

National Bank of Kuwait Group

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

30 September 2009 (Unaudited)

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2009 KD 000's	2008 KD 000's	2009 KD 000's	2008 KD 000's
Interest income		130,427	173,223	419,570	520,780
Interest expense		36,477	75,328	132,270	235,054
Net interest income		93,950	97,895	287,300	285,726
Net fees and commissions		26,600	26,402	75,500	74,807
Net gains /(losses) from investment securities		1,175	(15,293)	11,382	801
Net gains from dealing in foreign currencies		5,410	7,248	21,952	19,940
Dividend income		307	312	1,828	3,931
Share of (losses)/ profit of associates		(187)	2,738	3,871	6,181
Other operating income		235	730	985	1,345
Net operating income		127,490	120,032	402,818	392,731
Staff expenses		22,841	24,075	67,274	69,587
Other administrative expenses		14,598	13,083	59,330	40,623
Depreciation of premises and equipment		1,992	1,682	5,593	4,676
Amortization of intangible assets		1,139	-	3,409	-
Operating expenses		40,570	38,840	135,606	114,886
Operating profit before provision for credit losses and impairment losses		86,920	81,192	267,212	277,845
Provision charge for credit losses - specific		4,021	2,738	10,090	11,697
Provision charge for credit losses - general		3,207	5,929	24,871	9,234
Impairment losses for investment securities		-	-	18,165	-
Operating profit before taxation		79,692	72,525	214,086	256,914
Taxation	3	3,886	3,404	11,439	11,382
Profit for the period		75,806	69,121	202,647	245,532
Attributable to:					
Shareholders of the parent Bank		75,465	68,592	201,543	243,692
Non-controlling interests		341	529	1,104	1,840
		75,806	69,121	202,647	245,532
Basic and diluted earnings per share attributable to shareholders of the parent Bank	4	26 fils	23 fils	70 fils	82 fils

The attached notes 1 to 13 form part of the interim condensed consolidated financial information.

National Bank of Kuwait Group

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

30 September 2009 (Unaudited)

	Three months ended 30 September		Nine months ended 30 September	
	2009 KD 000's	2008 KD 000's	2009 KD 000's	2008 KD 000's
Profit for the period	75,806	69,121	202,647	245,532
Other comprehensive income				
Change in fair value of investments available for sale	1,300	(19,432)	15,307	(7,329)
Net losses / (gains) on investments available for sale transferred to statement of income	(944)	(371)	7,382	(13,295)
Share of other comprehensive income of associates	605	(2,309)	2,448	(2,102)
Exchange differences on translation of foreign operations	5,542	(3,302)	22,496	(10,247)
Other comprehensive income for the period included in equity	6,503	(25,414)	47,633	(32,973)
Total comprehensive income for the period	82,309	43,707	250,280	212,559
Attributable to:				
Shareholders of the parent Bank	81,835	43,204	248,548	210,926
Non-controlling interests	474	503	1,732	1,633
	82,309	43,707	250,280	212,559

The attached notes 1 to 13 form part of the interim condensed consolidated financial information.

National Bank of Kuwait Group

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2009 (Unaudited)

		Audited	
	30 September	31 December	30 September
	2009	2008	2008
	KD 000's	KD 000's	KD 000's
Assets			
Cash and short term funds	967,263	1,398,846	1,392,565
Central Bank of Kuwait bonds	226,445	156,897	196,253
Kuwait Government treasury bills	55,501	-	-
Kuwait Government treasury bonds	408,505	477,141	419,484
Deposits with banks	1,029,163	1,161,915	1,513,630
Loans and advances to customers	7,532,130	6,955,405	6,712,679
Investment securities	1,116,831	1,200,296	1,511,807
Investment in associates	397,452	127,621	116,047
Land, premises and equipment	150,180	133,292	121,131
Goodwill and other intangible assets	249,172	243,275	243,797
Other assets	89,381	118,634	135,846
Total assets	12,222,023	11,973,322	12,363,239
Liabilities			
Due to banks and financial institutions	4,188,311	4,622,253	4,806,500
Customer deposits	6,071,167	5,545,249	5,646,666
Other liabilities	202,822	237,254	246,057
Total liabilities	10,462,300	10,404,756	10,699,223
Equity			
Equity attributable to shareholders of the parent Bank			
Share capital - authorised, issued and fully paid shares of KD 0.100 each	297,350	270,318	270,318
Proposed bonus shares	-	27,032	-
Statutory reserve	135,159	135,159	122,872
Share premium account	569,006	569,006	569,006
Treasury shares	(83,900)	(153,821)	(60,383)
Treasury share reserve	28,190	41,122	44,710
General reserve	117,058	117,058	117,058
Retained earnings	649,965	448,422	593,458
Foreign currency translation reserve	13,317	(9,008)	(14,293)
Cumulative changes in fair values	16,594	(8,086)	8,361
Share based payment reserve	4,821	2,965	2,536
Total share capital and reserves	1,747,560	1,440,167	1,653,643
Proposed cash dividend	-	117,374	-
Total equity	1,747,560	1,557,541	1,653,643
Non-controlling interests	12,163	11,025	10,373
Total equity	1,759,723	1,568,566	1,664,016
Total liabilities and equity	12,222,023	11,973,322	12,363,239

Nasser Musaed Abdullah Al-Sayer
Vice Chairman

The attached notes 1 to 13 form part of the interim condensed consolidated financial information.

National Bank of Kuwait Group

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

30 September 2009 (unaudited)

		Nine months ended 30 September	
	Notes	2009 KD 000's	2008 KD 000's
Operating activities			
Profit for the period		202,647	245,532
Adjustments:			
Dividend income		(1,828)	(3,931)
Net gains from investment securities		(11,382)	(801)
Share of profit of associates		(3,871)	(6,181)
Depreciation of premises and equipment		5,593	4,676
Amortisation of intangible assets		3,409	-
Provision charge for credit losses		34,961	20,931
Impairment losses for investment securities		18,165	-
Share based payment	7	1,856	1,543
Taxation	3	11,439	11,382
Operating profit before changes in operating assets and liabilities		<u>260,989</u>	<u>273,151</u>
Changes in operating assets and liabilities:			
Central Bank of Kuwait bonds		(69,548)	30,909
Kuwait Government treasury bills		(55,501)	-
Kuwait Government treasury bonds		68,636	(81,118)
Deposits with banks		132,752	327,953
Loans and advances to customers		(612,013)	(813,454)
Other assets		29,253	(3,216)
Due to banks and financial institutions		(433,942)	693,627
Customer deposits		525,918	140,156
Other liabilities		(52,490)	22,345
Tax paid		(9,035)	(11,160)
Net cash (used in) /from operating activities		<u>(214,981)</u>	<u>579,193</u>
Investing activities			
Purchase of investment securities		(1,231,882)	(1,774,892)
Proceeds from sale/redemption of investment securities		1,331,253	1,121,727
Dividend income		1,828	3,931
Investment in associates	5	(263,822)	(43,629)
Proceeds from sale of land, premises and equipment		1,297	229
Acquisition of land, premises and equipment		(23,778)	(21,160)
Dividend from associates		6,391	3,952
Net cash used in investing activities		<u>(178,713)</u>	<u>(709,842)</u>
Financing activities			
Dividends paid	8	(117,374)	(184,308)
Purchase of treasury shares		(6,637)	(60,383)
Proceeds from sale of treasury shares		63,626	-
Net cash used in financing activities		<u>(60,385)</u>	<u>(244,691)</u>
Decrease in cash and short term funds		<u>(454,079)</u>	<u>(375,340)</u>
Exchange difference on translation of foreign operations		22,496	(10,247)
Cash and short term funds at 1 January		<u>1,398,846</u>	<u>1,778,152</u>
Cash and short term funds at 30 September		<u><u>967,263</u></u>	<u><u>1,392,565</u></u>

The attached notes 1 to 13 form part of the interim condensed consolidated financial information.

National Bank of Kuwait Group

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

30 September 2009 (Unaudited)

KD 000's

	Equity attributable to shareholders of the parent Bank													Non-controlling 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 2008	270,318	27,032	135,159	569,006	(153,821)	41,122	117,058	448,422	117,374	(9,008)	(8,086)	2,965	1,557,541	11,025	1,568,566
Issue of bonus shares (Note 8)	27,032	(27,032)	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends paid (Note 8)	-	-	-	-	-	-	-	-	(117,374)	-	-	-	(117,374)	-	(117,374)
Sale of treasury shares	-	-	-	-	76,558	(12,932)	-	-	-	-	-	-	63,626	-	63,626
Purchase of treasury shares	-	-	-	-	(6,637)	-	-	-	-	-	-	-	(6,637)	-	(6,637)
Share based payment (Note 7)	-	-	-	-	-	-	-	-	-	-	-	1,856	1,856	-	1,856
Movement in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(594)	(594)
Total comprehensive income for the period	-	-	-	-	-	-	-	201,543	-	22,325	24,680	-	248,548	1,732	250,280
At 30 September 2009	297,350	-	135,159	569,006	(83,900)	28,190	117,058	649,965	-	13,317	16,594	4,821	1,747,560	12,163	1,759,723

	Equity attributable to shareholders of the parent Bank													Non-controlling 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
Issue of bonus shares (Note 8)	24,574	(24,574)	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends paid (Note 8)	-	-	-	-	-	-	-	-	(184,308)	-	-	-	(184,308)	-	(184,308)
Purchase of treasury shares	-	-	-	-	(60,383)	-	-	-	-	-	-	-	(60,383)	-	(60,383)
Share based payment (Note 7)	-	-	-	-	-	-	-	-	-	-	-	1,543	1,543	-	1,543
Movement in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(303)	(303)
Total comprehensive income for the period	-	-	-	-	-	-	-	243,692	-	(10,090)	(22,676)	-	210,926	1,633	212,559
At 30 September 2008	270,318	-	122,872	569,006	(60,383)	44,710	117,058	593,458	-	(14,293)	8,361	2,536	1,653,643	10,373	1,664,016

The attached notes 1 to 13 form part of the interim condensed consolidated financial information.

National Bank of Kuwait Group

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2009 (Unaudited)

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 September 2009 were authorised for issue in accordance with a resolution of the directors on 6 October 2009. 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. 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 2008. The annual consolidated financial statements for the year ended 31 December 2008 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 made on all applicable credit facilities (net of certain categories of collateral) that are not provided specifically.

During the period, the Group has adopted the following standards effective for the annual periods beginning on or after 1 January 2009.

IAS 1 ‘Presentation of Financial Statements’ (Revised):

The revised standard requires all non-owner changes in equity (i.e. comprehensive income) to be presented separately in a consolidated statement of comprehensive income.

IFRS 8 ‘Operating segments’:

The new standard which replaced IAS 14 ‘Segment reporting’ requires a management approach for segment reporting under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision maker.

3 Taxation

	Three months ended 30 September		Nine months ended 30 September	
	2009	2008	2009	2008
	KD 000’s	KD 000’s	KD 000’s	KD 000’s
National labour support tax	1,556	1,346	3,749	4,810
Contribution to Kuwait Foundation for the Advancement of Sciences	752	601	1,890	2,165
Taxation on overseas branches and subsidiaries	923	748	4,216	1,892
Zakat	655	709	1,584	2,515
	<u>3,886</u>	<u>3,404</u>	<u>11,439</u>	<u>11,382</u>

National Bank of Kuwait Group

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2009 (Unaudited)

4 Earnings per share

Basic earnings per share is calculated by dividing the profit for the period by the weighted average number of shares outstanding during the period.

Diluted earnings per share is calculated by dividing the profit for the period by the weighted average number of shares outstanding during the period plus the weighted average number of shares that would be issued on the conversion of all the dilutive potential shares into shares. The diluted earnings per share arising from the issue of employee share options does not result in any change from the reported basic earnings per share.

	Three months ended 30 September		Nine months ended 30 September	
	2009	2008	2009	2008
	KD 000's	KD 000's	KD 000's	KD 000's
Profit attributable to shareholders of the parent Bank	<u>75,465</u>	<u>68,592</u>	<u>201,543</u>	<u>243,692</u>
Weighted average number of shares outstanding during the period (thousands)	<u>2,906,685</u>	<u>2,953,038</u>	<u>2,885,694</u>	<u>2,962,031</u>
Basic and diluted earnings per share	<u>26 fils</u>	<u>23 fils</u>	<u>70 fils</u>	<u>82 fils</u>

Earnings per share calculations for the period ended 30 September 2008 have been adjusted to take account of the bonus shares issued in 2009.

5 Investment in associates

The Group acquired 40 % of the equity share capital of Boubyan Bank K.S.C. during the period for a purchase consideration of KD 263,822 thousands. The Group's share of total comprehensive income for the period ended 30 September 2009 is a loss of KD 39 thousands and is accounted for using the equity method of accounting.

6 Treasury shares

The Bank held the following treasury shares as at 30 September 2009:

	30 September 2009	30 September 2008
Number of treasury shares	57,652,503	31,397,500
Treasury shares as a percentage of total shares in issue	1.9%	1.2%
Cost of treasury shares (KD thousand)	83,900	60,383
Market value of treasury shares (KD thousand)	73,795	56,516

Movement in treasury shares was as follows:

	<i>No. of shares</i>	
	2009	2008
Balance as at 1 January	94,867,500	-
Purchases	5,392,500	31,397,500
Bonus issue	9,486,750	-
Sales	(52,094,247)	-
Balance as at 30 September	<u>57,652,503</u>	<u>31,397,500</u>

30 September 2009 (Unaudited)

7 Share based payment reserve

The Bank operates equity settled share based compensation plans. The fair value of outstanding options amounts to KD 7,957 thousand at 30 September 2009 (2008: KD 6,485 thousand). The expense accrued on account of share based compensation plans for the nine month period ended 30 September 2009 amounts to KD 1,856 thousand (2008: KD 1,543 thousand) and has been included as part of staff expenses in the interim condensed consolidated statement of income.

8 Dividends paid

At the Annual General Assembly meeting of the shareholders held on 22 February 2009, 10% bonus shares (2007: 10%) and a cash dividend of 45 fils per share (2007: 75 fils per share) amounting to KD 117,374 thousand was approved for the year ended 31 December 2008 and paid subsequently (2007: KD 184,308 thousand). This resulted in an increase in the number of authorised and issued shares by 270,317,950 and share capital by KD 27,032 thousand (2007: KD 24,574 thousand).

9 Provisions for impairment no longer required

Under the terms of Law 41/93, provisions for impairment no longer required as at 30 September 2009 amounted to KD Nil (2008: Nil). The identification of provisions for impairment no longer required will be determined at the year end and will be made in accordance with the instructions of Central Bank of Kuwait.

10 Segmental analysis

The Group organises and manages its operations by geographic territory in the first instance, primarily Domestic and International. Within its domestic operations, the Group segments its business into Consumer Banking, Corporate Banking, Investment Management and Asset Management, and Group Centre. All operations outside Kuwait are classified as International. Management treats the operations of these segments separately for the purposes of decision making, resource allocation and performance assessment.

Consumer Banking

Consumer Banking provides a diversified range of products and services to individuals. The range includes consumer loans, credit cards, deposits, foreign exchange and other branch related services. This business segment also comprises Private Banking. Private Banking provides a comprehensive range of customised and innovative banking services to high net worth individuals and to institutional clients.

Corporate Banking

Corporate Banking provides a comprehensive product and service offering to business and corporate customers, including lending, deposits, trade finance, foreign exchange and advisory services.

Investment Banking and Asset Management

Investment Banking provides a full range of capital market advisory and execution services. The activities of Asset Management include wealth management, asset management, custody, brokerage and research.

Group Centre

Group Centre includes treasury, investments and other defined Group activities. Treasury provide a comprehensive range of treasury services and products to its clients, and is also responsible for the bank's liquidity management and market risk. Group Centre includes any residual in respect of transfer pricing and inter segment allocations.

National Bank of Kuwait Group

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2009 (Unaudited)

10 Segmental analysis (continued)

The following table presents net operating income, profit and total assets information in respect of the Group's business segments:

	30 September 2009					
	Consumer Banking KD 000's	Corporate Banking KD 000's	Investment Banking and Asset Management KD 000's	Group Centre KD 000's	International KD 000's	Total KD 000's
<i>Three months</i>						
Net operating income	<u>47,258</u>	<u>48,811</u>	<u>6,555</u>	<u>1,972</u>	<u>22,894</u>	<u>127,490</u>
Profit	<u>31,267</u>	<u>40,934</u>	<u>3,781</u>	<u>(8,511)</u>	<u>8,335</u>	<u>75,806</u>
<i>Nine months</i>						
Net operating income	<u>135,605</u>	<u>132,476</u>	<u>19,606</u>	<u>33,398</u>	<u>81,733</u>	<u>402,818</u>
Profit	<u>81,805</u>	<u>111,416</u>	<u>10,072</u>	<u>(42,157)</u>	<u>41,511</u>	<u>202,647</u>
Total assets	<u>2,693,144</u>	<u>4,045,098</u>	<u>64,542</u>	<u>1,396,293</u>	<u>4,022,946</u>	<u>12,222,023</u>
	30 September 2008					
	Consumer Banking KD 000's	Corporate Banking KD 000's	Investment Banking and Asset Management KD 000's	Group Centre KD 000's	International KD 000's	Total KD 000's
<i>Three months</i>						
Net operating income	<u>48,074</u>	<u>45,129</u>	<u>6,295</u>	<u>(5,157)</u>	<u>25,691</u>	<u>120,032</u>
Profit	<u>27,320</u>	<u>38,077</u>	<u>3,256</u>	<u>(11,916)</u>	<u>12,384</u>	<u>69,121</u>
<i>Nine months</i>						
Net operating income	<u>143,827</u>	<u>125,254</u>	<u>20,123</u>	<u>29,896</u>	<u>73,631</u>	<u>392,731</u>
Profit	<u>82,536</u>	<u>105,823</u>	<u>10,694</u>	<u>10,903</u>	<u>35,576</u>	<u>245,532</u>
Total assets	<u>2,551,152</u>	<u>3,413,473</u>	<u>59,415</u>	<u>382,103</u>	<u>5,957,096</u>	<u>12,363,239</u>

National Bank of Kuwait Group

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2009 (Unaudited)

11 Commitments and contingent liabilities

	30 September 2009 KD 000's	Audited 31 December 2008 KD 000's	30 September 2008 KD 000's
Commitments on behalf of customers for which there are corresponding liabilities by the customers concerned:			
Acceptances	58,457	69,193	91,137
Letters of credit	460,005	525,069	466,770
Guarantees	1,680,459	1,558,140	1,623,068
	<u>2,198,921</u>	<u>2,152,402</u>	<u>2,180,975</u>

Irrevocable commitments to extend credit amounts to KD 119,650 thousands (31 December 2008: KD 82,468 thousands, 30 September 2008: KD 157,565 thousands). This includes commitments to extend credit which is irrevocable over the life of the facility or is revocable only in response to a material adverse change.

National Bank of Kuwait Group

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2009 (Unaudited)

12 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, Executive Officers and other related parties are as follows:

	Number of Board Members or Executive Officers			Number of related parties			30 September 2009 KD 000's	Audited	
	30 September 2009	31 December 2008	30 September 2008	30 September 2009	31 December 2008	30 September 2008		31 December 2008 KD 000's	30 September 2008 KD 000's
Board Members									
Loans (secured)	6	6	6	18	24	23	189,713	350,590	316,553
Contingent liabilities	2	2	2	21	23	25	91,314	105,534	114,811
Credit cards	5	6	6	2	2	3	20	28	35
Deposits	8	8	8	24	15	23	49,418	79,607	45,972
Collateral against loans	6	6	6	18	24	23	362,987	494,392	719,070
Interest and fee income							18,876	39,742	29,285
Interest expense							133	1,117	862
Executive Officers									
Loans	7	6	6	-	-	-	658	434	403
Contingent liabilities	2	3	3	-	-	-	15	9	9
Credit cards	4	7	6	-	-	-	6	18	6
Deposits	16	11	21	-	-	-	1,199	597	413
Interest and fee income							6	13	6
Interest expense							3	26	2

There are no material transactions or balances with the associates.

National Bank of Kuwait Group

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2009 (Unaudited)

13 Key management compensation

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

	Three months ended 30 September		Nine months ended 30 September	
	2009	2008	2009	2008
	KD 000's	KD 000's	KD 000's	KD 000's
Salaries and other short term benefits	2,538	2,421	7,924	6,742
Post-employment benefits	183	880	564	1,415
Share based compensation	636	330	1,364	924
	<u>3,357</u>	<u>3,631</u>	<u>9,852</u>	<u>9,081</u>

NATIONAL BANK OF KUWAIT GROUP

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

30 SEPTEMBER 2009 (UNAUDITED)