

**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 2010 TO 31 MARCH 2010  
(UNAUDITED)**

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

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



For the period from 1 January 2010 to 31 March 2010

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

The Board of Directors  
Boubyan Bank K.S.C.  
State of Kuwait

#### *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 referred to as "the Group") as at 31 March 2010, and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the basis of preparation 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 as at 31 March 2010 is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2.

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the accounting records. We further report that nothing has come to our attention indicating any contravention during the three month period ended 31 March 2010, of the Kuwait Commercial Companies Law of 1960, as amended, or of the Bank's memorandum and articles of association, or of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of Banking business and its related regulations, which might have materially affected the Group's activities or its financial position.

  
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Member firm of KPMG International

6 April 2010  
Kuwait

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



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

For the period from 1 January 2010 to 31 March 2010

	Notes	Three months ended 31 March	
		2010	2009
		KD'000	KD'000
<b>Income</b>			
Murabaha and other Islamic financing income		8,820	9,750
Investment income	3	1,517	2,260
Fees and commissions income	4	3,440	916
Share of results of associates		207	180
Net foreign exchange loss		(182)	(47)
Other income		6	-
		<u>13,808</u>	<u>13,059</u>
<b>Expenses</b>			
Staff costs		(3,120)	(2,886)
General and administrative expenses		(1,795)	(2,270)
Depreciation and amortization		(391)	(368)
		<u>(5,306)</u>	<u>(5,524)</u>
<b>Profit before Murabaha cost, investment loss, provision for impairment and distribution to depositors</b>		8,502	7,535
Murabaha cost		(390)	(543)
Investment loss	3	(287)	(11,587)
Provision for impairment	5	(3,998)	(3,397)
<b>Profit / (loss) before distribution to depositors</b>		3,827	(7,992)
Distribution to depositors		(2,138)	(3,707)
<b>Profit / (loss) after distribution to depositors</b>		1,689	(11,699)
Provision for contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS")		(15)	-
Provision for National Labour Support Tax ("NLST")		(43)	-
Provision for Zakat		(17)	-
<b>Net profit / (loss) for the period</b>		<u>1,614</u>	<u>(11,699)</u>
<b>Attributable to:</b>			
Equity holders of the Bank		1,620	(11,721)
Non-controlling interest		(6)	22
<b>Net profit / (loss) for the period</b>		<u>1,614</u>	<u>(11,699)</u>
<b>Earnings / (loss) per share attributable to the equity holders of the Bank (fils)</b>	6	<u>1.04</u>	<u>(8.42)</u>

The notes from 1 to 19 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 2010 to 31 March 2010

	Three months ended 31 March	
	2010	2009
	KD'000	KD'000
<b>Profit / (loss) for the period</b>	<u>1,614</u>	<u>(11,699)</u>
<b>Other comprehensive income</b>		
Change in fair value of available for sale investments	(647)	(1,496)
Transferred to statement of income on impairment of available for sale investments	148	2,175
Foreign currency translation adjustments	<u>277</u>	<u>271</u>
<b>Other comprehensive (loss) / income for the period</b>	<u>(222)</u>	<u>950</u>
<b>Total comprehensive income / (loss) for the period</b>	<u><u>1,392</u></u>	<u><u>(10,749)</u></u>
<b>Attributable to:</b>		
Equity holders of the Bank	1,398	(10,707)
Non-controlling interest	<u>(6)</u>	<u>(42)</u>
<b>Total comprehensive income / (loss) for the period</b>	<u><u>1,392</u></u>	<u><u>(10,749)</u></u>

The notes from 1 to 19 form an integral part of this interim condensed consolidated financial information.

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

At 31 March 2010

		(Audited)	
	31 March 2010	31 December 2009	31 March 2009
Notes	KD'000	KD'000	KD'000
<b>Assets</b>			
Cash and cash equivalents	53,539	51,608	63,198
Due from banks	7 310,385	170,596	194,787
Islamic financing to customers	8 606,194	576,558	485,936
Financial assets at fair value through profit or loss	9 47,169	41,488	40,140
Available for sale investments	10 60,625	66,232	62,887
Investment in associates	11 7,836	7,386	6,094
Trading properties	2,882	2,862	2,907
Investment properties	31,766	35,914	33,190
Other assets	7,574	7,825	12,474
Property and equipment	4,318	4,310	4,680
<b>Total assets</b>	<u>1,132,288</u>	<u>964,779</u>	<u>906,293</u>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Due to banks	193,296	156,781	84,758
Depositors' accounts	713,560	708,957	680,689
Other liabilities	10,726	9,935	14,118
<b>Total liabilities</b>	<u>917,582</u>	<u>875,673</u>	<u>779,565</u>
<b>Equity</b>			
Share capital	17 166,212	116,531	116,531
Share premium	17 74,812	280	280
Statutory reserve	3,913	3,913	3,913
Voluntary reserve	3,591	3,591	3,591
Fair value reserve	736	1,235	(119)
Foreign currency translation reserve	307	30	(1,348)
(Accumulated losses) / retained earnings	(36,825)	(38,445)	1,529
<b>Equity attributable to equity holders of the Bank</b>	<u>212,746</u>	<u>87,135</u>	<u>124,377</u>
Non-controlling interest	1,960	1,971	2,351
<b>Total equity</b>	<u>214,706</u>	<u>89,106</u>	<u>126,728</u>
<b>Total liabilities and equity</b>	<u>1,132,288</u>	<u>964,779</u>	<u>906,293</u>



Ibrahim Ali Al-Qadhi  
Chairman



Adel Abdul Wahab Al-Majed  
Chief Executive Officer

The notes from 1 to 19 form an integral part of these 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 2010 to 31 March 2010

	Share capital KD'000	Share premium KD'000	Statutory reserve KD'000	Voluntary reserve KD'000	Fair value reserve KD'000	Foreign currency translation reserve KD'000	(Accumulated losses) / retained earnings KD'000	Attributable to equity holders of the Bank KD'000	Non-controlling interest KD'000	Total KD'000
<b>Balance at 31 December 2009</b>	116,531	280	3,913	3,591	1,235	30	(38,445)	87,135	1,971	89,106
Issue of share capital	49,681	74,532	-	-	-	-	-	124,213	-	124,213
Total comprehensive income for the period	-	-	-	-	(499)	277	1,620	1,398	(6)	1,392
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	(5)	(5)
<b>Balance at 31 March 2010</b>	166,212	74,812	3,913	3,591	736	307	(36,825)	212,746	1,960	214,706
<b>Balance at 31 December 2008</b>	116,531	280	3,913	3,591	(798)	(1,619)	13,250	135,148	2,393	137,541
Total comprehensive loss for the period	-	-	-	-	679	271	(11,721)	(10,771)	22	(10,749)
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	(64)	(64)
<b>Balance at 31 March 2009</b>	116,531	280	3,913	3,591	(119)	(1,348)	1,529	124,377	2,351	126,728

The notes from 1 to 19 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 2010 to 31 March 2010

	Three months ended 31 March	
	2010	2009
	KD'000	KD'000
<b>OPERATING ACTIVITIES</b>		
Profit / (loss) for the period	1,614	(11,699)
Adjustments for:		
Depreciation and amortisation	391	368
Provision for impairment	3,998	3,397
Foreign currency translation	2,517	48
Impairment loss on available for sale investments	148	2,383
Gain on sale of financial assets at fair value through profit or loss	(2)	(18)
Gain on sale of investment properties	(222)	-
Unrealized loss from change in fair value of financial assets at fair value through profit or loss	139	2,711
Share of results of associates	(207)	(180)
Dividend income	(15)	(515)
Unrealised loss from changes in fair value of investment properties	-	939
	8,361	(2,566)
<b>Changes in operating assets and liabilities:</b>		
Due from banks	(142,842)	(59,466)
Islamic financing to customers	(30,527)	(8,199)
Other assets	251	(2,553)
Due to banks	36,515	(36,569)
Depositors' accounts	4,603	111,053
Other liabilities	738	101
Dividend income received	15	515
<b>Net cash (used in) / generated by operating activities</b>	<b>(122,886)</b>	<b>2,316</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through profit or loss	(6,919)	-
Proceeds from sale of financial assets at fair value through profit or loss	25	2,420
Purchase of available for sale investments	(885)	(5,241)
Proceeds from sale of available for sale investments	6,084	-
Proceeds from sale of investment properties	2,915	158
Purchase of investment properties	(211)	(4,226)
Purchase of property and equipment	(400)	(161)
<b>Net cash generated by / (used in) investing activities</b>	<b>609</b>	<b>(7,050)</b>
<b>FINANCING ACTIVITIES</b>		
Issue of share capital	124,213	-
<b>Net cash generated by financing activities</b>	<b>124,213</b>	<b>-</b>
<b>Net change in non-controlling interest</b>	<b>(5)</b>	<b>(64)</b>
Net increase / (decrease) in cash and cash equivalents	1,931	(4,798)
Cash and cash equivalents at beginning of the period	51,608	67,996
<b>Cash and cash equivalents at end of the period</b>	<b>53,539</b>	<b>63,198</b>

The notes from 1 to 19 form an integral part of this interim condensed consolidated financial information.



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

For the period from 1 January 2010 to 31 March 2010

**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 of 2003). The Bank's shares were listed in Kuwait Stock Exchange on 15 May 2006.

The Bank was licensed by the CBK on 28 November 2004 and 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.

This interim condensed consolidated financial information as at and for the three month period ended 31 March 2010 incorporate the financial information of the Bank and its subsidiaries, Boubyan Takaful Insurance Company K.S.C. (Closed), Boubyan Capital Investment Company K.S.C. (Closed) and Boubyan Industrial General Trading Company W.L.L. (together referred to as "the Group") and the Group's interests in associates (refer to note 11).

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 6 April 2010.

**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 Government 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 requirement for a minimum general provision.

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 1% for the cash facilities and 0.5% for the non-cash facilities, net of certain categories of collateral, to which CBK instructions are applicable and not subject to specific provision, is made. In March 2007, the CBK issued a circular amending the basis of calculating general provisions on facilities changing the rate from 2% to 1% for cash facilities and from 1% to 0.5% for non cash facilities. The required rates were to be applied effective from 1 January 2007 on the net increase in facilities, net of certain categories of collateral, during the reporting period. The general provision in excess of the present 1% for cash facilities and 0.5% for non-cash facilities has been retained as a general provision until further directive from the CBK is issued. For further information, refer to the consolidated financial statements and notes thereto included in the Group's consolidated financial statements for the year ended 31 December 2009.

In the opinion of management, all adjustments considered necessary for a fair presentation have been included in this interim condensed consolidated financial information.

The operating results for the three-month period ended 31 March 2010 are not necessarily indicative of the results that may be expected for the year ending 31 December 2010.

This interim condensed consolidated financial information have 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 2009, except for changes resulting from amendments to IFRS.

During the period the Group has adopted all the standards that came into effect for annual periods beginning on 1 January 2010. The main changes in the Group's accounting policies relate to IFRS 3 (Revised) "Business Combinations" and consequential amendments to IAS 27 "Consolidated and Separate Financial Statements" and IAS 28 "Investments in Associates" whereby acquisition related costs are expensed in the consolidated statement of income in the periods in which the costs are incurred. Also, changes in ownership interest in a subsidiary that do not result in a loss of control are treated as transactions between equity holders and are accounted for within equity. Equity interest held prior to control being obtained are remeasured to fair value at the date of obtaining control, and any gain or loss is recognized in the statement of income.



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

For the period from 1 January 2010 to 31 March 2010

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of consolidation**

This interim condensed consolidated financial information for the three months period ended 31 March 2010 include the Bank and its subsidiaries referred to in note (1) above.

The financial statements of the subsidiary are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Any intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing these interim condensed consolidated financial information. The subsidiaries' accounts were based on their management accounts for the three months period ended 31 March 2010. The total subsidiaries' consolidated assets, liabilities and net loss included in this interim condensed consolidated financial information amounted to KD 43,120 thousand, KD 24,678 thousand and KD 59 thousand respectively.

**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. 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 2009.

**3. INVESTMENT INCOME / (LOSS)**

**Investment income**

	Three months ended 31 March	
	2010	2009
	KD'000	KD'000
Gain on money market funds	517	1,029
Unrealised gain from change in fair value of financial assets at fair value through profit or loss	-	17
Gain on sale of financial assets at fair value through profit or loss	2	18
Gain on sale of investment properties	222	-
Sukuk coupon income	288	390
Net rental income from investment properties	473	291
Dividend income	15	515
	<u>1,517</u>	<u>2,260</u>

**Investment loss**

	Three months ended 31 March	
	2010	2009
	KD'000	KD'000
Loss on money market funds	-	(5,554)
Unrealised loss from changes in fair value of financial assets at fair value through profit or loss	(139)	(2,711)
Impairment loss on available for sale investments	(148)	(2,383)
Unrealized loss from changes in fair value of investment properties	-	(939)
	<u>(287)</u>	<u>(11,587)</u>
<b>Net investment income / (loss)</b>	<u>1,230</u>	<u>(9,327)</u>

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

For the period from 1 January 2010 to 31 March 2010

**4. FEES AND COMMISSIONS INCOME**

	Three months ended 31 March	
	2010	2009
	KD'000	KD'000
Retail banking customer fees	253	145
Investment banking fees	2,484	-
Asset management fees	231	538
Trade service fees	373	175
Other	99	58
	<u>3,440</u>	<u>916</u>

**5. PROVISION FOR IMPAIRMENT**

	Three months ended 31 March	
	2010	2009
	KD'000	KD'000
Provision for impairment provided for balances due from banks	3,053	6,000
Provision for impairment provided for / (released from) Islamic financing to customers	891	(2,306)
Provision for impairment provided for / (released from) non-cash facilities	54	(297)
	<u>3,998</u>	<u>3,397</u>

Movements in the provision for impairment are as follows:

	Specific	General	Total
	KD'000	KD'000	KD'000
Balance at 31 December 2009	54,122	10,801	64,923
Write-off during the period	(2,767)	-	(2,767)
Provided during the period	3,465	533	3,998
Balance at 31 March 2010	<u>54,820</u>	<u>11,334</u>	<u>66,154</u>

**6. EARNINGS / (LOSS) PER SHARE**

There are no potential dilutive ordinary shares. The information necessary to calculate basic earnings per share based on weighted average number of shares outstanding during the period is as follows:

	Three months ended 31 March	
	2010	2009
	KD'000	KD'000
Profit / (loss) for the period attributable to equity holders of the bank	<u>1,620</u>	<u>(11,721)</u>
Weighted average number of shares outstanding (thousands of shares)	<u>1,551,310</u>	<u>1,392,678</u>
Earnings / (loss) per share (fils)	<u>1.04</u>	<u>(8.42)</u>

Loss per share calculation for 2009 has been adjusted to take account of the rights shares issued in 2010.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
 INFORMATION (UNAUDITED)

For the period from 1 January 2010 to 31 March 2010

**7. DUE FROM BANKS**

The distribution of Murabaha and other Islamic financing due from banks net of provision for impairment is as follows:

	31 March 2010	(Audited) 31 December 2009	31 March 2009
	KD'000	KD'000	KD'000
Balance	343,220	202,557	207,116
Less: deferred profit	(198)	(132)	(329)
	343,022	202,425	206,787
Less: provision for impairment	(32,637)	(31,829)	(12,000)
	<u>310,385</u>	<u>170,596</u>	<u>194,787</u>

Murabaha and other Islamic financing facilities with banks (Islamic and conventional) are utilized in the purchase and sale of commodities, as trading is conducted by those banks on behalf of the Group. The discretion of the banks over buying and selling is limited by the terms of the agreements between the Group and the banks.

	31 March 2010	(Audited) 31 December 2009	31 March 2009
	KD'000	KD'000	KD'000
<b>Geographic region</b>			
Kuwait and The Middle East	335,740	192,228	190,819
Western Europe	7,480	7,461	12,870
Other	-	2,868	3,427
Less: deferred profit	(198)	(132)	(329)
	343,022	202,425	206,787
Less: provision for impairment	(32,637)	(31,829)	(12,000)
	<u>310,385</u>	<u>170,596</u>	<u>194,787</u>

Provision for impairment is calculated based on Central Bank of Kuwait instructions on the outstanding balance net of the deferred profits as follows:

	31 March 2010	(Audited) 31 December 2009	31 March 2009
	KD'000	KD'000	KD'000
Balance at beginning of the period / year	31,829	6,000	6,000
Write-off during the period	(2,245)	-	-
Provided during the period / year	3,053	25,829	6,000
Balance at end of the period / year	<u>32,637</u>	<u>31,829</u>	<u>12,000</u>

The fair values of Murabaha and other Islamic financing facilities due from banks do not differ significantly from their respective book values.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
 INFORMATION (UNAUDITED)

For the period from 1 January 2010 to 31 March 2010

**8. ISLAMIC FINANCING TO CUSTOMERS**

Islamic financing to customers are stated net of provision for impairment. The distribution of Islamic financing to customers is as follows:

	31 March 2010	(Audited) 31 December 2009	31 March 2009
	KD'000	KD'000	KD'000
<b>Industry sector</b>			
Financial institutions	236,530	255,116	216,889
Construction and real estate	189,068	172,244	166,347
Trading and manufacturing	84,787	60,956	33,638
Other	160,822	148,709	96,744
Less: deferred profit	(32,396)	(28,219)	(11,681)
	638,811	608,806	501,937
Less: provision for impairment	(32,617)	(32,248)	(16,001)
	<u>606,194</u>	<u>576,558</u>	<u>485,936</u>

	31 March 2010	(Audited) 31 December 2009	31 March 2009
	KD'000	KD'000	KD'000
<b>Geographic region</b>			
Kuwait and The Middle East	663,934	606,947	500,134
Western Europe	3,353	4,499	9,450
Other	3,920	25,579	4,034
Less: deferred profit	(32,396)	(28,219)	(11,681)
	638,811	608,806	501,937
Less: provision for impairment	(32,617)	(32,248)	(16,001)
	<u>606,194</u>	<u>576,558</u>	<u>485,936</u>

Provision for impairment is calculated based on Central Bank of Kuwait instructions on the outstanding balance net of deferred profits (if any) as follows:

	31 March 2010	(Audited) 31 December 2009	31 March 2009
	KD'000	KD'000	KD'000
Balance at beginning of the period / year	32,248	18,307	18,307
Write-off during the period	(522)	-	-
Provided during the period / year	891	13,941	(2,306)
Balance at end of the period / year	<u>32,617</u>	<u>32,248</u>	<u>16,001</u>
<b>Allocated as follows:</b>			
Financial institutions	8,861	10,680	5,462
Other	23,756	21,568	10,539
	<u>32,617</u>	<u>32,248</u>	<u>16,001</u>

Whenever necessary, Islamic financing to customers are secured by acceptable forms of collateral to mitigate the related credit risks.

**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 2010 to 31 March 2010

**9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	31 March 2010	(Audited) 31 December 2009	31 March 2009
	KD'000	KD'000	KD'000
Investment in unquoted securities	43,483	37,650	33,570
Investment in quoted securities	303	363	966
Investment in unquoted funds	3,383	3,475	5,604
	<u>47,169</u>	<u>41,488</u>	<u>40,140</u>

**10. AVAILABLE FOR SALE INVESTMENTS**

	31 March 2010	(Audited) 31 December 2009	31 March 2009
	KD'000	KD'000	KD'000
Investment in Sukuk	40,618	46,451	42,858
Investment in unquoted securities	9,483	8,769	6,889
Investment in quoted securities	427	427	1,720
Investment in unquoted funds	10,097	10,585	11,420
	<u>60,625</u>	<u>66,232</u>	<u>62,887</u>

**11. INVESTMENTS IN ASSOCIATES**

	Country	Ownership %	31 March 2010	(Audited) 31 December 2009	31 March 2009
			KD'000	KD'000	KD'000
Bank Syariah Muamalat Indonesia Tbk	Indonesia	21.28	6,572	6,165	5,140
Ijarah Indonesia Finance Company	Indonesia	33.33	1,264	1,221	954
			<u>7,836</u>	<u>7,386</u>	<u>6,094</u>

The Group's share in the operating results of Bank Syariah Muamalat Indonesia Tbk and Ijarah Indonesia Finance Company was recognised based on the latest management accounts as at 28 February 2010.

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

For the period from 1 January 2010 to 31 March 2010

**12. RELATED PARTY TRANSACTIONS**

Related parties comprise the major shareholders, board of directors, entities controlled by them or under their joint control, associates, key management personnel and their close family members. Balances with related parties arise from commercial transactions in the normal course of business on an arm's length basis and are included within the following financial information captions:

	31 March 2010	31 December 2009	31 March 2009
	KD'000	KD'000	KD'000
<b>Due from related parties:</b>			
Due from banks	71,414	60,753	12,439
Islamic financing to customers	61,636	61,870	25,264
<b>Due to related parties:</b>			
Due to banks	43,100	80,797	-
Depositors' accounts	9,808	6,046	69,811
<b>Transactions with related parties:</b>			
Letters of guarantee and letters of credit	1,440	2,299	23
Revenues	1,016	3,938	471
Expenses	(197)	(685)	(298)

**Compensation of key management personnel**

Details of compensations for key management comprise the following:

	Three months ended 31 March	
	2010	2009
	KD'000	KD'000
Short-term benefits	619	437
Post-employment benefits	181	74
	<u>800</u>	<u>511</u>

**13. CONTINGENCIES AND COMMITMENTS**

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

	31 March 2010	31 December 2009	31 March 2009
	KD'000	KD'000	KD'000
Guarantees	51,704	40,360	37,252
Acceptances and letters of credit	19,589	13,270	8,453
Investment commitments	585	585	1,136
Capital commitments	1,268	565	412
Credit commitments	32,320	16,159	17,167
	<u>105,466</u>	<u>70,939</u>	<u>64,420</u>



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
 INFORMATION (UNAUDITED)

For the period from 1 January 2010 to 31 March 2010

**14. SEGMENT REPORTING**

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

**Business segments:**

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

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

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

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

*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.

**Three months ended 31 March 2010**

	<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	1,446	7,902	883	694	2,883	13,808
Segment expenses	(3,256)	(1,996)	(133)	(4,366)	(2,443)	(12,194)
Segment results	<u>(1,810)</u>	<u>5,906</u>	<u>750</u>	<u>(3,672)</u>	<u>440</u>	<u>1,614</u>
Segment assets	<u>71,001</u>	<u>621,258</u>	<u>116,214</u>	<u>313,487</u>	<u>10,328</u>	<u>1,132,288</u>
Segment liabilities	<u>401,675</u>	<u>2,171</u>	<u>13,395</u>	<u>495,665</u>	<u>4,676</u>	<u>917,582</u>

**Three months ended 31 March 2009**

	<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	498	9,021	1,356	1,996	188	13,059
Segment expenses	(3,396)	(3,209)	(6,843)	(9,319)	(1,991)	(24,758)
Segment results	<u>(2,898)</u>	<u>5,812</u>	<u>(5,487)</u>	<u>(7,323)</u>	<u>(1,803)</u>	<u>(11,699)</u>
Segment assets	<u>24,924</u>	<u>539,760</u>	<u>104,871</u>	<u>226,370</u>	<u>10,368</u>	<u>906,293</u>
Segment liabilities	<u>256,616</u>	<u>1,128</u>	<u>12,701</u>	<u>500,785</u>	<u>8,335</u>	<u>779,565</u>



**15. 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 2009.

**16. FIDUCIARY ASSETS**

The aggregate value of assets held in a trust or fiduciary capacity by the Group at 31 March 2010 amounted to KD 40,053 thousand (31 December 2009: KD 43,702 thousand and 31 March 2009: KD 77,320 thousand).

**17. SHARE CAPITAL**

The Ordinary and Extraordinary General Assemblies of the Bank held on 17 September and 1 October 2009 respectively have approved the Bank's authorised share capital increase from KD 116,600 thousand to KD 174,900 thousand through issuance of 583,000 thousand shares at a nominal value of 100 fils per share and share premium of 150 fils per share. On 7 February 2010, the contribution was finalized at 85.23 % of the authorized increase. The paid up share capital is KD 166,212 thousand at 31 March 2010 (KD 116,531 thousand at 31 December 2009 and 31 March 2009).

**18. COMPARATIVE FIGURES**

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

**19. SUBSEQUENT EVENTS**

The Annual General Assembly held on 29 April 2010, has approved the annual audited consolidated financial statements for the year ended 31 December 2009, and decided not to distribute dividends to the shareholders.