

**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 30 SEPTEMBER 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 30 September 2011

---



<b>INDEX</b>	<b>Page</b>
Independent auditors' review report on interim condensed consolidated financial information	1 – 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 14



**KPMG Safi Al-Mutawa & Partners**  
Rakan Tower, 18<sup>th</sup> 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](http://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 30 September 2011, and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine 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 nine month period ended 30 September 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

11 October 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 30 September 2011

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2011	2010	2011	2010
		KD'000	KD'000	KD'000	KD'000
<b>Income</b>					
Murabaha and other Islamic financing income		13,683	11,098	39,192	29,634
Investment income	3	945	1,332	4,906	4,833
Net fees and commissions income		1,458	1,961	3,600	6,878
Share of results of associates		513	337	2,911	960
Net foreign exchange gain		293	540	626	535
Other income		36	11	139	61
		<b>16,928</b>	<b>15,279</b>	<b>51,374</b>	<b>42,901</b>
<b>Expenses</b>					
Staff costs		(3,831)	(3,262)	(11,694)	(9,545)
General and administrative expenses		(2,527)	(1,933)	(7,009)	(6,015)
Depreciation and amortization		(401)	(390)	(1,170)	(1,170)
		<b>(6,759)</b>	<b>(5,585)</b>	<b>(19,873)</b>	<b>(16,730)</b>
<b>Profit before Murabaha cost, investment loss, provision for impairment and distribution to depositors</b>					
		<b>10,169</b>	<b>9,694</b>	<b>31,501</b>	<b>26,171</b>
Murabaha cost		(334)	(507)	(1,174)	(1,352)
Investment loss	3	(3,498)	(1,124)	(8,344)	(2,129)
Provision impairment.		(904)	(4,120)	(6,077)	(11,485)
<b>Profit before distribution to depositors</b>		<b>5,433</b>	<b>3,943</b>	<b>15,906</b>	<b>11,205</b>
Distribution to depositors		(2,815)	(2,348)	(8,752)	(6,424)
<b>Profit after distribution to depositors</b>		<b>2,618</b>	<b>1,595</b>	<b>7,154</b>	<b>4,781</b>
Provision for contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS")		(23)	(14)	(65)	(42)
Provision for National Labour Support Tax ("NLST")		(70)	(58)	(192)	(137)
Provision for Zakat		(28)	(29)	(77)	(61)
<b>Net profit for the period</b>		<b>2,497</b>	<b>1,494</b>	<b>6,820</b>	<b>4,541</b>
<b>Attributable to:</b>					
Equity holders of the Bank		2,489	1,493	6,892	4,517
Non-controlling interests		8	1	(72)	24
		<b>2,497</b>	<b>1,494</b>	<b>6,820</b>	<b>4,541</b>
<b>Earnings per share attributable to the equity holders of the Bank (fils)</b>	4	<b>1.43</b>	<b>0.85</b>	<b>3.94</b>	<b>2.70</b>

The notes from 1 to 15 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 30 September 2011



	Three months ended 30 September		Nine months ended 30 September	
	2011	2010	2011	2010
	KD'000	KD'000	KD'000	KD'000
<b>Net profit for the period</b>	<b>2,497</b>	1,494	<b>6,820</b>	4,541
<b>Other comprehensive income</b>				
Change in fair value of available for sale investments	14	(264)	(3,752)	(1,443)
Transferred to interim condensed consolidated statement of income on impairment of available for sale investments	920	85	1,034	664
Foreign currency translation adjustments	(497)	(391)	(927)	(489)
<b>Other comprehensive income for the period</b>	<b>437</b>	(570)	<b>(3,645)</b>	(1,268)
<b>Total comprehensive income for the period</b>	<b>2,934</b>	924	<b>3,175</b>	3,273
<b>Attributable to:</b>				
Equity holders of the Bank	2,926	950	3,247	3,292
Non-controlling interests	8	(26)	(72)	(19)
	<b>2,934</b>	924	<b>3,175</b>	3,273

The notes from 1 to 15 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  
FINANCIAL POSITION (UNAUDITED)**



As at 30 September 2011

		(Audited)	
	30 September	31 December	30 September
	2011	2010	2010
Notes	KD'000	KD'000	KD'000
<b>Assets</b>			
Cash and cash equivalents	42,794	40,661	56,034
Due from banks	5    303,066	278,979	232,880
Islamic financing to customers	6    960,073	824,567	778,570
Financial assets at fair value through profit or loss	41,966	45,705	46,965
Available for sale investments	68,487	58,639	57,849
Investment in associates	7    22,969	21,080	21,859
Trading properties	2,749	2,800	2,838
Investment properties	27,169	30,788	33,554
Other assets	18,687	8,306	9,807
Property and equipment	5,852	4,733	4,556
<b>Total assets</b>	<b>1,493,812</b>	<b>1,316,258</b>	<b>1,244,912</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Due to banks	79,946	120,854	85,192
Depositors' accounts	1,143,497	941,028	907,002
Other liabilities	27,022	14,266	14,596
<b>Total liabilities</b>	<b>1,250,465</b>	<b>1,076,148</b>	<b>1,006,790</b>
<b>Equity</b>			
Share capital	174,824	174,824	174,824
Share premium	62,896	87,728	87,730
Treasury shares	9    (1,024)	-	-
Statutory reserve	-	3,913	3,913
Voluntary reserve	-	3,591	3,591
Fair value reserve	(775)	1,943	499
Foreign currency translation reserve	(2,401)	(1,473)	(459)
Retained earnings / (accumulated losses)	6,892	(32,336)	(33,928)
<b>Equity attributable to equity holders of the Bank</b>	<b>240,412</b>	<b>238,190</b>	<b>236,170</b>
Non-controlling interests	2,935	1,920	1,952
<b>Total equity</b>	<b>243,347</b>	<b>240,110</b>	<b>238,122</b>
<b>Total liabilities and equity</b>	<b>1,493,812</b>	<b>1,316,258</b>	<b>1,244,912</b>

Ibrahim Ali Al-Qadhi  
Chairman

Adel Abdul Wahab Al-Majed  
Vice Chairman & Managing Director

The notes from 1 to 15 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 30 September 2011



	Share capital	Share premium	Treasury shares	Statutory reserve	Voluntary reserve	Fair value reserve	Foreign currency translation reserve	(Accumulated losses) / retained earnings	Attributable to equity holders of the Bank	Non-controlling interests	Total
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
<b>Balance at 31 December 2010</b>	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 14)	-	(24,832)	-	(3,913)	(3,591)	-	-	32,336	-	-	-
Purchases of treasury shares	-	-	(1,024)	-	-	-	-	-	(1,024)	-	(1,024)
Total comprehensive income for the period	-	-	-	-	-	(2,718)	(928)	6,892	3,246	(72)	3,174
Net movement in non controlling interests	-	-	-	-	-	-	-	-	-	1,087	1,087
<b>Balance at 30 September 2011</b>	<b>174,824</b>	<b>62,896</b>	<b>(1,024)</b>	<b>-</b>	<b>-</b>	<b>(775)</b>	<b>(2,401)</b>	<b>6,892</b>	<b>240,412</b>	<b>2,935</b>	<b>243,347</b>
<b>Balance at 31 December 2009</b>	116,531	280	-	3,913	3,591	1,235	30	(38,445)	87,135	1,971	89,106
Issue of share capital	58,293	87,450	-	-	-	-	-	-	145,743	-	145,743
Total comprehensive income for the period	-	-	-	-	-	(736)	(489)	4,517	3,292	(19)	3,273
<b>Balance at 30 September 2010</b>	<b>174,824</b>	<b>87,730</b>	<b>-</b>	<b>3,913</b>	<b>3,591</b>	<b>499</b>	<b>(459)</b>	<b>(33,928)</b>	<b>236,170</b>	<b>1,952</b>	<b>238,122</b>

The notes from 1 to 15 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 30 September 2011

	Nine months ended 30 September	
	2011	2010
	KD'000	KD'000
<b>OPERATING ACTIVITIES</b>		
Net profit for the period	6,820	4,541
<b>Adjustments for:</b>		
Provision for impairment	6,077	11,485
Depreciation and amortisation	1,170	1,170
Foreign currency translation adjustments	996	1,636
Impairment loss on available for sale investments	1,034	1,008
Gain on sale of investments	(762)	(235)
Unrealized loss from financial assets at fair value through profit or loss	1,492	300
Share of results of associates	(2,911)	(960)
Dividend income	(622)	(424)
Unrealised loss from changes in fair value of investment properties	3,817	752
	<b>17,111</b>	<b>19,273</b>
<b>Changes in operating assets and liabilities:</b>		
Due from banks	(24,988)	(65,432)
Islamic financing to customers	(157,643)	(210,201)
Other assets	(10,381)	(1,982)
Due to banks	(40,585)	(71,589)
Depositors' accounts	202,469	198,045
Other liabilities	12,538	4,513
Dividend income received	622	424
<b>Net cash (used) in operating activities</b>	<b>(857)</b>	<b>(126,949)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through profit or loss	-	(6,978)
Proceeds from sale of financial assets at fair value through profit or loss	1,984	25
Purchase of available for sale investments	(6,518)	(4,659)
Proceeds from sale of available for sale investments	9,410	10,796
Purchase of investment properties	-	(2,120)
Proceeds from sale of investment properties	-	2,915
Purchase of investment in associates	-	(12,888)
Dividend received from associate	340	-
Purchase of property and equipment	(2,289)	(1,416)
<b>Net cash generated by/(used) in investing activities</b>	<b>2,927</b>	<b>(14,325)</b>
<b>FINANCING ACTIVITIES</b>		
Issue of share capital	-	145,743
Net movement in non controlling interests	1,087	(43)
Purchase of treasury shares	(1,024)	-
<b>Net cash generated by financing activities</b>	<b>63</b>	<b>145,700</b>
Net Increase in cash and cash equivalents	2,133	4,426
Cash and cash equivalents at the beginning of the period	40,661	51,608
<b>Cash and cash equivalents at the end of the period</b>	<b>42,794</b>	<b>56,034</b>

The notes from 1 to 15 form an integral part of this interim condensed consolidated financial information.

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

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



For the period from 1 January 2011 to 30 September 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 on 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 nine months period ended 30 September 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 11 October 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 nine-month period ended 30 September 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 nine months period ended 30 September 2011 have a material impact on the interim condensed consolidated financial information.

**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.

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

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



For the period from 1 January 2011 to 30 September 2011

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

**Treasury Shares**

Treasury shares consist of the Bank's own shares that have been issued, subsequently reacquired by the Bank and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account. When the treasury shares are reissued, gains are credited to a separate account in equity (treasury shares reserve) which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account.

Any excess losses are charged to retained earnings then reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the gain on sale of treasury shares account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

**3. INVESTMENT INCOME / (LOSS)**

<b>Investment income</b>	Three months ended		Nine months ended	
	30 September		30 September	
	<b>2011</b>	2010	<b>2011</b>	2010
	<b>KD'000</b>	KD'000	<b>KD'000</b>	KD'000
Unrealised (loss) / gain from financial assets at fair value through profit or loss	<b>(42)</b>	597	<b>1,017</b>	2,055
Gain on sale of investments	<b>28</b>	11	<b>782</b>	235
Sukuk coupon income	<b>411</b>	299	<b>1,177</b>	844
Net rental income from investment properties	<b>439</b>	417	<b>1,308</b>	1,275
Dividend income	<b>109</b>	8	<b>622</b>	424
	<b>945</b>	1,332	<b>4,906</b>	4,833
<b>Investment loss</b>				
	Three months ended		Nine months ended	
	30 September		30 September	
	<b>2011</b>	2010	<b>2011</b>	2010
	<b>KD'000</b>	KD'000	<b>KD'000</b>	KD'000
Unrealised loss from financial assets at fair value through profit or loss	<b>(1,602)</b>	(83)	<b>(3,493)</b>	(369)
Impairment loss on available for sale investments	<b>(920)</b>	(289)	<b>(1,034)</b>	(1,008)
Unrealized loss from change in fair value of investment properties	<b>(976)</b>	(752)	<b>(3,817)</b>	(752)
	<b>(3,498)</b>	(1,124)	<b>(8,344)</b>	(2,129)
Net investment (loss) / income	<b>(2,553)</b>	208	<b>(3,438)</b>	2,704

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)



For the period from 1 January 2011 to 30 September 2011

**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		Nine months ended	
	30 September		30 September	
	<b>2011</b>	2010	<b>2011</b>	2010
	<b>KD'000</b>	KD'000	<b>KD'000</b>	KD'000
Net profit for the period attributable to equity holders of the Bank	<b>2,489</b>	1,493	<b>6,892</b>	4,517
Weighted average number of shares outstanding (thousands of shares)	<b>1,745,956</b>	1,748,235	<b>1,747,467</b>	1,671,345
Earnings per share attributable to equity holders of the bank (fils)	<b>1.43</b>	0.85	<b>3.94</b>	2.70

**5. DUE FROM BANKS**

	<b>30 September</b>	(Audited) 31 December	30 September
	<b>2011</b>	2010	2010
	<b>KD'000</b>	KD'000	KD'000
Balance	<b>303,199</b>	279,090	265,380
Less: deferred profit	<b>(133)</b>	(111)	(119)
	<b>303,066</b>	278,979	265,261
Less: provision for impairment	-	-	(32,381)
	<b>303,066</b>	278,979	232,880

**6. ISLAMIC FINANCING TO CUSTOMERS**

	<b>30 September</b>	(Audited) 31 December	30 September
	<b>2011</b>	2010	2010
	<b>KD'000</b>	KD'000	KD'000
Balance	<b>1,073,119</b>	897,323	861,125
Less: deferred profit	<b>(78,659)</b>	(48,562)	(43,223)
	<b>994,460</b>	848,761	817,902
Less: provision for impairment	<b>(34,387)</b>	(24,194)	(39,332)
	<b>960,073</b>	824,567	778,570

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)



For the period from 1 January 2011 to 30 September 2011

**7. INVESTMENT IN ASSOCIATES**

The investments in associates comprise the following:

Name of the associate	Country	Proportion of ownership and voting power %	Principal activity
United Capital Bank	Republic of Sudan	21.67	Islamic commercial banking services
Bank Syariah Muamalat Indonesia Tbk	Indonesia	25.03	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 31 August 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:

	<b>30 September 2011</b>	(Audited) 31 December 2010	30 September 2010
	KD'000	KD'000	KD'000
<b>Due from related parties:</b>			
Due from banks	<b>58,542</b>	118,495	95,057
Islamic financing to customers	<b>34,404</b>	33,307	33,459
<b>Due to related parties:</b>			
Due to banks	<b>14,923</b>	49,484	48,587
Depositors' accounts	<b>15,598</b>	1,424	12,198
<b>Transactions with related parties:</b>			
Letters of guarantee and letters of credit	<b>3,608</b>	3,117	3,021
Revenues	<b>1,571</b>	3,571	2,246
Expenses	<b>(307)</b>	(663)	(493)

**Compensation of key management personnel**

Details of compensations for key management comprise the following:

	Three months ended		Nine months ended	
	30 September 2011	2010	30 September 2011	2010
	KD'000	KD'000	KD'000	KD'000
Short-term benefits	<b>278</b>	268	<b>829</b>	725
Post-employment benefits	<b>45</b>	16	<b>145</b>	186
	<b>323</b>	284	<b>974</b>	911

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)



For the period from 1 January 2011 to 30 September 2011

**9. TREASURY SHARES**

The bank held the following treasury shares as at 30 September 2011:

	<b>30 September 2011</b>	(Audited) 31 December 2010	30 September 2010
Number of treasury shares	<b>1,715,000</b>	-	-
Treasury shares as a percentage of total shares in issue - %	<b>0.09810%</b>	-	-
Cost of treasury shares – KD thousand	<b>1,024</b>	-	-
Market value of treasury shares – KD thousand	<b>1,029</b>	-	-

**10. 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:

	<b>30 September 2011</b>	(Audited) 31 December 2010	30 September 2010
	<b>KD'000</b>	KD'000	KD'000
Guarantees	<b>105,328</b>	81,334	69,393
Letters of credit	<b>41,474</b>	21,377	18,628
Investment commitments	<b>34</b>	-	-
Capital commitments (projects under construction)	<b>591</b>	1,479	1,309
Credit commitments	<b>23,386</b>	8,014	22,815
	<b>170,813</b>	112,204	112,145

**11. 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.

**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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)



For the period from 1 January 2011 to 30 September 2011

**11. SEGMENT REPORTING (CONTINUED)**

**Three months ended 30 September 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/(expenses)	6,570	11,358	(451)	4,865	(5,414)	16,928
Segment (expenses)/revenues	(6,264)	(5,097)	(4,876)	(2,992)	4,798	(14,431)
Segment results	<u>306</u>	<u>6,261</u>	<u>(5,327)</u>	<u>1,873</u>	<u>(616)</u>	<u>2,497</u>

**Three months ended 30 September 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/(expenses)	3,695	10,939	1,243	4,449	(5,047)	15,279
Segment expenses	(3,599)	(5,206)	(2,087)	(2,802)	(91)	(13,785)
Segment results	<u>96</u>	<u>5,733</u>	<u>(844)</u>	<u>1,647</u>	<u>(5,138)</u>	<u>1,494</u>

**Nine months ended 30 September 2011**

	Consumer banking	Corporate banking	Investment banking	Treasury	Group centre	Total
Segment revenues/(expenses)	17,720	32,855	7,138	14,331	(20,670)	51,374
Segment (expenses)/revenues	(16,150)	(15,949)	(12,923)	(9,439)	9,907	(44,554)
Segment results	<u>1,570</u>	<u>16,906</u>	<u>(5,785)</u>	<u>4,892</u>	<u>(10,763)</u>	<u>6,820</u>
Segment assets	<u>222,897</u>	<u>829,011</u>	<u>181,918</u>	<u>313,147</u>	<u>(53,161)</u>	<u>1,493,812</u>
Segment liabilities	<u>592,627</u>	<u>1,932</u>	<u>12,271</u>	<u>646,438</u>	<u>(2,803)</u>	<u>1,250,465</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)



For the period from 1 January 2011 to 30 September 2011

**11. SEGMENT REPORTING (CONTINUED)**

**Nine months ended 30 September 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/(expenses)	10,290	27,780	5,449	10,651	(11,269)	42,901
Segment (expenses)/revenues	(11,109)	(15,696)	(4,550)	(10,268)	3,263	(38,360)
Segment results	(819)	12,084	899	383	(8,006)	4,541
Segment assets	112,525	740,586	193,689	237,620	(39,508)	1,244,912
Segment liabilities	387,184	534	21,520	616,170	(18,618)	1,006,790

**12. 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 2010.

**13. FIDUCIARY ASSETS**

The aggregate value of assets held in a trust or fiduciary capacity by the Group at 30 September 2011 amounted to KD 60,328 thousand (31 December 2010: KD 51,704 thousand and 30 September 2010: KD 59,591 thousand).

**14. WRITE OFF OF ACCUMULATED LOSSES**

The Bank's general assembly meeting 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 2010 against voluntary reserve of KD 3,591 thousand, statutory reserve of KD 3,913 thousand and share premium of KD 24,832 thousand.

**15. 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 statement of financial position is not presented.