

**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 2013 TO 30 JUNE 2013
(UNAUDITED)**

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

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

For the period from 1 January 2013 to 30 June 2013



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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Boubyan Bank K.S.C. (the "Bank") and its subsidiaries (collectively "the Group") as at 30 June 2013, and the related interim condensed consolidated statement of profit or loss, interim condensed consolidated statement of profit or loss and other comprehensive income for the three months and six months periods then ended, and 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.

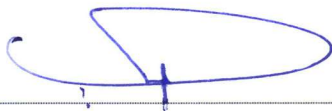
Conclusion

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.

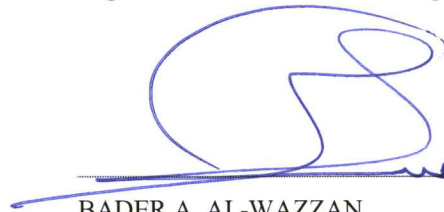
Report on other Legal and Regulatory Requirements

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 material violations of the Companies Law No. 25 of 2012, as amended, or of the Articles of Association and Memorandum of Incorporation of the Bank during the six months period ended 30 June 2013 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 2013.



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



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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT
OF PROFIT OR LOSS (UNAUDITED)

For the period from 1 January 2013 to 30 June 2013



| | Notes | Three months ended 30 June | | Six months ended 30 June | |
|---------------------------------------------------------------------------------------------------|-------|----------------------------|----------------|--------------------------|-----------------|
| | | 2013 | 2012 | 2013 | 2012 |
| | | KD'000 | KD'000 | KD'000 | KD'000 |
| Income | | | | | |
| Murabaha and other Islamic financing income | | 17,008 | 15,658 | 33,701 | 30,759 |
| Distribution to depositors | | (1,982) | (2,653) | (3,991) | (5,457) |
| Murabaha cost | | (408) | (503) | (872) | (1,018) |
| Net financing income | | 14,618 | 12,502 | 28,838 | 24,284 |
| Net investment (loss)/income | 3 | (276) | 802 | (427) | 1,302 |
| Net fees and commission income | | 1,282 | 1,054 | 1,800 | 1,948 |
| Share of results of associates | | 202 | 465 | 363 | 1,378 |
| Net foreign exchange gain | | 293 | 207 | 482 | 421 |
| Operating income | | 16,119 | 15,030 | 31,056 | 29,333 |
| Staff costs | | (4,754) | (4,227) | (9,776) | (8,531) |
| General and administrative expenses | | (2,556) | (2,413) | (5,033) | (4,480) |
| Depreciation and amortization | | (391) | (408) | (815) | (833) |
| Operating expenses | | (7,701) | (7,048) | (15,624) | (13,844) |
| Operating profit before provision for impairment | | 8,418 | 7,982 | 15,432 | 15,489 |
| Provision for impairment | 4 | (5,117) | (5,484) | (8,916) | (10,548) |
| Operating profit before deductions | | 3,301 | 2,498 | 6,516 | 4,941 |
| Contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS") | | (31) | (26) | (60) | (49) |
| National Labour Support Tax ("NLST") | | (82) | (33) | (163) | (102) |
| Zakat | | (32) | (11) | (65) | (39) |
| Net profit for the period | | 3,156 | 2,428 | 6,228 | 4,751 |
| Attributable to: | | | | | |
| Equity holders of the Bank | | 3,168 | 2,731 | 6,262 | 5,208 |
| Non-controlling interests | | (12) | (303) | (34) | (457) |
| Net profit for the period | | 3,156 | 2,428 | 6,228 | 4,751 |
| Basic and diluted earnings per share attributable to the equity holders of the Bank (fils) | 5 | 1.73 | 1.49 | 3.41 | 2.84 |

The notes from 1 to 17 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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the period from 1 January 2013 to 30 June 2013



| | Three months ended 30 June | | Six months ended 30 June | |
|--------------------------------------------------------|----------------------------|--------|--------------------------|--------|
| | 2013 | 2012 | 2013 | 2012 |
| | KD'000 | KD'000 | KD'000 | KD'000 |
| Net profit for the period | 3,156 | 2,428 | 6,228 | 4,751 |
| Other comprehensive income | | | | |
| Change in fair value of available for sale investments | 353 | (359) | 658 | (82) |
| Foreign currency translation adjustments | (4) | 748 | 64 | 173 |
| Other comprehensive income for the period | 349 | 389 | 722 | 91 |
| Total comprehensive income for the period | 3,505 | 2,817 | 6,950 | 4,842 |
| Attributable to: | | | | |
| Equity holders of the Bank | 3,517 | 3,120 | 6,984 | 5,299 |
| Non-controlling interests | (12) | (303) | (34) | (457) |
| Total comprehensive income for the period | 3,505 | 2,817 | 6,950 | 4,842 |

The notes from 1 to 17 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 June 2013



| | | (Audited) | |
|----------------------------------------------------------|-----------------|---------------------|------------------|
| | 30 June 2013 | 31 December 2012 | 30 June 2012 |
| | KD'000 | KD'000 | KD'000 |
| Assets | | | |
| Cash and cash equivalents | 6 | 169,822 | 169,530 |
| Due from banks | | 301,555 | 251,625 |
| Islamic financing to customers | | 1,364,660 | 1,270,014 |
| Financial assets at fair value through profit or loss | | 45,595 | 51,293 |
| Available for sale investments | | 98,362 | 99,929 |
| Investments in associates | 7 | 9,777 | 9,082 |
| Investment properties | | 25,606 | 17,904 |
| Other assets | | 9,365 | 7,916 |
| Property and equipment | | 9,280 | 7,363 |
| Total assets | | 2,034,022 | 1,884,656 |
| Liabilities and equity | | | |
| Liabilities | | | |
| Due to banks | | 176,344 | 207,133 |
| Depositors' accounts | | 1,562,055 | 1,396,962 |
| Other liabilities | | 32,321 | 24,397 |
| Total liabilities | | 1,770,720 | 1,628,492 |
| Equity | | | |
| Share capital | | 183,645 | 174,824 |
| Share premium | | 62,896 | 62,896 |
| Proposed bonus shares | | - | 8,741 |
| Treasury shares | 8 | (1,100) | (1,024) |
| Statutory reserve | | 1,891 | 1,891 |
| Voluntary reserve | | 1,813 | 1,813 |
| Share based payment reserve | 9 | 725 | 537 |
| Fair value reserve | | 4,079 | 3,421 |
| Foreign currency translation reserve | | (4,809) | (4,873) |
| Retained earnings | | 11,682 | 5,424 |
| Equity attributable to equity holders of the Bank | | 260,822 | 253,650 |
| Non-controlling interests | | 2,480 | 2,514 |
| Total equity | | 263,302 | 256,164 |
| Total liabilities and equity | | 2,034,022 | 1,884,656 |


 Mahmoud Yousif Al-Fulaij
 Chairman


 Adel Abdul Wahab Al Majed
 Vice Chairman & Chief Executive Officer

The notes from 1 to 17 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 2013 to 30 June 2013

| | 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 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/(loss) for the period | - | - | - | - | - | - | - | 658 | 64 | 6,262 | 6,984 | (34) | 6,950 |
| Share based payment (note 9) | - | - | - | - | - | - | 188 | - | - | - | 188 | - | 188 |
| Issuing the bonus shares (note 16) | 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 |
| Balance at 31 December 2011 | 174,824 | 62,896 | - | (1,024) | 842 | 802 | 253 | 1,635 | (2,364) | 6,381 | 244,245 | 2,923 | 247,168 |
| Total comprehensive (loss) /income for the period | - | - | - | - | - | - | - | (82) | 173 | 5,208 | 5,299 | (457) | 4,842 |
| Share based payment (note 9) | - | - | - | - | - | - | 193 | - | - | - | - | - | 193 |
| Acquisition of non-controlling interests | - | - | - | - | - | - | - | - | - | (206) | (206) | (888) | (1,094) |
| Net movement in non-controlling interests | - | - | - | - | - | - | - | - | - | - | - | 994 | 994 |
| Balance at 30 June 2012 | 174,824 | 62,896 | - | (1,024) | 842 | 802 | 446 | 1,553 | (2,191) | 11,383 | 249,531 | 2,572 | 252,103 |

The notes from 1 to 17 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 2013 to 30 June 2013

| | Six months ended 30 June | |
|-----------------------------------------------------------------------------|--------------------------|----------------|
| | 2013 | 2012 |
| | KD'000 | KD'000 |
| OPERATING ACTIVITIES | | |
| Net profit for the period | 6,228 | 4,751 |
| Adjustments for: | | |
| Provision for impairment of credit facilities | 8,616 | 8,051 |
| Depreciation and amortization | 815 | 833 |
| Foreign currency translation adjustments | 831 | (573) |
| Impairment loss on available for sale investments | 300 | 2,497 |
| Loss / (gain) on sale of investment | 126 | (59) |
| Unrealized loss from financial assets at fair value through profit or loss | 1,862 | 17,105 |
| Share of results of associates | (363) | (1,378) |
| Dividend income | (606) | (346) |
| Profit on interest retained subsequent to loss of significant influence | - | (18,087) |
| Realized profit from partial disposal of associate | - | (5,703) |
| Realized loss from sale of investment properties | - | 6,727 |
| Share based payment reserve | 188 | 193 |
| Operating profit before changes in operating assets and liabilities | 17,997 | 14,011 |
| Changes in operating assets and liabilities: | | |
| Due from banks | (49,930) | (5,794) |
| Islamic financing to customers | (103,147) | (131,349) |
| Other assets | (1,449) | (15,386) |
| Due to banks | (30,789) | 62,304 |
| Depositors' accounts | 165,093 | 98,906 |
| Other liabilities | 7,810 | 17,831 |
| Dividend income received | 606 | 346 |
| Net cash generated from operating activities | 6,191 | 40,869 |
| INVESTING ACTIVITIES | | |
| Purchase of financial assets at fair value through profit or loss | (666) | (950) |
| Proceeds from sale of financial assets at fair value through profit or loss | 3,224 | 1,696 |
| Purchase of available for sale investments | (1,451) | (2,734) |
| Proceeds from sale of available for sale investments | 3,980 | 538 |
| Purchase of investment properties | (8,353) | (1,271) |
| Proceeds from sale of investment properties | 366 | - |
| Proceeds from investment in associates | - | 9,638 |
| Purchase of property and equipment | (2,732) | (809) |
| Purchase of additional shares in associate | (553) | - |
| Dividend received from associate | 286 | - |
| Acquisition of non-controlling interests | - | (1,094) |
| Net cash (used in) /generated from investing activities | (5,899) | 5,014 |
| FINANCING ACTIVITIES | | |
| Net movement in non-controlling interests | - | 994 |
| Net cash generated from financing activities | - | 994 |
| Net increase in cash and cash equivalents | 292 | 46,877 |
| Cash and cash equivalents at beginning of the period | 169,530 | 191,957 |
| Cash and cash equivalents at end of the period | 169,822 | 238,834 |

The notes from 1 to 17 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 2013 to 30 June 2013



1. INCORPORATION AND ACTIVITIES

Boubyan Bank K.S.C. ("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.

The Companies Law issued on 26 November 2012 by Decree Law No. 25 of 2012 (the "Companies Law"), which was published in the Official Gazette on 29 November 2012, cancelled the Commercial Companies Law No 15 of 1960. The Companies Law was subsequently amended on 27 March 2013 by Decree Law no. 97 of 2013 (the Decree). According to the article 2 and 3 of the Decree, Executive Regulations which shall be issued by the Ministry of Industry and Commerce by 26 September 2013 will determine the basis and rules which the Bank shall adopt to regularise its affairs with the Companies Law as amended.

On 31 July 2012 the Bank became a subsidiary of National Bank of Kuwait SAK ("the Parent Company").

This interim condensed consolidated financial information as at and for the six months period ended 30 June 2013 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 **837** employees as at 30 June 2013 (807 employees as at 31 December 2012, 783 employees as at 30 June 2012).

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 2013.

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 2012 except for the adoption of the new and amended International Financial Reporting Standards that has become effective from 1 January 2013 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 2013 are not necessarily indicative of the results that may be expected for the year ending 31 December 2013.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 New and amended standards

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the consolidation guidance in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e., whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in special purpose entities). Under IFRS 10, control is based on whether an investor has 1) power over the investee; 2) exposure or rights, to variable returns from its involvement with the investee; and 3) the ability to use its power over the investee to affect the amount of the returns. The adoption of this standard has not resulted in any significant impact on the financial position or performance of the Group.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 requires enhanced disclosures about both consolidated entities and unconsolidated entities in which an entity has involvement. The objective of IFRS 12 is to require information so that financial statement users may evaluate the basis of control, any restrictions on consolidated assets and liabilities, risk exposures arising from involvements with unconsolidated structured entities and non-controlling interest holders' involvement in the activities of consolidated entities.

The adoption of this standard has not resulted in any material additional disclosures. The Group will review before the year end and may disclose any additional disclosure in the annual consolidated financial statements of the Group.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosure. Some of these disclosures are specifically required for financial instruments by IAS 34. 16A(j), thereby affecting the interim condensed consolidated financial information period. The Group has provided these disclosures in Note 14.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2013 did not have any material impact on the accounting policies, financial position or performance of the Group.

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 2012.

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 2013 to 30 June 2013



3. NET INVESTMENT (LOSS) / INCOME

| | Three months ended 30 June | | Six months ended 30 June | |
|----------------------------------------------------------------------------------|----------------------------|------------|--------------------------|--------------|
| | 2013 | 2012 | 2013 | 2012 |
| | KD'000 | KD'000 | KD'000 | KD'000 |
| Unrealized loss from financial assets at fair value through profit or loss | (533) | (17,130) | (1,862) | (17,105) |
| (Loss) / gain on sale of investments | (347) | 40 | (126) | 91 |
| Realized gain from partial disposal of associate | - | 5,703 | - | 5,703 |
| Unrealized gain on interest retained subsequent to loss of significant influence | - | 18,087 | - | 18,087 |
| Sukuk coupon income | 400 | 432 | 793 | 858 |
| Income / (loss) from investment properties | 80 | (6,666) | 162 | (6,678) |
| Dividend income | 124 | 336 | 606 | 346 |
| Net investment (loss) / income | (276) | 802 | (427) | 1,302 |

4. PROVISION FOR IMPAIRMENT

| | Three months ended 30 June | | Six months ended 30 June | |
|-------------------------------------------------------------|----------------------------|--------------|--------------------------|---------------|
| | 2013 | 2012 | 2013 | 2012 |
| | KD'000 | KD'000 | KD'000 | KD'000 |
| Provision for impairment of due from banks | - | 1,137 | - | 2,807 |
| Provision for impairment for Islamic financing to customers | 4,769 | 4,108 | 8,501 | 5,066 |
| Provision for impairment of non-cash facilities | 48 | 132 | 115 | 178 |
| | 4,817 | 5,377 | 8,616 | 8,051 |
| Provision for impairment of investments | 300 | 107 | 300 | 2,497 |
| | 5,117 | 5,484 | 8,916 | 10,548 |

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 2013 to 30 June 2013

5. BASIC AND DILUTED EARNINGS PER SHARE

Basic 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.

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 | |
|--------------------------------------------------------------------------------------------------------------|----------------------------|-----------|--------------------------|-----------|
| | 2013 | 2012 | 2013 | 2012 |
| Net profit for the period attributable to the equity holders of the Bank (KD'000) | 3,168 | 2,731 | 6,262 | 5,208 |
| Weighted average number of shares outstanding during the period net of treasury shares (thousands of shares) | 1,833,846 | 1,833,846 | 1,833,846 | 1,833,846 |
| Basic and diluted earnings per share attributable to the equity holders of the Bank (fils) | 1.73 | 1.49 | 3.41 | 2.84 |

Earnings per share for three months and six months ended 30 June 2012 was 1.56 fils and 2.98 fils per share respectively, before retroactive adjustment to the number of shares following the bonus issue (note 16).

6. CASH AND CASH EQUIVALENTS

| | 30 June | (Audited) 31 December | 30 June |
|--------------------------------------------------|----------------|--------------------------|---------|
| | 2013 | 2012 | 2012 |
| | KD'000 | KD'000 | KD'000 |
| Cash on hand | 17,605 | 14,020 | 13,554 |
| Balances with CBK – current account | 5 | 840 | 424 |
| Balances with banks – current accounts | 7,266 | 3,675 | 5,805 |
| Placements with banks maturing within seven days | 144,946 | 150,995 | 219,051 |
| | 169,822 | 169,530 | 238,834 |

7. INVESTMENTS IN ASSOCIATES

The investments in associates comprise the following:

| Name of the associates | Country of incorporation | Proportion of ownership interest and voting power % | | | Principal activity |
|----------------------------------|--------------------------|-----------------------------------------------------|------------------|--------------|----------------------------|
| | | 30 June 2013 | 31 December 2012 | 30 June 2012 | |
| United Capital Bank | Republic of Sudan | 21.67 | 21.67 | 21.67 | Islamic commercial banking |
| Ijarah Indonesia Finance Company | Indonesia | 33.33 | 33.33 | 33.33 | Islamic financing services |
| Saudi Projects Holding Group | Kuwait | 25.00 | 20.00 | 20.00 | Real Estate |

During the period, the Group acquired additional shares in Saudi Projects Holding Group for a consideration of **KD 553 thousand**. Following the acquisition, the percentage of holding in Saudi Projects Holding Group increased from 20% to 25%.

The Group's share in the operating results of associates were recognised based on their management accounts as at 31 May 2013.

**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 2013 to 30 June 2013



8. TREASURY SHARES

The Bank held the following treasury shares:

| | 30 June 2013 | (Audited) 31 December 2012 | 30 June 2012 |
|-----------------------------------------------------------|-------------------------|----------------------------------|-----------------|
| Number of treasury shares | 2,603,669 | 1,715,000 | 1,715,000 |
| Treasury shares as a percentage of total issued shares- % | 0.14178% | 0.09810% | 0.09810% |
| Cost of treasury shares – KD thousand | 1,100 | 1,024 | 1,024 |
| Market value of treasury shares – KD thousand | 1,614 | 1,098 | 1,063 |

9. SHARED BASED PAYMENT RESERVE

The Bank operates equity settled share based compensation plans. The expense accrued on account of share based compensation plans for the period ended 30 June 2013 amounted to **KD 188 thousand** (30 June 2012: KD 193 thousand) and has been included as part of staff expenses in the interim condensed consolidated statement of profit or loss.

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 2013 to 30 June 2013



10. 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) | |
|--------------------------------------------|-----------------------------------------------|------------------|---------------------------|------------------|--------------|--------------|
| | 30 June 2013 | 31 December 2012 | 30 June 2013 | 31 December 2012 | 30 June 2012 | 30 June 2012 |
| | | | | | KD'000 | KD'000 |
| Islamic financing to customers | 7 | 6 | 2 | 2 | 6,418 | 8,956 |
| Depositors' accounts | 10 | 12 | 7 | 6 | 35,798 | 33,711 |
| Letters of guarantee and letters of credit | 1 | 1 | - | - | 18 | 62 |
| Revenues | | | | | 141 | 194 |
| Expenses | | | | | (139) | (335) |
| Proceed from disposal of an investment | | | | | - | 9,638 |
| Parent Company | | | | | | |
| Due from banks | | | | | 89,944 | 80,028 |
| Due to banks | | | | | 36,616 | 53,254 |
| Revenues | | | | | 73 | 98 |
| Expenses | | | | | (65) | (145) |

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10. 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 | |
|--------------------------|----------------------------|------------|--------------------------|------------|
| | 2013 | 2012 | 2013 | 2012 |
| | KD'000 | KD'000 | KD'000 | KD'000 |
| Short-term benefits | 324 | 254 | 709 | 507 |
| Post-employment benefits | 59 | 45 | 178 | 84 |
| Share based compensation | 18 | 16 | 35 | 32 |
| | 401 | 315 | 922 | 623 |

11. 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:

| | (Audited) | | |
|---------------------------------------------------|----------------|----------------|----------------|
| | 30 June | 31 December | 30 June |
| | 2013 | 2012 | 2012 |
| | KD'000 | KD'000 | KD'000 |
| Guarantees | 159,693 | 137,909 | 131,868 |
| Acceptances and letters of credit | 56,957 | 47,749 | 46,406 |
| Capital commitments (Projects under construction) | 2,484 | 1,307 | 820 |
| Credit commitments | 11,889 | 8,437 | 9,075 |
| | 231,023 | 195,402 | 188,169 |

12. 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 Group 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.

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12. SEGMENT REPORTING (CONTINUED)

Treasury: Principally handling local and international Murabaha and other Islamic financing, primarily with banks, as well as the management of the Group's funding operations.

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

Three months ended 30 June 2013

| | Consumer banking | Corporate banking | Investment banking | Treasury | Group centre | Total |
|------------------|---------------------|----------------------|-----------------------|--------------|-----------------|--------------|
| | KD'000 | KD'000 | KD'000 | KD'000 | KD'000 | KD'000 |
| Segment revenues | 7,374 | 6,894 | (418) | 2,808 | (539) | 16,119 |
| Segment expenses | (4,062) | (3,848) | (986) | (103) | (3,964) | (12,963) |
| Segment results | <u>3,312</u> | <u>3,046</u> | <u>(1,404)</u> | <u>2,705</u> | <u>(4,503)</u> | <u>3,156</u> |

Three months ended 30 June 2012

| | Consumer banking | Corporate banking | Investment Banking | Treasury | Group centre | Total |
|------------------|---------------------|----------------------|-----------------------|--------------|-----------------|--------------|
| | KD'000 | KD'000 | KD'000 | KD'000 | KD'000 | KD'000 |
| Segment revenues | 5,785 | 6,839 | (2,660) | 2,376 | 2,690 | 15,030 |
| Segment expenses | (3,649) | (5,916) | (778) | (101) | (2,158) | (12,602) |
| Segment results | <u>2,136</u> | <u>923</u> | <u>(3,438)</u> | <u>2,275</u> | <u>532</u> | <u>2,428</u> |

Six Months ended 30 June 2013

| | Consumer banking | Corporate banking | Investment banking | Treasury | Group centre | Total |
|------------------|---------------------|----------------------|-----------------------|--------------|-----------------|--------------|
| | KD'000 | KD'000 | KD'000 | KD'000 | KD'000 | KD'000 |
| Segment revenues | 14,812 | 13,593 | (1,020) | 5,162 | (1,491) | 31,056 |
| Segment expenses | (7,833) | (7,762) | (1,666) | (212) | (7,355) | (24,828) |
| Segment results | <u>6,979</u> | <u>5,831</u> | <u>(2,686)</u> | <u>4,950</u> | <u>(8,846)</u> | <u>6,228</u> |

Six Months ended 30 June 2012

| | Consumer banking | Corporate banking | Investment banking | Treasury | Group centre | Total |
|------------------|---------------------|----------------------|-----------------------|--------------|-----------------|--------------|
| | KD'000 | KD'000 | KD'000 | KD'000 | KD'000 | KD'000 |
| Segment revenues | 10,842 | 13,767 | (2,189) | 4,490 | 2,423 | 29,333 |
| Segment expenses | (6,680) | (8,610) | (3,889) | (216) | (5,187) | (24,582) |
| Segment results | <u>4,162</u> | <u>5,157</u> | <u>(6,078)</u> | <u>4,274</u> | <u>(2,764)</u> | <u>4,751</u> |

As at 30 June 2013

| | | | | | | |
|---------------------|----------------|----------------|----------------|----------------|-----------------|------------------|
| Segment assets | <u>503,233</u> | <u>940,745</u> | <u>163,263</u> | <u>446,265</u> | <u>(19,484)</u> | <u>2,034,022</u> |
| Segment liabilities | <u>601,352</u> | <u>161,241</u> | <u>5,032</u> | <u>982,719</u> | <u>20,376</u> | <u>1,770,720</u> |

As at 30 June 2012

| | | | | | | |
|---------------------|----------------|----------------|----------------|----------------|-----------------|------------------|
| Segment assets | <u>322,925</u> | <u>900,775</u> | <u>167,454</u> | <u>350,227</u> | <u>(25,824)</u> | <u>1,715,557</u> |
| Segment liabilities | <u>530,589</u> | <u>119,199</u> | <u>4,091</u> | <u>803,646</u> | <u>5,929</u> | <u>1,463,454</u> |

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13. 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 2012.

14. 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).

| | 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 | 3,333 | 95,029 | 98,362 |
| | 4,359 | 139,598 | 143,957 |
| | Level 1 | Level 2 | Total |
| | KD'000 | KD'000 | KD'000 |
| 31 December 2012 | | | |
| Financial assets at fair value through profit or loss | 1,181 | 50,112 | 51,293 |
| Available for sale investments | 3,565 | 96,364 | 99,929 |
| | 4,746 | 146,476 | 151,222 |
| | Level 1 | Level 2 | Total |
| | KD'000 | KD'000 | KD'000 |
| 30 June 2012 | | | |
| Financial assets at fair value through profit or loss | 1,557 | 45,741 | 47,298 |
| Available for sale investments | 3,532 | 94,072 | 97,604 |
| | 5,089 | 139,813 | 144,902 |

15. FIDUCIARY ASSETS

The aggregate value of assets held in a trust or fiduciary capacity by the Group at 30 June 2013 amounted to **KD 82,557 thousand** (31 December 2012: KD 70,246 thousand and 30 June 2012: KD 72,159 thousand).

16. ANNUAL GENERAL ASSEMBLY MEETING

The shareholders' annual general assembly held on 26 March 2013 approved the audited consolidated financial statements of the Bank for the year ended 31 December 2012 and the distribution of 5 % bonus shares to the shareholders on record at the date of the general assembly.

17. 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.