

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



**INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS AND INDEPENDENT AUDITORS' REVIEW
REPORT FOR THE PERIOD FROM 1 JANUARY 2009
TO 31 MARCH 2009 (UNAUDITED)**

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

For the period from 1 January 2009 to 31 March 2009

INDEX	Page
Independent auditors' review report	1
Interim condensed consolidated statement of income	2
Interim condensed consolidated statement of comprehensive income	3
Interim condensed consolidated statement of financial position	4
Interim condensed consolidated statement of changes in equity	5
Interim condensed consolidated statement of cash flows	6
Notes to the interim condensed consolidated financial statements	7 to 15



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

The Board of Directors
Boubyan Bank KSC
State of Kuwait

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Boubyan Bank KSC ("the Bank") and its subsidiaries (together referred to as "the Group") as of 31 March 2009, and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three month period then ended. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the basis of preparation set out in Note 2. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

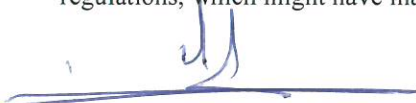
Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.


Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements as at 31 March 2009 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 interim condensed consolidated financial statements are in agreement with the accounting records. We further report that nothing has come to our attention indicating any contravention during the three month period ended 31 March 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.



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Member firm of KPMG International

28 April 2009
Kuwait

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



INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME
(UNAUDITED)

For the period from 1 January 2009 to 31 March 2009

	Notes	Three months ended 31 March	
		2009	2008
		KD'000	KD'000
Income			
Murabaha and other Islamic financing income		9,750	7,826
Investment income	3	2,260	4,237
Fees and commissions income	4	916	1,802
Share of results of associates		180	279
Net foreign exchange (loss) / gain		(47)	362
		<u>13,059</u>	<u>14,506</u>
Expenses			
Staff costs		(2,886)	(1,815)
General and administrative expenses		(2,270)	(1,208)
Depreciation and amortization		(368)	(286)
		<u>(5,524)</u>	<u>(3,309)</u>
Profit before Murabaha cost, provision for impairment and distribution to depositors		7,535	11,197
Murabaha cost		(543)	(970)
Provision for impairment and investment loss	5,6	(14,984)	(1,704)
(Loss) / profit before distribution to depositors		(7,992)	8,523
Distribution to depositors		(3,707)	(3,223)
(Loss) / profit after distribution to depositors		(11,699)	5,300
Provision for contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS")		-	(48)
Provision for National Labour Support Tax ("NLST")		-	(132)
Provision for Zakat		-	(53)
Net (loss) / profit for the period		<u>(11,699)</u>	<u>5,067</u>
Attributable to:			
Equity holders of the Bank		(11,721)	5,046
Minority interest		22	21
Net (loss) / profit for the period		<u>(11,699)</u>	<u>5,067</u>
(Loss) / earnings per share attributable to the equity holders of the Bank (fils)	7	<u>(10.06)</u>	<u>4.33</u>

The notes from 1 to 18 form an integral part of these interim condensed consolidated financial statements.

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



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

For the period from 1 January 2009 to 31 March 2009

	Three months ended 31 March	
	2009	2008
	KD'000	KD'000
(Loss) / profit for the period	(11,699)	5,067
Other comprehensive income:		
Change in fair value of available for sale investments	(1,496)	(1,002)
Net unrealised losses on available for sale investments transferred to statement of income	2,175	-
Exchange differences on translation of foreign operations	271	(204)
Other comprehensive income for the period included in equity	950	(1,206)
Total comprehensive income for the period	<u>(10,749)</u>	<u>3,861</u>
Attributable to:		
Equity holders of the Bank	(10,771)	3,840
Minority interests	22	21
Total comprehensive income for the period	<u>(10,749)</u>	<u>3,861</u>

The notes from 1 to 18 form an integral part of these interim condensed consolidated financial statements.

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



INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(UNAUDITED)

At 31 March 2009

		(Audited)	
	31 March 2009	31 December 2008	31 March 2008
	Notes	KD'000	KD'000
Assets			
Cash and cash equivalents		63,198	25,098
Short term Murabaha and other Islamic financing	8	292,220	244,983
Receivables	9	304,929	251,024
Leased assets		83,574	73,363
Financial assets held at fair value through profit or loss		40,140	14,587
Available-for-sale investments	10	62,887	53,495
Investment in associates	11	6,094	26,611
Trading properties		2,907	2,650
Investment properties		33,190	24,113
Other assets		12,474	6,763
Property and equipment		4,680	6,406
Total assets		906,293	729,093
Liabilities and equity			
Liabilities			
Due to banks		84,758	126,936
Depositors' accounts		680,689	446,795
Other liabilities		14,118	10,342
Total liabilities		779,565	584,073
Equity			
Share capital		116,531	105,937
Share premium		280	280
Statutory reserve		3,913	3,709
Voluntary reserve		3,591	3,406
Fair value reserve		(119)	1,199
Foreign currency translation reserve		(1,348)	(937)
Premium from associate		-	1,659
Retained earnings		1,529	27,433
Equity attributable to equity holders of the Bank		124,377	142,686
Minority interest		2,351	2,334
Total equity		126,728	145,020
Total liabilities and equity		906,293	729,093

The notes from 1 to 18 form an integral part of these interim condensed consolidated financial statements.

Ibrahim Ali Al-Qadhi
Chairman

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period from 1 January 2009 to 31 March 2009

	Share capital	Share premium	Statutory reserve	Voluntary reserve	Fair value reserve	Foreign currency translation reserve	Premium from associate	Retained earnings	Attributable to equity holders of the bank	Minority interest	Total
Balance at 31 December 2008	KD'000 116,531	KD'000 280	KD'000 3,913	KD'000 3,591	KD'000 (798)	KD'000 (1,619)	KD'000 -	KD'000 13,250	KD'000 135,148	KD'000 2,393	KD'000 137,541
Other comprehensive income for the period	-	-	-	-	679	271	-	-	950	-	950
Net income recognised directly in equity	-	-	-	-	679	271	-	-	950	-	950
Net loss for the period	-	-	-	-	-	-	-	(11,721)	(11,721)	22	(11,699)
Total recognised income and expense for the period	-	-	-	-	679	271	-	(11,721)	(10,771)	22	(10,749)
Net movement in minority interest	-	-	-	-	-	-	-	-	-	(64)	(64)
Balance at 31 March 2009	116,531	280	3,913	3,591	(119)	(1,348)	-	1,529	124,377	2,351	126,728
Balance at 31 December 2007	105,937	280	3,709	3,406	2,201	(733)	-	22,387	137,187	2,303	139,490
Other comprehensive loss for the period	-	-	-	-	(1,002)	(204)	-	-	(1,206)	-	(1,206)
Net loss recognised directly in equity	-	-	-	-	(1,002)	(204)	-	-	(1,206)	-	(1,206)
Net profit for the period	-	-	-	-	-	-	-	5,046	5,046	21	5,067
Total recognised income and expense for the period	-	-	-	-	(1,002)	(204)	-	5,046	3,840	21	3,861
Net effect of dilution in associate ownership interest	-	-	-	-	-	-	1,659	-	1,659	-	1,659
Net movement in minority interest	-	-	-	-	-	-	-	-	-	10	10
Balance at 31 March 2008	105,937	280	3,709	3,406	1,199	(937)	1,659	27,433	142,686	2,334	145,020

The notes from 1 to 18 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

For the period from 1 January 2009 to 31 March 2009

	Three months ended 31 March	
	2009	2008
	KD'000	KD'000
OPERATING ACTIVITIES		
(Loss) / profit for the period	(11,699)	5,067
Adjustments for:		
Depreciation and amortisation	368	286
Provision for impairment	3,397	756
Foreign currency translation	47	(362)
Impairment loss on available-for-sale-investments	2,383	-
Unrealised loss / (gain) from financial assets held at fair value through profit or loss	2,694	(2,292)
Share of results of associates	(180)	(279)
Dividend income	(515)	(244)
Unrealised loss from changes in fair value of investment properties	939	783
	<u>(2,566)</u>	<u>3,715</u>
Changes in operating assets and liabilities:		
(Increase) / decrease in short term Murabaha and other Islamic Financing	(38,917)	62,225
Increase in receivables	(35,324)	(54,173)
Decrease/ (increase) in leased assets	6,576	(6,043)
(Increase) / decrease in other assets	(2,553)	658
Decrease in due to banks	(36,569)	(158,610)
Increase in depositors' accounts	111,053	139,336
Increase / decrease in other liabilities	101	(1,131)
Dividend income received	515	162
Net cash generated by / (used in) operating activities	<u>2,316</u>	<u>(13,861)</u>
INVESTING ACTIVITIES		
Purchase of financial assets held at fair value through profit or loss	-	(879)
Proceeds from sale of financial assets held at fair value through profit or loss	2,420	-
Purchase of available-for-sale investments	(5,241)	(1,331)
Proceeds from sale of available-for-sale investments	-	217
Proceeds from sale of investment properties	158	-
Purchase of investment properties	(4,226)	(5,782)
Purchase of property and equipment	(161)	(2,308)
Net cash used in investing activities	<u>(7,050)</u>	<u>(10,083)</u>
Net change in minority interest	<u>(64)</u>	<u>10</u>
Net decrease in cash and cash equivalents	<u>(4,798)</u>	<u>(23,934)</u>
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>63,198</u>	<u>25,098</u>

The notes from 1 to 18 form an integral part of these interim condensed consolidated financial statements.

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

For the period from 1 January 2009 to 31 March 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 three months ended 31 March 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), 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 10).

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

These interim condensed consolidated financial statements were authorised for issue by the Board of Directors on 28 April 2009.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements 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 statements 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 three-month period ended 31 March 2009 are not necessarily indicative of the results that may be expected for the year ending 31 December 2009.

The interim condensed consolidated financial statements 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the period from 1 January 2009 to 31 March 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 interim condensed consolidated financial statements 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 interim condensed consolidated 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.

Judgement and estimates

The preparation of interim condensed consolidated financial statements 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 interim condensed consolidated financial statements, 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.

3. INVESTMENT INCOME

	Three months ended 31 March	
	2009	2008
	KD'000	KD'000
Gain on money market funds	1,029	767
Unrealised gain from change in fair value of financial assets held through profit or loss	17	2,292
Gain on sale of financial assets held at fair value through profit or loss	18	-
Sukuk coupon income	390	571
Net rental income from investment properties	291	198
Unrealised gain from changes in fair value of investment properties	-	165
Dividend income	515	244
	<u>2,260</u>	<u>4,237</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
 STATEMENTS (UNAUDITED)

For the period from 1 January 2009 to 31 March 2009

4. FEES AND COMMISSIONS INCOME

	Three months ended 31 March	
	2009	2008
	KD'000	KD'000
Retail banking customer fees	145	67
Investment banking fees	-	738
Asset management fees	538	536
Trade service fees	175	157
Other	58	304
	<u>916</u>	<u>1,802</u>

5. PROVISION FOR IMPAIRMENT

	Three months ended 31 March	
	2009	2008
	KD'000	KD'000
Provision for impairment of short-term murabaha	1,684	(168)
Provision for impairment of receivables	1,791	839
Provision for impairment of leased assets	(67)	69
Provision on non-cash facilities	(11)	16
	<u>3,397</u>	<u>756</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	14,459	(11,062)	3,397
Balance at 31 March 2009	<u>21,675</u>	<u>7,134</u>	<u>28,809</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. INVESTMENT LOSS

	Three months ended 31 March	
	2009	2008
	KD'000	KD'000
Loss on money market funds	5,554	-
Unrealised loss from change in fair value of financial assets held through profit or loss	2,711	-
Impairment loss on available for sale investments	2,383	-
Unrealised loss from changes in fair value of investment properties	939	948
	<u>11,587</u>	<u>948</u>

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

For the period from 1 January 2009 to 31 March 2009

7. (LOSS) / EARNINGS 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 31 March	
	2009	2008
	KD'000	KD'000
(Loss) / profit for the period attributable to equity holders of the bank	(11,721)	5,046
Weighted average number of shares outstanding (thousands of shares)	1,165,312	1,165,312
(Loss) / earnings per share (fils)	(10.06)	4.33

8. SHORT TERM MURABAHA AND OTHER ISLAMIC FINANCING

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

	31 March	(Audited) 31 December	31 March
	2009	2008	2008
	KD'000	KD'000	KD'000
Industry sector			
Banks	173,645	131,573	185,552
Financial institutions	137,318	140,459	60,440
Less: deferred profit	(195)	(183)	(189)
	310,768	271,849	245,803
Less: provision for impairment	(18,548)	(10,899)	(820)
	292,220	260,950	244,983

The Group maintains international and local short-term Murabaha and other Islamic financing under Murabaha, Wakala and Qard Hasan agreements maturing 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.

	31 March	(Audited) 31 December	31 March
	2009	2008	2008
	KD'000	KD'000	KD'000
Geographic region			
Kuwait and The Middle East	310,333	245,797	237,797
Western Europe	-	25,627	8,006
Other	435	425	-
	310,768	271,849	245,803
Less: provision for impairment	(18,548)	(10,899)	(820)
	292,220	260,950	244,983

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the period from 1 January 2009 to 31 March 2009

8. SHORT TERM MURABAHA AND OTHER ISLAMIC FINANCING (CONTINUED)

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:

	31 March 2009	(Audited) 31 December 2008	31 March 2008
	KD'000	KD'000	KD'000
Balance at beginning of the period / year	10,899	497	497
Provided during the period / year	7,649	10,402	323
Balance at end of the period / year	<u>18,548</u>	<u>10,899</u>	<u>820</u>

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

9. RECEIVABLES

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

	31 March 2009	(Audited) 31 December 2008	31 March 2008
	KD'000	KD'000	KD'000
Industry sector			
Banks	33,465	16,023	35,129
Financial institutions	83,501	84,572	62,308
Construction and real estate	101,710	94,395	67,638
Trading and manufacturing	31,092	32,698	38,335
Others	75,238	60,018	56,925
Less: deferred profit	<u>(11,849)</u>	<u>(9,873)</u>	<u>(6,310)</u>
	313,157	277,833	254,025
Less: provision for impairment	<u>(8,228)</u>	<u>(10,103)</u>	<u>(3,001)</u>
	<u>304,929</u>	<u>267,730</u>	<u>251,024</u>

	31 March 2009	(Audited) 31 December 2008	31 March 2008
	KD'000	KD'000	KD'000
Geographic region			
Kuwait and The Middle East	300,351	264,803	212,775
Western Europe	12,806	10,239	24,700
Other	-	2,791	16,550
	313,157	277,833	254,025
Less: provision for impairment	<u>(8,228)</u>	<u>(10,103)</u>	<u>(3,001)</u>
	<u>304,929</u>	<u>267,730</u>	<u>251,024</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the period from 1 January 2009 to 31 March 2009

9. RECEIVABLES (CONTINUED)

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

	31 March 2009	(Audited) 31 December 2008	31 March 2008
	KD'000	KD'000	KD'000
Balance at beginning of the period / year	10,103	2,653	2,653
(Released) / provided during the period / year	(1,875)	7,450	348
Balance at end of the period / year	<u>8,228</u>	<u>10,103</u>	<u>3,001</u>
Financial institutions	849	2,753	615
Other	7,379	7,350	2,386
	<u>8,228</u>	<u>10,103</u>	<u>3,001</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. The fair values of receivables do not differ significantly from their respective book values.

10. AVAILABLE-FOR-SALE INVESTMENTS

	31 March 2009	(Audited) 31 December 2008	31 March 2008
	KD'000	KD'000	KD'000
Investment in Sukuk	42,858	38,122	34,966
Investment in unquoted securities	6,889	8,444	7,945
Investment in quoted securities	1,720	1,927	-
Investment in unquoted funds	11,420	9,688	10,584
	<u>62,887</u>	<u>58,181</u>	<u>53,495</u>
Investments carried at fair value	62,887	58,181	42,108
Investments carried at cost less impairment	-	-	11,387
	<u>62,887</u>	<u>58,181</u>	<u>53,495</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 three month period ended 31 March 2009 is KD Nil (KD 5,332 thousand during the year ended 31 December 2008 and KD Nil during the three month period ended 31 March 2008). Had these financial assets not been reclassified, the Group would have recognized a fair value loss of KD 208 thousand in the interim condensed consolidated statement of income and KD Nil in other comprehensive income for the three month period ended 31 March 2009. During the current period, the Bank has recognized an impairment loss of KD 2,383 thousand in the interim condensed consolidated statement of income relating to those reclassified financial assets.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
 STATEMENTS (UNAUDITED)

For the period from 1 January 2009 to 31 March 2009

11. INVESTMENTS IN ASSOCIATES

			(Audited)	
	Country	Owner- ship %	31 March 2009	31 December 2008
			KD'000	KD'000
Bank Syariah Muamalat Indonesia Tbk	Indonesia	21.28	5,140	4,948
Bank of London & The Middle East PLC (BLME)	United Kingdom	-	-	-
Ijarah Indonesia Finance Co.	Indonesia	33.30	954	966
			<u>6,094</u>	<u>5,914</u>
				<u>26,611</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 available audited financial statements as at 31 December 2008.

12. 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 statements captions:

	31 March 2009	31 December 2008	31 March 2008
	KD'000	KD'000	KD'000
Due from related parties:			
Short term Murabaha and other Islamic financing	32,208	34,630	47,560
Receivables	5,495	-	140
Due to related parties:			
Due to banks	-	-	15,424
Depositors' accounts	69,811	74,139	56,284
Transactions with related parties:			
Letters of guarantee and letters of credit	23	87	15
Revenues	471	2,701	1,042
Expenses	298	2,768	1,176

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

For the period from 1 January 2009 to 31 March 2009

12. RELATED PARTY TRANSACTIONS (CONTINUED)

Compensation of key management personnel

Details of compensations for key management comprise the following:

	31 March 2009	31 December 2008	31 March 2008
	KD'000	KD'000	KD'000
Short-term benefits	437	3,067	294
Post-employment benefits	74	138	22
	<u>511</u>	<u>3,205</u>	<u>316</u>

The Group holds collateral against Islamic finance facilities receivable from related parties in the form of unquoted shares. An estimate of the fair value of collateral held against Islamic finance facilities receivable from related parties amounted to KD 5,871 thousand as at 31 March 2009 (KD 8,000 thousand as at 31 December 2008 and KD 118 thousand as at 31 March 2008).

For the three month period ended 31 March 2009, the Group has recorded a provision for impairment loss on receivables amounted to KD 6,000 thousand relating to amounts owed by related parties (KD Nil for the three month period ended 31 March 2008).

13. 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:

	31 March 2009	31 December 2008	31 March 2008
	KD'000	KD'000	KD'000
Guarantees	37,252	35,120	29,104
Acceptances and letters of credit	8,453	12,530	7,387
Investment commitments	1,136	1,134	4,507
Capital commitments	412	412	610
Credit commitments	17,167	55,172	14,454
	<u>64,420</u>	<u>104,368</u>	<u>56,062</u>

14. 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.

14. SEGMENT REPORTING (CONTINUED)

Three months ended 31 March 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	103	3,819	2,709	5,786	642	13,059
Segment expenses	(731)	(163)	(8,885)	(11,704)	(3,275)	(24,758)
Segment results	<u>(628)</u>	<u>3,656</u>	<u>(6,176)</u>	<u>(5,918)</u>	<u>(2,633)</u>	<u>(11,699)</u>
Segment assets	<u>25,624</u>	<u>191,189</u>	<u>93,560</u>	<u>578,223</u>	<u>17,697</u>	<u>906,293</u>
Segment liabilities	<u>242,609</u>	<u>860</u>	<u>2,060</u>	<u>524,751</u>	<u>9,285</u>	<u>779,565</u>

Three months ended 31 March 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	175	3,745	3,604	6,791	191	14,506
Segment expenses	(1,662)	(469)	(1,087)	(4,477)	(1,744)	(9,439)
Segment results	<u>(1,487)</u>	<u>3,276</u>	<u>2,517</u>	<u>2,314</u>	<u>(1,553)</u>	<u>5,067</u>
Segment assets	<u>8,607</u>	<u>188,517</u>	<u>87,028</u>	<u>443,162</u>	<u>1,779</u>	<u>729,093</u>
Segment liabilities	<u>221,095</u>	<u>599</u>	<u>532</u>	<u>361,257</u>	<u>590</u>	<u>584,073</u>

15. 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.

16. FIDUCIARY ASSETS

The aggregate value of assets held in a trust or fiduciary capacity by the Group at 31 March 2009 amounted to KD 77,320 thousand (31 December 2008: KD 91,893 thousand, 31 March 2008: KD 213,990 thousand).

17. SUBSEQUENT EVENT

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.

18. OTHER REGULATORY MATTERS

On 29 March 2009, the Central Bank of Kuwait levied a penalty on the Bank amounting to KD 200 thousand, as a result of non compliance with certain instructions issued by the Central Bank of Kuwait.