

**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 2012 TO 30 SEPTEMBER 2012
(UNAUDITED)**

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

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

For the period from 1 January 2012 to 30 September 2012



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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 (together, the "Group") as at 30 September 2012, and the related interim condensed consolidated statements of income and comprehensive income for three-month and nine-month periods then ended, and the interim condensed consolidated statements of cash flows and changes in equity for the nine-month 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.

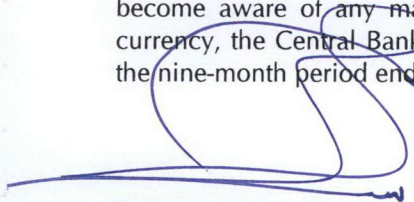
Conclusion

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 Commercial Companies' Law of 1960, as amended, or of the Articles of Association of the Bank during the nine-month period ended 30 September 2012 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 nine-month period ended 30 September 2012.



Bader A. Al-Wazzan
Licence No. 62A
Deloitte & Touche
Al-Fahad Al-Wazzan & Co.

Kuwait
11 October 2012



Safi A. Al-Mutawa
Licence No. 138A
KPMG Safi Al-Mutawa & Partners
Member firm of KPMG International

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

INTERIM CONDENSED CONSOLIDATED STATEMENT
OF INCOME (UNAUDITED)

For the period from 1 January 2012 to 30 September 2012



	Notes	Three months ended 30 September		Nine months ended 30 September	
		2012	2011	2012	2011
		KD'000	KD'000	KD'000	KD'000
Income					
Murabaha and other Islamic financing income		16,756	13,366	47,515	38,397
Distribution to depositors		(2,528)	(2,815)	(7,985)	(8,752)
Murabaha cost		(531)	(334)	(1,549)	(1,174)
Net financing income		13,697	10,217	37,981	28,471
Net investment income / (loss)	3	466	(1,633)	1,768	(2,404)
Net fees and commission income		905	1,260	2,853	3,131
Share of results of associates		551	513	1,929	2,911
Net foreign exchange gain		221	293	641	626
Other income		-	27	1	114
Operating income		15,840	10,677	45,173	32,849
Staff costs		(4,287)	(3,831)	(12,818)	(11,694)
General and administrative expenses		(2,517)	(2,003)	(6,997)	(5,720)
Depreciation and amortization		(457)	(401)	(1,290)	(1,170)
Operating expenses		(7,261)	(6,235)	(21,105)	(18,584)
Operating profit before provision for impairment		8,579	4,442	24,068	14,265
Provision for impairment	4	(6,055)	(1,824)	(16,603)	(7,111)
Operating profit before deductions		2,524	2,618	7,465	7,154
Contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS")		(22)	(23)	(71)	(65)
National Labour Support Tax ("NLST")		(54)	(70)	(156)	(192)
Zakat		(23)	(28)	(62)	(77)
Net profit for the period		2,425	2,497	7,176	6,820
Attributable to:					
Equity holders of the Bank		2,418	2,489	7,626	6,892
Non-controlling interests		7	8	(450)	(72)
Net profit for the period		2,425	2,497	7,176	6,820
Basic and diluted earnings per share attributable to the equity holders of the Bank (fils)	5	1.38	1.43	4.37	3.94

The notes from 1 to 16 form an integral part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT
OF COMPREHENSIVE INCOME (UNAUDITED)

For the period from 1 January 2012 to 30 September 2012



	Three months ended 30 September		Nine months ended 30 September	
	2012	2011	2012	2011
	KD'000	KD'000	KD'000	KD'000
Net profit for the period	2,425	2,497	7,176	6,820
Other comprehensive income				
Change in fair value of available for sale investments	760	14	678	(3,752)
Transferred to interim condensed consolidated statement of income on impairment of available for sale investments	-	920	-	1,034
Foreign currency translation adjustments	(2,694)	(497)	(2,521)	(927)
Other comprehensive (loss)/income for the period	(1,934)	437	(1,843)	(3,645)
Total comprehensive income for the period	491	2,934	5,333	3,175
Attributable to:				
Equity holders of the Bank	484	2,926	5,783	3,247
Non-controlling interests	7	8	(450)	(72)
Total comprehensive income for the period	491	2,934	5,333	3,175

The notes from 1 to 16 form an integral part of this interim condensed consolidated financial information.

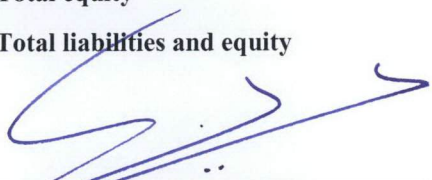
**BOUBYAN BANK K.S.C. AND SUBSIDIARIES
STATE OF KUWAIT**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF
FINANCIAL POSITION (UNAUDITED)**

As at 30 September 2012



		30 September 2012	(Audited) 31 December 2011	30 September 2011
	Notes	KD'000	KD'000	KD'000
Assets				
Cash and cash equivalents	6	166,353	191,957	165,890
Due from banks		218,364	128,061	152,951
Islamic financing to customers		1,221,032	1,030,084	960,073
Financial assets at fair value through profit or loss		48,413	65,197	68,985
Available for sale investments		99,698	66,127	68,487
Investment in associates	7	8,898	26,449	22,969
Investment properties		24,407	25,613	27,169
Other assets		14,716	12,127	21,436
Property and equipment		6,123	6,179	5,852
Total assets		1,808,004	1,551,794	1,493,812
Liabilities and equity				
Liabilities				
Due to banks		183,004	78,987	79,946
Depositors' accounts		1,338,269	1,202,428	1,143,497
Other liabilities		34,040	23,211	26,832
Total liabilities		1,555,313	1,304,626	1,250,275
Equity				
Share capital		174,824	174,824	174,824
Share premium		62,896	62,896	62,896
Treasury shares	8	(1,024)	(1,024)	(1,024)
Statutory reserve		842	842	-
Voluntary reserve		802	802	-
Share based payment reserve	9	543	253	190
Fair value reserve		2,313	1,635	(775)
Foreign currency translation reserve		(4,885)	(2,364)	(2,401)
Retained earnings	10	13,801	6,381	6,892
Equity attributable to equity holders of the Bank		250,112	244,245	240,602
Non-controlling interests		2,579	2,923	2,935
Total equity		252,691	247,168	243,537
Total liabilities and equity		1,808,004	1,551,794	1,493,812


Adel Abdul Wahab Al-Majed
Chairman & Managing Director

The notes from 1 to 16 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 2012 to 30 September 2012

	Share capital	Share premium	Treasury shares	Statutory reserve	Voluntary reserve	Share based payment reserve	Fair value reserve	Foreign currency translation reserve	Retained earnings	Attributable to equity holders of the bank	Non-controlling interests	Total
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
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 income for the period	-	-	-	-	-	-	678	(2,521)	7,626	5,783	(450)	5,333
Share based payment (note 9)	-	-	-	-	-	290	-	-	-	290	-	290
Acquisition of non-controlling interests (note 10)	-	-	-	-	-	-	-	-	(206)	(206)	(888)	(1,094)
Net movement in non-controlling interests	-	-	-	-	-	-	-	-	-	-	994	994
Balance at 30 September 2012	174,824	62,896	(1,024)	842	802	543	2,313	(4,885)	13,801	250,112	2,579	252,691
Balance at 31 December 2010	174,824	87,728	-	3,913	3,591	-	1,943	(1,473)	(32,336)	238,190	1,920	240,110
Write off of accumulated losses	-	(24,832)	-	(3,913)	(3,591)	-	-	-	32,336	-	-	-
Purchase of treasury shares	-	-	(1,024)	-	-	-	-	-	-	(1,024)	-	(1,024)
Total comprehensive income for the period	-	-	-	-	-	-	(2,718)	(928)	6,892	3,246	(72)	3,174
Share based payment (note 9)	-	-	-	-	-	190	-	-	-	190	-	190
Net movement in non-controlling interests	-	-	-	-	-	-	-	-	-	-	1,087	1,087
Balance at 30 September 2011	174,824	62,896	(1,024)	-	-	190	(775)	(2,401)	6,892	240,602	2,935	243,537

The notes from 1 to 16 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 2012 to 30 September 2012



	Nine months ended 30 September	
	2012 KD'000	2011 KD'000
OPERATING ACTIVITIES		
Net profit for the period	7,176	6,820
Adjustments for:		
Provision for impairment of credit facilities	12,886	6,077
Depreciation and amortisation	1,290	1,170
Foreign currency translation adjustments	(2,545)	1,041
Impairment loss on available for sale investments	3,717	1,034
Loss/(Gain) on sale of investments	396	(762)
Unrealized loss from financial assets at fair value through profit or loss	16,788	2,508
Share of results of associates	(1,929)	(2,911)
Dividend income	(498)	(622)
Profit on interest retained subsequent to loss of significant influence	(18,087)	-
Realized profit from partial disposal of associate	(5,703)	-
Net unrealised loss from changes in fair value of investment properties	-	3,817
Realised loss from sale of investment properties	6,727	-
Share based payment reserve	290	190
	<u>20,508</u>	<u>18,362</u>
Changes in operating assets and liabilities:		
Due from banks	(93,121)	(6,054)
Islamic financing to customers	(200,869)	(157,643)
Other assets	(2,586)	(10,324)
Due to banks	104,018	(40,585)
Depositors' accounts	135,841	202,469
Other liabilities	10,678	12,347
Dividend income received	498	622
Net cash (used in)/ generated from operating activities	<u>(25,033)</u>	<u>19,194</u>
INVESTING ACTIVITIES		
Purchase of financial assets at fair value through profit or loss	(1,490)	(3,095)
Proceeds from sale of financial assets at fair value through profit or loss	2,243	8,187
Purchase of available for sale investments	(9,069)	(6,518)
Proceeds from sale of available for sale investments	4,389	9,410
Proceeds from investment in associate	9,638	-
Purchase of investment properties	(4,976)	-
Purchase of property and equipment	(1,234)	(2,346)
Dividend received from associates	28	341
Acquisition of non-controlling interests	(1,094)	-
Net cash (used in)/generated from investing activities	<u>(1,565)</u>	<u>5,979</u>
FINANCING ACTIVITIES		
Net movement in non-controlling interests	994	1,087
Purchase of treasury shares	-	(1,024)
Net cash generated from financing activities	<u>994</u>	<u>63</u>
Net (decrease)/increase in cash and cash equivalents	(25,604)	25,236
Cash and cash equivalents at beginning of the period	191,957	140,654
Cash and cash equivalents at end of the period	<u>166,353</u>	<u>165,890</u>

The notes from 1 to 16 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 2012 to 30 September 2012



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.

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 nine months period ended 30 September 2012 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 813 employees as at 30 September 2012 (738 employees as at 31 December 2011, 700 employees as at 30 September 2011).

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 9 October 2012.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

This interim condensed consolidated financial information has been prepared in accordance with International Accounting Standard No. 34, Interim Financial Reporting, and the Kuwait Stock Exchange instruction No. 2 of 1998.

This interim condensed consolidated financial information does not include all the information and notes required for full annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as modified for use by the State of Kuwait for financial services institutions regulated by the CBK. These regulations require adoption of all IFRSs except for the IAS 39 requirement for collective impairment provision, which has been replaced by the CBK 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 2011.

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 nine-month period ended 30 September 2012 are not necessarily indicative of the results that may be expected for the year ending 31 December 2012.

The new and amended International Financial Reporting Standards ("IFRS") & International Financial Reporting Interpretations Committee ("IFRIC") effective from 1 January 2012 did not have any material impact on the accounting policies, financial position or performance of the Group.

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 2011.

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 2012 to 30 September 2012

3. NET INVESTMENT INCOME/(LOSS)

Investment income	Three months ended 30 September		Nine months ended 30 September	
	2012	2011	2012	2011
	KD'000	KD'000	KD'000	KD'000
Unrealised gain / (loss) from financial assets at fair value through profit or loss	12	(42)	32	1,017
(loss)/Gain on sale of investments	(40)	28	51	782
Realized profit from partial disposal of associate – note 7	-	-	5,703	-
Unrealized profit on interest retained subsequent to loss of significant influence – note 7	-	-	18,087	-
Sukuk coupon income	415	411	1,273	1,177
Income from investment properties	70	439	151	1,308
Dividend income	152	109	498	622
	<u>609</u>	<u>945</u>	<u>25,795</u>	<u>4,906</u>
Investment loss				
	Three months ended 30 September		Nine months ended 30 September	
	2012	2011	2012	2011
	KD'000	KD'000	KD'000	KD'000
Unrealised gain / (loss) from financial assets at fair value through profit or loss	305	(1,602)	(16,820)	(3,493)
Unrealised loss from changes in fair value of investment properties	-	(976)	-	(3,817)
Loss on sale of financial assets at fair value through profit or loss	(330)	-	(330)	-
Loss on sale of available of sale investments	(118)	-	(150)	-
Loss on sale of investment properties	-	-	(6,727)	-
	<u>(143)</u>	<u>(2,578)</u>	<u>(24,027)</u>	<u>(7,310)</u>
Net investment income / (loss)	<u>466</u>	<u>(1,633)</u>	<u>1,768</u>	<u>(2,404)</u>

4. PROVISION FOR IMPAIRMENT

	Three months ended 30 September		Nine months ended 30 September	
	2012	2011	2012	2011
	KD'000	KD'000	KD'000	KD'000
Provision for impairment of due from banks	11	-	2,818	-
Provision for impairment for Islamic financing to customers	4,855	775	9,921	5,858
(Release of)/ provision for impairment of non-cash facilities	(31)	129	147	219
	<u>4,835</u>	<u>904</u>	<u>12,886</u>	<u>6,077</u>
Provision for impairment of investments	1,220	920	3,717	1,034
	<u>6,055</u>	<u>1,824</u>	<u>16,603</u>	<u>7,111</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)



For the period from 1 January 2012 to 30 September 2012

5. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit for the period by the weighted average number of shares outstanding during the period.

Diluted earnings per share is calculated by dividing the profit for the period 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 September		Nine months ended 30 September	
	2012	2011	2012	2011
	KD'000	KD'000	KD'000	KD'000
Net profit for the period attributable to equity holders of the Bank (KD'000)	2,418	2,489	7,626	6,892
Weighted average number of shares outstanding during the period (thousands of shares)	1,746,520	1,745,956	1,746,520	1,747,467
Basic and diluted earnings per share attributable to equity holders of the Bank (fils)	1.38	1.43	4.37	3.94

6. CASH AND CASH EQUIVALENTS

	(Audited)		
	30 September 2012	31 December 2011	30 September 2011
	KD'000	KD'000	KD'000
Cash on hand	13,047	9,225	9,484
Balances with CBK – current account	8,738	177	1,386
Balances with banks – current accounts	7,346	11,477	4,905
Short-term Murabaha and placements with banks maturing within 7 days	137,222	171,078	150,115
	166,353	191,957	165,890

7. INVESTMENTS IN ASSOCIATES

The investments in associates comprise the following:

Name of the company	Country of incorporation	Proportion of ownership interest and voting power %			Principal activity
		30 September 2012	31 December 2011	30 September 2011	
Bank Syariah Muamalat Indonesia Tbk	Indonesia	-	25.03	25.03	Islamic commercial banking
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	20.00	20.00	-	Real Estate

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 2012 to 30 September 2012

7. INVESTMENTS IN ASSOCIATES (CONTINUED)

The Group's share in the operating results of associates was recognised based on their management accounts as at 31 August 2012.

In the prior year, the Group held a 25.03% interest in Bank Syariah Muamalat Indonesia Tbk and accounted for the investment as an associate. On 25 April 2012, the Group disposed of a 6% interest in Bank Syariah Muamalat Indonesia Tbk for a sale of consideration of **KD 9,638 thousand** (received in 26 April 2012). The Group has retained the remaining 19.03% interest as an available-for-sale investment whose fair value at the date of disposal was **KD 30,568 thousand**. This transaction has resulted in the recognition of a gain in profit or loss, calculated as follows.

	KD'000
Fair value of proceeds from the interest disposed of	9,638
Fair value of investment retained (19.03%)	30,568
Amount reclassified from other comprehensive income	(476)
Carrying amount of investment on the date of loss of significant influence	<u>(15,940)</u>
Gain recognized	<u>23,790</u>

The gain recognised in the current period comprises a realised profit of **KD 5,703 thousand** (being the proceeds of **KD 9,638 thousand** less **KD 3,935 thousand** carrying amount of the interest disposed of) and an unrealised profit of **KD 18,087 thousand** (being the fair value less the carrying amount of the 19.03% interest retained).

8. TREASURY SHARES

The bank held the following treasury shares:

	30 September 2012	(Audited) 31 December 2011	30 September 2011
Number of treasury shares	1,715,000	1,715,000	1,715,000
Treasury shares as a percentage of total shares in issue - %	0.09810%	0.09810%	0.09810%
Cost of treasury shares – KD thousand	1,024	1,024	1,024
Market value of treasury shares – KD thousand	1,063	1,012	1,029

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 September 2012 amounting to **KD 290 thousand** (30 September 2011: KD 190 thousand) and has been included as part of staff expenses in the interim condensed consolidated statement of income.

10. ACQUISITION OF NON-CONTROLLING INTERESTS

The Group acquired an additional 10% equity interest in Boubyan Takaful Insurance Company K.S.C (closed) during the period for **KD 1,094 thousand**, increasing its ownership interest to 67.63%. The difference between the consideration and the carrying value of the interest acquired amounting to **KD 206 thousand** has been recognized in retained earnings within equity.

**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 2012 to 30 September 2012



11. 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, parent company, 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 September 2012	31 December 2011	30 September 2012	31 December 2011	30 September 2012	31 December 2011
					KD'000	KD'000
Due from related parties:						
Islamic financing to customers	7	8	8	2	6	13,653
34,404						
Due to related parties:						
Depositors' accounts	11	11	11	5	7	14,546
15,598						
Transactions with related parties:						
Letters of guarantee and letters of credit	-	-	-	3	4	460
3,608						
Revenues	4	9	1	2	6	510
1,212						
Expenses	-	-	-	4	4	(101)
(80)						
Proceed from disposal of an investment in associate to related party	-	-	-	1	-	-
9,638						
Associates companies						
Due to banks						60
2,169						
Parent company						
Due from banks						23,004
58,542						
Due to banks						25,215
12,755						
Revenues						396
359						
Expenses						(277)
(226)						
Letters of guarantee and letters of credit						-
-						
7,029						

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11. RELATED PARTY TRANSACTIONS (CONTINUED)

Compensation of key management personnel

Details of compensations for key management comprise the following:

	Three months ended 30 September		Nine months ended 30 September	
	2012	2011	2012	2011
	KD'000	KD'000	KD'000	KD'000
Short-term benefits	379	376	1,235	1,207
Post-employment benefits	119	47	223	153
Share based compensation	50	26	149	79
	<u>548</u>	<u>449</u>	<u>1,607</u>	<u>1,439</u>

12. CONTINGENCIES AND COMMITMENTS

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

	(Audited)		
	30 September 2012	31 December 2011	30 September 2011
	KD'000	KD'000	KD'000
Guarantees	133,434	111,142	105,328
Acceptances and letters of credit	41,539	34,901	41,474
Investment commitments	-	-	34
Capital commitments (Projects under construction)	704	856	591
Credit commitments	28,438	20,158	23,386
	<u>204,115</u>	<u>167,057</u>	<u>170,813</u>

13. 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 clients. The range includes consumer finance, credit cards, deposits and other branch related services.

Corporate banking: Provides Murabaha, Ijarah, trade service and other related services to business and corporate customers.

Investment banking: Principally handling direct investments, local and international real estate investment and asset management.

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

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

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13. SEGMENT REPORTING (CONTINUED)

Three months ended 30 September 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	6,179	7,194	36	2,444	(13)	15,840
Segment expenses	(3,376)	(5,055)	(1,650)	(98)	(3,236)	(13,415)
Segment results	2,803	2,139	(1,614)	2,346	(3,249)	2,425

Three months ended 30 September 2011

	Consumer banking	Corporate banking	Investment Banking	Treasury	Group centre	Total
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
Segment revenues	3,561	7,304	(4,137)	1,994	1,955	10,677
Segment expenses	(2,768)	(535)	(1,485)	(104)	(3,288)	(8,180)
Segment results	793	6,769	(5,622)	1,890	(1,333)	2,497

Nine months ended 30 September 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	17,021	20,961	(2,144)	6,925	2,410	45,173
Segment expenses	(10,056)	(13,665)	(5,539)	(314)	(8,423)	(37,997)
Segment results	6,965	7,296	(7,683)	6,611	(6,013)	7,176
Segment assets	368,141	924,959	169,056	364,180	(18,332)	1,808,004
Segment liabilities	558,815	118,750	4,642	850,412	22,694	1,555,313

Nine months ended 30 September 2011

	Consumer banking	Corporate banking	Investment Banking	Treasury	Group centre	Total
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
Segment revenues	10,126	20,000	(3,505)	5,329	899	32,849
Segment expenses	(8,372)	(2,284)	(2,575)	(420)	(12,378)	(26,029)
Segment results	1,754	17,716	(6,080)	4,909	(11,479)	6,820
Segment assets	216,869	824,802	170,922	307,495	(26,276)	1,493,812
Segment liabilities	459,972	124,100	9,137	646,438	10,628	1,250,275

14. 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 2011.

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15. FIDUCIARY ASSETS

The aggregate value of assets held in a trust or fiduciary capacity by the Group at 30 September 2012 amounted to **KD 64,555 thousand** (31 December 2011: KD 59,241 thousand and 30 September 2011: KD 60,328 thousand).

16. 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 interim condensed consolidated statement of financial position is not presented.