

الكويت: 2020/10/26

الإشارة: 2020/9144

Kuwait: 26/10/2020

Ref: 9144/2020

To: Mr. Mohammad Saud Al-Osaimi
CEO - Boursa Kuwait

المحترم السيد / محمد سعود العيصي
الرئيس التنفيذي - شركة بورصة الكويت

السلام عليكم ورحمة الله وبركاته وبعد ...

Dear Sir,

**Interim Financial Statements for the Period
Ended September 30th 2020**

البيانات المالية المرحلية للفترة المنتهية في 2020/09/30

With reference to the above subject, attached is the quarterly financial statements results form for the period ended September 30th 2020 after obtaining Central Bank of Kuwait's approval as per the attached letter.

بالإشارة إلى الموضوع أعلاه، نرفق لكم طيه نموذج نتائج البيانات المالية المرحلية لمصرفنا عن الفترة المنتهية في 2020/09/30، وذلك بعد الحصول على موافقة بنك الكويت المركزي بشأنها وفقا للكتاب المرفق.

On the other hand, and in line with the requirements of the Boursa' rules issued by virtue of resolution no. 1 of 2018 which apply to listed companies classified under the Premier Market, Boubyan bank is pleased to announce that the Analyst Conference call will be held through (Live webcast) session at 02:00 pm on Tuesday , October 27th 2020. Interested analysts may send an email to: Investor-Relations@bankboubyan.com in order to provide them with the Call instructions for attendance.

من جهة أخرى وعملاً بمتطلبات قواعد البورصة الصادرة بموجب القرار رقم (1) لسنة 2018 والتي تنطبق على الشركات المدرجة التي تم تصنيفها ضمن السوق الأول، يسر بنك بوبيان الإعلان عن مؤتمر المحللين والذي تقرر انعقاده عن طريق بث مباشر عبر شبكة الإنترنت (Live webcast) في تمام الساعة 02:00 من بعد ظهر يوم الثلاثاء الموافق 2020/10/27 حيث يمكن للمحللين المهتمين التواصل مع مصرفنا على البريد الإلكتروني: Investor-Relations@bankboubyan.com ليتم تزويدهم بالرابط الخاص بالمؤتمر المذكور.

Best regards,

وتفضلوا بقبول فائق الاحترام ...

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

عادل عبد الوهاب الماجد

نائب رئيس مجلس الإدارة والرئيس التنفيذي

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نعمل باتقان

بنك بوبيان

Third quarter results Ended on	2020-09-30	نتائج الربع الثالث المنتهي في
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Company Name	اسم الشركة
Boubyan Bank K.S.C.P	بنك بوبيان (ش.م.ك.ع)
Board of Directors Meeting Date	تاريخ اجتماع مجلس الإدارة
2020-10-04	
Required Documents	المستندات الواجب إرفاقها بالنموذج
<input checked="" type="checkbox"/> Approved financial statements	<input checked="" type="checkbox"/> نسخة من البيانات المالية المعتمدة
<input checked="" type="checkbox"/> Approved auditor's report	<input checked="" type="checkbox"/> نسخة من تقرير مراقب الحسابات المعتمد

التغيير (%)	فترة التسعة اشهر المقارنة	فترة التسعة اشهر الحالية	البيان Statement
Change (%)	Nine Month Comparat Period	Nine Month Current Period	
	2019-09-30	2020-09-30	
-49%	45,228,935	23,242,171	صافي الربح (الخسارة) الخاص بمساهمي الشركة الأم Net Profit (Loss) represents the amount attributable to the owners of the parent Company
-53%	14.50	6.81	ربحية (خسارة) السهم الأساسية والمخفضة Basic & Diluted Earnings per Share
26%	3,138,292,020	3,961,593,386	الموجودات المتداولة Current Assets
25%	5,032,953,823	6,276,096,110	إجمالي الموجودات Total Assets
14%	4,199,780,715	4,772,320,726	المطلوبات المتداولة Current Liabilities
29%	4,387,911,711	5,662,871,870	إجمالي المطلوبات Total Liabilities
-11%	567,316,421	506,130,410	إجمالي حقوق الملكية الخاصة بمساهمي الشركة الأم Total Equity attributable to the owners of the Parent Company
13%	109,389,826	123,207,205	إجمالي الإيرادات التشغيلية Total Operating Revenue
8%	65,220,856	70,249,532	صافي الربح (الخسارة) التشغيلية Net Operating Profit (Loss)
--	لا يوجد Nil	لا يوجد Nil	الخسائر المتراكمة / رأس المال المدفوع Accumulated Loss / Paid-Up Share Capital

التغيير (%) Change (%)	الربع الثالث المقارن	الربع الثالث الحالي	البيان Statement
	Third quarter Comparat Period	Third quarter Current Period	
	2019-09-30	2020-09-30	
-63%	16,364,094	6,099,464	صافي الربح (الخسارة) الخاص بمساهمي الشركة الأم Net Profit (Loss) represents the amount attributable to the owners of the parent Company
-63%	5.40	2.01	ربحية (خسارة) السهم الأساسية والمخفضة Basic & Diluted Earnings per Share
23%	35,519,682	43,740,365	إجمالي الإيرادات التشغيلية Total Operating Revenue
32%	20,009,781	26,450,756	صافي الربح (الخسارة) التشغيلية Net Operating Profit (Loss)



• Not Applicable for first Quarter

• لا ينطبق على الربع الأول

Increase/Decrease in Net Profit (Loss) is due to	سبب ارتفاع/انخفاض صافي الربح (الخسارة)
The decrease in net profit for the nine months period ended 30 September 2020 as compared to the nine months period ended 30 September 2019 was primarily due to the increase in the provision for impairment by KD 27,750,923 and the decrease in the net fees and commission income by KD 3,093,544 ; in addition to the increase in the other operating income items by KD 16,911,123 which was broadly offset by the increase in operating expenses by KD 8,788,203 .	يعود الانخفاض في صافي الربح لفترة التسعة أشهر المنتهية في 30 سبتمبر 2020 مقارنة بفترة التسعة أشهر المنتهية في 30 سبتمبر 2019 بشكل رئيسي إلى الزيادة في مخصص إنخفاض القيمة بمبلغ 27,750,923 د.ك. وانخفاض صافي إيرادات الأتعاب والعمولات بمبلغ 3,093,544 د.ك. بالإضافة إلى زيادة باقي بنود الإيرادات التشغيلية بمبلغ 16,911,123 د.ك. والذي قابله بشكل عام زيادة في المصروفات التشغيلية بمبلغ 8,788,203 د.ك.
Total Revenue realized from dealing with related parties (value, KWD)	بلغ إجمالي الإيرادات من التعاملات مع الأطراف ذات الصلة (المبلغ د.ك.)
KWD 1,678,935	1,678,935 د.ك
Total Expenditures incurred from dealing with related parties (value, KWD)	بلغ إجمالي المصروفات من التعاملات مع الأطراف ذات الصلة (المبلغ د.ك.)
KWD 2,085,556	2,085,556 د.ك

Corporate Actions		استحقاقات الأسهم (الإجراءات المؤسسية)	
النسبة	القيمة		
لا يوجد Nil	لا يوجد Nil		توزيعات نقدية Cash Dividends
لا يوجد Nil	لا يوجد Nil		توزيعات أسهم منحة Bonus Share
لا يوجد Nil	لا يوجد Nil		توزيعات أخرى Other Dividend
لا يوجد Nil	لا يوجد Nil		عدم توزيع أرباح No Dividends
لا يوجد Nil	يوجد Nil	علاوة الإصدار Issue Premium	زيادة رأس المال Capital Increase
لا يوجد Nil	لا يوجد Nil		تخفيض رأس المال Capital Decrease

The Company's comments in case the auditor has concerns or a qualified opinion	تعقيب الشركة في حال قيام مراقب الحسابات بإبداء ملاحظات أو تحفظات
There are no comments raised by the auditors	لا يوجد أي ملاحظات أبداها مراقب الحسابات

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

Attach a copy of the financial statements approved by the Board of Directors and the approved auditor's report

يجب ارفاق نسخة البيانات المالية المعتمدة من مجلس الإدارة وتقرير مراقب الحسابات المعتمد



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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 2020, 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 2020 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 2020 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.

07 October 2020
Kuwait

BOUBYAN BANK K.S.C.P. AND SUBSIDIARIES
**INTERIM CONDENSED CONSOLIDATED STATEMENT
OF PROFIT OR LOSS (UNAUDITED)**


For the period from 1 January 2020 to 30 September 2020

	Notes	Three months ended		Nine months ended	
		30 September		30 September	
		2020	2019	2020	2019
		KD'000s	KD'000s	KD'000s	KD'000s
Income					
Murabaha and other Islamic financing income		54,384	52,979	168,115	152,786
Finance cost and distribution to depositors		(19,051)	(23,397)	(66,838)	(64,797)
Net financing income		35,333	29,582	101,277	87,989
Net investment income	4	1,592	1,408	5,734	5,781
Net fees and commission income		3,301	3,413	9,667	12,761
Net foreign exchange gain		1,157	1,117	4,172	2,859
Other Income	18	2,357	-	2,357	-
Operating income		43,740	35,520	123,207	109,390
Staff costs		(11,039)	(9,264)	(32,743)	(27,071)
General and administrative expenses		(4,055)	(4,284)	(13,463)	(11,251)
Depreciation		(2,195)	(1,962)	(6,751)	(5,847)
Operating expenses		(17,289)	(15,510)	(52,957)	(44,169)
Operating profit before provision for impairment		26,451	20,010	70,250	65,221
Provision for impairment	5	(21,051)	(2,963)	(45,673)	(17,922)
Operating profit before deductions		5,400	17,047	24,577	47,299
Taxation	6	(2)	(670)	(1,556)	(2,047)
Net profit for the period		5,398	16,377	23,021	45,252
Attributable to:					
Equity holders of the Bank		6,099	16,364	23,242	45,229
Non-controlling interests		(701)	13	(221)	23
Net profit for the period		5,398	16,377	23,021	45,252
Basic and diluted earnings per share attributable to the equity holders of the Bank (fils)	7	2.01	5.40	6.81	14.50

The notes from 1 to 18 form an integral part of this interim condensed consolidated financial information.

BOUBYAN BANK K.S.C.P. AND SUBSIDIARIES**INTERIM CONDENSED CONSOLIDATED STATEMENT
OF OTHER COMPREHENSIVE INCOME (UNAUDITED)**

For the period from 1 January 2020 to 30 September 2020

	Three months ended 30 September		Nine months ended 30 September	
	2020	2019	2020	2019
	KD'000s	KD'000s	KD'000s	KD'000s
Net profit for the period	5,398	16,377	23,021	45,252
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	4,452	2,077	(9,537)	3,109
Foreign currency translation adjustments	1,327	(3)	(977)	428
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	(1)	(18)	(5,624)	231
Other comprehensive income/(loss) for the period	5,778	2,056	(16,138)	3,768
Total comprehensive income for the period	11,176	18,433	6,883	49,020
Attributable to:				
Equity holders of the Bank	10,533	18,420	7,476	48,997
Non-controlling interests	643	13	(593)	23
Total comprehensive income for the period	11,176	18,433	6,883	49,020

The notes from 1 to 18 form an integral part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF
FINANCIAL POSITION (UNAUDITED)

As at 30 September 2020

	Notes	(Audited)		
		30 September 2020	31 December 2019	30 September 2019
		KD'000s	KD'000s	KD'000s
Assets				
Cash and balances with banks	8	215,884	232,393	211,576
Deposits with Central Bank of Kuwait		336,982	306,156	285,037
Deposits with other banks		277,340	427,347	316,072
Islamic financing to customers		4,648,380	3,728,772	3,637,212
Investment in Sukuk	9	514,000	306,315	343,782
Other investment securities	9	94,334	101,215	80,349
Investments in associates		4,770	33,144	30,894
Investment properties		47,901	46,555	24,663
Other assets		49,445	32,422	22,359
Property and equipment		87,060	86,229	81,010
Total assets		6,276,096	5,300,548	5,032,954
Liabilities and equity				
Liabilities				
Due to banks		258,405	236,480	215,600
Depositors' accounts		5,066,314	4,347,226	4,102,177
Sukuk issued	16	230,410	-	-
Other liabilities		107,743	63,661	70,135
Total liabilities		5,662,872	4,647,367	4,387,912
Equity				
Share capital		302,827	288,407	288,407
Share premium		156,942	156,942	156,942
Proposed bonus shares	17	-	14,420	-
Treasury shares	11	(54)	(54)	(54)
Statutory reserve		31,848	31,848	25,251
Other reserves	12	5,381	22,114	22,519
Retained earnings		9,186	35,817	74,251
Proposed cash dividends	17	-	25,954	-
Equity attributable to equity holders of the Bank		506,130	575,448	567,316
Perpetual Tier 1 Sukuk		75,388	75,388	75,388
Non-controlling interests		31,706	2,345	2,338
Total equity		613,224	653,181	645,042
Total liabilities and equity		6,276,096	5,300,548	5,032,954

Abdulaziz Abdullah Dakheel Al-Shaya
Chairman

Adel Abdul Wahab Al Majed
Vice Chairman & Chief Executive Officer

The notes from 1 to 18 form an integral part of this interim condensed consolidated financial information.



الإشارة :/105/2...../Ref. :

التاريخ : 8 ربيع الأول 1442. Date :
الموافق : 25 أكتوبر 2020.....


السيد نائب رئيس مجلس الإدارة والرئيس التنفيذي المحترم
بنك بوبيان

تحية طيبة وبعد ،

بالإشارة إلى كتابكم المؤرخ 2020/10/5 المرفق به البيانات المالية المرحلية المجمعة لمصرفكم عن الفترة المنتهية في 2020/9/30 والتي تم إعدادها لأغراض النشر وفقاً لمتطلبات بورصة الكويت، وعطفاً على الإيضاحات والبيانات التفصيلية الواردة إلينا في هذا الشأن والتي كان آخرها بتاريخ 2020/10/22.

نفيدكم بأن بنك الكويت المركزي قد أحيط علماً بما جاء في البيانات المشار إليها ، وعليه فإنه يمكنكم اتخاذ كافة الإجراءات الضرورية المتبعة في مثل هذا الخصوص .

وتفضلوا بقبول فائق الاحترام ،،،


وليد محمود العوضي

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



**INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
AND INDEPENDENT AUDITORS' REVIEW REPORT FOR THE PERIOD
FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020
(UNAUDITED)**

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

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



For the period from 1 January 2020 to 30 September 2020

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Report on other Legal and Regulatory Requirements

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ABDULKARIM AL SAMDAN
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07 October 2020
Kuwait

BOUBYAN BANK K.S.C.P. AND SUBSIDIARIES
**INTERIM CONDENSED CONSOLIDATED STATEMENT
OF PROFIT OR LOSS (UNAUDITED)**


For the period from 1 January 2020 to 30 September 2020

	Notes	Three months ended		Nine months ended	
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Net fees and commission income		3,301	3,413	9,667	12,761
Net foreign exchange gain		1,157	1,117	4,172	2,859
Other Income	18	2,357	-	2,357	-
Operating income		43,740	35,520	123,207	109,390
Staff costs		(11,039)	(9,264)	(32,743)	(27,071)
General and administrative expenses		(4,055)	(4,284)	(13,463)	(11,251)
Depreciation		(2,195)	(1,962)	(6,751)	(5,847)
Operating expenses		(17,289)	(15,510)	(52,957)	(44,169)
Operating profit before provision for impairment		26,451	20,010	70,250	65,221
Provision for impairment	5	(21,051)	(2,963)	(45,673)	(17,922)
Operating profit before deductions		5,400	17,047	24,577	47,299
Taxation	6	(2)	(670)	(1,556)	(2,047)
Net profit for the period		5,398	16,377	23,021	45,252
Attributable to:					
Equity holders of the Bank		6,099	16,364	23,242	45,229
Non-controlling interests		(701)	13	(221)	23
Net profit for the period		5,398	16,377	23,021	45,252
Basic and diluted earnings per share attributable to the equity holders of the Bank (fils)	7	2.01	5.40	6.81	14.50

The notes from 1 to 18 form an integral part of this interim condensed consolidated financial information.

BOUBYAN BANK K.S.C.P. AND SUBSIDIARIES**INTERIM CONDENSED CONSOLIDATED STATEMENT
OF OTHER COMPREHENSIVE INCOME (UNAUDITED)**

For the period from 1 January 2020 to 30 September 2020

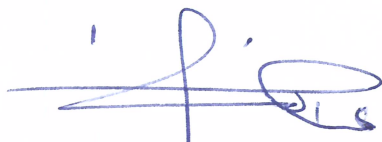
	Three months ended		Nine months ended	
	30 September		30 September	
	2020	2019	2020	2019
	KD'000s	KD'000s	KD'000s	KD'000s
Net profit for the period	5,398	16,377	23,021	45,252
Other comprehensive income/(loss):				
Items that are or may be reclassified to interim condensed consolidated statement of profit or loss in subsequent periods:				
Change in fair value of debt investments at fair value through other comprehensive income	4,452	2,077	(9,537)	3,109
Foreign currency translation adjustments	1,327	(3)	(977)	428
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	(1)	(18)	(5,624)	231
Other comprehensive income/(loss) for the period	5,778	2,056	(16,138)	3,768
Total comprehensive income for the period	11,176	18,433	6,883	49,020
Attributable to:				
Equity holders of the Bank	10,533	18,420	7,476	48,997
Non-controlling interests	643	13	(593)	23
Total comprehensive income for the period	11,176	18,433	6,883	49,020

The notes from 1 to 18 form an integral part of this interim condensed consolidated financial information.


BOUBYAN BANK K.S.C.P. AND SUBSIDIARIES
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF
FINANCIAL POSITION (UNAUDITED)**


As at 30 September 2020

	Notes	(Audited)		
		30 September 2020	31 December 2019	30 September 2019
		KD'000s	KD'000s	KD'000s
Assets				
Cash and balances with banks	8	215,884	232,393	211,576
Deposits with Central Bank of Kuwait		336,982	306,156	285,037
Deposits with other banks		277,340	427,347	316,072
Islamic financing to customers		4,648,380	3,728,772	3,637,212
Investment in Sukuk	9	514,000	306,315	343,782
Other investment securities	9	94,334	101,215	80,349
Investments in associates		4,770	33,144	30,894
Investment properties		47,901	46,555	24,663
Other assets		49,445	32,422	22,359
Property and equipment		87,060	86,229	81,010
Total assets		6,276,096	5,300,548	5,032,954
Liabilities and equity				
Liabilities				
Due to banks		258,405	236,480	215,600
Depositors' accounts		5,066,314	4,347,226	4,102,177
Sukuk issued	16	230,410	-	-
Other liabilities		107,743	63,661	70,135
Total liabilities		5,662,872	4,647,367	4,387,912
Equity				
Share capital		302,827	288,407	288,407
Share premium		156,942	156,942	156,942
Proposed bonus shares	17	-	14,420	-
Treasury shares	11	(54)	(54)	(54)
Statutory reserve		31,848	31,848	25,251
Other reserves	12	5,381	22,114	22,519
Retained earnings		9,186	35,817	74,251
Proposed cash dividends	17	-	25,954	-
Equity attributable to equity holders of the Bank		506,130	575,448	567,316
Perpetual Tier 1 Sukuk		75,388	75,388	75,388
Non-controlling interests		31,706	2,345	2,338
Total equity		613,224	653,181	645,042
Total liabilities and equity		6,276,096	5,300,548	5,032,954



Abdulaziz Abdullah Dakheel Al-Shaya
Chairman



Adel Abdul Wahab Al Majed
Vice Chairman & Chief Executive Officer

The notes from 1 to 18 form an integral part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period from 1 January 2020 to 30 September 2020

	Share capital	Share premium	Proposed bonus shares	Treasury shares	Statutory reserve	Other reserves (note 12)	Retained earnings	Proposed cash dividends	Total	Perpetual tier 1 Sukuk	Non-controlling interests	Total equity
	KD'000s	KD'000s	KD'000s	KD'000s	KD'000s	KD'000s	KD'000s	KD'000s	KD'000s	KD'000s	KD'000s	KD'000s
Balance at 1 January 2020	288,407	156,942	14,420	(54)	31,848	22,114	35,817	25,954	575,448	75,388	2,345	653,181
Profit for the period	-	-	-	-	-	-	23,242	-	23,242	-	(221)	23,021
Other comprehensive loss for the period	-	-	-	-	-	(15,766)	-	-	(15,766)	-	(372)	(16,138)
Total comprehensive (loss)/income for the period	-	-	-	-	-	(15,766)	23,242	-	7,476	-	(593)	6,883
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	-	-	30,057	30,057
Modification loss of deferral of financing instalments (note 2)	-	-	-	-	-	-	(48,232)	-	(48,232)	-	-	(48,232)
Dividends paid (note 17)	-	-	-	-	-	-	-	(25,954)	(25,954)	-	-	(25,954)
Profit paid on Perpetual Tier 1 Sukuk	-	-	-	-	-	-	(2,608)	-	(2,608)	-	-	(2,608)
Transfer of share based payment reserve	-	-	-	-	-	(967)	967	-	-	-	-	-
Other movement in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(103)	(103)
Issue of bonus shares (note 17)	14,420	-	(14,420)	-	-	-	-	-	-	-	-	-
Balance at 30 September 2020	302,827	156,942	-	(54)	31,848	5,381	9,186	-	506,130	75,388	31,706	613,224
Balance at 1 January 2019	238,847	62,896	11,942	(643)	25,251	19,165	31,707	19,092	408,257	75,388	2,315	485,960
Profit for the period	-	-	-	-	-	-	45,229	-	45,229	-	23	45,252
Other comprehensive income for the period	-	-	-	-	-	3,768	-	-	3,768	-	-	3,768
Total comprehensive income for the period	-	-	-	-	-	3,768	45,229	-	48,997	-	23	49,020
Dividends paid (note 17)	-	-	-	-	-	-	(14)	(19,092)	(19,106)	-	-	(19,106)
Profit paid on Perpetual Tier 1 Sukuk	-	-	-	-	-	-	(2,563)	-	(2,563)	-	-	(2,563)
Issue of bonus shares (note 17)	11,942	-	(11,942)	-	-	-	-	-	-	-	-	-
Increase in share capital	37,618	94,046	-	-	-	-	-	-	131,664	-	-	131,664
Cost directly related to increase in share capital	-	-	-	-	-	-	(108)	-	(108)	-	-	(108)
Sale of treasury shares	-	-	-	589	-	(414)	-	-	175	-	-	175
Balance at 30 September 2019	288,407	156,942	-	(54)	25,251	22,519	74,251	-	567,316	75,388	2,338	645,042

The notes from 1 to 18 form an integral part of this interim condensed consolidated financial information.

BOUBYAN BANK K.S.C.P. AND SUBSIDIARIES
STATE OF KUWAIT

INTERIM CONDENSED CONSOLIDATED STATEMENT OF
CASH FLOWS (UNAUDITED)

For the period from 1 January 2020 to 30 September 2020



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	Notes	Nine months ended 30 September	
		2020	2019
		KD'000s	KD'000s
OPERATING ACTIVITIES			
Net profit for the period		23,021	45,252
Adjustments for:			
Provision for impairment	5	45,673	17,922
Depreciation		6,751	5,847
Foreign currency translation adjustments		712	1,612
Net gain from financial assets at fair value through profit or loss	4	(774)	(1,045)
Gain on deemed acquisition in an associate		-	(982)
Unrealised loss from change in fair value of investment properties	4	918	-
Net gain on acquisition of subsidiary	3	(2,227)	-
Share of results of associates	4	(591)	(1,957)
Dividend income	4	(1,887)	(1,385)
Operating profit before changes in operating assets and liabilities		71,596	65,264
Changes in operating assets and liabilities:			
Deposits with Central Bank of Kuwait		10,000	85,874
Deposits with other banks		149,022	(27,595)
Islamic financing to customers		(489,105)	(392,089)
Other assets		13,561	1,729
Due to banks		(32,843)	118,384
Depositors' accounts		259,550	381,242
Other liabilities		16,635	20,956
Net cash (used in) / generated from operating activities		(1,584)	253,765
INVESTING ACTIVITIES			
Proceeds from sale of financial assets at fair value through profit or loss		27,944	35,211
Purchase of financial assets at fair value through profit or loss		(24,705)	(40,981)
Purchase of financial assets at fair value through other comprehensive income		(401,197)	(147,109)
Proceeds from sale of financial asset at fair value through other comprehensive income		229,073	115,149
Transaction costs related to acquisition of a subsidiary	3	(1,815)	-
Acquisition of a subsidiary, net of cash acquired	3	(325)	-
Purchase of investment properties		(1,748)	(807)
Purchase of property and equipment		(7,075)	(21,303)
Dividend income received	4	1,887	1,385
Dividend received from associate		-	83
Net cash used in investing activities		(177,961)	(58,372)
FINANCING ACTIVITIES			
Proceeds from increase in share capital		-	131,664
Cost directly related to increase in share capital		-	(108)
Profit paid on perpetual Tier 1 Sukuk		(2,608)	(2,563)
Dividends paid		(25,954)	(19,106)
Proceeds from exercise of share options		-	175
Net movement of non-controlling interest		(103)	-
Issue of Global Mid-term Sukuk	16	228,600	-
Net cash generating from financing activities		199,935	110,062
Net increase in cash and cash equivalents		20,390	305,455
Cash and cash equivalents at beginning of the period		509,737	164,767
Cash and cash equivalents at end of the period	8	530,127	470,222

The notes from 1 to 18 form an integral part of this interim condensed consolidated financial information.

For the period from 1 January 2020 to 30 September 2020

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”).

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 2020 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 4 October 2020.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial information of the Group has been prepared in accordance with International Accounting Standard (IAS) 34, ‘Interim Financial Reporting’ except as noted below. The accounting policies used in the preparation of these 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 2019.

The annual consolidated financial statements for the year ended 31 December 2019 were prepared in accordance with regulations for financial services institutions as issued by the Central Bank of Kuwait (“CBK”) in the State of Kuwait. These regulations require expected credit loss (“ECL”) to be measured at higher of the ECL on credit facilities computed under IFRS 9 according to the CBK guideline or the provisions as required by CBK instructions; the consequent impact on related disclosures; and the adoption of all other requirements of International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standard Board (“IASB”). The ECL for Islamic financing as at 30 September 2020 is **KD 76,917 thousand** (31 December 2019: KD 53,981 thousand and 30 September 2019 is KD 50,802 thousand) which is lower than the provision for impairment of Islamic finance to customers required by CBK.

Further, during the period ending 30 September 2020, the CBK has extended their regulations to require that modification losses of financial assets arising from payment holidays provided to customers in response to the economic impact of Covid-19 are to be recognized retained earning instead of consolidated profit or loss (Note 18).

The interim condensed consolidated financial information does not contain all information and disclosures required for the annual consolidated financial statements prepared in accordance with IFRS as adopted for use by the State of Kuwait, and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2019. Further, results for interim periods are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

For the period from 1 January 2020 to 30 September 2020

3. BUSINESS COMBINATION

During the period, the Group acquired an additional equity interest in BLME Holdings plc (“BLME”) (previously classified as “investment in associate”), resulting in an increase in its effective ownership from **27.91%** to **71.08%**. Having obtained control, the Group reclassified its investment in BLME from associate to subsidiary and consolidated the financial statements of BLME from 27 January 2020 (“date of acquisition”)

As the business combination was achieved in stages, in accordance with IFRS 3: Business Combination, the Group re-measured its previously held equity interest in BLME at the acquisition date fair value.

The acquisition of BLME has been accounted based on provisional values of identifiable assets and liabilities on the date of acquisition and the management is in the process of determining the fair values of assets and liabilities acquired.

The provisional fair values of assets acquired and liabilities assumed are summarized as follows:

	<u>KD ‘000s</u>
Assets	
Cash and balances with banks	28,602
Deposits with other banks	3,001
Islamic financing to customers	522,700
Investment in Sukuk	33,140
Other investment securities	1,154
Investments in associates	484
Other assets	26,611
Total assets	<u><u>615,692</u></u>
Liabilities	
Due to banks	118,425
Depositors’ accounts	395,881
Other liabilities	10,592
Total liabilities	<u><u>524,898</u></u>
Net assets	90,794
Non-controlling interests	(3,274)
Provisional fair value of net assets	<u><u>87,520</u></u>
 <i>Analysis of cash flows on acquisition</i>	 <u><u>KD 000’s</u></u>
Cash and cash equivalents in subsidiary acquired	28,602
Less: Consideration paid	(28,927)
Cash outflow on acquisition	<u><u>(325)</u></u>

The consideration paid, non-controlling interest and fair value of previous held equity interest relating to the above business combination amounted to **KD 28,927 thousand**, **KD 25,312 thousand** and **KD 16,735 thousand** respectively. The acquisition resulted in a net gain of **KD 2,227 thousand** net of loss of re-measurement of previously held equity interest in BLME of **KD 12,504 thousand** and transaction costs of **KD 1,815 thousand** which is included under “Net investment income” in the interim condensed consolidated statement of profit or loss.

The interim condensed consolidated statement of profit or loss of the Group for the nine months period ended 30 September 2020, includes operating income of **KD 10,330 thousand** and profit attributable to the equity holders of the Bank amounting to **KD 1,298 thousand** from BLME.

Had the business combinations taken place at the beginning of the year, revenue of the Group and profit attributable to equity holders of the Bank, would have not have been materially different.

For the period from 1 January 2020 to 30 September 2020

4. NET INVESTMENT INCOME

	Three months ended		Nine months ended	
	30 September		30 September	
	2020	2019	2020	2019
	KD'000s	KD'000s	KD'000s	KD'000s
Dividend income	679	688	1,887	1,385
Net gain from financial assets at fair value through profit or loss	224	140	774	1,055
Net gain from sale of debt instrument at financial assets at fair value through other comprehensive income	244	105	18	105
Gain on deemed acquisition in an associate	-	-	-	982
Unrealised loss from change in fair value of investment properties	(107)	-	(918)	-
Net rental income from investment properties	393	98	1,173	297
Net loss on sale of Investment property	-	-	(18)	-
Net gain on business combination (Note 3)	-	-	2,227	-
Share of results of associates	159	377	591	1,957
	1,592	1,408	5,734	5,781

5. PROVISION FOR IMPAIRMENT

	Three months ended		Nine months ended	
	30 September		30 September	
	2020	2019	2020	2019
	KD'000s	KD'000s	KD'000s	KD'000s
Provision charge for Islamic financing to customers	20,040	2,788	43,985	16,594
ECL – Other financial assets	1,011	175	1,688	765
Impairment loss on other assets	-	-	-	563
	21,051	2,963	45,673	17,922

6. TAXATION

	Three months ended		Nine months ended	
	30 September		30 September	
	2020	2019	2020	2019
	KD'000s	KD'000s	KD'000s	KD'000s
Contribution to Kuwait Foundation for the Advancement of Sciences (“KFAS”)	56	135	218	423
National Labour Support Tax (“NLST”)	157	382	636	1,160
Zakat (Based on Zakat law no: 46/2006)	63	153	255	464
Overseas tax	(274)	-	447	-
	2	670	1,556	2,047

7. 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		Nine months ended	
	30 September		30 September	
	2020	2019	2020	2019
Net profit for the period attributable to the equity holders of the Bank (KD'000s)	6,099	16,364	23,242	45,229
Less: profit payment on Perpetual Tier 1 Sukuk (KD'000s)	-	-	(2,608)	(2,563)
	6,099	16,364	20,634	42,666
Weighted average number of shares outstanding during the period net of treasury shares (thousands of shares)	3,027,915	3,027,936	3,027,929	2,942,334
Basic and diluted earnings per share attributable to the equity holders of the Bank (fils)	2.01	5.40	6.81	14.50

Earnings per share for the prior period were 5.67 fils and 15.25 fils, before retroactive adjustment to the number of shares following the bonus issue (note 17).

For the period from 1 January 2020 to 30 September 2020

8. CASH AND CASH EQUIVALENTS

	(Audited)	
30 September 2020	31 December 2019	30 September 2019
KD'000s	KD'000s	KD'000s
Cash and balances with banks	232,393	211,576
Placements with banks maturing within seven days	277,344	258,646
	530,127	470,222

9. INVESTMENT SECURITIES

	(Audited)	
30 September 2020	31 December 2019	30 September 2019
KD'000s	KD'000s	KD'000s
Investment in Sukuk - FVOCI	306,315	343,782
Financial assets at fair value through profit or loss	80,440	49,382
Financial assets at fair value through other comprehensive income	20,775	30,967
	608,334	424,131

	(Audited)	
30 September 2020	31 December 2019	30 September 2019
KD'000s	KD'000s	KD'000s
Financial assets at fair value through profit or loss		
Investment in unquoted equity funds	80,440	49,382
	78,717	49,382

	(Audited)	
30 September 2020	31 December 2019	30 September 2019
KD'000s	KD'000s	KD'000s
Financial assets at fair value through other comprehensive income		
Investment in unquoted equity securities	20,624	30,775
Investment in quoted equity securities	151	192
	15,617	30,967

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
 INFORMATION (UNAUDITED)

For the period from 1 January 2020 to 30 September 2020

10. RELATED PARTY TRANSACTIONS

Related parties comprise the major shareholders, board of directors, entities controlled by them or under their joint control, associates, key management personnel and their close family members and the Parent Company including their board member, key management personnel, branches, associates and subsidiaries. Balances with related parties arise from commercial transactions in the normal course of business on an arm's length basis and are included within the following financial information captions:

	Number of board members or executive officers			Number of related parties			(Audited)		
	30 September	31 December	30 September	30 September	31 December	30 September	30 September	31 December	30 September
	2020	2019	2019	2020	2019	2019	2020	2019	2019
							KD'000s	KD'000s	KD'000s
Islamic financing to customers	5	7	5	-	1	3	200	14,469	17,371
Depositors' accounts	5	5	8	11	12	13	5,722	3,801	3,824
Letters of guarantee and letters of credit	1	-	-	2	-	-	370	-	-
Murabaha and other Islamic financing income							14	459	355
Finance cost and distribution to depositors							(1)	(98)	(84)
Parent Company									
Due from banks							97,091	181,080	71,331
Due to banks							41,531	5,735	6,255
Depositors accounts							619	-	-
Murabaha and other Islamic financing							1,665	1,405	1,130
Finance cost and distribution to depositors							(2,085)	(1,170)	(582)

10. RELATED PARTY TRANSACTIONS (CONTINUED)**Compensation of key management personnel**

Details of compensation to key management comprise the following:

	Three months ended 30 September		Nine months ended 30 September	
	2020	2019	2020	2019
	KD'000s	KD'000s	KD'000s	KD'000s
Short-term benefits	653	545	2,067	1,633
Post-employment benefits	42	121	371	334
Deferred compensation	171	151	798	459
	866	817	3,236	2,426

11. TREASURY SHARES

The Bank held the following treasury shares:

	30 September 2020	(Audited) 31 December 2019	30 September 2019
Number of treasury shares	368,687	331,112	331,112
Treasury shares as a percentage of total issued shares - %	0.01218%	0.01148%	0.0115%
Cost of treasury shares – KD thousand	54	54	54
Market value of treasury shares – KD thousand	219	212	184
Weighted average of market value per share – KD	0.560	0.578	0.572

12. OTHER RESERVES

	Voluntary reserve	Share based payment reserve	Fair value reserve	Foreign currency translation reserve	Total
	KD'000s	KD'000s	KD'000s	KD'000s	KD'000s
Balance at 1 January 2020	30,468	967	167	(9,488)	22,114
Other comprehensive loss for the period	-	-	(15,135)	(631)	(15,766)
Total comprehensive loss for the period	-	-	(15,135)	(631)	(15,766)
Transfer of share based payment reserve	-	(967)	-	-	(967)
Balance at 30 September 2020	30,468	-	(14,968)	(10,119)	5,381
Balance at 1 January 2019	24,158	1,381	3,543	(9,917)	19,165
Other comprehensive income for the period	-	-	3,340	428	3,768
Total comprehensive income for the period	-	-	3,340	428	3,768
Sale of treasury shares	-	(414)	-	-	(414)
Balance at 30 September 2019	24,158	967	6,883	(9,489)	22,519

13. CONTINGENCIES AND COMMITMENTS

At the financial reporting date there were outstanding contingencies and commitments entered in the ordinary course of business in respect of the following:

	30 September 2020	(Audited) 31 December 2019	30 September 2019
	KD'000s	KD'000s	KD'000s
Guarantees	273,229	271,839	270,001
Acceptances and letters of credit	84,068	90,184	83,858
Other commitments	57,993	2,032	1,278
	415,290	364,055	355,137

14. SEGMENT REPORTING

Operating segments are identified on the basis of internal reports that are regularly reviewed by the decision makers in order to allocate resources to the segments and to assess their performance. The operating segments are divided as either business segments or geographical segments.

Business Segments

For management purposes, the Bank is organized into the following four major business segments:

Consumer banking: Provides a diversified range of products and services to individuals and institutional customers. The range includes consumer and housing 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: Principally handling asset and wealth management, direct investments, investment in associates, local and international real estate investments.

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	Treasury	Group centre	Total
	KD'000s	KD'000s	KD'000s	KD'000s	KD'000s	KD'000s
Nine months ended 30 September 2020						
Net financing income	55,156	30,194	4,471	3,933	7,523	101,277
Operating income	58,394	34,519	14,104	8,105	8,085	123,207
Net profit/(loss) for the period	30,080	29,178	3,185	7,581	(47,003)	23,021
Total assets	1,796,661	2,948,732	834,861	686,981	8,861	6,276,096
Total liabilities	2,775,782	497,406	604,303	1,519,510	265,871	5,662,872
Nine months ended 30 September 2019						
Net financing income/(loss)	49,364	25,708	(2,509)	5,520	9,906	87,989
Operating income	54,938	32,541	8,257	8,379	5,275	109,390
Net profit/(loss) for the period	26,138	17,876	5,155	7,909	(11,826)	45,252
Total assets	1,594,430	2,535,398	172,314	669,387	61,425	5,032,954
Total liabilities	2,312,714	350,839	16,870	1,657,784	49,705	4,387,912

15. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in orderly transactions between market participants at the measurement date. Fair values are obtained from quoted market prices, discounted cash flow models or other models as appropriate.

Fair value hierarchy

The table below analyses financial instruments measured at fair value by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: input other than quoted prices included within Level 1 that are observable, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
	KD'000s	KD'000s	KD'000s	KD'000s
30 September 2020				
Financial assets at fair value through profit or loss	-	44,076	34,641	78,717
Investment in Sukuk - FVOCI	514,000	-	-	514,000
Financial assets at fair value through other comprehensive income	181	-	15,436	15,617
	<u>514,181</u>	<u>44,076</u>	<u>50,077</u>	<u>608,334</u>
31 December 2019 (Audited)				
Financial assets at fair value through profit or loss	-	38,578	41,862	80,440
Investment in Sukuk - FVOCI	306,315	-	-	306,315
Financial assets at fair value through other comprehensive income	151	-	20,624	20,775
	<u>306,466</u>	<u>38,578</u>	<u>62,486</u>	<u>407,530</u>
30 September 2019				
Financial assets at fair value through profit or loss	-	49,382	-	49,382
Investment in Sukuk - FVOCI	343,782	-	-	343,782
Financial assets at fair value through other comprehensive income	192	-	30,775	30,967
	<u>343,974</u>	<u>49,382</u>	<u>30,775</u>	<u>424,131</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	Additions/ transfers	Sale/ redemption	Exchange rate movements	At 30 September
	KD'000s	KD'000s	KD'000s	KD'000s	KD'000s	KD'000s
30 September 2020:						
Assets measured at fair value						
Financial assets at fair value through profit or loss	41,862	235	6,023	(13,653)	174	34,641
Financial assets at fair value through other comprehensive income	20,624	(5,123)	128	(53)	(140)	15,436
	<u>62,486</u>	<u>(4,888)</u>	<u>6,151</u>	<u>(13,706)</u>	<u>34</u>	<u>50,077</u>
30 September 2019:						
Assets measured at fair value						
Financial assets at fair value through other comprehensive income	30,574	34	-	(78)	245	30,775
	<u>30,574</u>	<u>34</u>	<u>-</u>	<u>(78)</u>	<u>245</u>	<u>30,775</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.

16. GLOBAL MEDIUM TERM SUKUK (SUKUK ISSUED)

During 2019, the Bank established a USD 1 billion Global Medium Term Sukuk programme (“GMTN programme”). 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. These Sukuk were issued at 100 per cent of nominal value and carry a fixed profit rate at **2.593%** per annum payable semi-annually in arrears.

17. ANNUAL GENERAL ASSEMBLY MEETING

The Annual General Assembly meeting of the shareholders held on 8 March 2020 approved **5%** bonus shares (2018: 5%) and a cash dividend of **9** fils per share (2018: 8 fils per share) for the year ended 31 December 2019. The cash dividend is amounting to **KD 25,954 thousand** (2018: KD 19,092 thousand). The bonus shares increased the number of issued and fully paid up shares by **144,203,973** shares (2019: 119,423,580 shares) and increase in share capital by **KD 14,420 thousand** (2019: KD 11,942 thousand). The approved dividends and bonus shares was distributed on 14 April 2020.

18. IMPACT OF COVID-19

The COVID-19 pandemic spread rapidly across global geographies causing significant disruption to business and economic activities and bringing unprecedented uncertainties to the global economic environment. Fiscal and monetary authorities worldwide launched extensive responses designed to mitigate the severe consequences of the pandemic.

Covid-19 support measures

In response to the crisis the Central Bank of Kuwait (CBK) implemented a number of measures targeted at reinforcing the banking sectors ability to play a vital role in the economy. These measures include, but not limited to, the expansion of lending capacity, strengthening financing capabilities, providing direction in lending to productive economic sectors and in the provision of liquidity to impacted customers. Some of the important measures are given below:

- Decreased the Liquidity Coverage Ratio (LCR) from 100% to 80%
- Decreased the Net Stable Financing Ratio (NSFR) from 100% to 80%
- Decreased the regulatory Liquidity Ratio from 18% to 15%
- Increased the limit for maximum negative cumulative gap for liquidity
- Released Capital conservation buffer of 2.5% of risk-weighted assets in the form of CET1
- Decreased the risk weights for lending to SMEs from 75% to 25% to be applied in the calculation of risk-weighted assets
- Increased the limit for maximum permissible financing (Finance-to-Deposits Ratio) from 90% to 100% of deposits
- Increased finance-to-value limits for finance granted to individuals for the purpose of purchasing and/or developing properties
- Provision of finance by banks at concessional profit rates to SMEs and other companies impacted by the Covid-19 (Emergency Line of Credit programme).
- Postpone amounts due from corporate customers impacted by Covid-19 for a period of six months effective from March 2020.

Further, during the period, the Group received an aggregate amount of **KD 2,357 thousand** as Covid-19 support towards staff expenses from the Government in some of the jurisdictions where the Group operates. This is included in other operating income in the interim condensed consolidated statement of income.

Deferral of instalments for Consumer and Housing finance, credit cards and facilities to SMEs

Kuwaiti banks announced postponement of payment of instalments of consumer and housing finance, credit cards and financing facilities to SMEs for a period of six months effective from April 2020 without charging additional profit for such deferral. The instalment deferrals are considered as short-term liquidity support to address borrower’s potential cash-flow issues. Customers hold the option not to participate in this scheme

The Group implemented the deferral by postponing the instalments falling due within the six months period from 1 April 2020 to 30 September 2020 with a corresponding extension of the facility tenure. The instalments deferral resulted in a loss of **KD 48,232 thousand** to the Group arising from the modification of contractual cash-flows. The loss is charged to retained earnings in accordance with the Group’s accounting policy as stated in Note 2.

18. IMPACT OF COVID-19 (CONTINUED)**Expected Credit Loss (ECL) estimates**

The Group considered the potential impact of the uncertainties caused by the Covid-19 pandemic together with the associated economic support and relief measures of governments and central banks in its estimation of ECL requirements for the period ended 30 September 2020.

Significant increase in credit risk

The Group considered the following aspects to assess if there was significant increase in credit risk or objective evidence of impairment in the light of Covid-19 situation.

- Temporary financial difficulties of the borrowers are distinguished from longer-term or permanent impacts
- Borrowers operating in certain sectors or industries are likely to be more severely impacted
- Deferral of instalments or profit payments on financing facilities will not automatically trigger significant increase in credit risk
- Retail finance to certain customer segments are more likely to have significant increase in credit risk arising from job losses and pay cuts
- Significant corporate exposures are individually assessed to identify significant increase in credit risk as and when reliable data is available

The above assessment has resulted a staged downgrade of certain exposures and corresponding increase in ECL.

Macro-economic factors

The Group considered the effects of volatility witnessed in the range of macroeconomic factors and in the scenarios used for determination of ECL. In particular, given the continuing uncertainties and impact stemming from Covid-19, and considering that the situation is fast-evolving, the Group revised certain assumptions reflected through constructing a plausible forward-looking view of the macroeconomic factors. The Group applies appropriate probability weightages on three scenarios ('Baseline', 'Benign', 'Severe') which is combined with significantly conservative revised forecasts of macro-economic factors across all three scenarios when compared to year ended 31 December 2019. The Group also applied management overlay in assessing the ECL for the retail segment given that employees of specific industries in the private sector are expected to be most impacted due to Covid-19. These adjustments and management overlays resulted in significant increase in the amount of ECL requirements for the period ended 30 September 2020.

Notwithstanding the above, the ECL requirement for credit facilities estimated as at 30 September 2020 continues to be lower than the provisions required as per CBK instructions. In accordance with Group accounting policy, the higher amount, being the provision required as per CBK instructions, is therefore recognized as the provision requirement for credit losses on credit facilities.

Other impacts

The Group considered the potential impact of the current economic volatility on the reported amounts of the Group's financial and non-financial assets. The reported amounts best represent management's assessment based on observable information. Markets, however, remain volatile and asset carrying values remain sensitive to market fluctuations. The impact of the highly uncertain economic environment remains judgmental and the Group will accordingly continue to reassess its position and the related impact on a regular basis.