

**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 2009 TO 30 SEPTEMBER 2009
(UNAUDITED)**

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
(UNAUDITED)

For the period from 1 January 2009 to 30 September 2009



INDEX	Page
Independent auditors' review report on review of condensed consolidated interim financial information	1-2
Condensed consolidated interim statement of income (unaudited)	3
Condensed consolidated interim statement of comprehensive income (unaudited)	4
Condensed consolidated interim statement of financial position (unaudited)	5
Condensed consolidated interim statement of changes in equity (unaudited)	6
Condensed consolidated interim statement of cash flows (unaudited)	7
Notes to the condensed consolidated interim financial information (unaudited)	8 to 17



KPMG Safi Al-Mutawa & Partners
Rakan Tower, 18th floor
Fahad Al-Salem Street,
P.O. Box 24, Safat 13001, Kuwait
Tel : + 965 2247 5090
Fax : + 965 2249 2704



Al-Fahad & Co.
Salhia Complex
Gate 2, 4th Floor
P.O. Box 23049
Safat 13091
State of Kuwait

Tel: + (965) 22438060
Tel: + (965) 22468934
Fax: + (965) 22452080
www.deloitte.com

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

The Board of Directors
Boubyan Bank KSC
State of Kuwait

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Boubyan Bank KSC (“the Bank”) and its subsidiaries (together referred to as “the Group”) as of 30 September 2009, and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the nine month period then ended (interim financial information). Management is responsible for the preparation and presentation of this interim financial information in accordance with the basis of preparation set out in Note 2. Our responsibility is to express a conclusion on this 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 interim financial information is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2.

Furthermore, based on our review, the interim financial information is 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 2009, 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.



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



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

Kuwait: 13 October 2009

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



CONDENSED CONSOLIDATED INTERIM STATEMENT
OF INCOME (UNAUDITED)

For the period from 1 January 2009 to 30 September 2009

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2009	2008	2009	2008
		KD'000	KD'000	KD'000	KD'000
Income					
Murabaha and other Islamic financing income		8,063	10,180	26,491	27,050
Investment income	3	284	4,698	5,887	17,939
Fees and commissions income	4	713	995	2,877	3,696
Share of results of associates		75	571	710	887
Net foreign exchange gain		326	(7)	731	437
Other income		(3)	3	297	11
		<u>9,458</u>	<u>16,440</u>	<u>36,993</u>	<u>50,020</u>
Expenses					
Staff costs		(2,445)	(2,968)	(7,883)	(8,295)
General and administrative expenses		(1,598)	(1,497)	(5,685)	(3,947)
Depreciation and amortization		(378)	(349)	(1,121)	(975)
		<u>(4,421)</u>	<u>(4,814)</u>	<u>(14,689)</u>	<u>(13,217)</u>
Profit before Murabaha cost, investment loss, provision for impairment and distribution to depositors					
		5,037	11,626	22,304	36,803
Murabaha cost		(401)	(983)	(1,264)	(2,861)
Investment loss	3	(528)	(362)	(14,091)	(1,145)
Provision for impairment	5	(7,253)	(244)	(15,200)	(1,749)
(Loss) / Profit before distribution to depositors					
		(3,145)	10,037	(8,251)	31,048
Distribution to depositors		(2,342)	(4,187)	(9,012)	(10,897)
(Loss) / profit after distribution to depositors					
		(5,487)	5,850	(17,263)	20,151
Provision for contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS")		-	52	-	180
Provision for National Labour Support Tax ("NLST")		-	145	-	501
Provision for Zakat		-	58	-	200
Net (Loss) / profit for the period					
		<u>(5,487)</u>	<u>5,595</u>	<u>(17,263)</u>	<u>19,270</u>
Attributable to:					
Equity holders of the Bank		(5,495)	5,565	(17,226)	19,165
Minority interest		8	30	(37)	105
Net (loss) / profit for the period					
		<u>(5,487)</u>	<u>5,595</u>	<u>(17,263)</u>	<u>19,270</u>
(Loss) / earning per share attributable to the equity holders of the Bank (fils)					
	6	<u>(4.7)</u>	<u>4.8</u>	<u>(14.8)</u>	<u>16.4</u>

The notes from 1 to 19 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 COMPREHENSIVE INCOME (UNAUDITED)

For the period from 1 January 2009 to 30 September 2009

	Three months ended 30 September		Nine months ended 30 September	
	2009	2008	2009	2008
Notes	KD'000	KD'000	KD'000	KD'000
(Loss) / profit for the period	(5,487)	5,595	(17,263)	19,270
Other comprehensive income / (loss)				
Change in fair value of available for sale investments	(273)	52	53	(839)
Net unrealised losses on available for sale investments transferred to statement of income	-	-	2,175	-
Exchange differences on translation of foreign operations	473	(213)	1,404	(357)
Other comprehensive income / (loss) for the period	200	(161)	3,632	(1,196)
Total comprehensive (loss) / income for the period	<u>(5,287)</u>	<u>5,434</u>	<u>(13,631)</u>	<u>18,074</u>
Attributable to:				
Equity holders of the Bank	(5,295)	5,404	(13,594)	17,969
Minority interest	8	30	(37)	105
Total comprehensive (loss) / income for the period	<u>(5,287)</u>	<u>5,434</u>	<u>(13,631)</u>	<u>18,074</u>

The notes from 1 to 19 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
(UNAUDITED)

At 30 September 2009

		30 September 2009	(Audited) 31 December 2008	30 September 2008
	Notes	KD'000	KD'000	KD'000
Assets				
Cash and cash equivalents		66,361	67,996	35,563
Due from banks	7	148,542	141,320	252,639
Due from non-banks	8	541,012	475,431	442,620
Financial assets held at fair value through profit or loss		42,987	44,097	47,379
Available-for-sale investments	9	67,157	58,181	54,811
Investment in associates	10	7,335	5,914	6,822
Trading properties		2,860	2,754	5,573
Investment properties		34,954	29,962	26,422
Other assets		8,489	9,919	53,343
Property and equipment		4,437	4,887	6,339
Total assets		924,134	840,461	931,511
Liabilities and equity				
Liabilities				
Due to banks		126,022	118,131	138,501
Depositors' accounts		662,214	569,636	619,012
Other liabilities		12,096	15,153	16,424
Total liabilities		800,332	702,920	773,937
Equity				
Share capital		116,531	116,531	116,531
Share premium		280	280	280
Statutory reserve		3,913	3,913	3,709
Voluntary reserve		3,591	3,591	3,406
Fair value reserve		1,430	(798)	1,362
Foreign currency translation reserve		(215)	(1,619)	(1,090)
(Deficit) / retained earnings		(3,976)	13,250	30,958
Equity attributable to equity holders of the Bank		121,554	135,148	155,156
Minority interest		2,248	2,393	2,418
Total equity		123,802	137,541	157,574
Total liabilities and equity		924,134	840,461	931,511

The notes from 1 to 19 form an integral part of this condensed consolidated interim financial information.



Ibrahim Ali Al-Qadhi
 Chairman



Adel Abdul Wahab Al-Majed
 Chief Executive Officer

**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 2009 to 30 September 2009

	Share capital KD'000	Share premium KD'000	Statutory reserve KD'000	Voluntary reserve KD'000	Fair value reserve KD'000	Foreign currency translation reserve KD'000	(Deficit) / retained earnings KD'000	Attributable to equity holders of the bank KD'000	Minority interest KD'000	Total KD'000
Balance at 31 December 2008	116,531	280	3,913	3,591	(798)	(1,619)	13,250	135,148	2,393	137,541
Total comprehensive income / (loss) for the period	-	-	-	-	2,228	1,404	(17,226)	(13,594)	(37)	(13,631)
Net movement in minority interest	-	-	-	-	-	-	-	-	(108)	(108)
Balance at 30 September 2009	116,531	280	3,913	3,591	1,430	(215)	3,976	121,554	2,248	123,802
Balance at 31 December 2007	105,937	280	3,709	3,406	2,201	(733)	22,387	137,187	2,303	139,490
Total comprehensive (loss) / income for the period	-	-	-	-	(839)	(357)	19,165	17,969	105	18,074
Issue of bonus shares	10,594	-	-	-	-	-	(10,594)	-	-	-
Net movement in minority interest	-	-	-	-	-	-	-	-	10	10
Balance at 30 September 2008	116,531	280	3,709	3,406	1,362	(1,090)	30,958	155,156	2,418	157,574

The notes from 1 to 19 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 2009 to 30 September 2009

	Nine months ended 30 September	
	2009	2008
	KD'000	KD'000
OPERATING ACTIVITIES		
(Loss) / profit for the period	(17,263)	19,270
Adjustments for:		
Depreciation and amortisation	1,121	975
Provision for impairment	15,200	1,749
Foreign currency translation	(6,742)	437
Impairment loss on available for sale investments	2,383	-
Realised loss from sale of financial assets held at fair value through profit or loss	76	-
Realized gains on sale of available for sale investments	(251)	(2,292)
Unrealized loss / (gain) on financial assets held at fair value through profit or loss	1,462	(9,611)
Share of results of associates	(710)	(887)
Dividend income	(642)	(1,112)
Unrealised loss from changes in fair value of investment properties	2,627	783
	<u>(2,739)</u>	<u>9,312</u>
Changes in operating assets and liabilities:		
Increase in balances due from banks	(21,402)	(64,687)
Increase in balances due from non-banks	(66,877)	(60,119)
Decrease / (increase) in other assets	1,428	(45,922)
Increase / (decrease) in due to banks	7,891	(144,395)
Increase in depositors' accounts	92,578	311,553
(Decrease) / increase in other liabilities	(2,779)	4,883
Dividend income received	642	-
Net cash generated by operating activities	<u>8,742</u>	<u>10,625</u>
INVESTING ACTIVITIES		
Purchase of financial assets held at fair value through profit or loss	(2,416)	(12,497)
Proceeds from sale of financial assets held at fair value through profit or loss	4,930	-
Purchase of available-for-sale investments	(10,802)	(2,785)
Proceeds from sale of available-for-sale investments	3,242	5,576
Dividends received from an associated company	501	1,112
Purchase of trading properties	-	(2,915)
Proceeds from sale of investment properties	158	359
Purchase of investment properties	(5,211)	(10,024)
Purchase of property and equipment	(671)	(2,930)
Net cash used in investing activities	<u>(10,269)</u>	<u>(24,104)</u>
Net change in minority interest	<u>(108)</u>	<u>10</u>
Net decrease in cash and cash equivalents	(1,635)	(13,469)
Cash and cash equivalents at the beginning of the period	67,996	49,032
Cash and cash equivalents at the end of the period	<u><u>66,361</u></u>	<u><u>35,563</u></u>

The notes from 1 to 19 form an integral part of this condensed consolidated interim financial information.

For the period from 1 January 2009 to 30 September 2009

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 2009 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), 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 10).

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

These condensed consolidated interim financial information were authorised for issue by the Board of Directors on 13 October 2009.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The condensed consolidated interim financial information have 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 2008.

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 2009 are not necessarily indicative of the results that may be expected for the year ending 31 December 2009.

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 2008, except for changes resulting from amendments to IFRSs as mentioned below.

During the period the Group has adopted the following standards that came into effect from 1 January 2009.

For the period from 1 January 2009 to 30 September 2009

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of preparation (continued)

IAS 1 (Revised) 'Presentation of Financial Statements':

The revised standard has introduced a number of terminology change (including revised titles for the condensed consolidated interim financial information and has resulted in a number of changes in presentation and disclosures). The revised standard requires all non-owner changes in equity (i.e. comprehensive income) to be presented separately in an condensed consolidated interim statement of comprehensive income. However, the revised standard has had no impact on the reported results or financial position of the Group.

IFRS 8 'Operating segments':

This new standard which replaced IAS 14 'Segment reporting' requires a management approach for segment reporting under which segment information is presented on the same basis as that used for internal reporting purposes. The segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision maker.

Basis of consolidation

The condensed consolidated interim financial information for the nine-month period ended 30 September 2009 include the Bank and its subsidiaries referred to in note (1) above.

The financial statements of the subsidiary are 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 subsidiaries accounts were based on their management accounts for the nine-month period ended 30 September 2009. The total subsidiary's consolidated assets, liabilities and net loss included in this condensed consolidated interim financial information amounted to KD 40,556 thousand, KD 20,985 thousand and KD 2,115 thousand respectively.

Judgement and 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 and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these 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 2008.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
 INFORMATION (UNAUDITED)

For the period from 1 January 2009 to 30 September 2009

3. INVESTMENT INCOME / LOSS

Investment income

	Three months ended		Nine months ended	
	30 September		30 September	
	2009	2008	2009	2008
	KD'000	KD'000	KD'000	KD'000
Gain on money market funds	331	337	1,879	2,149
Unrealised gain/ (loss) from change in fair value of financial assets held through profit or loss	(753)	3,384	1,037	12,266
Gain on sale of financial assets held at fair value through profit or loss	-	20	46	20
Gain on sale of available for sale investments	8	-	251	-
Sukuk coupon income	365	470	1,101	1,521
Net rental income from investment properties	313	360	931	871
Dividend income	20	127	642	1,112
	<u>284</u>	<u>4,698</u>	<u>5,887</u>	<u>17,939</u>

Investment loss

	Three months ended		Nine months ended	
	30 September		30 September	
	2009	2008	2009	2008
	KD'000	KD'000	KD'000	KD'000
Loss on money market funds	(36)	-	(6,460)	-
Unrealised loss from changes in fair value of financial assets held at fair value through profit or loss	(345)	(197)	(2,499)	(197)
Loss from sale of financial assets held at fair value through profit or loss	(122)	-	(122)	-
Impairment loss on available for sale investments	-	-	(2,383)	-
Unrealized loss from changes in fair value of investment properties	(25)	(165)	(2,627)	(948)
	<u>(528)</u>	<u>(362)</u>	<u>(14,091)</u>	<u>(1,145)</u>
Net investment (loss) / income	<u>(244)</u>	<u>4,336</u>	<u>(8,204)</u>	<u>16,794</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
INFROMATION (UNAUDITED)

For the period from 1 January 2009 to 30 September 2009

4. FEES AND COMMISSIONS INCOME

	Three months ended 30 September		Nine months ended 30 September	
	2009	2008	2009	2008
	KD'000	KD'000	KD'000	KD'000
Retail banking customer fees	158	93	514	242
Investment banking fees	2	9	368	747
Asset management fees	344	491	1,218	1,487
Trade service fees	162	301	465	640
Other	47	101	312	580
	<u>713</u>	<u>995</u>	<u>2,877</u>	<u>3,696</u>

5. PROVISION FOR IMPAIRMENT

	Three months ended 30 September		Nine months ended 30 September	
	2009	2008	2009	2008
	KD'000	KD'000	KD'000	KD'000
Provision for impairment of balances due from banks	3,748	-	14,180	-
Provision for impairment provided for balances due from non-banks	3,469	191	1,298	1,680
Provision for impairment provided for / (released from) non-cash facilities	36	53	(278)	69
	<u>7,253</u>	<u>244</u>	<u>15,200</u>	<u>1,749</u>

Movements in the provision for impairment are as follows:

	Specific	General	Total
	KD'000	KD'000	KD'000
Balance at 31 December 2008	7,216	18,196	25,412
Provided / (released) during the period	23,651	(8,451)	15,200
Balance at 30 September 2009	<u>30,867</u>	<u>9,745</u>	<u>40,612</u>

As of 31 December 2008, provision for impairment included an additional general provision amounting to KD 11,000 thousand. During the current period, KD 11,000 thousand has been reclassified from general to specific provision category.

6. (LOSS) / EARNING PER SHARE

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

	Three months ended 30 September		Nine months ended 30 September	
	2009	2008	2009	2008
	KD'000	KD'000	KD'000	KD'000
(Loss) / profit for the period attributable to equity holders of the bank	(5,495)	5,565	(17,226)	19,165
Weighted average number of shares outstanding (thousands of shares)	<u>1,165,312</u>	<u>1,165,312</u>	<u>1,165,312</u>	<u>1,165,312</u>
(Loss) / earnings per share (fils)	<u>(4.7)</u>	<u>4.8</u>	<u>(14.8)</u>	<u>16.4</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
INFROMATION (UNAUDITED)

For the period from 1 January 2009 to 30 September 2009

7. DUE FROM BANKS

The distribution of Murabaha and other Islamic financing due from banks net of provision for impairment is as follows:

	30 September 2009	(Audited) 31 December 2008	30 September 2008
	KD'000	KD'000	KD'000
Balance	168,822	147,595	252,912
Less: deferred profit	(100)	(275)	(273)
	<u>168,722</u>	<u>147,320</u>	<u>252,639</u>
Less: provision for impairment	(20,180)	(6,000)	-
	<u><u>148,542</u></u>	<u><u>141,320</u></u>	<u><u>252,639</u></u>

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

	30 September 2009	(Audited) 31 December 2008	30 September 2008
	KD'000	KD'000	KD'000
Geographic region			
Kuwait and The Middle East	158,608	121,912	177,379
Western Europe	7,348	25,683	72,804
Other	2,866	-	2,729
Less: deferred profit	(100)	(275)	(273)
	<u>168,722</u>	<u>147,320</u>	<u>252,639</u>
Less: provision for impairment	(20,180)	(6,000)	-
	<u><u>148,542</u></u>	<u><u>141,320</u></u>	<u><u>252,639</u></u>

Provision for impairment is calculated based on Central Bank of Kuwait instructions on the outstanding balance net of the deferred profits (if any) as follows:

	30 September 2009	(Audited) 31 December 2008	30 September 2008
	KD'000	KD'000	KD'000
Balance at beginning of the period / year	6,000	-	-
Provided during the period / year	14,180	6,000	-
Balance at end of the period / year	<u><u>20,180</u></u>	<u><u>6,000</u></u>	<u><u>-</u></u>

The fair values of Murabaha and other Islamic financing facilities due from banks do not differ significantly from their respective book values.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
INFROMATION (UNAUDITED)

For the period from 1 January 2009 to 30 September 2009

8. DUE FROM NON-BANKS

Due from non-banks principally comprise Murabaha, Wakala and leased assets balances and are stated net of provision for impairment. The distribution of Murabaha and Wakala balances due from non-banks is as follows:

	30 September 2009	(Audited) 31 December 2008	30 September 2008
	KD'000	KD'000	KD'000
Industry sector			
Financial institutions	239,593	225,031	181,910
Construction and real estate	171,097	172,660	168,874
Trading and manufacturing	39,418	35,080	36,142
Other	130,127	70,748	70,123
Less: deferred profit	(19,618)	(9,781)	(8,547)
	<u>560,617</u>	<u>493,738</u>	<u>448,502</u>
Less: provision for impairment	(19,605)	(18,307)	(5,882)
	<u><u>541,012</u></u>	<u><u>475,431</u></u>	<u><u>442,620</u></u>

	30 September 2009	(Audited) 31 December 2008	30 September 2008
	KD'000	KD'000	KD'000
Geographic region			
Kuwait and The Middle East	570,168	492,329	442,333
Western Europe	6,170	7,465	13,358
Other	3,897	3,725	1,358
Less: deferred profit	(19,618)	(9,781)	(8,547)
	<u>560,617</u>	<u>493,738</u>	<u>448,502</u>
Less: provision for impairment	(19,605)	(18,307)	(5,882)
	<u><u>541,012</u></u>	<u><u>475,431</u></u>	<u><u>442,620</u></u>

Provision for impairment is calculated based on Central Bank of Kuwait instructions on the outstanding balance net of deferred profits (if any) as follows:

	30 September 2009	(Audited) 31 December 2008	30 September 2008
	KD'000	KD'000	KD'000
Balance at beginning of the period / year	18,307	4,203	4,203
Provided during the period / year	1,298	14,104	1,679
Balance at end of the period / year	<u><u>19,605</u></u>	<u><u>18,307</u></u>	<u><u>5,882</u></u>
Financial institutions	5,465	2,753	1,801
Other	14,140	15,554	4,081
	<u><u>19,605</u></u>	<u><u>18,307</u></u>	<u><u>5,882</u></u>

Whenever necessary, Murabaha and Wakala balances due from non-banks are secured by acceptable forms of collateral to mitigate the related credit risks. Receivables from financial institutions comprise mainly transactions with acceptable credit quality institutions. The fair value of balances due from non-banks do not differ significantly from their respective book values.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
 INFORMATION (UNAUDITED)

For the period from 1 January 2009 to 30 September 2009

9. AVAILABLE-FOR-SALE INVESTMENTS

	30 September 2009	(Audited) 31 December 2008	30 September 2008
	KD'000	KD'000	KD'000
Investment in Sukuk	47,160	38,122	36,836
Investment in unquoted securities	8,933	8,444	8,444
Investment in quoted securities	427	1,927	-
Investment in unquoted funds	10,637	9,688	9,531
	<u>67,157</u>	<u>58,181</u>	<u>54,811</u>
Investments carried at fair value	67,157	58,181	48,409
Investments carried at cost less impairment	-	-	6,402
	<u>67,157</u>	<u>58,181</u>	<u>54,811</u>

Pursuant to the amendments to IAS 39 and IFRS 7 "Reclassification of Financial Assets", the Group reclassified certain trading assets to available-for-sale investment securities during 2008. The carrying amount and fair value of financial assets that have been reclassified during the nine-month period ended 30 September 2009 is KD Nil (KD 5,332 thousand during the year ended 31 December 2008 and KD Nil during the nine-month period ended 30 September 2008). Had these financial assets not been reclassified, the Group would have recognized a fair value loss of KD 162 thousand in the interim condensed consolidated statement of income and KD Nil in other comprehensive income for the nine month period ended 30 September 2009. During the current period, the Bank has recognized an impairment loss of KD 1,477 thousand in the condensed consolidated interim statement of income relating to those reclassified financial assets.

10. INVESTMENTS IN ASSOCIATES

	Country	Ownership %	30 September 2009	(Audited) 31 December 2008	30 September 2008
			KD'000	KD'000	KD'000
Bank Syariah Muamalat Indonesia Tbk	Indonesia	21.28	6,176	4,948	5,829
Ijarah Indonesia Finance Co.	Indonesia	33.33	1,159	966	993
			<u>7,335</u>	<u>5,914</u>	<u>6,822</u>

The Group's share in the operating results of Bank Syariah Muamalat Indonesia TBK and Ijarah Indonesia Finance Company was recognised based on the latest management accounts as at 30 September 2009.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
INFORMATION (UNAUDITED)

For the period from 1 January 2009 to 30 September 2009

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 2009	31 December 2008	30 September 2008
	KD'000	KD'000	KD'000
Due from related parties:			
Due from banks	-	12,426	-
Due from non-banks	46,701	22,204	20,096
Due to related parties:			
Due to banks	3,139	-	-
Depositors' accounts	33,046	74,139	95,346
Transactions with related parties:			
Letters of guarantee and letters of credit	116	87	138
Revenues	2,019	2,701	1,723
Expenses	467	2,768	2,976

Compensation of key management personnel

Details of compensations for key management comprise the following:

	Three months ended 30 September		Nine months ended 30 September	
	2009	2008	2009	2008
	KD'000	KD'000	KD'000	KD'000
Short-term benefits	373	279	1,139	832
Post-employment benefits	22	39	118	123
	<u>395</u>	<u>318</u>	<u>1,257</u>	<u>955</u>

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 2009	31 December 2008	30 September 2008
	KD'000	KD'000	KD'000
Guarantees	36,932	35,120	36,104
Acceptances and letters of credit	11,284	12,530	12,170
Investment commitments	597	1,134	1,133
Capital commitments	400	412	412
Credit commitments	17,892	55,172	15,028
	<u>67,105</u>	<u>104,368</u>	<u>64,847</u>

For the period from 1 January 2009 to 30 September 2009

13. SEGMENT REPORTING

Business segments:

For management purposes, the Bank is organised 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 investment.

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.

Nine months ended 30 September 2009

	<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	1,918	10,064	3,616	20,556	839	36,993
Provision released	260	3,916	-	4,275	-	8,451
Segment expenses	<u>(9,555)</u>	<u>(4,986)</u>	<u>(8,118)</u>	<u>(34,078)</u>	<u>(5,970)</u>	<u>(62,707)</u>
Segment results	<u>(7,377)</u>	<u>8,994</u>	<u>(4,502)</u>	<u>(9,247)</u>	<u>(5,131)</u>	<u>(17,263)</u>
Segment assets	<u>50,731</u>	<u>178,699</u>	<u>98,684</u>	<u>581,130</u>	<u>14,890</u>	<u>924,134</u>
Segment liabilities	<u>259,722</u>	<u>632</u>	<u>1,355</u>	<u>530,229</u>	<u>8,394</u>	<u>800,332</u>

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	15,481	21,021	715	50,020
Provision released	9	741	-	699	-	1,449
Segment expenses	<u>(6,190)</u>	<u>(1,657)</u>	<u>(1,678)</u>	<u>(14,671)</u>	<u>(8,003)</u>	<u>(32,199)</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>

For the period from 1 January 2009 to 30 September 2009

13. SEGMENT REPORTING (CONTINUED)

Three months ended 30 September 2009

	<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	598	2,910	(575)	6,339	186	9,458
Provision released	120	214	-	1,610	-	1,944
Segment expenses	<u>(2,885)</u>	<u>(926)</u>	<u>(100)</u>	<u>(10,951)</u>	<u>(2,027)</u>	<u>(16,889)</u>
Segment results	<u>(2,167)</u>	<u>2,198</u>	<u>(675)</u>	<u>(3,002)</u>	<u>(1,841)</u>	<u>(5,487)</u>

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	4,203	7,461	323	16,440
Provision released	8	605	-	370	-	983
Segment expenses	<u>(2,476)</u>	<u>(848)</u>	<u>(586)</u>	<u>(5,199)</u>	<u>(2,719)</u>	<u>(11,828)</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>

14. FINANCIAL RISK MANAGEMENT

All aspects of the Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial statements for the year ended 31 December 2008.

15. FIDUCIARY ASSETS

The aggregate value of assets held in a trust or fiduciary capacity by the Group at 30 September 2009 amounted to KD 47,384 thousand (31 December 2008: KD 91,893 thousand and 30 September 2008: KD 159,156 thousand).

16. DIVIDENDS

The Annual General Assembly held on 14 April 2009, approved the consolidated financial statements for the year ended 31 December 2008 and the non distribution of dividends to the shareholders for the year ended 31 December 2008.

17. SUBSEQUENT EVENTS

The Ordinary and Extraordinary General Assemblies of the bank held on 17 September and 1 October 2009 respectively have approved the bank's authorized capital increase from KD 116,600 thousand to KD 174,900 thousand through issuance of 583,000 thousand shares. Authorized capital increase amounted to KD 58,300 thousand and 100 fils per share, in addition to share premium amounted to KD 87,450 and 150 fils per share.

18. OTHER REGULATORY MATTERS

During the period ended 30 September 2009, the Central Bank of Kuwait has levied a penalty on the Bank amounting to KD 253 thousand, as a result of non compliance with certain instructions issued by the Central Bank of Kuwait.

19. COMPARATIVE FIGURES

Where necessary, certain comparative figures were reclassified to conform to the current period's presentation.