

**KUWAIT FINANCE HOUSE K.S.C. AND  
SUBSIDIARIES**

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

**30 SEPTEMBER 2009**



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## REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF KUWAIT FINANCE HOUSE K.S.C.

### *Introduction*

We have reviewed the accompanying interim condensed consolidated statement of financial position of Kuwait Finance House K.S.C. ("the Bank") and Subsidiaries (collectively "the Group") as at 30 September 2009 and the related interim condensed consolidated income statement and interim condensed consolidated comprehensive income statement for the three month and nine month periods then ended and the related interim condensed consolidated statements of changes in equity and cash flows for the nine month period then ended. The management of the Bank is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the basis of presentation set out in Note 2. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

### *Scope of Review*

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


### *Conclusion*


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

### *Report on Other Legal and Regulatory Requirements*

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Bank. We further report that, to the best of our knowledge and belief, no violations of the Commercial Companies Law of 1960, as amended, or of the articles of association of the bank have occurred during the period ended 30 September 2009 that might have had a material effect on the business of the Bank or on its financial position.

We further report that, during the course of our review, we have not become aware of any material violations 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, during the nine month period ended 30 September 2009.

  
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11 October 2009  
Kuwait

Kuwait Finance House K.S.C. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

Period ended 30 September 2009

	Note	3 months ended 30 September 2009 KD 000's	3 months ended 30 September 2008 KD 000's	9 months ended 30 September 2009 KD 000's	9 months ended 30 September 2008 KD 000's
<b>INCOME</b>					
Murabaha, wakala, istisna'a and leasing income		131,283	142,796	401,975	416,776
Investment income		32,529	47,893	138,982	191,709
Fee and commission income		15,987	18,684	47,026	53,753
Net gain (loss) from dealing in foreign currencies		2,882	1,343	(3,837)	11,138
Other income		10,094	10,307	36,321	22,432
		<u>192,775</u>	<u>221,023</u>	<u>620,467</u>	<u>695,808</u>
<b>EXPENSES</b>					
Staff costs		28,965	22,743	84,450	66,721
General and administrative expenses		20,477	19,616	62,264	51,575
Murabaha and ijara costs		11,156	21,135	44,780	56,530
Depreciation		9,459	7,413	27,917	21,772
Provision for impairment		35,046	6,912	137,250	17,287
		<u>105,103</u>	<u>77,819</u>	<u>356,661</u>	<u>213,885</u>
<b>PROFIT BEFORE ESTIMATED DISTRIBUTION TO DEPOSITORS</b>					
Estimated distribution to depositors	3	87,672 (57,459)	143,204 (72,256)	263,806 (170,286)	481,923 (233,970)
<b>PROFIT AFTER ESTIMATED DISTRIBUTION TO DEPOSITORS</b>					
Provision for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(356)	(658)	(1,112)	(2,294)
Provision for National Labour Support tax (NLST)		(796)	(1,321)	(2,977)	(4,272)
Provision for Zakat (based on Zakat Law No. 46/2006)		(36)	(658)	(657)	(2,294)
		<u>29,025</u>	<u>68,311</u>	<u>88,774</u>	<u>239,093</u>
<b>PROFIT FOR THE PERIOD</b>					
<b>Attributable to:</b>					
Equity holders of the Bank		34,297	63,232	106,384	220,586
Minority interest		(5,272)	5,079	(17,610)	18,507
		<u>29,025</u>	<u>68,311</u>	<u>88,774</u>	<u>239,093</u>
<b>BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE BANK</b>					
	4	<u>15.1 fils</u>	<u>27.4 fils</u>	<u>46.6 fils</u>	<u>95.7 fils</u>

The attached notes 1 to 12 form part of the interim condensed consolidated financial information.

Kuwait Finance House K.S.C and Subsidiaries

INTERIM CONDENSED CONSOLIDATED COMPREHENSIVE INCOME  
STATEMENT (UNAUDITED)

Period ended 30 September 2009

		<i>3 months ended 30 September 2009</i>	<i>3 months ended 30 September 2008</i>	<i>9 months ended 30 September 2009</i>	<i>9 months ended 30 September 2008</i>
	<i>Note</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
<b>Profit before estimated distribution to depositors</b>		<u>87,672</u>	<u>143,204</u>	<u>263,806</u>	<u>481,923</u>
<b>Other comprehensive income (loss)</b>					
Change in fair value of available for sale investments during the period	5	(20,051)	(18,293)	(77,625)	14,897
Loss (gain) realised during the period	5	3,924	(23,628)	1,698	(51,335)
Impairment losses transferred to the consolidated income statement	5	7,110	-	47,089	-
Share of other comprehensive income (loss) of associates	5	1,262	(285)	(3,737)	(268)
Exchange differences on translation of foreign operations	6	(4,308)	(3,974)	6,475	(24,551)
<b>Other comprehensive loss for the period included directly in fair value reserve and foreign exchange translation reserve</b>		<u>(12,063)</u>	<u>(46,180)</u>	<u>(26,100)</u>	<u>(61,257)</u>
<b>Total comprehensive income before estimated distribution to depositors</b>		<u><u>75,609</u></u>	<u><u>97,024</u></u>	<u><u>237,706</u></u>	<u><u>420,666</u></u>

The attached notes 1 to 12 form part of the interim condensed consolidated financial information.

Kuwait Finance House K.S.C. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

At 30 September 2009

		<i>(Unaudited)</i> 30 September 2009 KD 000's	<i>(Audited)</i> 31 December 2008 KD 000's	<i>(Unaudited)</i> 30 September 2008 KD 000's
<b>ASSETS</b>				
Cash and balances with banks and financial institutions	8	548,960	368,062	608,946
Short-term international murabaha		1,094,667	1,312,153	1,202,719
Receivables		5,035,208	4,779,788	4,749,557
Trading properties		51,461	57,590	59,239
Leased assets		1,264,597	1,181,825	1,176,252
Available for sale investments		1,076,259	1,038,602	1,236,448
Investment in associates		410,748	449,496	412,768
Investment properties		290,282	279,574	309,795
Other assets		509,110	485,713	331,349
Property and equipment		809,997	591,339	455,774
<b>TOTAL ASSETS</b>		<u>11,091,289</u>	<u>10,544,142</u>	<u>10,542,847</u>
<b>LIABILITIES, DEFERRED REVENUE, FAIR VALUE RESERVE, FOREIGN EXCHANGE TRANSLATION RESERVE AND TOTAL EQUITY LIABILITIES</b>				
Due to banks and financial institutions		1,517,277	1,595,452	1,777,030
Depositors' accounts		7,015,196	6,611,556	6,333,064
Other liabilities		529,595	394,033	402,324
<b>TOTAL LIABILITIES</b>		<u>9,062,068</u>	<u>8,601,041</u>	<u>8,512,418</u>
<b>DEFERRED REVENUE</b>		463,835	344,426	343,298
<b>FAIR VALUE RESERVE</b>	5	(21,181)	11,394	50,137
<b>FOREIGN EXCHANGE TRANSLATION RESERVE</b>	6	(1,073)	(7,548)	(22,579)
<b>EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE BANK</b>				
Share capital	7	230,543	205,842	205,842
Share premium		464,766	464,766	464,766
Proposed issue of bonus shares		-	24,701	-
Treasury shares		(28,832)	(7,651)	-
Reserves		463,049	470,502	420,367
Profit for the period attributable to equity holders of the Bank		106,384	-	220,586
		<u>1,235,910</u>	<u>1,158,160</u>	<u>1,311,561</u>
Proposed cash dividend		-	82,124	-
<b>TOTAL EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE BANK</b>		<u>1,235,910</u>	<u>1,240,284</u>	<u>1,311,561</u>
Minority interest		351,730	354,545	348,012
<b>TOTAL EQUITY</b>		<u>1,587,640</u>	<u>1,594,829</u>	<u>1,659,573</u>
<b>TOTAL LIABILITIES, DEFERRED REVENUE, FAIR VALUE RESERVE, FOREIGN EXCHANGE TRANSLATION RESERVE AND TOTAL EQUITY</b>		<u>11,091,289</u>	<u>10,544,142</u>	<u>10,542,847</u>

BADER ABDULMOHSEN AL-MUKHAIZEEM  
(CHAIRMAN AND MANAGING DIRECTOR)

MOHAMMAD AL-OMAR  
(CHIEF EXECUTIVE OFFICER)

The attached notes 1 to 12 form part of the interim condensed consolidated financial information.

Kuwait Finance House K.S.C. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Period ended 30 September 2009

	Attributable to equity holders of the Bank										Minority interest KD 000's	Total equity KD 000's			
	Reserves														
	Share capital KD 000's	Share premium KD 000's	Proposed issue of bonus shares KD 000's	Treasury shares KD 000's	Statutory reserve KD 000's	Voluntary reserve KD 000's	Employee share options reserve KD 000's	Treasury shares reserve KD 000's	Sub total KD 000's	Profit for the period KD 000's			Sub total KD 000's	Proposed cash dividend KD 000's	Sub total KD 000's
At 31 December 2007	171,535	464,735	34,307	-	214,589	208,093	4,237	1,006	427,925	-	1,098,502	111,498	1,210,000	196,094	1,406,094
Movements during the period:															
Issue of bonus shares (Note 7)	34,307	-	(34,307)	-	-	-	-	-	-	-	-	-	-	-	-
Cash received on cancellation of share options	-	31	-	-	-	(7,558)	-	-	(7,558)	-	31	-	(7,558)	-	(7,558)
Zakat	-	-	-	-	-	-	-	-	-	-	-	(111,498)	(111,498)	-	(111,498)
Cash dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net change in minority interest	-	-	-	-	-	-	-	-	-	220,586	-	-	220,586	133,411	133,411
Profit for the period	-	-	-	-	-	-	-	-	-	220,586	-	-	220,586	18,507	239,093
At 30 September 2008	205,842	464,766	-	-	214,589	200,535	4,237	1,006	420,367	220,586	1,311,561	-	1,311,561	348,012	1,659,573
At 31 December 2008	205,842	464,766	24,701	(7,651)	230,844	234,415	4,237	1,006	470,502	-	1,158,160	82,124	1,240,284	354,545	1,594,829
Movements during the period:															
Issue of bonus shares (Note 7)	24,701	-	(24,701)	-	-	(9,464)	-	-	(9,464)	-	(9,464)	-	(9,464)	-	(9,464)
Zakat	-	-	-	-	-	-	-	-	-	-	-	(82,124)	(82,124)	-	(82,124)
Cash dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net movement in treasury shares	-	-	-	(21,181)	-	-	-	2,011	2,011	(21,181)	(21,181)	-	(21,181)	-	(21,181)
Profit on sale of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net change in minority interest	-	-	-	-	-	-	-	-	-	-	106,384	-	106,384	14,795	14,795
Profit (loss) for the period	-	-	-	-	-	-	-	-	-	106,384	-	-	106,384	(17,610)	88,774
At 30 September 2009	230,543	464,766	-	(28,832)	230,844	224,951	4,237	3,017	463,049	106,384	1,235,910	-	1,235,910	351,730	1,587,640

The attached notes 1 to 12 form part of the interim condensed consolidated financial information.

Kuwait Finance House K.S.C. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED CASH FLOWS STATEMENT

(UNAUDITED)

Period ended 30 September 2009

	Note	9 months ended 30 September 2009 KD 000's	9 months ended 30 September 2008 KD 000's
<b>OPERATING ACTIVITIES</b>			
Profit for the period		88,774	239,093
Adjustment for:			
Depreciation		27,917	21,772
Provision for impairment		137,250	17,287
Dividend income		(16,593)	(13,911)
Gain on part sale of associates and subsidiaries		(33,372)	-
Gain on sale of investments		(14,037)	(120,297)
Share of results of associates		9,567	(26,033)
Other investment income		(26,494)	-
		<u>173,012</u>	<u>117,911</u>
Changes in operating assets and liabilities			
<i>(Increase) decrease in operating assets:</i>			
Exchange of deposits		12,857	(81,042)
Receivables		(341,925)	(559,710)
Leased assets		(85,385)	(246,373)
Trading properties		6,129	67,173
Other assets		(35,827)	(90,444)
<i>Increase (decrease) in operating liabilities:</i>			
Due to banks and financial institutions		(78,176)	590,639
Depositors' accounts		403,640	971,909
Other liabilities		149,607	154,983
Deferred revenue		119,409	(31,313)
Net cash from operating activities		<u>323,341</u>	<u>893,733</u>
<b>INVESTING ACTIVITIES</b>			
Net purchase of available for sale investments		(12,130)	(282,324)
Net purchase of investment properties		(12,642)	(60,740)
Purchase of property and equipment		(244,943)	(69,098)
Net purchase of investment in associates		1,051	(44,442)
Dividend income received		19,301	13,911
Net cash used in investing activities		<u>(249,363)</u>	<u>(442,693)</u>
<b>FINANCING ACTIVITIES</b>			
Cash dividends paid		(82,124)	(111,498)
Cash received on cancellation of share options		-	31
Payment of zakat		(9,464)	(7,558)
Net purchase of treasury shares		(19,170)	-
Net cash used in financing activities		<u>(110,758)</u>	<u>(119,025)</u>
<b>(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>		<u>(36,780)</u>	<u>332,015</u>
Cash and cash equivalents at 1 January		<u>1,368,185</u>	<u>854,805</u>
<b>CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER</b>	8	<u><u>1,331,405</u></u>	<u><u>1,186,820</u></u>

The attached notes 1 to 12 form part of the interim condensed consolidated financial information.

# Kuwait Finance House K.S.C. and Subsidiaries

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

At 30 September 2009

### 1 ACTIVITIES

The interim condensed consolidated financial information of the Group for the period ended 30 September 2009 were authorised for issue in accordance with a resolution of the Bank's Board of Directors on 11 October 2009.

The Group comprises Kuwait Finance House K.S.C. ("the Bank") and its consolidated subsidiaries. The Bank is a public shareholding company incorporated in Kuwait on 23 March 1977 and was registered as an Islamic bank with the Central Bank of Kuwait on 24 May 2004. It is engaged principally in providing banking services, the purchase and sale of properties, leasing, project construction for its own account as well as for third parties and other trading activities without practising usury. Trading activities are conducted on the basis of purchasing various goods and selling them on Murabaha at negotiated profit margins which can be settled in cash or on instalment credit basis. The Bank's registered head office is at Abdulla Al-Mubarak Street, Murqab, Kuwait.

All activities are conducted in accordance with Islamic Shareea'a, as approved by the Bank's Fatwa and Shareea'a Supervisory Board.

### 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

#### Basis of preparation

The interim condensed consolidated financial information of the Group have been prepared in accordance with IAS 34, Interim Financial Reporting except as noted below.

The annual consolidated financial statements for the year ended 31 December 2008 were prepared in accordance with the regulations of the State of Kuwait for financial services institutions regulated by the Central Bank of Kuwait. These regulations require adoption of all International Financial Reporting Standards (IFRS) except for the IAS 39 requirement for collective impairment provision, which has been replaced by the Central Bank of Kuwait's 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 Central Bank of Kuwait and IFRS. In March 2007, the Central Bank of Kuwait issued a circular amending the basis of making general provisions on facilities changing the rate from 2% to 1% for cash facilities and 2% to 0.5% for non-cash facilities. The required rates were applied effective from 1 January 2007 on the net increase in facilities, net of certain restricted categories of collateral, during the reporting period. The general provision in excess of the present 1% for cash facilities and 0.5% for non-cash facilities amounting to KD 32 million (31 December 2008: KD 32 million) has been retained as a general provision until a further directive from the Central Bank of Kuwait is issued.

#### Significant accounting policies

The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2008, except as discussed below.

During the period, the Group adopted the following standards which are effective for annual periods beginning on or after 1 January 2009:

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

The revised standard requires all non-owner changes in fair value reserve and foreign exchange translation reserve (i.e. comprehensive income) to be presented separately in a consolidated comprehensive income statement.

#### *IFRS 8 'Operating segments':*

The new standard which replaced IAS 14 'Segment reporting' requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the Chief Executive Officer. This has resulted in no major changes.

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



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

At 30 September 2009

**3 ESTIMATED DISTRIBUTION TO DEPOSITORS AND PROFIT FOR THE PERIOD  
ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK**

Management of the Bank is of the opinion that the estimated distribution to depositors is presented for information purposes only, and accordingly the estimated distribution to depositors and the profit for the period attributable to Bank's equity holders should not be relied upon to indicate distribution of profit to all parties concerned for the period ended 30 September 2009 or for the year ending 31 December 2009.

The actual profit to be distributed to all parties concerned will be determined by the Board of Directors of the Bank in accordance with the Bank's articles of association, based on the annual audited results for the year ending 31 December 2009.

In addition to the above, the total comprehensive income before estimated distribution to depositors (as per the consolidated total comprehensive income statement) is presented for compliance with the requirements of the revised IAS 1 and is not appropriate for the purpose of determining the estimated distribution to depositors or the profit for the period attributable to the Bank's equity holders.

**4 BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS  
OF THE BANK**

Basic earnings per share is calculated by dividing the profit for the period attributable to equity holders of the Bank by the weighted average number of ordinary shares outstanding during the period after adjusting for treasury shares held by the Group.

Diluted earnings per share is calculated by dividing the profit for the period by the weighted average number of ordinary shares outstanding during the period after adjusting for treasury shares held by the Group plus the weighted average number of shares that would be issued on the conversion of all the dilutive potential shares into shares.

	<i>3 months ended 30 September</i>		<i>9 months ended 30 September</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
Profit for the period attributable to equity holders of the Bank	<u>34,297</u>	<u>63,232</u>	<u>106,384</u>	<u>220,586</u>
Weighted average number of shares outstanding during the period (thousands)	<u>2,277,704</u>	<u>2,305,419</u>	<u>2,282,940</u>	<u>2,305,419</u>
Basic and diluted earnings per share	<u>15.1 fils</u>	<u>27.4 fils</u>	<u>46.6 fils</u>	<u>95.7 fils</u>

The comparative basic and diluted earnings per share have been restated for bonus shares issued on 10 March 2009 (See Note 7).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

At 30 September 2009

**5 FAIR VALUE RESERVE**

Changes in fair value of available for sale investments are reported in the fair value reserve. Management of the Bank is of the opinion that this reserve is attributable to both the depositors and equity holders. As a result, the reporting of this reserve as a separate item on the interim condensed consolidated statement of financial position enables a fairer presentation than its inclusion under equity.

The movement in the fair value reserve is analysed as follows:

	<i>(Unaudited)</i> <i>30 September</i> <i>2009</i> <i>KD 000's</i>	<i>(Audited)</i> <i>31 December</i> <i>2008</i> <i>KD 000's</i>	<i>(Unaudited)</i> <i>30 September</i> <i>2008</i> <i>KD 000's</i>
Balance at the beginning of the period/year	11,394	86,843	86,843
Change in fair values during the period/year	(77,625)	(48,318)	14,897
Loss (gain) realised during the period/year	1,698	(59,253)	(51,335)
Impairment losses transferred to the consolidated income statement	47,089	33,000	-
Share of changes in associates' fair value reserve	(3,737)	(878)	(268)
Balance at the end of the period/year	<u>(21,181)</u>	<u>11,394</u>	<u>50,137</u>

**6 FOREIGN EXCHANGE TRANSLATION RESERVE**

The foreign exchange translation reserve arises on the consolidation of foreign subsidiaries and equity accounting of foreign associates.

Management of the Bank is of the opinion that this reserve is attributable to both the depositors and equity holders. As a result, the reporting of this reserve as a separate item on the interim condensed consolidated statement of financial position enables a fairer presentation than its inclusion under equity.

**7 SHARE CAPITAL**

Following approval of the ordinary and extraordinary general assembly meeting of the equityholders' of the Bank held on 10 March 2009, the authorised share capital of the Bank was increased from KD 205,842 thousand to KD 230,543 thousand by way of issuance of 12% bonus shares amounting to KD 24,701 thousand. Accordingly, the authorised, issued and fully paid-up share capital at 30 September 2009, comprises 2,305,419 thousand shares (31 December 2008: 2,058,410 thousand shares and 30 September 2008: 2,058,410 thousand shares) of 100 fils each.

Kuwait Finance House K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

At 30 September 2009

**8 CASH AND CASH EQUIVALENTS**

	<i>(Unaudited)</i> <b>30 September</b> <b>2009</b> <b>KD 000's</b>	<i>(Audited)</i> <b>31 December</b> <b>2008</b> <b>KD 000's</b>	<i>(Unaudited)</i> <b>30 September</b> <b>2008</b> <b>KD 000's</b>
Cash	63,029	47,836	50,066
Balances with Central Banks	329,328	146,289	252,506
Balances with banks and financial institutions – current accounts	145,553	162,190	166,004
Balances with banks and financial institutions - exchange of deposits	11,050	11,747	140,370
Cash and balances with banks and financial institutions	<u>548,960</u>	<u>368,062</u>	<u>608,946</u>
Short-term international murabaha - maturing within 3 months of contract date	371,669	932,731	645,124
Tawarruq balances with Central Bank of Kuwait (included within short-term international murabaha)	410,776	80,249	20,016
Exchange of deposits - maturing after 3 months of contract date	-	(12,857)	(87,266)
Cash and cash equivalents	<u><u>1,331,405</u></u>	<u><u>1,368,185</u></u>	<u><u>1,186,820</u></u>

**9 CONTINGENCIES AND COMMITMENTS**

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

	<i>(Unaudited)</i> <b>30 September</b> <b>2009</b> <b>KD 000's</b>	<i>(Audited)</i> <b>31 December</b> <b>2008</b> <b>KD 000's</b>	<i>(Unaudited)</i> <b>30 September</b> <b>2008</b> <b>KD 000's</b>
Acceptances and letters of credit	157,196	192,152	510,278
Letters of guarantee	835,025	1,036,772	743,813
	<u>992,221</u>	<u>1,228,924</u>	<u>1,254,091</u>
Capital commitments	<u><u>1,433,938</u></u>	<u><u>1,463,323</u></u>	<u><u>1,621,497</u></u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

At 30 September 2009

**10 RELATED PARTY TRANSACTIONS**

Certain related parties (directors and executive employees, officers of the Group, their families, associated companies and companies of which they are the principal owners) were depositors and finance facilities customers of the Bank, in the ordinary course of business. Such transactions were made on substantially the same terms, including profit rates and collateral, as those prevailing at the same time for comparable transactions with unrelated parties and did not involve more than a normal amount of risk. These transactions are approved by the ordinary general assembly of the equity holders of the Bank. The balances included in the interim condensed consolidated financial information are as follows:

	<i>Major shareholders KD 000's</i>	<i>Associates KD 000's</i>	<i>Board members and executive officers KD 000's</i>	<i>Other related parties KD 000's</i>	<i>Unaudited 30 September</i>	
					<b><i>2009 KD 000's</i></b>	<b><i>2008 KD 000's</i></b>
<b>Related parties</b>						
Receivables	16,698	150,231	5,499	55,418	<b>227,846</b>	83,493
Due to banks and financial institutions	-	15,034	-	19,293	<b>34,327</b>	16,667
Depositors accounts	35,408	13,186	2,724	31,431	<b>82,749</b>	113,078
Commitments and contingencies	847	612	14	9,508	<b>10,981</b>	6,853

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

At 30 September 2009

## 10 RELATED PARTY TRANSACTIONS (continued)

Details of the interests of Board Members and Executive Officers are as follows:

	The number of Board Members or Executive Officers		The number of related parties				Values	
	(Unaudited) 30 September 2009	(Audited) 31 December 2008	(Unaudited) 30 September 2009	(Audited) 31 December 2008	(Unaudited) 30 September 2008	(Unaudited) 30 September 2009	(Audited) 31 December 2008	(Unaudited) 30 September 2008
<b>Board Members</b>								
Finance facilities	6	11	9	16	11	77,522	73,694	35,874
Credit cards	9	5	1	-	0	52	33	56
Deposits	23	24	89	104	104	79,250	82,627	56,231
Collateral against finance facilities	2	1	1	4	-	346	176	1
						KD 000's	KD 000's	KD 000's
<b>Executive Officers</b>								
Finance facilities	17	20	3	4	5	4,627	4,906	3,242
Credit cards	25	11	4	4	4	335	29	55
Deposits	27	26	80	84	85	3,589	4,925	5,847
Collateral against finance facilities	8	8	1	1	-	3,624	4,852	3,703

Compensation of key management personnel is as follows:

	(Unaudited) 30 September 2009	(Unaudited) 30 September 2008
	KD 000's	KD 000's
Short-term employee benefits	5,447	4,922
Termination benefits	479	443
	<u>5,926</u>	<u>5,365</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

At 30 September 2009

## 11 SEGMENTAL ANALYSIS

*Segment information*

For management purposes the Group is organised into three major business segments:

			<i>Retail and corporate banking</i>	<i>Other segments</i>	<i>Total</i>
<i>30 September 2009 (Unaudited)</i>	<i>Treasury KD 000's</i>	<i>Investment KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
Income	<u>58,516</u>	<u>96,715</u>	<u>391,538</u>	<u>73,698</u>	<u>620,467</u>
Profit before estimated distribution to depositors	<u>32,368</u>	<u>17,601</u>	<u>192,992</u>	<u>20,845</u>	<u>263,806</u>
Total assets	<u>1,935,037</u>	<u>2,544,215</u>	<u>6,123,036</u>	<u>489,001</u>	<u>11,091,289</u>
Total liabilities, deferred revenue, fair value reserve, foreign exchange translation reserve and total equity	<u>1,457,660</u>	<u>2,073,149</u>	<u>6,215,892</u>	<u>1,344,588</u>	<u>11,091,289</u>
			<i>Retail and corporate banking</i>	<i>Other segments</i>	<i>Total</i>
<i>30 September 2008 (Unaudited)</i>	<i>Treasury KD 000's</i>	<i>Investment KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
Income	<u>86,112</u>	<u>236,036</u>	<u>334,296</u>	<u>39,364</u>	<u>695,808</u>
Profit before estimated distribution to depositors	<u>57,015</u>	<u>158,062</u>	<u>252,774</u>	<u>14,072</u>	<u>481,923</u>
Total assets	<u>1,487,371</u>	<u>3,049,652</u>	<u>5,695,594</u>	<u>310,230</u>	<u>10,542,847</u>
Total liabilities, deferred revenue, fair value reserve, foreign exchange translation reserve and total equity	<u>1,866,580</u>	<u>848,844</u>	<u>6,671,711</u>	<u>1,155,712</u>	<u>10,542,847</u>

## 12 FIDUCIARY ASSETS

The aggregate value of assets held in a trust or fiduciary capacity by the Bank at 30 September 2009 amounted to KD 797,368 thousand (31 December 2008: KD 1,137,988 thousand and 30 September 2008: KD 614,944 thousand).

Fee and commission income include fees of KD 2,926 thousand (30 September 2008: KD 5,605 thousand) arising from trust and fiduciary activities.