

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

**INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS**

30 JUNE 2021

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

For the period from 1 January 2021 to 30 June 2021

INDEX	Page
Independent auditors' review report on interim condensed consolidated financial information	1
Interim condensed consolidated statement of profit or loss (unaudited)	2
Interim condensed consolidated statement of other comprehensive income (unaudited)	3
Interim condensed consolidated statement of financial position (unaudited)	4
Interim condensed consolidated statement of changes in equity (unaudited)	5
Interim condensed consolidated statement of cash flows (unaudited)	6
Notes to the interim condensed consolidated financial information (unaudited)	7-16



Ernst & Young
Al Aiban, Al Osaimi & Partners
P.O. Box 74
18-20th Floor, Baitak Tower
Ahmed Al Jaber Street
Safat Square 13001, Kuwait

Tel: +965 2295 5000
Fax: +965 2245 6419
kuwait@kw.ey.com
ey.com/mena

Deloitte.

**Deloitte & Touche
Al-Wazzan & Co.**

Ahmed Al-Jaber Street, Sharq
Dar Al-Awadi Complex, Floors 7 & 9
P.O. Box 20174, Safat 13062
Kuwait

Tel : + 965 22408844, 22438060
Fax: + 965 22408855, 22452080
www.deloitte.com

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 30 June 2021, and the related interim condensed consolidated statement of profit or loss and the interim condensed consolidated statement of other comprehensive income for the three and six months periods then ended, and the related interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six months period then ended.. The management of the Bank is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the basis of presentation set out in Note 2. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with the basis of presentation set out in Note 2.

Report on other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of 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 six months period ended 30 June 2021 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 six months period ended 30 June 2021 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

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

14 July 2021
Kuwait

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

For the period from 1 January 2021 to 30 June 2021

	Notes	Three months ended 30 June		Six months ended 30 June	
		2021	2020	2021	2020
		KD'000's	KD'000's	KD'000's	KD'000's
Income					
Murabaha and other Islamic financing income		55,490	55,877	110,338	113,731
Finance cost and distribution to depositors		(15,272)	(22,170)	(31,266)	(47,787)
Net financing income		40,218	33,707	79,072	65,944
Net investment income	3	2,682	1,058	4,195	4,142
Net fees and commission income		3,638	2,611	7,326	6,366
Net foreign exchange gain		992	728	2,053	3,015
Operating income		47,530	38,104	92,646	79,467
Staff costs		(12,297)	(9,993)	(25,318)	(21,704)
General and administrative expenses		(7,432)	(4,470)	(12,259)	(9,408)
Depreciation		(2,442)	(2,358)	(4,883)	(4,556)
Operating expenses		(22,171)	(16,821)	(42,460)	(35,668)
Operating profit before provision for impairment		25,359	21,283	50,186	43,799
Provision for impairment	4	(16,447)	(13,158)	(28,404)	(24,622)
Operating profit before deductions		8,912	8,125	21,782	19,177
Taxation	5	(137)	(842)	(650)	(1,554)
Net profit for the period		8,775	7,283	21,132	17,623
Attributable to:					
Equity holders of the Bank		8,839	6,916	21,454	17,143
Non-controlling interests		(64)	367	(322)	480
Net profit for the period		8,775	7,283	21,132	17,623
Basic and diluted earnings per share attributable to the equity holders of the Bank (fils)	6	2.04	1.35	6.00	4.57

The notes from 1 to 18 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 2021 to 30 June 2021

	Three months ended		Six months ended	
	30 June		30 June	
	2021	2020	2021	2020
	KD'000's	KD'000's	KD'000's	KD'000's
Net profit for the period	8,775	7,283	21,132	17,623
Other comprehensive income /(loss) :				
Items that are or may be reclassified to interim condensed consolidated statement of profit or loss in subsequent periods:				
Change in fair value of debt investments at fair value through other comprehensive income	2,848	18,965	5,922	(13,989)
Foreign currency translation adjustments	(1,169)	(1,698)	(1,187)	(2,304)
Items that will not be reclassified to interim condensed consolidated statement of profit or loss in subsequent periods:				
Change in fair value of equity investments at fair value through other comprehensive income	150	(4,604)	415	(5,623)
Other comprehensive income /(loss) for the period	1,829	12,663	5,150	(21,916)
Total comprehensive income /(loss) for the period	10,604	19,946	26,282	(4,293)
Attributable to:				
Equity holders of the Bank	10,898	21,295	26,834	(3,057)
Non-controlling interests	(294)	(1,349)	(552)	(1,236)
Total comprehensive income /(loss) for the period	10,604	19,946	26,282	(4,293)

The notes from 1 to 18 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 30 June 2021

	Notes	30 June 2021	(Audited) 31 December 2020	30 June 2020
		KD'000's	KD'000's	KD'000's
Assets				
Cash and balances with banks	7	214,741	286,718	200,760
Deposits with Central Bank of Kuwait		308,958	336,934	346,360
Deposits with other banks		395,097	180,092	199,074
Islamic financing to customers	8	5,152,383	4,823,266	4,615,902
Investment in Sukuk	9	529,663	523,046	491,614
Other investment securities	9	103,057	99,109	96,175
Investments in associates		3,134	4,073	4,611
Investment properties		47,380	47,133	46,352
Other assets		92,820	45,419	41,891
Property and equipment		97,869	91,359	88,530
Total assets		6,945,102	6,437,149	6,131,269
Liabilities and equity				
Liabilities				
Due to banks		347,369	281,371	470,435
Depositors' accounts		5,417,251	5,107,728	4,719,507
Medium term financing		333,275	305,509	233,064
Other liabilities		121,380	115,811	106,070
Total liabilities		6,219,275	5,810,419	5,529,076
Equity				
Share capital		317,970	302,827	302,827
Share premium		156,942	156,942	156,942
Treasury shares	11	(54)	(54)	(54)
Statutory reserve		35,512	35,512	31,848
Voluntary reserve		15,327	30,468	30,468
Other reserves	12	(955)	(21,958)	(28,554)
Retained earnings		16,975	14,123	2,120
Equity attributable to equity holders of the Bank		541,717	517,860	495,597
Perpetual Tier 1 Sukuk	16	150,385	75,388	75,388
Non-controlling interests		33,725	33,482	31,208
Total equity		725,827	626,730	602,193
Total liabilities and equity		6,945,102	6,437,149	6,131,269



Abdulaziz Abdullah Dakheel Al-Shaya
Chairman



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

The notes from 1 to 18 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 2021 to 30 June 2021

	Share capital	Share premium	Proposed bonus shares	Treasury shares	Statutory reserve	Voluntary reserve	Other reserves (note 12)	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
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	-	-	-	-	-	-	-	21,454	-	21,454	-	(322)	21,132
Other comprehensive income	-	-	-	-	-	-	5,380	-	-	5,380	-	(230)	5,150
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	5,380	21,454	-	26,834	-	(552)	26,282
Net transfer to retained earnings for equity investment at FVOCI	-	-	-	-	-	-	15,623	(15,623)	-	-	-	-	-
Issue of bonus shares (note 17)	15,143	-	-	-	-	(15,141)	-	(2)	-	-	-	-	-
Redemption of Tier 1 Sukuk (note 16)	-	-	-	-	-	-	-	-	-	-	(75,388)	-	(75,388)
Issue of Tier 1 Sukuk (note 16)	-	-	-	-	-	-	-	-	-	-	150,385	-	150,385
Profit paid on Perpetual Tier 1 Sukuk	-	-	-	-	-	-	-	(2,367)	-	(2,367)	-	-	(2,367)
Transaction costs on issue of Perpetual Tier 1 Sukuk	-	-	-	-	-	-	-	(610)	-	(610)	-	-	(610)
Other movement in non- controlling interests	-	-	-	-	-	-	-	-	-	-	-	795	795
Balance at 30 June 2021	317,970	156,942	-	(54)	35,512	15,327	(955)	16,975	-	541,717	150,385	33,725	725,827
Balance at 1 January 2020	288,407	156,942	14,420	(54)	31,848	30,468	(8,354)	35,817	25,954	575,448	75,388	2,345	653,181
Profit for the period	-	-	-	-	-	-	-	17,143	-	17,143	-	480	17,623
Other comprehensive loss	-	-	-	-	-	-	(20,200)	-	-	(20,200)	-	(1,716)	(21,916)
Total comprehensive (loss)/ income for the period	-	-	-	-	-	-	(20,200)	17,143	-	(3,057)	-	(1,236)	(4,293)
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	30,057	30,057
Modification loss of deferral of financing instalments (note 2)	-	-	-	-	-	-	-	(48,232)	-	(48,232)	-	-	(48,232)
Dividend paid	-	-	-	-	-	-	-	-	(25,954)	(25,954)	-	-	(25,954)
Profit paid on Perpetual Tier 1 Sukuk	-	-	-	-	-	-	-	(2,608)	-	(2,608)	-	-	(2,608)
Other movement in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	42	42
Issue of bonus shares (note 17)	14,420	-	(14,420)	-	-	-	-	-	-	-	-	-	-
Balance at 30 June 2020	302,827	156,942	-	(54)	31,848	30,468	(28,554)	2,120	-	495,597	75,388	31,208	602,193

The notes from 1 to 18 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 2021 to 30 June 2021

	Notes	Six months ended	
		30 June	
		2021	2020
		KD'000's	KD'000's
OPERATING ACTIVITIES			
Net profit for the period		21,132	17,623
Adjustments for:			
Provision for impairment	4	28,404	24,622
Depreciation		4,883	4,556
Foreign currency translation adjustments		(54)	(5,225)
Net gain from financial assets at fair value through profit or loss	3	(1,327)	(550)
Net (gain)/loss from debt instruments		(164)	226
Unrealised loss from change in fair value of investment properties		-	811
Share of results of associates	3	(237)	(432)
Net gain on acquisition of subsidiary		-	(2,227)
Dividend income	3	(1,539)	(1,208)
Operating profit before changes in operating assets and liabilities		51,098	38,196
Changes in operating assets and liabilities:			
Deposits with Central Bank of Kuwait		2,990	10,809
Deposits with other banks		(54,361)	155,036
Islamic financing to customers		(406,395)	(339,272)
Other assets		1,614	21,170
Due to banks		65,998	179,187
Depositors' accounts		309,523	(87,257)
Other liabilities		13,273	15,629
Net cash used in operating activities		(16,260)	(6,502)
INVESTING ACTIVITIES			
Purchase of investment securities		(175,567)	(278,895)
Proceeds from sale/redemption of investment securities		163,207	132,076
Transaction costs related to acquisition of a subsidiary		-	(1,815)
Acquisition of a subsidiary, net of cash acquired		-	(325)
Purchase of investment properties		(632)	(97)
Purchase of property and equipment		(11,392)	(5,314)
Dividend income received	3	1,539	1,208
Net cash used in investing activities		(22,845)	(153,162)
FINANCING ACTIVITIES			
Profit paid on perpetual Tier 1 Sukuk		(2,367)	(2,608)
Dividend Paid		-	(25,954)
Transaction costs on issue of Perpetual Tier 1 Sukuk		(610)	-
Net movement of non-controlling interest		795	42
Net proceeds from issue of Perpetual Tier 1 Sukuk		150,385	-
Redemption of Tier 1 Sukuk		(75,388)	-
Net proceeds from medium term financing		30,006	228,600
Net cash generated from financing activities		102,821	200,080
Net increase in cash and cash equivalents		63,716	40,416
Cash and cash equivalents at beginning of the period		587,200	509,737
Cash and cash equivalents at end of the period	7	650,916	550,153

The notes from 1 to 18 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 2021 to 30 June 2021

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 18th 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 six months period ended 30 June 2021 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 6 July 2021.

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 with the following amendments:
 - Expected credit loss (“ECL”) to be measured at the higher of ECL on credit facilities computed under IFRS 9 in accordance to the CBK guidelines or the provisions as required by CBK instructions along with its consequent impact on related disclosures; and
 - In the comparative periods, modification losses on financial assets (consumer and other instalment financing and credit cards receivables) arising from payment holidays to customers in response to Covid-19 set out in the CBK circular ref.2/BS/IBS/461/2020 to be recognised in retained earnings instead of consolidated statement of profit or loss as required by IFRS 9.

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 2020. Further, results for the six months period ended 30 June 2021, are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

Certain prior period amounts have been reclassified in order to conform to the current period presentation. Such reclassifications do not affect previously reported assets, liabilities, equity and profit for the period.

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 2020 except for the adoption of new standards effective as of 1 January 2021 as noted below.

2.2 New standards, interpretations and amendments adopted by the Group

Profit Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free profit rate (RFR).

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a profit rate, equivalent to a movement in a market rates.
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued

These amendments had no impact on the interim condensed consolidated financial information of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

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

For the period from 1 January 2021 to 30 June 2021

3. NET INVESTMENT INCOME

	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	KD'000's	KD'000's	KD'000's	KD'000's
Dividend income	899	713	1,539	1,208
Net gain from financial assets at fair value through profit or loss	1,062	1,012	1,327	550
Net gain/(loss) from debt instruments	70	(285)	164	(226)
Net income/(loss) from investment properties	460	(437)	928	(49)
Net gain on business combination	-	-	-	2,227
Share of results of associates	191	55	237	432
	2,682	1,058	4,195	4,142

4. PROVISION FOR IMPAIRMENT

	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	KD'000's	KD'000's	KD'000's	KD'000's
Provision charge for Islamic financing to customers	13,381	13,445	25,499	23,945
Other financial assets	3,066	(287)	2,905	677
	16,447	13,158	28,404	24,622

5. TAXATION

	Three months ended 30 June		Six months ended 30 June	
	2021	2021	2021	2020
	KD'000's	KD'000's	KD'000's	KD'000's
Contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS")	82	61	200	162
National Labour Support Tax ("NLST")	242	200	579	479
Zakat (Based on Zakat law no: 46/2006)	97	80	232	192
Overseas tax	(284)	501	(361)	721
	137	842	650	1,554

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 30 June		Six months ended 30 June	
	2021	2020	2021	2020
Net profit for the period attributable to the equity holders of the Bank (KD'000)	8,839	6,916	21,454	17,143
Less: profit payment on Perpetual Tier 1 Sukuk (KD'000s)	(2,367)	(2,608)	(2,367)	(2,608)
	6,472	4,308	19,087	14,535
Weighted average number of shares outstanding during the period net of treasury shares (thousands of shares)	3,179,278	3,179,316	3,179,300	3,179,332
Basic and diluted earnings per share attributable to the equity holders of the Bank (fils)	2.04	1.35	6.00	4.57

Earnings per share for the prior period were 1.42 and 4.80 fils before retroactive adjustment to the number of shares following the bonus shares issuance (Note 17).

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

For the period from 1 January 2021 to 30 June 2021

7. CASH AND CASH EQUIVALENTS

	(Audited)		
	30 June 2021	31 December 2020	30 June 2020
	KD 000's	KD 000's	KD 000's
Cash and balances with banks	214,741	286,718	200,760
Placements with banks maturing within seven days	436,175	300,482	349,393
	650,916	587,200	550,153

8. ISLAMIC FINANCING TO CUSTOMERS

	(Audited)		
	30 June 2021	31 December 2020	30 June 2020
	KD'000's	KD'000's	KD'000's
Islamic financing to customers	5,306,213	4,950,429	4,717,907
Provision for impairment	(153,830)	(127,163)	(102,005)
	5,152,383	4,823,266	4,615,902

The available provision for impairment on non-cash facilities of **KD 2,760 thousand** (31 December 2020: KD 2,737 thousand, 30 June 2020: KD 2,622 thousand) 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.

	Stage 1	Stage 2	Stage 3	Total
	KD 000's	KD 000's	KD 000's	KD 000's
30 June 2021				
Islamic financing to customers	4,990,268	256,565	59,380	5,306,213
Contingent Liabilities (Note 13)	283,940	69,486	3,598	357,024
31 December 2020				
Islamic financing to customers	4,653,576	238,800	58,053	4,950,429
Contingent Liabilities (Note 13)	304,692	85,519	1,523	391,734
30 June 2020				
Islamic financing to customers	4,538,518	109,343	70,046	4,717,907
Contingent Liabilities (Note 13)	337,552	30,066	2,510	370,128

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

For the period from 1 January 2021 to 30 June 2021

8. ISLAMIC FINANCING TO CUSTOMERS (continued)

An analysis of the changes in the Expected Credit Losses in relation to credit facilities (cash and non-cash facilities) computed under IFRS 9 in accordance to the CBK guidelines:

	Stage 1	Stage 2	Stage 3	Total
	KD 000's	KD 000's	KD 000's	KD 000's
30 June 2021				
ECL allowance as at 1 January 2021	20,316	19,780	22,159	62,255
Impact due to transfer between stages	645	(770)	125	-
Additional ECL for the period	(2,789)	1,160	8,907	7,278
Amounts written off	-	-	(1,183)	(1,183)
Foreign currency translation	(35)	3	47	15
At 30 June 2021	18,137	20,173	30,055	68,365
30 June 2020				
ECL allowance as at 1 January 2020	15,781	5,798	32,402	53,981
ECL upon acquisition of subsidiary	1,362	1,042	2,651	5,055
Impact due to transfer between stages	1,511	(1,999)	488	-
Additional ECL for the period	4,582	6,376	12,564	23,522
Foreign currency translation	(1)	(65)	(3)	(69)
At 30 June 2020	23,235	11,152	48,102	82,489

9. INVESTMENT SECURITIES

	30 June	(Audited)	
	2021	31 December	30 June 2020
	KD'000's	2020	KD'000's
Investment in Sukuk	529,663	523,046	491,614
Financial assets at fair value through profit or loss	85,332	81,691	80,468
Financial assets at fair value through other comprehensive income	17,725	17,418	15,707
	632,720	622,155	587,789
		(Audited)	
	30 June	31 December	30 June 2020
	2021	2020	KD'000's
	KD'000's	KD'000's	KD'000's
Investment in Sukuk			
Investment in Sukuk- FVOCI	510,838	504,218	491,614
Investment in Sukuk- FVTPL	18,825	18,828	-
	529,663	523,046	491,614
Financial assets at fair value through profit or loss			
Investment in unquoted equity funds	85,332	81,691	80,468
	85,332	81,691	80,468
Financial assets at fair value through other comprehensive income			
Investment in unquoted equity securities	15,367	15,408	13,595
Investment in quoted equity securities	2,358	2,010	2,112
	17,725	17,418	15,707

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

For the period from 1 January 2020 to 30 June 2021

10. RELATED PARTY TRANSACTIONS

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

	Number of board members or executive officers			Number of related parties			(Audited)		
	30 June 2021	31 December 2020	30 June 2020	30 June 2021	31 December 2020	30 June 2020	30 June 2021	31 December 2020	30 June 2020
							KD'000's	KD'000's	KD'000's
Islamic financing to customers	7	7	5	-	-	-	352	212	132
Depositors' accounts	5	4	5	18	17	13	10,446	7,407	4,354
Letters of guarantee and letters of credit	1	1	-	2	2	1	370	370	356
Murabaha and other Islamic financing income							3	14	14
Finance cost and distribution to depositors							(3)	(2)	(18)
Parent Company									
Due from banks							147,717	96,508	82,825
Due to banks							73,458	104,567	170,799
Depositors accounts							635	611	-
Murabaha and other Islamic financing income							368	1,842	1,481
Finance cost and distribution to depositors							(619)	(2,272)	(1,517)

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

For the period from 1 January 2021 to 30 June 2021

10. RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel

Details of compensation to key management comprise the following:

	Three months ended		Six months	
	30 June		ended 30 June	
	2021	2020	2021	2020
	KD'000's	KD'000's	KD'000's	KD'000's
Short-term benefits	690	616	1,273	1,226
Post-employment benefits	135	187	218	328
Deferred compensation	182	172	357	343
	1,007	975	1,848	1,897

11. TREASURY SHARES

The Bank held the following treasury shares:

	30 June 2021	(Audited)	30 June 2020
		31 December 2020	
Number of treasury shares	420,376	368,687	368,687
Treasury shares as a percentage of total issued shares - %	0.01322%	0.01218%	0.01218%
Cost of treasury shares – KD thousand	54	54	54
Market value of treasury shares – KD thousand	308	210	196
Weighted average of market value per share – KD	0.634	0.569	0.554

12. OTHER RESERVES

	Share based payment reserve	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	KD'000's
Balance at 1 January 2021	-	(8,363)	(10,503)	(3,092)	(21,958)
Other comprehensive income/(loss) for the period	-	6,337	(957)	-	5,380
Total comprehensive income/(loss) for the period	-	6,337	(957)	-	5,380
Net transfer to retained earnings for equity investment at FVOCI	-	15,623	-	-	15,623
Balance at 30 June 2021	-	13,597	(11,460)	(3,092)	(955)
Balance at 1 January 2020	967	167	(9,488)	-	(8,354)
Other comprehensive loss for the period	-	(19,588)	(612)	-	(20,200)
Total comprehensive loss for the period	-	(19,588)	(612)	-	(20,200)
Balance at 30 June 2020	967	(19,421)	(10,100)	-	(28,554)

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

For the period from 1 January 2021 to 30 June 2021

13. 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:

	30 June 2021	(Audited) 31 December 2020	30 June 2020
	KD'000's	KD'000's	KD'000's
Guarantees	278,318	287,185	275,458
Acceptances and letters of credit	78,706	104,549	94,670
Other commitments	124,869	119,206	5,553
	481,893	510,940	375,681

14. 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.

	Consumer banking	Corporate banking	Investment banking and International operations	Treasury	Group centre	Total
	KD'000's	KD'000's	KD'000's	KD'000's	KD'000's	KD'000's
Six months ended 30 June 2021						
Net financing income	42,513	24,283	4,567	3,951	3,758	79,072
Operating income	45,618	27,568	11,167	6,000	2,293	92,646
Net profit/(loss) for the period	26,059	24,247	967	5,581	(35,722)	21,132
Total assets	2,057,704	3,186,056	813,415	847,472	40,455	6,945,102
Total liabilities	3,253,905	263,056	674,564	1,757,589	270,161	6,219,275
Six months ended 30 June 2020						
Net financing income	34,769	21,616	3,019	3,562	2,978	65,944
Operating income	36,541	24,643	9,898	6,577	1,808	79,467
Net profit/(loss) for the period	16,956	20,641	2,845	6,278	(29,097)	17,623
Total assets	1,644,935	2,891,430	805,986	755,701	33,217	6,131,269
Total liabilities	2,629,242	368,787	578,421	1,669,318	283,308	5,529,076

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

For the period from 1 January 2021 to 30 June 2021

15. 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).

	Level 1	Level 2	Level 3	Total
	KD'000's	KD'000's	KD'000's	KD'000's
30 June 2021				
Financial assets at fair value through profit or loss	-	85,332	-	85,332
Investment in Sukuk	529,663	-	-	529,663
Financial assets at fair value through other comprehensive income	2,358	-	15,367	17,725
	532,021	85,332	15,367	632,720
31 December 2020 (Audited)				
Financial assets at fair value through profit or loss	-	81,691	-	81,691
Investment in Sukuk	523,046	-	-	523,046
Financial assets at fair value through other comprehensive income	2,010	-	15,408	17,418
	525,056	81,691	15,408	622,155
30 June 2020				
Financial assets at fair value through profit or loss	-	80,468	-	80,468
Investment in Sukuk	491,614	-	-	491,614
Financial assets at fair value through other comprehensive income	2,112	-	13,595	15,707
	493,726	80,468	13,595	587,789

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:

	At 1 January	Change in fair value	Additions/ transfers	Sale/ redemption	Exchange rate movements	At 30 June
	KD'000's	KD'000's	KD'000's	KD'000's	KD'000's	KD'000's
30 June 2021:						
Assets measured at fair value						
Financial assets at fair value through other comprehensive income	15,408	-	-	(22)	(19)	15,367
	15,408	-	-	(22)	(19)	15,367
30 June 2020:						
Assets measured at fair value						
Financial assets at fair value through other comprehensive income	18,729	(5,153)	1,522	(1,392)	(111)	13,595
	18,729	(5,153)	1,522	(1,392)	(111)	13,595

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)

For the period from 1 January 2021 to 30 June 2021

16. PERPETUAL TIER 1 SUKUK

On 1 April 2021, the Bank has issued “Tier 1 Sukuk – 2021”, through a Sharia’s 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 after six-year period ending April 2027 and bears an expected profit rate of **3.95%** per annum to be paid semi-annually in arrears until this date. After that, the expected profit rate will be reset 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.

The Tier 1 Sukuk issued in 2016 were redeemed partially on 1 April 2021 through a tender buy-back amounting to USD 73.9 million at a price of 100.40% of their nominal value and the balance Tier 1 Sukuk amounting to USD 176.1 million were redeemed together with profit accrued on its first call date of 16 May 2021. Premium paid on the tender buy-back along with the foreign exchange translation were recorded in the interim condensed consolidated statement of changes in equity for the period.

17. ANNUAL GENERAL ASSEMBLY MEETING

The Annual General Assembly meeting of the shareholders held on 7 March 2021 approved **5%** bonus shares (2019: 5%). The bonus shares will increase the number of issued and fully paid up shares by **151,414,171** shares (2019: 144,203,973 shares) and increase in share capital by **KD 15,141 thousand** (2019: KD 14,420 thousand). The approved bonus shares were distributed on 14 April 2021.

18. IMPACT OF COVID-19 PANDEMIC

The COVID-19 pandemic spread rapidly across global geographies causing significant disruption to business and economic activities and bringing unprecedented uncertainty to the global economic environment. Fiscal and monetary authorities worldwide have launched extensive responses designed to mitigate the severe consequences of the pandemic.

Covid-19 support measures

In 2020, 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 2020.

2021 consumer and other instalments loans deferral scheme

Kuwait banks announced postponement of payment of consumer and instalment loans to eligible customer, upon request, in accordance with the CBK circular No. 2/BS/IBS/IS/IIS/FS/476/2021 dated 18 April 2021 concerning the implementing provisions of Article No. (2) of Law No. (3) of 2021 (“the Law”) regarding the deferral of the financial obligations for a six-month period with cancellation of interest and profits resulting from this deferral (“the 2021 scheme”). The cost of the instalment deferrals are fully borne by the Government of Kuwait in accordance with the Law.

The Group implemented the 2021 scheme by postponing the instalments for a six-month period from the customer request date with the corresponding extension of the facility tenure. The instalment deferral resulted in a loss to the Group arising from the modification of contractual cash-flows, provisionally estimated at **KD 51,802** thousand in accordance with IFRS 9. This loss was offset by an equivalent amount receivable from Government of Kuwait as Government Grant in accordance with the Law. The Group has recorded the Government grant income by setting it off against the modification loss from the 2021 scheme. The Government grant receivable is included in other assets in the interim condensed consolidated statement of financial position.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

For the period from 1 January 2021 to 30 June 2021

18. IMPACT OF COVID-19 PANDEMIC (continued)

Expected Credit Loss (ECL) estimates

The Group considered the potential impact of the uncertainties caused by the Covid-19 pandemic together with the associated economic support and relief measures of governments and central banks in its estimation of ECL requirements for the period ended 30 June 2021, making adjustments to macroeconomic variables as appropriate. The Group has also given specific consideration to the impact of COVID-19 on the relevant qualitative and quantitative factors when determining any significant increase in credit risk (SICR) and in assessing indicators of impairment for exposures to potentially affected sectors.

Notwithstanding the above, the ECL requirement for credit facilities estimated as at 30 June 2021 continues to be lower than the provisions required as per CBK instructions. Accordingly, in accordance with Group accounting policy, the higher amount, being the provision required as per CBK instructions, is therefore recognized as the provision requirement for credit losses on credit facilities.

Other impacts

The Group considered the potential impact of the current economic volatility on the reported amounts of the Group's financial and non-financial assets. The reported amounts best represent management's assessment based on observable information. Markets however remain volatile and asset carrying values remain sensitive to market fluctuations. The impact of the highly uncertain economic environment remains judgmental and the Group will accordingly continue to reassess its position and the related impact on a regular basis.