

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

**INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS**

30 SEPTEMBER 2021

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

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

---

For the period from 1 January 2021 to 30 September 2021

<b>INDEX</b>	<b>Page</b>
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



Building a better  
working world

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

17 October 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 September 2021

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2021	2020	2021	2020
		KD'000's	KD'000's	KD'000's	KD'000's
<b>Income</b>					
Murabaha and other Islamic financing income		<b>56,984</b>	54,384	<b>167,322</b>	168,115
Finance cost and distribution to depositors		<b>(16,663)</b>	(19,051)	<b>(47,929)</b>	(66,838)
<b>Net financing income</b>		<b>40,321</b>	35,333	<b>119,393</b>	101,277
Net investment income	3	<b>1,543</b>	1,592	<b>5,738</b>	5,734
Net fees and commission income		<b>5,158</b>	3,301	<b>12,484</b>	9,667
Net foreign exchange gain		<b>1,255</b>	1,157	<b>3,308</b>	4,172
Other Income		-	2,357	-	2,357
<b>Operating income</b>		<b>48,277</b>	43,740	<b>140,923</b>	123,207
Staff costs		<b>(13,159)</b>	(11,039)	<b>(38,477)</b>	(32,743)
General and administrative expenses		<b>(6,500)</b>	(4,055)	<b>(18,759)</b>	(13,463)
Depreciation		<b>(2,585)</b>	(2,195)	<b>(7,468)</b>	(6,751)
<b>Operating expenses</b>		<b>(22,244)</b>	(17,289)	<b>(64,704)</b>	(52,957)
<b>Operating profit before provision for impairment</b>		<b>26,033</b>	26,451	<b>76,219</b>	70,250
Provision for impairment	4	<b>(15,848)</b>	(21,051)	<b>(44,252)</b>	(45,673)
<b>Operating profit before deductions</b>		<b>10,185</b>	5,400	<b>31,967</b>	24,577
Taxation	5	<b>(101)</b>	(2)	<b>(751)</b>	(1,556)
<b>Net profit for the period</b>		<b>10,084</b>	5,398	<b>31,216</b>	23,021
<b>Attributable to:</b>					
Equity holders of the Bank		<b>10,438</b>	6,099	<b>31,892</b>	23,242
Non-controlling interests		<b>(354)</b>	(701)	<b>(676)</b>	(221)
<b>Net profit for the period</b>		<b>10,084</b>	5,398	<b>31,216</b>	23,021
<b>Basic and diluted earnings per share attributable to the equity holders of the Bank (fils)</b>	6	<b>3.28</b>	1.92	<b>9.29</b>	6.49

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 September 2021

	Three months ended 30 September		Nine months ended 30 September	
	2021	2020	2021	2020
	KD'000's	KD'000's	KD'000's	KD'000's
<b>Net profit for the period</b>	<b>10,084</b>	5,398	<b>31,216</b>	23,021
<b>Other comprehensive (loss) / income:</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	(1,116)	4,452	<b>4,806</b>	(9,537)
Foreign currency translation adjustments	(869)	1,327	<b>(2,056)</b>	(977)
<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	275	(1)	<b>690</b>	(5,624)
<b>Other comprehensive (loss) / income for the period</b>	<b>(1,710)</b>	5,778	<b>3,440</b>	(16,138)
<b>Total comprehensive income for the period</b>	<b>8,374</b>	11,176	<b>34,656</b>	6,883
<b>Attributable to:</b>				
Equity holders of the Bank	<b>9,494</b>	10,533	<b>36,328</b>	7,476
Non-controlling interests	<b>(1,120)</b>	643	<b>(1,672)</b>	(593)
<b>Total comprehensive income for the period</b>	<b>8,374</b>	11,176	<b>34,656</b>	6,883

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 September 2021

	<i>Notes</i>	<b>30 September 2021</b>	(Audited) 31 December 2020	30 September 2020
		<b>KD'000's</b>	KD'000's	KD'000's
<b>Assets</b>				
Cash and balances with banks	7	<b>356,828</b>	286,718	215,884
Deposits with Central Bank of Kuwait		<b>308,972</b>	336,934	336,982
Deposits with other banks		<b>464,962</b>	180,092	218,687
Islamic financing to customers	8	<b>5,312,621</b>	4,823,266	4,707,033
Investment in Sukuk	9	<b>517,190</b>	523,046	514,000
Other investment securities	9	<b>105,252</b>	99,109	94,334
Investments in associates		<b>3,097</b>	4,073	4,770
Investment properties		<b>46,646</b>	47,133	47,901
Other assets		<b>92,226</b>	45,419	49,445
Property and equipment		<b>103,625</b>	91,359	87,060
<b>Total assets</b>		<b>7,311,419</b>	6,437,149	6,276,096
<b>Liabilities and equity</b>				
<b>Liabilities</b>				
Due to banks		<b>669,900</b>	281,371	258,405
Depositors' accounts		<b>5,449,242</b>	5,107,728	5,066,314
Medium term financing		<b>332,514</b>	305,509	230,410
Other liabilities		<b>123,834</b>	115,811	107,743
<b>Total liabilities</b>		<b>6,575,490</b>	5,810,419	5,662,872
<b>Equity</b>				
Share capital		<b>317,970</b>	302,827	302,827
Share premium		<b>156,942</b>	156,942	156,942
Treasury shares	11	<b>(54)</b>	(54)	(54)
Statutory reserve		<b>35,512</b>	35,512	31,848
Voluntary reserve		<b>15,327</b>	30,468	30,468
Other reserves	12	<b>(1,899)</b>	(21,958)	(25,087)
Retained earnings		<b>27,413</b>	14,123	9,186
<b>Equity attributable to equity holders of the Bank</b>		<b>551,211</b>	517,860	506,130
Perpetual Tier 1 Sukuk	16	<b>150,385</b>	75,388	75,388
Non-controlling interests		<b>34,333</b>	33,482	31,706
<b>Total equity</b>		<b>735,929</b>	626,730	613,224
<b>Total liabilities and equity</b>		<b>7,311,419</b>	6,437,149	6,276,096

  
 \_\_\_\_\_  
**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 September 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
<b>Balance at 1 January 2021</b>	<b>302,827</b>	<b>156,942</b>	-	(54)	<b>35,512</b>	<b>30,468</b>	<b>(21,958)</b>	<b>14,123</b>	-	<b>517,860</b>	<b>75,388</b>	<b>33,482</b>	<b>626,730</b>
Profit/(loss) for the period	-	-	-	-	-	-	-	<b>31,892</b>	-	<b>31,892</b>	-	<b>(676)</b>	<b>31,216</b>
Other comprehensive income/(loss)	-	-	-	-	-	-	<b>4,436</b>	-	-	<b>4,436</b>	-	<b>(996)</b>	<b>3,440</b>
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	<b>4,436</b>	<b>31,892</b>	-	<b>36,328</b>	-	<b>(1,672)</b>	<b>34,656</b>
Net transfer to retained earnings for equity investment at FVOCI	-	-	-	-	-	-	<b>15,623</b>	<b>(15,623)</b>	-	-	-	-	-
Issue of bonus shares (note 17)	<b>15,143</b>	-	-	-	-	<b>(15,141)</b>	-	<b>(2)</b>	-	-	-	-	-
Redemption of Tier 1 Sukuk (note 16)	-	-	-	-	-	-	-	-	-	-	<b>(75,388)</b>	-	<b>(75,388)</b>
Issue of Tier 1 Sukuk (note 16)	-	-	-	-	-	-	-	-	-	-	<b>150,385</b>	-	<b>150,385</b>
Profit paid on Perpetual Tier 1 Sukuk	-	-	-	-	-	-	-	<b>(2,367)</b>	-	<b>(2,367)</b>	-	-	<b>(2,367)</b>
Transaction costs on issue of Perpetual Tier 1 Sukuk	-	-	-	-	-	-	-	<b>(610)</b>	-	<b>(610)</b>	-	-	<b>(610)</b>
Other movement in non- controlling interests	-	-	-	-	-	-	-	-	-	-	-	<b>2,523</b>	<b>2,523</b>
<b>Balance at 30 September 2021</b>	<b>317,970</b>	<b>156,942</b>	-	<b>(54)</b>	<b>35,512</b>	<b>15,327</b>	<b>(1,899)</b>	<b>27,413</b>	-	<b>551,211</b>	<b>150,385</b>	<b>34,333</b>	<b>735,929</b>
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/(loss) for the period	-	-	-	-	-	-	-	23,242	-	23,242	-	(221)	23,021
Other comprehensive loss	-	-	-	-	-	-	(15,766)	-	-	(15,766)	-	(372)	(16,138)
Total comprehensive (loss)/ income for the period	-	-	-	-	-	-	(15,766)	23,242	-	7,476	-	(593)	6,883
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)
Transfer of share based payment reserve	-	-	-	-	-	-	(967)	967	-	-	-	-	-
Other movement in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(103)	(103)
Issue of bonus shares (note 17)	14,420	-	(14,420)	-	-	-	-	-	-	-	-	-	-
Balance at 30 September 2020	302,827	156,942	-	(54)	31,848	30,468	(25,087)	9,186	-	506,130	75,388	31,706	613,224

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 September 2021

	Notes	Nine months ended	
		30 September	
		2021	2020
		KD'000's	KD'000's
<b>OPERATING ACTIVITIES</b>			
Net profit for the period		31,216	23,021
<b>Adjustments for:</b>			
Provision for impairment	4	44,252	45,673
Depreciation		7,468	6,751
Foreign currency translation adjustments		(332)	730
Net gain from financial assets at fair value through profit or loss	3	(1,571)	(774)
Net gain from debt instruments	3	(319)	(18)
Unrealised loss from change in fair value of investment properties		-	918
Share of results of associates	3	(328)	(591)
Net gain on acquisition of subsidiary		-	(2,227)
Dividend income	3	(2,218)	(1,887)
<b>Operating profit before changes in operating assets and liabilities</b>		<b>78,168</b>	<b>71,596</b>
<b>Changes in operating assets and liabilities:</b>			
Deposits with Central Bank of Kuwait		(7,102)	10,000
Deposits with other banks		47,584	110,374
Islamic financing to customers		(577,595)	(450,457)
Other assets		(2,694)	13,561
Due to banks		388,529	(32,843)
Depositors' accounts		341,514	259,550
Other liabilities		15,728	16,635
<b>Net cash generated from / (used in) operating activities</b>		<b>284,132</b>	<b>(1,584)</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of investment securities		(178,436)	(425,902)
Proceeds from sale/redemption of investment securities		176,869	257,017
Transaction costs related to acquisition of a subsidiary		-	(1,815)
Acquisition of a subsidiary, net of cash acquired		-	(325)
Purchase of investment properties		(660)	(1,748)
Purchase of property and equipment		(19,734)	(7,075)
Dividend income received	3	2,218	1,887
<b>Net cash used in investing activities</b>		<b>(19,743)</b>	<b>(177,961)</b>
<b>FINANCING ACTIVITIES</b>			
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		2,523	(103)
Net proceeds from issue of Perpetual Tier 1 Sukuk		150,385	-
Redemption of Tier 1 Sukuk		(75,388)	-
Net proceeds from medium term financing		28,585	228,600
<b>Net cash generated from financing activities</b>		<b>103,128</b>	<b>199,935</b>
Net increase in cash and cash equivalents		367,517	20,390
Cash and cash equivalents at beginning of the period		587,200	509,737
<b>Cash and cash equivalents at end of the period</b>	7	<b>954,717</b>	<b>530,127</b>

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 September 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 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 nine months period ended 30 September 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 5 October 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 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
  - Recognition of modification losses on financial assets arising from payment holidays to customers as a result of Covid during the financial year ended 31 December 2020, as required by CBK circular ref.2/BS/IBS/461/2020. Modification losses referred to in the circular, should be recognised in retained earnings instead of consolidated statement of profit or loss as would be required by IFRS 9. However, modification loss on financial assets arising from any other payment holidays to customers shall be recognized in the consolidated statement of profit or loss in accordance with IFRS 9. All modification losses incurred after the year ended 31 December 2020 are recognised in the consolidated statement of profit or loss. The application of the policy will result in application of different accounting presentation for modification losses in 2020 compared to 2021.

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 nine months period ended 30 September 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.

# 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 September 2021

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.1 Basis of preparation (continued)

#### 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.

### 3. NET INVESTMENT INCOME

	Three months ended 30 September		Nine months ended 30 September	
	2021	2020	2021	2020
	KD'000's	KD'000's	KD'000's	KD'000's
Dividend income	679	679	2,218	1,887
Net gain from financial assets at fair value through profit or loss	244	224	1,571	774
Net gain from debt instruments	155	244	319	18
Net income from investment properties	374	286	1,302	237
Net gain on business combination	-	-	-	2,227
Share of results of associates	91	159	328	591
	<b>1,543</b>	1,592	<b>5,738</b>	5,734

### 4. PROVISION FOR IMPAIRMENT

	Three months ended 30 September		Nine months ended 30 September	
	2021	2020	2021	2020
	KD'000's	KD'000's	KD'000's	KD'000's
Provision charge for Islamic financing to customers	11,212	20,040	36,711	43,985
Other financial assets	4,636	1,011	7,541	1,688
	<b>15,848</b>	21,051	<b>44,252</b>	45,673

### 5. TAXATION

	Three months ended 30 September		Nine months ended 30 September	
	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")	98	56	298	218
National Labour Support Tax ("NLST")	286	157	865	636
Zakat (Based on Zakat law no: 46/2006)	114	63	346	255
Overseas tax	(397)	(274)	(758)	447
	<b>101</b>	2	<b>751</b>	1,556

**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 September 2021

**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 September		Nine months ended 30 September	
	2021	2020	2021	2020
Net profit for the period attributable to the equity holders of the Bank (KD'000)	<b>10,438</b>	6,099	<b>31,892</b>	23,242
Less: profit payment on Perpetual Tier 1 Sukuk (KD'000s)	-	-	<b>(2,367)</b>	(2,608)
	<b>10,438</b>	6,099	<b>29,525</b>	20,634
Weighted average number of shares outstanding during the period net of treasury shares (thousands of shares)	<b>3,179,277</b>	3,179,310	<b>3,179,293</b>	3,179,325
Basic and diluted earnings per share attributable to the equity holders of the Bank (fils)	<b>3.28</b>	1.92	<b>9.29</b>	6.49

Earnings per share for the prior period were 2.01 and 6.81 fils before retroactive adjustment to the number of shares following the bonus shares issuance (Note 17).

**7. CASH AND CASH EQUIVALENTS**

	30 September 2021	(Audited) 31 December 2020	30 September 2020
	KD 000's	KD 000's	KD 000's
Cash and balances with banks	<b>356,828</b>	286,718	215,884
Placements with banks maturing within seven days	<b>597,889</b>	300,482	314,243
	<b>954,717</b>	587,200	530,127

**8. ISLAMIC FINANCING TO CUSTOMERS**

	30 September 2021	(Audited) 31 December 2020	30 September 2020
	KD'000's	KD'000's	KD'000's
Islamic financing to customers	<b>5,478,204</b>	4,950,429	4,816,965
Provision for impairment	<b>(165,583)</b>	(127,163)	(109,932)
	<b>5,312,621</b>	4,823,266	4,707,033

The available provision for impairment on non-cash facilities of **KD 2,780 thousand** (31 December 2020: KD 2,737 thousand, 30 September 2020: KD 1,932 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 KD 000's	Stage 2 KD 000's	Stage 3 KD 000's	Total KD 000's
<b>30 September 2021</b>				
Islamic financing to customers	<b>5,153,454</b>	<b>268,141</b>	<b>56,609</b>	<b>5,478,204</b>
Contingent Liabilities (Note 13)	<b>309,214</b>	<b>65,328</b>	<b>3,529</b>	<b>378,071</b>
<b>31 December 2020</b>				
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
<b>30 September 2020</b>				
Islamic financing to customers	4,539,945	199,646	77,374	4,816,965
Contingent Liabilities (Note 13)	295,156	63,562	2,497	361,215

**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 September 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:

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</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>30 September 2021</b>				
ECL allowance as at 1 January 2021	20,316	19,780	22,159	62,255
Impact due to transfer between stages	1,081	(767)	(314)	-
Additional ECL for the period	(3,260)	(6,576)	8,125	(1,711)
Amounts written off	-	-	(1,183)	(1,183)
Foreign currency translation	(40)	(12)	(153)	(205)
<b>At 30 September 2021</b>	<b>18,097</b>	<b>12,425</b>	<b>28,634</b>	<b>59,156</b>
<b>30 September 2020</b>				
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	2,724	(1,402)	(1,322)	-
Additional ECL for the period	966	10,397	13,439	24,802
Amounts written off	(29)	(338)	(6,618)	(6,985)
Foreign currency translation	43	19	2	64
<b>At 30 September 2020</b>	<b>20,847</b>	<b>15,516</b>	<b>40,554</b>	<b>76,917</b>

**9. INVESTMENT SECURITIES**

	(Audited)		
	<b>30 September</b>	31 December	30 September
	<b>2021</b>	2020	2020
	<b>KD'000's</b>	KD'000's	KD'000's
Investment in Sukuk	517,190	523,046	514,000
Financial assets at fair value through profit or loss	87,232	81,691	78,717
Financial assets at fair value through other comprehensive income	18,020	17,418	15,617
	<b>622,442</b>	622,155	608,334

	(Audited)		
	<b>30 September</b>	31 December	30 September
	<b>2021</b>	2020	2020
	<b>KD'000's</b>	KD'000's	KD'000's
<b>Investment in Sukuk</b>			
Investment in Sukuk- FVOCI	498,334	504,218	514,000
Investment in Sukuk- FVTPL	18,856	18,828	-
	<b>517,190</b>	523,046	514,000
<b>Financial assets at fair value through profit or loss</b>			
Investment in unquoted equity funds	87,232	81,691	78,717
	<b>87,232</b>	81,691	78,717
<b>Financial assets at fair value through other comprehensive income</b>			
Investment in unquoted equity securities	15,371	15,408	13,526
Investment in quoted equity securities	2,649	2,010	2,091
	<b>18,020</b>	17,418	15,617

**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 September 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)		
	<b>30 September 2021</b>	31 December 2020	30 September 2020	<b>30 September 2021</b>	31 December 2020	30 September 2020	<b>30 September 2021</b>	31 December 2020	30 September 2020
							<b>KD'000's</b>	KD'000's	KD'000's
Islamic financing to customers	<b>7</b>	7	5	-	-	-	<b>333</b>	212	200
Depositors' accounts	<b>15</b>	16	5	<b>18</b>	17	11	<b>8,618</b>	7,407	5,722
Letters of guarantee and letters of credit	<b>1</b>	1	1	<b>2</b>	2	2	<b>370</b>	370	370
Murabaha and other Islamic financing income							<b>11</b>	14	14
Finance cost and distribution to depositors							<b>(2)</b>	(2)	(1)
<b>Parent Company</b>									
Due from banks							<b>255,022</b>	96,508	97,091
Due to banks							<b>98,679</b>	104,567	41,531
Depositors accounts							<b>645</b>	611	619
Murabaha and other Islamic financing income							<b>495</b>	1,842	1,665
Finance cost and distribution to depositors							<b>(824)</b>	(2,272)	(2,085)

## 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 September 2021

#### 10. RELATED PARTY TRANSACTIONS (continued)

##### Compensation of key management personnel

Details of compensation to key management comprise the following:

	Three months ended		Nine months	
	30 September		ended 30 September	
	2021	2020	2021	2020
	KD'000's	KD'000's	KD'000's	KD'000's
Short-term benefits	781	530	2,054	1,756
Post-employment benefits	141	41	359	369
Deferred compensation	187	171	544	514
	<b>1,109</b>	742	<b>2,957</b>	2,639

#### 11. TREASURY SHARES

The Bank held the following treasury shares:

	30 September 2021	(Audited)	
		31 December 2020	30 September 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	324	210	219
Weighted average of market value per share – KD	0.688	0.569	0.560

#### 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
<b>Balance at 1 January 2021</b>	-	(8,363)	(10,503)	(3,092)	(21,958)
Other comprehensive income/(loss) for the period	-	5,496	(1,060)	-	4,436
Total comprehensive income/(loss) for the period	-	5,496	(1,060)	-	4,436
Net transfer to retained earnings for equity investment at FVOCI	-	15,623	-	-	15,623
<b>Balance at 30 September 2021</b>	-	12,756	(11,563)	(3,092)	(1,899)
Balance at 1 January 2020	967	167	(9,488)	-	(8,354)
Other comprehensive loss for the period	-	(15,135)	(631)	-	(15,766)
Total comprehensive loss for the period	-	(15,135)	(631)	-	(15,766)
Transfer of share based payment reserve	(967)	-	-	-	(967)
Balance at 30 September 2020	-	(14,968)	(10,119)	-	(25,087)

## 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 September 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 September 2021	(Audited) 31 December 2020	30 September 2020
	KD'000's	KD'000's	KD'000's
Guarantees	282,287	287,185	277,147
Acceptances and letters of credit	95,784	104,549	84,068
Other commitments	143,737	119,206	57,993
	<b>521,808</b>	<b>510,940</b>	<b>419,208</b>

#### 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
<b>Nine months ended 30 September 2021</b>						
Net financing income	66,560	32,930	7,215	4,999	7,689	119,393
Operating income	72,810	37,719	17,046	8,291	5,057	140,923
Net profit/(loss) for the period	41,243	33,554	451	7,720	(51,752)	31,216
Total assets	<b>2,240,417</b>	<b>3,157,421</b>	<b>916,133</b>	<b>1,080,897</b>	<b>(83,449)</b>	<b>7,311,419</b>
Total liabilities	<b>3,273,831</b>	<b>386,260</b>	<b>723,336</b>	<b>1,984,524</b>	<b>207,539</b>	<b>6,575,490</b>
<b>Nine months ended 30 September 2020</b>						
Net financing income	55,156	30,194	4,471	3,933	7,523	101,277
Operating income	58,394	34,519	14,104	8,105	8,085	123,207
Net profit/(loss) for the period	30,080	29,178	3,185	7,581	(47,003)	23,021
Total assets	1,796,661	2,948,732	834,861	686,981	8,861	6,276,096
Total liabilities	2,775,782	497,406	604,303	1,519,510	265,871	5,662,872

## 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 September 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 KD'000's	Level 2 KD'000's	Level 3 KD'000's	Total KD'000's
<b>30 September 2021</b>				
Financial assets at fair value through profit or loss	-	87,232	-	87,232
Investment in Sukuk	517,190	-	-	517,190
Financial assets at fair value through other comprehensive income	2,649	-	15,371	18,020
	<b>519,839</b>	<b>87,232</b>	<b>15,371</b>	<b>622,442</b>
<b>31 December 2020 (Audited)</b>				
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
	<b>525,056</b>	<b>81,691</b>	<b>15,408</b>	<b>622,155</b>
<b>30 September 2020</b>				
Financial assets at fair value through profit or loss	-	78,717	-	78,717
Investment in Sukuk	514,000	-	-	514,000
Financial assets at fair value through other comprehensive income	2,091	-	13,526	15,617
	<b>516,091</b>	<b>78,717</b>	<b>13,526</b>	<b>608,334</b>

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 KD'000's	Change in fair value KD'000's	Additions/ transfers KD'000's	Sale/ redemption KD'000's	Exchange rate movements KD'000's	At 30 September KD'000's
<b>30 September 2021:</b>						
<b>Assets measured at fair value</b>						
Financial assets at fair value through other comprehensive income	15,408	-	-	(22)	(15)	15,371
	<b>15,408</b>	<b>-</b>	<b>-</b>	<b>(22)</b>	<b>(15)</b>	<b>15,371</b>
<b>30 September 2020:</b>						
Financial assets at fair value through other comprehensive income	18,729	(5,123)	128	(53)	(155)	13,526
	<b>18,729</b>	<b>(5,123)</b>	<b>128</b>	<b>(53)</b>	<b>(155)</b>	<b>13,526</b>

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 September 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 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.

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 amounting to **KD 51,574 thousand** in accordance with IFRS 9. The current period 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 September 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 September 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 September 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.