

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



**CONDENSED CONSOLIDATED INTERIM FINANCIAL  
STATEMENTS AND INDEPENDENT AUDITORS' REVIEW REPORT  
FOR THE PERIOD FROM 1 JANUARY 2007 TO 30 JUNE 2007  
(UNAUDITED)**

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

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

For the period from 1 January 2007 to 30 June 2007

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

The Board of Directors  
Boubyan Bank KSC  
State of Kuwait

### *Introduction*

We have reviewed the accompanying condensed consolidated interim balance sheet of Boubyan Bank KSC ("the Bank") and its subsidiary (together referred to as "the Group") as of 30 June 2007, and the related condensed consolidated interim statements of income, changes in equity and cash flows for the six month period then ended (the condensed consolidated interim financial statements). Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with the basis of preparation set out in Note 2. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

### *Scope of Review*

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

Accordingly, we do not express an audit opinion.

### *Conclusion*


Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements as at 30 June 2007 are not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2.

Furthermore, based on our review, the condensed consolidated interim financial statements are in agreement with the accounting records. We further report that nothing has come to our attention indicating any contravention during the six month period ended 30 June 2007, 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.


Jassim Ahmad Al-Fahad  
License No. 53-A  
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8 July 2007  
Kuwait



Safi A. Al-Mutawa  
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**BOUBYAN BANK K.S.C.**  
**STATE OF KUWAIT**

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



For the period from 1 January 2007 to 30 June 2007


	Notes	Three months ended 30 June		Six months ended 30 June	
		2007	2006	2007	2006
		KD'000	KD'000	KD'000	KD'000
<b>Income</b>					
Murabaha and other Islamic financing income, net		7,581	4,214	13,820	8,046
Investment income	3	1,626	854	3,120	1,514
Fees and commissions income, net		5,630	944	7,193	1,797
Share in results of associates		(186)	501	246	501
Gain from dealing in foreign currencies, net		235	-	192	-
Other income		2	251	2	285
		<u>14,888</u>	<u>6,764</u>	<u>24,573</u>	<u>12,143</u>
<b>Expenses</b>					
Staff costs		2,502	1,980	4,032	3,239
General and administrative expenses		1,034	676	1,756	1,294
Depreciation and amortization		176	66	335	90
Provision for impairment – general		574	738	1,251	1,532
		<u>4,286</u>	<u>3,460</u>	<u>7,374</u>	<u>6,155</u>
<b>Profit before distribution to depositors</b>		<b>10,602</b>	<b>3,304</b>	<b>17,199</b>	<b>5,988</b>
Distribution to depositors		(4,290)	(1,464)	(7,631)	(2,476)
<b>Profit for the period before provision for Kuwait Foundation for the Advancement of Sciences (“KFAS”) and National Labor Support Tax (“NLST”)</b>		<b>6,312</b>	<b>1,840</b>	<b>9,568</b>	<b>3,512</b>
Provision for KFAS		(57)	(17)	(86)	(32)
Provision for NLST		(160)	(41)	(241)	(78)
<b>Profit for the period</b>		<b>6,095</b>	<b>1,782</b>	<b>9,241</b>	<b>3,402</b>
<b>Attributable to:</b>					
Equity holders of the Bank		6,067	1,782	9,186	3,402
Minority interest		28	-	55	-
<b>Profit for the period</b>		<b>6,095</b>	<b>1,782</b>	<b>9,241</b>	<b>3,402</b>
<b>Earnings per share (fils)</b>	4	<b>5.7</b>	<b>1.7</b>	<b>8.7</b>	<b>3.2</b>

The notes set out on pages 6 to 13 form an integral part of these condensed consolidated interim financial statements.

As at 30 June 2007

		(Audited)	
	30 June 2007	31 December 2006	30 June 2006
Notes	KD'000	KD'000	KD'000
<b>Assets</b>			
Cash and cash equivalents	42,959	22,947	19,697
Short term Murabaha	5 318,294	277,344	163,869
Receivables	6 163,744	115,698	177,559
Investments carried at fair value through profit or loss	4,825	1,020	-
Available for sale investments	7 42,104	30,710	28,006
Investment in unconsolidated subsidiary	-	1,133	2,820
Investment in associates	8 23,249	9,080	8,476
Trading properties	2,875	2,885	2,917
Investment properties	12,510	13,508	15,388
Leased assets	44,110	7,781	1,752
Other assets	6,458	18,624	28,612
Property and equipment	3,006	3,609	3,291
<b>Total assets</b>	<b>664,134</b>	<b>504,339</b>	<b>452,387</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Due to banks and financial institutions	148,545	207,165	80,293
Depositors' accounts	371,095	168,592	247,483
Other liabilities	14,510	8,172	13,478
<b>Total liabilities</b>	<b>534,150</b>	<b>383,929</b>	<b>341,254</b>
<b>Equity</b>			
Share capital	105,937	99,941	99,941
Share premium	280	280	280
Statutory reserve	1,727	1,727	701
Voluntary reserve	1,550	1,550	701
Fair value reserve	1,315	909	773
Foreign currency translation reserve	36	109	(117)
Retained earnings	16,849	13,659	8,854
<b>Equity attributable to equity holders of the Bank</b>	<b>127,694</b>	<b>118,175</b>	<b>111,133</b>
Minority interest	2,290	2,235	-
<b>Total equity</b>	<b>129,984</b>	<b>120,410</b>	<b>111,133</b>
<b>Total liabilities and equity</b>	<b>664,134</b>	<b>504,339</b>	<b>452,387</b>

The notes set out on pages 6 to 13 form an integral part of these condensed consolidated interim financial statements.

  
Yacob Y. Al-Muzani  
Chairman and Managing Director

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

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

For the period from 1 January 2007 to 30 June 2007



	Share capital KD'000	Share premium KD'000	Statutory reserve KD'000	Voluntary reserve KD'000	Fair value reserve KD'000	Foreign currency translation reserve KD'000	Retained earnings KD'000	Attributable to equity holders of the Bank KD'000	Minority interest KD'000	Total KD'000
<b>Balance at 31 December 2006</b>	99,941	280	1,727	1,550	909	109	13,659	118,175	2,235	120,410
Unrealized gain on available-for-sale investments	-	-	-	-	406	-	-	406	-	406
Foreign currency translation adjustments	-	-	-	-	-	(73)	-	(73)	-	(73)
Net gain recognized directly in equity	-	-	-	-	406	(73)	-	333	-	333
Profit for the period	-	-	-	-	-	-	9,186	9,186	55	9,241
Total recognized income and expense for the period	-	-	-	-	406	(73)	9,186	9,519	55	9,574
Issue of bonus shares	5,996	-	-	-	-	-	(5,996)	-	-	-
<b>Balance at 30 June 2007</b>	105,937	280	1,727	1,550	1,315	36	16,849	127,694	2,290	129,984
<b>Balance at 31 December 2005</b>	99,941	280	701	701	-	(158)	5,452	106,917	-	106,917
Unrealized gain on available-for-sale investments	-	-	-	-	773	-	-	773	-	773
Foreign currency translation adjustments	-	-	-	-	-	41	-	41	-	41
Net gain recognized directly in equity	-	-	-	-	773	41	-	814	-	814
Profit for the period	-	-	-	-	-	-	3,402	3,402	-	3,402
Total recognized income and expense for the period	-	-	-	-	773	41	3,402	4,216	-	4,216
<b>Balance at 30 June 2006</b>	99,941	280	701	701	773	(117)	8,854	111,133	-	111,133

The notes set out on pages 6 to 13 form an integral part of these condensed consolidated interim financial statements.

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

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



For the period from 1 January 2007 to 30 June 2007

	Six months ended 30 June	
	2007	2006
	KD'000	KD'000
<b>OPERATING ACTIVITIES</b>		
Profit for the period before provision for KFAS and NLST	9,568	3,512
Adjustments for:		
Provision for impairment	1,251	1,532
Depreciation and amortization	335	90
Gain from sale of associate	(453)	-
Gain from sale of available for sale investments	(2)	(222)
Share in results of associates	(246)	(501)
Dividend income	(1,063)	-
Unrealized gain from changes in fair value of investment properties	(206)	-
Operating profit before changes in working capital	9,184	4,411
(Increase) / decrease in short term Murabaha	(41,358)	3,698
Increase in receivables	(48,564)	(120,035)
(Increase) / decrease in leased assets	(36,696)	42
Decrease in other assets	12,434	3,744
Decrease in due to banks and financial institutions	(58,620)	(27,846)
Increase in depositors' accounts	202,120	156,250
Increase / (decrease) in other liabilities	5,998	(9,030)
Dividends received	1,063	-
<b>Net cash from operating activities</b>	<b>45,561</b>	<b>11,234</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of available for sale investments	(18,500)	(5,345)
Proceed from sale of available for sale investments	7,495	4,683
Purchase of investment in associates	(16,120)	-
Dividend from associates	317	504
Purchase of investment properties	-	(15,388)
Proceed from sale of investment properties	1,204	-
Purchase of property and equipment	-	(1,145)
Purchase of investment in unconsolidated subsidiary	-	(2,820)
<b>Net cash used in investing activities</b>	<b>(25,604)</b>	<b>(19,511)</b>
Net change in minority interest	55	-
<b>Net Increase / (decrease) in cash and cash equivalents</b>	<b>20,012</b>	<b>(8,277)</b>
Cash and cash equivalents at the beginning of the period	22,947	27,974
<b>Cash and cash equivalents at the end of the period</b>	<b>42,959</b>	<b>19,697</b>

The notes set out on pages 6 to 13 form an integral part of these condensed consolidated interim financial statements.

## 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 passed in 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 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 condensed consolidated interim financial statements as at and for the six months ended 30 June 2007 comprise the Bank and its 56.41% owned subsidiary, Boubyan Takaful Insurance Company K.S.C. (Closed) (together referred to as the "Group") and the Group's interests in associates.

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

These condensed consolidated interim financial statements were authorised for issue by the Board of Directors on 8 July 2007.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### Basis of preparation

The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard No. 34, Interim Financial Reporting, and the Kuwait Stock Exchange instruction No. 2 of 1998. The condensed consolidated interim financial statements do 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 Government of Kuwait for financial services institutions regulated by the CBK. These regulations require adoption of all IFRS except for the IAS 39 requirement for collective impairment provision, which has been replaced by the CBK requirement for a minimum general provision as described below.

The impairment provision for finance facilities complies in all material respects with the provision requirements of the CBK and IFRS. In addition, in accordance with the CBK instructions, a minimum general provision of 1% for the cash facilities and 0.5% for the non-cash facilities, net of certain categories of collateral, to which CBK instructions are applicable and not subject to specific provision, is made. For further information, refer to the consolidated financial statements and notes thereto included in the Group's consolidated financial statements for the year ended 31 December 2006.

In the opinion of management, all adjustments considered necessary for a fair presentation have been included.

The operating results for the six month period ended 30 June 2007 are not necessarily indicative of the results that may be expected for the year ending 31 December 2007.

The condensed consolidated interim financial statements have been prepared using the same accounting policies and methods of computation as compared with the Group's most recent financial statements, except for changes resulting from amendments to IFRSs and the method of computation of general provision as required by CBK and mentioned above. The changes to the Group's accounting policies and their effect on the condensed consolidated interim financial statements are described below:

The Group has adopted all applicable revisions to IFRSs and new IFRSs that came into effect from 1 January 2007.

*IFRS 7 Financial Instruments: Disclosures* and the *Amendment to IAS 1 Presentation of Financial Statements: Capital Disclosures* require extensive disclosures about the significance of financial instruments for an entity's financial position and performance, qualitative and quantitative disclosures on the nature and extent of risks. IFRS 7 and amended IAS 1, which become mandatory for the Group's 2007 consolidated financial statements, will require extensive additional disclosures in the Group's full annual consolidated financial statements, with respect to Group's financial instruments and share capital.



## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Basis of consolidation

The condensed consolidated interim financial statements for the six-month period ended 30 June 2007 include the Bank and its subsidiary referred to in note (1) above.

The financial statements of the subsidiary are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Any intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the condensed consolidated interim financial statements.

The subsidiary's accounts were based on its management accounts for the six-month period ended 30 June 2007. The total subsidiary's assets, liabilities and net income included in these condensed consolidated interim financial statements amounted to KD 5,283 thousands, KD 29 thousand and KD 127 thousands respectively.

### Estimates

The preparation of condensed consolidated interim financial statements requires management to make judgments, 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. Except as described below, in preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2006.

During the six months ended 30 June 2007, management reassessed its estimate in respect of the general provision on finance facilities, based on revised requirements of the CBK. At 31 December 2006, 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, was made.

With effect from 1 January 2007, a minimum general provision of 1% for the cash facilities and 0.5% for the non-cash facilities, net of certain categories of collateral, to which CBK instructions are applicable and not subject to specific provision, is made.

## 3. INVESTMENT INCOME

	Three months ended 30 June		Six months ended 30 June	
	2007	2006	2007	2006
	KD'000	KD'000	KD'000	KD'000
Realized gain on money market funds	-	-	21	-
Unrealized gain on money market funds	230	136	476	511
Sukuk Coupon income	242	230	460	468
Income from investment properties	194	227	439	227
Gain from sale of available for sale investments	-	222	2	222
Gain from sale of associate	453	-	453	-
Dividend income	481	39	1,063	86
Unrealized gain from changes in fair value of investment properties	26	-	206	-
	<u>1,626</u>	<u>854</u>	<u>3,120</u>	<u>1,514</u>

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

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

For the period from 1 January 2007 to 30 June 2007



**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 30 June		Six months ended 30 June	
	2007	2006	2007	2006
	KD'000	KD'000	KD'000	KD'000
Profit for the period attributable to equity holders of the Bank	6,067	1,782	9,186	3,402
Weighted average number of shares outstanding (shares)	1,059,374,950	1,059,374,950	1,059,374,950	1,059,374,950
Earnings per share (fils)	5.7	1.7	8.7	3.2

The weighted average number of shares at 30 June 2006 and accordingly earnings per share for six and three months period ended 30 June 2006 have been adjusted to reflect the bonus issue during the period (note 14).

**5. SHORT TERM MURABAHA**

	30 June	(Audited) 31 December	30 June
	2007	2006	2006
	KD'000	KD'000	KD'000
Banks	233,505	232,153	104,702
Financial institutions	83,707	46,630	61,326
Other	2,898	-	-
Less: deferred profit	(486)	(517)	(952)
Less: provision for impairment	(1,330)	(922)	(1,207)
	318,294	277,344	163,869

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

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

For the period from 1 January 2007 to 30 June 2007



**6. RECEIVABLES**

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

	30 June 2007	(Audited) 31 December 2006	30 June 2006
	KD'000	KD'000	KD'000
Banks	15,420	11,096	9,026
Financial institutions	52,120	43,950	50,025
Individuals and companies	104,018	66,909	125,956
Less: deferred profit	(5,367)	(4,328)	(5,636)
Less: provision for impairment	(2,447)	(1,929)	(1,812)
	<u>163,744</u>	<u>115,698</u>	<u>177,559</u>

**7. AVAILABLE FOR SALE INVESTMENTS**

	30 June 2007	(Audited) 31 December 2006	30 June 2006
	KD'000	KD'000	KD'000
Investments in Sukuk	19,694	12,330	12,780
Investments in unquoted securities	13,100	10,018	7,998
Investments in unquoted funds	9,310	8,362	7,228
	<u>42,104</u>	<u>30,710</u>	<u>28,006</u>

It was not possible to reliably measure the fair value of certain available for sale investments of KD 7,025 thousand (31 December 2006: KD 14,463 thousand, 30 June 2006: KD 9,063 thousand) due to lack of reliable measure to determine the fair value of such investments. Accordingly, they are stated at cost (equivalent to the fair value as at 31 December 2006) less impairment losses, if any.

**8. INVESTMENTS IN ASSOCIATES**

	Country	Owner- ship%	30 June 2007	(Audited) 31 December 2006	30 June 2006
			KD'000	KD'000	KD'000
Bank Muamalat	Indonesia	21.28	5,665	5,526	5,104
Al Bilad Real Estate Co.	Kuwait	-	-	3,554	3,372
House of London & the Middle East PLC	United Kingdom	20	16,474	-	-
Indonesia Leasing Co.	Indonesia	33.3	1,110	-	-
			<u>23,249</u>	<u>9,080</u>	<u>8,476</u>

**BOUBYAN BANK K.S.C.**  
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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

For the period from 1 January 2007 to 30 June 2007



**8. INVESTMENTS IN ASSOCIATES (Continued)**

As at 31 December 2006, the investment in House of London and the Middle East plc ("HLME") was classified as an investment in unconsolidated subsidiary as the Group had 100% stake in HLME. During the current period, HLME has increased its share capital from GBP 2 million (equivalent to KD 1,133 thousands) to GBP 175 million (equivalent to KD 99,292 thousands), however the Group did not fully subscribe to this increase. As a result, the Group's interest in HLME was diluted to 20%. The Group maintains significant influence by representation in HLME's Board of Directors. The investment therefore is accounted as an investment in associate. The investment is stated at cost as the associate has not commenced operations as at the balance sheet date.

The Group's share in the operating results of Bank Muamalat was recognised based on management accounts as at 28 February 2007. The Group's investment in Indonesia Leasing Company is stated at cost, as the associate has not commenced operations at the balance sheet date.

During the quarter, the group has disposed of its 31.7% shareholding equity in Al Bilad Real Estate Company for a total consideration of KD 3,805 thousands and recognized a gain on sale from disposal of KD 453 thousands being the difference between the consideration received and the carrying amount of the investment.

**9. 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 comprised the following:

	30 June 2007	(Audited) 31 December 2006	30 June 2006
	KD'000	KD'000	KD'000
<b>Due from related parties:</b>			
Receivables and leased assets	18,113	7,528	1,391
<b>Due to related parties:</b>			
Due to banks and financial institutions	49,464	28,516	8,714
Depositors' accounts	1,231	3,082	10,009
<b>Transactions with related parties:</b>			
Fees and commission income	5,775	4,244	384
Letter of guarantee	236	66	46
Managed portfolios	170,229	111,051	70,693

**Compensation of key management personnel**

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

	Three months ended 30 June		Six months ended 30 June	
	2007	2006	2007	2006
	KD'000	KD'000	KD'000	KD'000
Short-term benefits	191	124	374	263
Post-employment benefits	29	55	47	118
	220	179	421	381

**BOUBYAN BANK K.S.C.**  
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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL  
STATEMENTS (UNAUDITED)

For the period from 1 January 2007 to 30 June 2007



**10. 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:

	30 June 2007	31 December 2006	30 June 2006
	KD'000	KD'000	KD'000
Guarantees	21,928	27,453	10,735
Acceptance and letters of credit	8,824	13,030	3,971
Investment commitments	4,607	31,303	8,080
Capital commitments (projects under construction)	836	670	1,247
Credit commitments	7,601	-	-
	<u>43,796</u>	<u>72,456</u>	<u>24,033</u>

**11. 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 Lease facilities for corporate and institutional customers.

*Investment:* Principally handling direct investments, Sukuk, 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.

**Six months ended 30 June 2007**

	<u>Retail banking</u>	<u>Corporate banking</u>	<u>Investment</u>	<u>Treasury</u>	<u>Unallocated items</u>	<u>Total</u>
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
Segment revenues	234	3,464	7,938	12,773	164	24,573
Segment expenses	<u>(2,612)</u>	<u>(826)</u>	<u>(317)</u>	<u>(7,850)</u>	<u>(3,727)</u>	<u>(15,332)</u>
Segment results	<u>(2,378)</u>	<u>2,638</u>	<u>7,621</u>	<u>4,923</u>	<u>(3,563)</u>	<u>9,241</u>
Segment assets	<u>4,268</u>	<u>114,740</u>	<u>72,757</u>	<u>467,390</u>	<u>4,979</u>	<u>664,134</u>
Segment liabilities	<u>168,195</u>	<u>537</u>	<u>29</u>	<u>351,420</u>	<u>13,969</u>	<u>534,150</u>

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

For the period from 1 January 2007 to 30 June 2007



**11. SEGMENT REPORTING (Continued)**

**Six months ended 30 June 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	11	1,088	1,484	9,322	238	12,143
Segment expenses	(1,271)	(531)	(302)	(3,902)	(2,735)	(8,741)
Segment results	(1,260)	557	1,182	5,420	(2,497)	3,402
Segment assets	593	31,459	65,294	350,479	4,562	452,387
Segment liabilities	91,713	-	10,568	236,062	2,911	341,254

**Three months ended 30 June 2007**

	<u>Retail banking</u>	<u>Corporate banking</u>	<u>Investment</u>	<u>Treasury</u>	<u>Unallocated items</u>	<u>Total</u>
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
Segment revenues	135	2,167	5,337	7,176	73	14,888
Segment expenses	(1,560)	(402)	(186)	(4,206)	(2,439)	(8,793)
Segment results	(1,425)	1,765	5,151	2,970	(2,366)	6,095

**Three months ended 30 June 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	3	644	981	4,960	176	6,764
Segment expenses	(795)	(404)	(170)	(1,899)	(1,714)	(4,982)
Segment results	(792)	240	811	3,061	(1,538)	1,782

**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 2006.

**13. FIDUCIARY ASSETS**

The aggregate value of assets held in a trust or fiduciary capacity by the Bank at 30 June 2007 amounted to KD 182,617 thousands, (31 December 2006: KD 118,511 thousands, 30 June 2006: 72,373 thousands).

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**14. DIVIDENDS**

The general assembly of the shareholders held on 7 April 2007 has approved bonus share dividend at 6% of share capital (2005 : Nil) for the shareholders registered in the Bank's records at the general assembly date.

**15. COMPARATIVE FIGURES**

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