

**NATIONAL BANK OF KUWAIT GROUP**

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION**

**30 JUNE 2008 (UNAUDITED)**

# National Bank of Kuwait Group

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

30 June 2008 (Unaudited)

	Notes	Three months ended 30 June		Six months ended 30 June	
		2008 KD 000's	2007 KD 000's	2008 KD 000's	2007 KD 000's
Interest income	7	<b>166,482</b>	159,526	<b>347,557</b>	314,000
Interest expense		<b>69,825</b>	80,822	<b>159,726</b>	159,831
<b>Net interest income</b>		<b>96,657</b>	78,704	<b>187,831</b>	154,169
Net fees and commissions		<b>24,861</b>	24,241	<b>48,405</b>	42,634
Net gains from investment securities		<b>6,054</b>	12,013	<b>16,094</b>	14,139
Net gains from dealing in foreign currencies		<b>5,990</b>	5,819	<b>12,692</b>	10,154
Dividend income		<b>2,505</b>	1,117	<b>3,619</b>	2,931
Share of profit of associates		<b>2,081</b>	797	<b>3,443</b>	1,546
Other income		<b>282</b>	953	<b>615</b>	1,028
<b>Net operating income</b>		<b>138,430</b>	123,644	<b>272,699</b>	226,601
Staff expenses		<b>21,722</b>	18,379	<b>45,512</b>	34,182
Other administrative expenses		<b>10,481</b>	11,544	<b>27,540</b>	21,482
Depreciation		<b>1,529</b>	1,183	<b>2,994</b>	2,351
<b>Operating expenses</b>		<b>33,732</b>	31,106	<b>76,046</b>	58,015
<b>Operating profit before provision for credit losses</b>		<b>104,698</b>	92,538	<b>196,653</b>	168,586
Provision charge for credit losses - specific		<b>4,152</b>	1,780	<b>8,959</b>	6,509
Provision charge for credit losses - general		<b>2,362</b>	6,644	<b>3,305</b>	10,487
<b>Operating profit</b>		<b>98,184</b>	84,114	<b>184,389</b>	151,590
Taxation	8	<b>4,495</b>	3,348	<b>7,978</b>	6,543
<b>Profit for the period</b>		<b>93,689</b>	80,766	<b>176,411</b>	145,047
Attributable to:					
Shareholders of the parent Bank		<b>93,000</b>	80,315	<b>175,100</b>	144,346
Minority interests		<b>689</b>	451	<b>1,311</b>	701
		<b>93,689</b>	80,766	<b>176,411</b>	145,047
<b>Basic and diluted earnings per share attributable to shareholders of the parent Bank</b>		<b>35 fils</b>	33 fils	<b>65 fils</b>	60 fils

The attached notes 1 to 11 form part of the interim condensed consolidated financial information.

# National Bank of Kuwait Group

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

30 June 2008 (Unaudited)

		<b>Audited</b>	
		<b>30 June</b>	<b>31 December</b>
		<b>2008</b>	<b>2007</b>
	Notes	<b>KD 000's</b>	<b>KD 000's</b>
		<b>30 June</b>	<b>2007</b>
		<b>KD 000's</b>	<b>KD 000's</b>
<b>Assets</b>			
Cash and short term funds		1,111,956	1,778,152
Central Bank of Kuwait bonds		91,246	227,162
Kuwait Government treasury bonds		382,278	338,366
Deposits with banks and other financial institutions		1,638,517	1,841,583
Loans and advances to customers		6,145,800	5,920,308
Investment securities		1,255,593	878,465
Investment in associates	3	115,476	74,082
Land, premises and equipment		114,993	104,876
Goodwill and other intangible assets		247,330	244,988
Other assets		118,109	131,439
<b>Total assets</b>		<b>11,221,298</b>	<b>11,539,421</b>
<b>Liabilities</b>			
Due to banks and other financial institutions		4,154,796	4,112,873
Customer deposits		5,204,407	5,506,510
Other liabilities		223,689	225,130
<b>Total liabilities</b>		<b>9,582,892</b>	<b>9,844,513</b>
<b>Equity</b>			
<b>Equity attributable to shareholders of the parent Bank</b>			
Share capital - authorised, issued and fully paid shares of KD 0.100 each		270,318	245,744
Proposed bonus shares		-	24,574
Statutory reserve		122,872	122,872
Share premium account		569,006	569,006
Treasury shares		(41,730)	-
Treasury share reserve		44,710	44,710
General reserve		117,058	117,058
Retained earnings		524,866	349,766
Foreign currency translation reserve		(10,971)	(4,203)
Cumulative changes in fair values		30,427	31,037
Share based payment reserve	4	1,980	993
<b>Total share capital and reserves</b>		<b>1,628,536</b>	<b>1,501,557</b>
Proposed cash dividend		-	184,308
<b>Total equity</b>		<b>1,628,536</b>	<b>1,685,865</b>
Minority interests		9,870	9,043
<b>Total equity</b>		<b>1,638,406</b>	<b>1,694,908</b>
<b>Total liabilities and equity</b>		<b>11,221,298</b>	<b>11,539,421</b>

Nasser Musaed Abdullah Al-Sayer  
Vice Chairman

The attached notes 1 to 11 form part of the interim condensed consolidated financial information.

# National Bank of Kuwait Group

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

30 June 2008 (Unaudited)

	Notes	Six months ended 30 June	
		2008 KD 000's	2007 KD 000's
<b>Operating activities</b>			
Profit for the period		176,411	145,047
Adjustments:			
Dividend income		(3,619)	(2,931)
Net gains from investment securities		(16,094)	(14,139)
Share of profit of associates		(3,443)	(1,546)
Depreciation		2,994	2,351
Provision charge for credit losses		12,264	16,996
Share based payment reserve	4	987	758
Taxation		7,978	6,543
Operating profit before changes in operating assets and liabilities		177,478	153,079
Changes in operating assets and liabilities:			
Central Bank of Kuwait bonds		135,916	(165,344)
Kuwait Government treasury bonds		(43,912)	203,226
Deposits with banks and other financial institutions		203,066	(126,567)
Loans and advances to customers		(237,679)	(865,836)
Kuwait Government debt bonds		-	14,651
Other assets		10,988	(30,887)
Due to banks and other financial institutions		41,923	787,597
Customer deposits		(302,103)	523,810
Other liabilities		3,186	22,433
Tax paid		(10,788)	(10,186)
Net cash (used in)/ from operating activities		(21,925)	505,976
<b>Investing activities</b>			
Purchase of investment securities		(848,259)	(515,415)
Sale/redemption of investment securities		486,404	469,252
Dividend income		3,619	2,931
Investment in associates	3	(43,871)	-
Proceeds from sale of land, premises and equipment		127	43
Acquisition of land, premises and equipment		(13,238)	(7,394)
Dividend from associates		3,930	1,525
Net cash used in investing activities		(411,288)	(49,058)
<b>Financing activities</b>			
Dividends paid		(184,308)	(142,170)
Purchase of treasury shares		(41,730)	(131,531)
Net cash used in financing activities		(226,038)	(273,701)
<b>(Decrease)/ increase in cash and short term funds</b>		<b>(659,251)</b>	<b>183,217</b>
Foreign currency translation		(6,945)	477
Cash and short term funds at 1 January		1,778,152	845,618
<b>Cash and short term funds at 30 June</b>		<b>1,111,956</b>	<b>1,029,312</b>

The attached notes 1 to 11 form part of the interim condensed consolidated financial information.

# National Bank of Kuwait Group

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

30 June 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	Treasury share reserve	General reserve	Retained earnings	Proposed cash dividend	Foreign currency translation reserve	Cumulative changes in fair values	Share based payment reserve			Total
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	-	-	-	-	-	-	-	-	-	-	12,080	-	12,080	23	12,103
Net unrealised gains on available for sale investments - associates	-	-	-	-	-	-	-	-	-	-	207	-	207	-	207
Net realised gains transferred to statement of income on disposal	-	-	-	-	-	-	-	-	-	-	(12,897)	-	(12,897)	(27)	(12,924)
Foreign currency translation	-	-	-	-	-	-	-	-	-	(6,768)	-	-	(6,768)	(177)	(6,945)
Total income and expense directly recognised in equity	-	-	-	-	-	-	-	-	-	(6,768)	(610)	-	(7,378)	(181)	(7,559)
Profit for the period	-	-	-	-	-	-	175,100	-	-	-	-	-	175,100	1,311	176,411
Total income and expense recognised for the period	-	-	-	-	-	-	175,100	-	-	(6,768)	(610)	-	167,722	1,130	168,852
Issue of bonus shares	24,574	(24,574)	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares (20,970 thousand shares)	-	-	-	-	(41,730)	-	-	-	-	-	-	-	(41,730)	-	(41,730)
Dividends paid	-	-	-	-	-	-	-	-	(184,308)	-	-	-	(184,308)	-	(184,308)
Movement in minority interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(303)	(303)
Share based payment (Note 4)	-	-	-	-	-	-	-	-	-	-	-	987	987	-	987
<b>At 30 June 2008</b>	<b>270,318</b>	<b>-</b>	<b>122,872</b>	<b>569,006</b>	<b>(41,730)</b>	<b>44,710</b>	<b>117,058</b>	<b>524,866</b>	<b>-</b>	<b>(10,971)</b>	<b>30,427</b>	<b>1,980</b>	<b>1,628,536</b>	<b>9,870</b>	<b>1,638,406</b>

The attached notes 1 to 11 form part of the interim condensed consolidated financial information.

National Bank of Kuwait Group

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

30 June 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	-	-	-	-	-	-	-	-	-	20,522	-	20,522	8	20,530
Net realised gains transferred to statement of income on disposal	-	-	-	-	-	-	-	-	-	(12,606)	-	(12,606)	-	(12,606)
Foreign currency translation	-	-	-	-	-	-	-	-	273	-	-	273	204	477
Total income and expense directly recognised in equity	-	-	-	-	-	-	-	-	273	7,916	-	8,189	212	8,401
Profit for the period	-	-	-	-	-	-	144,346	-	-	-	-	144,346	701	145,047
Total income and expense recognised for the period	-	-	-	-	-	-	144,346	-	273	7,916	-	152,535	913	153,448
Issue of bonus shares	9,751	(9,751)	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares (62,683 thousand shares)	-	-	-	-	(131,531)	-	-	-	-	-	-	(131,531)	-	(131,531)
Dividends on treasury shares purchased	-	-	-	-	-	-	2,802	(2,802)	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	(142,170)	-	-	-	(142,170)	-	(142,170)
Share based payment (Note 4)	-	-	-	-	-	-	-	-	-	-	722	722	36	758
Acquired subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	1,921	1,921
At 30 June 2007	204,786	-	97,517	200,390	(155,383)	117,058	454,610	-	(1,019)	20,180	1,154	939,293	9,055	948,348

The attached notes 1 to 11 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 30 June 2008 were authorised for issue in accordance with a resolution of the directors on 6 July 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. During the six months ended 30 June 2008, the associate contributed profit of KD 185 thousand.

## **4 Share based payment reserve**

The Bank operates equity settled share based compensation plans. The fair value of outstanding options amounts to KD 6,229 thousand at 30 June 2008 (2007: KD 4,430 thousand). The expense accrued on account of share based compensation plans for the period ended 30 June 2008 amounts to KD 987 thousand (2007: KD 758 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 30 June 2008 amounted to KD 4 thousand (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

30 June 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
<b>Three months ended</b>						
<b>30 June</b>						
Operating income	<u>106,496</u>	<u>107,711</u>	<u>31,934</u>	<u>15,933</u>	<u>138,430</u>	<u>123,644</u>
Profit for the period	<u>74,302</u>	<u>72,335</u>	<u>19,387</u>	<u>8,431</u>	<u>93,689</u>	<u>80,766</u>

	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
<b>Six months ended</b>						
<b>30 June</b>						
Operating income	<u>210,143</u>	<u>196,556</u>	<u>62,556</u>	<u>30,045</u>	<u>272,699</u>	<u>226,601</u>
Profit for the period	<u>140,074</u>	<u>130,273</u>	<u>36,337</u>	<u>14,774</u>	<u>176,411</u>	<u>145,047</u>
Total assets	<u>7,169,975</u>	<u>6,137,201</u>	<u>4,051,323</u>	<u>2,973,058</u>	<u>11,221,298</u>	<u>9,110,259</u>
Total liabilities	<u>5,435,730</u>	<u>5,302,696</u>	<u>4,147,162</u>	<u>2,859,215</u>	<u>9,582,892</u>	<u>8,161,911</u>

### 7 Interest income

Interest income has been reduced by KD 204 thousand during the period ended 30 June 2008. The charge includes 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.

### 8 Taxation

	Three months ended 30 June		Six months ended 30 June	
	2008 KD 000's	2007 KD 000's	2008 KD 000's	2007 KD 000's
National labour support tax	<u>1,831</u>	<u>1,890</u>	<u>3,464</u>	<u>3,414</u>
Contribution to Kuwait Foundation for the Advancement of Sciences	<u>891</u>	<u>796</u>	<u>1,564</u>	<u>1,396</u>
Taxation on overseas branches and subsidiaries	<u>812</u>	<u>662</u>	<u>1,144</u>	<u>1,733</u>
Zakat	<u>961</u>	<u>-</u>	<u>1,806</u>	<u>-</u>
	<u>4,495</u>	<u>3,348</u>	<u>7,978</u>	<u>6,543</u>

# National Bank of Kuwait Group

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2008 (Unaudited)

### 9 Commitments and contingent liabilities

	<b>30 June 2008 KD 000's</b>	<b>Audited 31 December 2007 KD 000's</b>	<b>30 June 2007 KD 000's</b>
Commitments on behalf of customers for which there are corresponding liabilities by the customers concerned:			
Acceptances	72,266	104,765	112,028
Letters of credit	507,140	468,632	602,774
Guarantees	1,526,243	1,431,610	1,187,186
Irrevocable commitments to extend credit	1,141,776	1,153,804	1,389,249
	<u>3,247,425</u>	<u>3,158,811</u>	<u>3,291,237</u>

### 10 Key management compensation

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

	<b>Six months ended 30 June</b>	
	<b>2008 KD 000's</b>	<b>2007 KD 000's</b>
Salaries and other short term benefits	4,577	3,553
Post-employment benefits	527	486
Share based compensation	594	331
	<u>5,698</u>	<u>4,370</u>

# National Bank of Kuwait Group

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2008 (Unaudited)

### 11 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		
	30 June 2008	31 December 2007	30 June 2007	30 June 2008	31 December 2007	30 June 2007	30 June 2008 KD 000's	31 December 2007 KD 000's	30 June 2007 KD 000's
<b>Board Members</b>									
Loans (secured)	6	6	6	24	22	17	295,197	307,279	262,225
Contingent liabilities	2	3	2	20	20	20	114,849	139,248	196,802
Credit cards	6	6	4	4	2	3	39	28	54
Deposits	6	6	6	25	24	19	71,482	46,407	22,248
Collateral against loans	6	6	6	24	22	27	742,010	672,641	608,426
Interest and fee income							14,975	24,413	12,943
Interest expense							536	1,179	331
<b>Executive Officers</b>									
Loans	7	7	6				441	425	418
Contingent liabilities	4	2	3				10	8	49
Credit cards	6	5	6				24	27	19
Deposits	16	21	18				562	512	373
Interest and fee income							4	8	6
Interest expense							2	4	1

There are no material transactions or balances with the associates.