

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



**INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
AND INDEPENDENT AUDITORS' REVIEW REPORT FOR THE PERIOD
FROM 1 JANUARY 2014 TO 30 JUNE 2014
(UNAUDITED)**

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

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

For the period from 1 January 2014 to 30 June 2014



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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF BOUBYAN BANK K.S.C.P.

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Boubyan Bank K.S.C.P. (the "Bank") and its subsidiaries (collectively "the Group") as at 30 June 2014, and the related interim condensed consolidated statement of profit or loss and interim condensed consolidated statement of other comprehensive income for the three months and six months periods then ended, and the interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six months period then ended. The management of the Bank is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the basis of presentation set out in Note 2. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

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

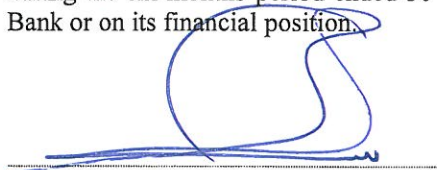
Conclusion

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


Report on other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Bank. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 25 of 2012, as amended, or of the Bank's Articles of Association and Memorandum of Incorporation, as amended, during the six months period ended 30 June 2014 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, to the best of our knowledge and belief, we have not become aware of any material violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations, during the six months period ended 30 June 2014 that might have had a material effect on the business of the Bank or on its financial position.



BADER A. AL-WAZZAN
LICENCE NO. 62A
DELOITTE & TOUCHE
AL-WAZZAN & CO.



WALEED A. AL OSAIMI
LICENCE NO. 68 A
EY
AL AIBAN, AL OSAIMI & PARTNERS

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT
OF PROFIT OR LOSS (UNAUDITED)**



For the period from 1 January 2014 to 30 June 2014

	Notes	Three months ended 30 June		Six months ended 30 June	
		2014	2013	2014	2013
		KD'000	KD'000	KD'000	KD'000
Income					
Murabaha and other Islamic financing income		20,636	17,008	39,458	33,701
Distribution to depositors		(3,502)	(1,982)	(6,322)	(3,991)
Murabaha cost		(464)	(408)	(971)	(872)
Net financing income		16,670	14,618	32,165	28,838
Net investment income/(loss)	3	1,102	(276)	1,488	(427)
Net fees and commission income		2,135	1,282	3,302	1,800
Share of results of associates		658	202	1,373	363
Net foreign exchange gain		306	293	586	482
Other income		3	-	175	-
Operating income		20,874	16,119	39,089	31,056
Staff costs		(5,164)	(4,754)	(10,548)	(9,776)
General and administrative expenses		(3,018)	(2,556)	(5,921)	(5,033)
Depreciation and amortization		(518)	(391)	(1,031)	(815)
Operating expenses		(8,700)	(7,701)	(17,500)	(15,624)
Operating profit before provision for impairment		12,174	8,418	21,589	15,432
Provision for impairment	4	(4,992)	(5,117)	(8,471)	(8,916)
Operating profit before deductions		7,182	3,301	13,118	6,516
Contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS")		(53)	(31)	(106)	(60)
National Labour Support Tax ("NLST")		(166)	(82)	(304)	(163)
Zakat		(67)	(32)	(122)	(65)
Net profit for the period		6,896	3,156	12,586	6,228
Attributable to:					
Equity holders of the Bank		6,886	3,168	12,571	6,262
Non-controlling interests		10	(12)	15	(34)
Net profit for the period		6,896	3,156	12,586	6,228
Basic and diluted earnings per share attributable to the equity holders of the Bank (fils)	5	3.51	1.61	6.40	3.19

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

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



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

For the period from 1 January 2014 to 30 June 2014

	Three months ended 30 June		Six months ended 30 June	
	2014	2013	2014	2013
	KD'000	KD'000	KD'000	KD'000
Net profit for the period	6,896	3,156	12,586	6,228
Other comprehensive income				
Other comprehensive income to be reclassified to interim condensed consolidated statement of profit or loss in subsequent periods:				
Change in fair value of available for sale investments	187	353	340	658
Foreign currency translation adjustments	148	(4)	1,845	64
Other comprehensive income for the period	335	349	2,185	722
Total comprehensive income for the period	7,231	3,505	14,771	6,950
Attributable to:				
Equity holders of the Bank	7,221	3,517	14,756	6,984
Non-controlling interests	10	(12)	15	(34)
Total comprehensive income for the period	7,231	3,505	14,771	6,950

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF
FINANCIAL POSITION (UNAUDITED)

As at 30 June 2014



		(Audited)	
	Notes	30 June 2014	31 December 2013
		KD'000	KD'000
		30 June 2013	30 June 2013
		KD'000	KD'000
Assets			
Cash and cash equivalents	6	344,244	205,622
Due from banks		197,727	298,871
Islamic financing to customers		1,653,521	1,478,701
Financial assets at fair value through profit or loss		11,392	5,866
Available for sale investments		78,764	63,044
Investments in associates		88,212	85,691
Investment properties		18,097	30,245
Other assets		16,080	13,994
Property and equipment		10,950	9,952
Total assets		2,418,987	2,191,986
Liabilities and equity			
Liabilities			
Due to banks		286,417	236,018
Depositors' accounts		1,812,812	1,657,398
Other liabilities		36,093	29,083
Total liabilities		2,135,322	1,922,499
Equity			
Share capital		196,500	183,645
Share premium		62,896	62,896
Proposed bonus shares		-	12,855
Treasury shares	7	(763)	(1,100)
Statutory reserve		3,306	3,306
Voluntary reserve		3,167	3,167
Share based payment reserve		664	860
Fair value reserve		3,197	2,857
Foreign currency translation reserve		(5,901)	(7,746)
Retained earnings		15,775	3,204
Equity attributable to equity holders of the Bank		278,841	263,944
Non-controlling interests		4,824	5,543
Total equity		283,665	269,487
Total liabilities and equity		2,418,987	2,034,022

Mahmoud Yousif Al-Fulaij
Chairman

Adel Abdul Wahab Al Majeed
Vice Chairman & Chief Executive Officer

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

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



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period from 1 January 2014 to 30 June 2014

	Share capital	Share premium	Proposed bonus shares	Treasury shares	Statutory reserve	Voluntary reserve	Share based payment reserve	Fair value reserve	Foreign currency translation reserve	Retained earnings	Equity attributable to equity holders of the Bank	Non-controlling interests	Total equity
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
Balance at 31 December 2013	183,645	62,896	12,855	(1,100)	3,306	3,167	860	2,857	(7,746)	3,204	263,944	5,543	269,487
Total comprehensive income for the period	-	-	-	-	-	-	-	340	1,845	12,571	14,756	15	14,771
Capital redemption of non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(734)	(734)
Share based payment	-	-	-	-	-	-	(196)	-	-	257	61	-	61
Issue of bonus shares (note 14)	12,855	-	(12,855)	-	-	-	-	-	-	-	-	-	-
Sale of treasury shares	-	-	-	337	-	-	-	-	-	(257)	80	-	80
Balance at 30 June 2014	196,500	62,896	-	(763)	3,306	3,167	664	3,197	(5,901)	15,775	278,841	4,824	283,665
Balance at 31 December 2012	174,824	62,896	8,741	(1,024)	1,891	1,813	537	3,421	(4,873)	5,424	253,650	2,514	256,164
Total comprehensive income for the period	-	-	-	-	-	-	-	658	64	6,262	6,984	(34)	6,950
Share based payment	-	-	-	-	-	-	188	-	-	-	188	-	188
Issue of bonus shares	8,745	-	(8,741)	-	-	-	-	-	-	(4)	-	-	-
Purchase of treasury shares	76	-	-	(76)	-	-	-	-	-	-	-	-	-
Balance at 30 June 2013	183,645	62,896	-	(1,100)	1,891	1,813	725	4,079	(4,809)	11,682	260,822	2,480	263,302

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF
CASH FLOWS (UNAUDITED)



For the period from 1 January 2014 to 30 June 2014

	Six months ended 30 June	
	2014	2013
	KD'000	KD'000
OPERATING ACTIVITIES		
Net profit for the period	12,586	6,228
Adjustments for:		
Provision for impairment	8,471	8,916
Depreciation and amortization	1,031	815
Foreign currency translation adjustments	(1,259)	831
(Gain) / loss on sale of investment	(324)	126
Unrealized loss from financial assets at fair value through profit or loss	240	1,862
Share of results of associates	(1,373)	(363)
Dividend income	(353)	(606)
Share based payment reserve	205	188
Operating profit before changes in operating assets and liabilities	19,224	17,997
Changes in operating assets and liabilities:		
Due from banks	101,144	(49,930)
Islamic financing to customers	(181,459)	(103,147)
Other assets	(2,086)	(1,449)
Due to banks	50,399	(30,789)
Depositors' accounts	155,414	165,093
Other liabilities	6,844	7,810
Dividend income received	353	606
Net cash generated from operating activities	149,833	6,191
INVESTING ACTIVITIES		
Purchase of financial assets at fair value through profit or loss	(8,060)	(666)
Proceeds from sale of financial assets at fair value through profit or loss	2,368	3,224
Purchase of available for sale investments	(22,850)	(1,451)
Proceeds from sale of available for sale investments	7,368	3,980
Purchase of investment properties	(1,434)	(8,353)
Proceeds from sale of investment properties	13,802	366
Purchase of property and equipment	(2,030)	(2,732)
Purchase of additional shares in associate	-	(553)
Dividend received from associate	359	286
Net cash used in investing activities	(10,477)	(5,899)
FINANCING ACTIVITIES		
Capital redemption of non-controlling interest	(734)	-
Net cash used in financing activities	(734)	-
Net increase in cash and cash equivalents	138,622	292
Cash and cash equivalents at beginning of the period	205,622	169,530
Cash and cash equivalents at end of the period	344,244	169,822

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

For the period from 1 January 2014 to 30 June 2014

1. INCORPORATION AND ACTIVITIES

Boubyan Bank K.S.C.P. (“the Bank”) is a Kuwaiti 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 the Kuwait Stock Exchange on 15 May 2006.

The Bank was licensed by the CBK 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.

On 31 July 2012 the Bank became a subsidiary of National Bank of Kuwait S.A.K.P. (“the Parent Company”).

This interim condensed consolidated financial information as at and for the six months period ended 30 June 2014 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 total number of employees in the Group was 996 employees as at 30 June 2014 (901 employees as at 31 December 2013 and 837 employees as at 30 June 2013).

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 8 July 2014.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 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 requirements for a minimum general provision.

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 2013 except for the adoption of the new and amended International Financial Reporting Standards that has become effective from 1 January 2014 and those which are applicable to the Group.

In the opinion of management, all adjustment consisting of normal recurring accruals considered necessary for a fair presentation have been included. The operating results for the six months period ended 30 June 2014 are not necessarily indicative of the results that may be expected for the year ending 31 December 2014.

2.2 New and amended standards

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments are effective for annual periods beginning on or after 1 January 2014 and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments are not relevant to the Group, as none of the entities in the Group qualify to be an investment entity under IFRS 10.

IAS 32: Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amendment)

These amendments are effective for annual periods beginning on or after 1 January 2014 and clarifies the meaning of “currently has a legally enforceable right to set-off” and the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments do not have any impact on the financial position or performance of the Group.

For the period from 1 January 2014 to 30 June 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 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. The 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 2013.

3. NET INVESTMENT INCOME/(LOSS)

	Three months ended 30 June		Six months ended 30 June	
	2014	2013	2014	2013
	KD'000	KD'000	KD'000	KD'000
Unrealized gain/(loss) from financial assets at fair value through profit or loss	31	(533)	(240)	(1,862)
(Loss) / gain on sale of investments	(64)	(347)	53	(126)
Sukuk coupon income	373	400	734	793
Income from investment properties	409	80	588	162
Dividend income	353	124	353	606
Net investment income / (loss)	1,102	(276)	1,488	(427)

4. PROVISION FOR IMPAIRMENT

	Three months ended 30 June		Six months ended 30 June	
	2014	2013	2014	2013
	KD'000	KD'000	KD'000	KD'000
Provision for impairment for Islamic financing to customers	3,222	4,769	6,674	8,501
Provision for impairment of non-cash facilities	43	48	70	115
	3,265	4,817	6,744	8,616
Provision for impairment of investments	1,727	300	1,727	300
	4,992	5,117	8,471	8,916

For the period from 1 January 2014 to 30 June 2014

5. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for the period attributable to the equity holders of the Bank by the weighted average number of shares outstanding during the period.

Diluted earnings per share is calculated by dividing the net profit for the period attributable to the equity holders of the Bank by the weighted average number of shares outstanding during the period plus the weighted average number of share that would be issued on the conversion of all the dilutive potential shares into shares. The diluted earnings per share arising from the issue of employee share option does not result in any change to the reported basic earnings per share.

	Three months ended 30 June		Six months ended 30 June	
	2014	2013	2014	2013
Net profit for the period attributable to the equity holders of the Bank (KD'000)	6,886	3,168	12,571	6,262
Weighted average number of shares outstanding during the period net of treasury shares (thousands of shares)	1,963,071	1,962,216	1,962,766	1,962,249
Basic and diluted earnings per share attributable to the equity holders of the Bank (fils)	3.51	1.61	6.40	3.19

Earnings per share for the three months and six months prior period was 1.73 fils and 3.41 fils respectively, before retroactive adjustment to the number of shares following the bonus issue (note 14).

6. CASH AND CASH EQUIVALENTS

	30 June	(Audited)	30 June
	2014	31 December	2013
	KD'000	KD'000	KD'000
Cash on hand	38,497	19,846	17,605
Balances with CBK – current account	-	682	5
Balances with banks – current accounts	5,749	7,674	7,266
Placements with banks maturing within seven days	299,998	177,420	144,946
	344,244	205,622	169,822

7. TREASURY SHARES

The bank held the following treasury shares:

	30 June	(Audited)	30 June
	2014	31 December	2013
Number of treasury shares	1,930,589	2,603,669	2,603,669
Treasury shares as a percentage of total issued shares- %	0.098%	0.142%	0.142%
Cost of treasury shares – KD thousand	763	1,100	1,100
Market value of treasury shares – KD thousand	985	1,458	1,614

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

For the period from 1 January 2014 to 30 June 2014

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 and the parent company including their board member, key management personnel, branches, associates and subsidiaries. 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:

	Number of board members or executive officers		Number of related parties		(Audited)		KD'000	KD'000	KD'000
	30 June 2014	31 December 2013	30 June 2014	31 December 2013	30 June 2014	31 December 2013			
Islamic financing to customers	8	7	3	2	4,373	5,745	6,418		
Depositors' accounts	12	11	8	9	36,813	29,465	35,798		
Letters of guarantee and letters of credit	2	1	-	-	323	18	18		
Revenues					53	202	141		
Expenses					(9)	(173)	(139)		
Parent Company									
Due from banks					90,850	92,401	89,944		
Due to banks					72,243	87,612	36,616		
Revenues					222	279	73		
Expenses					(157)	(150)	(65)		

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

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



For the period from 1 January 2014 to 30 June 2014

8. RELATED PARTY TRANSACTIONS (CONTINUED)

Compensation of key management personnel

Details of compensations for key management comprise the following:

	Three months ended 30 June		Six months ended 30 June	
	2014	2013	2014	2013
	KD'000	KD'000	KD'000	KD'000
Short-term benefits	444	324	844	709
Post-employment benefits	82	59	150	178
Share based compensation	72	18	141	35
	<u>598</u>	<u>401</u>	<u>1,135</u>	<u>922</u>

9. CONTINGENCIES AND COMMITMENTS

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

	30 June	(Audited) 31 December	30 June
	2014	2013	2013
	KD'000	KD'000	KD'000
Guarantees	170,937	166,952	159,693
Acceptances and letters of credit	43,808	26,872	56,957
Capital commitments (projects under construction)	1,134	411	2,484
	<u>215,879</u>	<u>194,235</u>	<u>219,134</u>

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 customers. 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, investment in associates, local and international real estate investment and asset management.

Treasury: Principally handling local and international Murabaha and other Islamic financing, primarily with banks, 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.P. AND SUBSIDIARIES
STATE OF KUWAIT**

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



For the period from 1 January 2014 to 30 June 2014

10. SEGMENT REPORTING (CONTINUED)

	Consumer banking	Corporate banking	Investment banking	Treasury	Group centre	Total
Six months ended 30 June 2014	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
Net financing income/(loss)	17,013	11,861	(644)	3,292	643	32,165
Operating income	18,010	14,552	3,768	3,869	(1,110)	39,089
Net profit/ (loss) for the period	9,312	7,949	(111)	3,686	(8,250)	12,586
Total assets	688,891	1,085,436	153,283	489,900	1,477	2,418,987
Total liabilities	728,058	174,848	19,359	1,204,312	8,745	2,135,322

	Consumer banking	Corporate banking	Investment banking	Treasury	Group centre	Total
Six months ended 30 June 2013	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
Net financing income/(loss)	14,658	11,413	(1,913)	4,708	(28)	28,838
Operating income	14,812	13,608	(1,035)	5,162	(1,491)	31,056
Net profit/ (loss) for the period	6,980	5,831	(2,686)	4,950	(8,847)	6,228
Total assets	503,233	940,745	163,263	446,265	(19,484)	2,034,022
Total liabilities	601,352	161,241	5,032	982,719	20,376	1,770,720

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 2013.

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in orderly transactions between market participants at the measurement date. Fair values are obtained from quoted market prices, discounted cash flow models and other models as appropriate.

Fair value hierarchy

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: input other than quoted prices included within Level 1 that are observable, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs that are not based on observable market data (unobservable inputs).

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

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



For the period from 1 January 2014 to 30 June 2014

12. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

	Level 1	Level 2	Total
	KD'000	KD'000	KD'000
30 June 2014			
Financial assets at fair value through profit or loss	-	11,392	11,392
Available for sale investments	<u>25,935</u>	<u>52,829</u>	<u>78,764</u>
	<u>25,935</u>	<u>64,221</u>	<u>90,156</u>
	Level 1	Level 2	Total
	KD'000	KD'000	KD'000
31 December 2013 (Audited)			
Financial assets at fair value through profit or loss	-	5,866	5,866
Available for sale investments	<u>30,684</u>	<u>32,360</u>	<u>63,044</u>
	<u>30,684</u>	<u>38,226</u>	<u>68,910</u>
	Level 1	Level 2	Total
	KD'000	KD'000	KD'000
30 June 2013			
Financial assets at fair value through profit or loss	1,026	44,569	45,595
Available for sale investments	<u>34,900</u>	<u>63,462</u>	<u>98,362</u>
	<u>35,926</u>	<u>108,031</u>	<u>143,957</u>

13. FIDUCIARY ASSETS

The aggregate value of assets held in a trust or fiduciary capacity by the Group at 30 June 2014 amounted to **KD 82,298 thousand** (31 December 2013: KD 78,905 thousand and 30 June 2013: KD 82,557 thousand).

14. ANNUAL GENERAL ASSEMBLY MEETING

The shareholders' annual general assembly held on 12 March 2014 approved the audited consolidated financial statements of the Bank for the year ended 31 December 2013 and the distribution of 7% bonus shares to the shareholders on record at the date of regulatory approval for distribution of bonus shares.