

NATIONAL BANK OF KUWAIT GROUP

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

30 JUNE 2009 (UNAUDITED)

National Bank of Kuwait Group

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

30 June 2009 (Unaudited)

	Notes	Three months ended 30 June		Six months ended 30 June	
		2009 KD 000's	2008 KD 000's	2009 KD 000's	2008 KD 000's
Interest income		131,695	166,482	289,143	347,557
Interest expense		39,962	69,825	95,793	159,726
Net interest income		91,733	96,657	193,350	187,831
Net fees and commissions		25,486	24,861	48,900	48,405
Net gains from investment securities		1,571	6,054	10,207	16,094
Net gains from dealing in foreign currencies		5,362	5,990	16,542	12,692
Dividend income		859	2,505	1,521	3,619
Share of profit of associates		2,396	2,081	4,058	3,443
Other operating income		119	282	750	615
Net operating income		127,526	138,430	275,328	272,699
Staff expenses		23,032	21,722	44,433	45,512
Other administrative expenses		14,727	10,481	44,732	27,540
Depreciation of premises and equipment		1,690	1,529	3,601	2,994
Amortization of intangible assets		1,131	-	2,270	-
Operating expenses		40,580	33,732	95,036	76,046
Operating profit before provision for credit losses and impairment losses		86,946	104,698	180,292	196,653
Provision charge for credit losses - specific		3,930	4,152	6,069	8,959
Provision charge for credit losses - general		13,359	2,362	21,664	3,305
Impairment losses for investment securities		3,086	-	18,165	-
Operating profit before taxation		66,571	98,184	134,394	184,389
Taxation	3	3,656	4,495	7,553	7,978
Profit for the period		62,915	93,689	126,841	176,411
Attributable to:					
Shareholders of the parent Bank		62,553	93,000	126,078	175,100
Non-controlling interests		362	689	763	1,311
		62,915	93,689	126,841	176,411
Basic and diluted earnings per share attributable to shareholders of the parent Bank	4	22 fils	31 fils	44 fils	59 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

30 June 2009 (Unaudited)

	Three months ended 30 June		Six months ended 30 June	
	2009 KD 000's	2008 KD 000's	2009 KD 000's	2008 KD 000's
Profit for the period	62,915	93,689	126,841	176,411
Other comprehensive income				
Change in fair value of investments available for sale	17,486	1,354	14,007	12,103
Net losses / (gains) on investments available for sale transferred to statement of income	2,025	(1,992)	8,326	(12,924)
Share of other comprehensive income of associates	145	27	1,843	207
Exchange differences on translation of foreign operations	(1,725)	6,330	16,954	(6,945)
Other comprehensive income for the period included in equity	17,931	5,719	41,130	(7,559)
Total comprehensive income for the period	80,846	99,408	167,971	168,852
Attributable to:				
Shareholders of the parent Bank	80,565	98,718	166,713	167,722
Non-controlling interests	281	690	1,258	1,130
	80,846	99,408	167,971	168,852

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

30 June 2009 (Unaudited)

	Notes	30 June 2009 KD 000's	Audited 31 December 2008 KD 000's	30 June 2008 KD 000's
Assets				
Cash and short term funds		1,133,865	1,398,846	1,111,956
Central Bank of Kuwait bonds		116,642	156,897	91,246
Kuwait Government treasury bills		136,575	-	-
Kuwait Government treasury bonds		437,004	477,141	382,278
Deposits with banks		1,224,558	1,161,915	1,638,517
Loans and advances to customers		7,259,010	6,955,405	6,145,800
Investment securities		1,171,083	1,200,296	1,255,593
Investment in associates		132,116	127,621	115,476
Land, premises and equipment		144,813	133,292	114,993
Goodwill and other intangible assets		246,650	243,275	247,330
Other assets		111,846	118,634	118,109
Total assets		12,114,162	11,973,322	11,221,298
Liabilities				
Due to banks and financial institutions		4,248,348	4,622,253	4,154,796
Customer deposits		6,044,130	5,545,249	5,204,407
Other liabilities		201,530	237,254	223,689
Total liabilities		10,494,008	10,404,756	9,582,892
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	5	(153,821)	(153,821)	(41,730)
Treasury share reserve		41,122	41,122	44,710
General reserve		117,058	117,058	117,058
Retained earnings		574,500	448,422	524,866
Foreign currency translation reserve		7,589	(9,008)	(10,971)
Cumulative changes in fair values		15,952	(8,086)	30,427
Share based payment reserve	6	4,135	2,965	1,980
Total share capital and reserves		1,608,050	1,440,167	1,628,536
Proposed cash dividend	7	-	117,374	-
Non-controlling interests		12,104	11,025	9,870
Total equity		1,620,154	1,568,566	1,638,406
Total liabilities and equity		12,114,162	11,973,322	11,221,298

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

30 June 2009 (Unaudited)

	Notes	Six months ended 30 June	
		2009 KD 000's	2008 KD 000's
Operating activities			
Profit for the period		126,841	176,411
Adjustments:			
Dividend income		(1,521)	(3,619)
Net gains from investment securities		(10,207)	(16,094)
Share of profit of associates		(4,058)	(3,443)
Depreciation of premises and equipment		3,601	2,994
Amortisation of intangible assets		2,270	-
Provision charge for credit losses		27,733	12,264
Impairment losses for investment securities		18,165	-
Share based payment reserve		1,170	987
Taxation		7,553	7,978
Operating profit before changes in operating assets and liabilities		171,547	177,478
Changes in operating assets and liabilities:			
Central Bank of Kuwait bonds		40,255	135,916
Kuwait Government treasury bills		(136,575)	-
Kuwait Government treasury bonds		40,137	(43,912)
Deposits with banks		(62,643)	203,066
Loans and advances to customers		(331,789)	(237,679)
Other assets		6,788	10,988
Due to banks and financial institutions		(373,905)	41,923
Customer deposits		498,881	(302,103)
Other liabilities		(44,756)	3,186
Tax paid		(8,879)	(10,788)
Net cash used in operating activities		(200,939)	(21,925)
Investing activities			
Purchase of investment securities		(942,405)	(848,259)
Sale/redemption of investment securities		985,993	486,404
Dividend income		1,521	3,619
Investment in associates		-	(43,871)
Proceeds from sale of land, premises and equipment		854	127
Acquisition of land, premises and equipment		(15,976)	(13,238)
Dividend from associates		6,391	3,930
Net cash from / (used in) investing activities		36,378	(411,288)
Financing activities			
Dividends paid	7	(117,374)	(184,308)
Purchase of treasury shares	5	-	(41,730)
Net cash used in financing activities		(117,374)	(226,038)
Decrease in cash and short term funds		(281,935)	(659,251)
Exchange difference on translation of foreign operations		16,954	(6,945)
Cash and short term funds at 1 January		1,398,846	1,778,152
Cash and short term funds at 30 June		1,133,865	1,111,956

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

30 June 2009 (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 share 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)	-	-	-	-	-	-	-	-	-	-	-	1,170	1,170	-	1,170
Dividend paid by a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	(179)	(179)
Total comprehensive income for the period	-	-	-	-	-	-	-	126,078	-	16,597	24,038	-	166,713	1,258	167,971
At 30 June 2009	297,350	-	135,159	569,006	(153,821)	41,122	117,058	574,500	-	7,589	15,952	4,135	1,608,050	12,104	1,620,154

Equity attributable to shareholders of the parent Bank															
	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	Non-controlling interests	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 7)	24,574	(24,574)	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends paid (Note 7)	-	-	-	-	-	-	-	-	(184,308)	-	-	-	(184,308)	-	(184,308)
Purchase of treasury shares	-	-	-	-	(41,730)	-	-	-	-	-	-	-	(41,730)	-	(41,730)
Share based payment (Note 6)	-	-	-	-	-	-	-	-	-	-	-	987	987	-	987
Movement in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(303)	(303)
Total comprehensive income for the period	-	-	-	-	-	-	-	175,100	-	(6,768)	(610)	-	167,722	1,130	168,852
At 30 June 2008	270,318	-	122,872	569,006	(41,730)	44,710	117,058	524,866	-	(10,971)	30,427	1,980	1,628,536	9,870	1,638,406

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

30 June 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 June 2009 were authorised for issue in accordance with a resolution of the directors on 6 July 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 June		Six months ended 30 June	
	2009	2008	2009	2008
	KD 000’s	KD 000’s	KD 000’s	KD 000’s
National labour support tax	1,101	1,831	2,193	3,464
Contribution to Kuwait Foundation for the Advancement of Sciences	617	891	1,138	1,564
Taxation on overseas branches and subsidiaries	1,664	812	3,293	1,144
Zakat	274	961	929	1,806
	3,656	4,495	7,553	7,978

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 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 June		Six months ended 30 June	
	2009 KD 000's	2008 KD 000's	2009 KD 000's	2008 KD 000's
Profit attributable to shareholders of the parent bank	62,553	93,000	126,078	175,100
Weighted average number of shares outstanding during the period (thousands)	2,869,143	2,953,832	2,869,143	2,963,684
Basic and diluted earnings per share	22 fils	31 fils	44 fils	59 fils

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

5 Treasury shares

The Bank held the following treasury shares at 30 June 2009.

	30 June 2009	30 June 2008
Number of treasury shares	104,354,250	20,970,000
Treasury shares as a percentage of total shares in issue	3.5%	0.8%
Cost of treasury shares (KD thousand)	153,821	41,730
Market value of treasury shares (KD thousand)	133,573	38,165

Movement in treasury shares was as follows:

	<i>No. of shares</i>	
	2009	2008
Balance as at 1 January	94,867,500	-
Purchases	-	20,970,000
Bonus issue	9,486,750	-
Balance as at 30 June	104,354,250	20,970,000

30 June 2009 (Unaudited)

6 Share based payment reserve

The Bank operates equity settled share based compensation plans. The fair value of outstanding options amounts to KD 8,348 thousand at 30 June 2009 (2008: KD 6,229 thousand). The expense accrued on account of share based compensation plans for the six month period ended 30 June 2009 amounts to KD 1,170 thousand (2008: KD 987 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 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 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).

8 Provisions for impairment no longer required

Under the terms of Law 41/93, provisions for impairment no longer required as at 30 June 2009 amounted to KD Nil (2008: 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 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.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2009 (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:

	30 June 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>44,850</u>	<u>42,500</u>	<u>6,974</u>	<u>4,298</u>	<u>28,904</u>	<u>127,526</u>
Profit	<u>24,760</u>	<u>35,862</u>	<u>3,720</u>	<u>(14,605)</u>	<u>13,178</u>	<u>62,915</u>
<i>Six months</i>						
Net operating income	<u>88,347</u>	<u>83,665</u>	<u>13,051</u>	<u>30,942</u>	<u>59,323</u>	<u>275,328</u>
Profit	<u>50,538</u>	<u>70,482</u>	<u>6,291</u>	<u>(25,365)</u>	<u>24,895</u>	<u>126,841</u>
Total assets	<u>2,682,800</u>	<u>3,789,690</u>	<u>62,074</u>	<u>1,187,408</u>	<u>4,392,190</u>	<u>12,114,162</u>
	30 June 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>47,008</u>	<u>39,806</u>	<u>7,098</u>	<u>18,240</u>	<u>26,278</u>	<u>138,430</u>
Profit	<u>26,675</u>	<u>33,750</u>	<u>4,146</u>	<u>15,382</u>	<u>13,736</u>	<u>93,689</u>
<i>Six months</i>						
Net operating income	<u>95,753</u>	<u>80,125</u>	<u>13,827</u>	<u>34,791</u>	<u>48,203</u>	<u>272,699</u>
Profit	<u>55,216</u>	<u>67,746</u>	<u>7,438</u>	<u>23,175</u>	<u>22,836</u>	<u>176,411</u>
Total assets	<u>2,333,655</u>	<u>3,061,831</u>	<u>56,909</u>	<u>829,515</u>	<u>4,939,388</u>	<u>11,221,298</u>

National Bank of Kuwait Group

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2009 (Unaudited)

10 Commitments and contingent liabilities

	30 June 2009 KD 000's	Audited 31 December 2008 KD 000's	30 June 2008 KD 000's
Commitments on behalf of customers for which there are corresponding liabilities by the customers concerned:			
Acceptances	79,552	69,193	72,266
Letters of credit	457,998	525,069	507,140
Guarantees	1,500,792	1,558,140	1,526,243
Commitments to extend credit	899,733	974,456	1,141,776
	<u>2,938,075</u>	<u>3,126,858</u>	<u>3,247,425</u>

National Bank of Kuwait Group

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2009 (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 2009	31 December 2008	30 June 2008	30 June 2009	31 December 2008	30 June 2008	30 June 2009 KD 000's	31 December 2008 KD 000's	30 June 2008 KD 000's
Board Members									
Loans (secured)	6	6	6	19	24	24	310,419	350,590	295,197
Contingent liabilities	2	2	2	20	23	20	94,567	105,534	114,849
Credit cards	5	6	6	1	2	4	21	28	39
Deposits	7	8	6	22	15	25	104,654	79,607	71,482
Collateral against loans	6	6	6	19	24	24	544,923	494,392	742,010
Interest and fee income							14,434	39,742	14,975
Interest expense							96	1,117	536
Executive Officers									
Loans	5	6	7	-	-	-	638	434	441
Contingent liabilities	3	3	4	-	-	-	13	9	10
Credit cards	6	7	6	-	-	-	11	18	24
Deposits	16	11	16	-	-	-	1,155	597	562
Interest and fee income							5	13	4
Interest expense							2	26	2

There are no material transactions or balances with the associates.

30 June 2009 (Unaudited)

12 Key management compensation

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

	Three months ended 30 June		Six months ended 30 June	
	2009 KD 000's	2008 KD 000's	2009 KD 000's	2008 KD 000's
Salaries and other short term benefits	2,818	2,639	5,386	4,577
Post-employment benefits	200	317	381	527
Share based compensation	333	245	728	594
	<u>3,351</u>	<u>3,201</u>	<u>6,495</u>	<u>5,698</u>