

**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 SEPTEMBER 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 September 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 September 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 nine months periods then ended, and interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the nine 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

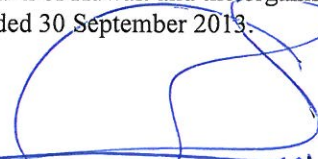
Conclusion

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 nine months period ended 30 September 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 nine months period ended 30 September 2013.



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



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

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 September 2013



	Notes	Three months ended 30 September		Nine months ended 30 September	
		2013	2012	2013	2012
		KD'000	KD'000	KD'000	KD'000
Income					
Murabaha and other Islamic financing income		18,468	16,756	52,169	47,515
Distribution to depositors		(2,154)	(2,528)	(6,145)	(7,985)
Murabaha cost		(404)	(531)	(1,276)	(1,549)
Net financing income		15,910	13,697	44,748	37,981
Net investment income	3	585	466	158	1,768
Net fees and commission income		947	905	2,747	2,853
Share of results of associates		104	551	467	1,929
Net foreign exchange gain		251	221	733	642
Operating income		17,797	15,840	48,853	45,173
Staff costs		(4,349)	(4,287)	(14,125)	(12,818)
General and administrative expenses		(2,599)	(2,517)	(7,632)	(6,997)
Depreciation and amortization		(432)	(457)	(1,247)	(1,290)
Operating expenses		(7,380)	(7,261)	(23,004)	(21,105)
Operating profit before provision for impairment		10,417	8,579	25,849	24,068
Provision for impairment	4	(7,233)	(6,055)	(16,149)	(16,603)
Operating profit before deductions		3,184	2,524	9,700	7,465
Contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS")		(28)	(22)	(88)	(71)
National Labour Support Tax ("NLST")		(81)	(54)	(244)	(156)
Zakat		(33)	(23)	(98)	(62)
Net profit for the period		3,042	2,425	9,270	7,176
Attributable to:					
Equity holders of the Bank		3,060	2,418	9,322	7,626
Non-controlling interests		(18)	7	(52)	(450)
Net profit for the period		3,042	2,425	9,270	7,176
Basic and diluted earnings per share attributable to the equity holders of the Bank (fils)	5	1.67	1.32	5.08	4.16

The notes from 1 to 15 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 September 2013



	Three months ended 30 September		Nine months ended 30 September	
	2013	2012	2013	2012
	KD'000	KD'000	KD'000	KD'000
Net profit for the period	3,042	2,425	9,270	7,176
Other comprehensive income				
Other Comprehensive income to be reclassified to statement of profit or loss in subsequent periods:				
Change in fair value of available for sale investments	(5,699)	760	(5,041)	678
Foreign currency translation adjustments	(258)	(2,694)	(194)	(2,521)
Other comprehensive loss for the period	(5,957)	(1,934)	(5,235)	(1,843)
Total comprehensive (loss)/income for the period	(2,915)	491	4,035	5,333
Attributable to:				
Equity holders of the Bank	(2,897)	484	4,087	5,783
Non-controlling interests	(18)	7	(52)	(450)
Total comprehensive (loss)/income for the period	(2,915)	491	4,035	5,333

The notes from 1 to 15 form an integral part of this interim condensed consolidated financial information.


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

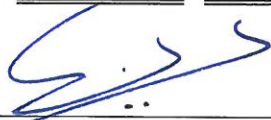
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF
FINANCIAL POSITION (UNAUDITED)**

As at 30 September 2013



		(Audited)	
	30 September 2013	31 December 2012	30 September 2012
	KD'000	KD'000	KD'000
Assets			
Cash and cash equivalents	6	203,858	169,530
Due from banks		267,261	251,625
Islamic financing to customers		1,440,743	1,270,014
Financial assets at fair value through profit or loss		47,258	51,293
Available for sale investments		89,493	99,929
Investments in associates		9,623	9,082
Investment properties		27,730	17,904
Other assets		10,569	7,916
Property and equipment		9,621	7,363
Total assets		2,106,156	1,884,656
Liabilities and equity			
Liabilities			
Due to banks		147,059	207,133
Depositors' accounts		1,664,312	1,396,962
Other liabilities		34,322	24,397
Total liabilities		1,845,693	1,628,492
Equity			
Share capital		183,645	174,824
Share premium		62,896	62,896
Proposed bonus shares	14	-	8,741
Treasury shares	7	(1,100)	(1,024)
Statutory reserve		1,891	1,891
Voluntary reserve		1,813	1,813
Share based payment reserve		801	537
Fair value reserve		(1,620)	3,421
Foreign currency translation reserve		(5,067)	(4,873)
Retained earnings		14,742	5,424
Equity attributable to equity holders of the Bank		258,001	253,650
Non-controlling interests		2,462	2,514
Total equity		260,463	256,164
Total liabilities and equity		2,106,156	1,884,656


Mahmoud Yousif Al-Fulajj
Chairman


Adel Abdul Wahab Al Majed
Vice Chairman & Chief Executive Officer

The notes from 1 to 15 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 September 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 (loss)/income for the period	-	-	-	-	-	-	-	(5,041)	(194)	9,322	4,087	(52)	4,035
Share based payment	-	-	-	-	-	-	264	-	-	-	264	-	264
Issuing the bonus shares (note 1.4)	8,745	-	(8,741)	-	-	-	-	-	-	(4)	-	-	-
Purchase of treasury shares	76	-	-	(76)	-	-	-	-	-	-	-	-	-
Balance at 30 September 2013	183,645	62,896	-	(1,100)	1,891	1,813	801	(1,620)	(5,067)	14,742	258,001	2,462	260,463
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/(loss) for the period	-	-	-	-	-	-	-	678	(2,521)	7,626	5,783	(450)	5,333
Share based payment	-	-	-	-	-	-	290	-	-	-	290	-	290
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	-	(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

The notes from 1 to 15 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 September 2013

	Nine months ended 30 September	
	2013	2012
	KD'000	KD'000
OPERATING ACTIVITIES		
Net profit for the period	9,270	7,176
Adjustments for:		
Provision for impairment of credit facilities	15,370	12,886
Depreciation and amortization	1,247	1,290
Foreign currency translation adjustments	(713)	(2,576)
Impairment loss on available for sale investments	779	3,717
Loss on sale of investment	139	429
Unrealized loss from financial assets at fair value through profit or loss	1,917	16,788
Share of results of associates	(467)	(1,929)
Dividend income	(789)	(498)
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	264	290
Operating profit before changes in operating assets and liabilities	27,017	20,510
Changes in operating assets and liabilities:		
Due from banks	(15,553)	(93,121)
Islamic financing to customers	(196,091)	(200,869)
Other assets	(2,653)	(112)
Due to banks	(60,074)	104,018
Depositors' accounts	267,350	135,841
Other liabilities	9,867	8,202
Dividend income received	789	498
Net cash generated from / (used in) operating activities	30,652	(25,033)
INVESTING ACTIVITIES		
Purchase of financial assets at fair value through profit or loss	(966)	(1,490)
Proceeds from sale of financial assets at fair value through profit or loss	3,197	2,243
Purchase of available for sale investments	(1,451)	(9,069)
Proceeds from sale of available for sale investments	6,302	4,389
Purchase of investment properties	-	(4,976)
Proceeds from sale of investment properties	366	-
Proceeds from investment in associates	-	9,638
Purchase of property and equipment	(3,505)	(1,234)
Purchase of additional shares in associate	(553)	-
Dividend received from associate	286	28
Acquisition of non-controlling interests	-	(1,094)
Net cash generated from/ (used in) investing activities	3,676	(1,565)
FINANCING ACTIVITIES		
Net movement in non-controlling interests	-	994
Net cash generated from financing activities	-	994
Net increase/(decrease) in cash and cash equivalents	34,328	(25,604)
Cash and cash equivalents at beginning of the period	169,530	191,957
Cash and cash equivalents at end of the period	203,858	166,353

The notes from 1 to 15 form an integral part of this interim condensed consolidated financial information.

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 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 **860** employees as at 30 September 2013 (807 employees as at 31 December 2012, 813 employees as at 30 September 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 7th October 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 nine-months period ended 30 September 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 12.

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 September 2013

3. NET INVESTMENT INCOME

	Three months ended 30 September		Nine months ended 30 September	
	2013	2012	2013	2012
	KD'000	KD'000	KD'000	KD'000
Unrealized loss from financial assets at fair value through profit or loss	(55)	317	(1,917)	(16,788)
(Loss) / gain on sale of investments	(13)	6,239	(139)	(429)
Realized gain from partial disposal of associate	-	-	-	5,703
Unrealized gain on interest retained subsequent to loss of significant influence	-	-	-	18,087
Sukuk coupon income	389	415	1,182	1,273
Income / (loss) from investment properties	81	(6,657)	243	(6,576)
Dividend income	183	152	789	498
Net investment income	585	466	158	1,768

4. PROVISION FOR IMPAIRMENT

	Three months ended 30 September		Nine months ended 30 September	
	2013	2012	2013	2012
	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	6,811	4,855	15,312	9,921
(Reverse)/provision for impairment of non-cash facilities	(57)	(31)	58	147
	6,754	4,835	15,370	12,886
Provision for impairment of investments	479	1,220	779	3,717
	7,233	6,055	16,149	16,603

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 September		Nine months ended 30 September	
	2013	2012	2013	2012
Net profit for the period attributable to the equity holders of the Bank (KD'000)	3,060	2,418	9,322	7,626
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)	1.67	1.32	5.08	4.16

Earnings per share for three months and nine months ended 30 September 2012 was 1.38 fils and 4.37 fils per share respectively, before retroactive adjustment to the number of shares following the bonus issue (note 14).

**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 September 2013



6. CASH AND CASH EQUIVALENTS

	30 September 2013	(Audited) 31 December 2012	30 September 2012
	KD'000	KD'000	KD'000
Cash on hand	24,149	14,020	13,047
Balances with CBK – current account	5	840	8,738
Balances with banks – current accounts	9,036	3,675	7,346
Placements with banks maturing within seven days	170,668	150,995	137,222
	<u>203,858</u>	<u>169,530</u>	<u>166,353</u>

7. TREASURY SHARES

The Bank held the following treasury shares:

	30 September 2013	(Audited) 31 December 2012	30 September 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	1,558	1,098	1,063

8. RELATED PARTY TRANSACTIONS

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

	Number of board members or executive officers (Audited)		Number of related parties (Audited)		30 September 2013		30 September 2012		(Audited)	
	30 September 2013	31 December 2012	30 September 2012	30 September 2013	31 December 2012	30 September 2012	30 September 2013	31 December 2012	30 September 2012	30 September 2013
					KD'000		KD'000		KD'000	
Islamic financing to customers	7	6	7	2	2	2	2	2	8,956	9,796
Depositors' accounts	10	12	11	7	7	7	7	7	33,711	27,133
Letters of guarantee and letters of credit	1	1	-	-	-	-	-	-	62	18
Revenues									194	147
Expenses									(335)	(231)
Proceed from disposal of an investment									9,638	9,638
Parent Company										
Due from banks									80,028	53,272
Due to banks									53,254	24,585
Revenues									98	79
Expenses									(145)	(128)

**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 September 2013



8. 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	
	2013	2012	2013	2012
	KD'000	KD'000	KD'000	KD'000
Short-term benefits	390	379	1,099	1,235
Post-employment benefits	59	119	236	223
Share based compensation	18	50	53	149
	<u>467</u>	<u>548</u>	<u>1,388</u>	<u>1,607</u>

9. CONTINGENCIES AND COMMITMENTS

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

	30 September	(Audited) 31 December	30 September
	2013	2012	2012
	KD'000	KD'000	KD'000
Guarantees	168,291	137,909	133,434
Acceptances and letters of credit	36,438	47,749	41,539
Capital commitments (Projects under construction)	3,009	1,307	704
Credit commitments	59,777	8,437	28,438
	<u>267,515</u>	<u>195,402</u>	<u>204,115</u>

10. SEGMENT REPORTING

Operating segments are identified on the basis of internal reports that are regularly reviewed by the decision makers in order to allocate resources to the segments and to assess their performance. The operating segments are divided as either business segments or geographical segments.

Business Segments

For management purposes, the 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.

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 September 2013

10. 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.

Nine Months ended 30 September 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	22,382	20,626	(1,120)	8,345	(1,380)	48,853
Segment expenses	(11,176)	(13,276)	(3,150)	(304)	(11,677)	(39,583)
Segment results	11,206	7,350	(4,270)	8,041	(13,057)	9,270

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

As at 30 September 2013

Segment assets	545,886	978,135	160,741	439,413	(18,019)	2,106,156
Segment liabilities	636,709	167,495	5,003	1,013,815	22,671	1,845,693

As at 30 September 2012

Segment assets	368,141	924,959	169,056	364,180	(25,495)	1,800,841
Segment liabilities	558,815	118,750	4,642	850,412	15,531	1,548,150

11. FINANCIAL RISK MANAGEMENT

All aspects of the Group's financial risk management objectives and policies are consistent with that disclosed in the annual audited consolidated financial statements for the year ended 31 December 2012.

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Fair value hierarchy

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

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

**BOUBYAN BANK K.S.C. AND SUBSIDIARIES
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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)**

For the period from 1 January 2013 to 30 September 2013



12. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

	Level 1	Level 2	Total
30 September 2013	KD'000	KD'000	KD'000
Financial assets at fair value through profit or loss	1,026	46,232	47,258
Available for sale investments	3,333	86,160	89,493
	4,359	132,392	136,751
	Level 1	Level 2	Total
31 December 2012	KD'000	KD'000	KD'000
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
30 September 2012	KD'000	KD'000	KD'000
Financial assets at fair value through profit or loss	1,192	47,221	48,413
Available for sale investments	2,857	96,841	99,698
	4,049	144,062	148,111

13. FIDUCIARY ASSETS

The aggregate value of assets held in a trust or fiduciary capacity by the Group at 30 September 2013 amounted to **KD 86,102 thousand** (31 December 2012: KD 70,246 thousand and 30 September 2012: KD 64,555 thousand).

14. 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.

15. 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.