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Mr. Mohammad Saud Al-Osaimi
CEO
Boursa Kuwait

السيد/ محمد سعود العصيمي المحترم
الرئيس التنفيذي
بورصة الكويت

Dear Sir,

السلام عليكم ورحمة الله وبركاته وبعد ...

Minutes of the Analysts' Conference call
for the Third Quarter of 2022

محضر مؤتمر المحللين للربع الثالث
لسنة 2022

Reference is made to the provisions of Article no. (8-4-2) of Boursa Kuwait Rulebook issued by virtue of Resolution no. 1 of 2018 and its amendments concerning continuing the obligations of the listed companies classified under the "Premier Market Segment" under which Boubyan Bank is categorized.

بالإشارة الى أحكام المادة رقم (8-4-2) من قواعد البورصة الصادرة بموجب القرار رقم (1) لسنة 2018 وتعديلاته، والمتعلقة بالالتزامات المستمرة المطلوبة من الشركات المدرجة المصنفة ضمن شريحة -السوق الأول – (Premier Market) والتي تم تصنيف بنك بوبيان ضمنها.

We attach herewith a copy of the Minutes of the Analysts' Conference call for Third Quarter ended 30/09/2022 held via Live Webcast at 02:00 pm (Local Time) on Thursday, October 20th 2022 as per the requirements of the said article.

نرفق لكم نسخة من محضر مؤتمر المحللين للربع الثالث المنتهي في 2022/09/30 الذي انعقد عن طريق بث مباشر على شبكة الأنترنت (Live Webcast) في تمام الساعة 02:00 (وفق التوقيت المحلي) من بعد ظهر يوم الخميس الموافق 2022/10/20؛ وذلك وفقا للمتطلبات الواردة في المادة المشار إليها أعلاه.

Best regards,

وتفضلوا بقبول فائق الاحترام ...

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



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سبيل

Q3 2022 Boubyan Bank K.S.C.P – Earnings Call

Edited transcript of the Boubyan Bank earnings conference call that took place on Thursday 20th October 2022 at 14:00 Kuwait Time

Corporate participants:

Mr. Abdulsalam Al Saleh – Chief Executive Officer

Mr. Mohamed Ibrahim – Group General Manager, Financial Control Group

Mr. Fawaz Tawfiqi – Investor Relations

Fawaz Tawfiqi: Good afternoon everyone, and thank you for joining us today. This is Fawaz Tawfiqi from Investor Relations. I am pleased to welcome you all to Boubyan Bank's earnings webcast covering the results for the first nine months of the 2022 year.

Joining me today is Mr. Abdulsalam Al Saleh, Chief Executive Officer and Mr. Mohamed Ibrahim, Group General Manager - Financial Control. I'd like to commence our call today by reading out a brief disclaimer which you can also find on page 2 of our presentation:

"Certain statements in this presentation may constitute forward looking statements reflecting the banks expectations. Accordingly, these are subject to risk and uncertainty, which may cause actual results to differ materially from the plans reflected within today's presentation. You are cautioned not to rely on such forward looking statements and the Bank does not assume any obligation to update its views of such risks and uncertainties or to publicly announce any revisions to the forward looking statements made herein"

In addition to the disclaimer I have just read, I urge you all to read the full text of our disclaimer on page two of the presentation pack.

Our format for today's call will include:

An overview of Boubyan's performance by Mr. Abdulsalam Al Saleh followed by a presentation on the Bank's financial performance by Mr. Mohamed Ibrahim.

Following this, we will have time for a Q&A session with attendees today. We will be receiving your questions through the webcast platform, and we will endeavour to answer all of your questions today, however, if any questions are left unanswered due to time constraints, or you have any further questions you wish to pose, please feel free to contact us through the Boubyan Investor relations email address, which you can find on our website.

With that said, I would like to now hand you over to Mr. Abdulsalam Al Saleh to take you through a brief update on Boubyan's performance for the first nine months of the 2022 year.

Abdulsalam Al Saleh: Thank you Fawaz.

Good afternoon Ladies and Gentlemen and thank you for joining us. Overall our performance in 2022 has seen Boubyan continue its growth across all business lines with strong financial results, profitability trends and achievement across all key performance indicators despite the current challenging market conditions.

Our net profit for the first nine months grew 52% to reach KD 49 million with an earnings per share of 11.8 fils. This was achieved after allocating KD 31 million in provisions, and continuing our prudent approach of increasing our contingent provision and thereby strengthening the Bank's financial position and ability to manage any future unforeseen situations.

Our operating income grew 9% to KD 153 million while our operating profit grew 4% to KD 79 million. We have also strengthened our financial position with total assets growing 6% year-on-year to reach KD 7.8 billion and total financing portfolio growing at 9% to KD 5.8 billion. Our customer deposits also grew by 7% to reach KD 5.8 billion.

With this growth, I would like to point out that non-performing loans stood at 1.0%, which remains one of the lowest amongst peers and continues to prove the quality of our portfolio and prudent underwriting strategy.

Furthermore our Ratings from Moody's, S&P and Fitch remain at A2, A- and A respectively.

Moving on now to discuss our strategy and operating environment.

The Bank remains committed in implementing its third five-year strategy "Boubyan 2023" which builds on the Group's robust domestic foundations and strengthening our international presence.

The past two years has seen major milestones in our international strategy with the launch of our UK based Digital Bank, Nomo Bank in 2021, following the successful acquisition of our subsidiary BLME in 2020. During 2022, we continued investing in our international business as we expand upon the digital offerings spanning retail banking and wealth management as we look to leverage Boubyan's digital capabilities in complementing our long term strategic aspiration of international expansion.

Domestically, we continued providing the highest levels of customer

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service and affirming our excellence in digital services to achieve our strategic aspiration of sustained growth in Kuwait.

We've continued to grow our branch network in Kuwait with the launch of one new branch along with further new branches in progress, following the launch of four new branches last year. This comes as part of the Bank's expansion plans to remain close to our customers and continue meeting their needs, especially in areas witnessing significant population growth.

Our excellence in delivering the best customer service and digital products continues to be affirmed, with the Bank recently being the recipient of multiple prestigious awards including being named Best Islamic Bank in Kuwait by Global Finance for the seventh consecutive year, Best Islamic Bank in customer service for the twelfth consecutive year by Service Hero, World's Best Islamic SME Bank by Global Finance, as well as being named the Best Bank for SMEs in Kuwait by Euromoney International.

In June, Boubyan successfully concluded a 12% rights issuance of KD 200 million, with subscription demand exceeding 800%, and with over 90% of our shareholders participating in the rights issuance. This has boosted the bank's regulatory capital level and will support our future growth aspirations.

In terms of our operating environment, the continued monetary tightening remain major downside risks to markets. Signs of weakness have become apparent in consumer, manufacturing, housing and labor market data. A further deterioration would increase recession fears, and is an added downside risk to markets.

IMF has also recently highlighted higher uncertainty related to global economic prospects arising from geopolitics and higher than expected inflation in major economies and has downgraded World GDP forecast growth for 2023 to 2.7%.

The CBK's relatively gradual approach to policy tightening reflects a desire to support growth and at the same time retain the attractiveness of dinar assets and reinforce financial stability.

This is an overview about Boubyan and our major achievements. Now, Mohamed will take you through the Bank's financial performance with more details

Mohamed Ibrahim: Thank you Mr. Abdulsalam and good afternoon everyone. It is my pleasure to take you through our financial results for the first nine months of 2022.

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We see continued growth in business volumes and profitability during the first nine months of 2022. As you can see on the top left of the slide, the bank reported a net profit of KD 49 million, a growth of 52% compared to the corresponding period of the previous year, with an earnings per share of 11.8 fils.

Operating profit grew by 4% to reach KD 79 million. This was mainly driven by the growth in the bank's operating income which I will explain shortly.

The bank's RoAE increased to 8.7% while our return on average assets also rose to 0.9%.

Now moving on to the operating income components, we can see that Operating income increased by 9% to reach around KD 153 million.

This was mainly driven by the Bank's net financing income, which grew by 7% reaching KD 128 million. This growth is a result of an 11% increase in the Bank's average profit earning assets which was partially offset by some compressions in the net profit margin compared to same period last year. Our Q3 margins were slightly lower than Q2 2022 reflecting the lag between the re-pricing of some deposits during the second quarter and the re-pricing of some assets during the fourth quarter.

Fees and commissions income also grew by 37% year on year reaching KD 22 million with this strong growth being driven across retail, corporate and wealth management segments.

Investment income reached KD 4 million which was lower compared to the same period last year due to some valuation declines on investments in line with the broader market conditions which has seen a pullback in equity markets in recent months.

Now, we will move to slide 9 and discuss operating expenses. Operating expenses, on a consolidated level, grew by 14% compared to same period last year. This has resulted in an increase in the cost to income ratio to 48.3% at a consolidated level with cost to average assets stable at 1.3%.

This was a result of high inflation, resumption of some costs muted in early 2021 along with continued scaling of our local and international business and opening new branches.

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We will now move onto provisions on slide 10, we can see that the total impairment provision was KD 31 million. The majority of the KD 28 million general provision for the financing portfolio was precautionary to continue bolstering the bank's ability to manage any potential unforeseen circumstances that might arise. This also includes impairment loss on other assets of KD 5 million.

The bank's loss ratio and provisions as a percentage of operating profit declined to 0.6% and 39.5% respectively lower than the same period last year of 0.9% and 58.1%.

I would like to highlight that IFRS 9 provision was lower than the provision as per CBK by over KD 120 million and accordingly we have reported the CBK provision in our financials being higher of the two.

Now moving on to slide 12 regarding our Balance sheet.

Overall, our total assets grew by 6% compared to Q3 2021. This increase was mainly driven by the strong organic growth in the Bank's financing portfolio partially offset by the decline in GBP prices by almost 19% related to our consolidated subsidiary BLME. The growth in assets without taking into consideration the fluctuation in GBP prices was around 7%. It's worth to mention that the fluctuation of GBP prices doesn't have any material impact on our financial position or profitability due to the foreign currency hedge related to this subsidiary.

Liquid assets to total assets ratio was maintained at a comfortable level of around 19%. In general, the composition of total assets has been broadly consistent with last year, with the share of the financing portfolio increasing to 75% of total assets.

Customer deposits grew 7% year on year. It is worth mentioning that the bank had raised additional USD 500 Million medium term funding through its Sukuk program during the first half of 2022 to stabilize and diversify our funding sources.

The bank has maintained its domestic loan to deposit ratio at a comfortable level of approximately 87.5%

We now move on to slide 13 to discuss the performance of our financing portfolio. Our net financing portfolio grew by KD 501 million year on year or 9%. The growth in financing portfolio without taking into consideration the fluctuation in GBP prices was around 11%.

Year-on-Year our Retail financing grew by 11% while our Corporate financing grew 12%.

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This has resulted in an increase in retail financing as a percentage of our portfolio at the consolidated level to 42%, remaining one of the highest ratios in the industry.

Non-performing loans remains stable at 1.0% with a coverage ratio of 319%.

We now move on to our last section on Capital Ratios on page 15.

Our capital adequacy increased to 19.2% from 16.1% last year against a minimum requirement of 14% (including D-SIB of 1%). This was mainly due to the successful rights issuance program which was concluded back in Q2 2022. This has enhanced our CET1 and our Capital Adequacy Ratio by KD 200 Million or approximately 4%. This rights issuance was intended to support the banks future growth over the medium term.

Risk Weighted Assets reported a year-on-year growth of 8% to reach KD 5 billion, which was driven by asset growth as discussed earlier.

As you can see, the majority of our regulatory capital is in Common Equity Tier 1, which increased to 78% following the rights issue. This is followed by additional Tier1 at 16%.

And finally, the leverage ratio reached 11.2% which is broadly in line with the market and well above the regulatory minimum.

Before I hand over for the Q&A session, I would like to make some remarks on our guidance going forward into the final quarter of 2022.

With regard to loan growth, we expect to achieve high single digit growth at a group level driven by a balanced growth between corporate and retail financing.

With regards to margins - we are expecting a compression by approximately 10 bps over the next 12 months reflecting the increase in cost of fund during September following the increase in benchmark rates by 75 bps while increasing the discount rate by 25 bps only. In addition to this, although the market continues to expect additional rate hikes for the remaining of 2022 and the first quarter of 2023. However,

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we are uncertain as to how CBK will respond to these rate hikes both on the Discount rate and benchmark rates. Therefore, we are unable to provide a NIM outlook with certainty. However as a guidance every 25 bps parallel increase is expected to improve NPM by 1.5 bps on an annualized basis. On the other hand every 25 bps increase in benchmark rates without a corresponding increase in discount rate will result into a compression by 5 bps on an annualized basis.

Our cost-to-income, is expected to be around 48% range reflecting our continued investment in our international operations particularly NOMO and BLME.

Regarding cost of risk, we expect to see a downward trend during Q4 2022 and 2023.

With this, I would like to conclude my briefing on the financial performance. Now, I would like to handover to Fawaz for the Q&A session.

Fawaz Tawfiqi	Thank you Mr. Mohamed. We will now start our Q&A session. Ladies and gentlemen, if you wish to participate in our Q&A, please type your question using the question box on screen. Then click the submit button. Thank you for holding.
Fawaz Tawfiqi	Thank you for holding. Our first question asks why didn't we see changes in NPM despite rate hikes? And how is the liquidity in the system?

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<p>Mohamed Ibrahim</p>	<p>Regarding the profit margins, as I mentioned, we had a lag into the repricing of our assets. Some of our assets will be repriced during Q4 while our deposits were repriced during Q3. So, the rate hikes which happened during August should reflect in a positive trend during Q4. However, like I mentioned, the increase in benchmark rates by 75 bps while increasing the discount rate by 25 bps will offset this increase and we are also expecting a further compression of 10 bps.</p> <p>For the 2nd part of the question, asking about the liquidity in the system, I think it is fairly good - reflecting the current increases in the benchmark rates. However, the liquidity is available and active.</p>
<p>Fawaz Tawfiqi</p>	<p>Next question asks for guidance on Cost of Risk.</p>
<p>Mohamed Ibrahim</p>	<p>Regarding the cost of risk, I mentioned in our guidance that we are expecting a downward trend. We cannot give an exact guidance but I think if you follow the quarters, you can expect the same trends quarter on quarter.</p>
<p>Fawaz Tawfiqi</p>	<p>So given there are no further questions remaining, we'd like to thank you all for your attendance today and remind you that should you wish to ask any follow up questions you may do so through the investor relations email address listed on our website.</p> <p>A reminder that the presentation slides and transcripts of this call will be published on both the Boubyan and the Kuwait Boursa Websites within the coming days.</p> <p>Thank you.</p>