

National Bank of Kuwait Group

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

31 March 2010 (Unaudited)

	Notes	Three months ended 31 March	
		2010 KD 000's	2009 KD 000's
Interest income		128,085	157,448
Interest expense		36,127	55,831
Net interest income		91,958	101,617
Net fees and commissions		24,899	23,414
Net gains from investment securities		984	8,636
Net gains from dealing in foreign currencies		5,266	11,180
Dividend income		647	662
Share of profit of associates		993	1,662
Other operating income		546	631
Net operating income		125,293	147,802
Staff expenses		22,209	21,401
Other administrative expenses		13,981	30,206
Depreciation of premises and equipment		2,092	1,911
Amortization of intangible assets		1,157	1,139
Operating expenses		39,439	54,657
Operating profit before provision for credit losses and impairment losses		85,854	93,145
Provision charge for credit losses - specific		2,177	2,139
Provision (release) / charge for credit losses - general		(1,301)	8,305
Impairment losses for investment securities		4,026	15,079
Operating profit before taxation		80,952	67,622
Taxation	3	4,297	3,696
Profit for the period		76,655	63,926
Attributable to:			
Shareholders of the parent Bank		76,260	63,525
Non-controlling interests		395	401
		76,655	63,926
Basic and diluted earnings per share attributable to shareholders of the parent Bank	4	24 fils	20 fils

The attached notes 1 to 12 form part of the interim condensed consolidated financial information.

National Bank of Kuwait Group

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

31 March 2010 (Unaudited)

	Three months ended 31 March	
	2010	2009
	KD 000's	KD 000's
Profit for the period	76,655	63,926
Other comprehensive income		
Change in fair value of investments available for sale	2,753	(3,480)
Net losses on investments available for sale transferred to statement of income	3,218	6,302
Share of other comprehensive income of associates	266	1,698
Exchange differences on translation of foreign operations	2,177	18,679
Other comprehensive income for the period included in equity	8,414	23,199
Total comprehensive income for the period	85,069	87,125
Attributable to:		
Shareholders of the parent Bank	84,545	86,148
Non-controlling interests	524	977
	85,069	87,125

The attached notes 1 to 12 form part of the interim condensed consolidated financial information.

National Bank of Kuwait Group

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2010 (Unaudited)

		Audited	
	31 March	31 December	31 March
	2010	2009	2009
Notes	KD 000's	KD 000's	KD 000's
Assets			
Cash and short term funds	1,448,514	1,622,240	1,337,495
Central Bank of Kuwait bonds	320,247	281,489	84,514
Kuwait Government treasury bills	24,984	32,477	-
Kuwait Government treasury bonds	454,783	373,202	482,560
Deposits with banks	682,801	723,509	1,297,306
Loans and advances to customers	7,726,713	7,817,110	7,096,202
Investment securities	1,134,144	1,171,046	1,080,573
Investment in associates	449,076	387,815	134,514
Land, premises and equipment	154,735	152,929	136,604
Goodwill and other intangible assets	249,275	249,556	249,525
Other assets	93,452	95,883	125,042
Total assets	12,738,724	12,907,256	12,024,335
Liabilities			
Due to banks and financial institutions	4,424,139	4,269,109	4,638,705
Customer deposits	6,315,658	6,600,243	5,632,184
Other liabilities	191,720	199,241	214,497
Total liabilities	10,931,517	11,068,593	10,485,386
Equity			
Equity attributable to shareholders of the parent Bank			
Share capital - authorised, issued and fully paid shares of 100 fils each	327,085	297,350	297,350
Proposed bonus shares	-	29,735	-
Statutory reserve	148,675	148,675	135,159
Share premium account	569,006	569,006	569,006
Treasury shares	5 (57,568)	(59,172)	(153,821)
Treasury shares reserve	18,406	19,973	41,122
General reserve	117,058	117,058	117,058
Retained earnings	629,454	553,241	511,947
Foreign currency translation reserve	17,468	15,264	9,191
Cumulative changes in fair values	17,534	11,453	(3,662)
Share based payment reserve	6 (6,184)	5,549	3,597
Total share capital and reserves	1,793,302	1,708,132	1,526,947
Proposed cash dividend	7 -	117,150	-
	1,793,302	1,825,282	1,526,947
Non-controlling interests	13,905	13,381	12,002
Total equity	1,807,207	1,838,663	1,538,949
Total liabilities and equity	12,738,724	12,907,256	12,024,335

Mohammed Abdul Rahman Al-Bahar
Chairman

The attached notes 1 to 12 form part of the interim condensed consolidated financial information.

National Bank of Kuwait Group

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

31 March 2010 (Unaudited)

	Notes	Three months ended 31 March	
		2010 KD 000's	2009 KD 000's
Operating activities			
Profit for the period		76,655	63,926
Adjustments:			
Dividend income		(647)	(662)
Net gains from investment securities		(984)	(8,636)
Share of profit of associates		(993)	(1,662)
Depreciation of premises and equipment		2,092	1,911
Amortisation of intangible assets		1,157	1,139
Provision charge for credit losses		876	10,444
Impairment losses for investment securities		4,026	15,079
Share based payment reserve	6	635	632
Taxation	3	4,297	3,696
Operating profit before changes in operating assets and liabilities		87,114	85,867
Changes in operating assets and liabilities:			
Central Bank of Kuwait bonds		(38,758)	72,383
Kuwait Government treasury bills		7,493	-
Kuwait Government treasury bonds		(81,581)	(5,419)
Deposits with banks		40,708	(135,391)
Loans and advances to customers		89,094	(150,909)
Other assets		2,431	(6,408)
Due to banks and financial institutions		155,030	16,452
Customer deposits		(284,585)	86,935
Other liabilities		(12,854)	(37,707)
Net cash used in operating activities		(35,908)	(74,197)
Investing activities			
Purchase of investment securities		(433,142)	(442,041)
Sale/redemption of investment securities		472,973	558,143
Dividend income		647	662
Investment in associates		(59,415)	-
Proceeds from sale of land, premises and equipment		105	93
Acquisition of land, premises and equipment		(4,003)	(5,316)
Net cash (used in)/ from investing activities		(22,835)	111,541
Financing activities			
Dividends paid	7	(117,197)	(117,374)
Purchase of treasury shares	5	(94)	-
Sale of treasury shares		131	-
Net cash used in financing activities		(117,160)	(117,374)
Decrease in cash and short term funds		(175,903)	(80,030)
Exchange difference on translation of foreign operations		2,177	18,679
Cash and short term funds at 1 January		1,622,240	1,398,846
Cash and short term funds at 31 March		1,448,514	1,337,495

The attached notes 1 to 12 form part of the interim condensed consolidated financial information.

National Bank of Kuwait Group

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

31 March 2010 (Unaudited)

KD 000's

Equity attributable to shareholders of the parent Bank															
	Share capital	Proposed bonus shares	Statutory reserve	Share premium account	Treasury shares	Treasury shares reserve	General reserve	Retained earnings	Proposed cash dividend	Foreign currency translation reserve	Cumulative changes in fair values	Share based payment reserve	Total	Non-controlling interests	Total
At 31 December 2009	297,350	29,735	148,675	569,006	(59,172)	19,973	117,058	553,241	117,150	15,264	11,453	5,549	1,825,282	13,381	1,838,663
Issue of bonus shares (Note 7)	29,735	(29,735)	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends on treasury shares sold	-	-	-	-	-	-	-	(47)	47	-	-	-	-	-	-
Dividends paid (Note 7)	-	-	-	-	-	-	-	-	(117,197)	-	-	-	(117,197)	-	(117,197)
Sale of treasury shares	-	-	-	-	1,698	(1,567)	-	-	-	-	-	-	131	-	131
Purchase of treasury shares	-	-	-	-	(94)	-	-	-	-	-	-	-	(94)	-	(94)
Share based payment (Note 6)	-	-	-	-	-	-	-	-	-	-	-	635	635	-	635
Total comprehensive income for the period	-	-	-	-	-	-	-	76,260	-	2,204	6,081	-	84,545	524	85,069
At 31 March 2010	327,085	-	148,675	569,006	(57,568)	18,406	117,058	629,454	-	17,468	17,534	6,184	1,793,302	13,905	1,807,207
Equity attributable to shareholders of the parent Bank															
	Share capital	Proposed bonus shares	Statutory reserve	Share premium account	Treasury shares	Treasury shares reserve	General reserve	Retained earnings	Proposed cash dividend	Foreign currency translation reserve	Cumulative changes in fair values	Share based payment reserve	Total	Non-controlling interests	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 7)	27,032	(27,032)	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends paid (Note 7)	-	-	-	-	-	-	-	-	(117,374)	-	-	-	(117,374)	-	(117,374)
Share based payment (Note 6)	-	-	-	-	-	-	-	-	-	-	-	632	632	-	632
Total comprehensive income for the period	-	-	-	-	-	-	-	63,525	-	18,199	4,424	-	86,148	977	87,125
At 31 March 2009	297,350	-	135,159	569,006	(153,821)	41,122	117,058	511,947	-	9,191	(3,662)	3,597	1,526,947	12,002	1,538,949

The attached notes 1 to 12 form part of the interim condensed consolidated financial information.

National Bank of Kuwait Group

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31 March 2010 (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 31 March 2010 were authorised for issue in accordance with a resolution of the directors on 6 April 2010. 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 described 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 2009. The annual consolidated financial statements for the year ended 31 December 2009 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.

The following new standards and amendments to standards are applicable for the Group from 1 January 2010.

IFRS 3 (Revised) – Business Combinations and consequential amendments to IAS 27 – Consolidated and Separate Financial Statements. The main changes in the Group’s accounting policies are as follows:

- Acquisition related costs are expensed in the statement of income in the periods in which the costs are incurred;
- Changes in ownership interest in a subsidiary that do not result in a loss of control are treated as transaction between equity holders and are accounted for within equity;
- Equity interest held prior to control being obtained are remeasured to fair value at the date of obtaining control, and any gain or loss is recognised in the statement of income.

3 Taxation

	Three months ended 31 March	
	2010	2009
	KD 000’s	KD 000’s
National labour support tax	1,550	1,092
Contribution to Kuwait Foundation for the Advancement of Sciences	585	521
Taxation on overseas branches and subsidiaries	1,517	1,629
Zakat	645	454
	<u>4,297</u>	<u>3,696</u>

National Bank of Kuwait Group

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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4 Earnings per share

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

Diluted earnings per share is calculated by dividing the profit for the period attributable to shareholders of the parent Bank 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 31 March	
	2010 KD 000's	2009 KD 000's
Profit attributable to shareholders of the parent Bank	<u>76,260</u>	<u>63,525</u>
Weighted average number of shares outstanding during the period (thousands)	<u>3,222,854</u>	<u>3,156,058</u>
Basic and diluted earnings per share attributable to shareholders of the parent Bank	<u>24 fils</u>	<u>20 fils</u>

Earnings per share calculations for the three months ended 31 March 2009 have been adjusted to take account of the bonus shares issued in 2010.

5 Treasury shares

The Bank held the following treasury shares at 31 March 2010.

	31 March 2010	Audited 31 December 2009	31 March 2009
Number of treasury shares	47,897,690	44,741,494	104,354,250
Treasury shares as a percentage of total shares in issue	1.5%	1.5%	3.5%
Cost of treasury shares (KD thousand)	57,568	59,172	153,821
Market value of treasury shares (KD thousand)	57,477	50,110	104,354

Movement in treasury shares was as follows:

	<i>No. of shares</i>	
	2010	2009
Balance as at 1 January	44,741,494	94,867,500
Purchases	86,006	-
Sales	(1,286,000)	-
Bonus issue	4,356,190	9,486,750
Balance as at 31 March	<u>47,897,690</u>	<u>104,354,250</u>

31 March 2010 (Unaudited)

6 Share based payment reserve

The Bank operates equity settled share based compensation plans. The fair value of outstanding options amounts to KD 7,513 thousand at 31 March 2010 (31 March 2009: KD 8,583 thousand). The expense accrued on account of share based compensation plans for the period ended 31 March 2010 amounts to KD 635 thousand (31 March 2009: KD 632 thousand) and has been included as part of staff expenses in the interim condensed consolidated statement of income.

7 Dividends paid

At the Annual General Assembly meeting of the shareholders held on 7 March 2010, 10% bonus shares (2008: 10%) and a cash dividend of 40 fils per share (2008: 45 fils per share) was approved and paid subsequently. This resulted in an increase in the number of authorised and issued shares by 297,349,745 (2008: 270,317,950) and share capital by KD 29,735 thousand (2008: KD 27,032 thousand).

8 Provisions for impairment no longer required

Under the terms of Law 41/93, provisions for impairment no longer required as at 31 March 2010 amounted to KD Nil (2009: 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.

9 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 provides 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

31 March 2010 (Unaudited)

9 Segmental analysis (continued)

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

	Three months ended 31 March 2010					Total KD 000's
	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	
Net operating income	<u>43,011</u>	<u>45,386</u>	<u>6,174</u>	<u>4,016</u>	<u>26,706</u>	<u>125,293</u>
Profit/(loss)	<u>26,695</u>	<u>38,950</u>	<u>3,405</u>	<u>(7,793)</u>	<u>15,398</u>	<u>76,655</u>
Total assets	<u>2,796,655</u>	<u>4,210,742</u>	<u>67,712</u>	<u>1,458,163</u>	<u>4,205,452</u>	<u>12,738,724</u>

	Three months ended 31 March 2009					Total KD 000's
	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	
Net operating income	<u>43,497</u>	<u>41,165</u>	<u>6,077</u>	<u>29,949</u>	<u>27,114</u>	<u>147,802</u>
Profit/(loss)	<u>25,778</u>	<u>34,620</u>	<u>2,571</u>	<u>(12,789)</u>	<u>13,746</u>	<u>63,926</u>
Total assets	<u>2,614,219</u>	<u>3,695,229</u>	<u>65,746</u>	<u>849,922</u>	<u>4,799,219</u>	<u>12,024,335</u>

10 Commitments and contingent liabilities

	31 March 2010 KD 000's	Audited 31 December 2009 KD 000's	31 March 2009 KD 000's
	Commitments on behalf of customers for which there are corresponding liabilities by the customers concerned:		
Acceptances	<u>107,480</u>	81,760	80,062
Letters of credit	<u>380,109</u>	450,898	530,605
Guarantees	<u>1,536,594</u>	1,473,268	1,540,955
	<u>2,024,183</u>	<u>2,005,926</u>	<u>2,151,622</u>

Irrevocable commitments to extend credit amounts to KD 104,391 thousands (31 December 2009: KD 113,286 thousands, 31 March 2009: KD 106,022 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

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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, as at the reporting date, of Board Members, Executive Officers and Associates are as follows:

	Number of Board Members or Executive Officers			Number of related parties			Audited		
	31 March 2010	31 December 2009	31 March 2009	31 March 2010	31 December 2009	31 March 2009	31 March 2010 KD 000's	31 December 2009 KD 000's	31 March 2009 KD 000's
Board Members									
Loans (secured)	5	6	6	16	16	24	210,677	219,300	278,833
Contingent liabilities	2	2	2	22	21	23	90,956	104,014	102,749
Credit cards	6	5	4	3	4	1	46	93	44
Deposits	9	8	8	26	25	24	33,635	48,874	75,962
Collateral against loans	5	6	6	16	16	24	380,192	343,842	451,484
Interest and fee income							3,333	23,041	9,749
Interest expense							37	174	26
Executive Officers									
Loans	6	7	7	-	-	-	588	646	643
Contingent liabilities	2	2	3	-	-	-	20	15	9
Credit cards	4	4	6	-	-	-	16	43	10
Deposits	16	15	18	-	-	-	1,461	1,222	1,125
Interest and fee income							6	6	4
Interest expense							6	19	2
Associates									
Placements							47,629	175,742	58,286
Acceptances							19,045	45,725	58,270

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION

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12 Key management compensation

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

	Three months ended 31 March	
	2010	2009
	KD 000's	KD 000's
Salaries and other short term benefits	2,672	2,568
Post-employment benefits	151	181
Share based compensation	421	395
	<u>3,244</u>	<u>3,144</u>

NATIONAL BANK OF KUWAIT GROUP

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

31 March 2010 (UNAUDITED)