 | 955,243 |
| Customer deposits | | 2,703,527 | 2,635,850 | 2,268,046 |
| Subordinated loan | 10 | 15,978 | 16,380 | 16,755 |
| Other liabilities | | 111,422 | 100,551 | 91,587 |
| Total liabilities | | 3,863,929 | 3,762,277 | 3,331,631 |
| SHAREHOLDERS' FUNDS | | | | |
| Share capital | | 127,202 | 121,145 | 121,145 |
| Proposed bonus shares | | - | 6,057 | - |
| Treasury shares | | (27,988) | (7,223) | (7,044) |
| Reserves | | 230,334 | 260,131 | 258,934 |
| Retained earnings | | 149,958 | 44,372 | 127,671 |
| Proposed dividend | | - | 102,534 | - |
| Minority interest | | 479,506 | 527,016 | 500,706 |
| | | 827 | - | - |
| Total shareholders' funds | | 480,333 | 527,016 | 500,706 |
| TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS | | 4,344,262 | 4,289,293 | 3,832,337 |

The interim consolidated financial information has been approved for issue by the Board of Directors on 07 October 2008 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 17 form part of the interim consolidated financial information.

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

Period ended 30 September 2008

| | Note | Period From | | | |
|--------------------------------------------------------------------|------|--------------------------------------------|--------------------------------------------|--------------------------------------------|--------------------------------------------|
| | | 01-07-2008 to 30-09-2008 KD 000's | 01-07-2007 to 30-09-2007 KD 000's | 01-01-2008 to 30-09-2008 KD 000's | 01-01-2007 to 30-09-2007 KD 000's |
| Interest income | 11 | 65,015 | 64,227 | 197,171 | 164,824 |
| Interest expense | | (33,933) | (37,148) | (105,712) | (91,426) |
| NET INTEREST INCOME | | 31,082 | 27,079 | 91,459 | 73,398 |
| Fees and commissions | | 8,155 | 7,096 | 23,612 | 18,097 |
| Fund management fees | | 525 | 576 | 1,694 | 1,500 |
| Dividend income | | 686 | 364 | 5,347 | 8,124 |
| Net gains from dealing in foreign currencies | | 2,180 | 3,827 | 4,997 | 6,017 |
| Net gains from investment securities | | 991 | 13,271 | 30,627 | 26,354 |
| Other operating income | | 317 | 177 | 842 | 550 |
| OPERATING INCOME | | 43,936 | 52,390 | 158,578 | 134,040 |
| Staff | | (4,692) | (3,826) | (13,972) | (11,939) |
| General and administration | | (3,392) | (3,728) | (9,812) | (8,799) |
| Depreciation | | (760) | (467) | (1,674) | (1,069) |
| OPERATING EXPENSES | | (8,844) | (8,021) | (25,458) | (21,807) |
| PROFIT BEFORE PROVISIONS | | 35,092 | 44,369 | 133,120 | 112,233 |
| Impairment and other provisions | 12 | 968 | (11,977) | (23,207) | (16,625) |
| PROFIT FROM OPERATIONS | | 36,060 | 32,392 | 109,913 | 95,608 |
| Taxes and contributions | | (1,599) | (1,068) | (4,786) | (3,262) |
| Directors' fees | | (64) | (54) | (194) | (163) |
| NET PROFIT FOR THE PERIOD | | 34,397 | 31,270 | 104,933 | 92,183 |
| Attributable to: | | | | | |
| Shareholders of the Bank | | 34,420 | 31,270 | 104,889 | 92,183 |
| Minority interest | | (23) | - | 44 | - |
| | | 34,397 | 31,270 | 104,933 | 92,183 |
| Earnings per share attributable to shareholders of the Bank (fils) | 13 | 27.4 | 24.7 | 83.2 | 72.8 |

The attached notes 1 to 17 form part of the interim consolidated financial information.



The Commercial Bank of Kuwait S.A.K.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' FUNDS (UNAUDITED)

Period ended 30 September 2008

| | KD 000's | | | | | | | | | | | | |
|------------------------------------------------------|------------------------------------------|-----------------------|-----------------|---------------|-------------------|-----------------|-------------------------|------------------------------|------------------------|-------------------|-------------------|-------------------|----------------|
| | Attributable to shareholders of the Bank | | | | | | | | | | | | |
| | 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 | Minority Interest | Total |
| Reserves | | | | | | | | | | | | | |
| Balance 31-12-2006 | 115,376 | 5,769 | (7,420) | 66,791 | 57,688 | 17,927 | 48,297 | 19,344 | 38,883 | 35,981 | 85,955 | - | 484,591 |
| Changes in fair value | - | - | - | - | - | - | - | - | 22,368 | - | - | - | 22,368 |
| Gain on disposal of "Available for sale" investments | - | - | - | - | - | - | - | - | (16,005) | (272) | - | - | (16,277) |
| Net income / (loss) directly recognised in equity | - | - | - | - | - | - | - | - | 6,363 | (272) | - | - | 6,091 |
| Net profit for the period | - | - | - | - | - | - | - | - | 92,183 | 92,183 | - | - | 92,183 |
| Total income | - | - | - | - | - | - | - | - | 6,363 | 91,911 | - | - | 98,274 |
| Treasury shares purchased | - | - | (20,235) | - | - | - | - | - | - | - | - | - | (20,235) |
| Treasury shares sold | - | - | 20,611 | - | - | - | 3,641 | - | - | - | - | - | 24,252 |
| Bonus shares issued | 5,769 | (5,769) | - | - | - | - | - | - | - | - | - | - | - |
| Dividend paid | - | - | - | - | - | - | - | - | - | (221) | (85,955) | - | (86,176) |
| Balance 30-09-2007 | 121,145 | - | (7,044) | 66,791 | 57,688 | 17,927 | 51,938 | 19,344 | 45,246 | 127,671 | - | - | 500,706 |
| Balance 31-12-2007 | 121,145 | 6,057 | (7,223) | 66,791 | 60,572 | 17,927 | 52,242 | 22,915 | 39,684 | 44,372 | 102,534 | - | 527,016 |
| Changes in fair value | - | - | - | - | - | - | - | - | (20,251) | - | - | - | (20,251) |
| Gain on disposal of "Available for sale" investments | - | - | - | - | - | - | - | - | (9,771) | 497 | - | 2 | (9,272) |
| Net (loss) / income directly recognised in equity | - | - | - | - | - | - | - | - | (30,022) | 497 | - | 2 | (29,523) |
| Net profit for the period | - | - | - | - | - | - | - | - | 104,889 | 104,889 | - | 44 | 104,933 |
| Total (loss) / income | - | - | - | - | - | - | - | - | (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 |

Annual general meeting held on 02 March 2008 approved the distribution of cash dividend of 85% (85 fils per share) and a bonus issue of 5 shares for every 100 shares held as of 31 December 2007.

The attached notes 1 to 17 form part of the interim consolidated financial information.

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

Period ended 30 September 2008

| | Note | Period Ended | |
|----------------------------------------------------------------------|----------|------------------------|------------------------|
| | | 30-09-2008 KD 000's | 30-09-2007 KD 000's |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit from operations | | 109,913 | 95,608 |
| Adjustments for : | | | |
| Provisions for loans and advances | | 20,866 | 10,333 |
| Income from investment securities | | (35,974) | (34,478) |
| Foreign exchange and other (gains) / losses on investment securities | | 736 | (101) |
| Foreign exchange gain on financing activities | | (402) | (593) |
| Depreciation | | 1,674 | 1,069 |
| Other provisions and valuation adjustments | | 2,353 | 6,292 |
| | | <u>99,166</u> | <u>78,130</u> |
| Changes in operating assets and liabilities: | | | |
| Treasury and Central Bank bonds | | (47,684) | (35,653) |
| Due from banks and other financial institutions | | (22,249) | (490,481) |
| Loans and advances | | (251,340) | (620,360) |
| Certificates of deposit purchased | | - | 94,767 |
| Government debt bond | | - | 5,250 |
| Other assets | | (30,154) | (5,526) |
| Due to banks and other financial institutions | | 23,506 | 386,152 |
| Customer deposits | | 67,677 | 517,925 |
| Other liabilities | | 4,522 | 5,886 |
| | | <u>(156,556)</u> | <u>(63,910)</u> |
| Net cash used in operating activities | | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Proceeds from disposal of investment securities | | 150,448 | 118,150 |
| Acquisition of investment securities | | (77,102) | (105,587) |
| Acquisition of a subsidiary | | (21,622) | - |
| Dividend income from investment securities | | 5,347 | 8,124 |
| Proceeds from disposal of premises and equipment | | (29) | 53 |
| Acquisition of premises and equipment | | (2,655) | (1,685) |
| | | <u>54,387</u> | <u>19,055</u> |
| Net cash from investing activities | | | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Long term borrowings | | - | (20,000) |
| Purchase of treasury shares | | (22,951) | (20,235) |
| Sale of treasury shares | | 2,411 | 24,252 |
| Dividends paid | | (102,334) | (86,176) |
| | | <u>(122,874)</u> | <u>(102,159)</u> |
| Net cash used in financing activities | | | |
| Net decrease in cash and short term funds | | (225,043) | (147,014) |
| Cash and short term funds at the beginning of the period | | 370,024 | 362,892 |
| Cash and short term funds at the end of the period | 7 | <u>144,981</u> | <u>215,878</u> |

The attached notes 1 to 17 form part of the interim consolidated financial information.



1 INCORPORATION AND REGISTRATION

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

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 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 financial information 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 information are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2007, except for the accounting policies mentioned in Note 3 and 4.

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 2008 are not necessarily indicative of the results that may be expected for the year ending 31 December 2008. For further information, refer to the financial statements included in the Bank's annual report for the year ended 31 December 2007.

3 BASIS OF CONSOLIDATION

Subsidiaries are those enterprises controlled by the Parent Company. Control exists when the Parent Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements on a line -by-line basis, from the date on which the control is transferred to the Parent Company until the date that control ceases.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances based on the financial information of the subsidiaries. Intragroup balances, transactions, income and expenses are eliminated in full. Profits and losses resulting from intragroup transactions are also eliminated in full.

4 GOODWILL AND INTANGIBLE ASSETS

Goodwill represents the excess of the cost of an acquisition over the fair value of the Bank's share of identifiable net assets acquired in a business combination at the date of acquisition. Goodwill is allocated to each cash generating unit for the purpose of impairment testing. Goodwill is tested at least annually for impairment and carried at cost less accumulated impairment losses.

Identifiable non-monetary assets acquired in connection with the business and from which future benefits are expected to flow are treated as intangible assets. Intangible assets with indefinite useful lives are not subject to amortization and are tested at least annually for impairment. Intangible assets which have a finite life are amortized over their useful lives.

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

30 September 2008

5 SUBSIDIARIES

(a) In February 2008, the Bank acquired 51% of the equity of Union Securities Brokerage Company K.S.C. (Closed) engaged in brokerage services, for a consideration of KD 13,853 thousand. In April 2008, the percentage of holding was increased to 80% for a total purchase consideration of 21,730 thousand. The Bank has assigned provisional fair values to the identifiable assets, liabilities and contingent liabilities of Union Securities Brokerage Company K.S.C. (Closed) as on the date of acquisition. As a result, the Bank has provisionally recognized KD 18,605 thousand as goodwill and intangible assets. The fair values of the identifiable net assets acquired will be determined and accounted for within twelve months from the date of acquisition.

(b) In December 2007, the Bank incorporated a 100% owned subsidiary, Tijari Investment Company K.S.C. (Closed), with an authorized and subscribed capital of KD 15,000 thousand and is engaged in investment activities.

6 PROVISIONS NO LONGER REQUIRED

Under the terms of Law 41/93, provision no longer required as at 30 September 2008 amounted to KD 90 thousand (30 September 2007: KD 36 thousand). The ultimate amount to be ceded to 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 2007 and in accordance with the instructions of Central Bank of Kuwait.

7 CASH AND SHORT TERM FUNDS

| | 30-09-2008 KD 000's | 31-12-2007 KD 000's | 30-09-2007 KD 000's |
|------------------------------------------------|------------------------|------------------------|------------------------|
| Cash and cash items | 47,035 | 36,553 | 59,511 |
| Balances with the Central Bank of Kuwait | 31,037 | 96,846 | 69,987 |
| Deposits with banks maturing within seven days | 66,909 | 236,625 | 86,380 |
| | 144,981 | 370,024 | 215,878 |

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

8 DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

| | 30-09-2008 KD 000's | 31-12-2007 KD 000's | 30-09-2007 KD 000's |
|-----------------------------------------------|------------------------|------------------------|------------------------|
| Deposits with banks | 1,086,103 | 964,278 | 811,508 |
| Loans and advances to banks | 116,528 | 160,444 | 152,299 |
| Amounts due from other financial institutions | 29,577 | 84,615 | 68,413 |
| | 1,232,208 | 1,209,337 | 1,032,220 |
| Less : Specific provision | (3,976) | (4,076) | (4,170) |
| | 1,228,232 | 1,205,261 | 1,028,050 |

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

9 LOANS AND ADVANCES

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

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

30 September 2008

10 SUBORDINATED LOAN

This represents US dollar loan amounting to KD 15,978 thousand (31 December 2007: KD 16,380 thousand and 30 September 2007: KD 16,755 thousand) from a financial institution outside Kuwait which is subordinated to all third party claims. This loan will mature in September 2015 and interest rate is 3 month LIBOR plus 75 basis points. This qualifies as Tier 2 capital. The loan is repayable at maturity, with an option for early re-payment at the Bank's discretion.

11 INTEREST INCOME

Interest income has been reduced by KD 10 thousand due to an adjustment 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.

12 IMPAIRMENT AND OTHER PROVISIONS

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

| | Period From | | | |
|--------------------------------------------|--------------------------------------------|--------------------------------------------|--------------------------------------------|--------------------------------------------|
| | 01-07-2008 to 30-09-2008 KD 000's | 01-07-2007 to 30-09-2007 KD 000's | 01-01-2008 to 30-09-2008 KD 000's | 01-01-2007 to 30-09-2007 KD 000's |
| Loans and advances to customers - specific | (1,975) | (1,774) | (4,939) | (4,385) |
| Loans and advances to customers - general | 2,964 | (5,247) | (15,927) | (5,948) |
| Non cash facilities | (66) | (5,027) | (1,236) | (5,548) |
| Other provisions | 45 | 71 | (1,105) | (744) |
| | 968 | (11,977) | (23,207) | (16,625) |

13 EARNINGS PER SHARE

| | Period From | | | |
|-------------------------------------------------------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | 01-07-2008 to 30-09-2008 | 01-07-2007 to 30-09-2007 | 01-01-2008 to 30-09-2008 | 01-01-2007 to 30-09-2007 |
| Net profit for the period attributable to shareholders of the Bank (KD 000's) | 34,420 | 31,270 | 104,889 | 92,183 |
| 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) | (16,478) | (5,916) | (12,055) | (6,355) |
| | 1,255,544 | 1,266,106 | 1,259,967 | 1,265,667 |
| Earnings per share attributable to shareholders of the Bank (fils) | 27.4 | 24.7 | 83.2 | 72.8 |

Earnings per share for the three months and nine months ended 30 September 2007 was 25.9 fils and 76.5 fils respectively before retroactive adjustment relating to the bonus shares issued for the year ended 31 December 2007.

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

30 September 2008

14 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:

| | 30-09-2008 | | | 30-09-2007 | | |
|-----------------------------|---------------------------------|---------------------------|--------------------|---------------------------------|---------------------------|--------------------|
| | 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 | 2 | 34,910 | 1 | 2 | 33,834 |
| Credit cards | 1 | 3 | 3 | 2 | 5 | 3 |
| Deposits | 7 | 14 | 486 | 6 | 15 | 142 |
| Executive Management | | | | | | |
| Loans | 12 | 1 | 382 | 8 | 1 | 190 |
| Credit cards | 8 | 4 | 8 | 4 | 7 | 6 |
| Deposits | 14 | 31 | 644 | 11 | 30 | 700 |

The loans issued to directors and executive management are mainly repayable within 1 year and have interest rates ranging from 4.75 % to 8.25 % (30 September 2007: 5.00 % to 10.25%). The loans given to related parties are collateralised by real-estate and equities. The fair value of these collaterals as at 30 September 2008 is KD 46,089 thousand (30 September 2007: KD 53,570 thousand).

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

| | Period Ended | |
|------------------------------|------------------------|------------------------|
| | 30-09-2008 KD 000's | 30-09-2007 KD 000's |
| Interest income | 2,218 | 2,008 |
| Interest expense | (29) | (27) |
| Key management compensation: | | |
| Short-term benefits | (968) | (699) |
| Post employment benefits | (12) | (10) |
| Termination benefits | (183) | (312) |



NOTES TO THE INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

30 September 2008

15 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.

| | 30-09-2008 | | | 30-09-2007 | | |
|-----------------------------------|------------|---------------|-----------|------------|---------------|-----------|
| | KD 000's | | | KD 000's | | |
| | Domestic | International | Total | Domestic | International | Total |
| Interest income | 191,692 | 5,479 | 197,171 | 159,284 | 5,540 | 164,824 |
| Non interest income | 65,026 | 2,093 | 67,119 | 59,176 | 1,466 | 60,642 |
| Total revenues | 256,718 | 7,572 | 264,290 | 218,460 | 7,006 | 225,466 |
| Impairment and other provisions | (23,207) | - | (23,207) | (16,593) | (32) | (16,625) |
| Net profit for the period | 102,166 | 2,767 | 104,933 | 89,619 | 2,564 | 92,183 |
| Assets | 4,230,614 | 113,648 | 4,344,262 | 3,658,819 | 173,518 | 3,832,337 |
| Liabilities & Shareholders' funds | 4,323,888 | 20,374 | 4,344,262 | 3,810,813 | 21,524 | 3,832,337 |

(b) By geographic sector

All business is conducted from Kuwait.

16 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

| | 30-09-2008 | 31-12-2007 | 30-09-2007 |
|----------------------|------------------|------------------|------------------|
| | KD 000's | KD 000's | KD 000's |
| Acceptances | 245,090 | 79,422 | 36,131 |
| Letters of credit | 754,738 | 658,198 | 562,388 |
| Letters of guarantee | 1,201,274 | 1,021,150 | 906,189 |
| Others | 36,229 | 36,265 | 35,230 |
| | 2,237,331 | 1,795,035 | 1,539,938 |


NOTES TO THE INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

30 September 2008

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

| | 30-09-2008 | 31-12-2007 | 30-09-2007 |
|-----------------------------------------------|------------|------------|------------|
| | KD 000's | KD 000's | KD 000's |
| Foreign exchange contracts - spot and forward | 85,329 | 230,414 | 147,279 |
| Interest rate swaps | 274 | 350 | 430 |

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.

(b) Fiduciary assets

The Group manages investment/money market funds, the net asset value of which at 30 September 2008 is KD 187,263 thousand (31 December 2007: KD 194,751 thousand and 30 September 2007: KD 204,213 thousand).

(c) Legal claims

At the balance sheet date certain legal claims existed against the Group and for which KD 2,190 thousand (31 December 2007: KD 2,371 thousand and 30 September 2007: KD 2,073 thousand) has been provided.

17 COMPARATIVE FIGURES

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