

Kuwait on: 17/01/2019
Ref: 4808/2019

To: Boursa Kuwait
State of Kuwait

Subject: Annual Financial Statements for the Year Ended December 31st 2018

With reference to the above subject, we would like to inform you that the Central Bank of Kuwait has approved our bank's closing financial statements for the year ended December 31st 2018 in addition to approving the recommendations of the board of directors to make the following distributions:

- 1- Cash dividends valuing 8% pf the share's nominal value (8 fils per share).
- 2- Distribution of bonus shares valuing 5% of the issued and paid-up capital (5 shares per each 100 shares).

Attached herewith is the form of the annual financial statements for the year ended December 31st 2018 in addition to a copy of the approval of the Central Bank of Kuwait of the financial statements of our bank for the said period.

Furthermore, in line with the requirements of Boursa Kuwait Rulebook issued by virtue of resolution no. 1 of 2018 applicable to listed companies classified under the "Premier Market Segment" under which Boubyan Bank is categorized, Boubyan Bank is pleased to announce the Analysts' Conference will be held via Live Webcast at 2:00 pm (Local Time) on Thursday, January 24st 2019. Interested analysts may contact our bank at: Investor-Relations@bankboubyan.com in order to be provided with the link to the said conference.

Best regards,


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



Annual Financial Statement Results Form
Kuwaiti Company (KWD)

نموذج نتائج البيانات المالية السنوية
الشركات الكويتية (د.ك.)

Financial Year Ended on	31-12-2018	السنة المالية المنتهية في
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Company Name	اسم الشركة
Boubyan Bank K.S.C.P	بنك بوبيان (ش.م.ك) عامة
Board of Directors Meeting Date	تاريخ اجتماع مجلس الإدارة
	6-1-2019

التغيير (%)	السنة المقارنة	السنة الحالية	البيان
Change (%)	Comparative Year	Current Year	Statement
	31/12/2017	31/12/2018	
18%	47,605,139	56,107,587	صافي الربح/الخسارة الخاص بمساهمي الشركة الأم Net Profit (Loss) represents the amount attributable to the owners of the parent Company
20%	17,81	21.37	ربحية/خسارة السهم الأساسية والمخفضة (فلس) Basic & Diluted Earnings per Share (fils)
12%	2,301,440,071	2,580,964,289	الموجودات المتداولة Current Assets
9%	3,970,395,616	4,344,778,232	إجمالي الموجودات Total Assets
9%	3,255,547,848	3,560,292,850	المطلوبات المتداولة Current Liabilities
10%	3,518,038,993	3,858,817,953	إجمالي المطلوبات Total Liabilities
9%	374,756,257	408,257,035	إجمالي حقوق الملكية الخاصة بمساهمي الشركة الأم Total Equity attributable to the owners of the Parent Company
11%	125,567,228	139,721,003	إجمالي الإيرادات التشغيلية Total Operating Revenue
14%	72,690,127	82,966,038	صافي الربح (الخسارة) التشغيلية Net Operating Profit (Loss)
25%	10.6%	13.3%	أرباح (خسائر) مرحلة/ رأس المال المدفوع Retained Profit (Loss) / Paid-Up Share Capital

التغيير (%) Change (%)	الربع الرابع المقارن Fourth Quarter Comparative Period	الربع الرابع الحالي Fourth Quarter Current Period	البيان Statement
	31/12/2017	31/12/2018	
17%	13,536,955	15,796,176	صافي الربح/الخسارة الخاص بمساهمي الشركة الأم Net Profit (Loss) represents the amount attributable to the owners of the parent Company
20%	4.60	5.54	ربحية/خسارة السهم الأساسية والمخفضة (فلس) Basic & Diluted Earnings per Share (fils)
2%	34,032,444	34,788,221	إجمالي الإيرادات التشغيلية Total Operating Revenue
2%	19,149,481	19,567,377	صافي الربح (الخسارة) التشغيلية Net Operating Profit (Loss)

سبب ارتفاع/انخفاض صافي الربح/الخسارة	Increase/Decrease in Net Profit/(Loss) is due to
زيادة الإيرادات التشغيلية بمبلغ 14,153,775 دينار كويتي و التي قابلها جزئيا الزيادة في مصاريف التشغيل و مخصص انخفاض القيمة بمبلغ 3,877,864 دينار كويتي ومبلغ 1,412,468 دينار كويتي على التوالي. و ترجع الزيادة في الإيرادات التشغيلية بصورة رئيسية إلى النمو في صافي إيرادات التمويل بمبلغ 12,941,650 دينار كويتي و زيادة صافي إيرادات الأتعاب و العمولات بمبلغ 2,301,936 دينار كويتي.	The increase in operating income by KD 14,153,775 thousand which was partially offset by the increase in operating expenses and provision for impairment by KD 3,877,864 thousand and KD 1,412,468 thousand respectively. The increase in operating income was mainly due to the growth in net finance income by KD 12,941,650 thousand and the increase in net fees and commissions' income by KD 2,301,936.
بلغ إجمالي الإيرادات من التعاملات مع الأطراف ذات الصلة (المبلغ د.ك.)	Total Revenue realized from dealing with related parties (value, KWD)
1,848,409 دينار كويتي	KWD 1,848,409
بلغ إجمالي المصروفات من التعاملات مع الأطراف ذات الصلة (المبلغ د.ك.)	Total Expenditures incurred from dealing with related parties (value, KWD)
750,780 دينار كويتي	KWD 750,780

Corporate Actions		استحقاقات الأسهم (الإجراءات المؤسسية)
النسبة	القيمة	
8%	19,091,552 دينار كويتي	توزيعات نقدية Cash Dividend
5%	119,423,580 سهم بقيمة 11,942,358 دينار كويتي	توزيعات أسهم منحة مجانية Stock Dividend
لا يوجد	لا يوجد	توزيعات أخرى Other Dividend
-	-	عدم توزيع أرباح No Dividends
-	-	زيادة رأس المال Capital Increase
-	-	تخفيض رأس المال Capital Decrease

ختم الشركة Company Seal	التوقيع Signature	المسمى الوظيفي Title	الاسم Name
		نائب رئيس مجلس الإدارة والرئيس التنفيذي	عادل عبد الوهاب الماجد

- Auditor Report Attached

- مرفق تقرير مراقب الحسابات



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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BOUBYAN BANK K.S.C.P.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Boubyan Bank K.S.C.P (the "Bank") and its subsidiaries (together, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the related consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), as adopted for use by the State of Kuwait.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the 'Auditors' responsibilities for the audit of the consolidated financial statements' section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)*, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
BOUBYAN BANK K.S.C.P. (continued)**

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

We have identified the following key audit matters:

a) Credit losses on Islamic financing to customers

The recognition of credit losses on Islamic financing ("credit facilities") to customers is the higher of Expected Credit Loss ("ECL") under International Financial Reporting Standard 9: Financial Instruments ("IFRS 9"), determined in accordance with Central Bank of Kuwait (the "CBK") guidelines, and the provision required by the CBK rules on classification of credit facilities and calculation of their provision ("the CBK rules") as disclosed in the accounting policies and in Note 2.4 to the consolidated financial statements.

Recognition of ECL under IFRS 9, determined in accordance with CBK guidelines, is a new and complex accounting policy, which requires considerable judgement in its implementation. ECL is dependent on management's judgement in assessing significant increase in credit risk and classification of credit facilities into various stages, determining when a default has occurred, development of models for assessing the probability of default of customers and estimating cash flows from recovery procedures or realization of collateral. Recognition of specific provision on impaired facility under the CBK rules is based on the instructions by CBK on the minimum provision to be recognized together with any additional provision to be recognised based on management estimate of expected cash flows related to that credit facility.

Due to the significance of credit facilities and the related estimation uncertainty and judgement in the impairment calculation, this was considered as a key audit matter.

Our audit procedures included assessing the design and implementation of controls over, inputs and assumptions used by the Group in developing the models, its governance and review controls performed by the management in determining the adequacy of credit losses.

With respect to the ECL based on IFRS 9, determined in accordance with the CBK guidelines, we have selected samples of credit facilities outstanding as at the reporting date and checked the appropriateness of the Group's determination of significant increase in credit risk and the resultant basis for classification of the credit facilities into various stages. For a sample of credit facilities, we have checked the appropriateness of the Group's staging criteria, Exposure at Default ("EAD") Probability of Default ("PD") and Loss Given Default ("LGD") including the eligibility and value of collateral considered in the ECL models used by the Group to determine ECL taking into consideration CBK guidelines. We have also checked the consistency of various inputs and assumptions used by the Group's management to determine ECL.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
BOUBYAN BANK K.S.C.P. (continued)**

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

a) Credit losses on Islamic financing to customers (continued)

Further, for the CBK rules provision requirements, we have assessed the criteria for determining whether there is a requirement to calculate any credit loss in accordance with the related regulations and, if required, it has been computed accordingly. For the samples selected, we have verified whether all impairment events have been identified by the Group's management. For the selected samples which also included impaired credit facilities, we have assessed the valuation of collateral and checked the resultant provision calculations.

b) Impairment of investment in associates

During the year ended 31 December 2018, the Group has recognised an impairment loss of KD 8,442 thousand on associates as disclosed in Notes 8 and 16 to the consolidated financial statements. The impairment test of the investment in associates performed by the management is significant to our audit because the assessment of recoverable amount requires considerable judgment on the part of management. Estimates of recoverable amount is based on many estimates and judgments. Therefore, we identified the impairment testing of associates as a key audit matter.

We assessed the knowledge and expertise of the management of the Group to perform such valuations. Our audit procedures included assessing the reasonableness of assumptions and techniques used by the Group in estimating the impairment. We have also compared key inputs such as expected future cash flows, projected economic growth, and discount rates with available market information.

Our audit procedures also included assessment of the appropriateness of the valuation technique used and testing the key assumptions used in estimating the fair value less cost. Additionally, we performed sensitive analysis for changes to the key inputs.

The Bank's policy on assessing impairment on associates is disclosed in Notes 3.9 and 4.1 to the consolidated financial statements.

Other information included in the Group's 2018 Annual Report

Management is responsible for the other information. Other information consists of the information included in Group's 2018 Annual Report, other than the consolidated financial statements and our auditors' report thereon. We obtained the report of the Bank's Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Group's 2018 Annual Report after the date of our auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
BOUBYAN BANK K.S.C.P. (continued)**

Report on the Audit of the Consolidated Financial Statements (continued)

Other information included in the Group's 2018 Annual Report (continued)

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement in this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted for use by the State of Kuwait, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
BOUBYAN BANK K.S.C.P. (continued)**

Report on the Audit of the Consolidated Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
BOUBYAN BANK K.S.C.P. (continued)**

Report on the Audit of the Consolidated Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Bank and the consolidated financial statements, together with the contents of the report of the Bank's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Capital Adequacy Regulations and Financial Leverage Ratio Regulations issued by the Central Bank of Kuwait ("CBK") as stipulated in CBK Circular Nos. 2/RB, RBA/336/2014 dated 24 June 2014 and 2/I.B.S. 343/2014 dated 21 October 2014 respectively, the Companies Law No 1 of 2016, as amended, and its executive regulations, as amended, and by the Bank's Memorandum of Incorporation and Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Capital Adequacy Regulations and Financial Leverage Ratio Regulations issued by the CBK as stipulated in CBK Circular Nos. 2/RB, RBA /336/2014 dated 24 June 2014 and 2/I.B.S. 343/2014 dated 21 October 2014 respectively, the Companies Law No 1 of 2016, as amended, and its executive regulations, as amended, or of the Bank's Memorandum of Incorporation and Articles of Association, have occurred during the year ended 31 December 2018 that might have had a material effect on the business of the Bank or on its financial position.

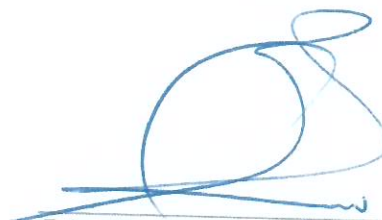
**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
BOUBYAN BANK K.S.C.P. (continued)**

Report on Other Legal and Regulatory Requirements (continued)

We further report that, during the course of our audit, we have not become aware of any violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the CBK and the organisation of banking business, and its related regulations during the year ended 31 December 2018 that might have had a material effect on the business of the Bank or on its financial position.



WALEED A. AL OSAIMI
LICENCE NO. 68 A
EY
(AL-AIBAN, AL-OSAIMI & PARTNERS)



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

10 January 2019
Kuwait



د. محمد يوسف الهاشل
المحافظ

التاريخ : ١١ جمادى الأول ١٤٤٠
الموافق : ١٧ يناير ٢٠١٩
الإشارة : ٤٣٠/١٠٥/٢

الأخ الفاضل محمود يوسف الفليج
رئيس مجلس إدارة بنك بويان

تحية طيبة وبعد ،

بالإشارة إلى كتاب مصرفكم المؤرخ ٢٠١٩/١/٦ والمرفق به نسخة من البيانات المالية الختامية المجمعة لمصرفكم لعام ٢٠١٨ ، وعطفاً على البيانات والإيضاحات الواردة إلينا في هذا الخصوص والتي كان آخرها بتاريخ ٢٠١٩/١/١٥ .

أود الإفادة بأنه بناءً على ما انتهت إليه دراسة البيانات المالية المشار إليها ، فإنه لا يوجد لدينا ملاحظات في هذا الشأن ، كما نفيديكم بموافقة بنك الكويت المركزي على قيام مصرفكم بتوزيع أرباح نقدية بنسبة ٨% من القيمة الاسمية للسهم الواحد ، أي بواقع ثمانية فلوس لكل سهم ، وكذلك بتوزيع أسهم منحة بنسبة ٥% .

وبناءً على ما تقدم ، فإنه يمكن لمصرفكم اتخاذ الإجراءات اللازمة مع الجهات المختصة لعقد الجمعية العامة للبنك .

مع أطيب التحيات ،،،


د. محمد يوسف الهاشل

٤٣١ - نسخة هيئة أسواق المال .

٤٣٢ - نسخة لبورصة الكويت .