

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



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

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

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



For the period from 1 January 2008 to 30 June 2008

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

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

### *Introduction*

We have reviewed the accompanying condensed consolidated interim balance sheet of Boubyan Bank K.S.C. ("the Bank") and its subsidiaries (together referred to as "the Group") as of 30 June 2008, and the related condensed consolidated interim statements of income, changes in equity and cash flows for the six month period then ended (condensed consolidated interim financial information). Management is responsible for the preparation and presentation of these condensed consolidated interim financial information in accordance with the basis of preparation set out in Note 2. Our responsibility is to express a conclusion on these condensed consolidated interim financial information based on our review.

### *Scope of Review*

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

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at 30 June 2008 are not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2.

Furthermore, based on our review, the condensed consolidated interim financial information are in agreement with the accounting records. We further report that nothing has come to our attention indicating any contravention during the six month period ended 30 June 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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6 July 2008  
Kuwait

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

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



For the period from 1 January 2008 to 30 June 2008

	Notes	Three months ended 30 June		Six months ended 30 June	
		2008	2007	2008	2007
		KD'000	KD'000	KD'000	KD'000
<b>Income</b>					
Murabaha and other Islamic financing income		9,044	9,094	16,870	16,487
Investment income	3	9,169	1,626	12,458	3,120
Fees and commissions income	4	899	5,704	2,701	7,193
Share of results of associates		37	(186)	316	246
Net foreign exchange gain		82	192	444	192
Other income		8	2	8	2
<b>Operating income</b>		<b>19,239</b>	<b>16,432</b>	<b>32,797</b>	<b>27,240</b>
<b>Expenses</b>					
Staff costs		3,512	2,502	5,327	4,032
General and administrative expenses		1,242	1,065	2,450	1,756
Depreciation and amortization		340	176	626	335
<b>Operating expenses</b>		<b>5,094</b>	<b>3,743</b>	<b>8,403</b>	<b>6,123</b>
<b>Operating profit before Murabaha cost, provision for impairment and distribution to depositors</b>		<b>14,145</b>	<b>12,689</b>	<b>24,394</b>	<b>21,117</b>
Murabaha cost		908	1,513	1,878	2,667
Provision for impairment – general		749	574	1,505	1,251
<b>Operating profit before distribution to depositors</b>		<b>12,488</b>	<b>10,602</b>	<b>21,011</b>	<b>17,199</b>
Distribution to depositors		3,487	4,290	6,710	7,631
<b>Operating profit</b>		<b>9,001</b>	<b>6,312</b>	<b>14,301</b>	<b>9,568</b>
Provision for contribution to Kuwait Foundation for the Advancement of Sciences (“KFAS”)		80	57	128	86
Provision for National Labour Support Tax (“NLST”)		224	160	356	241
Provision for Zakat		89	-	142	-
<b>Net profit for the period</b>		<b>8,608</b>	<b>6,095</b>	<b>13,675</b>	<b>9,241</b>
<b>Attributable to:</b>					
Equity holders of the Bank		8,554	6,067	13,600	9,186
Minority interest		54	28	75	55
<b>Net profit for the period</b>		<b>8,608</b>	<b>6,095</b>	<b>13,675</b>	<b>9,241</b>
<b>Earning per share attributable to the equity holders of the Bank (fils)</b>	5	<b>7.35</b>	<b>5.21</b>	<b>11.68</b>	<b>7.88</b>

The notes from 1 to 16 form an integral part of these condensed consolidated interim financial information.

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

**CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (UNAUDITED)**



As at 30 June 2008

		30 June 2008	(Audited) 31 December 2007	30 June 2007
	Notes	KD'000	KD'000	KD'000
<b>Assets</b>				
Cash and cash equivalents		24,996	49,032	18,908
Short term Murabaha and other Islamic financing	6	319,346	307,040	339,806
Receivables	7	279,793	197,703	166,580
Leased assets		72,626	67,389	43,813
Financial assets held at fair value through profit or loss		42,692	9,702	4,825
Available-for-sale investments	8	54,888	56,258	42,104
Investment in associates	9	6,490	25,306	23,249
Trading properties		2,643	2,733	2,875
Investment properties		28,157	18,960	12,510
Other assets		9,145	7,421	6,458
Property and equipment		6,497	4,384	3,006
<b>Total assets</b>		<b>847,273</b>	<b>745,928</b>	<b>664,134</b>
<b>Liabilities and equity</b>				
<b>Liabilities</b>				
Due to banks		145,643	287,508	148,545
Depositors' accounts		534,016	307,459	371,095
Other liabilities		15,493	11,471	14,510
<b>Total liabilities</b>		<b>695,152</b>	<b>606,438</b>	<b>534,150</b>
<b>Equity</b>				
Share capital		116,531	105,937	105,937
Share premium		280	280	280
Statutory reserve		3,709	3,709	1,727
Voluntary reserve		3,406	3,406	1,550
Fair value reserve		1,310	2,201	1,315
Foreign currency translation reserve		(877)	(733)	36
Retained earnings		25,393	22,387	16,849
<b>Equity attributable to equity holders of the Bank</b>		<b>149,752</b>	<b>137,187</b>	<b>127,694</b>
Minority interest		2,369	2,303	2,290
<b>Total equity</b>		<b>152,121</b>	<b>139,490</b>	<b>129,984</b>
<b>Total liabilities and equity</b>		<b>847,273</b>	<b>745,928</b>	<b>664,134</b>

The notes from 1 to 16 form an integral part of these condensed consolidated interim financial information.

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 Mohammed Youssef Al-Rome  
 Chairman



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



**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**

For the period from 1 January 2008 to 30 June 2008

	Share capital	Share premium	Statutory reserve	Voluntary reserve	Fair value reserve	Foreign currency translation reserve	Retained earnings	Attributable to equity holders of the Bank	Minority interest	Total
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
Balance at 31 December 2007	105,937	280	3,709	3,406	2,201	(733)	22,387	137,187	2,303	139,490
Unrealized loss on available-for-sale investments	-	-	-	-	(891)	-	-	(891)	-	(891)
Foreign currency translation adjustments	-	-	-	-	-	(144)	-	(144)	-	(144)
Net loss recognized directly in equity	-	-	-	-	(891)	(144)	-	(1,035)	-	(1,035)
Net profit for the period	-	-	-	-	-	-	13,600	13,600	75	13,675
Total recognized income and expense for the period	-	-	-	-	(891)	(144)	13,600	12,565	75	12,640
Net movement in minority interest	-	-	-	-	-	-	-	-	(9)	(9)
Issue of bonus shares	10,594	-	-	-	-	-	(10,594)	-	-	-
Balance at 30 June 2008	116,531	280	3,709	3,406	1,310	(877)	25,393	149,752	2,369	152,121
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	-	-	-	-	406	-	-	406	-	406
Foreign currency translation adjustments	-	-	-	-	-	(73)	-	(73)	-	(73)
Net gain/(loss) recognized directly in equity	-	-	-	-	406	(73)	-	333	-	333
Net profit for the period	-	-	-	-	-	-	9,186	9,186	55	9,241
Total recognized income and expense for the period	-	-	-	-	406	(73)	9,186	9,519	55	9,574
Issue of bonus shares	5,996	-	-	-	-	-	(5,996)	-	-	-
Balance at 30 June 2007	105,937	280	1,727	1,550	1,315	36	16,849	127,694	2,290	129,984

The notes from 1 to 16 form an integral part of these condensed consolidated interim financial information.

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

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS**  
**(UNAUDITED)**



For the period from 1 January 2008 to 30 June 2008

	Six months ended 30 June	
	2008	2007
	KD'000	KD'000
<b>OPERATING ACTIVITIES</b>		
Profit for the period	13,600	9,568
Adjustments for:		
Provision for impairment – general	1,505	1,251
Depreciation and amortization	625	335
Foreign currency translation	(444)	-
Gain from sale of available for sale investments	-	(2)
Gain from sale of associate	-	(453)
Unrealized gain from financial assets held at fair value through profit or loss	(8,882)	-
Share of results of associates	(316)	(246)
Dividend income	(985)	(1,063)
Unrealized loss / (gain) from changes in fair value of investment properties	783	(206)
	<u>5,886</u>	<u>9,184</u>
<b>Changes in operating assets and liabilities:</b>		
Increase in short term Murabaha and other Islamic Financing	(13,098)	(62,555)
Increase in receivables	(82,721)	(51,418)
Increase in leased assets	(5,302)	(36,696)
(Increase) / decrease in other assets	(1,724)	12,434
Decrease in due to banks	(139,588)	(58,620)
Increase in depositors' accounts	226,557	202,120
Increase in other liabilities	4,005	5,998
Dividend income received	680	1,063
<b>Net cash (used in) / from operating activities</b>	<u>(5,305)</u>	<u>21,510</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of financial assets held at fair value through profit or loss	(9,009)	-
Purchase of available-for-sale investments	(2,765)	(18,500)
Proceeds from sale of available-for-sale investments	5,352	7,495
Purchase of investment in associates	-	(16,120)
Dividend from associate	-	317
Dividend from available-for-sale investments	305	-
Purchase of investment properties	(10,024)	-
Proceeds from sale of investment properties	82	1,204
Purchase of property and equipment	(2,738)	-
<b>Net cash used in investing activities</b>	<u>(18,797)</u>	<u>(25,604)</u>
<b>Net change in minority interest</b>	<u>66</u>	<u>55</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(24,036)</u>	<u>(4,039)</u>
Cash and cash equivalents at the beginning of the period	<u>49,032</u>	<u>22,947</u>
<b>Cash and cash equivalents at the end of the period</b>	<u><u>24,996</u></u>	<u><u>18,908</u></u>

The notes from 1 to 16 form an integral part of these condensed consolidated interim financial information.

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

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

For the period from 1 January 2008 to 30 June 2008



**1. INCORPORATION AND ACTIVITIES**

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

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

The condensed consolidated interim financial information as at and for the six months ended 30 June 2008 incorporate the financial information 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 information was authorised for issue by the Board of Directors on 6 July 2008.

**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. 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 six-months period ended 30 June 2008 are not necessarily indicative of the results that may be expected for the year ending 31 December 2008.

Except as described in note 9, the condensed consolidated interim financial information 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.



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

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL**  
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For the period from 1 January 2008 to 30 June 2008



**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of consolidation**

The condensed consolidated interim financial information for the six-months period ended 30 June 2008 include the Bank and its subsidiaries referred to in note 1 above.

The financial information 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 information.

The subsidiaries accounts were based on their management accounts for the six-months period ended 30 June 2008.

**Estimates**

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

In preparing 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 2007.

**3. INVESTMENT INCOME**

	Three months ended 30 June		Six months ended 30 June	
	2008	2007	2008	2007
	KD'000	KD'000	KD'000	KD'000
Realized gain on money market funds	268	-	728	21
Unrealized gain on money market funds	777	230	1,084	476
Unrealized gain from change in fair value of assets held at fair value through profit or loss (see note 9)	6,590	-	8,882	-
Sukuk coupon income	480	242	1,051	460
Net rental income from investment properties	313	194	511	439
Unrealized (loss) / gain from changes in fair value of investment properties	-	26	(783)	206
Gain on sale of available for sale investments	-	-	-	2
Dividend income	741	481	985	1,063
Gain from sale of associate	-	453	-	453
	<u>9,169</u>	<u>1,626</u>	<u>12,458</u>	<u>3,120</u>

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

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

For the period from 1 January 2008 to 30 June 2008



**3. INVESTMENT INCOME (CONTINUED)**

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

	Three months ended 30 June		Six months ended 30 June	
	2008	2007	2008	2007
	KD'000	KD'000	KD'000	KD'000
Income from available-for-sale-investments	1,141	723	1,956	1,525
Income from financial assets held at fair value through profit or loss	7,715	230	10,774	497
Gain from sale of associate	-	453	-	453
Investment income earned on financial assets	8,856	1,406	12,730	2,475
Investment (loss) / income earned on non-financial assets	313	220	(272)	645
	<u>9,169</u>	<u>1,626</u>	<u>12,458</u>	<u>3,120</u>

**4. FEES AND COMMISSIONS INCOME**

	Three months ended 30 June		Six months ended 30 June	
	2008	2007	2008	2007
	KD'000	KD'000	KD'000	KD'000
Retail banking fees	82	131	149	235
Investment banking fees	-	4,802	738	5,649
Asset management fees	460	328	996	789
Trade service fees	182	88	339	136
Other	175	355	479	384
	<u>899</u>	<u>5,704</u>	<u>2,701</u>	<u>7,193</u>

**5. EARNINGS PER SHARE**

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

	Three months ended 30 June		Six months ended 30 June	
	2008	2007	2008	2007
	KD'000	KD'000	KD'000	KD'000
Profit for the period attributable to equity holders of the Bank	8,554	6,067	13,600	9,186
Weighted average number of shares outstanding (thousands of shares)	1,165,313	1,165,313	1,165,313	1,165,313
Earnings per share (fils)	<u>7.35</u>	<u>5.21</u>	<u>11.68</u>	<u>7.88</u>

The weighted average number of shares outstanding for the six months ended 30 June 2007 has been adjusted to reflect the bonus shares issued during 2008 (note 15).

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



**6. SHORT TERM MURABAHA AND OTHER ISLAMIC FINANCING**

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

	30 June 2008 KD'000	(Audited) 31 December 2007 KD'000	30 June 2007 KD'000
<b>Industry sector</b>			
Banks	217,315	275,830	257,310
Financial institutions	103,499	31,969	83,952
Less: deferred profit	(178)	(262)	(441)
	<u>320,636</u>	<u>307,537</u>	<u>340,821</u>
Less: general provision for impairment	(1,290)	(497)	(1,015)
	<u>319,346</u>	<u>307,040</u>	<u>339,806</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.

	30 June 2008 KD'000	(Audited) 31 December 2007 KD'000	30 June 2007 KD'000
<b>Geographic region</b>			
Kuwait and The Middle East	276,954	306,017	340,821
Western Europe	43,682	1,520	-
	<u>320,636</u>	<u>307,537</u>	<u>340,821</u>
Less: general provision for impairment	(1,290)	(497)	(1,015)
	<u>319,346</u>	<u>307,040</u>	<u>339,806</u>

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

	30 June 2008 KD'000	(Audited) 31 December 2007 KD'000	30 June 2007 KD'000
Balance at beginning of the period	497	922	922
Provided / (released) during the period	793	(425)	93
Balance at the end of the period	<u>1,290</u>	<u>497</u>	<u>1,015</u>

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

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



**7. RECEIVABLES**

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

	30 June 2008 KD'000	(Audited) 31 December 2007 KD'000	30 June 2007 KD'000
<b>Industry sector</b>			
Banks	33,145	14,613	15,420
Financial institutions	79,992	51,243	52,120
Construction and real estate	47,920	53,266	45,585
Trading and manufacturing	38,100	35,749	23,147
Other	91,224	50,796	38,184
Less: deferred profit	<u>(7,304)</u>	<u>(5,311)</u>	<u>(5,412)</u>
	283,077	200,356	169,044
Less: general provision for impairment	<u>(3,284)</u>	<u>(2,653)</u>	<u>(2,464)</u>
	<u>279,793</u>	<u>197,703</u>	<u>166,580</u>

	30 June 2008 KD'000	(Audited) 31 December 2007 KD'000	30 June 2007 KD'000
<b>Geographic region</b>			
Kuwait and The Middle East	250,873	183,314	155,338
Western Europe	25,608	10,766	7,478
Other	<u>6,596</u>	<u>6,276</u>	<u>6,228</u>
	283,077	200,356	169,044
Less: general provision for impairment	<u>(3,284)</u>	<u>(2,653)</u>	<u>(2,464)</u>
	<u>279,793</u>	<u>197,703</u>	<u>166,580</u>

General 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 June 2008 KD'000	(Audited) 31 December 2007 KD'000	30 June 2007 KD'000
Balance at beginning of the period	2,653	1,929	1,929
Provided during the period	<u>631</u>	<u>724</u>	<u>535</u>
Balance at the end of the period	<u>3,284</u>	<u>2,653</u>	<u>2,464</u>
Financial institutions	724	670	542
Other	<u>2,560</u>	<u>1,983</u>	<u>1,922</u>
	<u>3,284</u>	<u>2,653</u>	<u>2,464</u>

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

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**8. AVAILABLE-FOR-SALE INVESTMENTS**

	30 June 2008	(Audited) 31 December 2007	30 June 2007
	KD'000	KD'000	KD'000
Investment in Sukuk	36,965	36,118	19,694
Investment in unquoted securities	8,444	10,882	13,100
Investment in unquoted funds	9,479	9,258	9,310
	<u>54,888</u>	<u>56,258</u>	<u>42,104</u>
Investments carried at fair value	48,009	53,115	35,079
Investments carried at cost less impairment	6,879	3,143	7,025
	<u>54,888</u>	<u>56,258</u>	<u>42,104</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 %	30 June 2008	(Audited) 31 December 2007	30 June 2007
			KD'000	KD'000	KD'000
Bank Syariah Muamalat Indonesia TBK	Indonesia	21.28	5,462	5,181	5,665
Bank of London & the Middle East ("BLME") PLC	United Kingdom	14.97	-	19,110	16,474
Ijarah Indonesia Finance Co.	Indonesia	33.30	1,028	1,015	1,110
			<u>6,490</u>	<u>25,306</u>	<u>23,249</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 thousands was recognized in equity under premium from share dilution in associate. As at 30 June 2008, the Group does not maintain significant influence over BLME; therefore, the investment has been accounted for as a financial asset held at Fair Value Through Profit or Loss. This has resulted in the recognition of KD 6,590 thousand unrealized gain from change in fair value of assets held at fair value through profit or loss for the current period (see note 3).

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, 30 June 2007: KD 1,110 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 was recognised based on management accounts as at 29 February 2008.



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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 information captions:

	30 June 2008	31 December 2007	30 June 2007
	KD'000	KD'000	KD'000
<b>Due from related parties:</b>			
Short term Murabaha and other Islamic financing	11,794	11,094	7,775
Receivables	143	4,616	-
<b>Due to related parties:</b>			
Due to banks	-	15,812	12,237
Depositors' accounts	50,122	62,696	38,010
<b>Transactions with related parties:</b>			
Letters of guarantee & letters of credit	165	15	-
Revenues	1,034	1,912	1,601
Expenses	1,798	3,979	2,313

**Compensation of key management personnel**

Details of compensations for key management comprise the following:

	Three months ended 30 June		Six months ended 30 June	
	2008	2007	2008	2007
	KD'000	KD'000	KD'000	KD'000
Short-term benefits	259	124	553	191
Post-employment benefits	62	55	84	29
	321	179	637	220

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:

	30 June 2008	31 December 2007	30 June 2007
	KD'000	KD'000	KD'000
Guarantees	31,760	32,052	21,928
Acceptances and letters of credit	5,592	7,376	8,824
Investment commitments	1,689	1,690	4,607
Capital commitments	445	1,075	836
Credit commitments	14,354	14,347	7,601
	53,840	56,540	43,796

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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 investments.

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

**Three months ended 30 June 2008**

	<b>Retail banking</b>	<b>Corporate banking</b>	<b>Investment</b>	<b>Treasury</b>	<b>Unallocated items</b>	<b>Total</b>
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
Segment revenues	236	4,194	7,839	6,768	202	19,239
Segment expenses	(2,051)	(206)	(170)	(4,665)	(3,539)	(10,631)
Segment results	<u>(1,815)</u>	<u>3,988</u>	<u>7,669</u>	<u>2,103</u>	<u>(3,337)</u>	<u>8,608</u>

**Three months ended 30 June 2007**

	<b>Retail banking</b>	<b>Corporate banking</b>	<b>Investment</b>	<b>Treasury</b>	<b>Unallocated items</b>	<b>Total</b>
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
Segment revenues	135	2,167	5,337	8,689	104	16,432
Segment expenses	(1,560)	(402)	(186)	(5,719)	(2,470)	(10,337)
Segment results	<u>(1,425)</u>	<u>1,765</u>	<u>5,151</u>	<u>2,970</u>	<u>(2,366)</u>	<u>6,095</u>

**Six months ended 30 June 2008**

	<b>Retail banking</b>	<b>Corporate banking</b>	<b>Investment</b>	<b>Treasury</b>	<b>Unallocated items</b>	<b>Total</b>
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
Segment revenues	411	7,939	10,495	13,560	392	32,797
Segment expenses	(3,713)	(673)	(309)	(9,143)	(5,284)	(19,122)
Segment results	<u>(3,302)</u>	<u>7,266</u>	<u>10,186</u>	<u>4,417</u>	<u>(4,892)</u>	<u>13,675</u>
Segment assets	<u>195,440</u>	<u>93,125</u>	<u>12,499</u>	<u>538,604</u>	<u>7,605</u>	<u>847,273</u>
Segment liabilities	<u>3,193</u>	<u>50</u>	<u>265,609</u>	<u>414,514</u>	<u>11,786</u>	<u>695,152</u>

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**Six months ended 30 June 2007**

	<u>Retail banking</u>	<u>Corporate banking</u>	<u>Investment</u>	<u>Treasury</u>	<u>Unallocated items</u>	<u>Total</u>
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
Segment revenues	234	3,464	7,938	15,440	164	27,240
Segment expenses	(2,612)	(826)	(317)	(10,517)	(3,727)	(17,999)
Segment results	<u>(2,378)</u>	<u>2,638</u>	<u>7,621</u>	<u>4,923</u>	<u>(3,563)</u>	<u>9,241</u>
Segment assets	<u>4,268</u>	<u>114,740</u>	<u>72,757</u>	<u>467,390</u>	<u>4,979</u>	<u>664,134</u>
Segment liabilities	<u>168,195</u>	<u>537</u>	<u>29</u>	<u>351,420</u>	<u>13,969</u>	<u>534,150</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 30 June 2008 amounted to KD 220,188 thousand (31 December 2007: KD 249,521 thousand, 30 June 2007: KD 182,617 thousand).

**15. BONUS SHARES**

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.

**16. COMPARATIVE FIGURES**

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