



**AHLI UNITED BANK K.S.C.P.
KUWAIT**

**INTERIM CONDENSED FINANCIAL INFORMATION
30 JUNE 2023 (UNAUDITED)**

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REPORT ON REVIEW OF THE INTERIM CONDENSED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF AHLI UNITED BANK K.S.C.P.

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Ahli United Bank K.S.C.P. (the “Bank”) as at 30 June 2023, and the related interim condensed statement of profit or loss and interim condensed statement of comprehensive income for the three-month and six-month periods then ended, and the interim condensed statement of changes in equity and the interim condensed statement of cash flows for the six-month period then ended. The management of the Bank is responsible for the preparation and presentation of this interim condensed 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 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 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 financial information is in agreement with the books of account 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, during the six-month period ended 30 June 2023 that might have had a material effect on the business of the Bank or on its financial position.

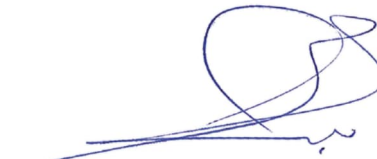
REPORT ON REVIEW OF THE INTERIM CONDENSED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF AHLI UNITED BANK K.S.C.P. (continued)

Report on other Legal and Regulatory Requirements (continued)

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, during the six-month period ended 30 June 2023 that might have had a material effect on the business of the Bank or on its financial position.



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23 July 2023
Kuwait

Ahli United Bank K.S.C.P.

Interim Condensed Statement of Profit or Loss For the period ended 30 June 2023 (Unaudited)

	Notes	Three months ended		Six months ended	
		30 June		30 June	
		2023	2022	2023	2022
		KD'000	KD'000	KD'000	KD'000
Financing income		54,476	33,457	108,035	63,854
Distribution to depositors	4	(36,698)	(14,448)	(72,994)	(25,674)
Net financing income		17,778	19,009	35,041	38,180
Net fees and commission income		998	1,566	2,594	3,723
Foreign exchange gains		1,057	2,321	1,987	3,858
Net gain from investment securities		37	-	2,785	108
Share of results from an associate		(70)	77	50	346
Other income		126	70	234	142
Operating income		19,926	23,043	42,691	46,357
Provision and impairment losses		(1,609)	(4,914)	(2,827)	(6,550)
Operating income after provision and impairment losses		18,317	18,129	39,864	39,807
Staff costs		(5,307)	(5,016)	(10,493)	(10,343)
Depreciation expense		(1,172)	(1,081)	(2,373)	(2,176)
Other operating expenses		(2,902)	(3,124)	(5,591)	(6,109)
Total operating expenses		(9,381)	(9,221)	(18,457)	(18,628)
PROFIT BEFORE TAXATION		8,936	8,908	21,407	21,179
Taxation		(400)	(393)	(950)	(934)
PROFIT FOR THE PERIOD		8,536	8,515	20,457	20,245
BASIC AND DILUTED EARNINGS PER SHARE (EPS)	5	2.2	2.2	7.5	7.4

The attached notes 1 to 15 form part of the interim condensed financial information.

Ahli United Bank K.S.C.P.

Interim Condensed Statement of Comprehensive Income
For the period ended 30 June 2023 (Unaudited)


	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>
	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>
PROFIT FOR THE PERIOD	8,536	8,515	20,457	20,245
Other comprehensive income (loss):				
<i>Other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods:</i>				
Net movement in cumulative changes in fair values of equity instruments designated at FVOCI	3	-	6	(5)
Net other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods	3	-	6	(5)
Other comprehensive income (loss) for the period	3	-	6	(5)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	8,539	8,515	20,463	20,240

The attached notes 1 to 15 form part of the interim condensed financial information.


Ahli United Bank K.S.C.P.

**Interim Condensed Statement of Financial Position
As at 30 June 2023 (Unaudited)**

		(Audited)	
		30 June	31 December
		2023	2022
	Notes	KD'000	KD'000
ASSETS			
Cash and balances with banks	6	149,949	228,804
Deposits with the Central Bank of Kuwait		371,944	238,164
Deposits with other banks		211,394	261,416
Financing receivables	7	3,281,229	3,405,004
Investment securities		404,775	453,453
Investment in an associate		8,853	8,761
Investment properties		25,531	20,297
Premises and equipment		42,152	40,836
Other assets		41,649	54,952
TOTAL ASSETS		4,537,476	4,711,687
LIABILITIES AND EQUITY			
LIABILITIES			
Deposits from banks and other financial institutions		708,150	710,030
Deposits from customers		3,057,597	3,241,346
Repurchase agreements with banks		-	-
Other liabilities		105,700	93,151
		3,871,447	4,044,527
EQUITY			
Share capital	8	250,158	250,158
Reserves		279,168	280,299
		529,326	530,457
Treasury shares	8	(43,957)	(43,957)
Attributable to Bank's equity shareholders		485,369	486,500
Perpetual Tier 1 Sukuks	9	180,660	180,660
TOTAL EQUITY		666,029	667,160
TOTAL LIABILITIES AND EQUITY		4,537,476	4,711,687


Dr. Anwar Ali Al-Mudhaf
Chairman




Jehad Al-Humaidhi
Chief Executive Officer

The attached notes 1 to 15 form part of the interim condensed financial information.

Ahli United Bank K.S.C.P.

**Interim Condensed Statement of Changes in Equity
For the period ended 30 June 2023 (Unaudited)**

	Attributable to the Bank's equity shareholders											
	Reserves											
	Share capital KD'000	Share premium KD'000	Statutory reserve KD'000	General reserve KD'000	Retained earnings KD'000	Cumulative changes in fair values KD'000	Property revaluation reserve KD'000	Treasury shares reserve KD'000	Total reserves KD'000	Treasury shares KD'000	Perpetual Tier 1 Sukuks KD'000	Total equity KD'000
Balance as at 1 January 2023	250,158	12,883	100,307	22,660	128,754	3,447	11,274	974	280,299	(43,957)	180,660	667,160
Profit for the period	-	-	-	-	20,457	-	-	-	20,457	-	-	20,457
Other comprehensive income for the period	-	-	-	-	-	6	-	-	6	-	-	6
Total comprehensive income for the period	-	-	-	-	20,457	6	-	-	20,463	-	-	20,463
Dividend 2022 (Note 8)	-	-	-	-	(18,018)	-	-	-	(18,018)	-	-	(18,018)
Profit payment on Tier 1 Sukuk (Note 9)	-	-	-	-	(3,576)	-	-	-	(3,576)	-	-	(3,576)
Balance as at 30 June 2023	250,158	12,883	100,307	22,660	127,617	3,453	11,274	974	279,168	(43,957)	180,660	666,029
Balance as at 1 January 2022	238,245	12,883	96,450	22,660	125,980	3,376	10,384	974	272,707	(43,957)	180,660	647,655
Profit for the period	-	-	-	-	20,245	-	-	-	20,245	-	-	20,245
Other comprehensive loss for the period	-	-	-	-	-	(5)	-	-	(5)	-	-	(5)
Total comprehensive income (loss) for the period	-	-	-	-	20,245	(5)	-	-	20,240	-	-	20,240
Issue of bonus shares – 2021	11,913	-	-	-	(11,913)	-	-	-	(11,913)	-	-	-
Dividend 2021	-	-	-	-	(10,725)	-	-	-	(10,725)	-	-	(10,725)
Profit payment on Tier 1 Sukuk (Note 9)	-	-	-	-	(3,574)	-	-	-	(3,574)	-	-	(3,574)
Balance as at 30 June 2022	250,158	12,883	96,450	22,660	120,013	3,371	10,384	974	266,735	(43,957)	180,660	653,596

The attached notes 1 to 15 form part of the interim condensed financial information.

Ahli United Bank K.S.C.P.

Interim Condensed Statement of Cash Flows
For the period ended 30 June 2023 (Unaudited)

	<i>Six months ended</i>	
	<i>30 June</i>	
<i>Notes</i>	2023	2022
	KD'000	KD'000
OPERATING ACTIVITIES		
Profit before taxation	21,407	21,179
<i>Adjustments to reconcile profit before taxation to net cash flows:</i>		
Net gain from investment securities	(2,785)	(108)
Amortisation	437	936
Share of results from an associate	(50)	(346)
Net income from investment properties	(211)	(115)
Dividend income	(21)	(21)
Depreciation of premises and equipment	2,373	2,176
Provision and impairment losses	2,827	6,550
	23,977	30,251
<i>Changes in operating assets and liabilities:</i>		
Deposits with the Central Bank of Kuwait	(218,819)	(971)
Deposits with other banks	59,199	3,409
Financing receivables	112,823	(67,914)
Other assets	6,966	(2,930)
Deposits from banks and other financial institutions	(1,830)	39,056
Deposits from customers	(183,749)	61,550
Repurchase agreements with banks	-	30,471
Other liabilities	12,701	(2,747)
Taxes paid	(1,391)	(1,129)
Net cash flows (used in) from operating activities	(190,123)	89,046
INVESTING ACTIVITIES		
Purchase of investment securities	(124,018)	(164,982)
Sale and redemption of investment securities	181,530	71,387
Proceeds from sale of investment properties	898	-
Purchase of premises and equipment	(1,338)	(1,226)
Dividend income received	21	21
Net income from investment properties	234	142
Net cash flows from (used in) investing activities	57,327	(94,658)
FINANCING ACTIVITIES		
Dividends paid to shareholders	(18,018)	(10,725)
Profit payment on Tier 1 Sukuk	(3,576)	(3,574)
Net cash used in financing activities	(21,594)	(14,299)
NET DECREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at 1 January	313,843	198,321
CASH AND CASH EQUIVALENTS AT 30 JUNE	159,453	178,410

Financing income received amounted to KD 108,794 thousand (30 June 2022: KD 63,997 thousand) and distribution to depositors made amounted to KD 61,087 thousand (30 June 2022: KD 27,841 thousand).

The attached notes 1 to 15 form part of the interim condensed financial information.

Ahli United Bank K.S.C.P.

Notes to the Interim Condensed Financial Information As at 30 June 2023 (Unaudited)

1 INCORPORATION AND ACTIVITIES

Ahli United Bank K.S.C.P. (the “Bank”) is a public shareholding company incorporated in Kuwait in 1971 and is listed on Bursa Kuwait since 1985. It is engaged in carrying out banking activities in accordance with Islamic Sharia’a and is regulated by the Central Bank of Kuwait (“CBK”). Its registered office is at Darwazat Al-Abdul Razzak, P. O. Box 71, Safat 12168, Kuwait.

The Bank commenced operations as an Islamic bank from 1 April 2010. Effective from that date, all activities are conducted in accordance with Islamic Sharia’a, as approved by the Bank’s Fatwa and Sharia’a Supervisory Board. The Bank is a subsidiary of Ahli United Bank B.S.C., a Bahraini Closed Shareholding Company (the “Parent Company”). On 28 May 2023 and 29 May 2023, the Parent Company de-listed from the Bahrain Stock Exchange and Bursa Kuwait, respectively. Pursuant to the acquisition of the Parent Company by Kuwait Finance House K.S.C.P. (“KFH”) on 2 October 2022 (“Acquisition Date”), KFH has become the Ultimate Parent Company effective from Acquisition Date. KFH is a public shareholding company incorporated in Kuwait on 23 March 1977, listed on the Bursa Kuwait and Bahrain Stock Exchange and regulated by the CBK.

The interim condensed financial information of the Bank for the period ended 30 June 2023 was authorised for issue in accordance with a resolution of the Board of Directors on 6 July 2023.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed financial information of the Bank has been prepared in accordance with International Accounting Standard (“IAS”) 34: Interim Financial Reporting, except for point (a) below.

- a) The 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 (IFRS) as issued by International Accounting Standards Board (IASB) with the following amendment:
 - 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.

The above framework is hereinafter referred to as ‘IFRS as adopted by CBK for use by the State of Kuwait’.

The interim condensed 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 Bank’s annual financial statements for the year ended 31 December 2022. Further, results for the period ended 30 June 2023, are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE BANK

The accounting policies adopted in the preparation of the interim condensed financial information are consistent with those followed in the preparation of the Bank’s annual financial statements for the year ended 31 December 2022, except for the adoption of new standards effective as of 1 January 2023. The Bank has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The key changes to the Bank’s accounting policies resulting from its adoption of new standards are summarised below:

Ahli United Bank K.S.C.P.

Notes to the Interim Condensed Financial Information As at 30 June 2023 (Unaudited)

3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE BANK (CONTINUED)

IFRS 17 – Insurance contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

IFRS 17 introduces new accounting requirements for banking products with insurance features that may affect the determination of which instruments or which components thereof will be in the scope of IFRS 9 or IFRS 17.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of ‘accounting estimates’. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

Other amendments to IFRS which are effective for annual accounting period starting from 1 January 2023 did not have any material impact on the accounting policies, financial position or performance of the Bank.

4 DISTRIBUTION TO DEPOSITORS

The Board of Directors of the Bank determines and distributes the depositors’ share of profit based on the Bank’s results at the end of each quarter.

5 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for periods presented in the interim condensed statement of profit or loss are calculated as follows:

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	2023	2022	2023	2022
Profit for the period (KD'000)	8,536	8,515	20,457	20,245
Less: Profit payments on Tier 1 sukuks	(3,576)	(3,574)	(3,576)	(3,574)
Profit for the period after profit payment on Tier 1 sukuks	4,960	4,941	16,881	16,671
Weighted average number of shares outstanding during the period adjusted for bonus shares	2,252,286,284	2,252,286,284	2,252,286,284	2,252,286,284
Basic and diluted earnings per share attributable to the Bank’s equity shareholders (fils)	2.2	2.2	7.5	7.4

As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

Ahli United Bank K.S.C.P.

**Notes to the Interim Condensed Financial Information
As at 30 June 2023 (Unaudited)**

6 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the interim condensed statement of cash flows consists of the following:

	<i>30 June 2023 KD'000</i>	<i>(Audited) 31 December 2022 KD'000</i>	<i>30 June 2022 KD'000</i>
Cash and balances with banks	149,949	228,804	138,405
Deposits with Central banks and other banks - with an original maturity of seven days or less	9,504	85,039	40,005
	<u>159,453</u>	<u>313,843</u>	<u>178,410</u>

7 FINANCING RECEIVABLES

	<i>30 June 2023 KD' 000</i>	<i>(Audited) 31 December 2022 KD' 000</i>	<i>30 June 2022 KD' 000</i>
Financing receivables	3,404,480	3,522,585	3,535,236
Less: Provision for impairment	(123,251)	(117,581)	(125,276)
	<u>3,281,229</u>	<u>3,405,004</u>	<u>3,409,960</u>

The total ECL provision determined under IFRS 9 guidelines issued by the CBK for credit facilities as of 30 June 2023 is KD 61,267 thousand (31 December 2022: KD 63,765 thousand and 30 June 2022: KD 79,068 thousand), which is lower than the provision for credit losses calculated and booked in accordance with CBK instructions amounting to KD 136,593 thousand (31 December 2022: KD 130,903 thousand and 30 June 2022: KD 132,586 thousand). The available provision on non-cash facilities as on 30 June 2023 is KD 13,342 thousand (31 December 2022: KD 13,322 thousand and 30 June 2022 KD 7,310 thousand).

An analysis of the carrying amounts of credit facilities, based on the staging criteria under IFRS 9 in accordance with CBK regulations is presented in the table below:

	<i>As at 30 June 2023</i>			
	<i>Stage 1 KD' 000</i>	<i>Stage 2 KD' 000</i>	<i>Stage 3 KD' 000</i>	<i>Total KD' 000</i>
Financing receivables				
High	2,422,973	44,316	-	2,467,289
Standard	789,525	70,161	-	859,686
Past due or impaired	13,047	4,364	60,094	77,505
	<u>3,225,545</u>	<u>118,841</u>	<u>60,094</u>	<u>3,404,480</u>
Contingent liabilities				
High	339,127	10	-	339,137
Standard	168,746	13,150	-	181,896
Past due or impaired	-	-	9,082	9,082
	<u>507,873</u>	<u>13,160</u>	<u>9,082</u>	<u>530,115</u>

Ahli United Bank K.S.C.P.

Notes to the Interim Condensed Financial Information

As at 30 June 2023 (Unaudited)

7 FINANCING RECEIVABLES (continued)

	<i>As at 31 December 2022 (Audited)</i>			
	<i>Stage 1</i> <i>KD' 000</i>	<i>Stage 2</i> <i>KD' 000</i>	<i>Stage 3</i> <i>KD' 000</i>	<i>Total</i> <i>KD' 000</i>
Financing receivables				
High	2,496,987	46,678	-	2,543,665
Standard	831,447	68,661	-	900,108
Past due or impaired	10,402	4,774	63,636	78,812
	<u>3,338,836</u>	<u>120,113</u>	<u>63,636</u>	<u>3,522,585</u>
Contingent liabilities				
High	350,519	10	-	350,529
Standard	152,522	15,298	-	167,820
Past due or impaired	-	-	9,100	9,100
	<u>503,041</u>	<u>15,308</u>	<u>9,100</u>	<u>527,449</u>
	<i>As at 30 June 2022</i>			
	<i>Stage 1</i> <i>KD' 000</i>	<i>Stage 2</i> <i>KD' 000</i>	<i>Stage 3</i> <i>KD' 000</i>	<i>Total</i> <i>KD' 000</i>
Financing receivables				
High	2,463,579	38,741	-	2,502,320
Standard	869,559	82,026	-	951,585
Past due or impaired	9,848	4,901	66,582	81,331
	<u>3,342,986</u>	<u>125,668</u>	<u>66,582</u>	<u>3,535,236</u>
Contingent liabilities				
High	355,531	10	-	355,541
Standard	186,559	23,036	-	209,595
Past due or impaired	-	-	2,803	2,803
	<u>542,090</u>	<u>23,046</u>	<u>2,803</u>	<u>567,939</u>

An analysis of the changes in the Expected Credit Losses in relation to credit facilities computed under IFRS 9 in accordance with the CBK guidelines is presented in the table below:

30 June 2023	<i>Stage 1</i> <i>KD' 000</i>	<i>Stage 2</i> <i>KD' 000</i>	<i>Stage 3</i> <i>KD' 000</i>	<i>Total</i> <i>KD' 000</i>
At 1 January 2023	18,589	4,507	40,669	63,765
Impact due to transfer between stages	429	(262)	(167)	-
Reversal of ECL	(1,312)	(256)	(919)	(2,487)
Amounts written-off	-	-	(11)	(11)
At 30 June 2023	<u>17,706</u>	<u>3,989</u>	<u>39,572</u>	<u>61,267</u>
<i>31 December 2022 (Audited)</i>	<i>Stage 1</i> <i>KD' 000</i>	<i>Stage 2</i> <i>KD' 000</i>	<i>Stage 3</i> <i>KD' 000</i>	<i>Total</i> <i>KD' 000</i>
At 1 January 2022	23,887	13,762	41,584	79,233
Impact due to transfer between stages	1	(5,091)	5,090	-
(Reversal of) additional ECL	(5,257)	(4,164)	13,384	3,963
Amounts written-off	(42)	-	(19,389)	(19,431)
At 31 December 2022	<u>18,589</u>	<u>4,507</u>	<u>40,669</u>	<u>63,765</u>

Ahli United Bank K.S.C.P.

Notes to the Interim Condensed Financial Information As at 30 June 2023 (Unaudited)

7 FINANCING RECEIVABLES (continued)

<i>30 June 2022</i>	<i>Stage 1 KD' 000</i>	<i>Stage 2 KD' 000</i>	<i>Stage 3 KD' 000</i>	<i>Total KD' 000</i>
At 1 January 2022	23,887	13,762	41,584	79,233
Impact due to transfer between stages	157	(395)	238	-
Additional (reversal of) ECL	538	(964)	269	(157)
Amounts written-off	-	-	(8)	(8)
At 30 June 2022	<u>24,582</u>	<u>12,403</u>	<u>42,083</u>	<u>79,068</u>

8 EQUITY

- a) The shareholders at the AGM held on 21 March 2023, approved the audited financial statements of the Bank for the year ended 31 December 2022 and issuance of bonus shares of nil (2021: 5%) and distribution of cash dividends of 8 fils per share (2021: 5 fils).
- b) Treasury shares

	<i>30 June 2023</i>	<i>(Audited) 31 December 2022</i>	<i>30 June 2022</i>
Number of treasury shares	249,290,975	249,290,975	249,290,975
Treasury shares as a percentage of total shares issued	9.97%	9.97%	9.97%
Cost of treasury shares (KD' 000)	43,957	43,957	43,957
Market value of treasury shares (KD' 000)	64,317	70,799	69,054
Weighted average market value per treasury share (fils)	276	296	316

Amount equivalent to cost of treasury shares has been retained out of reserves as non-distributable throughout the holding period of the treasury shares.

9 PERPETUAL TIER 1 SUKUKS

The Bank, through a Sharia'a compliant Sukuk arrangement, issued "Tier 1 Sukuk – 2021" Capital Certificates amounting to USD 600 million in June 2021. Tier 1 Sukuks are perpetual securities in respect of which there are no fixed redemption dates and constitute direct, unsecured, deeply subordinated obligations (senior only to share capital) of the Bank subject to the terms and conditions of the Mudaraba Agreement. The Tier 1 Sukuks are listed on the Euronext Dublin and NASDAQ Dubai.

Tier 1 Sukuk - 2021 bears a profit rate of 3.875% per annum to be paid semi-annually in arrears until the First Reset Date (5.5 years from the issue date) subject to terms of the issue. After that, the expected profit rate will be reset every fifth anniversary based on the then prevailing 5 years U.S Mid Swap Rate plus an initial margin of 3.011 % per annum. The First Call Date of Tier 1 Sukuk -2021 is after 5 years of the issuance date (June 2026). Tier 1 Sukuk – 2021 is callable by the Bank any day falling in the period commencing on (and including) the First Call Date and ending on (and including) the First Reset Date or on any profit payment date thereafter subject to certain redemption conditions including prior CBK approval.

The net proceeds of Tier 1 Sukuks are invested by way of Mudaraba with the Bank (as Mudareb) on an unrestricted basis and the Bank's general business activities are carried out through the general assets pool.

At the Issuer's sole discretion, it may elect not to make any Mudaraba distributions and, in such event, the Mudaraba profit will not be accumulated and the event is not considered an event of default.

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10 TRANSACTIONS WITH RELATED PARTIES

The Bank enters into transactions with the Parent Company, subsidiaries, associates, major shareholders, directors and key management, close members of their families and entities controlled, jointly controlled or significantly influenced by such parties in the ordinary course of business. The terms of these transactions are approved by the Bank's management.

The related party balances in the interim condensed financial information are as follows:

	<i>Number of Board members or executive officers</i>	<i>Number of related parties</i>	<i>Ultimate Parent Company KD'000</i>	<i>Parent Company KD'000</i>	<i>Others KD'000</i>	<i>Total KD'000</i>
<i>As at 30 June 2023</i>						
Financing receivables	-	6	-	-	33,818	33,818
Deposits with other banks	-	5	55,269	68,708	190	124,167
Investment securities	-	3	4,601	6,426	2,749	13,776
Other assets	-	1	-	9,611	-	9,611
Deposits from banks and financial institutions	-	15	8	23,997	232,856	256,861
Deposits from customers	28	61	-	-	297,315	297,315
Other liabilities	-	2	-	6	101	107
Commitments and contingent liabilities	1	4	-	14,284	5,000	19,284
Islamic Forward Agreements (Notional amount)	-	1	-	5,073	-	5,073
Profit rate swaps (Notional amount)	-	1	-	136,746	-	136,746
<i>As at 31 December 2022 (Audited)</i>						
Financing receivables	-	12	-	-	52,906	52,906
Deposits with other banks	-	5	99,548	38,441	226	138,215
Investment securities	-	3	4,590	6,410	5,437	16,437
Other assets	-	1	-	14,996	-	14,996
Deposits from banks and financial institutions	-	16	20,010	23,561	219,607	263,178
Deposits from customers	23	67	-	-	601,435	601,435
Other liabilities	-	1	-	-	286	286
Commitments and contingent liabilities	-	7	-	14,330	16,394	30,724
Islamic Forward Agreements (Notional amount)	-	1	-	4,310	-	4,310
Profit rate swaps (Notional amount)	-	1	-	188,973	-	188,973

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Notes to the Interim Condensed Financial Information
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10 TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

	<i>Number of Board members or executive officers</i>	<i>Number of related parties</i>	<i>Parent KD'000</i>	<i>Others KD'000</i>	<i>Total KD'000</i>
<i>As at 30 June 2022</i>					
Financing receivables	-	10	-	30,033	30,033
Deposits with other banks	-	4	87,738	206	87,944
Other assets	-	2	10,935	24	10,959
Deposits from banks and financial institutions	-	10	58,424	8,578	67,002
Deposits from customers	25	43	-	22,667	22,667
Other liabilities	-	2	420	336	756
Commitments and contingent liabilities	1	7	37,958	23,099	61,057
Islamic Forward Agreements (Notional amount)	-	1	10,027	-	10,027
Profit rate swaps (Notional amount)	-	1	189,220	-	189,220

Transactions with related parties included in the interim condensed financial information are as follows:

	<i>Ultimate Parent Company KD'000</i>	<i>Parent Company KD'000</i>	<i>Others KD'000</i>	<i>Total KD'000</i>
Transactions				
Six months ended 30 June 2023				
Financing income	2,437	1,838	1,157	5,432
Net payments against profit rate swaps	-	2,484	-	2,484
Distribution to depositors	127	742	17,933	18,802
Insurance expenses	-	-	1,383	1,383
Other operating expenses	-	-	193	193
Purchase of fixed asset	-	-	284	284
	<i>Ultimate Parent Company KD'000</i>	<i>Parent Company KD'000</i>	<i>Others KD'000</i>	<i>Total KD'000</i>
Six months ended 30 June 2022				
Financing income	-	562	455	1,017
Net payments against profit rate swaps	-	1,086	-	1,086
Distribution to depositors	-	132	197	329
Insurance expenses	-	-	1,166	1,166
Other operating expenses	-	-	151	151

11 COMMITMENTS AND CONTINGENT LIABILITIES

a) Financial instruments with contractual amounts representing credit risk:

	<i>30 June 2023 KD'000</i>	<i>(Audited) 31 December 2022 KD'000</i>	<i>30 June 2022 KD'000</i>
Acceptances	42,831	27,833	57,837
Letters of credit	64,299	71,015	93,989
Guarantees	422,985	428,530	412,390
	530,115	527,378	564,216

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11 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED))

Irrevocable credit commitments to extend credit as at the statement of financial position date amounted to Nil (31 December 2022: KD 71 thousand and 30 June 2022: KD 3,723 thousand).

- b) The capital commitment for purchase of assets as at 30 June 2023 is KD 515 thousand (31 December 2022: KD 477 thousand and 30 June 2022: KD 633 thousand).

12 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

Islamic forward agreements (Waad)

In the ordinary course of business, the Bank enters into various types of transactions that involve financial instruments represented in forward foreign exchange agreements (Waad) to mitigate foreign currency risk. A Waad is a financial transaction between two parties where payments are dependent upon movements in price of one or more underlying financial instruments, reference rate or index in accordance with Islamic Sharia'a.

The notional amount, disclosed gross, is the amount of a Waad's underlying asset/liability and is the basis upon which changes in the value are measured.

The notional amounts indicate the volume of transactions outstanding at the period-end and are neither indicative of the market risk nor credit risk.

Profit rate swaps (PRS)

Profit rate swaps are contractual agreements between two parties and may involve exchange of profit or exchange of both principal and profit for a fixed period of time based on contractual terms.

The notional amounts indicate the volume of transactions outstanding at the period-end and are neither indicative of the market risk nor credit risk.

The fair value of derivative financial instruments included in the financial records, together with their notional amounts is summarised as follows:

	30 June 2023			(Audited) 31 December 2022			30 June 2022			
	Positive		Negative Notional value	Positive		Negative Notional value	Positive		Negative Notional value	
	fair value	value		fair value	value		fair value	value		
	KD' 000	KD' 000	KD' 000	KD' 000	KD' 000	KD' 000	KD' 000	KD' 000	KD' 000	
Waad		23	16	10,072	166	161	8,623	412	391	20,073
Profit rate swaps (held as fair value hedge)	9,597	1	136,746	15,791	-	188,973	10,932	30	189,220	
	9,620	17	146,818	15,957	161	197,596	11,344	421	209,293	

All derivative contracts are fair valued based on observable market inputs and are classified as Level 2.

Fair value hedges

The net fair value of Profit rate swaps held as fair value hedges as at 30 June 2023 is positive KD 9,596 thousand (31 December 2022: positive KD 15,791 thousand and 30 June 2022: positive KD 10,902 thousand) which is offset by loss recognised on the hedged items at 30 June 2023, attributable to the hedged risk of KD 9,596 thousand (31 December 2022: loss of KD 15,791 thousand and 30 June 2022: loss of KD 10,902 thousand). These offsetting gains and losses are included in 'Net gain from investment securities' in the interim condensed statement of profit or loss for the period ended 30 June 2023.

Hedging instruments are issued to hedge against profit rate risk pertaining to hedged items. Hedged items include certain investment securities at amortized cost amounting to KD 151,347 thousand (31 December 2022: KD 199,209 thousand and 30 June 2022: KD 205,052 thousand).

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13 SEGMENT INFORMATION

The Bank's operating segments are determined based on the reports reviewed by the Chief Operating decision maker that are used for strategic decisions. These segments are strategic business units having similar economic characteristics that offer different products and services. These operating segments are monitored separately by the Bank for the purpose of making decisions about resource allocation and performance assessment.

These operating segments meet the criteria for reportable segments and are as follows:

- ▶ Retail and Commercial Banking – comprising a full range of banking operations covering credit and deposit services provided to customers and correspondent banking. The Bank uses a common marketing and distribution strategy for its commercial banking operations.
- ▶ Treasury and Investment Management – comprising clearing, money market, foreign exchange, sukuk, other treasury and miscellaneous operations, proprietary investment, securities trading activities and fiduciary fund management activities.

Segment results include revenue and expenses directly attributable to a segment and an allocation of overhead cost.

The Bank measures the performance of operating segments through segment profit or loss net of taxes in management and reporting systems.

Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment.

Segment information for the six-month periods ended 30 June 2023 and 30 June 2022 are as follows:

	<i>Retail and Commercial Banking</i>		<i>Treasury and Investment Management</i>		<i>Total</i>	
	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>
	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>
Net financing income	21,728	24,056	13,313	14,124	35,041	38,180
Fees, commissions and others	2,689	3,635	4,961	4,542	7,650	8,177
Total operating income	24,417	27,691	18,274	18,666	42,691	46,357
Provision and impairment losses	(4,900)	21	2,073	(6,571)	(2,827)	(6,550)
Operating expenses and taxation	(15,554)	(15,967)	(3,853)	(3,595)	(19,407)	(19,562)
Segment result	3,963	11,745	16,494	8,500	20,457	20,245
			<i>Retail and Commercial Banking KD'000</i>	<i>Treasury and Investment Management KD'000</i>	<i>Total KD'000</i>	
<i>As at 30 June 2023</i>						
Segment assets			3,320,591	1,216,885	4,537,476	
Segment liabilities			3,026,816	844,631	3,871,447	
<i>As at 31 December 2022 (Audited)</i>						
Segment assets			3,453,910	1,257,777	4,711,687	
Segment liabilities			2,778,937	1,265,590	4,044,527	
<i>As at 30 June 2022</i>						
Segment assets			3,458,787	1,253,076	4,711,863	
Segment liabilities			2,690,623	1,367,644	4,058,267	

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14 FAIR VALUE MEASUREMENT

The following table provides the fair value measurement hierarchy of the Bank's financial instruments:

	<i>Level 2</i> <i>KD'000</i>	<i>Level 3</i> <i>KD'000</i>	<i>Total</i> <i>KD'000</i>
<i>30 June 2023</i>			
<i>Assets measured at fair value</i>			
Financial assets			
Investment securities	<u>687</u>	<u>4,485</u>	<u>5,172</u>
Derivative financial instruments			
Waad	23	-	23
Profit rate swap	<u>9,597</u>	<u>-</u>	<u>9,597</u>
	<u>10,307</u>	<u>4,485</u>	<u>14,792</u>
<i>Liabilities measured at fair value</i>			
Derivative financial instruments			
Waad	16	-	16
Profit rate swap	<u>1</u>	<u>-</u>	<u>1</u>
	<u>17</u>	<u>-</u>	<u>17</u>
<i>31 December 2022 (Audited)</i>			
<i>Assets measured at fair value</i>			
Financial assets			
Investment securities	<u>681</u>	<u>4,485</u>	<u>5,166</u>
Derivative financial instrument			
Waad	166	-	166
Profit rate swap	<u>15,791</u>	<u>-</u>	<u>15,791</u>
	<u>15,957</u>	<u>-</u>	<u>15,957</u>
	<u>16,638</u>	<u>4,485</u>	<u>21,123</u>
<i>Liabilities measured at fair value</i>			
Derivative financial instrument			
Waad	161	-	161
	<u>161</u>	<u>-</u>	<u>161</u>
<i>30 June 2022</i>			
<i>Assets measured at fair value</i>			
Financial assets			
Investment securities	<u>677</u>	<u>4,429</u>	<u>5,106</u>
Derivative financial instrument			
Waad	412	-	412
Profit rate swap	<u>10,932</u>	<u>-</u>	<u>10,932</u>
	<u>11,344</u>	<u>-</u>	<u>11,344</u>
	<u>12,021</u>	<u>4,429</u>	<u>16,450</u>
<i>Liabilities measured at fair value</i>			
Derivative financial instrument			
Waad	391	-	391
Profit rate swap	<u>30</u>	<u>-</u>	<u>30</u>
	<u>421</u>	<u>-</u>	<u>421</u>

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14 FAIR VALUE MEASUREMENT (continued)

The fair values of the other financial liabilities are not materially different from their carrying values, since these liabilities are repriced at intervals of three or six months, depending on the terms and conditions of the instrument and the resultant applicable margins approximate the current spreads that would apply for borrowings with similar maturities.

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Sensitivity analysis on fair value estimation, by varying input assumptions by a reasonable margin, did not indicate any material impacts on statement of financial position or statement of profit or loss.

15 CHANGES IN REFERENCE RATES (IBOR)

Financial assets and liabilities

The Bank's exposure to financial assets that are based on USD LIBOR maturing after June 2023 is KD 14,379 thousand (KD 22,543 thousand as at 31 December 2022)

The Bank's exposure to IBOR linked liabilities is relatively insignificant.