

The Commercial Bank of Kuwait Group
Interim Condensed Consolidated Financial Information
30 June 2010 (Unaudited)

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF COMMERCIAL BANK OF KUWAIT S.A.K

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of The Commercial Bank of Kuwait S.A.K (“the Parent Bank”) and its subsidiaries (together called “the Group”) as of 30 June 2010 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity, and cash flows for the six month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the basis of presentation set out in Note 2. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity.” A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared in all material respects in accordance with the basis of presentation set out in Note 2.

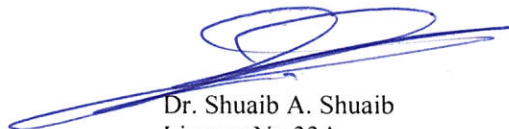
Report on other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Parent Bank, and we have not become aware of any material violations of the Commercial Companies’ Law of 1960, as amended, or of the Articles of Association of the Parent Bank during the period ended 30 June 2010 that might have had a material effect on the business of the Group or on its financial position.

We further report that, during the course of our review, we have not become aware of any material violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the Organization of Banking Business, and its related regulations.



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Member of RSM International

22 July 2010
Kuwait


INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2010 (Unaudited)

		30 June 2010 KD 000's	(Audited) 31 December 2009 KD 000's	30 June 2009 KD 000's
ASSETS				
Cash and short term funds	5	260,813	252,658	53,484
Treasury and Central Bank bonds		463,869	361,345	313,481
Due from banks and other financial institutions	6	332,451	275,573	601,925
Loans and advances	7	2,247,675	2,406,910	2,437,991
Investment securities	8	237,932	222,144	225,131
Investment in an associate		8,796	3,721	-
Premises and equipment		25,927	26,153	30,902
Goodwill and other intangible assets		18,510	18,517	18,655
Other assets		8,064	28,276	16,896
TOTAL ASSETS		3,604,037	3,595,297	3,698,465
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks and other financial institutions		867,641	1,044,014	1,103,374
Customer deposits		2,243,511	2,041,909	2,056,409
Other liabilities		53,366	68,619	86,394
TOTAL LIABILITIES		3,164,518	3,154,542	3,246,177
EQUITY				
Equity attributable to shareholders of the Parent Bank				
Share capital		127,202	127,202	127,202
Treasury shares		(75)	(75)	(75)
Reserves		218,669	220,852	231,622
Retained earnings		92,800	91,960	92,708
Non-controlling interests		923	816	831
TOTAL EQUITY		439,519	440,755	452,288
TOTAL LIABILITIES AND EQUITY		3,604,037	3,595,297	3,698,465

The interim condensed consolidated financial information has been approved for issue by the Board of Directors on 22 July 2010 and signed on their behalf by:


Bader Sulaiman Al-Ahmed
 Chairman


Elham Yousry Mahfouz
 Acting CEO

The attached notes 1 to 15 form an integral part of this interim condensed consolidated financial information.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME**

Period ended 30 June 2010 (Unaudited)

	Note	Three months ended 30 June		Six months ended 30 June	
		2010 KD 000's	2009 KD 000's	2010 KD 000's	2009 KD 000's
Interest income	9	32,460	42,279	66,313	91,555
Interest expense		(11,728)	(17,746)	(26,648)	(41,832)
NET INTEREST INCOME		20,732	24,533	39,665	49,723
Fees and commissions		5,941	10,335	12,938	17,981
Fund management fees		269	320	531	590
Net gain from dealing in foreign currencies		1,076	1,167	2,201	805
Net (loss) gain from investment securities		(1,024)	13,359	(289)	11,930
Dividend income		689	331	1,844	2,212
Share of result from an associate		53	-	53	-
Other operating income		201	203	423	386
OPERATING INCOME		27,937	50,248	57,366	83,627
Staff expenses		(4,701)	(4,776)	(9,044)	(9,507)
General and administrative expenses		(3,012)	(3,210)	(5,928)	(6,244)
Depreciation and amortisation		(202)	(526)	(348)	(965)
OPERATING EXPENSES		(7,915)	(8,512)	(15,320)	(16,716)
OPERATING PROFIT BEFORE PROVISIONS		20,022	41,736	42,046	66,911
Impairment and other provisions	10	(17,711)	(44,187)	(41,144)	(66,070)
OPERATING PROFIT / (LOSS) BEFORE TAXATION		2,311	(2,451)	902	841
Taxation		(7)	131	(12)	(22)
NET PROFIT / (LOSS) FOR THE PERIOD		2,304	(2,320)	890	819
Attributable to:					
Shareholders of the Parent Bank		2,294	(2,441)	840	894
Non-controlling interests		10	121	50	(75)
		2,304	(2,320)	890	819
Earnings / (loss) per share attributable to shareholders of the Parent Bank (fils)	11	1.8	(1.9)	0.7	0.7

The attached notes 1 to 15 form an integral part of this interim condensed consolidated financial information.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

Period ended 30 June 2010 (Unaudited)

	Three months ended 30 June		Six months ended 30 June	
	2010 KD 000's	2009 KD 000's	2010 KD 000's	2009 KD 000's
Net profit / (loss) for the period	2,304	(2,320)	890	819
OTHER COMPREHENSIVE INCOME:				
Changes in fair value of investment securities	(4,679)	11,546	(2,123)	12,159
Net loss on disposal / impairment of investment securities	(301)	(8,138)	(3)	(7,063)
	(4,980)	3,408	(2,126)	5,096
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(2,676)	1,088	(1,236)	5,915
Attributable to:				
Shareholders of the Parent Bank	(2,638)	873	(1,343)	5,711
Non-controlling interests	(38)	215	107	204
	(2,676)	1,088	(1,236)	5,915

The attached notes 1 to 15 form an integral part of this interim condensed consolidated financial information.



The Commercial Bank of Kuwait Group

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period ended 30 June 2010 (Unaudited)

	Attributable to shareholders of the Parent Bank													
	Reserves													
	Share Capital	Treasury Shares	Share Premium	Statutory Reserve	General Reserve	Treasury Shares Reserve	Property Revaluation Reserve	Investment Valuation Reserve	Total Reserves	Retained Earnings	Proposed Dividend	Non-controlling Interests	Total	
Balance at 1 January 2009	127,202	-	66,791	63,601	17,927	45,603	25,336	7,547	226,805	91,814	50,881	496,702	691	497,393
Total comprehensive income for the period	-	-	-	-	-	-	-	4,817	4,817	894	-	5,711	204	5,915
Purchase of treasury shares	-	(75)	-	-	-	-	-	-	-	-	-	(75)	-	(75)
Dividend paid	-	-	-	-	-	-	-	-	-	(50,881)	(50,881)	(50,881)	(64)	(50,945)
Balance at 30 June 2009	127,202	(75)	66,791	63,601	17,927	45,603	25,336	12,364	231,622	92,708	-	451,457	831	452,288
Balance at 1 January 2010	127,202	(75)	66,791	63,601	17,927	45,603	21,558	5,372	220,852	91,960	-	439,939	816	440,755
Total comprehensive (expense) income for the period	-	-	-	-	-	-	-	(2,183)	(2,183)	840	-	(1,343)	107	(1,236)
Balance at 30 June 2010	127,202	(75)	66,791	63,601	17,927	45,603	21,558	3,189	218,669	92,800	-	438,596	923	439,519

Annual general meeting of the shareholders' held on 7 April 2010 approved not to distribute cash dividend for the year 2009 (2008: 40 fils per share) to the shareholders' registered in the Parent Bank's records as of the date of the annual general meeting.

The attached notes 1 to 15 form an integral part of this interim condensed consolidated financial information.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

Period ended 30 June 2010 (Unaudited)

	Note	Six months ended 30 June	
		2010 KD 000's	2009 KD 000's
OPERATING ACTIVITIES			
Operating profit before taxation		902	841
Adjustments for :			
Impairment and other provisions		41,144	66,070
Income from investment securities		(1,555)	(14,142)
Foreign exchange and other losses on investment securities		(163)	(423)
Depreciation and amortisation		348	965
Other adjustments		(6)	-
Share of results from an associate		(53)	-
Operating profit before changes in operating assets and liabilities		40,617	53,311
Changes in operating assets and liabilities:			
Treasury and Central Bank bonds		(102,524)	(61,670)
Due from banks and other financial institutions		(58,117)	337,236
Loans and advances		125,371	(45,175)
Other assets		20,206	74,654
Due to banks and other financial institutions		(176,373)	60,681
Customer deposits		201,602	(588,431)
Other liabilities		(14,976)	(38,508)
Net cash from / (used in) operating activities		35,806	(207,902)
INVESTING ACTIVITIES			
Proceeds from disposal of investment securities		9,619	45,811
Acquisition of investment securities		(33,973)	(54,305)
Acquisition of further investment in an associate		(5,022)	-
Dividend income from investment securities		1,844	2,212
Proceeds from disposal of premises and equipment		45	-
Acquisition of premises and equipment		(164)	(1,085)
Net cash used in investing activities		(27,651)	(7,367)
FINANCING ACTIVITIES			
Purchase of treasury shares		-	(75)
Dividends paid		-	(50,881)
Net cash used in financing activities		-	(50,956)
Net increase / (decrease) in cash and short term funds		8,155	(266,225)
Cash and short term funds at 1 January		252,658	319,709
Cash and short term funds at 30 June	5	260,813	53,484

The attached notes 1 to 15 form an integral part of this interim condensed consolidated financial information.


NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2010 (Unaudited)

1 INCORPORATION AND REGISTRATION

The Commercial Bank of Kuwait S.A.K (the "Parent Bank") is a public shareholding company incorporated in the State of Kuwait and is registered as a Bank with the Central Bank of Kuwait ("CBK") and listed on the Kuwait Stock Exchange ("KSE"). The address of the registered office of the Parent Bank is P.O. Box 2861, 13029 Safat, State of Kuwait.

The Parent Bank and its subsidiaries are together referred to as "the Group" in this interim condensed consolidated financial information.

2 SIGNIFICANT ACCOUNTING POLICIES

The interim condensed consolidated financial information has been prepared in accordance with International Accounting Standard (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 2009. The interim condensed consolidated financial information does not include all the information and notes required for complete consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use by the Government of Kuwait for financial services institutions regulated by the CBK. These regulations require adoption of all IFRS except for the IAS 39 "Financial instruments: recognition and measurement" requirement for collective provision, which has been replaced by the CBK's requirement for a minimum general provision.

The policy of the Group for calculation of the impairment provisions for loans and advances complies in all material respects with the specific provision requirements of the CBK.

In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the period ended 30 June 2010 are not necessarily indicative of the results that may be expected for the year ending 31 December 2010. For further information, refer to the consolidated financial statements included in the Group's annual report for the year ended 31 December 2009.

3 SUBSIDIARIES

Name of entities	Country of incorporation	Principal activities	% of ownership		
			30 June 2010	31 December 2009	30 June 2009
Al Tijari Investment Company K.S.C (Closed)	Kuwait	Investment Banking	100	100	100
Union Securities Brokerage Company K.S.C (Closed)	Kuwait	Brokerage Services	80	80	80

4 PROVISIONS NO LONGER REQUIRED

Under the terms of Law 41/93, provision no longer required as at 30 June 2010 amounted to KD nil (30 June 2009: KD 23 thousand). The ultimate amount to be ceded to the CBK will depend on the situation at the year end. The identification of provisions no longer required was made on a basis consistent with that adopted at 31 December 2009 and in accordance with the instructions of the CBK.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2010 (Unaudited)

5 CASH AND SHORT TERM FUNDS

	<i>(Audited)</i>		
	30 June 2010	31 December 2009	30 June 2009
	KD 000's	KD 000's	KD 000's
Cash and cash items	41,028	45,912	37,631
Balances with the Central Bank of Kuwait	31,059	45,127	272
Deposits with banks maturing within seven days	188,726	161,619	15,581
	260,813	252,658	53,484

Cash and short term funds are classified as "loans and receivables".

6 DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	<i>(Audited)</i>		
	30 June 2010	31 December 2009	30 June 2009
	KD 000's	KD 000's	KD 000's
Deposits with banks	303,561	242,973	544,945
Loans and advances to banks	43,457	44,925	52,791
Amounts due from other financial institutions	7,249	8,225	12,325
	354,267	296,123	610,061
Less : Specific provision	(21,816)	(20,550)	(8,136)
	332,451	275,573	601,925

Due from banks and other financial institutions are classified as "loans and receivables".

7 LOANS AND ADVANCES

Loans and advances are classified as "loans and receivables".

8 INVESTMENT SECURITIES

Investment securities include 348,483,589 shares carried at a cost of KD 126,504 thousand (31 December 2009: KD 94,103 thousand, 30 June 2009: KD 94,103 thousand) out of which the Parent Bank acquired 221,421,095 shares at a cost of KD 94,103 thousand in the year 2009 under a transaction executed through the KSE where the counterparty subsequently failed to exercise their buy back option within the agreed time frame. During 2010, the Parent Bank participated in the rights issue and acquired 127,062,494 shares at a cost of KD 32,401 thousand. As at the reporting date, the Parent Bank holds the title of the underlying shares. The counterparty raised a legal case challenging the Parent Bank's ownership that is currently pending at the court of law.

During the period, the Group recognised an unrealised loss of KD 2,123 thousand (30 June 2009: unrealised gain of KD 12,159 thousand) in other comprehensive income as arising from changes in fair value and re-cycled of KD 159 thousand (30 June 2009: KD 2,438 thousand) to income on disposal of "available for sale" investment securities.

Impairment loss of KD 6,324 thousand (30 June 2009: KD 24,492 thousand) was also charged to the interim condensed consolidated statement of income.


NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2010 (Unaudited)

9 INTEREST INCOME

Interest income includes a release of KD 1,014 thousand (30 June 2009: KD 1,203 thousand) due to adjustments 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 2007, as per Central Bank circular 2/202BS RSA/2007 dated 13 February 2007.

10 IMPAIRMENT AND OTHER PROVISIONS

The following amounts were (charged) / released to the interim condensed consolidated statement of income during the period:

	Three months ended 30 June		Six months ended 30 June	
	2010 KD 000's	2009 KD 000's	2010 KD 000's	2009 KD 000's
Loans and advances - specific	(10,716)	(38,911)	(41,441)	(40,020)
Loans and advances - general	(2,390)	2,586	6,338	2,455
Investment securities	(4,552)	(3,873)	(6,324)	(24,492)
Non cash facilities	(35)	(4,350)	(242)	(4,495)
Other provisions	(18)	361	525	482
	(17,711)	(44,187)	(41,144)	(66,070)

11 EARNINGS PER SHARE

	Three months ended 30 June		Six months ended 30 June	
	2010	2009	2010	2009
Net profit / (loss) for the period attributable to shareholders of the Parent Bank (KD 000's)	2,294	(2,441)	840	894
Weighted average of authorised and subscribed shares (numbers in 000's)	1,272,022	1,272,022	1,272,022	1,272,022
Less: Weighted average of treasury shares held (numbers in 000's)	(70)	(22)	(70)	(11)
	1,271,952	1,272,000	1,271,952	1,272,011
Earnings / (loss) per share attributable to shareholders of the Parent Bank (fils)	1.8	(1.9)	0.7	0.7



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2010 (Unaudited)

12 RELATED PARTY TRANSACTIONS

During the period certain related parties (directors and officers of the Group, their families and companies of which they are principal owners) were customers of the Group 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. The balances at the reporting date are as follows:

	30 June 2010			30 June 2009		
	Number of Directors/ Executives	Number of Related Members	Amount in KD 000's	Number of Directors/ Executives	Number of Related Members	Amount in KD 000's
Board of Directors						
Loans	-	-	-	1	4	16,937
Credit cards	-	-	-	1	1	5
Deposits	4	1	1,121	7	17	508
Executive Management						
Loans	10	1	446	5	2	162
Credit cards	14	8	3	6	6	3
Deposits	12	23	1,956	14	31	4,019

The loans issued to directors and executive management are mainly repayable within 1 year and have interest rates ranging from 0% to 1.5% (30 June 2009: 2% to 7%). The loans given to related parties are collateralised by real-estate and equities. The fair value of these collaterals as at 30 June 2010 is KD nil thousand (30 June 2009: KD 10,583 thousand).

The transactions included in the interim condensed consolidated statement of income are as follows:

	Six months ended 30 June	
	2010 KD 000's	2009 KD 000's
Key management compensation:		
Short-term benefits	(537)	(621)
Post employment benefits	(11)	(9)
Termination benefits	(77)	(40)



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2010 (Unaudited)

13 SEGMENTAL ANALYSIS

The Group operates in three business segments namely banking, brokerage services and investment activities which are segmented between:

- Corporate and Retail banking provides a full range of lending, deposit and related banking services to domestic and international corporate and individual customers.
- Treasury and Investment banking comprises of money market, foreign exchange, treasury bonds, asset management and brokerage services.

	KD 000's					
	Corporate and Retail Banking		Treasury and Investment Banking		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2010	2009	2010	2009	2010	2009
Interest income	60,700	78,895	5,613	12,660	66,313	91,555
Non interest income	12,937	16,082	4,764	17,822	17,701	33,904
Total revenues	73,637	94,977	10,377	30,482	84,014	125,459
Impairment and other provisions	(35,291)	(42,082)	(5,853)	(23,988)	(41,144)	(66,070)
Net profit / (loss) for the period	6,456	15,034	(5,566)	(14,215)	890	819
Assets	2,311,438	2,216,292	1,292,599	1,482,173	3,604,037	3,698,465
Liabilities & Equity	1,071,109	949,805	2,532,928	2,748,660	3,604,037	3,698,465

14 OFF BALANCE SHEET ITEMS

(a) Financial instruments with contractual amounts

In the normal course of business the Group makes commitments to extend credit to customers. The contracted amounts represent the credit risk assuming that the amounts are fully advanced and that any collateral is of no value. The total contractual amount of the commitment does not necessarily represent the future cash requirement as in many cases these contracts terminate without being funded.

(i) Financial instruments with contractual amounts representing credit risk

	30 June	(Audited) 31 December	30 June
	2010	2009	2009
	KD 000's	KD 000's	KD 000's
Acceptances	38,969	34,223	151,627
Letters of credit	166,802	184,845	338,565
Letters of guarantee	847,985	849,666	938,454
Others	39,136	40,230	41,189
	1,092,892	1,108,964	1,469,835


NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2010 (Unaudited)

(ii) Financial instruments with contractual or notional amounts that are subject to credit risk

	30 June 2010 KD 000's	<i>(Audited)</i> 31 December 2009 KD 000's	30 June 2009 KD 000's
Foreign exchange contracts - spot and forward	45,681	30,128	52,400
Interest rate swaps	-	74	148

The amount subject to credit risk is insignificant and is limited to the current replacement value of instruments that are favorable to the Group, which is only a fraction of the contractual or notional amounts used to express the volumes outstanding.

The fair value of derivative instruments outstanding as at 30 June 2010 is not material to the interim condensed consolidated financial information.

(b) Fiduciary assets

The Group manages money market and equity funds, the net asset value of which as at 30 June 2010 is KD 85,290 thousand (31 December 2009: KD 95,946 thousand and 30 June 2009: KD 119,001 thousand).

(c) Legal claims

At the reporting date certain legal claims existed against the Group were for which KD 2,035 thousand (31 December 2009: KD 2,691 thousand and 30 June 2009: KD 2,637 thousand) has been provided.

15 COMPARATIVE FIGURES

Certain of the prior period amounts have been reclassified to conform with the presentation in the current period.