

**BOUBYAN BANK K.S.C.P. AND SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS**

**31 MARCH 2022**

**BOUBYAN BANK K.S.C.P. AND SUBSIDIARIES**

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

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For the period from 1 January 2022 to 31 March 2022

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

### *Introduction*

We have reviewed the accompanying interim condensed consolidated statement of financial position of Boubyan Bank K.S.C.P. (the "Bank") and its subsidiaries (collectively "the Group") as at 31 March 2022, and the related interim condensed consolidated statement of profit or loss, statement of other comprehensive income, statement of changes in equity and statement of cash flow for the three 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 accounts of the Bank. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended, or of the Bank's Articles of Association and Memorandum of Incorporation, as amended, during the three months period ended 31 March 2022 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 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, and Law No.7 of 2010, concerning the Capital Markets Authority, and its related regulations, during the three months period ended 31 March 2022 that might have had a material effect on the business of the Bank or on its financial position.

ABDULKARIM AL SAMDAN  
LICENCE NO. 208 A  
EY  
AL AIBAN, AL OSAIMI & PARTNERS

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

19 April 2022  
Kuwait

**BOUBYAN BANK K.S.C.P. AND SUBSIDIARIES****INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)**

For the period from 1 January 2022 to 31 March 2022

		Three months ended 31 March	
		2022	2021
	Notes	KD'000's	KD'000's
<b>Income</b>			
Murabaha and other Islamic financing income		59,526	54,848
Finance cost and distribution to depositors		(17,733)	(15,994)
<b>Net financing income</b>		41,793	38,854
Net investment income	3	2,242	1,513
Net fees and commission income		4,565	3,688
Net foreign exchange gain		1,100	1,061
<b>Operating income</b>		49,700	45,116
Staff costs		(14,081)	(13,021)
General and administrative expenses		(6,530)	(4,827)
Depreciation		(3,056)	(2,441)
<b>Operating expenses</b>		(23,667)	(20,289)
<b>Operating profit before provision for impairment</b>		26,033	24,827
Provision for impairment	4	(9,989)	(11,957)
<b>Operating profit before deductions</b>		16,044	12,870
Taxation reversal/(charged)	5	978	(513)
<b>Net profit for the period</b>		17,022	12,357
<b>Attributable to:</b>			
Equity holders of the Bank		16,954	12,615
Non-controlling interests		68	(258)
<b>Net profit for the period</b>		17,022	12,357
<b>Basic and diluted earnings per share attributable to the equity holders of the Bank (fils)</b>	6	4.17	3.78

The notes from 1 to 20 form an integral part of this interim condensed consolidated financial information.

**BOUBYAN BANK K.S.C.P. AND SUBSIDIARIES****INTERIM CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME (UNAUDITED)**

For the period from 1 January 2022 to 31 March 2022

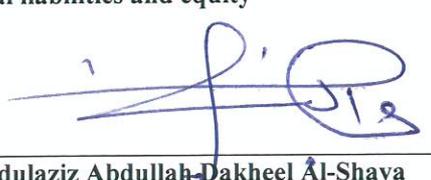
	Three months ended 31 March	
	2022	2021
	KD'000's	KD'000's
<b>Net profit for the period</b>	<b>17,022</b>	12,357
<b>Other comprehensive income /(loss) :</b>		
<b>Items that are or may be reclassified to interim condensed consolidated statement of profit or loss in subsequent periods:</b>		
Change in fair value of debt investments at fair value through other comprehensive income	672	3,074
Foreign currency translation adjustments	(593)	(18)
<b>Items that will not be reclassified to interim condensed consolidated statement of profit or loss in subsequent periods:</b>		
Change in fair value of equity investments at fair value through other comprehensive income	(235)	265
<b>Other comprehensive (loss) / income for the period</b>	<b>(156)</b>	3,321
<b>Total comprehensive income for the period</b>	<b>16,866</b>	15,678
<b>Attributable to:</b>		
Equity holders of the Bank	17,475	15,936
Non-controlling interests	(609)	(258)
<b>Total comprehensive income for the period</b>	<b>16,866</b>	15,678

The notes from 1 to 20 form an integral part of this interim condensed consolidated financial information.

**BOUBYAN BANK K.S.C.P. AND SUBSIDIARIES**
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)**

As at 31 March 2022

	<i>Notes</i>	<b>31 March 2022</b>	(Audited) 31 December 2021	31 March 2021
		KD'000's	KD'000's	KD'000's
<b>Assets</b>				
Cash and balances with banks	7	318,968	350,500	291,467
Deposits with Central Bank of Kuwait		227,868	225,858	287,015
Deposits with other banks		300,490	387,915	478,355
Islamic financing to customers	8	5,670,671	5,513,074	4,936,763
Investment in Sukuk	9	542,844	529,253	492,084
Other investment securities	9	164,267	125,875	106,660
Investment properties		18,159	21,706	47,423
Other assets		101,525	89,515	38,751
Property and equipment		115,078	108,203	93,015
<b>Total assets</b>		<b>7,459,870</b>	<b>7,351,899</b>	<b>6,771,533</b>
<b>Liabilities and equity</b>				
<b>Liabilities</b>				
Due to banks		468,033	395,150	477,942
Depositors' accounts		5,501,485	5,618,787	5,238,292
Medium term financing	10	637,689	485,371	303,112
Other liabilities		102,333	102,519	109,253
<b>Total liabilities</b>		<b>6,709,540</b>	<b>6,601,827</b>	<b>6,128,599</b>
<b>Equity</b>				
Share capital		317,970	317,970	302,827
Share premium		156,942	156,942	156,942
Proposed bonus shares		15,898	15,898	-
Treasury shares	12	(54)	(54)	(54)
Statutory reserve		40,651	40,651	35,512
Voluntary reserve		15,327	15,327	30,468
Other reserves	13	(2,672)	(3,193)	(18,653)
Retained earnings		18,033	4,100	26,754
Proposed cash dividends		-	15,896	-
<b>Equity attributable to equity holders of the Bank</b>		<b>562,095</b>	<b>563,537</b>	<b>533,796</b>
Perpetual Tier 1 Sukuk	18	150,385	150,385	75,388
Non-controlling interests		37,850	36,150	33,750
<b>Total equity</b>		<b>750,330</b>	<b>750,072</b>	<b>642,934</b>
<b>Total liabilities and equity</b>		<b>7,459,870</b>	<b>7,351,899</b>	<b>6,771,533</b>



Abdulaziz Abdullah Dakheel Al-Shaya  
Chairman



Adel Abdul Wahab Al Majed  
Vice Chairman & Group Chief Executive Officer

The notes from 1 to 20 form an integral part of this interim condensed consolidated financial information.

**BOUBYAN BANK K.S.C.P. AND SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**

For the period from 1 January 2022 to 31 March 2022

	Share capital	Share premium	Proposed bonus shares	Treasury shares	Statutory reserve	Voluntary reserve	Other reserves (note 13)	Retained earnings	Proposed cash dividends	Equity attributable to equity holders of the Bank	Perpetual tier 1 Sukuk	Non-controlling interests	Total equity
	KD'000's	KD'000's	KD'000's	KD'000's	KD'000's	KD'000's	KD'000's	KD'000's	KD'000's	KD'000's	KD'000's	KD'000's	KD'000's
<b>Balance at 1 January 2022</b>	<b>317,970</b>	<b>156,942</b>	<b>15,898</b>	<b>(54)</b>	<b>40,651</b>	<b>15,327</b>	<b>(3,193)</b>	<b>4,100</b>	<b>15,896</b>	<b>563,537</b>	<b>150,385</b>	<b>36,150</b>	<b>750,072</b>
Profit for the period	-	-	-	-	-	-	-	16,954	-	16,954	-	68	17,022
Other comprehensive income/(loss)	-	-	-	-	-	-	521	-	-	521	-	(677)	(156)
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	521	16,954	-	17,475	-	(609)	16,866
Dividends payable (note 19)	-	-	-	-	-	-	-	-	(15,896)	(15,896)	-	-	(15,896)
Other movement in non- controlling interests	-	-	-	-	-	-	-	-	-	-	-	2,309	2,309
Profit paid on Perpetual Tier 1 Sukuk	-	-	-	-	-	-	-	(3,021)	-	(3,021)	-	-	(3,021)
<b>Balance at 31 March 2022</b>	<b>317,970</b>	<b>156,942</b>	<b>15,898</b>	<b>(54)</b>	<b>40,651</b>	<b>15,327</b>	<b>(2,672)</b>	<b>18,033</b>	<b>-</b>	<b>562,095</b>	<b>150,385</b>	<b>37,850</b>	<b>750,330</b>
Balance at 1 January 2021	302,827	156,942	-	(54)	35,512	30,468	(21,958)	14,123	-	517,860	75,388	33,482	626,730
Profit / (loss) for the period	-	-	-	-	-	-	-	12,615	-	12,615	-	(258)	12,357
Other comprehensive income	-	-	-	-	-	-	3,321	-	-	3,321	-	-	3,321
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	3,321	12,615	-	15,936	-	(258)	15,678
Net transfer to retained earnings for equity investment at FVOCI	-	-	-	-	-	-	(16)	16	-	-	-	-	-
Other movement in non- controlling interests	-	-	-	-	-	-	-	-	-	-	-	526	526
Balance at 31 March 2021	302,827	156,942	-	(54)	35,512	30,468	(18,653)	26,754	-	533,796	75,388	33,750	642,934

The notes from 1 to 20 form an integral part of this interim condensed consolidated financial information.

**BOUBYAN BANK K.S.C.P. AND SUBSIDIARIES**
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)**

For the period from 1 January 2022 to 31 March 2022

	Notes	Three months ended 31 March	
		2022 KD'000's	2021 KD'000's
<b>OPERATING ACTIVITIES</b>			
Net profit for the period		17,022	12,357
<b>Adjustments for:</b>			
Provision for impairment	4	9,989	11,957
Depreciation		3,056	2,441
Foreign currency translation adjustments		(2,410)	(3,984)
Net gain from financial assets at fair value through profit or loss	3	(558)	(265)
Net gain from sale of debt investments at FVOCI	3	(13)	
Share of results of associates	3	(36)	(46)
Realized gain on sale of investment properties	3	(1,005)	-
Dividend income	3	(560)	(640)
<b>Operating profit before changes in operating assets and liabilities</b>		<b>25,485</b>	<b>21,820</b>
<b>Changes in operating assets and liabilities:</b>			
Deposits with Central Bank of Kuwait		(2,006)	61,396
Deposits with other banks		87,416	(21,772)
Islamic financing to customers		(167,279)	(125,659)
Other assets		717	6,682
Due to banks		72,883	196,571
Depositors' accounts		(117,302)	130,564
Other liabilities		(2,466)	1,844
<b>Net cash (used in) / generated from operating activities</b>		<b>(102,552)</b>	<b>271,446</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of investment securities		(204,939)	(104,588)
Proceeds from sale/redemption of investment securities		140,931	129,007
Purchase of investment properties		(8,238)	(585)
Purchase of property and equipment		(9,931)	(5,312)
Dividend income received	3	560	640
<b>Net cash (used in) / generated from investing activities</b>		<b>(81,617)</b>	<b>19,162</b>
<b>FINANCING ACTIVITIES</b>			
Profit distribution on perpetual Tier 1 Sukuk		(3,021)	-
Net movement of non-controlling interest		2,309	526
Other movement in medium term financing		(1,034)	(1,546)
Issuance of medium term financing		152,225	-
<b>Net cash generated from / (used in) financing activities</b>		<b>150,479</b>	<b>(1,020)</b>
Net change in cash and cash equivalents		(33,690)	289,588
Cash and cash equivalents at beginning of the period		766,008	587,200
<b>Cash and cash equivalents at end of the period</b>	7	<b>732,318</b>	<b>876,788</b>

The notes from 1 to 20 form an integral part of this interim condensed consolidated financial information.

## **BOUBYAN BANK K.S.C.P. AND SUBSIDIARIES**

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

For the period from 1 January 2022 to 31 March 2022

#### **1. INCORPORATION AND ACTIVITIES**

Boubyan Bank K.S.C.P. (“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 published on April 18<sup>th</sup> 2004, 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 Central Bank of Kuwait to do business on 28 November 2004.

The Bank is principally engaged in providing banking services, in accordance with Codes of the Islamic Sharia’a, as approved by the Bank’s Sharia’a Supervisory Board.

The Bank is a subsidiary of National Bank of Kuwait S.A.K.P (“the Parent Company”).

This interim condensed consolidated financial information as at and for the three months period ended 31 March 2022 incorporates the financial information of the Bank and its principal operating subsidiaries, BLME Holdings plc, 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 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 5 April 2022.

#### **2. SIGNIFICANT ACCOUNTING POLICIES**

##### **2.1 Basis of preparation**

(a) The interim condensed consolidated financial information of the Group has been prepared in accordance with International Accounting Standard (IAS) 34, ‘Interim Financial Reporting’, as amended for point (b) below:

(b) The interim condensed consolidated financial information have been prepared in accordance with the regulations for financial services institutions as issued by the Central Bank of Kuwait (“CBK”) in the State of Kuwait. These regulations require banks and other financial institutions regulated by CBK to adopt the International Financial Reporting Standards as issued by International Accounting Standards Board (IASB) with the following amendments:

- Expected credit loss (“ECL”) to be measured at the higher of ECL provision on credit facilities computed under IFRS 9 in accordance with CBK guidelines or the provisions as required by CBK instructions along with its consequent impact on related disclosures; and
- Modification losses on financial assets, arising from payment holidays to customers extended during the financial year ended 31 December 2020 as a result of Covid-19, to be recognised in retained earnings as required by the CBK circular no. 2/BS/IBS/461/2020 instead of consolidated statement of profit or loss in accordance with IFRS 9. However, modification losses on financial assets, arising from any other payment holidays to customers including payment holidays extended during the year ended 31 December 2021 in response to Covid-19 shall be recognized in the consolidated statement of profit or loss. The application of the policy results in application of different accounting presentation for modification losses in 2020 compared to other periods.

The above framework is herein after referred to as ‘IFRS as adopted by CBK for use by the State of Kuwait’.

The interim condensed consolidated financial information does not contain all information and disclosures required for full financial statements prepared in accordance with IFRS, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2021. Further, results for the three months period ended 31 March 2022, are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

The accounting policies used in the preparation of this interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2021. Amendments to IFRSs which are effective for annual accounting period starting from 1 January 2022 did not have any material impact on the accounting policies, financial position or performance of the Group.

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

For the period from 1 January 2022 to 31 March 2022

**3. NET INVESTMENT INCOME**

	Three months ended 31 March	
	2022	2021
	KD'000's	KD'000's
Dividend income	560	640
Net gain from financial assets at fair value through profit or loss	558	265
Net gain from sale of debt investments at FVOCI	13	94
Realized gain on sale of investment properties	1,005	-
Net rental income from investment properties	70	468
Share of results of associates	36	46
	<b>2,242</b>	<b>1,513</b>

**4. PROVISION FOR IMPAIRMENT**

	Three months ended 31 March	
	2022	2021
	KD'000's	KD'000's
Provision charge for Islamic financing to customers	9,730	12,118
ECL – Other financial assets	259	(161)
	<b>9,989</b>	<b>11,957</b>

**5. TAXATION**

	Three months ended 31 March	
	2022	2021
	KD'000's	KD'000's
Contribution to Kuwait Foundation for the Advancement of Sciences (“KFAS”)	159	118
National Labour Support Tax (“NLST”)	454	337
Zakat (Based on Zakat law no: 46/2006)	182	135
Overseas tax	(1,773)	(77)
	<b>(978)</b>	<b>513</b>

**6. BASIC AND DILUTED EARNINGS PER SHARE**

Basic earnings per share are 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.

	Three months ended 31 March	
	2022	2021
Net profit for the period attributable to the equity holders of the Bank (KD'000)	16,954	12,615
Less: profit payment on Perpetual Tier 1 Sukuk	(3,021)	-
	<b>13,933</b>	<b>12,615</b>
Weighted average number of shares outstanding during the period net of treasury shares (thousands of shares)	<b>3,338,260</b>	<b>3,338,330</b>
Basic and diluted earnings per share attributable to the equity holders of the Bank (fils)	<b>4.17</b>	<b>3.78</b>

Earnings per share for the prior period were 3.97 fils before retroactive adjustment to the number of shares following the bonus shares issuance (note 19).

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

For the period from 1 January 2022 to 31 March 2022

**7. CASH AND CASH EQUIVALENTS**

	(Audited)		
	<b>31 March 2022</b>	31 December 2021	31 March 2021
	<b>KD'000's</b>	KD'000's	KD'000's
Cash and balances with banks	<b>318,968</b>	350,500	291,467
Placements with banks maturing within seven days	<b>413,350</b>	415,508	585,321
	<b>732,318</b>	766,008	876,788

**8. ISLAMIC FINANCING TO CUSTOMERS**

	(Audited)		
	<b>31 March 2022</b>	31 December 2021	31 March 2021
	<b>KD'000's</b>	KD'000's	KD'000's
Islamic financing to customers	<b>5,847,636</b>	5,678,933	5,076,153
Provision for impairment	<b>(176,965)</b>	(165,859)	(139,390)
	<b>5,670,671</b>	5,513,074	4,936,763

The available provision for impairment on non-cash facilities of **KD 2,891** thousands (31 December 2021: KD 2,850 thousands, 31 March 2021: KD 2,693) is included under other liabilities.

An analysis of the carrying amounts of Credit Facilities, and the corresponding Expected Credit Losses based on the staging criteria under IFRS 9 in accordance with CBK regulations. For contingent liabilities, the amounts in the table represent the amounts committed or guaranteed, respectively.

	<b>Stage 1 KD'000's</b>	<b>Stage 2 KD'000's</b>	<b>Stage 3 KD'000's</b>	<b>Total KD'000's</b>
<b>31 March 2022</b>				
Islamic financing to customers	<b>5,550,568</b>	<b>237,077</b>	<b>59,991</b>	<b>5,847,636</b>
Contingent liabilities (Note 14)	<b>337,694</b>	<b>59,945</b>	<b>3,492</b>	<b>401,131</b>
<b>31 December 2021</b>				
Islamic financing to customers	5,367,692	258,529	52,712	5,678,933
Contingent liabilities (Note 14)	323,746	66,407	3,517	393,670
<b>31 March 2021</b>				
Islamic financing to customers	4,752,181	263,092	60,880	5,076,153
Contingent liabilities (Note 14)	321,952	78,704	1,647	402,303



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

For the period from 1 January 2022 to 31 March 2022

**10. MEDIUM TERM FINANCING**

	(Audited)		
	<b>31 March 2022</b>	31 December 2021	31 March 2021
	<b>KD'000's</b>	KD'000's	KD'000's
Global Medium Term Sukuk (“GMTN programme”)*	<b>380,099</b>	229,137	227,524
Other medium term financing**	<b>257,590</b>	256,234	75,588
	<b>637,689</b>	485,371	303,112

\* The Bank established a USD 1 billion Global Medium Term Sukuk programme (“GMTN programme”) in 2019, which has been subsequently revised to USD 3 billion in 2022.

On 29 March 2022, the Bank issued senior unsecured Sukuk amounting to USD 500 million due in March 2027 under the GMTN programme through a wholly owned special purpose vehicle. This Sukuk was issued at 100 per cent of nominal value and carries a fixed profit rate at 3.389% per annum payable semi-annually in arrears.

During the prior years, on 18 February 2020, the Bank issued senior unsecured Sukuk amounting to USD 750 million due in February 2025 under the GMTN programme through a wholly owned special purpose vehicle. This Sukuk was issued at 100 per cent of nominal value and carries a fixed profit rate at 2.593% per annum payable semi-annually in arrears.

\*\* Other medium term financing has a tenor of three years and carry a profit rate in the range of 1.32% to 1.66%.

## BOUBYAN BANK K.S.C.P. AND SUBSIDIARIES

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

For the period from 1 January 2022 to 31 March 2022

#### 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 and the Parent Company including their board member, key management personnel, branches, associates and subsidiaries. Balances with related parties arise from commercial transactions in the normal course of business on an arm's length basis and are included within the following financial information captions:

	Number of board members or executive officers			Number of related parties			(Audited)		
	31 March 2022	31 December 2021	31 March 2021	31 March 2022	31 December 2021	31 March 2021	31 March 2022	31 December 2021	31 March 2021
							KD'000's	KD'000's	KD'000's
Islamic financing to customers	10	7	7	1	-	-	492	310	263
Depositors' accounts	20	15	3	22	18	16	13,354	13,168	9,875
Letters of guarantee and letters of credit	-	1	1	2	2	2	368	370	370
Murabaha and other Islamic financing income							11	11	3
Finance cost and distribution to depositors							(3)	(3)	(4)
<b>Parent Company</b>									
Due from banks							33,684	117,243	295,086
Due to banks							36,979	31,797	120,423
Depositors accounts							561	508	541
Murabaha and other Islamic financing income							201	788	168
Finance cost and distribution to depositors							(216)	(920)	(247)

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

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**11. RELATED PARTY TRANSACTIONS (continued)**
**Compensation of key management personnel**

Details of compensation to key management comprise the following:

	Three months ended	
	31 March	
	2022	2021
	KD'000's	KD'000's
Short-term benefits	766	583
Post-employment benefits	97	83
Deferred compensation	221	175
	<b>1,084</b>	<b>841</b>

**12. TREASURY SHARES**

The Bank held the following treasury shares:

	31 March 2022	(Audited)	31 March 2021
		31 December 2021	
Number of treasury shares	420,376	420,376	387,121
Treasury shares as a percentage of total issued shares - %	0.01322%	0.01322%	0.01217%
Cost of treasury shares – KD thousand	54	54	54
Market value of treasury shares – KD thousand	395	332	232
Weighted average of market value per share – KD	0.856	0.711	0.575

**13. OTHER RESERVES**

	Fair value reserve	Foreign currency translation reserve	Change in actuarial valuation reserve	Total
	KD'000's	KD'000's	KD'000's	KD'000's
<b>Balance at 1 January 2022</b>	11,891	(11,508)	(3,576)	(3,193)
Other comprehensive income/(loss) for the period	436	85	-	521
Total comprehensive income/(loss) for the period	436	85	-	521
<b>Balance at 31 March 2022</b>	<b>12,327</b>	<b>(11,423)</b>	<b>(3,576)</b>	<b>(2,672)</b>
Balance at 1 January 2021	(8,363)	(10,503)	(3,092)	(21,958)
Other comprehensive income/(loss) for the period	3,339	(18)	-	3,321
Total comprehensive income/(loss) for the period	3,339	(18)	-	3,321
Net transfer to retained earnings for equity investment at FVOCI	(16)	-	-	(16)
Balance at 31 March 2021	(5,040)	(10,521)	(3,092)	(18,653)

**BOUBYAN BANK K.S.C.P. AND SUBSIDIARIES**

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

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**14. CONTINGENCIES AND COMMITMENTS**

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

	<b>31 March 2022</b>	(Audited) 31 December 2021	31 March 2021
	<b>KD'000's</b>	KD'000's	KD'000's
Guarantees	<b>293,516</b>	292,528	294,485
Acceptances and letters of credit	<b>107,615</b>	101,142	107,818
Other commitments	<b>93,680</b>	125,818	99,670
	<b>494,811</b>	519,488	501,973

**15. 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 customers. 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 and International operations:** Principally handling direct investments, investment in associates, local and international real estate investment, asset and wealth management.

**Treasury:** Principally handling local and international Murabaha and other Islamic financing, primarily with banks, 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.

	<b>Consumer banking</b>	<b>Corporate banking</b>	<b>Investment banking and International operations</b>	<b>Treasury</b>	<b>Group centre</b>	<b>Total</b>
	<b>KD'000's</b>	<b>KD'000's</b>	<b>KD'000's</b>	<b>KD'000's</b>	<b>KD'000's</b>	<b>KD'000's</b>
<b>Three months ended 31 March 2022</b>						
Net financing income	24,300	12,208	2,152	2,121	1,012	41,793
Operating income/(loss)	25,948	14,120	8,009	3,220	(1,597)	49,700
Net profit/(loss) for the period	15,188	12,989	20	3,024	(14,199)	17,022
Total assets	<b>2,462,263</b>	<b>3,334,659</b>	<b>784,237</b>	<b>813,204</b>	<b>65,507</b>	<b>7,459,870</b>
Total liabilities	<b>3,374,691</b>	<b>363,578</b>	<b>744,295</b>	<b>1,769,705</b>	<b>457,271</b>	<b>6,709,540</b>
<b>Three months ended 31 March 2021</b>						
Net financing income	21,397	11,351	2,129	2,245	1,732	38,854
Operating income	23,006	13,057	4,273	3,301	1,479	45,116
Net profit/(loss) for the period	13,569	11,988	(1,311)	3,093	(14,982)	12,357
Total assets	1,961,304	2,997,270	799,751	958,485	54,723	6,771,533
Total liabilities	3,110,942	311,238	582,477	1,752,825	371,117	6,128,599

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**16. 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 or other models as appropriate.

**Fair value hierarchy**

The table below analyses financial instruments measured 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).

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>KD'000's</u>	<u>KD'000's</u>	<u>KD'000's</u>	<u>KD'000's</u>
<b>31 March 2022</b>				
Financial assets at fair value through profit or loss	-	141,590	-	141,590
Investment in Sukuk	542,844	-	-	542,844
Financial assets at fair value through other comprehensive income	3,018	-	16,486	19,504
	<u>545,862</u>	<u>141,590</u>	<u>16,486</u>	<u>703,938</u>
<b>31 December 2021 (Audited)</b>				
Financial assets at fair value through profit or loss	-	102,848	-	102,848
Investment in Sukuk	529,253	-	-	529,253
Financial assets at fair value through other comprehensive income	3,253	-	16,600	19,853
	<u>532,506</u>	<u>102,848</u>	<u>16,600</u>	<u>651,954</u>
<b>31 March 2021</b>				
Financial assets at fair value through profit or loss	-	85,440	-	85,440
Investment in Sukuk	492,084	-	-	492,084
Financial assets at fair value through other comprehensive income	1,908	-	15,401	17,309
	<u>493,992</u>	<u>85,440</u>	<u>15,401</u>	<u>594,833</u>

Fair values of all financial instruments are not materially different from their carrying values.

The movement in Level 3 of financial instrument during the period are as follows:

	<u>At</u>	<u>Change in</u>	<u>Additions/</u>	<u>Sale/</u>	<u>Exchange rate</u>	<u>At</u>
	<u>1 January</u>	<u>fair value</u>	<u>Amortization</u>	<u>transfers</u>	<u>redemption</u>	<u>31 March</u>
	<u>KD'000's</u>	<u>KD'000's</u>	<u>KD'000's</u>	<u>KD'000's</u>	<u>KD'000's</u>	<u>KD'000's</u>
<b>31 March 2022:</b>						
<b>Assets measured at fair value</b>						
Financial assets at fair value through other comprehensive income	16,600	-	-	-	(113)	(1) 16,486
	<u>16,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(113)</u>	<u>(1) 16,486</u>
<b>31 March 2021:</b>						
<b>Assets measured at fair value</b>						
Financial assets at fair value through other comprehensive income	15,408	-	-	-	-	(7) 15,401
	<u>15,408</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7) 15,401</u>

The impact on the interim condensed consolidated statement of financial position or the interim condensed consolidated statement of profit and loss and other comprehensive income would be immaterial if the relevant risk variables used to fair value the securities classified under level 2 and level 3 were altered by 5 percent.

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

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**17. DERIVATIVES**

In the ordinary course of business, the Bank enters into various types of transactions that involve Sharia'a approved derivative financial instruments such as currency swaps, profit rate swaps and forward foreign exchange contracts to mitigate foreign currency and profit rate risk. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price of one or more underlying financial instruments, reference rate or index.

**Currency swaps**

Currency swaps is a contractual agreement between two parties to buy a Sharia'a compliant asset at an agreed price on the relevant future date in different currencies. The fixed or floating payments as well as notional amounts are exchanged in different currencies.

**Profit rate swaps**

Profit rate swaps are contractual agreements between two counter-parties to exchange fixed and floating payments based on a notional value in a single currency.

**Forward foreign exchange contracts**

Forward foreign exchange contracts are agreements to buy or sell currencies at a specified rate and at a future date.

The notional amount, disclosed gross, is the amount of a derivative's underlying asset and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year-end and are neither indicative of the market risk nor credit risk.

The fair value of Islamic derivative financial instruments included in the financial records, together with their notional amounts is summarised as follows:

	31 March 2022			31 December 2021 (Audited)			31 March 2021		
	Positive fair value	Negative fair value	Notional	Positive fair value	Negative fair value	Notional	Positive fair value	Negative fair value	Notional
	KD'000s	KD'000s	KD'000s	KD'000s	KD'000s	KD'000s	KD'000s	KD'000s	KD'000s
Profit rate swaps (held as fair value hedges)	6,773	(4,619)	388,726	1,255	(13,583)	396,059	996	(17,567)	360,645
Cross currency swaps	1,166	(241)	535,080	895	(384)	607,357	-	(1,560)	184,791
Forward foreign exchange contracts	214	-	47,853	-	(10)	8,664	210	(4)	133,756
	<b>8,153</b>	<b>(4,860)</b>	<b>971,659</b>	<b>2,150</b>	<b>(13,977)</b>	<b>1,012,080</b>	<b>1,206</b>	<b>(19,131)</b>	<b>679,192</b>

All of the above Islamic derivative financial instruments are included in Level 2 of fair value hierarchy as at 31 March 2022, 31 December 2021 and 31 March 2021.

**18. PERPETUAL TIER 1 SUKUK**

During the previous year, on 1 April 2021, the Bank has issued "Tier 1 Sukuk – 2021", through a Sharia'a compliant Sukuk arrangement amounting to USD 500 million which was fully allocated. Tier 1 Sukuk -2021 is a perpetual security in respect of which there is no fixed redemption date and constitutes direct, unsecured, subordinated obligations (senior only to share capital) of the Bank subject to the terms and conditions of the Mudaraba Agreement. The Tier 1 Sukuk – 2021 is callable by the Bank on 1 October 2026 and bears an expected profit rate of 3.95% per annum to be paid semi-annually in arrears. The expected profit rate will be reset on 1 April 2027 based on then prevailing 6 years US Treasury Rate plus initial margin of 2.896% per annum. The net proceeds are invested by way of Mudaraba with the Bank (as Mudareb) on an unrestricted co-mingling basis, by the Bank in its general business activities carried out through the general Mudaraba pool. Mudaraba profit will not be accumulated and the event is not considered an event of default.

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

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For the period from 1 January 2022 to 31 March 2022

**19. ANNUAL GENERAL ASSEMBLY MEETING**

The Annual General Assembly meeting of the shareholders held on 23 March 2022 approved **5%** bonus shares (2020: 5%) and a cash dividend of **5%** fils per share (2020: Nil) for the year ended 31 December 2021. The cash dividend payable amounting to **KD 15,896 thousand** is included in other liabilities as at 31 March 2022.

The bonus shares will increase the number of issued and fully paid up shares by **158,984,880** shares (2020: 151,414,171 shares) and increase in share capital by **KD 15,898 thousand** (2020: KD 15,141 thousand). The approved bonus shares will be distributed on 12 April 2022.

The Shareholders' Extraordinary General Assembly held on 23 March 2022 approved the rights issue of 400,000,000 shares with nominal value of 100 fils each and share premium of 400 fils each.

**20. IMPACT OF COVID-19**

The Group is gradually recovering from the effects of Covid-19 pandemic. The Group's operating environment is moderately rebound and signs of economic recovery is visible across the region and globally. High vaccination rates and strict social distancing measures significantly reduced the impact of latest variants of virus.

During the years 2020 and 2021, Central Bank of Kuwait (CBK) implemented various measures targeted at reinforcing the banking sectors ability to play a vital role in the economy. Those measures are disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2021 and 31 December 2020.