

The Commercial Bank of Kuwait Group
Interim Condensed Consolidated Financial Information
31 March 2011 (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 31 March 2011 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity, and cash flows for the three 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.

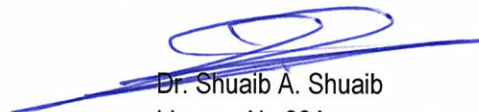
Report on other Legal and Regulatory Requirements

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 have occurred during the period ended 31 March 2011 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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**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

31 March 2011 (Unaudited)

		(Audited)	
	Note	31 March 2011 KD 000's	31 December 2010 KD 000's
			31 March 2010 KD 000's
ASSETS			
Cash and short term funds	5	331,786	208,353
Treasury and Central Bank bonds		541,217	500,584
Due from banks and other financial institutions	6	314,255	222,682
Loans and advances	7	2,234,261	2,348,354
Investment securities	8	289,709	278,409
Investment in an associate		8,981	8,924
Premises and equipment		24,561	24,652
Goodwill and other intangible assets		18,368	18,372
Other assets		11,494	12,273
TOTAL ASSETS		3,774,632	3,622,603
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks and other financial institutions		729,317	806,332
Customer deposits		2,519,995	2,272,578
Other liabilities		64,686	57,643
TOTAL LIABILITIES		3,313,998	3,136,553
EQUITY			
Equity attributable to shareholders of the Parent Bank			
Share capital		127,202	127,202
Treasury shares		(75)	(75)
Reserves		217,916	225,479
Retained earnings		114,665	113,333
Proposed dividend		-	19,079
Non-controlling interests		926	1,032
TOTAL EQUITY		460,634	486,050
TOTAL LIABILITIES AND EQUITY		3,774,632	3,622,603

The interim condensed consolidated financial information has been approved for issue by the Board of Directors on 12 April 2011 and signed on their behalf by:


Ali Yousef Al Awadi
 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 31 March 2011 (Unaudited)

	Note	Three months ended 31 March	
		2011 KD 000's	2010 KD 000's
Interest income	9	31,820	33,853
Interest expense		(11,370)	(14,920)
NET INTEREST INCOME		20,450	18,933
Fees and commissions		7,054	6,997
Fund management fees		212	262
Net gain from dealing in foreign currencies		1,138	1,125
Net gain from investment securities		305	735
Dividend income		1,989	1,155
Share of result from an associate		165	-
Other operating income		193	222
OPERATING INCOME		31,506	29,429
Staff expenses		(4,067)	(4,343)
General and administrative expenses		(2,554)	(2,916)
Depreciation and amortisation		(196)	(146)
OPERATING EXPENSES		(6,817)	(7,405)
OPERATING PROFIT BEFORE PROVISIONS		24,689	22,024
Impairment and other provisions	10	(23,342)	(23,433)
PROFIT / (LOSS) BEFORE TAXATION		1,347	(1,409)
Taxation		(13)	(5)
NET PROFIT / (LOSS) FOR THE PERIOD		1,334	(1,414)
Attributable to:			
Shareholders of the Parent Bank		1,332	(1,454)
Non-controlling interests		2	40
		1,334	(1,414)
Basic and diluted earnings / (loss) per share attributable to shareholders of the Parent Bank (fils)	11	1.0	(1.1)

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 31 March 2011 (Unaudited)

	Three months ended 31 March	
	2011 KD 000's	2010 KD 000's
Net profit / (loss) for the period	1,334	(1,414)
OTHER COMPREHENSIVE INCOME:		
Changes in fair value of investment securities	(7,324)	2,556
Net (loss) gain on disposal / impairment of investment securities	(179)	298
Share of other comprehensive income of an associate	(108)	-
	(7,611)	2,854
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(6,277)	1,440
Attributable to:		
Shareholders of the Parent Bank	(6,231)	1,295
Non-controlling interests	(46)	145
	(6,277)	1,440

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 31 March 2011 (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 2010	127,202	(75)	66,791	63,601	17,927	45,603	21,558	5,372	220,852	91,960	-	816	440,755
Total comprehensive income for the period	-	-	-	-	-	-	-	2,749	2,749	(1,454)	-	145	1,440
Balance at 31 March 2010	127,202	(75)	66,791	63,601	17,927	45,603	21,558	8,121	223,601	90,506	-	961	442,195
Balance at 1 January 2011	127,202	(75)	66,791	63,601	17,927	45,603	20,804	10,753	225,479	113,333	19,079	1,032	486,050
Total comprehensive income for the period	-	-	-	-	-	-	-	(7,563)	(7,563)	1,332	-	(46)	(6,277)
Dividend paid	-	-	-	-	-	-	-	-	-	(19,079)	(19,079)	(60)	(19,139)
Balance at 31 March 2011	127,202	(75)	66,791	63,601	17,927	45,603	20,804	3,190	217,916	114,665	-	926	460,634

Annual general meeting of the shareholders' held on 23 March 2011 approved to distribute cash dividend of 15% (15 fils per share) for the year 2010 (2009: nil) 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 31 March 2011 (Unaudited)

	Note	Three months ended 31 March	
		2011 KD 000's	2010 KD 000's
OPERATING ACTIVITIES			
Profit / (loss) before taxation		1,347	(1,409)
Adjustments for:			
Impairment and other provisions	10	23,342	23,433
Income from investment securities		(2,294)	(1,890)
Foreign exchange gain on investment securities		(622)	(142)
Depreciation and amortisation		196	146
Other adjustments		-	(15)
Share of results from an associate		(165)	-
Profit before changes in operating assets and liabilities		<u>21,804</u>	<u>20,123</u>
Changes in operating assets and liabilities:			
Treasury and Central Bank bonds		(40,633)	(78,656)
Due from banks and other financial institutions		(91,573)	(15,824)
Loans and advances		90,602	51,690
Other assets		810	(880)
Due to banks and other financial institutions		(77,015)	(99,196)
Customer deposits		247,417	154,788
Other liabilities		7,991	2,287
Net cash from operating activities		<u>159,403</u>	<u>34,332</u>
INVESTING ACTIVITIES			
Proceeds from disposal of investment securities		7,337	4,698
Acquisition of investment securities		(26,051)	(28,698)
Dividend income from investment securities		1,989	1,155
Proceeds from disposal of premises and equipment		-	22
Acquisition of premises and equipment		(106)	(76)
Net cash used in investing activities		<u>(16,831)</u>	<u>(22,899)</u>
FINANCING ACTIVITIES			
Dividends paid		(19,079)	-
Dividend paid to non controlling interest		(60)	-
Net cash used in financing activities		<u>(19,139)</u>	<u>-</u>
Net increase in cash and short term funds		123,433	11,433
Cash and short term funds at 1 January		208,353	252,658
Cash and short term funds at 31 March	5	<u>331,786</u>	<u>264,091</u>

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

31 March 2011 (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 2010, except for the adoption of the following amendments to Standards applicable during the period:

- i) IAS 24: Related Party Disclosures (Revised): The amended Standard clarified the definition of a related party and laid down additional requirement for disclosure of outstanding commitments to related parties. The adoption of the amendment did not have any impact on the financial position or performance of the Group.
- ii) IAS 34: Interim Financial Reporting: Improvement to IAS 34 introduces the concept of "Significant events and transactions" and has brought in additional disclosures for changes in business and economic circumstances, transfers between levels of the fair value hierarchy used and changes in the classification of financial assets resulting from change in the purpose or use of those assets. Adoption of this improvement did not have any material impact on the financial position or performance of the Group.

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 31 March 2011 are not necessarily indicative of the results that may be expected for the year ending 31 December 2011. For further information, refer to the consolidated financial statements included in the Group's annual report for the year ended 31 December 2010.

3 SUBSIDIARIES

Name of entities	Country of incorporation	Principal activities	% of ownership		
			31 March 2011	31 December 2010	31 March 2010
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 31 March 2011 amounted to KD nil (31 March 2010: KD nil). 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 2010 and in accordance with the instructions of the CBK.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31 March 2011 (Unaudited)

5 CASH AND SHORT TERM FUNDS

	<i>(Audited)</i>		
	31 March 2011	31 December 2010	31 March 2010
	KD 000's	KD 000's	KD 000's
Cash and cash items	37,868	38,185	40,919
Balances with the CBK	97,724	8,398	2,295
Deposits with banks maturing within seven days	196,194	161,770	220,877
	331,786	208,353	264,091

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

6 DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	<i>(Audited)</i>		
	31 March 2011	31 December 2010	31 March 2010
	KD 000's	KD 000's	KD 000's
Placements with banks	270,635	182,167	257,412
Loans and advances to banks	29,083	30,803	45,208
Amounts due from other financial institutions	28,391	25,133	9,741
	328,109	238,103	312,361
Less : Provision for impairment	(13,854)	(15,421)	(22,671)
	314,255	222,682	289,690

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 2010: KD 126,504 thousand, 31 March 2010: KD 122,334 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. Management believes that they have a meritorious defence.

During the period, the Group recognised an unrealised loss of KD 7,324 thousand (31 March 2010: unrealised gain KD 2,556 thousand) in the interim condensed consolidated statement of comprehensive income as arising from changes in fair value and recycled accumulated fair valuation changes of KD 179 thousand (31 December 2010: KD 937 thousand, 31 March 2010: KD 298 thousand) to the interim condensed consolidated statement of income on disposal / impairment of "available for sale" investment securities.

Impairment loss of KD 841 thousand (31 March 2010: KD 1,772 thousand) was also charged to the interim condensed consolidated statement of income.


NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31 March 2011 (Unaudited)

9 INTEREST INCOME

Interest income includes a release of KD 80 thousand (31 March 2010: KD 785 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 and 2/105 dated 23 April 2008.

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 31 March	
	2011 KD 000's	2010 KD 000's
Loans and advances - specific	(12,302)	(30,725)
Loans and advances - general	(11,189)	8,728
Investment securities	(841)	(1,772)
Non cash facilities	953	(207)
Other provisions	37	543
	<u>(23,342)</u>	<u>(23,433)</u>

11 EARNINGS / (LOSS) PER SHARE

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

	Three months ended 31 March	
	2011	2010
Net profit / (loss) for the period attributable to shareholders of the Parent Bank (KD 000's)	<u>1,332</u>	<u>(1,454)</u>
Weighted average of authorised and subscribed shares (numbers in 000's)	1,272,022	1,272,022
Less: Weighted average of treasury shares held (numbers in 000's)	(70)	(70)
	<u>1,271,952</u>	<u>1,271,952</u>
Basic and diluted earnings / (loss) per share attributable to shareholders of the Parent Bank (fils)	<u>1.0</u>	<u>(1.1)</u>


NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31 March 2011 (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:

	31 March 2011			31 March 2010		
	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	-	-	-	-	4	17,021
Credit cards	1	-	1	3	3	5
Deposits	5	-	65	7	13	1,899
Executive Management						
Loans	7	1	138	10	2	452
Credit cards	11	5	2	7	5	4
Deposits	12	22	1,972	13	28	1,758

The loans issued to directors and executive management are mainly repayable within 1 year and have interest rates ranging from 0% to 6% (31 March 2010: 2.63% to 6%). The loans given to related parties are collateralised by real-estate and equities. The fair value of these collaterals as at 31 March 2011 is KD nil (31 March 2010: KD 13,457 thousand).

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

	Three months ended 31 March	
	2011 KD 000's	2010 KD 000's
Key management compensation:		
Salaries and other short-term benefits	(194)	(317)
Post employment benefits	(4)	(6)
Termination benefits	(27)	(39)



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31 March 2011 (Unaudited)

13 SEGMENTAL ANALYSIS

The Group operates in 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	
	Three months ended 31 March		Three months ended 31 March		Three months ended 31 March	
	2011	2010	2011	2010	2011	2010
Net interest income	19,640	19,256	810	(323)	20,450	18,933
Non interest income	6,783	6,395	4,273	4,101	11,056	10,496
Total revenues	26,423	25,651	5,083	3,778	31,506	29,429
Impairment and other provisions	(22,510)	(22,206)	(832)	(1,227)	(23,342)	(23,433)
Net profit / (loss) for the period	411	(2,192)	923	778	1,334	(1,414)
Assets	2,303,279	2,418,892	1,471,353	1,233,912	3,774,632	3,652,804
Liabilities & Equity	1,319,982	1,044,721	2,454,650	2,608,083	3,774,632	3,652,804

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

	31 March 2011 KD 000's	(Audited)	
		31 December 2010 KD 000's	31 March 2010 KD 000's
Acceptances	58,467	49,599	39,693
Letters of credit	159,006	155,234	179,666
Letters of guarantee	867,295	890,784	844,940
Others	37,338	37,333	40,230
	1,122,106	1,132,950	1,104,529


NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31 March 2011 (Unaudited)

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

	31 March	<i>(Audited)</i> 31 December	31 March
	2011	2010	2010
	KD 000's	KD 000's	KD 000's
Foreign exchange contracts - spot and forward	126,838	62,166	21,295
Interest rate swaps	-	-	74

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 31 March 2011 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 31 March 2011 is KD 54,165 thousand (31 December 2010: KD 62,052 thousand and 31 March 2010: KD 99,481 thousand).

(c) Legal claims

At the reporting date certain legal claims existed against the Group were for which KD 1,892 thousand (31 December 2010: KD 1,898 thousand and 31 March 2010: KD 2,040 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.