

**BOUBYAN BANK K.S.C. AND SUBSIDIARIES
STATE OF KUWAIT**



**CONDENSED CONSOLIDATED INTERIM FINANCIAL
INFORMATION AND INDEPENDENT AUDITORS'
REVIEW REPORT FOR THE PERIOD FROM
1 JANUARY 2008 TO 30 SEPTEMBER 2008
(UNAUDITED)**

**BOUBYAN BANK K.S.C. AND SUBSIDIARIES
STATE OF KUWAIT**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
(UNAUDITED)**



For the period from 1 January 2008 to 30 September 2008

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Al-Fahad & Co.
Salhia Complex
Gate 2, 4th Floor
P.O. Box 23049
Safat 13091
State of Kuwait
Tel: + (965) 2438060
Tel: + (965) 2468934
Fax: + (965) 2452080
www.deloitte.com

KPMG Safi Al-Mutawa & Partners
Rakan Tower, 18th Floor
Fahad Al-Salem Street
P.O.Box 24, Safat 13001
Kuwait
Telephone : + 965 247 5090
Fax : + 965 249 2704

Independent Auditors' Report on Review of Condensed Consolidated Interim Financial Information

The Board of Directors
Boubyan Bank K.S.C.
State of Kuwait

Introduction

We have reviewed the accompanying condensed consolidated interim balance sheet of Boubyan Bank K.S.C. ("the Bank") and its subsidiaries (together referred to as "the Group") as at 30 September 2008, and the related condensed consolidated interim statements of income, changes in equity and cash flows for the nine month period then ended. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with the basis of preparation set out in Note 2. Our responsibility is to express a conclusion on these condensed consolidated interim 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 condensed consolidated interim financial information as at 30 September 2008 are not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2.

Furthermore, based on our review, the condensed consolidated interim financial information are in agreement with the accounting records. We further report that nothing has come to our attention indicating any contravention during the nine month period ended 30 September 2008, of the Kuwait Commercial Companies' Law of 1960, as amended, or of the Bank's memorandum and articles of association, or of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of Banking business and its related regulations, which might have materially affected the Group's activities or its financial position.



Jassim Ahmad Al-Fahad
License No. 53-A
Al-Fahad & Co. Deloitte & Touche



Safi A. Al-Mutawa
License No. 138-A
of KPMG Safi Al-Mutawa & Partners
Member firm of KPMG International

8 October 2008
Kuwait

**BOUBYAN BANK K.S.C. AND SUBSIDIARIES
STATE OF KUWAIT**

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF INCOME
(UNAUDITED)**



For the period from 1 January 2008 to 30 September 2008

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2008	2007	2008	2007
		KD'000	KD'000	KD'000	KD'000
Income					
Murabaha and other Islamic financing income		10,180	8,259	27,050	24,746
Investment income	3	4,336	1,964	16,794	5,084
Fees and commissions income	4	995	1,147	3,696	8,340
Share of results of associates	10	571	363	887	609
Net foreign exchange (loss) / gain		(7)	415	437	607
Other income		3	3	11	5
Operating income		16,078	12,151	48,875	39,391
Expenses					
Staff costs		2,968	1,524	8,295	5,556
General and administrative expenses		1,497	1,180	3,947	2,936
Depreciation and amortization		349	190	975	525
Operating expenses		4,814	2,894	13,217	9,017
Operating profit before Murabaha cost, provision for impairment and distribution to depositors		11,264	9,257	35,658	30,374
Murabaha cost		983	1,317	2,861	3,984
Provision for impairment – general		244	124	1,749	1,375
Operating profit before distribution to depositors		10,037	7,816	31,048	25,015
Distribution to depositors		4,187	3,117	10,897	10,749
Operating profit		5,850	4,699	20,151	14,266
Provision for contribution to Kuwait Foundation for the Advancement of Sciences (“KFAS”)		52	42	180	128
Provision for National Labour Support Tax (“NLST”)		145	114	501	355
Provision for Zakat		58	-	200	-
Net profit for the period		5,595	4,543	19,270	13,783
Attributable to:					
Equity holders of the Bank		5,565	4,530	19,165	13,716
Minority interest		30	13	105	67
Net profit for the period		5,595	4,543	19,270	13,783
Earning per share attributable to the equity holders of the Bank (fils)	5	4.8	3.9	16.4	11.8

The notes from 1 to 17 form an integral part of this condensed consolidated interim financial information.

**BOUBYAN BANK K.S.C. AND SUBSIDIARIES
STATE OF KUWAIT**


CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (UNAUDITED)



As at 30 September 2008

		30 September 2008	(Audited) 31 December 2007	30 September 2007
	Notes	KD'000	KD'000	KD'000
Assets				
Cash and cash equivalents		35,563	49,032	17,490
Short term Murabaha and other Islamic financing	6	248,144	307,040	279,884
Receivables	7	363,911	197,703	173,464
Leased assets		83,204	67,389	53,325
Financial assets held at fair value through profit or loss		47,379	9,702	5,795
Available-for-sale investments	8	54,811	56,258	45,245
Investment in unconsolidated subsidiary		-	-	15,000
Investment in associates	10	6,822	25,306	22,761
Trading properties		5,573	2,733	2,787
Investment properties		26,422	18,960	17,795
Other assets		53,343	7,421	7,920
Property and equipment		6,339	4,384	3,803
Total assets		931,511	745,928	645,269
Liabilities and equity				
Liabilities				
Due to banks		138,501	287,508	147,974
Depositors' accounts		619,012	307,459	355,457
Other liabilities		16,424	11,471	7,906
Total liabilities		773,937	606,438	511,337
Capital and reserves				
Share capital		116,531	105,937	105,937
Share premium		280	280	280
Statutory reserve		3,709	3,709	1,727
Voluntary reserve		3,406	3,406	1,550
Fair value reserve		1,362	2,201	1,206
Foreign currency translation reserve		(1,090)	(733)	(449)
Retained earnings		30,958	22,387	21,379
Equity attributable to equity holders of the Bank		155,156	137,187	131,630
Minority interest		2,418	2,303	2,302
Total equity		157,574	139,490	133,932
Total liabilities and equity		931,511	745,928	645,269

The notes from 1 to 17 form an integral part of this condensed consolidated interim financial information.


Mohammed Yousef Al-Roumi
Chairman

**BOUBYAN BANK K.S.C. AND SUBSIDIARIES
STATE OF KUWAIT**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period from 1 January 2008 to 30 September 2008



	Share capital	Share premium	Statutory reserve	Voluntary reserve	Fair value reserve	Foreign currency translation reserve	Retained earnings	Attributable to equity holders of the Bank	Minority interest	Total
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
Balance at 31 December 2007	105,937	280	3,709	3,406	2,201	(733)	22,387	137,187	2,303	139,490
Unrealized loss on available-for-sale investments	-	-	-	-	(839)	-	-	(839)	-	(839)
Foreign currency translation adjustments	-	-	-	-	-	(357)	-	(357)	-	(357)
Net loss recognized directly in equity	-	-	-	-	(839)	(357)	-	(1,196)	-	(1,196)
Net profit for the period	-	-	-	-	-	-	19,165	19,165	105	19,270
Total recognized income and expense for the period	-	-	-	-	(839)	(357)	19,165	17,969	105	18,074
Net movement in minority interest	-	-	-	-	-	-	-	-	10	10
Issue of bonus shares	10,594	-	-	-	-	-	(10,594)	-	-	-
Balance at 30 September 2008	116,531	280	3,709	3,406	1,362	(1,090)	30,958	155,156	2,418	157,574
Balance at 31 December 2006	99,941	280	1,727	1,550	909	109	13,659	118,175	2,235	120,410
Unrealized gain on available-for-sale investments	-	-	-	-	297	-	-	297	-	297
Foreign currency translation adjustments	-	-	-	-	-	(558)	-	(558)	-	(558)
Net gain/(loss) recognized directly in equity	-	-	-	-	297	(558)	-	(261)	-	(261)
Net profit for the period	-	-	-	-	-	-	13,716	13,716	67	13,783
Total recognized income and expense for the period	-	-	-	-	297	(558)	13,716	13,455	67	13,522
Issue of bonus shares	5,996	-	-	-	-	-	(5,996)	-	-	-
Balance at 30 September 2007	105,937	280	1,727	1,550	1,206	(449)	21,379	131,630	2,302	133,932

The notes from 1 to 17 form an integral part of this condensed consolidated interim financial information.

BOUBYAN BANK K.S.C. AND SUBSIDIARIES
STATE OF KUWAIT

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
(UNAUDITED)



For the period from 1 January 2008 to 30 September 2008

	Nine months ended 30 September	
	2008	2007
	KD'000	KD'000
OPERATING ACTIVITIES		
Profit for the period attributable to equity holders of the bank	19,165	13,716
Adjustments for:		
Provision for impairment – general	1,749	1,375
Depreciation and amortization	975	525
Foreign currency translation	437	607
Gain from sale of available for sale investments	(2,292)	(2)
Gain from sale of associate	-	(453)
Unrealized gain from financial assets held at fair value through profit or loss	(9,611)	(955)
Share of results of associates	(887)	(609)
Dividend income	(1,112)	(1,090)
Unrealized loss / (gain) from changes in fair value of investment properties	783	(350)
	9,207	12,764
Changes in operating assets and liabilities:		
Decrease / (increase) in Short term Murabaha and other Islamic Financing	58,460	(2,572)
Increase in receivables	(167,283)	(58,390)
Increase in leased assets	(15,983)	(46,306)
(Increase) / decrease in other assets	(45,922)	10,871
(Decrease) / increase in due to banks	(144,395)	36,328
Increase in depositors' accounts	311,553	91,129
Increase / (decrease) in other liabilities	4,883	(266)
Dividend income received	-	1,090
Net cash from operating activities	10,520	44,648
INVESTING ACTIVITIES		
Purchase of financial assets held at fair value through profit or loss	(12,497)	(16)
Purchase of available-for-sale investments	(2,785)	(25,658)
Proceeds from sale of available-for-sale investments	5,576	10,471
Purchase of investment in associates	-	(16,120)
Dividend from associate	1,112	807
Purchase of investment properties	(10,024)	(6,456)
Proceeds from sale of investment properties	359	2,519
Purchase of investment in unconsolidated subsidiary	-	(15,000)
Purchase of property and equipment	(2,930)	(719)
Purchase of trading properties	(2,915)	-
Net cash used in investing activities	(24,104)	(50,172)
Net change in minority interest	115	67
Net decrease in cash and cash equivalents	(13,469)	(5,457)
Cash and cash equivalents at the beginning of the period	49,032	22,947
Cash and cash equivalents at the end of the period	35,563	17,490

The notes from 1 to 17 form an integral part of this condensed consolidated interim financial information.

**BOUBYAN BANK K.S.C. AND SUBSIDIARIES
STATE OF KUWAIT**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
INFORMATION (UNAUDITED)**

For the period from 1 January 2008 to 30 September 2008



1. INCORPORATION AND ACTIVITIES

Boubyan Bank K.S.C. ("the Bank") is a public shareholding company incorporated on 21 September 2004, in accordance with the Commercial Companies' Law in the State of Kuwait, by Amiri Decree No. 88 and in accordance with the rules and regulations of the Central Bank of Kuwait ("CBK") (Law No. 30 of 2003). The Bank's shares were listed in Kuwait Stock Exchange on 15 May 2006.

The Bank was licensed by the CBK on 28 November 2004 and principally engaged in providing banking services, in accordance with Codes of the Islamic Sharia'a, as approved by the Bank's Sharia'a Supervisory Board.

The condensed consolidated interim financial information as at and for the nine months ended 30 September 2008 incorporate the financial information of the Bank and its subsidiaries, Boubyan Takaful Insurance Company K.S.C. (Closed), Boubyan Capital Investment Company K.S.C. (Closed), Al-Seera Real Estate Company W.L.L. and Boubyan Industrial General Trading Company W.L.L. (together referred to as the "Group") and the Group's interests in associates (refer to note 9).

The address of the Bank's registered office is P.O. Box 25507, Safat 13116, State of Kuwait.

This condensed consolidated interim financial information was authorised for issue by the Board of Directors on 8 October 2008.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard No. 34, Interim Financial Reporting, and the Kuwait Stock Exchange instruction No. 2 of 1998. The condensed consolidated interim financial information do not include all the information and notes required for full annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") as modified for use by the Government of Kuwait for financial services institutions regulated by the CBK. These regulations require adoption of all IFRSs except for the IAS 39 requirement for collective impairment provision, which has been replaced by the CBK 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 CBK and IFRS. In addition, in accordance with the CBK instructions, a minimum general provision of 1% for the cash facilities and 0.5% for the non-cash facilities, net of certain categories of collateral, to which CBK instructions are applicable and not subject to specific provision, is made. The general provision in excess of the present 1% for cash facilities and 0.5% for non-cash facilities has been retained as a general provision until further directive from the CBK is issued. For further information, refer to the consolidated financial statements and notes thereto included in the Group's consolidated financial statements for the year ended 31 December 2007.

In the opinion of management, all adjustments considered necessary for a fair presentation have been included.

The operating results for the nine month period ended 30 September 2008 are not necessarily indicative of the results that may be expected for the year ending 31 December 2008.

The condensed consolidated interim financial information have been prepared using the same accounting policies and methods of computation with those used in the preparation of the annual audited consolidated financial statements for the year ended 31 December 2007, except for changes resulting from amendments to IFRSs.

The Group has adopted all applicable revisions to IFRSs and new IFRSs that came into effect from 1 January 2008.

BOUBYAN BANK K.S.C. AND SUBSIDIARIES
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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
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For the period from 1 January 2008 to 30 September 2008



2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation

The condensed consolidated interim financial information for the nine month period ended 30 September 2008 include the Bank and its subsidiaries referred to in note 1 above.

The financial information of the subsidiaries is consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Any intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the condensed consolidated interim financial information.

The financial information of the subsidiaries was based on their management accounts for the nine month period ended 30 September 2008.

Estimates

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2007.

3. INVESTMENT INCOME

	Three months ended		Nine months ended	
	30 September		30 September	
	2008	2007	2008	2007
	KD'000	KD'000	KD'000	KD'000
Realized gain on money market funds	449	-	1,177	21
Unrealized (loss) / gain on money market funds	(110)	261	974	737
Unrealized gain from change in fair value of assets held at fair value through profit or loss	729	955	9,611	955
Realized gain from sale of assets held at fair value through profit or loss	19	-	19	-
Sukuk coupon income	470	382	1,521	842
Net rental income from investment properties	360	195	871	634
Unrealized (loss) / gain from changes in fair value of investment properties	-	144	(783)	350
Gain on sale of available for sale investments	2,292	-	2,292	2
Dividend income	127	27	1,112	1,090
Gain from sale of associate	-	-	-	453
	<u>4,336</u>	<u>1,964</u>	<u>16,794</u>	<u>5,084</u>

**BOUBYAN BANK K.S.C. AND SUBSIDIARIES
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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
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For the period from 1 January 2008 to 30 September 2008



3. INVESTMENT INCOME (CONTINUED)

Investment income earned on financial and non-financial assets, analyzed by category of asset, is as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2008	2007	2008	2007
	KD'000	KD'000	KD'000	KD'000
Income from available-for-sale-investments	2,969	409	4,925	1,934
Income from financial assets held at fair value through profit or loss	1,007	1,216	11,781	1,713
Gain from sale of associate	-	-	-	453
Investment income earned on financial assets	3,976	1,625	16,706	4,100
Investment income earned on non-financial assets	360	339	88	984
	<u>4,336</u>	<u>1,964</u>	<u>16,794</u>	<u>5,084</u>

4. FEES AND COMMISSIONS INCOME

	Three months ended 30 September		Nine months ended 30 September	
	2008	2007	2008	2007
	KD'000	KD'000	KD'000	KD'000
Retail banking fees	93	156	242	391
Investment banking fees	9	77	747	5,726
Asset management fees	491	539	1,487	1,328
Trade service fees	301	100	640	236
Other	101	275	580	659
	<u>995</u>	<u>1,147</u>	<u>3,696</u>	<u>8,340</u>

5. EARNINGS PER SHARE

There are no potential dilutive ordinary shares. The information necessary to calculate basic earning per share based on the weighted average number of shares outstanding during the period is as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2008	2007	2008	2007
	KD'000	KD'000	KD'000	KD'000
Profit for the period attributable to equity holders of the Bank	5,565	4,530	19,165	13,716
Weighted average number of shares outstanding (thousands of shares)	1,165,313	1,165,313	1,165,313	1,165,313
Earnings per share (fils)	<u>4.8</u>	<u>3.9</u>	<u>16.4</u>	<u>11.8</u>

The weighted average number of shares outstanding for the nine months ended 30 September 2007 has been adjusted to reflect the effect of bonus shares issued during 2008 (note 16).

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6. SHORT TERM MURABAHA AND OTHER ISLAMIC FINANCING

The distribution of short term Murabaha and other Islamic financing is as follows:

	30 September 2008	(Audited) 31 December 2007	30 September 2007
	KD'000	KD'000	KD'000
Industry sector			
Banks	180,964	275,830	201,528
Financial institutions	68,240	31,969	79,649
Less: deferred profit	(127)	(262)	(339)
	<u>249,077</u>	<u>307,537</u>	<u>280,838</u>
Less: general provision for impairment	(933)	(497)	(954)
	<u>248,144</u>	<u>307,040</u>	<u>279,884</u>

The Group maintains international and local short term Murabaha and other Islamic financing under Murabaha, Wakala and Qard Hasan agreements maturing within 3 months or less from the balance sheet date.

Murabaha and other Islamic financing with banks and financial institutions (Islamic and conventional) are utilized in the purchase and sale of commodities, as trading is conducted by those institutions on behalf of the Group. The discretion of the financial institutions over buying and selling is limited by the terms of the agreements between the Group and the financial institutions.

	30 September 2008	(Audited) 31 December 2007	30 September 2007
	KD'000	KD'000	KD'000
Geographic region			
Kuwait and The Middle East	233,825	306,017	280,474
Western Europe	15,252	1,520	364
	<u>249,077</u>	<u>307,537</u>	<u>280,838</u>
Less: general provision for impairment	(933)	(497)	(954)
	<u>248,144</u>	<u>307,040</u>	<u>279,884</u>

General provision for impairment relates to financial institutions and is calculated based on the CBK instructions on the outstanding balance net of the deferred profits (if any) as follows:

	30 September 2008	(Audited) 31 December 2007	30 September 2007
	KD'000	KD'000	KD'000
Balance at beginning of the period / year	497	922	922
Provided / (released) during the period / year	436	(425)	32
Balance at the end of the period / year	<u>933</u>	<u>497</u>	<u>954</u>

Fair values of short-term Murabaha and other Islamic financing do not differ significantly from their respective book values.

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7. RECEIVABLES

Receivables principally comprise Murabaha and Wakala balances and are stated net of provision for impairment. The distribution of receivables is as follows:

	30 September 2008 KD'000	(Audited) 31 December 2007 KD'000	30 September 2007 KD'000
Industry sector			
Banks	71,653	14,613	14,949
Financial institutions	113,669	51,243	59,544
Construction and real estate	49,339	53,266	29,526
Trading and manufacturing	33,545	35,749	20,682
Other	108,125	50,796	56,283
Less: deferred profit	<u>(8,692)</u>	<u>(5,311)</u>	<u>(4,967)</u>
	367,639	200,356	176,017
Less: general provision for impairment	<u>(3,728)</u>	<u>(2,653)</u>	<u>(2,553)</u>
	<u>363,911</u>	<u>197,703</u>	<u>173,464</u>

	30 September 2008 KD'000	(Audited) 31 December 2007 KD'000	30 September 2007 KD'000
Geographic region			
Kuwait and The Middle East	296,786	183,314	162,737
Western Europe	68,190	10,766	6,651
Other	<u>2,663</u>	<u>6,276</u>	<u>6,629</u>
	367,639	200,356	176,017
Less: general provision for impairment	<u>(3,728)</u>	<u>(2,653)</u>	<u>(2,553)</u>
	<u>363,911</u>	<u>197,703</u>	<u>173,464</u>

The general provision for impairment is calculated based on the CBK instructions on the outstanding balance net of deferred profits (if any) as follows:

	30 September 2008 KD'000	(Audited) 31 December 2007 KD'000	30 September 2007 KD'000
Balance at beginning of the period / year	2,653	1,929	1,929
Provided during the period / year	<u>1,075</u>	<u>724</u>	<u>624</u>
Balance at the end of the period / year	<u>3,728</u>	<u>2,653</u>	<u>2,553</u>
Financial institutions	1,025	670	592
Other	<u>2,703</u>	<u>1,983</u>	<u>1,961</u>
	<u>3,728</u>	<u>2,653</u>	<u>2,553</u>

Whenever necessary, receivables are secured by acceptable forms of collateral to mitigate the related credit risks. Receivables from banks and financial institutions comprise mainly transactions with acceptable credit quality institutions. Fair values of receivables do not differ significantly from their respective book values.

**BOUBYAN BANK K.S.C. AND SUBSIDIARIES
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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
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For the period from 1 January 2008 to 30 September 2008



8. AVAILABLE-FOR-SALE INVESTMENTS

	30 September 2008	(Audited) 31 December 2007	30 September 2007
	KD'000	KD'000	KD'000
Investment in Sukuk	36,836	36,118	22,982
Investment in unquoted securities	8,444	10,882	11,170
Investment in unquoted funds	9,531	9,258	11,093
	<u>54,811</u>	<u>56,258</u>	<u>45,245</u>
Investments carried at fair value	48,409	53,115	36,665
Investments carried at cost less impairment	6,402	3,143	8,580
	<u>54,811</u>	<u>56,258</u>	<u>45,245</u>

It was not possible to reliably measure the fair value of certain available for sale investments due to the absence of a reliable measure to determine the fair value of such investments. Accordingly, they are stated at cost less impairment losses, if any.

9. SUBSIDIARIES

During the current quarter, Boubyan Capital Investment Company K.S.C. "BCICO", in collaboration with its parent Boubyan Bank, established the following limited liability companies:

Name	Date of Incorporation	Share Capital (KD'000)	BCICO's holding	Boubyan Bank's holding	Activity
Al-Seera Real Estate Company	10 August 2008	20	91%	9%	Real Estate
Boubyan Industrial General Trading Company	10 August 2008	250	91%	9%	General Trading

On 25 September 2008, capital of Al-Seera Real Estate Company was increased by KD 980 thousand. Accordingly, the aforementioned company's capital amounted to KD 1,000 thousand divided into the same number of shares as mentioned above. As at 30 September 2008, the above two entities have not yet started operations.

10. INVESTMENT IN ASSOCIATES

	Country	Owner- ship %	30 September 2008	(Audited) 31 December 2007	30 September 2007
			KD'000	KD'000	KD'000
Bank Syariah Muamalat Indonesia TBK	Indonesia	21.28	5,829	5,181	5,332
Bank of London & the Middle East ("BLME") PLC	United Kingdom	-	-	19,110	16,353
Ijarah Indonesia Finance Co.	Indonesia	33.30	993	1,015	1,076
			<u>6,822</u>	<u>25,306</u>	<u>22,761</u>

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10. INVESTMENT IN ASSOCIATES (CONTINUED)

During the current period, BLME increased its share capital from GBP 175 million (equivalent to KD 92,604 thousand) to GBP 250 million (equivalent to KD 132,292 thousand), however the Group did not subscribe to this increase. As a result, the Group's interest in BLME was diluted from 20% to 14.97% and a gain of KD 1,659 thousands was recognized in equity under premium from share dilution in associate. As at 30 September 2008, the Group does not maintain significant influence over BLME, since resignation of the Group's sole representative from Boubyan Bank during the period and, moreover, the bank does not have the contractual rights that enable the bank to replace such member or appoint another one. Therefore, the investment has been accounted for as a financial asset held at Fair Value Through Profit or Loss. This has resulted in the recognition of KD 6,590 thousand unrealized gain from change in fair value of assets held at fair value through profit or loss for the current period.

Ijarah Indonesia Finance Company has been granted a license by the relevant authorities in Indonesia to render financing services during 2007. The Group's investment in Ijarah Indonesia Finance Company is equivalent to KD 993 thousand (31 December 2007: KD 1,015 thousand, 30 September 2007: KD 1,076 thousand).

The Group's share in the operating results of Bank Syariah Muamalat Indonesia TBK was recognised based on management accounts as at 31 August 2008

11. RELATED PARTY TRANSACTIONS

Related parties comprise the major shareholders, board of directors, entities controlled by them or under their joint control, associates, key management personnel and their close family members. Balances with related parties arise from commercial transactions in the normal course of business on an arm's length basis and are included within the following financial information captions:

	30 September 2008	31 December 2007	30 September 2007
	KD'000	KD'000	KD'000
Due from related parties:			
Short term Murabaha and other Islamic financing	12,657	11,094	14,401
Receivables	7,439	4,616	-
Due to related parties:			
Due to banks	-	15,812	11,436
Depositors' accounts	95,346	62,696	73,779
Transactions with related parties:			
Letters of guarantee & letters of credit	138	15	238
Revenues	1,723	1,912	1,482
Expenses	2,976	3,979	3,028

Compensation of key management personnel

Details of compensations for key management comprise the following:

	Three months ended 30 September		Nine months ended 30 September	
	2008	2007	2008	2007
	KD'000	KD'000	KD'000	KD'000
Short-term benefits	279	250	832	623
Post-employment benefits	39	25	123	72
	<u>318</u>	<u>275</u>	<u>955</u>	<u>695</u>

During the period, the Bank sold available-for-sale investments of KD 5,131 thousand to one of its subsidiaries. This transaction has no impact on the condensed consolidated interim statement of income.

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12. CONTINGENCIES AND COMMITMENTS

At the balance sheet date there were outstanding contingencies and commitments entered in the ordinary course of business in respect of the following:

	30 September 2008	31 December 2007	30 September 2007
	KD'000	KD'000	KD'000
Guarantees	36,104	32,052	19,113
Acceptances and letters of credit	12,170	7,376	2,684
Investment commitments	1,133	1,690	4,512
Capital commitments	412	1,075	1,219
Credit commitments	15,028	14,347	39,365
	<u>64,847</u>	<u>56,540</u>	<u>66,893</u>

13. SEGMENT REPORTING

Business segments:

For management purposes, the Bank is organized into the following four major business segments:

Retail banking: Principally handling the deposits of individual customers and small businesses, and providing consumer type Murabaha and Islamic covered cards facilities.

Corporate banking: Principally handling Murabaha and Ijarah facilities for corporate and institutional customers.

Investment: Principally handling direct investments and local and international real estate investments.

Treasury: Principally handling local and international Murabaha and other Islamic financing, primarily with financial institutions, as well as the management of the Bank's funding operations.

Three months ended 30 September 2008

	<u>Retail banking</u>	<u>Corporate banking</u>	<u>Investment</u>	<u>Treasury</u>	<u>Unallocated items</u>	<u>Total</u>
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
Segment revenues	272	4,181	3,841	7,461	323	16,078
Segment expenses	<u>(2,468)</u>	<u>(243)</u>	<u>(224)</u>	<u>(4,829)</u>	<u>(2,719)</u>	<u>(10,483)</u>
Segment results	<u>(2,196)</u>	<u>3,938</u>	<u>3,617</u>	<u>2,632</u>	<u>(2,396)</u>	<u>5,595</u>

Three months ended 30 September 2007

	<u>Retail banking</u>	<u>Corporate banking</u>	<u>Investment</u>	<u>Treasury</u>	<u>Unallocated items</u>	<u>Total</u>
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
Segment revenues	151	2,710	1,897	7,281	112	12,151
Segment expenses	<u>(1,426)</u>	<u>(326)</u>	<u>(210)</u>	<u>(4,030)</u>	<u>(1,616)</u>	<u>(7,608)</u>
Segment results	<u>(1,275)</u>	<u>2,384</u>	<u>1,687</u>	<u>3,251</u>	<u>(1,504)</u>	<u>4,543</u>

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13. SEGMENT REPORTING (CONTINUED)

Nine months ended 30 September 2008

	<u>Retail banking</u>	<u>Corporate banking</u>	<u>Investment</u>	<u>Treasury</u>	<u>Unallocated items</u>	<u>Total</u>
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
Segment revenues	683	12,120	14,336	21,021	715	48,875
Segment expenses	<u>(6,181)</u>	<u>(916)</u>	<u>(533)</u>	<u>(13,972)</u>	<u>(8,003)</u>	<u>(29,605)</u>
Segment results	<u>(5,498)</u>	<u>11,204</u>	<u>13,803</u>	<u>7,049</u>	<u>(7,288)</u>	<u>19,270</u>
Segment assets	<u>15,747</u>	<u>200,288</u>	<u>100,851</u>	<u>566,697</u>	<u>47,928</u>	<u>931,511</u>
Segment liabilities	<u>(273,478)</u>	<u>(629)</u>	<u>(5)</u>	<u>(490,900)</u>	<u>(8,925)</u>	<u>(773,937)</u>

Nine months ended 30 September 2007

	<u>Retail banking</u>	<u>Corporate banking</u>	<u>Investment</u>	<u>Treasury</u>	<u>Unallocated items</u>	<u>Total</u>
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
Segment revenues	385	6,174	9,835	22,721	276	39,391
Segment expenses	<u>(4,038)</u>	<u>(1,152)</u>	<u>(527)</u>	<u>(14,547)</u>	<u>(5,344)</u>	<u>(25,608)</u>
Segment results	<u>(3,653)</u>	<u>5,022</u>	<u>9,308</u>	<u>8,174</u>	<u>(5,068)</u>	<u>13,783</u>
Segment assets	<u>4,620</u>	<u>134,552</u>	<u>93,648</u>	<u>406,066</u>	<u>6,383</u>	<u>645,269</u>
Segment liabilities	<u>(140,022)</u>	<u>(572)</u>	<u>(1)</u>	<u>(363,919)</u>	<u>(6,823)</u>	<u>(511,337)</u>

14. FINANCIAL RISK MANAGEMENT

All aspects of the Group's financial risk management objectives and policies are consistent with that disclosed in the annual audited consolidated financial statements for the year ended 31 December 2007.

15. FIDUCIARY ASSETS

The aggregate value of assets held in a trust or fiduciary capacity by the Group at 30 September 2008 amounted to KD 159,156 thousand (31 December 2007: KD 249,521 thousand, 30 September 2007: KD 187,005 thousand).

16. BONUS SHARES

The Annual General Assembly held on 17 March 2008, approved the annual audited consolidated financial statements for the year ended 31 December 2007 and the proposed bonus shares of 10% (2006: 6%) of the paid-up capital. These bonus shares have been approved at the extraordinary General Assembly held on 1 April 2008.

17. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's presentation.