

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



**INTERIM CONDENSED FINANCIAL STATEMENTS  
AND REVIEW REPORT FOR THE PERIOD  
FROM 1 JANUARY 2006 TO 31 MARCH 2006  
(UNAUDITED)**

For the period from 1 January 2006 to 31 March 2006

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Review report to the Board of Directors of  
Boubyan Bank K.S.C.  
State of Kuwait

We have reviewed the accompanying balance sheet of Boubyan Bank K.S.C. ("The Bank") as at 31 March 2006 and the related statements of income, changes in equity and cash flows for the three-month period then ended. These interim condensed financial statements are the responsibility of the bank's management. Our responsibility is to issue a report on these interim condensed financial statements based on our review. The financial statements for the period from date of incorporation on 21 September 2004 to 31 March 2005 were neither audited nor reviewed, and accordingly, we do not express an opinion on these financial statements.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the interim condensed financial statements are free of material misstatement. A review is limited primarily to inquiries of the Bank's personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

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

Furthermore, based on our review, the interim condensed financial statements are in agreement with the books of the bank. Nothing has come to our attention indicating any violation of the Commercial Companies Law of 1960, as amended, or the articles of association of the Bank during the three-month period ended 31 March 2006 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 organization of banking business, and its related regulations during the three-month period ended 31 March 2006.

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18 April 2006

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

**STATEMENT OF INCOME (UNAUDITED)**

For the period from 1 January 2006 to 31 March 2006



		3 months ended 31 March 2006	From date of incorporation on 21 September 2004 to 31 March 2005
	Notes	KD'000	KD'000
<b>Income</b>			
Murabahat and other Islamic financing income, net		3,832	2,139
Investment income	6	660	57
Fees and commissions income, net		887	-
		<u>5,379</u>	<u>2,196</u>
<b>Expenses</b>			
Staff costs		1,259	329
General and administrative expenses		618	480
Depreciation		24	7
Provision for impairment - general		794	-
		<u>2,695</u>	<u>816</u>
<b>Profit before distribution to depositors</b>		<u>2,684</u>	<u>1,380</u>
Distribution to depositors		(1,012)	-
<b>Profit for the period before provision for contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS")</b>		<u>1,672</u>	<u>1,380</u>
Provision for contribution to KFAS		(15)	(13)
<b>Profit for the period</b>		<u>1,657</u>	<u>1,367</u>
<b>Earnings per share (fils)</b>	7	<u>1.7</u>	<u>1.4</u>

The notes set out on pages 6 to 10 form an integral part of these interim condensed financial statements.

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

**BALANCE SHEET (UNAUDITED)**



As at 31 March 2006

		31 March 2006	(Audited) 31 December 2005	31 March 2005
	Notes	KD'000	KD'000	KD'000
<b>Assets</b>				
Cash and short term funds		22,528	27,974	7,667
Short term Murabaha	3	191,700	168,212	57,223
Receivables, net	4	79,618	89,377	89,521
Leased assets		1,761	1,794	-
Investments	5	32,103	26,237	7,198
Investment in associates		8,665	8,263	4,342
Trading properties		3,206	3,206	-
Investment properties		6,865	-	-
Other assets		2,362	1,171	419
Property and equipment, net		2,671	2,236	130
<b>Total assets</b>		<b>351,479</b>	<b>328,470</b>	<b>166,500</b>
<b>Liabilities and equity</b>				
<b>Liabilities</b>				
Due to banks and financial institutions		183,527	108,139	64,813
Depositors' accounts		34,572	91,233	-
Other liabilities		23,665	22,181	99
<b>Total liabilities</b>		<b>241,764</b>	<b>221,553</b>	<b>64,912</b>
<b>Equity</b>				
Share capital		99,941	99,941	99,941
Share premium		280	280	280
Statutory reserve		701	701	-
Voluntary reserve		701	701	-
Fair value reserve		739	-	-
Foreign currency adjustments		244	(158)	-
Retained earnings		7,109	5,452	1,367
<b>Total equity</b>		<b>109,715</b>	<b>106,917</b>	<b>101,588</b>
<b>Total liabilities and equity</b>		<b>351,479</b>	<b>328,470</b>	<b>166,500</b>

Yacob Y. Al-Muzaini  
Chairman and Managing Director

The notes set out on pages 6 to 10 form an integral part of these interim condensed financial statements.

**BOBYAN BANK K.S.C.  
STATE OF KUWAIT**

**STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**

For the period from 1 January 2006 to 31 March 2006



	Share capital	Share premium	Statutory reserve	Voluntary reserve	Fair value reserve	Foreign currency adjustments	Retained earnings	Total
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
<b>Balance at 31 December 2005</b>	99,941	280	701	701	-	(158)	5,452	106,917
Valuation gain on available for sale investments	-	-	-	-	739	-	-	739
Foreign currency translation adjustments	-	-	-	-	-	402	-	402
Net gain recognized directly in equity	-	-	-	-	739	402	-	1,141
Profit for the period	-	-	-	-	-	-	1,657	1,657
Total recognized income for the period	-	-	-	-	739	402	1,657	2,798
<b>Balance at 31 March 2006</b>	99,941	280	701	701	739	244	7,109	109,715
Issue of share capital	100,000	280	-	-	-	-	-	100,280
Fraction shares not issued	(59)	-	-	-	-	-	-	(59)
Total share capital	99,941	280	-	-	-	-	-	100,221
Profit for the period	-	-	-	-	-	-	1,367	1,367
<b>Balance at 31 March 2005</b>	99,941	280	-	-	-	-	1,367	101,588

The notes set out on pages 6 to 10 form an integral part of these interim condensed financial statements.

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

**STATEMENT OF CASH FLOWS (UNAUDITED)**

For the period from 1 January 2006 to 31 March 2006



	3 months ended 31 March 2006 KD'000	From date of incorporation on 21 September 2004 to 31 March 2005 KD'000
<b>OPERATING ACTIVITIES</b>		
Profit for the period before provision for contribution to KFAS	1,672	1,380
Adjustments for:		
Provision for impairment	794	-
Depreciation	24	7
	2,490	1,387
Increase in short term Murabaha	(24,448)	(57,223)
Decrease / (increase) in receivables	9,925	(89,521)
Decrease in leased assets	33	-
Increase in other assets	(1,191)	(419)
Increase in due to banks and financial institutions	75,388	64,813
Decrease in depositors' accounts	(56,661)	-
Increase in other liabilities	1,469	86
<b>Net cash from / (used in) operating activities</b>	<b>7,005</b>	<b>(80,877)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of investments	(5,127)	(7,198)
Purchase of investment in associates	-	(4,342)
Purchase of investment property	(6,865)	-
Purchase of property and equipment	(459)	(137)
<b>Net cash used in investing activities</b>	<b>(12,451)</b>	<b>(11,677)</b>
<b>FINANCING ACTIVITIES</b>		
Issue of share capital	-	100,221
<b>Net cash from financing activities</b>	<b>-</b>	<b>100,221</b>
<b>Net (decrease) / increase in cash and short term funds</b>	<b>(5,446)</b>	<b>7,667</b>
Cash and short term funds at the beginning of the period	27,974	-
<b>Cash and short term funds at the end of the period</b>	<b>22,528</b>	<b>7,667</b>

The notes set out on pages 6 to 10 form an integral part of these interim condensed financial statements.



For the period from 1 January 2006 to 31 March 2006

**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 (Law No. 30 passed in 2003).

The Bank was licensed by the Central Bank of Kuwait on 28 November 2004. The Bank 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.

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

These interim condensed financial statements were authorised for issue by the Board of Directors on 18 April 2006.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of preparation**

The interim condensed financial statements of the Bank have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting except as noted below. The accounting policies used in the preparation of the interim financial statements are consistent with those used in the preparation of the annual financial statements for the period from date of incorporation on 21 September 2004 to 31 December 2005. The comparative amounts in the statements of income, equity, cash flows and related notes are from date of incorporation on 21 September 2004 to 31 March 2005. Actual operations of the Bank started after getting the approval of the Central Bank of Kuwait on 28 November 2004 and insignificant transactions occurred during December 2005.

The annual financial statements for the year ended 31 December 2005 are 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 addition, in accordance with the Central Bank of Kuwait instructions, a minimum general provision of 2% on all finance facilities net of certain categories of collateral, to which CBK instructions are applicable and not subject to specific provision, is made.

Operating results for the period are not necessarily indicative of the results that may be expected for the year ending 31 December 2006.

**Trading properties**

Trading properties are held for short term purposes and stated at the lower of cost and net realizable value, determined on an individual basis. Cost comprises of the purchase cost and other expenses incurred to complete the underlying transaction. Net realizable value is based on the estimated selling price less any future costs to be incurred on sale. Losses arising from valuation are stated in the statement of income.

**Investment properties**

Investment properties, which are held to earn rentals and / or for capital appreciation, are stated at their fair value at the balance sheet date. Gains or losses arising from changes in the fair value of the investment properties are included in statement of income for the period in which they arise.



For the period from 1 January 2006 to 31 March 2006

**3. SHORT TERM MURABAHA**

	31 March 2006	(Audited) 31 December 2005	31 March 2005
	KD'000	KD'000	KD'000
Banks	117,539	141,271	16,113
Financial institutions	76,853	27,715	41,110
Others	-	489	-
Less: deferred profit	(1,170)	(701)	-
Less: provision for impairment	(1,522)	(562)	-
	<u>191,700</u>	<u>168,212</u>	<u>57,223</u>

**4. RECEIVABLES, NET**

Receivables principally comprise Murabaha and Tawaroq balances and are stated net of provision for impairment as follows:

	31 March 2006	(Audited) 31 December 2005	31 March 2005
	KD'000	KD'000	KD'000
Banks	11,505	-	-
Financial institutions	19,447	45,309	89,521
Others	29,865	16,853	-
Less: deferred profit	(3,136)	(2,826)	-
Less: provision for impairment	(978)	(1,144)	-
	<u>56,703</u>	<u>58,192</u>	<u>89,521</u>
Real Estate Sukuk Fund	<u>22,915</u>	<u>31,185</u>	<u>-</u>
	<u>79,618</u>	<u>89,377</u>	<u>89,521</u>

For the period from 1 January 2006 to 31 March 2006

**5. AVAILABLE FOR SALE INVESTMENTS**

	31 March 2006	(Audited) 31 December 2005	31 March 2005
	KD'000	KD'000	KD'000
Investment in Sukuk	14,338	14,308	2,935
Investment in unquoted securities	10,489	9,838	2,912
Investment in unquoted funds	7,276	2,091	1,351
	<u>32,103</u>	<u>26,237</u>	<u>7,198</u>

It was not possible to reliably measure the fair value of certain available for sale investments of KD 18,188 thousand (31 December 2005: KD 26,237 thousand, 31 March 2005: KD 7,198 thousand) due to lack of reliable measure to determine the fair value of such investments. Accordingly, they are stated at cost less impairment losses, if any.

**6. INVESTMENT INCOME**

	3 months ended 31 March 2006	From date of incorporation 21 September 2004 to 31 March 2005
	KD'000	KD'000
Unrealized gain on money market funds	375	54
Sukuk Coupon income	238	-
Dividend income	47	3
	<u>660</u>	<u>57</u>

**7. EARNINGS PER SHARE**

Earnings per share are based on the profit for the period of KD 1,657 thousand (31 March 2005: KD 1,367 thousand) and the weighted average number of ordinary shares outstanding during the period of 999,410,330 shares (31 March 2005: 999,410,330 shares).

For the period from 1 January 2006 to 31 March 2006

# **8. RELATED PARTY TRANSACTIONS**

Balances with related parties arise from commercial transactions in the normal course of business on an arm's length basis and comprised the following:

	31 March 2006	(Audited) 31 December 2005	31 March 2005
	KD'000	KD'000	KD'000
Due from related parties:			
Receivables and leased assets	-	31,184	-
Due to related parties:			
Due to banks and financial institutions	27,775	26,003	-
Depositors' accounts	-	15,278	-

## *Compensation of key management personnel*

The remuneration to Directors and other members of key management during the period was as follows:

	3 months ended 31 March 2006	From date of incorporation 21 September 2004 to 31 March 2005
	KD'000	KD'000
Short-term benefits	139	108
Post-employment benefits	63	42
	202	150

# **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:

	31 March 2006	(Audited) 31 December 2005	31 March 2005
	KD'000	KD'000	KD'000
Investment commitments	2,088	5,259	-
Capital commitments (projects under construction)	1,537	1,839	-
	3,625	7,098	-

For the period from 1 January 2006 to 31 March 2006

## 10. SEGMENT REPORTING

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 and commercial type Murabaha, Ijara and Islamic covered cards facilities.

*Corporate banking:* Principally handling Murabaha and Ijarah facilities for corporate and institutional customers.

*Investment:* Principally handling direct investments, Sukuk, and local and international real estate investment.

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

### 31 March 2006

	<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	8	444	503	4,362	62	5,379
Segment expenses	(476)	(127)	(132)	(2,003)	(969)	(3,707)
Segment results	(468)	317	371	2,359	(907)	1,672
Segment assets	301	9,426	59,416	277,304	5,032	351,479
Segment liabilities	79,565	-	35,710	124,483	2,006	241,764

### 31 March 2005

	<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	-	-	-	2,196	-	2,196
Segment expenses	(10)	(29)	(52)	(89)	(636)	(816)
Segment results	(10)	(29)	(52)	2,107	(636)	1,380
Segment assets	-	-	11,540	154,411	549	166,500
Segment liabilities	-	-	-	64,912	-	64,912

## 11. FIDUCIARY ASSETS

The aggregate value of assets held in a trust or fiduciary capacity by the Bank at 31 March 2006 amounted to KD 37,634,110 (31 December 2005: KD 26,867,682, 31 March 2005: Nil).

## 12. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period's presentation.