

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

**INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION**

30 SEPTEMBER 2022

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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

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

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

18 October 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 September 2022

| | Notes | Three months ended 30 September | | Nine months ended 30 September | |
|---|-------|------------------------------------|-----------------|-----------------------------------|-----------------|
| | | 2022 | 2021 | 2022 | 2021 |
| | | KD'000's | KD'000's | KD'000's | KD'000's |
| Income | | | | | |
| Murabaha and other Islamic financing income | | 73,770 | 56,984 | 200,175 | 167,322 |
| Finance cost and distribution to depositors | | (32,169) | (16,663) | (72,536) | (47,929) |
| Net financing income | | 41,601 | 40,321 | 127,639 | 119,393 |
| Net investment income | 3 | 1,795 | 1,543 | 3,861 | 5,738 |
| Net fees and commission income | | 5,326 | 5,158 | 17,156 | 12,484 |
| Net foreign exchange gain | | 2,098 | 1,255 | 4,424 | 3,308 |
| Operating income | | 50,820 | 48,277 | 153,080 | 140,923 |
| Staff costs | | (15,196) | (13,159) | (45,196) | (38,477) |
| General and administrative expenses | | (5,986) | (6,500) | (19,451) | (18,759) |
| Depreciation | | (3,163) | (2,585) | (9,347) | (7,468) |
| Operating expenses | | (24,345) | (22,244) | (73,994) | (64,704) |
| Operating profit before provision for impairment | | 26,475 | 26,033 | 79,086 | 76,219 |
| Provision for impairment | 4 | (9,663) | (15,848) | (31,245) | (44,252) |
| Operating profit before deductions | | 16,812 | 10,185 | 47,841 | 31,967 |
| Taxation | 5 | (2,171) | (101) | (2,207) | (751) |
| Net profit for the period | | 14,641 | 10,084 | 45,634 | 31,216 |
| Attributable to: | | | | | |
| Equity holders of the Bank | | 15,506 | 10,438 | 48,588 | 31,892 |
| Non-controlling interests | | (865) | (354) | (2,954) | (676) |
| Net profit for the period | | 14,641 | 10,084 | 45,634 | 31,216 |
| Basic and diluted earnings per share attributable to the equity holders of the Bank (fils) | 6 | 3.33 | 2.99 | 11.76 | 8.45 |

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 September 2022

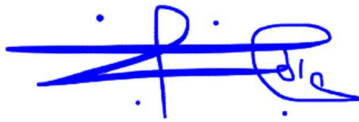
| | Three months ended 30 September | | Nine months ended 30 September | |
|---|------------------------------------|----------|-----------------------------------|----------|
| | 2022 | 2021 | 2022 | 2021 |
| | KD'000's | KD'000's | KD'000's | KD'000's |
| Net profit for the period | 14,641 | 10,084 | 45,634 | 31,216 |
| Other comprehensive income/ (loss): | | | | |
| Items that are or may be reclassified to interim condensed consolidated statement of profit or loss in subsequent periods: | | | | |
| Change in fair value of debt investments at fair value through other comprehensive income | 5,061 | (1,116) | 3,694 | 4,806 |
| Foreign currency translation adjustments | (4,231) | (869) | (5,620) | (2,056) |
| 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 | 214 | 275 | (124) | 690 |
| Other comprehensive income / (loss) for the period | 1,044 | (1,710) | (2,050) | 3,440 |
| Total comprehensive income for the period | 15,685 | 8,374 | 43,584 | 34,656 |
| Attributable to: | | | | |
| Equity holders of the Bank | 19,385 | 9,494 | 51,167 | 36,328 |
| Non-controlling interests | (3,700) | (1,120) | (7,583) | (1,672) |
| Total comprehensive income for the period | 15,685 | 8,374 | 43,584 | 34,656 |

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 September 2022

| | <i>Notes</i> | 30 September 2022 | (Audited) 31 December 2021 | 30 September 2021 |
|--|--------------|------------------------------|----------------------------------|----------------------|
| | | KD'000's | KD'000's | KD'000's |
| Assets | | | | |
| Cash and balances with banks | 7 | 320,891 | 350,500 | 356,828 |
| Deposits with Central Bank of Kuwait | | 396,642 | 225,858 | 308,972 |
| Deposits with other banks | | 236,117 | 387,915 | 464,962 |
| Islamic financing to customers | 8 | 5,814,040 | 5,513,074 | 5,312,621 |
| Investment in Sukuk | 9 | 546,973 | 529,253 | 517,190 |
| Other investment securities | 9 | 154,323 | 125,875 | 108,349 |
| Investment properties | | 30,599 | 21,706 | 46,646 |
| Other assets | | 137,336 | 89,515 | 92,226 |
| Property and equipment | | 119,593 | 108,203 | 103,625 |
| Total assets | | 7,756,514 | 7,351,899 | 7,311,419 |
| Liabilities and equity | | | | |
| Liabilities | | | | |
| Due to banks | | 224,526 | 395,150 | 669,900 |
| Depositors' accounts | | 5,807,009 | 5,618,787 | 5,449,242 |
| Medium term financing | 10 | 645,416 | 485,371 | 332,514 |
| Other liabilities | | 107,326 | 102,519 | 123,834 |
| Total liabilities | | 6,784,277 | 6,601,827 | 6,575,490 |
| 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 | (614) | (3,193) | (1,899) |
| Retained earnings | | 46,490 | 4,100 | 27,413 |
| Proposed cash dividends | | - | 15,896 | - |
| Equity attributable to equity holders of the Bank | | 792,610 | 563,537 | 551,211 |
| Perpetual Tier 1 Sukuk | 18 | 150,385 | 150,385 | 150,385 |
| Non-controlling interests | | 29,242 | 36,150 | 34,333 |
| Total equity | | 972,237 | 750,072 | 735,929 |
| Total liabilities and equity | | 7,756,514 | 7,351,899 | 7,311,419 |



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 September 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 | - | - | - | - | - | - | - | 48,588 | - | 48,588 | - | (2,954) | 45,634 |
| Other comprehensive income/(loss) | - | - | - | - | - | - | 2,579 | - | - | 2,579 | - | (4,629) | (2,050) |
| Total comprehensive income/(loss) for the period | - | - | - | - | - | - | 2,579 | 48,588 | - | 51,167 | - | (7,583) | 43,584 |
| Dividends paid (note 19) | - | - | - | - | - | - | - | - | (15,896) | (15,896) | - | - | (15,896) |
| Profit paid on Perpetual Tier 1 Sukuk | - | - | - | - | - | - | - | (6,068) | - | (6,068) | - | - | (6,068) |
| 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 | - | - | - | - | - | - | - | (130) | - | (130) | - | - | (130) |
| Other movement in non-controlling interests | - | - | - | - | - | - | - | - | - | - | - | 675 | 675 |
| Balance at 30 September 2022 | 373,868 | 316,942 | - | (54) | 40,651 | 15,327 | (614) | 46,490 | - | 792,610 | 150,385 | 29,242 | 972,237 |
| 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 | - | - | - | - | - | - | - | 31,892 | - | 31,892 | - | (676) | 31,216 |
| Other comprehensive income/(loss) | - | - | - | - | - | - | 4,436 | - | - | 4,436 | - | (996) | 3,440 |
| Total comprehensive income/(loss) for the period | - | - | - | - | - | - | 4,436 | 31,892 | - | 36,328 | - | (1,672) | 34,656 |
| 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 | - | - | - | - | - | - | - | - | - | - | (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 | - | - | - | - | - | - | - | - | - | - | - | 2,523 | 2,523 |
| Balance at 30 September 2021 | 317,970 | 156,942 | - | (54) | 35,512 | 15,327 | (1,899) | 27,413 | - | 551,211 | 150,385 | 34,333 | 735,929 |

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 September 2022

| | Notes | Nine months ended 30 September | |
|--|-------|-----------------------------------|------------------|
| | | 2022 KD'000's | 2021 KD'000's |
| OPERATING ACTIVITIES | | | |
| Net profit for the period | | 45,634 | 31,216 |
| Adjustments for: | | | |
| Provision for impairment | 4 | 31,245 | 44,252 |
| Depreciation | | 9,347 | 7,468 |
| Foreign currency translation adjustments | | 3,449 | 1,313 |
| Dividend income | 3 | (2,304) | (2,218) |
| Net loss/(gain) from financial assets at fair value through profit or loss | 3 | 1,212 | (1,571) |
| Net loss/(gain) from sale of debt investments at FVOCI | 3 | 162 | (319) |
| Realized gain on sale of investment properties | 3 | (1,174) | - |
| Share of results of associates | 3 | (796) | (328) |
| Operating profit before changes in operating assets and liabilities | | 86,775 | 79,813 |
| Changes in operating assets and liabilities: | | | |
| Deposits with Central Bank of Kuwait | | (773) | (7,102) |
| Deposits with other banks | | (71,187) | 47,584 |
| Islamic financing to customers | | (326,037) | (577,595) |
| Other assets | | (18,945) | (2,694) |
| Due to banks | | (181,456) | 388,529 |
| Depositors' accounts | | 198,044 | 341,514 |
| Other liabilities | | 1,191 | 21,358 |
| Net cash (used in)/ generated from operating activities | | (312,388) | 291,407 |
| INVESTING ACTIVITIES | | | |
| Purchase of investment securities | | (265,717) | (178,436) |
| Proceeds from sale/redemption of investment securities | | 202,957 | 176,869 |
| Purchase of investment properties | | (22,923) | (660) |
| Proceeds from sale of investment properties | | 12,630 | - |
| Purchase of property and equipment | | (20,737) | (19,734) |
| Dividend income received | | 2,307 | 2,218 |
| Net cash used in investing activities | | (91,483) | (19,743) |
| FINANCING ACTIVITIES | | | |
| Proceeds from increase in share capital and share premium | | 200,000 | - |
| Cost directly related to increase in share capital | | (130) | - |
| Profit distribution on perpetual Tier 1 Sukuk | | (6,068) | (2,367) |
| Transaction costs on issue of Perpetual Tier 1 Sukuk | | - | (610) |
| Net movement of non-controlling interest | | 675 | 2,523 |
| 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 | 29,964 |
| Other movement in medium term financing | | (10,593) | (7,009) |
| Net cash generated from financing activities | | 320,213 | 97,498 |
| Net change in cash and cash equivalents | | (83,658) | 369,162 |
| Foreign currency translation adjustments | | 1,130 | (1,645) |
| Cash and cash equivalents at beginning of the period | | 766,008 | 587,200 |
| Cash and cash equivalents at end of the period | 7 | 683,480 | 954,717 |

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 September 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 nine months period ended 30 September 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 10 October 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 nine months period ended 30 September 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 September 2022

3. NET INVESTMENT INCOME

| | Three months ended 30 September | | Nine months ended 30 September | |
|--|------------------------------------|--------------|-----------------------------------|--------------|
| | 2022 | 2021 | 2022 | 2021 |
| | KD'000's | KD'000's | KD'000's | KD'000's |
| Dividend income | 871 | 679 | 2,304 | 2,218 |
| Net (loss)/gain from financial assets at fair value through profit or loss | (364) | 244 | (1,212) | 1,571 |
| Net (loss)/gain from sale of debt investments at FVOCI | (115) | 155 | (162) | 319 |
| Realized gain on sale of investment properties | 154 | - | 1,174 | - |
| Net rental income from investment properties | 416 | 374 | 961 | 1,302 |
| Share of results of associates | 833 | 91 | 796 | 328 |
| | 1,795 | 1,543 | 3,861 | 5,738 |

4. PROVISION FOR IMPAIRMENT

| | Three months ended 30 September | | Nine months ended 30 September | |
|---|------------------------------------|---------------|-----------------------------------|---------------|
| | 2022 | 2021 | 2022 | 2021 |
| | KD'000's | KD'000's | KD'000's | KD'000's |
| Provision charge for Islamic financing to customers | 8,601 | 11,212 | 25,719 | 36,711 |
| ECL – Other financial assets | 1,062 | 4,636 | 5,526 | 7,541 |
| | 9,663 | 15,848 | 31,245 | 44,252 |

5. TAXATION

| | Three months ended 30 September | | Nine months ended 30 September | |
|--|------------------------------------|------------|-----------------------------------|------------|
| | 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”) | 159 | 98 | 550 | 298 |
| National Labour Support Tax (“NLST”) | 417 | 286 | 1,302 | 865 |
| Zakat (Based on Zakat law no: 46/2006) | 167 | 114 | 521 | 346 |
| Overseas tax | 1,428 | (397) | (166) | (758) |
| | 2,171 | 101 | 2,207 | 751 |

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 | |
|--|------------------------------------|------------------|-----------------------------------|------------------|
| | 2022 | 2021 | 2022 | 2021 |
| | | | | |
| Net profit for the period attributable to the equity holders of the Bank (KD'000) | 15,506 | 10,438 | 48,588 | 31,892 |
| Less: profit payment on Perpetual Tier 1 Sukuk (KD'000) | (3,067) | - | (6,068) | (2,367) |
| | 12,439 | 10,438 | 42,520 | 29,525 |
| Weighted average number of shares outstanding during the period net of treasury shares (thousands of shares) | 3,738,207 | 3,493,450 | 3,617,175 | 3,493,466 |
| Basic and diluted earnings per share attributable to the equity holders of the Bank (fils) | 3.33 | 2.99 | 11.76 | 8.45 |

Earnings per share for the prior period were 3.28 and 9.29 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 September 2022

7. CASH AND CASH EQUIVALENTS

| | 30 September 2022 | (Audited) 31 December 2021 | 30 September 2021 |
|--|----------------------------------|----------------------------------|-------------------------|
| | KD'000's | KD'000's | KD'000's |
| Cash and balances with banks | 320,891 | 350,500 | 356,828 |
| Placements with banks maturing within seven days | 362,589 | 415,508 | 597,889 |
| | 683,480 | 766,008 | 954,717 |

8. ISLAMIC FINANCING TO CUSTOMERS

| | 30 September 2022 | (Audited) 31 December 2021 | 30 September 2021 |
|--------------------------------|----------------------------------|----------------------------------|-------------------------|
| | KD'000's | KD'000's | KD'000's |
| Islamic financing to customers | 6,005,283 | 5,678,933 | 5,478,204 |
| Provision for impairment | (191,243) | (165,859) | (165,583) |
| | 5,814,040 | 5,513,074 | 5,312,621 |

The available provision for impairment on non-cash facilities of **KD 3,497** thousands (31 December 2021: KD 2,850 thousands, 30 September 2021: KD 2,780 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 September 2022 | | | | |
| Islamic financing to customers | 5,694,463 | 249,793 | 61,027 | 6,005,283 |
| Contingent liabilities (Note 14) | 334,977 | 74,737 | 3,131 | 412,845 |
| Commitments (revocable and irrevocable) to extend credit | 885,241 | 35,082 | 54 | 920,377 |
| 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 September 2021 | | | | |
| Islamic financing to customers | 5,153,454 | 268,141 | 56,609 | 5,478,204 |
| Contingent liabilities (Note 14) | 309,214 | 65,328 | 3,529 | 378,071 |
| Commitments (revocable and irrevocable) to extend credit | 847,496 | 4,324 | 270 | 852,090 |

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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 | Stage 2 | Stage 3 | Total |
|---------------------------------------|---------------|---------------|---------------|---------------|
| | KD 000's | KD 000's | KD 000's | KD 000's |
| ECL allowance as at 1 January 2022 | 22,417 | 14,628 | 26,445 | 63,490 |
| Impact due to transfer between stages | 358 | (2,835) | 2,477 | - |
| Transfer from Stage 1 | (1,632) | 383 | 1,249 | - |
| Transfer from Stage 2 | 1,393 | (3,223) | 1,830 | - |
| Transfer from Stage 3 | 597 | 5 | (602) | - |
| Additional ECL for the period | (247) | 1,970 | 6,000 | 7,723 |
| Amount written off and recoveries | - | - | 4,014 | 4,014 |
| Foreign currency translation | (21) | (229) | (2,808) | (3,058) |
| At 30 September 2022 | 22,507 | 13,534 | 36,128 | 72,169 |
| 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) | - |
| Transfer from Stage 1 | (780) | 149 | 631 | - |
| Transfer from Stage 2 | 1,273 | (3,257) | 1,984 | - |
| Transfer from Stage 3 | 588 | 2,341 | (2,929) | - |
| Additional ECL for the period | (3,260) | (6,576) | 6,250 | (3,586) |
| Amount written off and recoveries | - | - | 692 | 692 |
| Foreign currency translation | (40) | (12) | (153) | (205) |
| At 30 September 2021 | 18,097 | 12,425 | 28,634 | 59,156 |

9. INVESTMENT SECURITIES

| | (Audited) | | |
|--|----------------|----------------|----------------|
| | 30 September | 31 December | 30 September |
| | 2022 | 2021 | 2021 |
| | KD'000's | KD'000's | KD'000's |
| Investment in Sukuk | 546,973 | 529,253 | 517,190 |
| Financial assets at fair value through profit or loss | 130,818 | 102,848 | 87,232 |
| Financial assets at fair value through other comprehensive income | 20,237 | 19,853 | 18,020 |
| Investment in associates | 3,268 | 3,174 | 3,097 |
| | 701,296 | 655,128 | 625,539 |
| | | (Audited) | |
| | 30 September | 31 December | 30 September |
| | 2022 | 2021 | 2021 |
| | KD'000's | KD'000's | KD'000's |
| Investment in Sukuk | | | |
| Investment in Sukuk- FVOCI | 528,979 | 510,388 | 498,334 |
| Investment in Sukuk- FVTPL | 17,994 | 18,865 | 18,856 |
| | 546,973 | 529,253 | 517,190 |
| Financial assets at fair value through profit or loss | | | |
| Investment in unquoted equity funds | 130,818 | 102,848 | 87,232 |
| | 130,818 | 102,848 | 87,232 |
| Financial assets at fair value through other comprehensive income | | | |
| Investment in unquoted equity securities | 17,146 | 16,600 | 15,371 |
| Investment in quoted equity securities | 3,091 | 3,253 | 2,649 |
| | 20,237 | 19,853 | 18,020 |

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 September 2022

10. MEDIUM TERM FINANCING

| | 30 September 2022 | (Audited) 31 December 2021 | 30 September 2021 |
|--|--|----------------------------------|-------------------------|
| | KD'000's | KD'000's | KD'000's |
| Global Medium Term Sukuk (“GMTN programme”)* | 381,304 | 229,137 | 226,998 |
| Other medium term financing** | 264,112 | 256,234 | 105,516 |
| | 645,416 | 485,371 | 332,514 |

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

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

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

** Other medium term financing has a tenor of three years and carry a profit rate in the range of 3.7% to 4.5%.

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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 September 2022 | 31 December 2021 | 30 September 2021 | 30 September 2022 | 31 December 2021 | 30 September 2021 | 30 September 2022 | 31 December 2021 | 30 September 2021 |
| | | | | | | | KD'000's | KD'000's | KD'000's |
| Islamic financing to customers | 10 | 10 | 7 | 2 | - | - | 47,931 | 360 | 333 |
| Depositors' accounts | 24 | 24 | 15 | 22 | 22 | 18 | 18,951 | 13,725 | 8,618 |
| Letters of guarantee and letters of credit | - | 1 | 1 | 1 | 2 | 2 | 13 | 370 | 370 |
| Murabaha and other Islamic financing income | | | | | | | 1,180 | 11 | 11 |
| Finance cost and distribution to depositors | | | | | | | (3) | (3) | (2) |
| Parent Company | | | | | | | | | |
| Due from banks | | | | | | | 114,863 | 117,243 | 255,022 |
| Due to banks | | | | | | | 30,908 | 31,797 | 98,679 |
| Depositors accounts | | | | | | | 336 | 508 | 645 |
| Murabaha and other Islamic financing income | | | | | | | 1,878 | 788 | 495 |
| Finance cost and distribution to depositors | | | | | | | (674) | (920) | (824) |

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

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

Details of compensation to key management comprise the following:

| | Three months ended | | Nine months ended | |
|--------------------------|--------------------|----------|-------------------|----------|
| | 30 September | | 30 September | |
| | 2022 | 2021 | 2022 | 2021 |
| | KD'000's | KD'000's | KD'000's | KD'000's |
| Short-term benefits | 911 | 781 | 2,548 | 2,054 |
| Post-employment benefits | 158 | 141 | 476 | 359 |
| Deferred compensation | 232 | 187 | 685 | 544 |
| | 1,301 | 1,109 | 3,709 | 2,957 |

12. TREASURY SHARES

The Bank held the following treasury shares:

| | 30 September 2022 | (Audited) | 30 September 2021 |
|--|----------------------|---------------------|----------------------|
| | | 31 December 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 | 364 | 332 | 324 |
| Weighted average of market value per share – KD | 0.840 | 0.711 | 0.688 |

13. OTHER RESERVES

| | Fair | Foreign | Change in | Total |
|--|---------------|-----------------|----------------|----------------|
| | value reserve | currency | actuarial | |
| | KD'000's | translation | valuation | KD'000's |
| | | reserve | reserve | |
| Balance at 1 January 2022 | 11,891 | (11,508) | (3,576) | (3,193) |
| Other comprehensive income/(loss) for the period | 3,570 | (991) | - | 2,579 |
| Total comprehensive income/(loss) for the period | 3,570 | (991) | - | 2,579 |
| Balance at 30 September 2022 | 15,461 | (12,499) | (3,576) | (614) |
| Balance at 1 January 2021 | (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 |
| Balance at 30 September 2021 | 12,756 | (11,563) | (3,092) | (1,899) |

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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 September 2022 | (Audited) 31 December 2021 | 30 September 2021 |
|-----------------------------------|----------------------|----------------------------------|----------------------|
| | KD'000's | KD'000's | KD'000's |
| Guarantees | 292,232 | 292,528 | 282,287 |
| Acceptances and letters of credit | 120,613 | 101,142 | 95,784 |
| Other commitments | 158,650 | 125,818 | 143,737 |
| | 571,495 | 519,488 | 521,808 |

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 |
| Nine months ended 30 September 2022 | | | | | | |
| Net financing income | 73,795 | 32,036 | 7,007 | 7,053 | 7,748 | 127,639 |
| Operating income | 81,714 | 38,396 | 16,510 | 11,473 | 4,987 | 153,080 |
| Net profit/(loss) for the period | 49,506 | 34,149 | (9,408) | 10,776 | (39,389) | 45,634 |
| Total assets | 2,514,793 | 3,532,283 | 724,218 | 858,618 | 126,602 | 7,756,514 |
| Total liabilities | 3,612,855 | 506,484 | 676,733 | 1,468,267 | 519,938 | 6,784,277 |
| Nine months ended 30 September 2021 | | | | | | |
| Net financing income | 66,560 | 29,584 | 7,215 | 8,345 | 7,689 | 119,393 |
| Operating income | 72,810 | 34,372 | 17,046 | 11,638 | 5,057 | 140,923 |
| Net profit/(loss) for the period | 43,461 | 30,630 | 451 | 11,066 | (54,392) | 31,216 |
| Total assets | 2,240,417 | 3,157,421 | 916,133 | 1,080,897 | (83,449) | 7,311,419 |
| Total liabilities | 3,273,831 | 386,260 | 723,336 | 1,984,524 | 207,539 | 6,575,490 |

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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 September 2022 | | | | |
| Financial assets at fair value through profit or loss | - | 130,818 | - | 130,818 |
| Investment in Sukuk | 546,973 | - | - | 546,973 |
| Financial assets at fair value through other comprehensive income | 3,091 | - | 17,146 | 20,237 |
| | <u>550,064</u> | <u>130,818</u> | <u>17,146</u> | <u>698,028</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 September 2021 | | | | |
| 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 |
| | <u>519,839</u> | <u>87,232</u> | <u>15,371</u> | <u>622,442</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 | Change in | Additions/ | Sale/ | Exchange rate | At | |
|---|---------------|------------|--------------|--------------|----------------|-------------|---------------|
| | 1 January | fair value | Amortization | transfers | redemption | movements | 30 September |
| | KD'000's | KD'000's | KD'000's | KD'000's | KD'000's | KD'000's | KD'000's |
| 30 September 2022: | | | | | | | |
| Assets measured at fair value | | | | | | | |
| Financial assets at fair value through other comprehensive income | 16,600 | - | - | 1,630 | (1,121) | 37 | 17,146 |
| | <u>16,600</u> | <u>-</u> | <u>-</u> | <u>1,630</u> | <u>(1,121)</u> | <u>37</u> | <u>17,146</u> |
| 30 September 2021: | | | | | | | |
| Assets measured at fair value | | | | | | | |
| Financial assets at fair value through other comprehensive income | 15,408 | - | - | - | (22) | (15) | 15,371 |
| | <u>15,408</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(22)</u> | <u>(15)</u> | <u>15,371</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 September 2022 | | | 31 December 2021 (Audited) | | | 30 September 2021 | | |
|--|--------------------------------------|--------------------------------------|---------------------|-----------------------------------|-----------------------------------|---------------------|-----------------------------------|-----------------------------------|---------------------|
| | Positive fair value KD'000s | Negative fair value KD'000s | Notional KD'000s | Positive fair value KD'000s | Negative fair value KD'000s | Notional KD'000s | Positive fair value KD'000s | Negative fair value KD'000s | Notional KD'000s |
| Profit rate swaps (held as fair value hedges) | 26,366 | (10,338) | 551,017 | 1,255 | (13,583) | 396,059 | 649 | (16,747) | 361,497 |
| Cross currency swaps | 2,401 | (9) | 170,965 | 895 | (384) | 607,357 | 211 | (1,192) | 531,938 |
| Forward foreign exchange contracts | 486 | (372) | 116,614 | - | (10) | 8,664 | - | (2) | 7,330 |
| | 29,253 | (10,719) | 838,596 | 2,150 | (13,977) | 1,012,080 | 860 | (17,941) | 900,765 |

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