

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



**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REVIEW REPORT FOR THE PERIOD
FROM 1 JANUARY 2008 TO 31 MARCH 2008
(UNAUDITED)**

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

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



For the period from 1 January 2008 to 31 March 2008

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

The Board of Directors
Boubyan Bank KSC
State of Kuwait

Introduction

We have reviewed the accompanying condensed consolidated interim balance sheet of Boubyan Bank KSC ("the Bank") and its subsidiaries (together referred to as "the Group") as of 31 March 2008, and the related condensed consolidated interim statements of income, changes in equity and cash flows for the three month period then ended. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements 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 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 condensed consolidated interim financial statements as at 31 March 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 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 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.


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Member firm of KPMG International

9 April 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 31 March 2008

	Notes	Three months ended 31 March	
		2008	2007
		KD'000	KD'000
Income			
Murabaha and other Islamic financing income		7,826	7,393
Investment income	3	3,289	1,494
Fees and commissions income	4	1,802	1,489
Share of results of associates		279	432
Net foreign exchange gain		362	-
Operating income		13,558	10,808
Expenses			
Staff costs		1,815	1,530
General and administrative expenses		1,208	691
Depreciation and amortization		286	159
Operating expenses		3,309	2,380
Operating profit before Murabaha cost, provision for impairment and distribution to depositors		10,249	8,428
Murabaha cost		970	1,154
Provision for impairment – general		756	677
Operating profit before distribution to depositors		8,523	6,597
Distribution to depositors		3,223	3,341
Operating profit		5,300	3,256
Provision for contribution to Kuwait Foundation for the Advancement of Sciences		48	29
Provision for National Labour Support Tax		132	81
Provision for Zakat		53	-
Net profit for the period		5,067	3,146
Attributable to:			
Equity holders of the Bank		5,046	3,119
Minority interest		21	27
Net profit for the period		5,067	3,146
Earnings per share attributable to the equity holders of the Bank (fils)	5	4.33	2.68

The notes set out on pages 6 to 14 form an integral part of these condensed consolidated interim financial statements.

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

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (UNAUDITED)



As at 31 March 2008

		(Audited)	
	31 March 2008	31 December 2007	31 March 2007
Note	KD'000	KD'000	KD'000
Assets			
Cash and cash equivalents	25,098	49,032	16,605
Short term Murabaha and other Islamic financing	6 244,983	307,040	393,670
Receivables	7 251,024	197,703	110,075
Leased assets	73,363	67,389	19,177
Financial assets held at fair value through profit or loss	14,587	8,682	1,020
Available-for-sale investments	8 53,495	57,278	32,566
Investment in associates	9 26,611	25,306	26,832
Trading properties	2,650	2,733	2,885
Investment properties	24,113	18,960	13,688
Other assets	6,763	7,421	11,194
Property and equipment	6,406	4,384	3,009
Total assets	729,093	745,928	630,721
Liabilities and equity			
Liabilities			
Due to banks	126,936	287,508	154,215
Depositors' accounts	446,795	307,459	342,514
Other liabilities	10,342	11,471	10,252
Total liabilities	584,073	606,438	506,981
Equity			
Share capital	105,937	105,937	99,941
Share premium	280	280	280
Statutory reserve	3,709	3,709	1,727
Voluntary reserve	3,406	3,406	1,550
Fair value reserve	1,199	2,201	1,198
Foreign currency translation reserve	(937)	(733)	4
Premium from associate	1,659	-	-
Retained earnings	27,433	22,387	16,778
Equity attributable to equity holders of the Bank	142,686	137,187	121,478
Minority interest	2,334	2,303	2,262
Total equity	145,020	139,490	123,740
Total liabilities and equity	729,093	745,928	630,721

The notes set out on pages 6 to 14 form an integral part of these condensed consolidated interim financial statements.

Mohammed Youssef Al-Romi
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 31 March 2008



	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
	KD'000	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	-	-	-	-	(1,002)	-	-	-	(1,002)	-	(1,002)
Foreign currency translation adjustments	-	-	-	-	-	(204)	-	-	(204)	-	(204)
Net loss recognized directly in equity	-	-	-	-	(1,002)	(204)	-	-	(1,206)	-	(1,206)
Net profit for the period	-	-	-	-	-	-	-	5,046	5,046	21	5,067
Total recognized 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
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	-	-	-	-	289	-	-	-	289	-	289
Foreign currency translation adjustments	-	-	-	-	-	(105)	-	-	(105)	-	(105)
Net gain/(loss) recognized directly in equity	-	-	-	-	289	(105)	-	-	184	-	184
Net profit for the period	-	-	-	-	-	-	-	3,119	3,119	27	3,146
Total recognized income and expense for the period	-	-	-	-	289	(105)	-	3,119	3,303	27	3,330
Balance at 31 March 2007	99,941	280	1,727	1,550	1,198	4	-	16,778	121,478	2,262	123,740

The notes set out on pages 6 to 14 form an integral part of these condensed consolidated interim financial statements.

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 31 March 2008

	Three months ended 31 March	
	2008	2007
	KD'000	KD'000
OPERATING ACTIVITIES		
Profit for the period	5,067	3,146
Adjustments for:		
Provision for impairment - general	756	677
Depreciation and amortization	286	159
Foreign currency translation	(362)	-
Gain from sale of available-for-sale-investments	-	(2)
Unrealized gain from financial assets held at fair value through profit or loss	(2,292)	-
Share of results of associates	(279)	(432)
Dividend income	(244)	(582)
Unrealized loss / (gain) from changes in fair value of investment properties	783	(180)
	<u>3,715</u>	<u>2,786</u>
Changes in operating assets and liabilities:		
Decrease/(increase) in short term Murabaha and other Islamic Financing	62,225	(85,753)
Increase in receivables	(54,173)	(25,208)
Increase in leased assets	(6,043)	(11,812)
Decrease in other assets	658	7,871
Decrease in due to banks	(158,610)	(52,950)
Increase in depositors' accounts	139,336	173,763
(Decrease)/increase in other liabilities	(1,131)	2,077
Dividend income received	162	582
Net cash (used in) / from operating activities	<u>(13,861)</u>	<u>11,356</u>
INVESTING ACTIVITIES		
Purchase of financial assets held at fair value through profit or loss	(879)	-
Purchase of available-for-sale investments	(1,331)	(6,077)
Proceeds from sale of available-for-sale investments	217	4,512
Purchase of investment in associates	-	(16,133)
Purchase of investment properties	(5,782)	-
Purchase of property and equipment	(2,308)	-
Net cash used in investing activities	<u>(10,083)</u>	<u>(17,698)</u>
Net change in minority interest	<u>10</u>	<u>-</u>
Net decrease in cash and cash equivalents	<u>(23,934)</u>	<u>(6,342)</u>
Cash and cash equivalents at the beginning of the period	<u>49,032</u>	<u>22,947</u>
Cash and cash equivalents at the end of the period	<u><u>25,098</u></u>	<u><u>16,605</u></u>

The notes set out on pages 6 to 14 form an integral part of these condensed consolidated interim financial statements.

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

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

For the period from 1 January 2008 to 31 March 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 is 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.

These condensed consolidated interim financial statements as at and for the three months ended 31 March 2008 incorporate the financial statements of the Bank and its subsidiaries, Boubyan Takaful Insurance Company K.S.C. (Closed) and Boubyan Capital Investment Company K.S.C. (Closed) (together referred to as the "Group") and the Group's interests in associates.

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

These condensed consolidated interim financial statements were authorised for issue by the Board of Directors on 9 April 2008.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The condensed consolidated interim 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. 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 three-month period ended 31 March 2008 are not necessarily indicative of the results that may be expected for the year ending 31 December 2008.

The condensed consolidated interim financial statements have been prepared using the same accounting policies and methods of computation as compared with the Group's most recent audited consolidated financial statements, 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.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation

The condensed consolidated interim financial statements for the three-month period ended 31 March 2008 include the Bank and its subsidiaries referred to in note (1) above.

The financial statements of the subsidiaries 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 statements.

The subsidiaries accounts were based on their management accounts for the three months period ended 31 March 2008.

Estimates

The preparation of condensed consolidated interim 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 condensed consolidated interim 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 2007.

3. INVESTMENT INCOME

	Three months ended 31 March	
	2008	2007
	KD'000	KD'000
Realized gain on money market funds	460	21
Unrealized gain on money market funds	307	246
Unrealized gain from change in fair value of financial assets held through profit or loss	2,292	-
Sukuk coupon income	571	218
Net rental income from investment properties	198	245
Unrealized (loss) / gain from changes in fair value of investment properties	(783)	180
Gain on sale of available-for-sale-investments	-	2
Dividend income	244	582
	<u>3,289</u>	<u>1,494</u>

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

	Three months ended 31 March	
	2008	2007
	KD'000	KD'000
Income from available-for-sale-investments	1,582	802
Income from financial assets held at fair value through profit or loss	2,292	267
Investment income earned on financial assets	3,874	1,069
Investment (loss)/income earned on non-financial assets	(585)	425
	<u>3,289</u>	<u>1,494</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 31 March 2008



4. FEES AND COMMISSIONS INCOME

	Three months ended 31 March	
	2008	2007
	KD'000	KD'000
Retail banking customer fees	67	31
Investment banking fees	738	846
Asset management fees	536	461
Trade service fees	157	48
Others	304	103
	<u>1,802</u>	<u>1,489</u>

5. 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	
	2008	2007
	KD'000	KD'000
Profit for the period attributable to equity holders of the Bank	<u>5,046</u>	<u>3,119</u>
Weighted average number of shares outstanding (thousands of shares)	<u>1,165,313</u>	<u>1,165,313</u>
Earnings per share (fils)	<u>4.33</u>	<u>2.68</u>

The weighted average number of shares outstanding for the three months ended 31 March 2007 has been adjusted to reflect the bonus shares issued during 2008 (note 16).

6. SHORT TERM MURABAHA AND OTHER ISLAMIC FINANCING

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

	(Audited)		
	31 March 2008	31 December 2007	31 March 2007
	KD'000	KD'000	KD'000
Industry sector			
Banks	185,552	275,830	300,136
Financial institutions	60,440	31,969	95,753
Less: deferred profit	<u>(189)</u>	<u>(262)</u>	<u>(1,080)</u>
	245,803	307,537	394,809
Less: general provision for impairment	<u>(820)</u>	<u>(497)</u>	<u>(1,139)</u>
	<u>244,983</u>	<u>307,040</u>	<u>393,670</u>

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 conventional institutions over buying and selling is limited by the terms of the agreements between the Group and the conventional institutions.

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

	31 March 2008	(Audited) 31 December 2007	31 March 2007
	KD'000	KD'000	KD'000
Geographic region			
Kuwait and The Middle East	237,797	306,017	372,885
Western Europe	8,006	1,520	21,924
	<u>245,803</u>	<u>307,537</u>	<u>394,809</u>
Less: general provision for impairment	(820)	(497)	(1,139)
	<u><u>244,983</u></u>	<u><u>307,040</u></u>	<u><u>393,670</u></u>

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

	31 March 2008	(Audited) 31 December 2007	31 March 2007
	KD'000	KD'000	KD'000
Balance at beginning of the period	497	922	922
Provided / (released) during the period	323	(425)	217
Balance at end of the period	<u><u>820</u></u>	<u><u>497</u></u>	<u><u>1,139</u></u>

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

7. 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 2008	(Audited) 31 December 2007	31 March 2007
	KD'000	KD'000	KD'000
Industry sector			
Banks	35,129	14,613	9,604
Financial institutions	62,308	51,243	36,204
Construction and real estate	67,638	53,266	30,803
Trading and manufacturing	38,335	35,749	15,119
Others	56,925	50,796	24,355
Less: deferred profit	(6,310)	(5,311)	(4,039)
	<u>254,025</u>	<u>200,356</u>	<u>112,046</u>
Less: general provision for impairment	(3,001)	(2,653)	(1,971)
	<u><u>251,024</u></u>	<u><u>197,703</u></u>	<u><u>110,075</u></u>

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For the period from 1 January 2008 to 31 March 2008



7. RECEIVABLES (CONTINUED)

	31 March 2008	(Audited) 31 December 2007	31 March 2007
	KD'000	KD'000	KD'000
Geographic region			
Kuwait and The Middle East	212,775	183,314	98,960
Western Europe	24,700	10,766	7,449
Other	16,550	6,276	5,637
	<u>254,025</u>	<u>200,356</u>	<u>112,046</u>
Less: general provision for impairment	(3,001)	(2,653)	(1,971)
	<u>251,024</u>	<u>197,703</u>	<u>110,075</u>

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

	31 March 2008	(Audited) 31 December 2007	31 March 2007
	KD'000	KD'000	KD'000
Balance at beginning of the period	2,653	1,929	1,929
Provided during the period	348	724	42
Balance at end of the period	<u>3,001</u>	<u>2,653</u>	<u>1,971</u>
Financial institutions	615	670	324
Other	2,386	1,983	1,647
	<u>3,001</u>	<u>2,653</u>	<u>1,971</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.

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8. AVAILABLE-FOR-SALE INVESTMENTS

	31 March	(Audited) 31 December	31 March
	2008	2007	2007
	KD'000	KD'000	KD'000
Investment in Sukuk	34,966	36,118	13,922
Investment in unquoted securities	7,945	10,882	10,018
Investment in unquoted funds	10,584	10,278	8,626
	<u>53,495</u>	<u>57,278</u>	<u>32,566</u>
Investments carried at fair value	42,108	54,135	17,512
Investments carried at cost less impairment	11,387	3,143	15,054
	<u>53,495</u>	<u>57,278</u>	<u>32,566</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. INVESTMENTS IN ASSOCIATES

	Country	Owner- ship %	31 March	(Audited) 31 December	31 March
			2008	2007	2007
			KD'000	KD'000	KD'000
Bank Syariah Muamalat Indonesia TBK	Indonesia	21.28	5,421	5,181	5,784
Al-Bilad Real Estate Co. KSC (Closed)	Kuwait	-	-	-	3,670
Bank of London & the Middle East PLC ("BLME")	United Kingdom	14.97	20,162	19,110	16,250
Ijarah Indonesia Finance Co.	Indonesia	33.30	1,028	1,015	1,128
			<u>26,611</u>	<u>25,306</u>	<u>26,832</u>

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 thousand was recognized in equity under premium from share dilution in associate. The Group still maintains significant influence over BLME therefore has accounted for it as an investment in associate.

Ijarah Indonesia Finance Company has been granted a license to render financing services during 2007 from the relevant authorities in Indonesia. The Group's investment in Ijarah Indonesia Finance Company equivalent to KD 1,028 thousand (31 December 2007: KD 1,015 thousand, 31 March 2007: KD 1,128 thousand) is stated at cost, as the associate has not commenced operations at the balance sheet date.

The Group's share in the operating results of Bank Syariah Muamalat Indonesia TBK and BLME was recognised based on management accounts as at 29 February 2008.

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
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10. 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 2008	(Audited) 31 December 2007	31 March 2007
	KD'000	KD'000	KD'000
Due from related parties:			
Short term Murabaha and other Islamic financing	47,560	11,094	4,218
Receivables	140	4,616	5,593
Due to related parties:			
Due to banks	15,424	15,812	87,542
Depositors' accounts	56,284	62,696	39,497
Transactions with related parties			
Letters of guarantee	15	15	-
Revenues	1,042	1,912	1,185
Expenses	1,176	3,979	959

Compensation of key management personnel

Details of compensations for key management comprise the following:

	Three months ended 31 March	
	2008	2007
	KD'000	KD'000
Short-term benefits	294	183
Post-employment benefits	22	18
	<u>316</u>	<u>201</u>

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

11. 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 2008	31 December 2007	31 March 2007
	KD'000	KD'000	KD'000
Guarantees	29,104	32,052	27,017
Acceptances and letters of credit	7,387	7,376	11,748
Investment commitments	4,507	1,690	9,927
Capital commitments	610	1,075	560
Credit commitments	14,454	14,347	-
	<u>56,062</u>	<u>56,540</u>	<u>49,252</u>

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12. 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 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.

Three months ended 31 March 2008

	Retail banking	Corporate banking	Investment	Treasury	Unallocated items	Total
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
Segment revenues	175	3,745	2,656	6,791	191	13,558
Segment expenses	(1,662)	(469)	(139)	(4,477)	(1,744)	(8,491)
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>

Three months ended 31 March 2007

	Retail banking	Corporate banking	Investment	Treasury	Unallocated items	Total
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
Segment revenues	25	2,451	2,601	5,640	91	10,808
Segment expenses	(978)	(1,578)	(131)	(3,687)	(1,288)	(7,662)
Segment results	<u>(953)</u>	<u>873</u>	<u>2,470</u>	<u>1,953</u>	<u>(1,197)</u>	<u>3,146</u>
Segment assets	<u>104,025</u>	<u>1,421</u>	<u>7,723</u>	<u>396,015</u>	<u>121,537</u>	<u>630,721</u>
Segment liabilities	<u>104,810</u>	<u>556</u>	<u>3,966</u>	<u>394,298</u>	<u>3,351</u>	<u>506,981</u>

13. 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 2007.

14. FIDUCIARY ASSETS

The aggregate value of assets held in a trust or fiduciary capacity by the Group at 31 March 2008 amounted to KD 213,990 thousand (31 December 2007: KD 249,521 thousand and 31 March 2007: KD 144,960 thousand).

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15. COMPARATIVE FIGURES

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

16. SUBSEQUENT EVENT

The Annual General Assembly held on 17 March 2008, approved the 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.