

NATIONAL BANK OF KUWAIT GROUP

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

31 MARCH 2008 (UNAUDITED)

National Bank of Kuwait Group

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

31 March 2008 (Unaudited)

	Notes	Three months ended 31 March	
		2008 KD 000's	2007 KD 000's
Interest income		181,075	154,474
Interest expense		89,901	79,009
Net interest income		91,174	75,465
Net fees and commissions		23,544	18,393
Net gains from investment securities		10,040	2,126
Net gains from dealing in foreign currencies		6,702	4,335
Dividend income		1,114	1,814
Share of profit of associates		1,362	749
Other income		333	75
Net operating income		134,269	102,957
Staff expenses		23,790	15,803
Other administrative expenses		17,059	9,938
Depreciation		1,465	1,168
Operating expenses		42,314	26,909
Operating profit before provision for credit losses		91,955	76,048
Provision charge for credit losses - specific		4,807	4,729
Provision charge for credit losses - general		943	3,843
Operating profit		86,205	67,476
Taxation	7	3,483	3,195
Profit for the period		82,722	64,281
Attributable to:			
Shareholders of the parent Bank		82,100	64,031
Minority interests		622	250
		82,722	64,281
Basic and diluted earnings per share attributable to shareholders of the parent Bank		30 fils	26 fils

The attached notes 1 to 10 form part of the interim condensed consolidated financial information.

National Bank of Kuwait Group

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

31 March 2008 (Unaudited)

		Audited		
		31 March	31 December	31 March
		2008	2007	2007
	Notes	KD 000's	KD 000's	KD 000's
Assets				
Cash and short term funds		1,511,360	1,778,152	717,245
Central Bank of Kuwait bonds		108,988	227,162	255,823
Kuwait Government treasury bonds		367,382	338,366	393,703
Deposits with banks and other financial institutions		1,980,859	1,841,583	1,529,113
Loans and advances to customers		5,906,969	5,920,308	4,681,287
Investment securities		1,008,792	878,465	670,717
Kuwait Government debt bonds		-	-	9,528
Investment in associates	3	115,118	74,082	32,569
Land, premises and equipment		106,311	104,876	92,479
Goodwill and other intangible assets		242,287	244,988	17,552
Other assets		120,176	131,439	99,368
Total assets		11,468,242	11,539,421	8,499,384
Liabilities				
Due to banks and other financial institutions		4,544,014	3,903,282	2,771,964
Customer deposits		5,166,273	5,716,101	4,694,438
Other liabilities		199,769	225,130	166,848
Total liabilities		9,910,056	9,844,513	7,633,250
Equity				
Equity attributable to shareholders of the parent Bank				
Share capital - authorised, issued and fully paid shares of KD 0.100 each		270,318	245,744	204,786
Proposed bonus shares		-	24,574	-
Statutory reserve		122,872	122,872	97,517
Share premium account		569,006	569,006	200,390
Treasury shares		(22,378)	-	(154,803)
Treasury share reserve		44,710	44,710	-
General reserve		117,058	117,058	117,058
Retained earnings		431,866	349,766	374,295
Foreign currency translation reserve		(17,286)	(4,203)	(589)
Cumulative changes in fair values		31,024	31,037	19,673
Share based payment reserve	4	1,513	993	670
Total share capital and reserves		1,548,703	1,501,557	858,997
Proposed cash dividend		-	184,308	-
		1,548,703	1,685,865	858,997
Minority interests		9,483	9,043	7,137
Total equity		1,558,186	1,694,908	866,134
Total liabilities and equity		11,468,242	11,539,421	8,499,384

Mohammed Abdul Rahman Al-Bahar
Chairman

The attached notes 1 to 10 form part of the interim condensed consolidated financial information.

National Bank of Kuwait Group

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

31 March 2008 (Unaudited)

	Notes	Three months ended 31 March	
		2008 KD 000's	2007 KD 000's
Operating activities			
Profit for the period		82,722	64,281
Adjustments:			
Dividend income		(1,114)	(1,814)
Net gains from investment securities		(10,040)	(2,126)
Share of profit of associates		(1,362)	(749)
Depreciation		1,465	1,168
Provision charge for credit losses		5,750	8,572
Share based payment reserve		520	238
Taxation		3,483	3,195
Operating profit before changes in operating assets and liabilities		81,424	72,765
Changes in operating assets and liabilities:			
Central Bank of Kuwait bonds		118,174	(166,475)
Kuwait Government treasury bonds		(29,016)	196,967
Deposits with banks and other financial institutions		(139,276)	(309,596)
Loans and advances to customers		7,321	(380,047)
Kuwait Government debt bonds		-	5,123
Other assets		13,964	(24,131)
Due to banks and other financial institutions		640,732	470,027
Customer deposits		(549,828)	315,952
Other liabilities		(26,262)	12,923
Tax paid		(295)	(642)
Net cash from operating activities		116,938	192,866
Investing activities			
Purchase of investment securities		(316,228)	(272,617)
Sale/redemption of investment securities		195,758	225,525
Dividend income		1,114	1,814
Investment in associates	3	(41,513)	-
Proceeds from sale of land, premises and equipment		28	15
Acquisition of land, premises and equipment		(2,928)	(3,747)
Net cash used in investing activities		(163,769)	(49,010)
Financing activities			
Dividends paid		(184,308)	(142,170)
Purchase of treasury shares		(22,378)	(130,951)
Net cash used in financing activities		(206,686)	(273,121)
Decrease in cash and short term funds		(253,517)	(129,265)
Foreign currency translation		(13,275)	892
Cash and short term funds at 1 January		1,778,152	845,618
Cash and short term funds at 31 March		1,511,360	717,245

The attached notes 1 to 10 form part of the interim condensed consolidated financial information.

National Bank of Kuwait Group

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

31 March 2008 (Unaudited)

KD 000's

	Equity attributable to shareholders of the parent Bank												Total	Minority interests	Total
	Share capital	Proposed Bonus Shares	Statutory reserve	Share premium account	Treasury shares	Treasury share reserve	General reserve	Retained earnings	Proposed cash dividend	Foreign currency translation reserve	Cumulative changes in fair values	Share based payment reserve			
At 31 December 2007	245,744	24,574	122,872	569,006	-	44,710	117,058	349,766	184,308	(4,203)	31,037	993	1,685,865	9,043	1,694,908
Net unrealised gains on available for sale investments	-	-	-	-	-	-	-	-	-	-	10,720	-	10,720	29	10,749
Net unrealised gains on available for sale investments - associate	-	-	-	-	-	-	-	-	-	-	180	-	180	-	180
Net realised gains transferred to statement of income on disposal	-	-	-	-	-	-	-	-	-	-	(10,913)	-	(10,913)	(19)	(10,932)
Foreign currency translation	-	-	-	-	-	-	-	-	-	(13,083)	-	-	(13,083)	(192)	(13,275)
Total income and expense directly recognised in equity	-	-	-	-	-	-	-	-	-	(13,083)	(13)	-	(13,096)	(182)	(13,278)
Profit for the period	-	-	-	-	-	-	82,100	-	-	-	-	-	82,100	622	82,722
Total income and expense recognised for the period	-	-	-	-	-	-	82,100	-	-	(13,083)	(13)	-	69,004	440	69,444
Issue of bonus shares	24,574	(24,574)	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	(22,378)	-	-	-	-	-	-	-	(22,378)	-	(22,378)
Dividends paid	-	-	-	-	-	-	-	-	(184,308)	-	-	-	(184,308)	-	(184,308)
Share based payment (Note 4)	-	-	-	-	-	-	-	-	-	-	-	520	520	-	520
At 31 March 2008	270,318	-	122,872	569,006	(22,378)	44,710	117,058	431,866	-	(17,286)	31,024	1,513	1,548,703	9,483	1,558,186

The attached notes 1 to 10 form part of the interim condensed consolidated financial information.

National Bank of Kuwait Group

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

31 March 2008 (Unaudited)

KD 000's

	Equity attributable to shareholders of the parent Bank											Minority Interests	Total	
	Share capital	Proposed bonus shares	Statutory reserve	Share premium account	Treasury shares	General reserve	Retained earnings	Proposed cash dividend	Foreign currency translation reserve	Cumulative changes in fair values	Share based payment reserve			Total
At 31 December 2006	195,035	9,751	97,517	200,390	(23,852)	117,058	307,462	144,972	(1,292)	12,264	432	1,059,737	6,185	1,065,922
Net unrealised gains on available for sale investments	-	-	-	-	-	-	-	-	-	8,849	-	8,849	10	8,859
Net realised gains transferred to statement of income on disposal	-	-	-	-	-	-	-	-	-	(1,440)	-	(1,440)	-	(1,440)
Foreign currency translation	-	-	-	-	-	-	-	-	703	-	-	703	189	892
Total income and expense directly recognised in equity	-	-	-	-	-	-	-	703	7,409	-	-	8,112	199	8,311
Profit for the period	-	-	-	-	-	-	64,031	-	-	-	-	64,031	250	64,281
Total income and expense recognised for the period	-	-	-	-	-	-	64,031	-	703	7,409	-	72,143	449	72,592
Issue of bonus shares	9,751	(9,751)	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	(130,951)	-	-	-	-	-	-	(130,951)	-	(130,951)
Dividends on treasury shares purchased	-	-	-	-	-	-	2,802	(2,802)	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	(142,170)	-	-	-	(142,170)	-	(142,170)
Share based payment (Note 4)	-	-	-	-	-	-	-	-	-	-	238	238	-	238
Acquired subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	503	503
At 31 March 2007	204,786	-	97,517	200,390	(154,803)	117,058	374,295	-	(589)	19,673	670	858,997	7,137	866,134

The attached notes 1 to 10 form part of the interim condensed consolidated financial information.

1 Incorporation and registration

The interim condensed consolidated financial information of National Bank of Kuwait S.A.K. (“the Bank”) and its subsidiaries (collectively “the Group”) for the period ended 31 March 2008 were authorised for issue in accordance with a resolution of the directors on 6 April 2008. The Bank is a public shareholding company incorporated in Kuwait in 1952 and is registered as a Bank with the Central Bank of Kuwait. The Bank’s head office is at Abdullah Al Ahmed Street, PO Box 95, Safat 13001, Kuwait.

2 Accounting policies

The interim condensed consolidated financial information of the Group has been prepared in accordance with IAS 34, Interim Financial Reporting, except as noted below. 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 2007. The annual consolidated financial statements for the year ended 31 December 2007 were prepared in accordance with the regulations of the State 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 impairment provision, which has been replaced by the Central Bank of Kuwait’s requirement for a minimum general provision as described below.

The impairment provision for finance facilities complies in all material respects with the specific provision requirements of the Central Bank of Kuwait and IFRS. In March 2007, the Central Bank of Kuwait issued a circular amending the basis of making general provisions on facilities changing the rate from 2% to 1% for cash facilities and 0.5% for non cash facilities. The required rates were to be applied effective from 1 January 2007 on the net increase in facilities, net of certain restricted categories of collateral, during the reporting period. The general provision in excess of the present 1% for cash facilities and 0.5% for non cash facilities would be retained as a general provision until a further directive from the Central Bank of Kuwait is issued.

3 Investment in associates

The group acquired a 40% interest in Turkish Bank A.S in January 2008. In the 3 months ended 31 March 2008 the associate contributed profit of KD 65 thousand.

4 Share based payment reserve

The Bank operates equity settled share based compensation plans. The fair value of outstanding options amounts to KD 6,254 thousand at 31 March 2008 (2007: KD 4,235 thousand). The expense accrued on account of share based compensation plans for the period ended 31 March 2008 amounts to KD 520 thousand (2007: KD 238 thousand) and has been included as part of staff expenses in the interim condensed consolidated statement of income.

5 Provisions for impairment no longer required

Under the terms of Law 41/93, provisions for impairment no longer required as at 31 March 2008 amounted to KD Nil (2007: KD Nil). The identification of provisions for impairment no longer required will depend on the final situation at the year end and will be made in accordance with the instructions of Central Bank of Kuwait.

National Bank of Kuwait Group

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31 March 2008 (Unaudited)

6 Geographical segments

The Group operates in two geographic markets, domestic and international. Kuwait is designated as domestic. These markets form the basis on which the Group reports its primary segmental information.

The geographical analysis of operating income, profit, total assets and total liabilities is based primarily upon the location of the branch or subsidiary responsible for reporting the results.

Transactions between segments are conducted at market rates on an arm's length basis.

	Domestic		International		Total	
	2008 KD 000's	2007 KD 000's	2008 KD 000's	2007 KD 000's	2008 KD 000's	2007 KD 000's
Three months ended						
31 March						
Operating income	<u>103,647</u>	<u>88,845</u>	<u>30,622</u>	<u>14,112</u>	<u>134,269</u>	<u>102,957</u>
Profit for the period	<u>65,772</u>	<u>57,938</u>	<u>16,950</u>	<u>6,343</u>	<u>82,722</u>	<u>64,281</u>
Total assets	<u>7,189,832</u>	<u>5,524,782</u>	<u>4,278,410</u>	<u>2,974,602</u>	<u>11,468,242</u>	<u>8,499,384</u>
Total liabilities	<u>5,746,942</u>	<u>4,849,012</u>	<u>4,163,114</u>	<u>2,784,238</u>	<u>9,910,056</u>	<u>7,633,250</u>

7 Taxation

	Three months ended 31 March	
	2008 KD 000's	2007 KD 000's
National labour support tax	1,633	1,524
Contribution to Kuwait Foundation for the Advancement of Sciences	673	600
Taxation on overseas branches and subsidiaries	332	1,071
Zakat	845	-
	<u>3,483</u>	<u>3,195</u>

8 Commitments and contingent liabilities

	31 March 2008 KD 000's	Audited	31 March 2007 KD 000's
		31 December 2007 KD 000's	
Commitments on behalf of customers for which there are corresponding liabilities by the customers concerned:			
Acceptances	65,729	104,765	105,603
Letters of credit	493,168	468,632	406,299
Guarantees	1,376,801	1,431,610	1,100,255
Irrevocable commitments to extend credit	1,177,478	1,153,804	1,315,171
	<u>3,113,176</u>	<u>3,158,811</u>	<u>2,927,328</u>

National Bank of Kuwait Group

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31 March 2008 (Unaudited)

9 Related party transactions

Certain related parties (shareholders, directors and officers of the Bank, companies which they control or over which they exert significant influence, and entities associated with the Group) were customers of the Bank and its subsidiaries 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.

In accordance with Central Bank of Kuwait regulations regarding lending to Board Members and their related parties, such lending is secured by tangible collateral.

Details of the interests of Board Members and Executive Officers are as follows:

	Number of Board Members or Executive Officers			Number of related parties			Audited		
	31 March 2008	31 December 2007	31 March 2007	31 March 2008	31 December 2007	31 March 2007	31 March 2008 KD 000's	31 December 2007 KD 000's	31 March 2007 KD 000's
Board Members									
Loans (secured)	7	6	5	22	22	23	285,509	307,279	215,054
Contingent liabilities	3	3	2	20	20	19	111,733	139,248	69,648
Credit cards	5	6	6	3	2	1	71	28	16
Deposits	8	16	8	22	24	18	46,303	46,407	48,461
Collateral against loans	7	6	5	22	22	23	728,189	672,641	519,689
Interest and fee income							8,845	24,413	4,679
Interest expense							270	1,179	133
Executive Officers									
Loans	6	7	6				439	425	416
Contingent liabilities	4	2	3				5	8	74
Credit cards	8	5	6				32	27	43
Deposits	22	21	18				528	512	362
Interest and fee income							4	8	6
Interest expense							3	4	1

There are no material transactions or balances with the associates.

National Bank of Kuwait Group

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31 March 2008 (Unaudited)

10 Key management compensation

Compensation for key management, including executive officers, comprises the following:

	Three months ended 31 March	
	2008	2007
	KD 000's	KD 000's
Salaries and other short term benefits	1,938	1,897
Post-employment benefits	210	194
Share based compensation	349	164
	<u>2,497</u>	<u>2,255</u>