

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



**INTERIM CONDENSED FINANCIAL STATEMENTS
AND INDEPENDENT REVIEW REPORT FOR THE PERIOD
FROM 1 JANUARY 2006 TO 30 SEPTEMBER 2006
(UNAUDITED)**

For the period from 1 January 2006 to 30 September 2006

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

We have reviewed the accompanying condensed balance sheet of Boubyan Bank K.S.C. ("the Bank") as at 30 September 2006 and the related condensed statements of income, changes in equity and cash flows for the nine-month period then ended. These interim condensed financial statements are the responsibility of the bank's management. Our responsibility is to issue a report on these interim condensed financial statements based on our review.

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


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

Furthermore, based on our review, the interim condensed financial statements are in agreement with the books of the bank. Nothing has come to our attention indicating any violation of the Commercial Companies Law of 1960, as amended, or the articles of association of the Bank during the nine-month period ended 30 September 2006 that might have had a material effect on the business of the Bank or on its financial position.

We further report that, during the course of our review, we have not become aware of any material violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organization of banking business, and its related regulations during the nine-month period ended 30 September 2006.



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Member firm of KPMG International

10 October 2006
Kuwait

BOUBYAN BANK K.S.C.
STATE OF KUWAIT

CONDENSED INCOME STATEMENT (UNAUDITED)



For the period from 1 January 2006 to 30 September 2006

		Three months ended 30 September 2006	Three months ended 30 September 2005	Nine months ended 30 September 2006	From date of incorporation 21 September 2004 to 30 September 2005
	Notes	KD'000	KD'000	KD'000	KD'000
Income					
Murabahat and other Islamic financing income, net		5,214	1,731	13,259	5,908
Investment income	3	1,016	783	3,031	1,017
Fees and commissions income, net		551	875	2,348	989
Other income		18	-	303	-
		<u>6,799</u>	<u>3,389</u>	<u>18,941</u>	<u>7,914</u>
Expenses					
Staff costs		(1,161)	(807)	(4,399)	(1,552)
General and administrative expenses		(626)	(380)	(1,920)	(1,088)
Depreciation		(132)	(39)	(222)	(65)
Provision for impairment - general		(268)	-	(1,800)	(30)
		<u>(2,187)</u>	<u>(1,226)</u>	<u>(8,341)</u>	<u>(2,735)</u>
Profit before distribution to depositors		4,612	2,163	10,600	5,179
Distribution to depositors	4	(2,692)	-	(5,168)	-
Profit for the period before provision for Kuwait Foundation for the Advancement of Sciences ("KFAS") and National Labour Support Tax ("NLST")		1,920	2,163	5,432	5,179
Provision for contribution to KFAS		(17)	(22)	(49)	(52)
Provision for NLST		(43)	-	(121)	-
Profit for the period		1,860	2,141	5,262	5,127
Earnings per share (fils)	5	1.9	2.1	5.3	5.1

The notes set out on pages 6 to 12 form an integral part of these interim condensed financial statements.

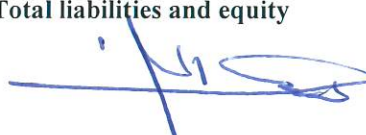
**BOUBYAN BANK K.S.C.
STATE OF KUWAIT**



CONDENSED BALANCE SHEET (UNAUDITED)

As at 30 September 2006

		(Audited)	
	30 September 2006	31 December 2005	30 September 2005
	Notes	KD'000	KD'000
Assets			
Cash and short term funds		18,153	27,974
Short term Murabaha	6	271,972	168,212
Receivables, net	7	84,138	58,192
Leased assets		6,820	1,794
Available for sale investments	8	26,551	26,237
Investment in associates		8,706	8,263
Investment in unconsolidated subsidiaries	9	3,911	-
Trading properties		2,885	3,206
Investment properties		24,636	-
Other assets		16,803	32,356
Property and equipment, net		3,582	2,236
Total assets		468,157	328,470
Liabilities and equity			
Liabilities			
Due to banks and financial institutions		220,601	108,139
Depositors' accounts		120,577	91,233
Other liabilities		13,845	22,181
Total liabilities		355,023	221,553
Equity			
Share capital		99,941	99,941
Share premium		280	280
Statutory reserve		701	701
Voluntary reserve		701	701
Fair value reserve		903	-
Foreign currency adjustments		(106)	(158)
Retained earnings		10,714	5,452
Total equity		113,134	106,917
Total liabilities and equity		468,157	328,470


Yacob Y. Al-Muzaini
Chairman and Managing Director

The notes set out on pages 6 to 12 form an integral part of these interim condensed financial statements.

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

CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period from 1 January 2006 to 30 September 2006



	Share capital	Share premium	Statutory reserve	Voluntary reserve	Fair value reserve	Foreign currency adjustments	Retained earnings	Total
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
Balance at 31 December 2005	99,941	280	701	701	-	(158)	5,452	106,917
Unrealized gain on available for sale investments	-	-	-	-	903	-	-	903
Foreign currency translation adjustments	-	-	-	-	-	52	-	52
Net gain recognized directly in equity	-	-	-	-	903	52	-	955
Profit for the period	-	-	-	-	-	-	5,262	5,262
Total recognized income and expense for the period	-	-	-	-	903	52	5,262	6,217
Balance at 30 September 2006	99,941	280	701	701	903	(106)	10,714	113,134
Issue of share capital	100,000	280	-	-	-	-	-	100,280
Fraction shares not issued	(59)	-	-	-	-	-	-	(59)
Total share capital	99,941	280	-	-	-	-	-	100,221
Profit for the period	-	-	-	-	-	-	5,127	5,127
Balance at 30 September 2005	99,941	280	-	-	-	-	5,127	105,348

The notes set out on pages 6 to 12 form an integral part of these interim condensed financial statements.

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

CONDENSED CASH FLOW STATEMENT (UNAUDITED)

For the period from 1 January 2006 to 30 September 2006



	Nine months ended 30 September 2006	From date of incorporation 21 September 2004 to 30 September 2005
	KD'000	KD'000
OPERATING ACTIVITIES		
Profit for the period before provision for contribution to KFAS and NLST	5,432	5,179
Adjustments for:		
Provision for impairment	1,800	30
Depreciation	222	65
Gain from sale of available for sale investments	(236)	(516)
Share of results of associates	(725)	-
	<u>6,493</u>	<u>4,758</u>
Increase in short term Murabaha	(104,813)	(126,009)
Increase in receivables	(26,138)	(48,120)
Increase in leased assets	(5,026)	-
Decrease / (increase) in other assets	15,553	(1,705)
Increase in due to banks and financial institutions	112,462	83,780
Increase in depositors' accounts	29,344	25,818
(Decrease) / increase in other liabilities	(9,061)	307
Net cash from / (used in) operating activities	<u>18,814</u>	<u>(61,171)</u>
INVESTING ACTIVITIES		
Purchase of available for sale investments	(11,201)	(27,872)
Proceeds from sale of available for sale investments	12,177	1,018
Purchase of investment in associates	-	(4,304)
Dividends from associates	504	-
Purchase of investment property	(24,636)	-
Purchase of property and equipment	(1,568)	(429)
Purchase of investments in unconsolidated subsidiary	(3,911)	-
Net cash used in investing activities	<u>(28,635)</u>	<u>(31,587)</u>
FINANCING ACTIVITIES		
Issue of share capital	-	100,221
Net cash from financing activities	<u>-</u>	<u>100,221</u>
Net (decrease) / increase in cash and short term funds	<u>(9,821)</u>	<u>7,463</u>
Cash and short term funds at the beginning of the period	27,974	-
Cash and short term funds at the end of the period	<u>18,153</u>	<u>7,463</u>

The notes set out on pages 6 to 12 form an integral part of these interim condensed financial statements.

For the period from 1 January 2006 to 30 September 2006

1. INCORPORATION AND ACTIVITIES

Boubyan Bank K.S.C. ("The Bank") is a public shareholding company incorporated on 21 September 2004, in accordance with the Commercial Companies Law in the State of Kuwait, by Amiri Decree No. 88 and in accordance with the rules and regulations of the Central Bank of Kuwait ("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 Central Bank of Kuwait on 28 November 2004. The Bank is principally engaged in providing banking services, in accordance with Codes of the Islamic Sharia'a, as approved by the Bank's Sharia'a Supervisory Board.

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

These interim condensed financial statements were authorised for issue by the Board of Directors on 10 October 2006.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The interim condensed 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 interim condensed financial statements do not include all the information and notes required for complete 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 Central Bank of Kuwait. These regulations require adoption of all International Financial Reporting Standards (IFRS) except for the IAS 39 requirement for collective impairment provision, which has been replaced by the CBK requirement for a minimum general provision as described below.

The impairment provision for finance facilities complies in all material respects with the specific provision requirements of the CBK and IFRS. In addition, in accordance with the CBK instructions, a minimum general provision of 2% on all finance facilities net of certain categories of collateral, to which CBK instructions are applicable and not subject to specific provision, is made. For further information, refer to the financial statements and notes thereto included in the Bank's financial statements for the period from date of incorporation on 21 September 2004 to 31 December 2005.

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

The preparation of the interim condensed 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.

The operating results for the nine-months period ended 30 September 2006 are not necessarily indicative of the results that may be expected for the year ending 31 December 2006.

The interim condensed financial statements have been prepared using the same accounting policies and methods of computation as compared with the Bank's most recent audited financial statements.

The interim condensed financial statements for the period from date of incorporation on 21 September 2004 to 30 September 2005 were neither audited nor reviewed.

Trading properties

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

For the period from 1 January 2006 to 30 September 2006

12. SEGMENT REPORTING

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

Retail banking: Principally handling the deposits of individual customers and small businesses, and providing consumer and commercial type Murabaha, Ijara and Islamic covered cards facilities.

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

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

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

Nine months ended 30 September 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	429	1,879	2,021	14,554	58	18,941
Segment expenses	(2,692)	(736)	(398)	(6,351)	(3,332)	(13,509)
Segment results	(2,263)	1,143	1,623	8,203	(3,274)	5,432
Segment assets	2,496	42,256	71,927	347,728	3,750	468,157
Segment liabilities	54,155	-	10,600	288,661	1,607	355,023

From date of incorporation 21 September 2004 to 30 September 2005

	<u>Retail banking</u>	<u>Corporate banking</u>	<u>Investment</u>	<u>Treasury</u>	<u>Unallocated items</u>	<u>Total</u>
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
Segment revenues	-	193	1,378	6,343	-	7,914
Segment expenses	(229)	(196)	(203)	(438)	(1,669)	(2,735)
Segment results	(229)	(3)	1,175	5,905	(1,669)	5,179
Segment assets	-	14,758	31,671	167,352	1,524	215,305
Segment liabilities	-	-	-	83,780	26,177	109,957

Three months ended 30 September 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	418	791	537	5,232	(179)	6,799
Segment expenses	(1,421)	(205)	(96)	(2,449)	(708)	(4,879)
Segment results	(1,003)	586	441	2,783	(887)	1,920

For the period from 1 January 2006 to 30 September 2006

12. SEGMENT REPORTING (CONTINUED)

Three months ended 30 September 2005

	<u>Retail banking</u>	<u>Corporate banking</u>	<u>Investment</u>	<u>Treasury</u>	<u>Unallocated items</u>	<u>Total</u>
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
Segment revenues	-	189	1,351	1,849	-	3,389
Segment expenses	<u>(202)</u>	<u>(78)</u>	<u>(88)</u>	<u>(210)</u>	<u>(648)</u>	<u>(1,226)</u>
Segment results	<u>(202)</u>	<u>111</u>	<u>1,263</u>	<u>1,639</u>	<u>(648)</u>	<u>2,163</u>

13. FIDUCIARY ASSETS

The aggregate value of assets held in a trust or fiduciary capacity by the Bank at 30 September 2006 amounted to KD 97,781,176 (31 December 2005: KD 26,867,682, 30 September 2005: Nil).

14. COMPARATIVE FIGURES

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