

WARBA BANK K.S.C.P.

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

30 JUNE 2024



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

Introduction

We have reviewed the interim condensed consolidated statement of financial position of Warba Bank K.S.C.P. (the “Bank”) and its subsidiaries (collectively the “Group”) as at 30 June 2024, and the related interim condensed consolidated statement of profit or loss and interim condensed consolidated statement of comprehensive income for the three-month and six-month period then ended and the related interim condensed consolidated statement of changes in equity and interim condensed consolidated 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 consolidated financial information in accordance with the basis of preparation 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 condensed consolidated 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 interim condensed consolidated financial information is not prepared, in all material respects, in accordance with the basis of preparation 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 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, its executive regulations, as amended, or of the Bank’s Articles of Association and Memorandum of Incorporation, as amended, during the six-month period ended 30 June 2024 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, during the six-month period ended 30 June 2024 that might have had a material effect on the business of the Bank or on its financial position.

BADER A. AL-ABDULJADER
LICENCE NO. 207-A
EY
(AL AIBAN, AL OSAIMI & PARTNERS)

DR. RASHEED M. AL – QENAE
LICENSE NO. 130
OF KPMG AL-QENAE & PARTNERS
MEMBER FIRM OF KPMG INTERNATIONAL

Warba Bank K.S.C.P.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2024

		<i>30 June</i>	<i>(Audited)</i>	<i>30 June</i>
	<i>Notes</i>	<i>2024</i>	<i>31 December</i>	<i>2023</i>
		<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>
ASSETS				
Cash and bank balances	3	339,048	207,811	175,893
Placements with banks and the CBK		355,038	425,786	371,462
Financing receivables	4	3,615,494	3,452,952	3,453,043
Financial assets at fair value through profit or loss	13	181,604	162,253	156,175
Financial assets at fair value through other comprehensive income	13	369,595	369,934	344,132
Investment in joint ventures		125,111	119,271	112,911
Investment properties		1,675	1,675	16,197
Other assets		54,923	76,514	81,201
Property and equipment		17,639	16,013	15,510
TOTAL ASSETS		5,060,127	4,832,209	4,726,524
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks and other financial institutions		1,407,594	1,162,849	1,046,830
Depositors' accounts		2,868,190	2,907,145	2,930,187
Sukuk issued	5	304,774	304,331	304,441
Other liabilities		82,064	66,688	65,982
TOTAL LIABILITIES		4,662,622	4,441,013	4,347,440
EQUITY				
Share capital	6	218,360	206,000	206,000
Share premium		80,375	80,375	80,375
Statutory reserve		8,871	8,871	6,803
Fair value reserve		(5,275)	(4,517)	(8,286)
Foreign currency translation reserve		408	1,175	703
Retained earnings		18,958	11,124	17,681
		321,697	303,028	303,276
Proposed dividends	6	-	12,360	-
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK		321,697	315,388	303,276
Perpetual Tier 1 Sukuk	7	75,808	75,808	75,808
TOTAL EQUITY		397,505	391,196	379,084
TOTAL LIABILITIES AND EQUITY		5,060,127	4,832,209	4,726,524


Hamad M. Al Sayer
Chairman


Shaheen H. Al Ghanem
Chief Executive Officer

The accompanying notes 1 to 16 form an integral part of this interim condensed consolidated financial information.

Warba Bank K.S.C.P.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
(UNAUDITED)**

For the period ended 30 June 2024

	<i>Notes</i>	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
		2024 KD'000	2023 KD'000	2024 KD'000	2023 KD'000
Placements and finance income		61,466	55,378	122,032	104,958
Finance costs and distribution to depositors		(48,664)	(45,057)	(95,983)	(85,593)
Net finance income		12,802	10,321	26,049	19,365
Net investment (loss) income		(499)	5,917	1,676	10,609
Net fees and commission income		2,192	1,579	3,756	2,454
Other income		198	100	327	580
Net foreign exchange gain (loss)		1,582	(170)	2,835	(143)
Net operating income		16,275	17,747	34,643	32,865
Staff costs		(5,568)	(6,817)	(12,008)	(12,214)
General and administrative expenses		(1,744)	(1,767)	(3,400)	(3,225)
Depreciation expense		(1,898)	(755)	(3,597)	(2,347)
Net operating expenses		(9,210)	(9,339)	(19,005)	(17,786)
Net operating profit before provision for impairment and credit losses		7,065	8,408	15,638	15,079
Provision for impairment and credit losses	8	(2,205)	(2,160)	(5,819)	(4,335)
Profit before tax		4,860	6,248	9,819	10,744
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(43)	(57)	(88)	(97)
National Labour Support Tax (NLST)		(132)	(164)	(260)	(280)
Zakat		(53)	(65)	(104)	(112)
NET PROFIT FOR THE PERIOD		4,632	5,962	9,367	10,255
BASIC AND DILUTED EARNINGS PER SHARE (EPS)	9	1.42 fils	2.03 fils	3.59 fils	3.99 fils

The accompanying notes 1 to 16 form an integral part of this interim condensed consolidated financial information.

Warba Bank K.S.C.P.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME (UNAUDITED)**

For the period ended 30 June 2024

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	2024	2023	2024	2023
	KD'000	<i>KD'000</i>	KD'000	<i>KD'000</i>
NET PROFIT FOR THE PERIOD	4,632	5,962	9,367	10,255
Other comprehensive income (loss)				
<i>Other comprehensive income (loss) that will be reclassified to profit or loss:</i>				
<i>Debt instruments at fair value through other comprehensive income:</i>				
Net change in fair value during the period	254	(872)	637	1,482
Changes in allowance for expected credit losses	(4)	13	(12)	6
Reclassification to profit or loss	(137)	(26)	(1,383)	(15)
Net gains (losses) on debt instruments at fair value through other comprehensive income	113	(885)	(758)	1,473
<i>Foreign currency translation:</i>				
Exchange differences on translation of foreign operations	(315)	508	(725)	943
Net exchange differences recycled to profit or loss on derecognition of investment in a joint venture	-	-	(42)	36
Net foreign currency translation	(315)	508	(767)	979
OTHER COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	(202)	(377)	(1,525)	2,452
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	4,430	5,585	7,842	12,707

The accompanying notes 1 to 16 form an integral part of this interim condensed consolidated financial information.

Warba Bank K.S.C.P.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 June 2024

	<i>Share capital KD'000</i>	<i>Share premium KD'000</i>	<i>Statutory reserve KD'000</i>	<i>Fair value reserve KD'000</i>	<i>Foreign currency translation reserve KD'000</i>	<i>Retained earnings KD'000</i>	<i>Sub-total KD'000</i>	<i>Proposed dividends KD'000</i>	<i>Equity attributable to shareholders of the Bank KD'000</i>	<i>Perpetual Tier 1 Sukuk KD'000</i>	<i>Total equity KD'000</i>
As at 1 January 2024	206,000	80,375	8,871	(4,517)	1,175	11,124	303,028	12,360	315,388	75,808	391,196
Net profit for the period	-	-	-	-	-	9,367	9,367	-	9,367	-	9,367
Other comprehensive loss	-	-	-	(758)	(767)	-	(1,525)	-	(1,525)	-	(1,525)
Total comprehensive (loss) income for the period	-	-	-	(758)	(767)	9,367	7,842	-	7,842	-	7,842
Issue of bonus shares (Note 6)	12,360	-	-	-	-	-	12,360	(12,360)	-	-	-
Profit paid on Perpetual Tier 1 Sukuk (Note 7)	-	-	-	-	-	(1,533)	(1,533)	-	(1,533)	-	(1,533)
At 30 June 2024	218,360	80,375	8,871	(5,275)	408	18,958	321,697	-	321,697	75,808	397,505
As at 1 January 2023	200,000	80,375	6,803	(9,759)	(276)	8,966	286,109	12,000	298,109	75,808	373,917
Net profit for the period	-	-	-	-	-	10,255	10,255	-	10,255	-	10,255
Other comprehensive income	-	-	-	1,473	979	-	2,452	-	2,452	-	2,452
Total comprehensive income for the period	-	-	-	1,473	979	10,255	12,707	-	12,707	-	12,707
Issue of bonus shares (Note 6)	6,000	-	-	-	-	-	6,000	(6,000)	-	-	-
Cash dividends (Note 6)	-	-	-	-	-	-	-	(6,000)	(6,000)	-	(6,000)
Profit paid on Perpetual Tier 1 Sukuk (Note 7)	-	-	-	-	-	(1,540)	(1,540)	-	(1,540)	-	(1,540)
At 30 June 2023	206,000	80,375	6,803	(8,286)	703	17,681	303,276	-	303,276	75,808	379,084

The accompanying notes 1 to 16 form an integral part of this interim condensed consolidated financial information.

Warba Bank K.S.C.P.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the period ended 30 June 2024

	Notes	Six months ended 30 June	
		2024 KD'000	2023 KD'000
OPERATING ACTIVITIES			
Profit before tax		9,819	10,744
<i>Adjustments for:</i>			
Realised gain on sale of debt instruments at FVOCI		(1,383)	(15)
Dividend income from financial assets		(2,488)	(1,523)
Share of results from investments in joint ventures		822	(2,176)
Loss on sale of joint ventures		410	28
Net rental income from investment properties		(72)	(32)
Fair value adjustment to investment properties		-	(4)
Other investment income		(199)	(3,034)
Changes in fair value of financial assets at FVTPL		1,234	(3,853)
Provision for employees' end of service benefits		733	577
Depreciation expense		3,597	2,347
Provision for impairment and credit losses	8	5,819	4,335
		18,292	7,394
<i>Changes in operating assets and liabilities:</i>			
Placements with banks and the CBK		(41,396)	(88,289)
Financing receivables		(167,687)	(326,015)
Other assets		21,792	(11,388)
Due to banks and other financial institutions		244,745	254,064
Depositors' accounts		(38,955)	255,705
Other liabilities		15,516	10,965
Cash flows from operations		52,307	102,436
Employees' end of service benefits paid		(136)	(103)
Taxes paid		(1,124)	(2,062)
Net cash flows from operating activities		51,047	100,271
INVESTING ACTIVITIES			
Purchase of financial assets at FVTPL		(26,430)	(13,936)
Proceeds from sale / redemption of financial assets at FVTPL		5,845	1,957
Purchase of financial assets at FVOCI		(121,035)	(119,913)
Proceeds from sale of financial assets at FVOCI		120,302	74,304
Additions to investment in joint ventures		(11,453)	(3,438)
Proceeds from sale of a joint venture		3,068	58
Purchase of property and equipment		(2,649)	(75)
Dividends received from financial assets		2,488	1,523
Other investment income received		192	305
Distributions received from joint ventures		546	1,476
Rental income received		95	32
Net cash flows used in investing activities		(29,031)	(57,707)
FINANCING ACTIVITIES			
Payment of lease liabilities		(1,843)	(2,510)
Net movement on Sukuk issued		443	384
Cash dividends		-	(5,092)
Profit paid to holders on Perpetual Tier 1 Sukuk		(1,533)	(1,540)
Net cash flows used in financing activities		(2,933)	(8,758)
NET INCREASE IN CASH AND CASH EQUIVALENTS		19,083	33,806
Cash and cash equivalents at 1 January		468,862	302,469
CASH AND CASH EQUIVALENTS AT 30 JUNE	3	487,945	336,275
Additional information on operational cash flows			
Finance costs paid		(96,297)	(66,089)
Finance income received		125,462	96,649

The accompanying notes 1 to 16 form an integral part of this interim condensed consolidated financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2024

1 CORPORATE INFORMATION

Warba Bank K.S.C.P. (the “Bank”) is a Kuwaiti public shareholding company, incorporated on 17 February 2010 in the State of Kuwait by virtue of Amiri Decree No. 289/2009. The Bank is registered as an Islamic banking institution in accordance with the rules and regulations of the Central Bank of Kuwait (the “CBK”) on 7 April 2010 and its shares are publicly traded on the Boursa Kuwait. The Bank’s head office is located at Al-Raya Tower, Mezzanine floor 1, Omar Ibn Al-Khattab Street and its registered postal address is P.O. Box 1220, Safat 13013, State of Kuwait.

The Bank is primarily involved in corporate, retail and investment banking activities in accordance with the principles of Islamic Sharī‘a, as approved by the Bank’s Sharī‘a Supervisory Board.

The annual general assembly meeting (“AGM”) of the shareholders of the Bank held on 31 March 2024 approved the consolidated financial statements for the year ended 31 December 2023. Distributions proposed by the Board of Directors and approved by the shareholders of the Bank for the year then ended are provided in Note 6.

This interim condensed consolidated financial information as at and for the six months ended 30 June 2024 includes the financial information of the Bank and its wholly owned special purpose vehicles (collectively, the “Group”).

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2024 has been approved for issuance in accordance with the Board of Directors resolution on 9 July 2024.

2 BASIS OF PREPARATION AND CHANGES TO THE GROUP’S ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2024 has been prepared in accordance with International Accounting Standard 34 “*Interim Financial Reporting*” except as noted below.

The interim condensed consolidated financial information has been prepared in accordance with the regulations for financial services institutions as issued by the Central Bank of Kuwait (the “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 amendment for measuring expected credit loss (“ECL”) at the higher of ECL provision on financing facilities computed under IFRS 9 – *Financial Instruments* (“IFRS 9”) in accordance with the CBK guidelines or the provisions as required by CBK instructions along with its consequential 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 consolidated financial information does not include all the information and disclosures required for full annual consolidated financial statements prepared in accordance with IFRS as adopted by CBK for use by the State of Kuwait and should be read in conjunction with the Group’s annual consolidated financial statements as at and for the year ended 31 December 2023.

2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of new standards effective as of 1 January 2024. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2024, but do not have an impact on the interim condensed consolidated financial information of the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2024

**2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES
(continued)**

2.2 New standards, interpretations, and amendments adopted by the Group (continued)

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures* to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The transition rules clarify that an entity is not required to provide the disclosures in any interim periods in the year of initial application of the amendments. Thus, the amendments had no impact on the Group's interim condensed consolidated financial information.

Amendments to IFRS 16: *Lease Liability in a Sale and Leaseback*

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments had no impact on the Group's interim condensed consolidated financial information.

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

In January 2020 and October 2022, 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; and
- ▶ 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.

In addition, a requirement has been introduced whereby an entity must disclose when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments had no material impact on the Group's interim condensed consolidated financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2024

3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents referred to in the interim condensed consolidated statement of cash flows comprises of cash on hand, non-restricted current accounts with central banks and amounts due from banks on demand or with an original maturity of three months or less.

	<i>30 June</i> <i>2024</i> <i>KD'000</i>	<i>(Audited)</i> <i>31 December</i> <i>2023</i> <i>KD'000</i>	<i>30 June</i> <i>2023</i> <i>KD'000</i>
Cash on hand	11,328	9,382	9,243
Current account with the CBK	302,976	163,937	148,930
Current account with commercial banks	24,744	34,492	17,720
Total cash and bank balances	339,048	207,811	175,893
Placements with the CBK with original maturity of three months or less	109,799	124,232	129,178
Placements with banks with original maturity of three months or less	39,098	136,819	31,204
Total cash and cash equivalents	487,945	468,862	336,275

4 FINANCING RECEIVABLES

	<i>30 June</i> <i>2024</i> <i>KD'000</i>	<i>(Audited)</i> <i>31 December</i> <i>2023</i> <i>KD'000</i>	<i>30 June</i> <i>2023</i> <i>KD'000</i>
Murabaha receivables	3,265,908	3,136,581	3,180,541
Ijara receivables	592,862	558,990	482,766
Wakala receivables	32,800	23,425	23,426
Others	27,352	33,614	40,061
Less: deferred profit	(211,531)	(204,857)	(174,909)
Financing receivables before provision for impairment	3,707,391	3,547,753	3,551,885
Less: Provision for impairment as per the CBK guidelines	(91,897)	(94,801)	(98,842)
	3,615,494	3,452,952	3,453,043

The available provision of KD 6,015 thousand (31 December 2023: KD 5,414 thousand and 30 June 2023: KD 5,126 thousand) relating to non-cash facilities is recorded under other liabilities.

The total provision for cash and non-cash credit facilities in accordance with CBK guidelines amounted to KD 97,912 thousand as at 30 June 2024 (31 December 2023: KD 100,215 thousand and 30 June 2023: KD 103,968 thousand).

The Expected Credit Losses (“ECL”) on credit facilities determined under IFRS 9 in accordance with the CBK guidelines amounted to KD 97,814 thousand as at 30 June 2024 (31 December 2023: KD 49,231 thousand and 30 June 2023: KD 56,840 thousand). The CBK guidelines prescribe certain parameters to determine the ECL on credit facilities such as floors for estimating Probability of Default (PD), eligible collateral with haircuts for determining Loss Given Default (LGD), deemed minimum maturity for Stage 2 exposures, 100% credit conversion factors for utilised cash and non-cash facilities, Stage 3 ECLs at 100% of the defaulted exposure net of eligible collateral after applying applicable haircuts etc.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2024

4 FINANCING RECEIVABLES (continued)

The following tables illustrates the reconciliation from the opening to the closing balance of the loss allowance (cash and non-cash facilities) as per the CBK instructions:

	<i>30 June 2024</i>		
	<i>Specific KD'000</i>	<i>General KD'000</i>	<i>Total KD'000</i>
As at 1 January 2024	13,793	86,422	100,215
Charge for the period	4,792	960	5,752
Amounts written off	(8,047)	-	(8,047)
Foreign exchange adjustments	-	(8)	(8)
At 30 June 2024	<u>10,538</u>	<u>87,374</u>	<u>97,912</u>

	<i>31 December 2023 (Audited)</i>		
	<i>Specific KD'000</i>	<i>General KD'000</i>	<i>Total KD'000</i>
As at 1 January 2023	18,570	82,420	100,990
(Reversal) charge for the period	(2,873)	3,980	1,107
Amounts written off	(1,904)	-	(1,904)
Foreign exchange adjustments	-	22	22
At 31 December 2023	<u>13,793</u>	<u>86,422</u>	<u>100,215</u>

	<i>30 June 2023</i>		
	<i>Specific KD'000</i>	<i>General KD'000</i>	<i>Total KD'000</i>
As at 1 January 2023	18,570	82,420	100,990
Charge for the period	388	3,669	4,057
Amounts written off	(1,095)	-	(1,095)
Foreign exchange adjustments	-	16	16
At 30 June 2023	<u>17,863</u>	<u>86,105</u>	<u>103,968</u>

An analysis of the carrying amounts of financing receivables (cash facilities), and the corresponding ECL based on the staging criteria under IFRS 9 in accordance with CBK regulations is as follows:

	<i>As at 30 June 2024</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	2,004,510	110,517	-	2,115,027
Standard	1,135,231	142,218	21,127	1,298,576
Past due or impaired	153,832	61,599	78,357	293,788
	<u>3,293,573</u>	<u>314,334</u>	<u>99,484</u>	<u>3,707,391</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2024

4 FINANCING RECEIVABLES (continued)

	<i>As at 31 December 2023 (Audited)</i>			
	<i>Stage 1 KD 000</i>	<i>Stage 2 KD 000</i>	<i>Stage 3 KD 000</i>	<i>Total KD 000</i>
<i>Financing receivables</i>				
High	1,597,217	65,792	-	1,663,009
Standard	1,487,564	167,147	14,965	1,669,676
Past due or impaired	122,834	69,301	22,933	215,068
	<u>3,207,615</u>	<u>302,240</u>	<u>37,898</u>	<u>3,547,753</u>
	<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>
<i>Financing receivables</i>				
High	1,884,079	30,229	-	1,914,308
Standard	1,366,320	224,463	-	1,590,783
Past due or impaired	10,564	24	36,206	46,794
	<u>3,260,963</u>	<u>254,716</u>	<u>36,206</u>	<u>3,551,885</u>

An analysis of the changes in the ECL in relation to financing receivables (cash facilities) computed under IFRS 9 in accordance with the CBK guidelines is, as follows:

	<i>30 June 2024</i>			
	<i>Stage 1 KD'000</i>	<i>Stage 2 KD'000</i>	<i>Stage 3 KD'000</i>	<i>Total KD'000</i>
ECL allowance as at 1 January 2024	14,257	9,950	16,048	40,255
Transfer from Stage 1	(396)	174	222	-
Transfer from Stage 2	1,066	(4,902)	3,836	-
Transfer from Stage 3	263	2,104	(2,367)	-
(Reversal) additional ECL for the period	(1,191)	1,259	44,859	44,927
Amounts written off	-	-	(8,047)	(8,047)
At 30 June 2024	<u>13,999</u>	<u>8,585</u>	<u>54,551</u>	<u>77,135</u>
	<i>31 December 2023 (Audited)</i>			
	<i>Stage 1 KD 000</i>	<i>Stage 2 KD 000</i>	<i>Stage 3 KD 000</i>	<i>Total KD 000</i>
ECL allowance as at 1 January 2023	14,338	9,897	17,992	42,227
Transfer from Stage 1	(475)	421	54	-
Transfer from Stage 2	820	(1,086)	266	-
Transfer from Stage 3	269	508	(777)	-
(Reversal) additional ECL for the year	(695)	210	417	(68)
Amounts written off	-	-	(1,904)	(1,904)
At 31 December 2023	<u>14,257</u>	<u>9,950</u>	<u>16,048</u>	<u>40,255</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2024

4 FINANCING RECEIVABLES (continued)

	<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>
ECL allowance as at 1 January 2023	14,338	9,897	17,992	42,227
Transfer from Stage 1	(423)	401	22	-
Transfer from Stage 2	910	(1,192)	282	-
Transfer from Stage 3	163	583	(746)	-
Additional ECL for the period	3,649	1,341	1,058	6,048
Amounts written off	-	-	(1,095)	(1,095)
At 30 June 2023	<u>18,637</u>	<u>11,030</u>	<u>17,513</u>	<u>47,180</u>

An analysis of the carrying amounts of contingent liabilities and commitments (non-cash facilities), and the corresponding ECL based on the staging criteria under IFRS 9 in accordance with CBK regulations is as follows:

	<i>As at 30 June 2024</i>			
	<i>Stage 1 KD'000</i>	<i>Stage 2 KD'000</i>	<i>Stage 3 KD'000</i>	<i>Total KD'000</i>
<i>Non-cash facilities</i>				
High	232,123	15,508	-	247,631
Standard	92,473	32,368	11,449	136,290
Past due or impaired	-	-	3,752	3,752
	<u>324,596</u>	<u>47,876</u>	<u>15,201</u>	<u>387,673</u>

	<i>As at 31 December 2023 (Audited)</i>			
	<i>Stage 1 KD 000</i>	<i>Stage 2 KD 000</i>	<i>Stage 3 KD 000</i>	<i>Total KD 000</i>
<i>Non-cash facilities</i>				
High	173,693	3,265	-	176,958
Standard	113,362	41,421	-	154,783
Past due or impaired	-	-	3,752	3,752
	<u>287,055</u>	<u>44,686</u>	<u>3,752</u>	<u>335,493</u>

	<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>
<i>Non-cash facilities</i>				
High	104,693	919	-	105,612
Standard	134,406	35,040	-	169,446
Past due or impaired	-	-	3,782	3,782
	<u>239,099</u>	<u>35,959</u>	<u>3,782</u>	<u>278,840</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2024

4 FINANCING RECEIVABLES (continued)

An analysis of the changes in the ECL in relation to financing receivables (non-cash facilities) computed under IFRS 9 in accordance with the CBK guidelines is as follows:

	<i>30 June 2024</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>
ECL allowance as at 1 January 2024	2,249	2,959	3,768	8,976
Transfer from Stage 1	(47)	47	-	-
Transfer from Stage 2	88	(1,366)	1,278	-
Transfer from Stage 3	2	-	(2)	-
Additional ECL for the period	335	467	10,901	11,703
At 30 June 2024	<u>2,627</u>	<u>2,107</u>	<u>15,945</u>	<u>20,679</u>
	<i>31 December 2023 (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>
ECL allowance as at 1 January 2023	2,067	2,687	4,498	9,252
Transfer from Stage 1	(31)	31	-	-
Transfer from Stage 2	57	(57)	-	-
Additional (reversal) ECL for the year	156	298	(730)	(276)
At 31 December 2023	<u>2,249</u>	<u>2,959</u>	<u>3,768</u>	<u>8,976</u>
	<i>30 June 2023</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>
ECL allowance as at 1 January 2023	2,067	2,687	4,498	9,252
Transfer from Stage 1	(17)	17	-	-
Transfer from Stage 2	57	(57)	-	-
Additional (reversal) ECL for the period	1,135	(109)	(618)	408
At 30 June 2023	<u>3,242</u>	<u>2,538</u>	<u>3,880</u>	<u>9,660</u>

5 SUKUK ISSUED

On 24 September 2019, the Bank completed the series 1 issuance of unsecured Sukuk (senior debt) amounting to US\$ 500 million (KD 154 million) with a tenor of up to 5 years maturing on 24 September 2024. Such Sukuk has a fixed coupon rate of 2.982% per annum, payable semi-annually in arrears. The Sukuk is listed on the Irish Stock Exchange (Euronext Dublin) and NASDAQ Dubai.

On 17 June 2020, the Bank completed the issuance of an unsecured Sukuk (senior debt) amounting to KD 150 million with a tenor of up to 5 years maturing on 17 June 2025. Such Sukuk has a coupon rate of 1% per annum over the CBK discount rate, payable semi-annually in arrears. The Sukuk is listed on the Irish Stock Exchange (Euronext Dublin).

Subsequent to the reporting period ended 30 June 2024, the Bank is in the process of issuing Senior Unsecured Sukuk (senior debt) amounting to US\$ 500 million (KD 154 million) with a tenor of up to 5 years maturing on 10 July 2029. Such Sukuk has a fixed coupon rate of 5.351% per annum, payable semi-annually in arrears. The Sukuk will be listed on the London Stock Exchange International Securities Market and NASDAQ Dubai.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2024

6 SHARE CAPITAL

6.1 Share capital

The authorised, issued, and fully paid-up share capital as at 30 June 2024 comprise of 2,183,600 thousand shares (31 December 2023: 2,060,000 thousand shares and 30 June 2023: 2,060,000 thousand shares) of 100 fils each.

6.2 Dividends made and proposed

- ▶ The ordinary annual general assembly meeting (“AGM”) of the Bank’s shareholders held on 31 March 2024 approved dividends of 6% bonus shares amounting to KD 12,360 thousand to the Bank’s shareholders for the year ended 31 December 2023 (2023: 3% bonus shares and a cash dividend of 3 fils per share aggregating to KD 6,000 thousand and KD 6,000 thousand respectively for the year ended 31 December 2022).
- ▶ The shareholders of the Bank at the extra-ordinary general assembly (“EGM”) held on 8 April 2024 approved the increase of Bank’s authorised, issued, and fully paid share capital by issuing 123,600 thousand bonus shares at 6% of the authorised and paid-up share capital (i.e. 6 shares for each 100 shares) amounting to KD 12,360 thousand to the shareholders registered in the Bank’s records as at the end of the record date on 9 May 2024. The legal proceedings relating to the issuance of bonus shares have been completed during the period.

7 PERPETUAL TIER 1 SUKUK

Tier 1 Sukuk 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 net proceeds of Tier 1 Sukuk 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. At the Bank’s sole discretion, it may elect not to make any Mudaraba distributions expected and in such event, the Mudaraba profit will not be accumulated, and the event is not considered an event of default.

On 29 November 2021, the Bank, through a Shari’a compliant Sukuk arrangement, issued Tier 1 Sukuk amounting to USD 250 million (KD 75.8 million). The Tier 1 Sukuk is listed on the Irish Stock Exchange and NASDAQ Dubai and callable by the Bank after five-year period ending 26 November 2026 (the “First Call Date”) or at any profit payment date thereafter subject to certain redemption conditions. Such Sukuk bears a profit rate of 4% per annum to be paid semi-annually in arrears until the First Call Date. After that, the expected profit rate will be reset based on the prevailing 5 years U.S Mid Swap Rate plus initial margin of 2.748% per annum. The Bank made profit payment during the period on 28 May 2024.

8 PROVISION FOR IMPAIRMENT AND CREDIT LOSSES

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2024</i>	<i>2023</i>	<i>2024</i>	<i>2023</i>
	<i>KD’000</i>	<i>KD’000</i>	<i>KD’000</i>	<i>KD’000</i>
Provision charge for credit facilities – specific	2,402	316	4,792	388
Provision charge for credit facilities – general	(255)	1,949	960	3,669
Expected credit losses (reversal) charge	(30)	(105)	(21)	278
Impairment on other assets	88	-	88	-
	2,205	2,160	5,819	4,335

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2024

9 BASIC AND DILUTED EARNINGS PER SHARE (EPS)

Basic EPS amounts are calculated by dividing the profit for the period attributable to ordinary equity holders of the Bank adjusted for profit paid on Perpetual Tier 1 Sukuk by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the Bank adjusted for profit paid on Perpetual Tier 1 Sukuk by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	2024	<i>2023</i> <i>(Restated)*</i>	2024	<i>2023</i> <i>(Restated)*</i>
Net profit for the period (KD'000)	4,632	5,962	9,367	10,255
Less: profit payment on Perpetual Tier 1 Sukuk (KD'000)	(1,533)	(1,540)	(1,533)	(1,540)
	3,099	4,422	7,834	8,715
Weighted average number of shares outstanding (shares'000)	2,183,600	2,183,600	2,183,600	2,183,600
Basic and diluted EPS (fils)	1.42	2.03	3.59	3.99

* The comparative basic and diluted EPS has been restated to reflect the impact of bonus shares issued in 2024.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of this interim condensed consolidated financial information.

10 RELATED PARTY DISCLOSURES

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. Balances with related parties arise from commercial transactions in the normal course of business. Lending to Board Members and their related parties is secured by tangible collateral in accordance with regulation of the Central Bank of Kuwait.

10.1 Remuneration of the Bank's key management personnel

Key management personnel are those individuals who have the authority and responsibility for planning and exercising power to directly or indirectly control the activities of the Bank and its employees. The Bank considers the members of the Board of Directors (and its sub-committees) and Executive Committee to be key management personnel for the purposes of IAS 24 *Related Party Disclosures*.

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	2024 KD'000	<i>2023</i> <i>KD'000</i>	2024 KD'000	<i>2023</i> <i>KD'000</i>
Salaries and short-term benefits	532	534	1,049	1,150
End of service benefits	47	44	93	88
	579	578	1,142	1,238

The AGM of the shareholders of the Bank held on 31 March 2024 approved directors' remuneration for the year ended 31 December 2023 amounting to KD 66 thousand (2022: KD 66 thousand).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2024

10 RELATED PARTY DISCLOSURES (continued)

10.2 Balances and transactions with Bank's board of directors' members, key management personnel, major shareholders and joint ventures

Details of the balances of board of directors' members, executive officers, major shareholders and joint ventures are as follows:

	<i>Number of BOD members, executive officers, major shareholders or joint ventures</i>			<i>Number of related parties</i>			<i>Outstanding balance</i>		
	<i>(Audited)</i>			<i>(Audited)</i>			<i>(Audited)</i>		
	<i>30 June 2024</i>	<i>31 December 2023</i>	<i>30 June 2023</i>	<i>30 June 2024</i>	<i>31 December 2023</i>	<i>30 June 2023</i>	<i>30 June 2024 KD'000</i>	<i>31 December 2023 KD'000</i>	<i>30 June 2023 KD'000</i>
Board Members									
Financing facilities (secured)	1	1	1	-	-	-	1	2	3
Credit cards	1	1	1	1	-	1	1	-	2
Depositors' accounts	7	7	7	29	27	27	6,958	6,417	7,246
Contingent liabilities (letter of guarantees)	-	-	-	6	4	4	749	734	767
Executive Officers									
Financing facilities (secured)	7	7	5	-	1	-	1,137	1,307	250
Credit cards	2	3	3	-	-	-	6	5	16
Depositors' accounts	14	14	14	16	17	16	5,892	4,795	7,855
Major Shareholders									
Financing Facilities (secured)	-	-	-	2	2	-	2,496	2,527	-
Depositors' accounts	3	3	3	4	4	3	576,530	677,367	598,311
Contingent liabilities (letter of guarantees)	-	-	-	1	1	1	147	197	2
Joint Ventures									
Depositors' accounts	39	39	40	-	-	-	470	382	378

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2024

10 RELATED PARTY DISCLOSURES (continued)

Outstanding balances at period end are in the ordinary course of business. The profit rates charged to, and by, related parties are at normal commercial rates.

Details of the transactions of board of directors' members, executive officers and major shareholders are as follows:

	<i>Six months ended</i>	
	<i>30 June</i>	
	2024	2023
	KD'000	KD'000
Board Members		
Net fees and commission income	5	6
Finance costs and distribution to depositors	108	91
Executive Officers		
Placement and finance income	91	54
Finance costs and distribution to depositors	107	65
Major Shareholders		
Placement and finance income	68	-
Net fees and commission income	5	-
Finance costs and distribution to depositors	14,538	14,944

11 COMMITMENTS AND CONTINGENT LIABILITIES

	<i>(Audited)</i>		
	<i>30 June</i>	<i>31 December</i>	<i>30 June</i>
	2024	2023	2023
	KD'000	KD'000	KD'000
Acceptances and letters of credit	89,075	71,620	68,391
Letters of guarantee	298,598	263,873	210,449
Contingent liabilities	387,673	335,493	278,840
Capital and other commitments	239,728	200,394	388,078

12 SEGMENT INFORMATION

The Group's operating segments are determined based on the reports reviewed by the decision makers that are used for strategic decisions. These segments are strategic business units that offer different products and services. They are managed separately since the nature of the products and services, class of customers and marketing strategies of these segments are different.

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

- ▶ **Corporate** - comprising of range of banking services and investment products to corporate customers, in addition to providing commodity and real estate murabaha finance and Ijarah facilities.
- ▶ **Retail** - comprising of a diversified range of products and services to individual customers. The range includes consumer finance, credit cards, deposits and other branch related services.
- ▶ **Treasury** – comprising of the Bank's funding operations management, local and international Murabaha and other Islamic financing primarily with banks and financial institutions.
- ▶ **Investment** - comprising of investment in direct equity, real estate investment, other investments and asset management.
- ▶ **Other** – comprising of cost center assets and expenses.

Management monitors the operating segments separately for the purpose of making decisions about resource allocation and performance assessment.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2024

12 SEGMENT INFORMATION (continued)

The following table presents net operating income (loss), net profit (loss) for the period, total assets and total liabilities information in respect of the Group's reportable segments:

	<i>30 June 2024</i>					
	<i>Corporate KD'000</i>	<i>Retail KD'000</i>	<i>Treasury KD'000</i>	<i>Investment KD'000</i>	<i>Other KD'000</i>	<i>Total KD'000</i>
Net operating income (loss)	35,150	4,433	1,350	(6,290)	-	34,643
Net profit (loss)	29,401	(2,822)	1,021	(7,207)	(11,026)	9,367
Total assets	2,953,702	669,054	909,373	462,698	65,300	5,060,127
Total liabilities	1,192,377	1,277,388	2,116,752	-	76,105	4,662,622

	<i>30 June 2023</i>					
	<i>Corporate KD'000</i>	<i>Retail KD'000</i>	<i>Treasury KD'000</i>	<i>Investment KD'000</i>	<i>Other KD'000</i>	<i>Total KD'000</i>
Net operating income (loss)	28,520	2,434	(1,603)	3,514	-	32,865
Net profit (loss)	23,817	(2,613)	(2,263)	2,509	(11,195)	10,255
Total assets	2,836,638	620,877	763,604	425,393	80,012	4,726,524
Total liabilities	1,056,588	1,168,058	2,061,884	-	60,910	4,347,440

13 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial instruments comprise financial assets and financial liabilities.

Fair value hierarchy

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

- ▶ **Level 1** - quoted (unadjusted) prices in an active market for identical assets and 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; and
- ▶ **Level 3** - other techniques which use inputs which have a significant effect on the recorded fair value are not based on observable market data.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2024

13 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

		Fair value measurement		
		Quoted prices in active markets (Level 1) KD'000	Significant observable inputs (Level 2) KD'000	Significant unobservable inputs (Level 3) KD'000
30 June 2023	Total KD'000			
<i>Financial instruments measured at fair value on a recurring basis</i>				
<i>Financial assets at FVPL</i>				
Quoted equity instruments	13,993	13,993	-	-
Funds (unquoted)	137,179	-	-	137,179
Other securities (unquoted)	5,003	-	-	5,003
	156,175	13,993	-	142,182
<i>Financial assets at FVOCI</i>				
<i>Quoted Sukuk</i>				
- Sovereign Sukuk	178,904	178,904	-	-
- Corporate Sukuk	154,731	154,731	-	-
	333,635	333,635	-	-
Unquoted equity instruments	10,497	-	-	10,497
	344,132	333,635	-	10,497

Movements in Level 3 financial instruments measured at fair value

The following tables show the reconciliation of the opening and closing amounts of Level 3 financial assets measured at fair value:

	30 June 2024					At 30 June 2024 KD'000
	At 1 January 2024 KD'000	Additions KD'000	Sales / redemptions KD'000	Change in fair value KD'000	Exchange rate movements KD'000	
<i>Financial assets at FVTPL</i>						
Funds (unquoted)	141,925	23,419	(2,556)	(999)	(736)	161,053
Other securities (unquoted)	4,771	-	-	(319)	(1)	4,451
	146,696	23,419	(2,556)	(1,318)	(737)	165,504
<i>Financial assets at FVOCI</i>						
Unquoted equity instruments	9,631	-	-	-	-	9,631
	9,631	-	-	-	-	9,631

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2024

13 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	31 December 2023 (Audited)					
	At				Exchange	At
	1 January		Sales/	Change in fair	rate	31 December
	2023	Additions	redemptions	value	movements	2023
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
<i>Financial assets at FVTPL</i>						
Funds (unquoted)	121,368	27,199	(6,120)	(1,265)	743	141,925
Other securities (unquoted)	5,750	-	(633)	(356)	10	4,771
	127,118	27,199	(6,753)	(1,621)	753	146,696
<i>Financial assets at FVOCI</i>						
Unquoted equity instruments	10,497	884	-	(1,750)	-	9,631
	10,497	884	-	(1,750)	-	9,631
	30 June 2023					
	At				Exchange	At
	1 January		Sales/	Change in fair	rate	30 June
	2023	Additions	redemptions	value	movements	2023
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
<i>Financial assets at FVPL</i>						
Funds (unquoted)	121,368	13,629	(1,389)	2,973	598	137,179
Other securities (unquoted)	5,750	-	(569)	(192)	14	5,003
	127,118	13,629	(1,958)	2,781	612	142,182
<i>Financial assets at FVOCI</i>						
Unquoted equity instruments	10,497	-	-	-	-	10,497
	10,497	-	-	-	-	10,497

There were no transfers between any levels of the fair value hierarchy during 2024 or 2023.

The valuation techniques and inputs used in this interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023.

The fair value of financial instruments classified as level 3 are, in certain circumstances, measured using valuation techniques that incorporate assumptions that are not evidenced by the prices from observable current market transactions in the same instrument and are not based on observable market data. The Group employs valuation techniques, depending on the instrument type and available market data. For example, in the absence of active market, an investment's fair value is estimated on the basis of an analysis of the investee's financial position and results, risk profile and other factors. Favourable and unfavourable changes in the value of financial instruments are determined on the basis of changes in the value of the instruments as a result of varying the levels of the unobservable parameters, quantification of which is judgmental. The management assessed that the impact on profit or loss or other comprehensive income would be immaterial if the relevant risk variables used to fair value the financial instruments classified as Level 3 were altered by 5 percent (31 December 2023 and 30 June 2023: 5 percent).

For other financial assets and financial liabilities carried at amortised cost, the carrying value is not significantly different from their fair value as most of these assets and liabilities are of short-term maturity or are re-priced immediately based on market movement in profit rates.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2024

14 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are financial instruments that derive their value by referring to profit rates, foreign exchange rates, index of prices or rates and credit rating or credit index. Notional principal amounts merely represent amounts to which a rate or price is applied to determine the amounts of cash flows to be exchanged and do not represent the potential gain or loss associated with the market or credit risk of such instruments.

Derivative financial instruments are carried at fair value in the interim condensed consolidated statement of financial position. Positive fair value represents the cost of replacing all transactions with a fair value in the Group's favour had the rights and obligations arising from that instrument been closed in an orderly market transaction at the reporting date. Credit risk in respect of derivative financial instruments is limited to the positive fair value of the instruments. Negative fair value represents the cost to the Group's counter parties of replacing all their transactions with the Group.

The Group deals in forward foreign exchange ("Islamic derivative financial instruments") to mitigate foreign currency risk. The forward foreign exchange contracts are being used for hedging purpose.

Forward foreign exchange contracts

Forward foreign exchange contracts are contractual agreements to buy, sell or exchange a specified financial instrument at a specific price and date in the future. Forwards are customized contracts transacted on the over the counter market and are settled on a gross basis.

The table below shows the positive and negative fair values of these instruments, which are equivalent to the market values, together with the notional amounts. The notional amount is the amount of currency swap instruments' underlying asset, reference rate or index and is the basis upon which changes in the value of these instruments are measured. The notional amounts indicate the volume of transactions outstanding at the period end and are not indicative of the credit risk.

	<i>KD'000</i>		
	<i>Positive fair value</i>	<i>Negative fair value</i>	<i>Notional amount</i>
30 June 2024			
Forward contracts	2	-	4,286
	<u> </u>	<u> </u>	<u> </u>
	<i>KD'000</i>		
	<i>Positive fair value</i>	<i>Negative fair value</i>	<i>Notional amount</i>
31 December 2023 (Audited)			
Forward contracts	-	(11)	14,276
	<u> </u>	<u> </u>	<u> </u>
	<i>KD'000</i>		
	<i>Positive fair value</i>	<i>Negative fair value</i>	<i>Notional amount</i>
30 June 2023			
Forward contracts	-	(17)	23,442
	<u> </u>	<u> </u>	<u> </u>

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

15 FIDUCIARY ASSETS

The aggregate value of assets held in a trust or fiduciary capacity by the Group at 30 June 2024 amounted to KD 424,293 thousand (31 December 2023: KD 346,617 thousand and 30 June 2023: KD 210,273 thousand).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2024

16 CHANGES IN REFERENCE RATES (IBOR)

Financial assets and liabilities

The Group's exposure to IBOR linked financial assets is mainly through USD LIBOR. As at 30 June 2024, the Group has transitioned most of its contracts to "Risk-Free Rates" (RFRs). For four syndicated contracts, discussions are currently in progress with the counterparties/customers to complete transition before the next repricing date.

The Group does not have any exposure to IBOR linked liabilities as of 30 June 2024.

Derivatives held for hedging purposes

The Group has completed the transition of all USD linked derivatives as per ISDA Fallbacks Protocol.