

NATIONAL BANK OF KUWAIT GROUP

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

30 JUNE 2012 (UNAUDITED)

National Bank of Kuwait Group

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

30 June 2012 (Unaudited)

	Notes	Three months ended 30 June		Six months ended 30 June	
		2012 KD 000's	2011 KD 000's	2012 KD 000's	2011 KD 000's
Interest income		125,420	120,091	252,063	241,933
Interest expense		31,152	26,971	62,477	55,136
Net interest income		94,268	93,120	189,586	186,797
Net fees and commissions		25,249	25,679	51,288	51,280
Net gains from investment securities		997	2,302	2,365	3,751
Net gains from dealing in foreign currencies		5,580	5,851	11,553	11,366
Dividend income		768	2,060	1,463	3,853
Share of results of associates	10	3,247	3,944	7,240	8,108
Other operating income		238	359	573	753
Non-interest income		36,079	40,195	74,482	79,111
Net operating income		130,347	133,315	264,068	265,908
Staff expenses		24,130	24,248	46,585	47,394
Other administrative expenses		14,782	12,759	27,207	26,797
Depreciation of premises and equipment		3,366	2,991	6,420	5,840
Amortisation of intangible assets		1,014	1,016	2,026	2,058
Operating expenses		43,292	41,014	82,238	82,089
Operating profit before provision for credit losses and impairment losses		87,055	92,301	181,830	183,819
Provision charge for credit losses - specific		6,379	17,754	15,564	23,335
Provision charge (release) for credit losses - general		28,466	(814)	27,300	210
Impairment losses for investment securities		8,099	4,900	8,099	4,900
Operating profit before taxation		44,111	70,461	130,867	155,374
Taxation	3	4,092	4,264	9,552	8,120
Profit for the period		40,019	66,197	121,315	147,254
Attributable to:					
Shareholders of the Bank		39,775	65,869	120,810	146,661
Non-controlling interests		244	328	505	593
		40,019	66,197	121,315	147,254
Basic and diluted earnings per share attributable to shareholders of the Bank	4	9 fils	15 fils	28 fils	34 fils

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

National Bank of Kuwait Group

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME

30 June 2012 (Unaudited)

	Three months ended 30 June		Six months ended 30 June	
	2012 KD 000's	2011 KD 000's	2012 KD 000's	2011 KD 000's
Profit for the period	40,019	66,197	121,315	147,254
Other comprehensive income				
Change in fair value of investments available for sale	(1,085)	(2,108)	2,390	(1,724)
Net gains on investments available for sale transferred to consolidated statement of income	(854)	(2,162)	(2,074)	(3,447)
Impairment losses on investments available for sale transferred to consolidated statement of income	8,099	4,900	8,099	4,900
Share of other comprehensive income (loss) of associates	72	(1,867)	(37)	(1,993)
Exchange differences on translation of foreign operations	2,020	(7,677)	2,888	(19,814)
Other comprehensive income (loss) for the period included in equity	8,252	(8,914)	11,266	(22,078)
Total comprehensive income for the period	48,271	57,283	132,581	125,176
Attributable to:				
Shareholders of the Bank	48,002	57,065	132,116	124,909
Non-controlling interests	269	218	465	267
	48,271	57,283	132,581	125,176

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

National Bank of Kuwait Group

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2012 (Unaudited)

		Audited	
	30 June	31 December	30 June
	2012	2011	2011
Notes	KD 000's	KD 000's	KD 000's
Assets			
Cash and short term funds	1,543,195	1,271,252	1,833,713
Central Bank of Kuwait bonds	514,385	454,378	522,325
Kuwait Government treasury bills	-	-	9,994
Kuwait Government treasury bonds	405,832	396,304	405,771
Deposits with banks	837,504	787,517	596,931
Loans and advances to customers	8,388,763	8,182,226	7,866,206
Investment securities	1,586,212	1,503,035	1,482,833
Investment in associates	527,587	527,978	497,821
Land, premises and equipment	176,360	174,201	173,006
Goodwill and other intangible assets	213,631	215,503	216,179
Other assets	110,523	114,454	92,783
Total assets	14,303,992	13,626,848	13,697,562
Liabilities			
Due to banks and other financial institutions	4,535,761	4,310,339	4,797,004
Customer deposits	7,251,094	6,799,192	6,494,986
Other liabilities	204,843	180,744	199,570
Total liabilities	11,991,698	11,290,275	11,491,560
Equity			
Share capital - authorised, issued and fully paid shares of 100 fils each	435,349	395,772	395,772
Proposed bonus shares	6	-	39,577
Statutory reserve	197,886	197,886	179,897
Share premium account	699,840	699,840	699,840
Treasury shares	5	(30,811)	(33,415)
Treasury shares reserve	17,985	20,403	20,491
General reserve	117,058	117,058	117,058
Retained earnings	849,929	729,601	790,976
Foreign currency translation reserve	(30,163)	(33,032)	(31,316)
Cumulative changes in fair values	31,794	23,357	28,547
Share based payment reserve	11,441	10,469	9,460
Total share capital and reserves	2,300,308	2,167,516	2,193,099
Proposed cash dividend	6	-	157,092
Equity attributable to shareholders of the Bank	2,300,308	2,324,608	2,193,099
Non-controlling interests	11,986	11,965	12,903
Total equity	2,312,294	2,336,573	2,206,002
Total liabilities and equity	14,303,992	13,626,848	13,697,562

Mohammed Abdul Rahman Al-Bahar
Chairman

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

National Bank of Kuwait Group

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

30 June 2012 (Unaudited)

		Six months ended 30 June	
	Notes	2012	2011
		KD 000's	KD 000's
Operating activities			
Profit for the period		121,315	147,254
Adjustments for:			
Net gains from investment securities		(2,365)	(3,751)
Dividend income		(1,463)	(3,853)
Share of results of associates		(7,240)	(8,108)
Depreciation of premises and equipment		6,420	5,840
Amortisation of intangible assets		2,026	2,058
Provision charge for credit losses		42,864	23,545
Impairment losses for investment securities		8,099	4,900
Share based payment reserve		972	1,163
Taxation	3	9,552	8,120
Operating profit before changes in operating assets and liabilities		<u>180,180</u>	<u>177,168</u>
Changes in operating assets and liabilities:			
Central Bank of Kuwait bonds		(60,007)	(87,083)
Kuwait Government treasury bills		-	(9,994)
Kuwait Government treasury bonds		(9,528)	16,366
Deposits with banks		(49,987)	119,491
Loans and advances to customers		(249,742)	(36,138)
Other assets		3,931	(20,168)
Due to banks and other financial institutions		225,422	723,124
Customer deposits		451,902	109,748
Other liabilities		25,633	15,476
Tax paid		(13,595)	(18,624)
Net cash from operating activities		<u>504,209</u>	<u>989,366</u>
Investing activities			
Purchase of investment securities		(862,788)	(987,548)
Proceeds from sale/redemption of investment securities		782,292	823,338
Dividend income		1,463	3,853
Acquisition of non-controlling interests		(731)	-
Dividend from associates		10,184	7,694
Proceeds from sale of land, premises and equipment		45	634
Purchase of land, premises and equipment		(8,624)	(5,131)
Net cash used in investing activities		<u>(78,159)</u>	<u>(157,160)</u>
Financing activities			
Dividends paid	6	(157,181)	(143,567)
Purchase of treasury shares		(57)	(7,206)
Proceeds from sale of treasury shares		243	165
Net cash used in financing activities		<u>(156,995)</u>	<u>(150,608)</u>
Increase in cash and short term funds		<u>269,055</u>	<u>681,598</u>
Exchange difference on translation of foreign operations		2,888	(19,814)
Cash and short term funds at 1 January		<u>1,271,252</u>	<u>1,171,929</u>
Cash and short term funds at 30 June		<u><u>1,543,195</u></u>	<u><u>1,833,713</u></u>

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

National Bank of Kuwait Group

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

30 June 2012 (Unaudited)

KD 000's

	Equity attributable to shareholders of the Bank												Non-controlling interests		
	Share capital	Proposed bonus shares	Statutory reserve	Share premium account	Treasury shares	Treasury shares reserve	General reserve	Retained earnings	Foreign currency translation reserve	Cumulative changes in fair values	Share based payment reserve	Proposed cash dividend	Total	Total	
At 1 January 2012	395,772	39,577	197,886	699,840	(33,415)	20,403	117,058	729,601	(33,032)	23,357	10,469	157,092	2,324,608	11,965	2,336,573
Profit for the period	-	-	-	-	-	-	-	120,810	-	-	-	-	120,810	505	121,315
Other comprehensive income	-	-	-	-	-	-	-	-	2,869	8,437	-	-	11,306	(40)	11,266
Total comprehensive income	-	-	-	-	-	-	-	120,810	2,869	8,437	-	-	132,116	465	132,581
Issue of bonus shares (Note 6)	39,577	(39,577)	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends on treasury shares sold	-	-	-	-	-	-	-	(89)	-	-	-	89	-	-	-
Dividends paid (Note 6)	-	-	-	-	-	-	-	-	-	-	-	(157,181)	(157,181)	-	(157,181)
Sale of treasury shares	-	-	-	-	2,661	(2,418)	-	-	-	-	-	-	243	-	243
Purchase of treasury shares	-	-	-	-	(57)	-	-	-	-	-	-	-	(57)	-	(57)
Share based payment	-	-	-	-	-	-	-	-	-	-	972	-	972	-	972
Acquisition of non- controlling interests	-	-	-	-	-	-	-	(393)	-	-	-	-	(393)	(338)	(731)
Dividend paid by subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	(106)	(106)
At 30 June 2012	435,349	-	197,886	699,840	(30,811)	17,985	117,058	849,929	(30,163)	31,794	11,441	-	2,300,308	11,986	2,312,294
At 1 January 2011	359,793	35,979	179,897	699,840	(12,410)	22,316	117,058	644,377	(11,578)	30,561	8,297	143,505	2,217,635	12,868	2,230,503
Profit for the period	-	-	-	-	-	-	-	146,661	-	-	-	-	146,661	593	147,254
Other comprehensive loss	-	-	-	-	-	-	-	-	(19,738)	(2,014)	-	-	(21,752)	(326)	(22,078)
Total comprehensive income	-	-	-	-	-	-	-	146,661	(19,738)	(2,014)	-	-	124,909	267	125,176
Issue of bonus shares (Note 6)	35,979	(35,979)	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends on treasury shares sold	-	-	-	-	-	-	-	(62)	-	-	-	62	-	-	-
Dividends paid (Note 6)	-	-	-	-	-	-	-	-	-	-	-	(143,567)	(143,567)	-	(143,567)
Sale of treasury shares	-	-	-	-	1,990	(1,825)	-	-	-	-	-	-	165	-	165
Purchase of treasury shares	-	-	-	-	(7,206)	-	-	-	-	-	-	-	(7,206)	-	(7,206)
Share based payment	-	-	-	-	-	-	-	-	-	-	1,163	-	1,163	-	1,163
Dividend paid by subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	(232)	(232)
At 30 June 2011	395,772	-	179,897	699,840	(17,626)	20,491	117,058	790,976	(31,316)	28,547	9,460	-	2,193,099	12,903	2,206,002

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

National Bank of Kuwait Group

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2012 (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 six months period ended 30 June 2012 were authorised for issue in accordance with a resolution of the directors on 4 July 2012. The Bank is a public shareholding company incorporated in the State of 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, P.O. Box 95, Safat 13001, Kuwait.

2 Accounting policies

The interim condensed consolidated financial information of the Group has been prepared in accordance with International Accounting Standard (IAS) 34, ‘Interim Financial Reporting’. The accounting policies used in the preparation of these 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 2011.

The annual consolidated financial statements for the year ended 31 December 2011 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, ‘Financial Instruments: Recognition and Measurement’, 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.

The interim condensed consolidated financial information does not contain all information and disclosures required for the annual consolidated financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2011. Further, results for interim periods are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2012.

Amendments to IFRSs which are effective for annual accounting period starting from 1 January 2012 did not have any material impact on the accounting policies, financial position or performance of the Group.

3 Taxation

	Three months ended 30 June		Six months ended 30 June	
	2012	2011	2012	2011
	KD 000’s	KD 000’s	KD 000’s	KD 000’s
Contribution to Kuwait Foundation for the Advancement of Sciences	362	649	925	1,226
National labour support tax	609	1,357	2,165	2,965
Zakat	254	562	878	1,230
Taxation on overseas branches and subsidiaries	2,867	1,696	5,584	2,699
	<u>4,092</u>	<u>4,264</u>	<u>9,552</u>	<u>8,120</u>

4 Earnings per share

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

Diluted earnings per share is calculated by dividing the profit for the period attributable to shareholders of the Bank 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.

National Bank of Kuwait Group

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2012 (Unaudited)

4 Earnings per share (continued)

	Three months ended 30 June		Six months ended 30 June	
	2012	2011	2012	2011
	KD 000's	KD 000's	KD 000's	KD 000's
Profit attributable to shareholders of the Bank	<u>39,775</u>	<u>65,869</u>	<u>120,810</u>	<u>146,661</u>
Weighted average number of shares outstanding during the period net of treasury shares (thousands)	<u>4,322,600</u>	<u>4,336,233</u>	<u>4,322,266</u>	<u>4,339,098</u>
Basic and diluted earnings per share	<u>9 fils</u>	<u>15 fils</u>	<u>28 fils</u>	<u>34 fils</u>

Earnings per share calculations for the period ended 30 June 2011 have been adjusted to take account of the bonus shares issued in 2012.

5 Treasury shares

The Bank held the following treasury shares at 30 June 2012.

	30 June 2012	Audited 31 December 2011	30 June 2011
Number of treasury shares	30,855,082	30,423,135	15,670,785
Treasury shares as a percentage of total shares in issue	0.7%	0.8%	0.4%
Cost of treasury shares (KD thousand)	30,811	33,415	17,626
Market value of treasury shares (KD thousand)	31,472	34,074	18,178

Movement in treasury shares was as follows:

	<i>No. of shares</i>	
	2012	2011
Balance as at 1 January	30,423,135	10,294,498
Purchases	50,000	6,160,000
Sales	(2,437,220)	(1,658,820)
Bonus issue	2,819,167	875,107
Balance as at 30 June	<u>30,855,082</u>	<u>15,670,785</u>

6 Dividends paid

Annual General Assembly meeting of the shareholders held on 11 March 2012 approved 10% bonus shares (2010: 10%) and a cash dividend of 40 fils per share (2010: 40 fils per share) for the year ended 31 December 2011. The cash dividend was paid subsequently and the bonus shares increased the number of shares by 395,772,511 (2010: 359,793,192) and share capital by KD 39,577 thousand (2010: KD 35,979 thousand).

30 June 2012 (Unaudited)

7 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 and Private Banking, Corporate Banking, Investment Banking 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 and Private 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. 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, associate in Kuwait and other defined Group activities. Treasury provides a comprehensive range of treasury services and products to its clients, and is also responsible for the Bank's liquidity and market risk management. Group Centre includes any residual in respect of transfer pricing and inter segment allocations.

International

International includes all branches, subsidiaries and associates outside Kuwait.

National Bank of Kuwait Group

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2012 (Unaudited)

7 Segmental analysis (continued)

The following table presents net operating income, profit for the period and total assets information in respect of the Group's business segments:

	30 June 2012					
	Consumer and Private Banking KD 000's	Corporate Banking KD 000's	Investment Banking and Asset Management KD 000's	Group Center KD 000's	International KD 000's	Total KD 000's
<i>Three months</i>						
Net operating income (loss)	<u>48,807</u>	<u>43,235</u>	<u>6,145</u>	<u>(2,025)</u>	<u>34,185</u>	<u>130,347</u>
Profit (loss) for the period	<u>30,263</u>	<u>26,966</u>	<u>2,991</u>	<u>(38,130)</u>	<u>17,929</u>	<u>40,019</u>
<i>Six months</i>						
Net operating income	<u>94,812</u>	<u>85,285</u>	<u>13,186</u>	<u>6,842</u>	<u>63,943</u>	<u>264,068</u>
Profit (loss) for the period	<u>58,926</u>	<u>59,845</u>	<u>7,172</u>	<u>(39,020)</u>	<u>34,392</u>	<u>121,315</u>
Total assets	<u>2,977,543</u>	<u>4,283,065</u>	<u>65,479</u>	<u>1,878,406</u>	<u>5,099,499</u>	<u>14,303,992</u>
	30 June 2011					
	Consumer and Private Banking KD 000's	Corporate Banking KD 000's	Investment Banking and Asset Management KD 000's	Group Center KD 000's	International KD 000's	Total KD 000's
<i>Three months</i>						
Net operating income	<u>45,247</u>	<u>47,190</u>	<u>5,738</u>	<u>7,822</u>	<u>27,318</u>	<u>133,315</u>
Profit (loss) for the period	<u>27,706</u>	<u>27,493</u>	<u>2,860</u>	<u>(4,481)</u>	<u>12,619</u>	<u>66,197</u>
<i>Six months</i>						
Net operating income	<u>89,608</u>	<u>93,243</u>	<u>11,715</u>	<u>16,964</u>	<u>54,378</u>	<u>265,908</u>
Profit (loss) for the period	<u>54,298</u>	<u>67,491</u>	<u>5,019</u>	<u>(3,339)</u>	<u>23,785</u>	<u>147,254</u>
Total assets	<u>2,790,375</u>	<u>4,262,613</u>	<u>53,598</u>	<u>1,886,730</u>	<u>4,704,246</u>	<u>13,697,562</u>

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2012 (Unaudited)

8 Commitments and contingent liabilities

	30 June 2012 KD 000's	Audited 31 December 2011 KD 000's	30 June 2011 KD 000's
Commitments on behalf of customers for which there are corresponding liabilities by the customers concerned:			
Acceptances	84,594	99,555	96,138
Letters of credit	255,996	281,398	300,727
Guarantees	1,767,370	1,685,644	1,707,593
	<u>2,107,960</u>	<u>2,066,597</u>	<u>2,104,458</u>

Irrevocable commitments to extend credit amount to KD 195,562 thousand (31 December 2011: KD 184,196 thousand, 30 June 2011: KD 143,933 thousand). This includes commitments to extend credit which are irrevocable over the life of the facility or are revocable only in response to a material adverse change.

In the normal course of business the Group has exposure to various indirect credit commitments which, though not reflected in the interim condensed consolidated statement of financial position, are subject to normal credit standards, financial controls and monitoring procedures.

These credit commitments do not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded. Credit losses, if any, which may result from exposure to such commitments are not expected to be significant.

The Bank currently holds 47.29% of the equity share capital of Boubyan Bank K.S.C. An open offer was made by the Bank to acquire the remaining shares at 630 fils per share in accordance with the rules of the Capital Markets Authority. The open offer started on 21 June 2012 and is valid for one month.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION

30 June 2012 (Unaudited)

9 Interest rate swaps and forward foreign exchange contracts

Interest rate swaps and forward foreign exchange contracts are financial instruments that derive their value by referring to interest rates and foreign exchange rates respectively. Notional principal amounts merely represent amounts to which a rate or price is applied to determine the amounts of cash flows to be exchanged and do not represent the potential gain or loss associated with the market or credit risk of such instruments.

The Group deals in interest rate swaps to manage its interest rate risk on interest bearing assets and liabilities and to provide interest rate risk management solutions to customers. Similarly the Group deals in forward foreign exchange contracts for customers and to manage its foreign currency positions and cash flows.

Interest rate swaps used to hedge the change in fair value of the Group's financial assets and liabilities and which qualify as effective hedging instruments are shown as interest rate swaps held as fair value hedges. Other interest rate swaps and forward foreign exchange contracts are carried out for customers or used for hedging purpose but do not meet the qualifying criteria for hedge accounting. The risk exposures on account of interest rate swaps and forward foreign exchange contracts are covered by entering into similar transactions with counter parties or by other risk mitigating transactions.

The fair value of interest rate swaps and forward foreign exchange contracts included in the financial records, together with their notional amounts is summarised as follows:

	30 June 2012			Audited 31 December 2011			30 June 2011		
	Positive fair value KD 000's	Negative fair value KD 000's	Notional KD 000's	Positive fair value KD 000's	Negative fair value KD 000's	Notional KD 000's	Positive fair value KD 000's	Negative fair value KD 000's	Notional KD 000's
Interest rate swaps (held as fair value hedges)	9	16,820	167,319	73	14,254	156,684	34	11,017	160,847
Interest rate swaps (others)	36	36	56,040	1,678	123	58,506	1,317	129	57,645
Forward foreign exchange contracts	4,318	3,559	882,994	7,399	2,425	1,039,998	2,472	6,808	760,365
	4,363	20,415	1,106,353	9,150	16,802	1,255,188	3,823	17,954	978,857

The net fair value of interest rate swaps held as fair value hedges as at 30 June 2012 is negative KD 16,811 thousand (31 December 2011: negative KD 14,181 thousand, 30 June 2011: negative KD 10,983 thousand). Unrealised gain on the hedged fixed income financial assets amounted to KD 14,940 thousand (31 December 2011: KD 12,248 thousand 30 June 2011: KD 11,273 thousand).

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2012 (Unaudited)

10 Related party transactions

Certain related parties (major 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, as at the reporting date, of Board Members, Executive Officers and balances with Associates are as follows:

	Number of Board Members or Executive Officers			Number of related parties			30 June 2012	31 December 2011 Audited	30 June 2011
	30 June 2012	31 December 2011	30 June 2011	30 June 2012	31 December 2011	30 June 2011			
							KD 000's	KD 000's	KD 000's
Board Members and related parties									
Loans (secured)	3	5	4	13	14	12	209,038	235,723	220,951
Contingent liabilities	1	2	2	12	13	13	17,352	14,787	16,244
Credit cards	9	7	5	2	2	2	97	89	13
Deposits	9	9	9	14	15	14	39,339	70,166	73,482
Collateral against credit facilities	4	5	5	15	17	16	395,312	390,751	377,731
Interest and fee income							4,474	7,612	4,128
Interest expense							320	1,012	424
Executive Officers									
Loans	8	8	7	-	-	-	773	792	550
Contingent liabilities	1	1	1	-	-	-	6	6	11
Credit cards	5	5	4	-	-	-	33	30	3
Deposits	16	16	15	-	-	-	1,792	1,854	1,486
Interest and fee income							10	6	4
Interest expense							7	15	8
Associates									
Placements							147,199	220,721	66,008
Acceptances							35,697	38,834	51,749

The Bank acquired 6% equity share capital of PT. Bank Muamalat Indonesia Tbk for IDR 318,424,956 thousand (KD equivalent 9,638 thousand) from an Associate of the Bank during the period. An amount of KD 2,697 thousand relating to this transaction was eliminated from the share of results of the Associate.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION**

30 June 2012 (Unaudited)

11 Key management compensation

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

	Three months ended 30 June		Six months ended 30 June	
	2012	2011	2012	2011
	KD 000's	KD 000's	KD 000's	KD 000's
Salaries and other short term benefits	3,079	3,135	5,848	5,758
Post-employment benefits	318	379	508	550
Share based compensation	283	353	564	701
	<u>3,680</u>	<u>3,867</u>	<u>6,920</u>	<u>7,009</u>