

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

**INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS**

31 MARCH 2023

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

For the period from 1 January 2023 to 31 March 2023

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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 31 March 2023, and the related interim condensed consolidated statement of profit or loss, statement of other comprehensive income, statement of changes in equity and statement of cash flow for the three 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 three months period ended 31 March 2023 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 three months period ended 31 March 2023 that might have had a material effect on the business of the Bank or on its financial position.

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

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

17 April 2023
Kuwait

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

For the period from 1 January 2023 to 31 March 2023

		Three months ended 31 March	
		2023	2022
	Notes	KD'000's	KD'000's
Income			
Murabaha and other Islamic financing income		91,033	59,526
Finance cost and distribution to depositors		(51,271)	(17,733)
Net financing income		39,762	41,793
Net investment income	3	3,420	2,242
Net fees and commission income		7,831	4,565
Net foreign exchange gain		1,548	1,100
Operating income		52,561	49,700
Staff costs		(14,175)	(14,081)
General and administrative expenses		(7,262)	(6,530)
Depreciation		(3,569)	(3,056)
Operating expenses		(25,006)	(23,667)
Operating profit before provision for impairment		27,555	26,033
Provision for impairment	4	(10,374)	(9,989)
Operating profit before deductions		17,181	16,044
Taxation reversal/(charged)	5	2,261	978
Net profit for the period		19,442	17,022
Attributable to:			
Equity holders of the Bank		20,612	16,954
Non-controlling interests		(1,170)	68
Net profit for the period		19,442	17,022
Basic and diluted earnings per share attributable to the equity holders of the Bank (fils)	6	4.44	3.74

The notes from 1 to 20 form an integral part of this interim condensed consolidated financial information.

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

For the period from 1 January 2023 to 31 March 2023

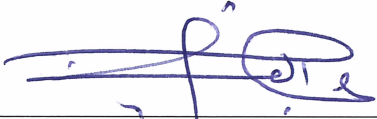
	Three months ended 31 March	
	2023	2022
	KD'000's	KD'000's
Net profit for the period	19,442	17,022
Other comprehensive (loss)/income:		
Items that are or may be reclassified to interim condensed consolidated statement of profit or loss in subsequent periods:		
Change in fair value of debt investments at fair value through other comprehensive income	(3,713)	672
Foreign currency translation adjustments	308	(593)
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)	(235)
Other comprehensive loss for the period	(3,406)	(156)
Total comprehensive income for the period	16,036	16,866
Attributable to:		
Equity holders of the Bank	17,074	17,475
Non-controlling interests	(1,038)	(609)
Total comprehensive income for the period	16,036	16,866

The notes from 1 to 20 form an integral part of this interim condensed consolidated financial information.

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

As at 31 March 2023

	Notes	31 March 2023 KD'000's	(Audited) 31 December 2022 KD'000's	31 March 2022 KD'000's
Assets				
Cash and balances with banks	7	379,448	533,183	318,968
Deposits with Central Bank of Kuwait		438,271	247,802	227,868
Deposits with other banks		145,278	131,685	300,490
Islamic financing to customers	8	5,970,371	5,913,518	5,670,671
Investment in Sukuk	9	677,920	609,565	542,844
Other investment securities	9	146,252	155,156	164,267
Investment properties		55,741	33,618	18,159
Other assets		84,121	127,596	101,525
Property and equipment		133,549	128,634	115,078
Total assets		8,030,951	7,880,757	7,459,870
Liabilities and equity				
Liabilities				
Due to banks		160,520	198,678	468,033
Depositors' accounts		6,220,178	5,961,728	5,501,485
Medium term financing	10	559,545	637,629	637,689
Other liabilities		124,828	103,023	102,333
Total liabilities		7,065,071	6,901,058	6,709,540
Equity				
Share capital		373,868	373,868	317,970
Share premium		316,942	316,942	156,942
Proposed bonus shares	19	22,432	22,432	15,898
Treasury shares	12	(54)	(54)	(54)
Statutory reserve		46,761	46,761	40,651
Voluntary reserve		15,327	15,327	15,327
Other reserves	13	(7,326)	(3,788)	(2,672)
Retained earnings		22,302	4,717	18,033
Proposed cash dividends	19	-	22,429	-
Equity attributable to equity holders of the Bank		790,252	798,634	562,095
Perpetual Tier 1 Sukuk	18	150,385	150,385	150,385
Non-controlling interests		25,243	30,680	37,850
Total equity		965,880	979,699	750,330
Total liabilities and equity		8,030,951	7,880,757	7,459,870



Abdulaziz Abdullah Dakheel Al-Shaya
Chairman



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

The notes from 1 to 20 form an integral part of this interim condensed consolidated financial information.

BOUBYAN BANK K.S.C.P. AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period from 1 January 2023 to 31 March 2023

	Share capital	Share premium	Proposed bonus shares	Treasury shares	Statutory reserve	Voluntary reserve	Other reserves (note 13)	Retained earnings	Proposed cash dividends	Equity attributable to equity holders of the Bank	Perpetual tier 1 Sukuk	Non-controlling interests	Total equity
	KD'000's	KD'000's	KD'000's	KD'000's	KD'000's	KD'000's	KD'000's	KD'000's	KD'000's	KD'000's	KD'000's	KD'000's	KD'000's
Balance at 1 January 2023	373,868	316,942	22,432	(54)	46,761	15,327	(3,788)	4,717	22,429	798,634	150,385	30,680	979,699
Profit/(loss) for the period	-	-	-	-	-	-	-	20,612	-	20,612	-	(1,170)	19,442
Other comprehensive (loss) / income	-	-	-	-	-	-	(3,538)	-	-	(3,538)	-	132	(3,406)
Total comprehensive (loss) / income for the period	-	-	-	-	-	-	(3,538)	20,612	-	17,074	-	(1,038)	16,036
Dividends payable (note 19)	-	-	-	-	-	-	-	-	(22,429)	(22,429)	-	-	(22,429)
Other movement in non- controlling interests	-	-	-	-	-	-	-	-	-	-	-	(4,399)	(4,399)
Profit paid on Perpetual Tier 1 Sukuk	-	-	-	-	-	-	-	(3,027)	-	(3,027)	-	-	(3,027)
Balance at 31 March 2023	373,868	316,942	22,432	(54)	46,761	15,327	(7,326)	22,302	-	790,252	150,385	25,243	965,880
Balance at 1 January 2022	317,970	156,942	15,898	(54)	40,651	15,327	(3,193)	4,100	15,896	563,537	150,385	36,150	750,072
Profit for the period	-	-	-	-	-	-	-	16,954	-	16,954	-	68	17,022
Other comprehensive income /(loss)	-	-	-	-	-	-	521	-	-	521	-	(677)	(156)
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	521	16,954	-	17,475	-	(609)	16,866
Dividends payable	-	-	-	-	-	-	-	-	(15,896)	(15,896)	-	-	(15,896)
Other movement in non- controlling interests	-	-	-	-	-	-	-	-	-	-	-	2,309	2,309
Profit paid on Perpetual Tier 1 Sukuk	-	-	-	-	-	-	-	(3,021)	-	(3,021)	-	-	(3,021)
Balance at 31 March 2022	317,970	156,942	15,898	(54)	40,651	15,327	(2,672)	18,033	-	562,095	150,385	37,850	750,330

The notes from 1 to 20 form an integral part of this interim condensed consolidated financial information.

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

For the period from 1 January 2023 to 31 March 2023

	Notes	Three months ended	
		31 March	
		2023	2022
		KD'000's	KD'000's
OPERATING ACTIVITIES			
Net profit for the period		19,442	17,022
Adjustments for:			
Provision for impairment	4	10,374	9,989
Depreciation		3,569	3,056
Foreign currency translation adjustments		(6,346)	(6,180)
Dividend income	3	(1,177)	(560)
Net gain from financial assets at fair value through profit or loss	3	(841)	(558)
Net loss /(gain) from sale of debt investments at FVOCI	3	221	(13)
Unrealized gain from change in fair value of investment properties		(978)	-
Share of results of associates	3	(121)	(36)
Operating profit before changes in operating assets and liabilities		24,143	22,720
Changes in operating assets and liabilities:			
Deposits with Central Bank of Kuwait		(15,537)	(2,006)
Deposits with other banks		(1,272)	87,416
Islamic financing to customers		(67,935)	(167,279)
Other assets		43,246	(12,017)
Due to banks		(37,235)	72,883
Depositors' accounts		259,181	(117,302)
Other liabilities		3,859	(2,466)
Net cash generated from/ (used in) operating activities		208,450	(118,051)
INVESTING ACTIVITIES			
Purchase of investment securities		(201,564)	(204,939)
Proceeds from sale/redemption of investment securities		143,575	140,931
Proceeds from sale of investment properties		681	9,882
Purchase of investment properties		(21,773)	(5,385)
Purchase of property and equipment		(8,485)	(9,931)
Dividend income received	3	1,177	560
Net cash used in investing activities		(86,389)	(68,882)
FINANCING ACTIVITIES			
Profit distribution on perpetual Tier 1 Sukuk		(3,027)	(3,021)
Net movement of non-controlling interest		(4,399)	2,309
Medium term financing – Paid		(76,550)	-
Issuance of medium term financing		-	152,225
Net movement in medium term financing		(9,393)	(1,034)
Net cash (used in) / generated from financing activities		(93,369)	150,479
Net change in cash and cash equivalents		28,692	(36,454)
Net foreign exchange difference		4,856	2,764
Cash and cash equivalents at beginning of the period		729,426	766,008
Cash and cash equivalents at end of the period	7	762,974	732,318

The notes from 1 to 20 form an integral part of this interim condensed consolidated financial information.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

For the period from 1 January 2023 to 31 March 2023

1. INCORPORATION AND ACTIVITIES

Boubyan Bank K.S.C.P. (“the Bank”) is a Kuwaiti public shareholding company incorporated on 21 September 2004, in accordance with the Commercial Companies Law in the State of Kuwait, by Amiri Decree No. 88 published on April 18th 2004, in accordance with the rules and regulations of the Central Bank of Kuwait (“CBK”) (Law No. 30 of 2003).

The Bank’s shares were listed on the Kuwait Stock Exchange on 15 May 2006.

The Bank was licensed by the Central Bank of Kuwait to do business on 28 November 2004.

The Bank is principally engaged in providing banking services, in accordance with Codes of the Islamic Sharia’a, as approved by the Bank’s Sharia’a Supervisory Board. The Bank’s Articles of Incorporation were amended by adding a new activity, namely, offering securities or selling the same for their issuer, its affiliate or obtaining securities from the issuer or its affiliate for remarketing (issuance management). In addition to the activity of purchase and sale of land plots and all types of real estate properties for their financing purposes as per the provisions of Law no. 32 of 1968 Concerning Currency, the Central Bank of Kuwait, and Organization of the Banking Business.

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 three months period ended 31 March 2023 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 9 April 2023.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

- (a) The interim condensed consolidated financial information of the Group has been prepared in accordance with International Accounting Standard (IAS) 34, ‘Interim Financial Reporting’, as amended for point (b) below:
- (b) The interim condensed consolidated financial information have been prepared in accordance with the regulations for financial services institutions as issued by the Central Bank of Kuwait (“CBK”) in the State of Kuwait. These regulations require banks and other financial institutions regulated by CBK to adopt the International Financial Reporting Standards as issued by International Accounting Standards Board (IASB) with the following amendments:
 - Expected credit loss (“ECL”) to be measured at the higher of ECL provision on credit facilities computed under IFRS 9 in accordance with CBK guidelines or the provisions as required by CBK instructions along with its consequent impact on related disclosures; and
 - Modification losses on financial assets, arising from payment holidays to customers extended during the financial year ended 31 December 2020 as a result of Covid-19, to be recognised in retained earnings as required by the CBK circular no. 2/BS/IBS/461/2020 instead of consolidated statement of profit or loss in accordance with IFRS 9. However, modification losses on financial assets, arising from any other payment holidays to customers including payment holidays extended during the year ended 31 December 2021 in response to Covid-19 shall be recognized in the consolidated statement of profit or loss.

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

The interim condensed consolidated financial information does not contain all information and disclosures required for full financial statements prepared in accordance with IFRS, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2022. Further, results for the three months period ended 31 March 2023, are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

The accounting policies used in the preparation of this interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2022. Amendments to IFRSs 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 Group.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

For the period from 1 January 2023 to 31 March 2023

3. NET INVESTMENT INCOME

	Three months ended 31 March	
	2023	2022
	KD'000's	KD'000's
Dividend income	1,177	560
Net gain from financial assets at fair value through profit or loss	841	558
Net (loss) /gain from sale of debt investments at FVOCI	(221)	13
Net income from investment properties	1,502	1,075
Share of results of associates	121	36
	3,420	2,242

4. PROVISION FOR IMPAIRMENT

	Three months ended 31 March	
	2023	2022
	KD'000's	KD'000's
Provision charge for Islamic financing to customers	11,058	9,730
ECL – Other financial assets	(684)	259
	10,374	9,989

5. TAXATION

	Three months ended 31 March	
	2023	2022
	KD'000's	KD'000's
Contribution to Kuwait Foundation for the Advancement of Sciences (“KFAS”)	193	159
National Labour Support Tax (“NLST”)	538	454
Zakat (Based on Zakat law no: 46/2006)	216	182
Overseas tax	(3,208)	(1,773)
	(2,261)	(978)

6. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for the period attributable to the equity holders of the Bank by the weighted average number of shares outstanding during the period.

Diluted earnings per share is calculated by dividing the net profit for the period attributable to the equity holders of the Bank by the weighted average number of shares outstanding during the period plus the weighted average number of share that would be issued on the conversion of all the dilutive potential shares into shares.

	Three months ended 31 March	
	2023	2022
Net profit for the period attributable to the equity holders of the Bank (KD'000)	20,612	16,954
Less: profit payment on Perpetual Tier 1 Sukuk	(3,027)	(3,021)
	17,585	13,933
Weighted average number of shares outstanding during the period net of treasury shares (thousands of shares)	3,962,525	3,728,197
Basic and diluted earnings per share attributable to the equity holders of the Bank (fils)	4.44	3.74

Earnings per share for the prior period were 4.17 fils before retroactive adjustment to the number of shares following the bonus shares issuance (note 19).

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

For the period from 1 January 2023 to 31 March 2023

7. CASH AND CASH EQUIVALENTS

	(Audited)		
	31 March 2023	31 December 2022	31 March 2022
	KD'000's	KD'000's	KD'000's
Cash and balances with banks	379,448	533,183	318,968
Placements with banks maturing within seven days	383,526	196,243	413,350
	762,974	729,426	732,318

8. ISLAMIC FINANCING TO CUSTOMERS

	(Audited)		
	31 March 2023	31 December 2022	31 March 2022
	KD'000's	KD'000's	KD'000's
Islamic financing to customers	6,168,608	6,109,384	5,847,636
Provision for impairment	(198,237)	(195,866)	(176,965)
	5,970,371	5,913,518	5,670,671

The available provision for impairment on non-cash facilities of **KD 3,870** thousands (31 December 2022: KD 3,894 thousands, 31 March 2022: KD 2,891 thousands) is included under other liabilities.

An analysis of the carrying amounts of Credit Facilities, and the corresponding Expected Credit Losses based on the staging criteria under IFRS 9 in accordance with CBK regulations. For contingent liabilities, the amounts in the table represent the amounts committed or guaranteed, respectively.

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

For the period from 1 January 2023 to 31 March 2023

8. ISLAMIC FINANCING TO CUSTOMERS (continued)

	Stage 1 KD'000's	Stage 2 KD'000's	Stage 3 KD'000's	Total KD'000's
31 March 2023				
Islamic financing to customers	5,887,374	210,745	70,489	6,168,608
Contingent liabilities (Note 14)	335,413	79,068	2,986	417,467
Commitments (revocable and irrevocable) to	1,092,653	78,146	233	1,171,032
31 December 2022				
Islamic financing to customers	5,802,966	243,065	63,353	6,109,384
Contingent liabilities (Note 14)	327,595	76,780	2,964	407,339
Commitments (revocable and irrevocable) to	1,065,810	56,583	6	1,122,399
31 March 2022				
Islamic financing to customers	5,550,568	237,077	59,991	5,847,636
Contingent liabilities (Note 14)	337,694	59,945	3,492	401,131
Commitments (revocable and irrevocable) to	905,499	16,303	265	922,067

An analysis of the carrying amounts of Credit Facilities, and the corresponding Expected Credit Losses based on the staging criteria under IFRS 9 in accordance with CBK regulations is as follows:

	Stage 1 KD 000's	Stage 2 KD 000's	Stage 3 KD 000's	Total KD 000's
31 March 2023				
ECL allowance as at 1 January 2023	24,516	16,027	34,768	75,311
Impact due to transfer between stages				
Transfer from Stage 1	(935)	510	425	-
Transfer from Stage 2	1,177	(2,140)	963	-
Transfer from Stage 3	2,127	907	(3,034)	-
Additional ECL for the period	(3,676)	(288)	11,402	7,438
Amounts written off and recoveries	-	-	(9,607)	(9,607)
Foreign currency translation	27	23	136	186
At 31 March 2023	23,236	15,039	35,053	73,328
31 March 2022				
ECL allowance as at 1 January 2022	22,417	14,628	26,445	63,490
Impact due to transfer between stages				
Transfer from Stage 1	(1,592)	412	1,180	-
Transfer from Stage 2	1,053	(2,869)	1,816	-
Transfer from Stage 3	359	36	(395)	-
Additional ECL for the period	(347)	1,062	4,960	5,675
Amounts written off and recoveries	-	-	1,587	1,587
Foreign currency translation	(13)	(32)	(512)	(557)
At 31 March 2022	21,877	13,237	35,081	70,195

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

For the period from 1 January 2023 to 31 March 2023

9. INVESTMENT SECURITIES

	(Audited)		
	31 March 2023	31 December 2022	31 March 2022
	KD'000's	KD'000's	KD'000's
Investment in Sukuk	677,920	609,565	542,844
Financial assets at fair value through profit or loss	127,152	134,373	141,590
Financial assets at fair value through other comprehensive income	16,455	18,249	19,504
Investment in associates	2,645	2,534	3,173
	824,172	764,721	707,111

	(Audited)		
	31 March 2023	31 December 2022	31 March 2022
	KD'000's	KD'000's	KD'000's
Investment in Sukuk			
Investment in Sukuk- FVOCI	660,156	591,893	524,522
Investment in Sukuk- FVTPL	17,764	17,672	18,322
	677,920	609,565	542,844
Financial assets at fair value through profit or loss			
Investment in unquoted funds	127,152	134,373	141,590
	127,152	134,373	141,590
Financial assets at fair value through other comprehensive income			
Investment in unquoted equity securities	13,517	15,310	16,486
Investment in quoted equity securities	2,938	2,939	3,018
	16,455	18,249	19,504

10. MEDIUM TERM FINANCING

	(Audited)		
	31 March 2023	31 December 2022	31 March 2022
	KD'000's	KD'000's	KD'000's
Global Medium Term Sukuk ("GMTN programme")*	375,555	376,843	380,099
Other medium term financing**	183,990	260,786	257,590
	559,545	637,629	637,689

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

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

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

** Other medium term financing has a tenor of three years and carry a profit rate in the range of 5.99% to 6.11% (31 December 2022: 5.28% to 6.15%, 31 March 2022: 1.32% to 1.66%).

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11. RELATED PARTY TRANSACTIONS

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

	Number of board members or executive officers			Number of related parties			(Audited)		
	31 March 2023	31 December 2022	31 March 2022	31 March 2023	31 December 2022	31 March 2022	31 March 2023	31 December 2022	31 March 2022
							KD'000's	KD'000's	KD'000's
Islamic financing to customers	9	9	10	2	1	1	47,390	46,828	492
Depositors' accounts	25	24	20	20	20	22	20,791	18,311	13,354
Letters of guarantee and letters of credit	-	-	-	1	1	2	13	13	368
Murabaha and other Islamic financing income							594	1,566	11
Finance cost and distribution to depositors							-	(3)	(3)
Parent Company									
Due from banks							27,754	25,810	33,684
Due to banks							7,755	20,442	36,979
Depositors accounts							270	300	561
Murabaha and other Islamic financing income							333	2,277	201
Finance cost and distribution to depositors							(133)	(1,002)	(216)

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

Details of compensation to key management comprise the following:

	Three months ended 31 March	
	2023	2022
	KD'000's	KD'000's
Short-term benefits	898	766
Post-employment benefits	70	97
Deferred compensation	264	221
	1,232	1,084

12. TREASURY SHARES

The Bank held the following treasury shares:

	31 March 2023	(Audited)	31 March 2022
		31 December 2022	
Number of treasury shares	475,672	475,652	420,376
Treasury shares as a percentage of total issued shares - %	0.01272%	0.01272%	0.01322%
Cost of treasury shares – KD thousand	54	54	54
Market value of treasury shares – KD thousand	306	380	395
Weighted average of market value per share – KD	0.731	0.835	0.856

13. OTHER RESERVES

	Fair value reserve	Foreign currency translation reserve	Change in actuarial valuation reserve	Total
	KD'000's	KD'000's	KD'000's	KD'000's
Balance at 1 January 2023	10,613	(13,192)	(1,209)	(3,788)
Other comprehensive (loss) / income for the period	(3,714)	176	-	(3,538)
Total comprehensive (loss)/ income for the period	(3,714)	176	-	(3,538)
Balance at 31 March 2023	6,899	(13,016)	(1,209)	(7,326)
Balance at 1 January 2022	11,891	(11,508)	(3,576)	(3,193)
Other comprehensive income for the period	436	85	-	521
Total comprehensive income for the period	436	85	-	521
Balance at 31 March 2022	12,327	(11,423)	(3,576)	(2,672)

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14. CONTINGENCIES AND COMMITMENTS

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

	31 March 2023	(Audited) 31 December 2022	31 March 2022
	KD'000's	KD'000's	KD'000's
Guarantees	318,930	315,593	293,516
Acceptances and letters of credit	98,537	91,746	107,615
Other commitments	139,509	135,823	93,680
	556,976	543,162	494,811

15. SEGMENT REPORTING

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

Business Segments

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

Consumer banking: Provides a diversified range of products and services to individuals and institutional customers. The range includes consumer finance, credit cards, deposits and other branch related services.

Corporate banking: Provides Murabaha, Ijarah, trade service and other related services to business and corporate customers.

Investment banking and International operations: Principally handling direct investments, investment in associates, local and international real estate investment, asset and wealth management.

Treasury: Principally handling local and international Murabaha and other Islamic financing, primarily with banks, as well as the management of the Bank's funding operations.

Group centre: Includes other group activities and residual in respect of transfer pricing and inter segment allocation.

	Consumer banking	Corporate banking	Investment banking and International operations	Treasury	Group centre	Total
	KD'000's	KD'000's	KD'000's	KD'000's	KD'000's	KD'000's
Three months ended 31 March 2023						
Net financing income	24,106	8,881	2,183	4,329	263	39,762
Operating income/(loss)	29,487	10,745	8,136	5,379	(1,186)	52,561
Net profit/(loss) for the period	19,434	9,753	180	5,169	(15,094)	19,442
Total assets	2,523,902	3,145,202	748,626	1,515,295	97,926	8,030,951
Total liabilities	3,885,304	518,453	693,846	1,494,453	473,015	7,065,071
Three months ended 31 March 2022						
Net financing income	24,300	8,454	2,152	6,126	761	41,793
Operating income/(loss)	25,948	10,386	7,988	7,226	(1,848)	49,700
Net profit/(loss) for the period	15,188	9,255	(1)	7,029	(14,449)	17,022
Total assets	2,462,263	2,825,689	784,237	1,322,174	65,507	7,459,870
Total liabilities	3,374,691	363,578	744,295	1,769,703	457,273	6,709,540

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16. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Fair value hierarchy

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

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

	Level 1	Level 2	Level 3	Total
	KD'000's	KD'000's	KD'000's	KD'000's
31 March 2023				
Financial assets at fair value through profit or loss	-	127,152	-	127,152
Investment in Sukuk	677,920	-	-	677,920
Financial assets at fair value through other comprehensive income	2,938	-	13,517	16,455
	680,858	127,152	13,517	821,527
31 December 2022 (Audited)				
Financial assets at fair value through profit or loss	-	134,373	-	134,373
Investment in Sukuk	609,565	-	-	609,565
Financial assets at fair value through other comprehensive income	2,939	-	15,310	18,249
	612,504	134,373	15,310	762,187
31 March 2022				
Financial assets at fair value through profit or loss	-	141,590	-	141,590
Investment in Sukuk	542,844	-	-	542,844
Financial assets at fair value through other comprehensive income	3,018	-	16,486	19,504
	545,862	141,590	16,486	703,938

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	Amortization	Additions/ transfers	Sale/ redemption	Exchange rate movements	At 31 March
	KD'000's	KD'000's	KD'000's	KD'000's	KD'000's	KD'000's	KD'000's
31 March 2023:							
Assets measured at fair value							
Financial assets at fair value through other comprehensive income	15,310	-	-	(1,794)	-	1	13,517
	15,310	-	-	(1,794)	-	1	13,517
31 March 2022:							
Assets measured at fair value							
Financial assets at fair value through other comprehensive income	16,600	-	-	-	(113)	(1)	16,486
	16,600	-	-	-	(113)	(1)	16,486

The impact on the interim condensed consolidated statement of financial position or the interim condensed consolidated statement of profit and loss and other comprehensive income would be immaterial if the relevant risk variables used to fair value the securities classified under level 2 and level 3 were altered by 5 percent.

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17. DERIVATIVES

In the ordinary course of business, the Bank enters into various types of transactions that involve Sharia'a approved derivative financial instruments such as currency swaps, profit rate swaps and forward foreign exchange contracts to mitigate foreign currency and profit rate risk. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price of one or more underlying financial instruments, reference rate or index.

Currency swaps

Currency swaps is a contractual agreement between two parties to buy a Sharia'a compliant asset at an agreed price on the relevant future date in different currencies. The fixed or floating payments as well as notional amounts are exchanged in different currencies.

Profit rate swaps

Profit rate swaps are contractual agreements between two counter-parties to exchange fixed and floating payments based on a notional value in a single currency.

Forward foreign exchange contracts

Forward foreign exchange contracts are agreements to buy or sell currencies at a specified rate and at a future date.

The notional amount, disclosed gross, is the amount of a derivative's underlying asset and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year-end and are neither indicative of the market risk nor credit risk.

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

	31 March 2023			31 December 2022 (Audited)			31 March 2022		
	Positive fair value	Negative fair value	Notional	Positive fair value	Negative fair value	Notional	Positive fair value	Negative fair value	Notional
	KD'000s	KD'000s	KD'000s	KD'000s	KD'000s	KD'000s	KD'000s	KD'000s	KD'000s
Profit rate swaps (held as fair value hedges)	20,716	(10,682)	638,513	23,776	(9,773)	558,354	6,773	(4,619)	388,726
Cross currency swaps	-	(823)	136,674	340	(558)	245,385	1,166	(241)	535,080
Forward foreign exchange contracts	6	(792)	167,336	204	(480)	134,730	214	-	47,853
	20,722	(12,297)	942,523	24,320	(10,811)	938,469	8,153	(4,860)	971,659

All of the above Islamic derivative financial instruments are included in Level 2 of fair value hierarchy as at 31 March 2023, 31 December 2022 and 31 March 2022.

18. PERPETUAL TIER 1 SUKUK

During the previous years on 1 April 2021, the Bank has issued "Tier 1 Sukuk – 2021", through a Sharia'a compliant Sukuk arrangement amounting to USD 500 million which was fully allocated. Tier 1 Sukuk -2021 is a perpetual security in respect of which there is no fixed redemption date and constitutes direct, unsecured, subordinated obligations (senior only to share capital) of the Bank subject to the terms and conditions of the Mudaraba Agreement. The Tier 1 Sukuk – 2021 is callable by the Bank on 1 October 2026 and bears an expected profit rate of 3.95% per annum to be paid semi-annually in arrears. The expected profit rate will be reset on 1 April 2027 based on then prevailing 6 years US Treasury Rate plus initial margin of 2.896% per annum. The net proceeds are invested by way of Mudaraba with the Bank (as Mudareb) on an unrestricted co-mingling basis, by the Bank in its general business activities carried out through the general Mudaraba pool. Mudaraba profit will not be accumulated and the event is not considered an event of default.

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19. ANNUAL GENERAL ASSEMBLY MEETING

The Annual General Assembly meeting of the shareholders held on 22 March 2023 approved **6%** bonus shares (2021: 5%) and a cash dividend of **6** fils per share (2021: 5 fils per share) for the year ended 31 December 2022. The cash dividend payable amounting to **KD 22,429 thousand** is included in other liabilities as at 31 March 2023.

The bonus shares will increase the number of issued and fully paid up shares by **224,320,949** shares (2021: 158,984,880 shares) and increase in share capital by **KD 22,432 thousand** (2021: KD 15,898 thousand). The approved bonus shares and cash dividends will be distributed on 19 April 2023.

20. CHANGES IN REFERENCE RATES (IBOR)

Financial assets and liabilities

The Group's exposure to IBOR linked financial assets and liabilities is mainly through USD LIBOR. The Group will perform transition of these contracts to RFRs through bilateral agreements not later than June 2023.

The Group's exposure to financial assets and liabilities that are based on USD LIBOR maturing after June 2023 is **KD 343,779 thousands** and **KD 183,930 thousands** respectively (KD 341,050 thousands and KD 260,355 thousands as at 31 December 2022, KD 398,636 thousands and KD 258,315 thousands as at 31 March 2022).

The Group is in discussion with the counterparties clients to effect an orderly transition of USD exposures to the relevant RFR.

Derivatives held for hedging purposes

The profit rate and cross currency swaps held for hedging purpose have exposure to various IBORs predominantly on USD LIBOR. These swaps are governed by the industry standard International Swaps and Derivatives Association (ISDA) Master Agreements that incorporate by reference the 2006 ISDA definitions. ISDA launched the IBOR fall backs supplement, a supplement to the 2006 ISDA definitions, and the IBOR fall backs protocol. IBOR fall backs protocol will enable adhering parties to amend legacy derivative transactions to include the updated rates and fall backs. The Group will follow IBOR fall backs protocol through adherence to ISDA Benchmark.

The notional value of USD LIBOR derivatives designated as fair value hedges, maturing after June 2023, is **KD 322,436 thousands** as at 31 March 2023 (KD 323,422 thousands as at 31 December 2022, KD 324,907 thousands as at 31 March 2022). The Group has applied the hedging relief available under the amendments to IFRS 9 Financial Instruments relating to profit rate benchmark reforms such as relief on assessment of economic relationship between hedged items and hedging instruments except for the non-USD linked hedging instruments already transitioned to RFR rates.