

**NATIONAL BANK OF KUWAIT GROUP**

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION**

**30 SEPTEMBER 2008 (UNAUDITED)**

# National Bank of Kuwait Group

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

30 September 2008 (Unaudited)

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2008 KD 000's	2007 KD 000's	2008 KD 000's	2007 KD 000's
Interest income		<b>173,223</b>	160,509	<b>520,780</b>	474,509
Interest expense		<b>75,328</b>	82,016	<b>235,054</b>	241,847
<b>Net interest income</b>		<b>97,895</b>	78,493	<b>285,726</b>	232,662
Net fees and commissions		<b>26,402</b>	18,770	<b>74,807</b>	61,404
Net (losses)/gains from investment securities		<b>(15,293)</b>	6,754	<b>801</b>	20,893
Net gains from dealing in foreign currencies		<b>7,248</b>	6,380	<b>19,940</b>	16,534
Dividend income		<b>312</b>	128	<b>3,931</b>	3,059
Share of profit of associates		<b>2,738</b>	1,240	<b>6,181</b>	2,786
Other income		<b>730</b>	182	<b>1,345</b>	1,210
<b>Net operating income</b>		<b>120,032</b>	111,947	<b>392,731</b>	338,548
Staff expenses		<b>24,075</b>	16,866	<b>69,587</b>	51,048
Other administrative expenses		<b>13,083</b>	10,818	<b>40,623</b>	32,300
Depreciation		<b>1,682</b>	1,158	<b>4,676</b>	3,509
<b>Operating expenses</b>		<b>38,840</b>	28,842	<b>114,886</b>	86,857
<b>Operating profit before provision for credit losses</b>		<b>81,192</b>	83,105	<b>277,845</b>	251,691
Provision charge for credit losses - specific		<b>2,738</b>	1,512	<b>11,697</b>	8,021
Provision charge for credit losses - general		<b>5,929</b>	1,467	<b>9,234</b>	11,954
<b>Operating profit</b>		<b>72,525</b>	80,126	<b>256,914</b>	231,716
Taxation	3	<b>3,404</b>	3,582	<b>11,382</b>	10,125
<b>Profit for the period</b>		<b>69,121</b>	76,544	<b>245,532</b>	221,591
Attributable to:					
Shareholders of the parent Bank		<b>68,592</b>	76,122	<b>243,692</b>	220,468
Minority interests		<b>529</b>	422	<b>1,840</b>	1,123
		<b>69,121</b>	76,544	<b>245,532</b>	221,591
<b>Basic and diluted earnings per share attributable to shareholders of the parent Bank</b>		<b>26 fils</b>	32 fils	<b>91 fils</b>	91 fils

The attached notes 1 to 11 form part of the interim condensed consolidated financial information.

# National Bank of Kuwait Group

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

30 September 2008 (Unaudited)

		30 September 2008	Audited 31 December 2007	30 September 2007
	Notes	KD 000's	KD 000's	KD 000's
<b>Assets</b>				
Cash and short term funds		1,392,565	1,778,152	1,106,374
Central Bank of Kuwait bonds		196,253	227,162	264,641
Kuwait Government treasury bonds		419,484	338,366	351,124
Deposits with banks and other financial institutions		1,513,630	1,841,583	1,846,727
Loans and advances to customers		6,712,679	5,920,308	5,270,601
Investment securities		1,511,807	878,465	663,733
Investment in associates	4	116,047	74,082	63,129
Land, premises and equipment		121,131	104,876	95,928
Goodwill and other intangible assets		243,797	244,988	17,552
Other assets		135,846	131,439	116,533
<b>Total assets</b>		<b>12,363,239</b>	<b>11,539,421</b>	<b>9,796,342</b>
<b>Liabilities</b>				
Due to banks and other financial institutions		4,806,500	4,112,873	3,409,324
Customer deposits		5,646,666	5,506,510	4,961,463
Other liabilities		246,057	225,130	199,619
<b>Total liabilities</b>		<b>10,699,223</b>	<b>9,844,513</b>	<b>8,570,406</b>
<b>Equity</b>				
<b>Equity attributable to shareholders of the parent Bank</b>				
Share capital - authorised, issued and fully paid shares of KD 0.100 each		270,318	245,744	204,786
Proposed bonus shares		-	24,574	-
Statutory reserve		122,872	122,872	97,517
Share premium account		569,006	569,006	200,390
Treasury shares		(60,383)	-	-
Treasury share reserve		44,710	44,710	44,710
General reserve		117,058	117,058	117,058
Retained earnings		593,458	349,766	530,899
Foreign currency translation reserve		(14,293)	(4,203)	(1,109)
Cumulative changes in fair values		8,361	31,037	20,666
Share based payment reserve	5	2,536	993	1,419
Total share capital and reserves		1,653,643	1,501,557	1,216,336
Proposed cash dividend		-	184,308	-
		1,653,643	1,685,865	1,216,336
Minority interests		10,373	9,043	9,600
<b>Total equity</b>		<b>1,664,016</b>	<b>1,694,908</b>	<b>1,225,936</b>
<b>Total liabilities and equity</b>		<b>12,363,239</b>	<b>11,539,421</b>	<b>9,796,342</b>

Mohammed Abdul Rahman Al-Bahar  
Chairman

The attached notes 1 to 11 form part of the interim condensed consolidated financial information.

# National Bank of Kuwait Group

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

30 September 2008 (Unaudited)

	Notes	Nine months ended 30 September	
		2008 KD 000's	2007 KD 000's
<b>Operating activities</b>			
Profit for the period		245,532	221,591
Adjustments:			
Dividend income		(3,931)	(3,059)
Net gains from investment securities		(801)	(20,893)
Share of profit of associates		(6,181)	(2,786)
Depreciation		4,676	3,509
Provision charge for credit losses		20,931	19,975
Share based payment reserve	5	1,543	1,150
Taxation		11,382	10,125
		<u>273,151</u>	<u>229,612</u>
Operating profit before changes in operating assets and liabilities			
Changes in operating assets and liabilities:			
Central Bank of Kuwait bonds		30,909	(175,293)
Kuwait Government treasury bonds		(81,118)	239,546
Deposits with banks and other financial institutions		327,953	(627,210)
Loans and advances to customers		(813,454)	(979,322)
Kuwait Government debt bonds		-	14,651
Other assets		(3,216)	(41,296)
Due to banks and other financial institutions		693,627	1,107,387
Customer deposits		140,156	582,977
Other liabilities		22,345	50,127
Tax paid		(11,160)	(10,747)
		<u>579,193</u>	<u>390,432</u>
Net cash from operating activities			
<b>Investing activities</b>			
Purchase of investment securities		(1,774,892)	(743,765)
Sale/redemption of investment securities		1,121,727	723,217
Dividend income		3,931	3,059
Investment in associates	4	(43,629)	(30,843)
Proceeds from sale of land, premises and equipment		229	71
Acquisition of land, premises and equipment		(21,160)	(9,593)
Dividend from associates		3,952	1,473
		<u>(709,842)</u>	<u>(56,381)</u>
Net cash used in investing activities			
<b>Financing activities</b>			
Dividends paid		(184,308)	(142,170)
Purchase of treasury shares		(60,383)	(131,531)
Sale of treasury shares		-	200,260
		<u>(244,691)</u>	<u>(73,441)</u>
Net cash used in financing activities			
<b>(Decrease)/ increase in cash and short term funds</b>		<b>(375,340)</b>	260,610
Foreign currency translation		(10,247)	146
Cash and short term funds at 1 January		1,778,152	845,618
<b>Cash and short term funds at 30 September</b>		<b>1,392,565</b>	<b>1,106,374</b>

The attached notes 1 to 11 form part of the interim condensed consolidated financial information.

National Bank of Kuwait Group

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

30 September 2008 (Unaudited)

KD 000's

	Equity attributable to shareholders of the parent Bank												Total	Minority 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			
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
Net unrealised losses on available for sale investments	-	-	-	-	-	-	-	-	-	-	(7,307)	-	(7,307)	(22)	(7,329)
Net unrealised losses on available for sale investments - associates	-	-	-	-	-	-	-	-	-	-	(2,102)	-	(2,102)	-	(2,102)
Net realised gains transferred to statement of income on disposal	-	-	-	-	-	-	-	-	-	-	(13,267)	-	(13,267)	(28)	(13,295)
Foreign currency translation	-	-	-	-	-	-	-	-	-	(10,090)	-	-	(10,090)	(157)	(10,247)
Total income and expense directly recognised in equity	-	-	-	-	-	-	-	-	-	(10,090)	(22,676)	-	(32,766)	(207)	(32,973)
Profit for the period	-	-	-	-	-	-	-	243,692	-	-	-	-	243,692	1,840	245,532
Total income and expense recognised for the period	-	-	-	-	-	-	-	243,692	-	(10,090)	(22,676)	-	210,926	1,633	212,559
Issue of bonus shares	24,574	(24,574)	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares (Note 6)	-	-	-	-	(60,383)	-	-	-	-	-	-	-	(60,383)	-	(60,383)
Dividends paid	-	-	-	-	-	-	-	-	(184,308)	-	-	-	(184,308)	-	(184,308)
Movement in minority interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(303)	(303)
Share based payment (Note 5)	-	-	-	-	-	-	-	-	-	-	-	1,543	1,543	-	1,543
<b>At 30 September 2008</b>	<b>270,318</b>	<b>-</b>	<b>122,872</b>	<b>569,006</b>	<b>(60,383)</b>	<b>44,710</b>	<b>117,058</b>	<b>593,458</b>	<b>-</b>	<b>(14,293)</b>	<b>8,361</b>	<b>2,536</b>	<b>1,653,643</b>	<b>10,373</b>	<b>1,664,016</b>

The attached notes 1 to 11 form part of the interim condensed consolidated financial information

National Bank of Kuwait Group

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

30 September 2008 (Unaudited)

KD 000's

	Equity attributable to shareholders of the parent Bank												Minority 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 2006	195,035	9,751	97,517	200,390	(23,852)	-	117,058	307,462	144,972	(1,292)	12,264	432	1,059,737	6,185	1,065,922
Net unrealised gains on available for sale investments	-	-	-	-	-	-	-	-	-	-	26,673	-	26,673	70	26,743
Net unrealised gains on available for sale investments -associate	-	-	-	-	-	-	-	-	-	-	243	-	243	-	243
Net realised gains transferred to statement of income on disposal	-	-	-	-	-	-	-	-	-	-	(18,514)	-	(18,514)	(27)	(18,541)
Foreign currency translation	-	-	-	-	-	-	-	-	-	183	-	-	183	(37)	146
Total income and expense directly recognised in equity	-	-	-	-	-	-	-	-	-	183	8,402	-	8,585	6	8,591
Profit for the period	-	-	-	-	-	-	-	220,468	-	-	-	-	220,468	1,123	221,591
Total income and expense recognised for the period	-	-	-	-	-	-	-	220,468	-	183	8,402	-	229,053	1,129	230,182
Issue of bonus shares	9,751	(9,751)	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares (Note 6)	-	-	-	-	(131,531)	-	-	-	-	-	-	-	(131,531)	-	(131,531)
Sale of treasury shares (Note 6)	-	-	-	-	155,383	-	-	-	-	-	-	-	155,383	-	155,383
Profit on sale of treasury shares	-	-	-	-	-	44,877	-	-	-	-	-	-	44,877	-	44,877
Prior year loss on sale of treasury shares	-	-	-	-	-	(167)	-	167	-	-	-	-	-	-	-
Dividend on treasury shares purchased	-	-	-	-	-	-	-	2,802	(2,802)	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	(142,170)	-	-	-	(142,170)	-	(142,170)
Share based payment (Note 5)	-	-	-	-	-	-	-	-	-	-	-	987	987	43	1,030
Shares issued to employees of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	120	120
Acquired subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	2,123	2,123
At 30 September 2007	204,786	-	97,517	200,390	-	44,710	117,058	530,899	-	(1,109)	20,666	1,419	1,216,336	9,600	1,225,936

The attached notes 1 to 11 form part of the interim condensed consolidated financial information

# National Bank of Kuwait Group

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2008 (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 September 2008 were authorised for issue in accordance with a resolution of the directors on 6 October 2008. 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 noted 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 2007. The annual consolidated financial statements for the year ended 31 December 2007 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 as described below.

The impairment provision for finance facilities complies in all material respects with the specific provision requirements of the Central Bank of Kuwait and IFRS. In March 2007, the Central Bank of Kuwait issued a circular amending the basis of making general provisions on facilities changing the rate from 2% to 1% for cash facilities and 0.5% for non cash facilities. The required rates were to be applied effective from 1 January 2007 on the net increase in facilities, net of certain restricted categories of collateral, during the reporting period. The general provision in excess of the present 1% for cash facilities and 0.5% for non cash facilities would be retained as a general provision until a further directive from the Central Bank of Kuwait is issued.

### 3 Taxation

	Three months ended 30 September		Nine months ended 30 September	
	2008	2007	2008	2007
	KD 000’s	KD 000’s	KD 000’s	KD 000’s
National labour support tax	<b>1,346</b>	1,845	<b>4,810</b>	5,259
Contribution to Kuwait Foundation for the Advancement of Sciences	<b>601</b>	766	<b>2,165</b>	2,162
Taxation on overseas branches and subsidiaries	<b>748</b>	971	<b>1,892</b>	2,704
Zakat	<b>709</b>	-	<b>2,515</b>	-
	<b>3,404</b>	3,582	<b>11,382</b>	10,125

### 4 Investment in associates

The group acquired a 40% interest in Turkish Bank A.S in January 2008. During the nine months ended 30 September 2008, the associate contributed profit of KD 304 thousand.

# National Bank of Kuwait Group

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2008 (Unaudited)

### 5 Share based payment reserve

The Bank operates equity settled share based compensation plans. The fair value of outstanding options amounts to KD 6,485 thousand at 30 September 2008 (2007: KD 4,310 thousand). The expense accrued on account of share based compensation plans for the period ended 30 September 2008 amounts to KD 1,543 thousand (2007: KD 1,150 thousand) and has been included as part of staff expenses in the interim condensed consolidated statement of income.

### 6 Treasury shares

Movement in treasury shares during the period was as follows:

	2008 <i>No. of shares</i>	2007 <i>No. of shares</i>
Balance as at 1 January	-	17,391,888
Purchases	<b>31,397,500</b>	62,682,500
Bonus issue	-	2,737,594
Sales	-	(82,811,982)
Balance as at 30 September	<b><u>31,397,500</u></b>	<u>-</u>

Treasury shares as a percentage of total shares in issue are 1.2 % (Nil).

### 7 Provisions for impairment no longer required

Under the terms of Law 41/93, provisions for impairment no longer required as at 30 September 2008 amounted to KD 4 thousand (2007: KD 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.

### 8 Geographical segments

The Group operates in two geographic markets, domestic and international. Kuwait is designated as domestic. These markets form the basis on which the Group reports its primary segmental information.

The geographical analysis of operating income, profit, total assets and total liabilities is based primarily upon the location of the branch or subsidiary responsible for reporting the results.

Transactions between segments are conducted at market rates on an arm's length basis.

	Domestic		International		Total	
	2008 KD 000's	2007 KD 000's	2008 KD 000's	2007 KD 000's	2008 KD 000's	2007 KD 000's
<b>Three months ended</b>						
<b>30 September</b>						
Operating income	<b><u>90,341</u></b>	<u>97,771</u>	<b><u>29,691</u></b>	<u>14,176</u>	<b><u>120,032</u></b>	<u>111,947</u>
Profit for the period	<b><u>52,631</u></b>	<u>69,891</u>	<b><u>16,490</u></b>	<u>6,653</u>	<b><u>69,121</u></b>	<u>76,544</u>

# National Bank of Kuwait Group

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2008 (Unaudited)

### 8 Geographical segments (continued)

	Domestic		International		Total	
	2008 KD 000's	2007 KD 000's	2008 KD 000's	2007 KD 000's	2008 KD 000's	2007 KD 000's
<b>Nine months ended 30 September</b>						
Operating income	<u>300,483</u>	<u>294,327</u>	<u>92,248</u>	<u>44,221</u>	<u>392,731</u>	<u>338,548</u>
Profit for the period	<u>192,706</u>	<u>200,165</u>	<u>52,826</u>	<u>21,426</u>	<u>245,532</u>	<u>221,591</u>
Total assets	<u>7,663,881</u>	<u>6,387,761</u>	<u>4,699,358</u>	<u>3,408,581</u>	<u>12,363,239</u>	<u>9,796,342</u>
Total liabilities	<u>6,046,704</u>	<u>5,499,771</u>	<u>4,652,519</u>	<u>3,070,635</u>	<u>10,699,223</u>	<u>8,570,406</u>

### 9 Commitments and contingent liabilities

	30 September 2008 KD 000's	Audited 31 December 2007 KD 000's	30 September 2007 KD 000's
Commitments on behalf of customers for which there are corresponding liabilities by the customers concerned:			
Acceptances	<u>91,137</u>	104,765	103,563
Letters of credit	<u>466,770</u>	468,632	533,893
Guarantees	<u>1,623,068</u>	1,431,610	1,245,344
Irrevocable commitments to extend credit	<u>1,109,011</u>	1,153,804	1,502,289
	<u>3,289,986</u>	<u>3,158,811</u>	<u>3,385,089</u>

### 10 Key management compensation

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

	Nine months ended 30 September	
	2008 KD 000's	2007 KD 000's
Salaries and other short term benefits	<u>5,411</u>	4,146
Post-employment benefits	<u>1,285</u>	552
Share based compensation	<u>924</u>	508
	<u>7,620</u>	<u>5,206</u>

# National Bank of Kuwait Group

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2008 (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 September 2008	31 December 2007	30 September 2007	30 September 2008	31 December 2007	30 September 2007	30 September 2008 KD 000's	31 December 2007 KD 000's	30 September 2007 KD 000's
<b>Board Members</b>									
Loans (secured)	6	6	6	23	22	22	316,553	307,279	294,892
Contingent liabilities	2	3	3	25	20	19	114,811	139,248	168,542
Credit cards	6	6	6	3	2	1	35	28	80
Deposits	8	6	6	23	24	17	45,972	46,407	30,285
Collateral against loans	6	6	6	23	22	27	719,070	672,641	634,296
Interest and fee income							29,285	24,413	20,550
Interest expense							862	1,179	533
<b>Executive Officers</b>									
Loans	6	7	6				403	425	431
Contingent liabilities	3	2	3				9	8	28
Credit cards	6	5	6				6	27	15
Deposits	21	21	18				413	512	326
Interest and fee income							6	8	8
Interest expense							2	4	1

There are no material transactions or balances with the associates.