

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

**INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS**

30 JUNE 2022

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

For the period from 1 January 2022 to 30 June 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 30 June 2022, 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 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 six months period ended 30 June 2022 that might have had a material effect on the business of the Bank or on its financial position.

ABDULKARIM ALSAMDAN
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EY
AL AIBAN, AL OSAIMI & PARTNERS

BADER A. AL-WAZZAN
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DELOITTE & TOUCHE
AL-WAZZAN & CO.

19 July 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 30 June 2022

	Notes	Three months ended 30 June		Six months ended 30 June	
		2022	2021	2022	2021
		KD'000's	KD'000's	KD'000's	KD'000's
Income					
Murabaha and other Islamic financing income		66,879	55,490	126,405	110,338
Finance cost and distribution to depositors		(22,634)	(15,272)	(40,367)	(31,266)
Net financing income		44,245	40,218	86,038	79,072
Net investment (loss)/income	3	(176)	2,682	2,066	4,195
Net fees and commission income		7,265	3,638	11,830	7,326
Net foreign exchange gain		1,226	992	2,326	2,053
Operating income		52,560	47,530	102,260	92,646
Staff costs		(15,919)	(12,297)	(30,000)	(25,318)
General and administrative expenses		(6,935)	(7,432)	(13,465)	(12,259)
Depreciation		(3,128)	(2,442)	(6,184)	(4,883)
Operating expenses		(25,982)	(22,171)	(49,649)	(42,460)
Operating profit before provision for impairment		26,578	25,359	52,611	50,186
Provision for impairment	4	(11,593)	(16,447)	(21,582)	(28,404)
Operating profit before deductions		14,985	8,912	31,029	21,782
Taxation charged	5	(1,014)	(137)	(36)	(650)
Net profit for the period		13,971	8,775	30,993	21,132
Attributable to:					
Equity holders of the Bank		16,129	8,839	33,083	21,454
Non-controlling interests		(2,158)	(64)	(2,090)	(322)
Net profit for the period		13,971	8,775	30,993	21,132
Basic and diluted earnings per share attributable to the equity holders of the Bank (fils)	6	4.46	1.85	8.46	5.46

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 30 June 2022

	Three months ended		Six months ended	
	30 June		30 June	
	2022	2021	2022	2021
	KD'000's	KD'000's	KD'000's	KD'000's
Net profit for the period	13,971	8,775	30,993	21,132
Other comprehensive (loss)/ income:				
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	(2,039)	2,848	(1,367)	5,922
Foreign currency translation adjustments	(796)	(1,169)	(1,389)	(1,187)
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	(103)	150	(338)	415
Other comprehensive (loss) / income for the period	(2,938)	1,829	(3,094)	5,150
Total comprehensive income for the period	11,033	10,604	27,899	26,282
Attributable to:				
Equity holders of the Bank	14,307	10,898	31,782	26,834
Non-controlling interests	(3,274)	(294)	(3,883)	(552)
Total comprehensive income for the period	11,033	10,604	27,899	26,282

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 30 June 2022

	<i>Notes</i>	30 June 2022	(Audited) 31 December 2021	30 June 2021
		KD'000's	KD'000's	KD'000's
Assets				
Cash and balances with banks	7	282,748	350,500	214,741
Deposits with Central Bank of Kuwait		328,921	225,858	308,958
Deposits with other banks		325,662	387,915	395,097
Islamic financing to customers	8	5,749,210	5,513,074	5,152,383
Investment in Sukuk	9	541,463	529,253	529,663
Other investment securities	9	156,301	125,875	106,191
Investment properties		32,792	21,706	47,380
Other assets		102,720	89,515	92,820
Property and equipment		116,180	108,203	97,869
Total assets		7,635,997	7,351,899	6,945,102
Liabilities and equity				
Liabilities				
Due to banks		312,714	395,150	347,369
Depositors' accounts		5,645,809	5,618,787	5,417,251
Medium term financing	10	640,664	485,371	333,275
Other liabilities		77,809	102,519	121,380
Total liabilities		6,676,996	6,601,827	6,219,275
Equity				
Share capital		373,868	317,970	317,970
Share premium		316,942	156,942	156,942
Proposed bonus shares		-	15,898	-
Treasury shares	12	(54)	(54)	(54)
Statutory reserve		40,651	40,651	35,512
Voluntary reserve		15,327	15,327	15,327
Other reserves	13	(4,494)	(3,193)	(955)
Retained earnings		34,055	4,100	16,975
Proposed cash dividends		-	15,896	-
Equity attributable to equity holders of the Bank		776,295	563,537	541,717
Perpetual Tier 1 Sukuk	18	150,385	150,385	150,385
Non-controlling interests		32,321	36,150	33,725
Total equity		959,001	750,072	725,827
Total liabilities and equity		7,635,997	7,351,899	6,945,102



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 30 June 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
Balance at 1 January 2022	317,970	156,942	15,898	(54)	40,651	15,327	(3,193)	4,100	15,896	563,537	150,385	36,150	750,072
Profit /(loss) for the period	-	-	-	-	-	-	-	33,083	-	33,083	-	(2,090)	30,993
Other comprehensive (loss)/income	-	-	-	-	-	-	(1,301)	-	-	(1,301)	-	(1,793)	(3,094)
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	(1,301)	33,083	-	31,782	-	(3,883)	27,899
Dividends paid (note 19)	-	-	-	-	-	-	-	-	(15,896)	(15,896)	-	-	(15,896)
Profit paid on Perpetual Tier 1 Sukuk	-	-	-	-	-	-	-	(3,001)	-	(3,001)	-	-	(3,001)
Issue of bonus shares (note 19)	15,898	-	(15,898)	-	-	-	-	-	-	-	-	-	-
Right shares issued (note 19)	40,000	160,000	-	-	-	-	-	-	-	200,000	-	-	200,000
Cost directly related to increase in share capital	-	-	-	-	-	-	-	(127)	-	(127)	-	-	(127)
Other movement in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	54	54
Balance at 30 June 2022	373,868	316,942	-	(54)	40,651	15,327	(4,494)	34,055	-	776,295	150,385	32,321	959,001
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/(loss)	-	-	-	-	-	-	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 19)	15,143	-	-	-	-	(15,141)	-	(2)	-	-	-	-	-
Redemption of Tier 1 Sukuk (note 18)	-	-	-	-	-	-	-	-	-	-	(75,388)	-	(75,388)
Issue of Tier 1 Sukuk (note 18)	-	-	-	-	-	-	-	-	-	-	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

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 30 June 2022

	Notes	Six months ended	
		30 June	
		2022	2021
		KD'000's	KD'000's
OPERATING ACTIVITIES			
Net profit for the period		30,993	21,132
Adjustments for:			
Provision for impairment	4	21,582	28,404
Depreciation		6,184	4,883
Foreign currency translation adjustments		1,653	(54)
Net loss/(gain) from financial assets at fair value through profit or loss	3	848	(1,327)
Net loss/(gain) from sale of debt investments at FVOCI	3	47	(164)
Share of results of associates	3	37	(237)
Realized gain on sale of investment properties	3	(1,020)	-
Dividend income	3	(1,433)	(1,539)
Operating profit before changes in operating assets and liabilities		58,891	51,098
Changes in operating assets and liabilities:			
Deposits with Central Bank of Kuwait		(3,063)	2,990
Deposits with other banks		61,651	(54,361)
Islamic financing to customers		(253,243)	(406,395)
Other assets		(17,538)	1,614
Due to banks		(82,436)	65,998
Depositors' accounts		27,022	309,523
Other liabilities		(2,599)	13,273
Net cash (used in) operating activities		(211,315)	(16,260)
INVESTING ACTIVITIES			
Purchase of investment securities		(222,946)	(175,567)
Proceeds from sale/redemption of investment securities		159,562	163,207
Purchase of investment properties		(26,254)	(632)
Proceeds from sale of investment properties		13,560	-
Purchase of property and equipment		(14,161)	(11,392)
Dividend income received	3	1,433	1,539
Net cash (used in) investing activities		(88,806)	(22,845)
FINANCING ACTIVITIES			
Proceeds from increase in share capital		200,000	-
Cost directly related to increase in share capital		(127)	-
Profit distribution on perpetual Tier 1 Sukuk		(3,001)	(2,367)
Transaction costs on issue of Perpetual Tier 1 Sukuk		-	(610)
Net movement of non-controlling interest		54	795
Net proceeds from issue of Perpetual Tier 1 Sukuk		-	150,385
Redemption of Tier 1 Sukuk		-	(75,388)
Dividends paid		(15,896)	-
Issuance of medium term financing		152,225	30,006
Other movement in medium term financing		(1,284)	-
Net cash generated from financing activities		331,971	102,821
Net change in cash and cash equivalents		31,850	63,716
Cash and cash equivalents at beginning of the period		766,008	587,200
Cash and cash equivalents at end of the period	7	797,858	650,916

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 30 June 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 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 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 6 July 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 six months period ended 30 June 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 30 June 2022

3. NET INVESTMENT (LOSS)/ INCOME

	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
	KD'000's	KD'000's	KD'000's	KD'000's
Dividend income	873	899	1,433	1,539
Net (loss)/gain from financial assets at fair value through profit or loss	(1,406)	1,062	(848)	1,327
Net (loss)/gain from sale of debt investments at FVOCI	(60)	70	(47)	164
Realized gain on sale of investment properties	15	-	1,020	-
Net rental income from investment properties	475	460	545	928
Share of results of associates	(73)	191	(37)	237
	(176)	2,682	2,066	4,195

4. PROVISION FOR IMPAIRMENT

	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
	KD'000's	KD'000's	KD'000's	KD'000's
Provision charge for Islamic financing to customers	7,388	13,381	17,118	25,499
ECL – Other financial assets	4,205	3,066	4,464	2,905
	11,593	16,447	21,582	28,404

5. TAXATION

	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
	KD'000's	KD'000's	KD'000's	KD'000's
Contribution to Kuwait Foundation for the Advancement of Sciences (“KFAS”)	232	82	391	200
National Labour Support Tax (“NLST”)	431	242	885	579
Zakat (Based on Zakat law no: 46/2006)	172	97	354	232
Overseas tax	179	(284)	(1,594)	(361)
	1,014	137	36	650

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	
	2022	2021	2022	2021
Net profit for the period attributable to the equity holders of the Bank (KD'000)	16,129	8,839	33,083	21,454
Less: profit payment on Perpetual Tier 1 Sukuk (KD'000)	-	(2,367)	(3,001)	(2,367)
	16,129	6,472	30,082	19,087
Weighted average number of shares outstanding during the period net of treasury shares (thousands of shares)	3,616,718	3,493,470	3,555,213	3,493,516
Basic and diluted earnings per share attributable to the equity holders of the Bank (fils)	4.46	1.85	8.46	5.46

Earnings per share for the prior period were 2.04 and 6 fils before retroactive adjustment to the number of shares following the bonus issue and right shares issued in 2022 (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 30 June 2022

7. CASH AND CASH EQUIVALENTS

	(Audited)		
	30 June 2022	31 December 2021	30 June 2021
	KD'000's	KD'000's	KD'000's
Cash and balances with banks	282,748	350,500	214,741
Placements with banks maturing within seven days	515,110	415,508	436,175
	797,858	766,008	650,916

8. ISLAMIC FINANCING TO CUSTOMERS

	(Audited)		
	30 June 2022	31 December 2021	30 June 2021
	KD'000's	KD'000's	KD'000's
Islamic financing to customers	5,933,847	5,678,933	5,306,213
Provision for impairment	(184,637)	(165,859)	(153,830)
	5,749,210	5,513,074	5,152,383

The available provision for impairment on non-cash facilities of **KD 2,861** thousands (31 December 2021: KD 2,850 thousands, 30 June 2021: KD 2,760 thousands) 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
30 June 2022				
Islamic financing to customers	5,614,523	259,331	59,993	5,933,847
Contingent liabilities (Note 14)	329,434	76,298	2,051	407,783
Commitments (revocable and irrevocable) to extend credit	758,188	38,822	197	797,207
31 December 2021				
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
Commitments (revocable and irrevocable) to extend credit	827,682	17,218	279	845,179
30 June 2021				
Islamic financing to customers	4,990,268	256,565	59,380	5,306,213
Contingent liabilities (Note 14)	283,940	69,486	3,598	357,024
Commitments (revocable and irrevocable) to extend credit	786,065	7,988	278	794,331

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 30 June 2022

8. ISLAMIC FINANCING TO CUSTOMERS (continued)

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 is as follows:

	Stage 1 KD 000's	Stage 2 KD 000's	Stage 3 KD 000's	Total KD 000's
30 June 2022				
ECL allowance as at 1 January 2022	22,417	14,628	26,445	63,490
Impact due to transfer between stages	(241)	(2,335)	2,576	-
Transfer from Stage 1	(1,691)	455	1,236	-
Transfer from Stage 2	872	(2,790)	1,918	-
Transfer from Stage 3	578	-	(578)	-
Additional ECL for the period	(1,756)	1,472	3,023	2,739
Amount written off and recoveries	-	-	3,266	3,266
Foreign currency translation	(78)	(64)	(1,065)	(1,207)
At 30 June 2022	20,342	13,701	34,245	68,288
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	-
Transfer from Stage 1	(1,046)	173	873	-
Transfer from Stage 2	1,118	(3,284)	2,166	-
Transfer from Stage 3	573	2,341	(2,914)	-
Additional ECL for the period	(2,789)	1,160	6,999	5,370
Amount written off and recoveries	-	-	725	725
Foreign currency translation	(35)	3	47	15
At 30 June 2021	18,137	20,173	30,055	68,365

9. INVESTMENT SECURITIES

	(Audited)		
	30 June 2022	31 December 2021	30 June 2021
	KD'000's	KD'000's	KD'000's
Investment in Sukuk	541,463	529,253	529,663
Financial assets at fair value through profit or loss	133,198	102,848	85,332
Financial assets at fair value through other comprehensive income	20,041	19,853	17,725
Investment in associates	3,062	3,174	3,134
	697,764	655,128	635,854
	(Audited)		
	30 June 2022	31 December 2021	30 June 2021
	KD'000's	KD'000's	KD'000's
Investment in Sukuk			
Investment in Sukuk- FVOCI	523,416	510,388	510,838
Investment in Sukuk- FVTPL	18,047	18,865	18,825
	541,463	529,253	529,663
Financial assets at fair value through profit or loss			
Investment in unquoted equity funds	133,198	102,848	85,332
	133,198	102,848	85,332
Financial assets at fair value through other comprehensive income			
Investment in unquoted equity securities	17,133	16,600	15,367
Investment in quoted equity securities	2,908	3,253	2,358
	20,041	19,853	17,725

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10. MEDIUM TERM FINANCING

	(Audited)		
	30 June 2022	31 December 2021	30 June 2021
	KD'000's	KD'000's	KD'000's
Global Medium Term Sukuk ("GMTN programme")*	380,386	229,137	227,992
Other medium term financing**	260,278	256,234	105,283
	640,664	485,371	333,275

* 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 programmed 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 2.9% to 3.2%.

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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)		
	30 June 2022	31 December 2021	30 June 2021	30 June 2022	31 December 2021	30 June 2021	30 June 2022	31 December 2021	30 June 2021
							KD'000's	KD'000's	KD'000's
Islamic financing to customers	10	10	7	1	-	-	458	360	352
Depositors' accounts	24	24	21	22	22	22	14,031	13,725	14,337
Letters of guarantee and letters of credit	-	1	1	1	2	2	13	370	370
Murabaha and other Islamic financing income							7	11	3
Finance cost and distribution to depositors							(3)	(3)	(3)
Parent Company									
Due from banks							142,901	117,243	147,717
Due to banks							103,091	31,797	73,458
Depositors accounts							484	508	635
Murabaha and other Islamic financing income							819	788	368
Finance cost and distribution to depositors							(430)	(920)	(619)

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For the period from 1 January 2022 to 30 June 2022

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

Details of compensation to key management comprise the following:

	Three months ended		Six months ended	
	30 June		30 June	
	2022	2021	2022	2021
	KD'000's	KD'000's	KD'000's	KD'000's
Short-term benefits	871	690	1,637	1,273
Post-employment benefits	221	135	318	218
Deferred compensation	232	182	453	357
	1,324	1,007	2,408	1,848

12. TREASURY SHARES

The Bank held the following treasury shares:

	30 June	(Audited)	
		31 December	30 June
	2022	2021	2021
Number of treasury shares	475,652	420,376	420,376
Treasury shares as a percentage of total issued shares - %	0.01272	0.01322%	0.01322
Cost of treasury shares – KD thousand	54	54	54
Market value of treasury shares – KD thousand	368	332	308
Weighted average of market value per share – KD	0.856	0.711	0.634

13. OTHER RESERVES

	Fair	Foreign	Change in	Total
	value reserve	currency translation reserve	actuarial valuation reserve	
	KD'000's	KD'000's	KD'000s	KD'000's
Balance at 1 January 2022	11,891	(11,508)	(3,576)	(3,193)
Other comprehensive (loss)/income for the period	(1,705)	404	-	(1,301)
Total comprehensive (loss)/income for the period	(1,705)	404	-	(1,301)
Balance at 30 June 2022	10,186	(11,104)	(3,576)	(4,494)
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)

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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:

	30 June 2022	(Audited) 31 December 2021	30 June 2021
	KD'000's	KD'000's	KD'000's
Guarantees	294,570	292,528	278,318
Acceptances and letters of credit	113,213	101,142	78,706
Other commitments	87,039	125,818	124,869
	494,822	519,488	481,893

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.

	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 2022						
Net financing income	50,157	26,339	5,086	3,395	1,061	86,038
Operating income/(loss)	56,120	30,681	14,638	5,715	(4,894)	102,260
Net profit/(loss) for the period	33,919	29,860	(2,932)	5,071	(34,925)	30,993
Total assets	<u>2,510,618</u>	<u>3,410,857</u>	<u>761,324</u>	<u>868,428</u>	<u>84,770</u>	<u>7,635,997</u>
Total liabilities	<u>3,480,638</u>	<u>432,900</u>	<u>713,831</u>	<u>1,593,654</u>	<u>455,973</u>	<u>6,676,996</u>
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	<u>2,057,704</u>	<u>3,186,056</u>	<u>813,415</u>	<u>847,472</u>	<u>40,455</u>	<u>6,945,102</u>
Total liabilities	<u>3,253,905</u>	<u>263,056</u>	<u>674,564</u>	<u>1,757,589</u>	<u>270,161</u>	<u>6,219,275</u>

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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).

	Level 1	Level 2	Level 3	Total
	KD'000's	KD'000's	KD'000's	KD'000's
30 June 2022				
Financial assets at fair value through profit or loss	-	133,198	-	133,198
Investment in Sukuk	541,463	-	-	541,463
Financial assets at fair value through other comprehensive income	2,908	-	17,133	20,041
	<u>544,371</u>	<u>133,198</u>	<u>17,133</u>	<u>694,702</u>
31 December 2021 (Audited)				
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>
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
	<u>532,021</u>	<u>85,332</u>	<u>15,367</u>	<u>632,720</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:

	At 1 January	Change in fair value	Amortization	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	KD'000's
30 June 2022:							
Assets measured at fair value							
Financial assets at fair value through other comprehensive income	16,600	-	-	1,542	(1,015)	6	17,133
	<u>16,600</u>	<u>-</u>	<u>-</u>	<u>1,542</u>	<u>(1,015)</u>	<u>6</u>	<u>17,133</u>
30 June 2021:							
Assets measured at fair value							
Financial assets at fair value through other comprehensive income	15,408	-	-	-	(22)	(19)	15,367
	<u>15,408</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(22)</u>	<u>(19)</u>	<u>15,367</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.

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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:

	30 June 2022			31 December 2021 (Audited)			30 June 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)	16,391	(6,517)	550,189	1,255	(13,583)	396,059	781	(17,373)	351,747
Cross currency swaps	1,990	(88)	302,108	895	(384)	607,357	8	(1,159)	546,703
Forward foreign exchange contracts	378	-	47,874	-	(10)	8,664	-	-	4,262
	18,759	(6,605)	900,171	2,150	(13,977)	1,012,080	789	(18,532)	902,712

All of the above Islamic derivative financial instruments are included in Level 2 of fair value hierarchy as at 30 June 2022, 31 December 2021 and 30 June 2021.

18. 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.

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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 paid amounted to **KD 15,896 thousand** and the bonus shares increased 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 were distributed on 12 April 2022.

During the current period, after obtaining necessary approvals, the Bank increased its share capital through the rights issue of **400,000,000** shares, each with a nominal value of 100 fils and premium of 400 fils. The rights issue has been fully subscribed resulting in an increase in share capital of **KD 40,000 thousand** and share premium of **KD 160,000 thousand**.

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 years ended 31 December 2021 and 31 December 2020.