

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



**INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
AND INDEPENDENT AUDITORS' REVIEW REPORT FOR THE PERIOD
FROM 1 JANUARY 2011 TO 31 MARCH 2011
(UNAUDITED)**

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

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



For the period from 1 January 2011 to 31 March 2011

INDEX	Page
Independent auditors' review report of interim condensed consolidated financial information	1 to 2
Interim condensed consolidated statement of income (unaudited)	3
Interim condensed consolidated statement of comprehensive income (unaudited)	4
Interim condensed consolidated statement of financial position (unaudited)	5
Interim condensed consolidated statement of changes in equity (unaudited)	6
Interim condensed consolidated statement of cash flows (unaudited)	7
Notes to the interim condensed consolidated financial information (unaudited)	8 to 13



KPMG Safi Al-Mutawa & Partners

Rakan Tower, 18th floor
Fahad Al-Salem Street,
P.O. Box 24, Safat 13001, Kuwait
Tel : + 965 2247 5090
Fax : + 965 2249 2704



**Deloitte & Touche,
Al-Fahad, Al-Wazzan & Co.**

Fahad Al-Salem Street
Salhia Complex, Entrance 2
P.O. Box 23049, Safat 13091
Kuwait City, Kuwait

Tel: +965 2243 8060
Fax: +965 2245 2080

Ahmed Al-Jaber Street
Dar Al-Awadi Complex
P.O. Box 20174, Safat 13062
Sharq, Kuwait

Tel: +965 2240 8844
Fax: +965 2240 8855

www.deloitte.com

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

The Board of Directors
Boubyan Bank KSC
State of Kuwait

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Boubyan Bank KSC ("the Bank") and its subsidiaries (together referred to as "the Group") as at 31 March 2011, and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three month period then ended (interim financial information). Management is responsible for the preparation and presentation of this interim financial information in accordance with the basis of preparation set out in Note 2. Our responsibility is to express a conclusion on this 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 interim financial information is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2.

Furthermore, based on our review, the interim financial information is 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 2011, 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.



Safi A. Al-Mutawa
License No. 138 – A
of KPMG Safi Al-Mutawa & Partners
Member firm of KPMG International



Jassim Ahmad Al-Fahad
License No. 53 – A
Al-Fahad, Al-Wazzan & Co. Deloitte & Touche

12 April 2011
Kuwait

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



INTERIM CONDENSED CONSOLIDATED STATEMENT
OF INCOME (UNAUDITED)

For the period from 1 January 2011 to 31 March 2011

	Notes	Three months ended 31 March	
		2011	2010
		KD'000	KD'000
Income			
Murabaha and other Islamic financing income		12,252	8,820
Net investment income	3	3,476	1,230
Fees and commissions income		1,125	3,440
Share of results of associates	7	1,628	207
Net foreign exchange gain / (loss)		275	(182)
Other income		88	6
		<u>18,844</u>	<u>13,521</u>
Expenses			
Staff costs		(4,037)	(3,120)
General and administrative expenses		(1,853)	(1,795)
Depreciation and amortization		(383)	(391)
		<u>(6,273)</u>	<u>(5,306)</u>
Profit before Murabaha cost, provision for impairment and distribution to depositors		12,571	8,215
Murabaha cost		(477)	(390)
Provision for impairment		(6,967)	(3,998)
Profit before distribution to depositors		5,127	3,827
Distribution to depositors		(2,903)	(2,138)
Profit after distribution to depositors		2,224	1,689
Provision for contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS")		(20)	(15)
Provision for National Labour Support Tax ("NLST")		(59)	(43)
Provision for Zakat		(24)	(17)
Net profit for the period		<u>2,121</u>	<u>1,614</u>
Attributable to:			
Equity holders of the Bank		2,112	1,620
Non-controlling interest		9	(6)
Net profit for the period		<u>2,121</u>	<u>1,614</u>
Earnings per share attributable to the equity holders of the Bank (fils)	4	<u>1.21</u>	<u>1.04</u>

The notes from 1 to 14 form an integral part of this interim condensed consolidated financial information.

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



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

For the period from 1 January 2011 to 31 March 2011

	Three months ended 31 March	
	2011	2010
	KD'000	KD'000
Net profit for the period	2,121	1,614
Other comprehensive income		
Change in fair value of available for sale investments	(1)	(652)
Transferred to statement of income on impairment of available for sale investments	-	148
Foreign currency translation adjustments	(374)	277
Other comprehensive income for the period	(375)	(227)
Total comprehensive income for the period	1,746	1,387
Attributable to:		
Equity holders of the Bank	1,737	1,398
Non-controlling interest	9	(11)
Total comprehensive income for the period	1,746	1,387

The notes from 1 to 14 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(UNAUDITED)

As at 31 March 2011

		(Audited)	
	31 March	31 December	31 March
	2011	2010	2010
	Notes	KD'000	KD'000
Assets			
Cash and cash equivalents		60,437	40,661
Due from banks	5	280,110	278,979
Islamic financing to customers	6	888,780	824,567
Financial assets at fair value through profit or loss		47,134	45,705
Available for sale investments		66,051	58,639
Investment in associates	7	22,164	21,080
Trading properties		2,766	2,800
Investment properties		31,996	30,788
Other assets		19,143	8,306
Property and equipment		5,098	4,733
Total assets		1,423,679	1,316,258
Liabilities and equity			
Liabilities			
Due to banks		114,903	120,854
Depositors' accounts		1,036,034	941,028
Other liabilities		30,886	14,266
Total liabilities		1,181,823	1,076,148
Equity			
Share capital		174,824	174,824
Share premium		62,896	87,728
Statutory reserve		-	3,913
Voluntary reserve		-	3,591
Fair value reserve		1,942	1,943
Foreign currency translation reserve		(1,847)	(1,473)
Retained earnings / (Accumulated losses)		2,112	(32,336)
Equity attributable to equity holders of the Bank		239,927	238,190
Non-controlling interest		1,929	1,920
Total equity		241,856	240,110
Total liabilities and equity		1,423,679	1,316,258

Ibrahim Ali Al-Qadhi
Chairman

Adel Abdul Wahab Al-Majed
Vice Chairman & Managing Director

The notes from 1 to 14 form an integral part of this interim condensed consolidated financial information.

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



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period from 1 January 2011 to 31 March 2011

	Share capital	Share premium	Statutory reserve	Voluntary reserve	Fair value reserve	Foreign currency translation reserve	(Accumulated losses) / retained earnings	Attributable to equity holders of the Bank	Non-controlling 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 2010	174,824	87,728	3,913	3,591	1,943	(1,473)	(32,336)	238,190	1,920	240,110
Write off of accumulated losses (note 13)	-	(24,832)	(3,913)	(3,591)	-	-	32,336	-	-	-
Total comprehensive income for the period	-	-	-	-	(1)	(374)	2,112	1,737	9	1,746
Balance at 31 March 2011	174,824	62,896	-	-	1,942	(1,847)	2,112	239,927	1,929	241,856
Balance at 31 December 2009	116,531	280	3,913	3,591	1,235	30	(38,445)	87,135	1,971	89,106
Issue of share capital	49,681	74,532	-	-	-	-	-	124,213	-	124,213
Total comprehensive income for the period	-	-	-	-	(499)	277	1,620	1,398	(11)	1,387
Balance at 31 March 2010	166,212	74,812	3,913	3,591	736	307	(36,825)	212,746	1,960	214,706

The notes from 1 to 14 form an integral part of this interim condensed consolidated financial information.

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



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

For the period from 1 January 2011 to 31 March 2011

	Three months ended 31 March	
	2011	2010
	KD'000	KD'000
OPERATING ACTIVITIES		
Net profit for the period	2,121	1,614
Adjustments for:		
Provision for impairment	6,967	3,998
Depreciation and amortisation	383	391
Foreign currency translation adjustments	276	2,517
Impairment loss on available for sale investments	-	148
Gain on sale of investments	(673)	(224)
Unrealized (gain) / loss from financial assets at fair value through profit or loss	(800)	139
Share of results of associates	(1,628)	(207)
Dividend income	(491)	(15)
Net unrealised gain from changes in fair value of investment properties	(29)	-
	<u>6,126</u>	<u>8,361</u>
Changes in operating assets and liabilities:		
Due from banks	(2,032)	(142,842)
Islamic financing to customers	(77,804)	(30,527)
Other assets	(10,839)	251
Due to banks	(7,215)	36,515
Depositors' accounts	94,714	4,603
Other liabilities	16,526	738
Dividend income received	491	15
Net cash generated from / (used in) operating activities	<u>19,967</u>	<u>(122,886)</u>
INVESTING ACTIVITIES		
Purchase of financial assets at fair value through profit or loss	-	(6,919)
Proceeds from sale of financial assets at fair value through profit or loss	-	25
Purchase of available for sale investments	(4,376)	(885)
Proceeds from sale / redemption of available for sale investments	4,933	6,079
Proceeds from sale of investment properties	-	2,915
Purchase of investment properties	-	(211)
Purchase of property and equipment	(748)	(400)
Net cash (used in) / generated from investing activities	<u>(191)</u>	<u>604</u>
FINANCING ACTIVITIES		
Issue of share capital	-	124,213
Net cash generated by financing activities	<u>-</u>	<u>124,213</u>
Net increase in cash and cash equivalents	19,776	1,931
Cash and cash equivalents at beginning of the period	40,661	51,608
Cash and cash equivalents at end of the period	<u>60,437</u>	<u>53,539</u>

The notes from 1 to 14 form an integral part of this interim condensed consolidated financial information.

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

For the period from 1 January 2011 to 31 March 2011

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.

This interim condensed consolidated financial information as at and for the three months period ended 31 March 2011 incorporates the financial information of the Bank and its principal operating 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.

This interim condensed consolidated financial information was authorised for issue by the Board of Directors on 12 April 2011.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

This interim condensed consolidated financial information has been prepared in accordance with International Accounting Standard No. 34, Interim Financial Reporting, and the Kuwait Stock Exchange instruction No. 2 of 1998. This interim condensed consolidated financial information does not include all the information and notes required for full annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) as modified for use by the state 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.

The operating results for the three-month period ended 31 March 2011 are not necessarily indicative of the results that may be expected for the year ending 31 December 2011.

The interim condensed consolidated financial information has been prepared using the same accounting policies and methods of computation with those used in the preparation of the annual audited consolidated financial statements for the year ended 31 December 2010, except for changes resulting from amendments to IFRS.

During the period the Group has adopted all the standards that came into effect for annual period beginning on 1 January 2011.

None of the new standards that came into effect during the three months period ended 31 March 2011 have a material impact on the interim condensed consolidated financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

For the period from 1 January 2011 to 31 March 2011

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

Judgement and estimates

The preparation of interim condensed consolidated financial information 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 this interim condensed consolidated 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 annual audited consolidated financial statements as at and for the year ended 31 December 2010.

3. **NET INVESTMENT INCOME**

	Three months ended 31 March	
	2011	2010
	KD'000	KD'000
Gain on money market funds	685	517
Unrealised gain / (loss) from financial assets at fair value through profit or loss	800	(139)
Impairment loss on available for sale investments	-	(148)
Gain on sale of investments	693	224
Sukuk coupon income	344	288
Income from investment properties	463	473
Dividend income	491	15
	3,476	1,230

4. **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	
	2011	2010
	KD'000	KD'000
Net profit for the period attributable to equity holders of the Bank	2,112	1,620
Weighted average number of shares outstanding (thousands of shares)	1,748,235	1,551,310
Earnings per share attributable to equity holders of the Bank (fils)	1.21	1.04

5. **DUE FROM BANKS**

	31 March	(Audited) 31 December	31 March
	2011	2010	2010
	KD'000	KD'000	KD'000
Balance	280,253	279,090	343,220
Less: deferred profit	(143)	(111)	(198)
	280,110	278,979	343,022
Less: provision for impairment	-	-	(32,637)
	280,110	278,979	310,385

The fair values of due from banks do not differ significantly from their respective book values.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

For the period from 1 January 2011 to 31 March 2011

6. ISLAMIC FINANCING TO CUSTOMERS

	31 March 2011	(Audited) 31 December 2010	31 March 2010
	KD'000	KD'000	KD'000
Balance	976,745	897,323	671,207
Less: deferred profit	(56,899)	(48,562)	(32,396)
	919,846	848,761	638,811
Less: provision for impairment	(31,066)	(24,194)	(32,617)
	888,780	824,567	606,194

7. INVESTMENTS IN ASSOCIATES

The investments in associates comprise the following:

Name of the company	Country	Ownership %	Principal activity
United Capital Bank	Republic of Sudan	21.67	Islamic commercial banking services
Bank Syariah Muamalat Indonesia Tbk	Indonesia	24.94	Islamic commercial banking services
Ijarah Indonesia Finance Company	Indonesia	33.33	Islamic financing services

The Group's share in the operating results of associates was recognised based on their management accounts as at 28 February 2011.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
 INFORMATION (UNAUDITED)

For the period from 1 January 2011 to 31 March 2011

8. 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:

	<u>31 March 2011</u>	<u>31 December 2010</u>	<u>31 March 2010</u>
	KD'000	KD'000	KD'000
Due from related parties:			
Due from banks	88,706	118,495	71,414
Islamic financing to customers	38,503	33,307	61,636
Due to related parties:			
Due to banks	36,522	49,484	43,100
Depositors' accounts	5,117	1,424	9,808
Transactions with related parties:			
Letters of guarantee and letters of credit	5,507	3,117	1,440
Revenues	613	3,571	1,016
Expenses	(139)	(663)	(197)

Compensation of key management personnel

Details of compensations for key management comprise the following:

	<u>Three months ended 31 March</u>	
	<u>2011</u>	<u>2010</u>
	KD'000	KD'000
Short-term benefits	308	217
Post-employment benefits	46	96
	354	313

9. CONTINGENCIES AND COMMITMENTS

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

	<u>31 March 2011</u>	<u>31 December 2010</u>	<u>31 March 2010</u>
	KD'000	KD'000	KD'000
Guarantees	78,153	81,334	51,704
Acceptances and letters of credit	39,257	21,377	19,589
Investment commitments	34	-	585
Capital commitments (Projects under construction)	1,143	1,479	1,268
Credit commitments	11,063	8,014	32,320
	129,650	112,204	105,466

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
 INFORMATION (UNAUDITED)

For the period from 1 January 2011 to 31 March 2011

10. SEGMENT REPORTING

Operating segments are identified on the basis of internal reports that are regularly reviewed by the decision makers in order to allocate resources to the segments and to assess their performance. The operating segments are divided as either business segments or geographical segments.

Business Segments

For management purposes, the Bank is organized into the following four major business segments:

Consumer banking: Provides a diversified range of products and services to individuals and institutional clients. The range includes consumer finance, credit cards, deposits and other branch related services.

Corporate banking: Provides Murabaha, Ijarah, trade service and other related services to business and corporate customers.

Investment banking: Principally handling direct investments, local and international real estate investment and asset management.

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.

Group centre: Includes other group activities and residual in respect of transfer pricing and inter segment allocation.

Three months ended 31 March 2011

	Consumer banking	Corporate banking	Investment banking	Treasury	Group centre	Total
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
Segment revenues / (losses)	5,424	10,233	5,055	4,847	(6,715)	18,844
Segment (expenses) / income	(4,483)	(5,452)	(1,420)	(3,346)	(2,022)	(16,723)
Segment results	941	4,781	3,635	1,501	(8,737)	2,121
Segment assets	156,424	822,653	193,970	299,203	(48,571)	1,423,679
Segment liabilities	490,695	4,436	14,334	675,547	(3,189)	1,181,823

Three months ended 31 March 2010

	Consumer banking	Corporate banking	Investment Banking	Treasury	Group centre	Total
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
Segment revenues / (losses)	3,293	8,318	1,053	2,669	(1,812)	13,521
Segment (expenses) / income	(3,692)	(5,338)	(662)	(4,604)	2,389	(11,907)
Segment results	(399)	2,980	391	(1,935)	577	1,614
Segment assets	81,672	597,897	187,806	306,713	(41,800)	1,132,288
Segment liabilities	409,667	2,107	24,760	509,215	(28,167)	917,582

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

For the period from 1 January 2011 to 31 March 2011

11. FINANCIAL RISK MANAGEMENT

All aspects of the Group's financial risk management objectives and policies are consistent with that disclosed in the annual audited consolidated financial statements for the year ended 31 December 2010.

12. FIDUCIARY ASSETS

The aggregate value of assets held in a trust or fiduciary capacity by the Group at 31 March 2011 amounted to KD 33,825 thousand (31 December 2010: KD 30,851 thousand and 31 March 2010: KD 40,035 thousand).

13. WRITE OFF OF ACCUMULATED LOSSES

The Bank's general assembly held on 17 March 2011 approved write-off of accumulated losses of KD 32,336 thousand in the Bank's financial position as at 31 December 2011 against voluntary reserve of KD 3,591 thousand, statutory reserve of KD 3,913 thousand and share premium of KD 24,832 thousand.

14. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's presentation. Such reclassifications did not affect previously reported profit or loss, equity or opening balances of the earliest comparative period presented; accordingly a third interim condensed consolidated statement of financial position is not presented.