

NATIONAL BANK OF KUWAIT GROUP

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

31 MARCH 2009 (UNAUDITED)

National Bank of Kuwait Group

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

31 March 2009 (Unaudited)

	Notes	Three months ended 31 March	
		2009 KD 000's	2008 KD 000's
Interest income		157,448	181,075
Interest expense		55,831	89,901
Net interest income		101,617	91,174
Net fees and commissions		23,414	23,544
Net gains from investment securities		8,636	10,040
Net gains from dealing in foreign currencies		11,180	6,702
Dividend income		662	1,114
Share of profit of associates		1,662	1,362
Other operating income		631	333
Net operating income		147,802	134,269
Staff expenses		21,401	23,790
Other administrative expenses		30,005	17,059
Depreciation of premises and equipment		1,911	1,465
Amortization of intangible assets		1,139	-
Operating expenses		54,456	42,314
Operating profit before provision for credit losses and impairment losses		93,346	91,955
Provision charge for credit losses - specific		2,139	4,807
Provision charge for credit losses - general		8,305	943
Impairment losses for investment securities		15,079	-
Operating profit before taxation		67,823	86,205
Taxation	3	3,897	3,483
Profit for the period		63,926	82,722
Attributable to:			
Shareholders of the parent Bank		63,525	82,100
Non-controlling interests		401	622
		63,926	82,722
Basic and diluted earnings per share attributable to shareholders of the parent Bank	4	22 fils	28 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 2009 (Unaudited)

	Three months ended 31 March	
	2009	2008
	KD 000's	KD 000's
Profit for the period	63,926	82,722
Other comprehensive income		
Change in fair value of investments available for sale	(3,480)	10,749
Net losses / (gains) on investments available for sale transferred to statement of income	6,302	(10,932)
Share of other comprehensive income of associates	1,698	180
Exchange differences on translation of foreign operations	18,679	(13,275)
Other comprehensive income for the period included in equity	23,199	(13,278)
Total comprehensive income for the period	87,125	69,444
Attributable to:		
Shareholders of the parent Bank	86,148	69,004
Non-controlling interests	977	440
	87,125	69,444

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 2009 (Unaudited)

		Audited	
	31 March	31 December	31 March
	2009	2008	2008
	Notes	KD 000's	KD 000's
Assets			
Cash and short term funds		1,337,495	1,398,846
Central Bank of Kuwait bonds		84,514	156,897
Kuwait Government treasury bonds		482,560	477,141
Deposits with banks		1,297,306	1,161,915
Loans and advances to customers		7,096,202	6,955,405
Investment securities		1,080,573	1,200,296
Investment in associates		134,514	127,621
Land, premises and equipment		136,604	133,292
Goodwill and other intangible assets		249,525	243,275
Other assets		125,042	118,634
Total assets		12,024,335	11,973,322
Liabilities			
Due to banks and financial institutions		4,638,705	4,622,253
Customer deposits		5,632,184	5,545,249
Other liabilities		214,497	237,254
Total liabilities		10,485,386	10,404,756
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
Proposed bonus shares		-	27,032
Statutory reserve		135,159	135,159
Share premium account		569,006	569,006
Treasury shares	5	(153,821)	(153,821)
Treasury share reserve		41,122	41,122
General reserve		117,058	117,058
Retained earnings		511,947	448,422
Foreign currency translation reserve		9,191	(9,008)
Cumulative changes in fair values		(3,662)	(8,086)
Share based payment reserve	6	3,597	2,965
Total share capital and reserves		1,526,947	1,440,167
Proposed cash dividend	7	-	117,374
Non-controlling interests		12,002	11,025
Total equity		1,538,949	1,568,566
Total liabilities and equity		12,024,335	11,973,322

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 2009 (Unaudited)

	Notes	Three months ended 31 March	
		2009 KD 000's	2008 KD 000's
Operating activities			
Profit for the period		63,926	82,722
Adjustments:			
Dividend income		(662)	(1,114)
Net gains from investment securities		(8,636)	(10,040)
Share of profit of associates		(1,662)	(1,362)
Depreciation of premises and equipment		1,911	1,465
Amortisation of intangible assets		1,139	-
Provision charge for credit losses		10,444	5,750
Impairment losses for investment securities		15,079	-
Share based payment reserve		632	520
Taxation		3,897	3,483
Operating profit before changes in operating assets and liabilities		86,068	81,424
Changes in operating assets and liabilities:			
Central Bank of Kuwait bonds		72,383	118,174
Kuwait Government treasury bonds		(5,419)	(29,016)
Deposits with banks		(135,391)	(139,276)
Loans and advances to customers		(150,909)	7,321
Other assets		(6,408)	13,964
Due to banks and financial institutions		16,452	640,732
Customer deposits		86,935	(549,828)
Other liabilities		(37,908)	(26,262)
Tax paid		-	(295)
Net cash (used in) / from operating activities		(74,197)	116,938
Investing activities			
Purchase of investment securities		(442,041)	(316,228)
Sale/redemption of investment securities		558,143	195,758
Dividend income		662	1,114
Investment in associates		-	(41,513)
Proceeds from sale of land, premises and equipment		93	28
Acquisition of land, premises and equipment		(5,316)	(2,928)
Net cash from / (used in) investing activities		111,541	(163,769)
Financing activities			
Dividends paid	7	(117,374)	(184,308)
Purchase of treasury shares	5	-	(22,378)
Net cash used in financing activities		(117,374)	(206,686)
Decrease in cash and short term funds		(80,030)	(253,517)
Exchange difference on translation of foreign operations		18,679	(13,275)
Cash and short term funds at 1 January		1,398,846	1,778,152
Cash and short term funds at 31 March		1,337,495	1,511,360

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 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	27,032	(27,032)	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	(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

	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	24,574	(24,574)	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	(184,308)	-	-	-	(184,308)	-	(184,308)
Purchase of treasury shares	-	-	-	-	(22,378)	-	-	-	-	-	-	-	(22,378)	-	(22,378)
Share based payment (Note 6)	-	-	-	-	-	-	-	-	-	-	-	520	520	-	520
Total comprehensive income for the period	-	-	-	-	-	-	-	82,100	-	(13,083)	(13)	-	69,004	440	69,444
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 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 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 31 March 2009 were authorised for issue in accordance with a resolution of the directors on 5 April 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 31 March	
	2009	2008
	KD 000’s	KD 000’s
National labour support tax	1,092	1,633
Contribution to Kuwait Foundation for the Advancement of Sciences	521	673
Taxation on overseas branches and subsidiaries	1,629	332
Zakat	655	845
	<u>3,897</u>	<u>3,483</u>

National Bank of Kuwait Group

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31 March 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 31 March	
	2009 KD 000's	2008 KD 000's
Profit attributable to shareholders of the parent Bank	<u>63,525</u>	<u>82,100</u>
Weighted average number of shares outstanding during the period (thousands)	<u>2,869,143</u>	<u>2,972,108</u>
Basic and diluted earnings per share	<u>22 fils</u>	<u>28 fils</u>

Earnings per share calculations for the three months ended 31 March 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 31 March 2009.

	31 March 2009	31 March 2008
Number of treasury shares	104,354,250	11,227,500
Treasury shares as a percentage of total shares in issue	3.5%	0.4%
Cost of treasury shares (KD thousand)	153,821	22,378
Market value of treasury shares (KD thousand)	104,354	22,230

Movement in treasury shares was as follows:

	<i>No. of shares</i>	
	2009	2008
Balance as at 1 January	94,867,500	-
Purchases	-	11,227,500
Bonus issue	9,486,750	-
Balance as at 31 March	<u>104,354,250</u>	<u>11,227,500</u>

6 Share based payment reserve

The Bank operates equity settled share based compensation plans. The fair value of outstanding options amounts to KD 8,583 thousand at 31 March 2009 (2008: KD 6,254 thousand). The expense accrued on account of share based compensation plans for the period ended 31 March 2009 amounts to KD 632 thousand (2008: KD 520 thousand) and has been included as part of staff expenses in the interim condensed consolidated statement of income.

31 March 2009 (Unaudited)

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: KD184,308 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.

8 Provisions for impairment no longer required

Under the terms of Law 41/93, provisions for impairment no longer required as at 31 March 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.

National Bank of Kuwait Group

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31 March 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:

	Three months ended 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>22,628</u>	<u>34,435</u>	<u>147,802</u>
Profit	<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>815,189</u>	<u>4,833,952</u>	<u>12,024,335</u>

	Three months ended March 2008					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>48,745</u>	<u>40,319</u>	<u>6,866</u>	<u>14,444</u>	<u>23,895</u>	<u>134,269</u>
Profit	<u>28,541</u>	<u>33,996</u>	<u>3,391</u>	<u>6,577</u>	<u>10,217</u>	<u>82,722</u>
Total assets	<u>2,373,333</u>	<u>2,850,497</u>	<u>53,754</u>	<u>1,435,174</u>	<u>4,755,484</u>	<u>11,468,242</u>

10 Commitments and contingent liabilities

	31 March 2009 KD 000's	Audited 31 December 2008 KD 000's	31 March 2008 KD 000's
Commitments on behalf of customers for which there are corresponding liabilities by the customers concerned:			
Acceptances	<u>80,062</u>	69,193	65,729
Letters of credit	<u>530,605</u>	525,069	493,168
Guarantees	<u>1,540,955</u>	1,558,140	1,376,801
Commitments to extend credit	<u>836,837</u>	974,456	1,177,478
	<u>2,988,459</u>	<u>3,126,858</u>	<u>3,113,176</u>

National Bank of Kuwait Group

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31 March 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			31 March 2009 KD 000's	Audited 31 December 2008 KD 000's	31 March 2008 KD 000's
	31 March 2009	31 December 2008	31 March 2008	31 March 2009	31 December 2008	31 March 2008			
Board Members									
Loans (secured)	6	6	7	24	24	22	278,833	350,590	285,509
Contingent liabilities	2	2	3	23	23	20	102,749	105,534	111,733
Credit cards	4	6	5	1	2	3	44	28	71
Deposits	8	8	8	24	15	22	75,962	79,607	46,303
Collateral against loans	6	6	7	24	24	22	451,484	494,392	728,189
Interest and fee income							9,749	39,742	8,845
Interest expense							26	1,117	270
Executive Officers									
Loans	7	6	6	-	-	-	643	434	439
Contingent liabilities	3	3	4	-	-	-	9	9	5
Credit cards	6	7	8	-	-	-	10	18	32
Deposits	18	11	22	-	-	-	1,125	597	528
Interest and fee income							4	13	4
Interest expense							2	26	3

There are no material transactions or balances with the associates.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION

31 March 2009 (Unaudited)

12 Key management compensation

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

	Three months ended 31 March	
	2009	2008
	KD 000's	KD 000's
Salaries and other short term benefits	2,568	1,938
Post-employment benefits	181	210
Share based compensation	395	349
	<u>3,144</u>	<u>2,497</u>