

Kuwait: 23/07/2024
Ref: 5609/2024

الكويت: 2024/07/23
الإشارة: 2024/5609

Mr. Mohammad Saud Al-Osaimi
CEO
Boursa Kuwait

السيد/ محمد سعود العيصي المحترم
الرئيس التنفيذي
بورصة الكويت
السلام عليكم ورحمة الله وبركاته وبعد،،،

Dear Sir,

**Minutes of the Analysts' Conference call for
the Second Quarter of 2024**

**محضر مؤتمر المحللين للربع الثاني لسنة
2024**

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

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

We attach herewith a copy of the Minutes of the Analysts' Conference call for the Second quarter ended 30/06/2024 held via Live Webcast at 01:00 pm (Local Time) on Monday, July 22nd 2024, as per the requirements of the said article.

نرفق لكم نسخة من محضر مؤتمر المحللين للربع الثاني المنتهي في 2024/06/30 الذي انعقد عن طريق بث مباشر على شبكة الأنترنت (Live Webcast) في تمام الساعة 01:00 (وفق التوقيت المحلي) من بعد ظهر يوم الإثنين الموافق 2024/07/22؛ وذلك وفقاً للمتطلبات الواردة في المادة المشار إليها أعلاه.

Best regards,

وتفضلوا بقبول فائق الاحترام،،،

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



عادل عبد الوهاب الماجد
نائب رئيس مجلس الإدارة
والرئيس التنفيذي للمجموعة

Q2 2024 Boubyan Bank K.S.C.P – Earnings Call

Edited transcript of the Boubyan Bank earnings conference call that took place on Monday, 22nd July 2024 at 13:00 Kuwait Time

Corporate Participants:

Mr. Abdulsalam Al Saleh – Chief Executive Officer

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

Mr. Fawaz Tawfiqi – Investor Relations

Fawaz Tawfiqi: Good afternoon everyone, and thank you for joining us today. This is Fawaz Tawfiqi from Investor Relations. I am pleased to welcome you all to Boubyan Bank's earnings webcast covering the results for the first half of 2024.

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

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

In addition to the disclaimer I have just read, I urge you all to read the full text of our disclaimer on page 2 of the presentation pack.

Our format for today's call will include:

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

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

With that said, I would like to now hand you over to Mr. Abdulsalam Al Saleh to take you through a brief update on Boubyan's performance during the first half of 2024.

Abdulsalam Al Saleh: Thank you Fawaz.

Good afternoon everyone and thanks for joining us.

I will give a quick update on our operating environment before my highlights on the overall financial performance and strategic initiatives.

Despite the level of uncertainties arising from the geopolitical tensions in Europe and the Middle East along with the upcoming US presidential election, inflation around many parts of the world dropped closer to the central banks' targets. This suggests that a cut is, more likely than not, to happen during the second half of 2024. However, just last week, the IMF warned that inflation is slowing down more slowly than expected, which could possibly keep interest rates higher for longer. This can be directly pertained to higher wages in major economies along with global geopolitical tensions. Despite these issues, the IMF expects global growth to be unchanged at 3.2% for 2024.

Kuwait's inflation has eased to 3.2% in May 2024 as compared to 3.7% for the same period last year. Economic growth for 2024 looks even more promising due to OPEC+'s plan to unwind its voluntary production cuts starting from October of this year. Moreover, following the recent new government formation, we could expect accelerated steps towards economic reforms and developments.

Regarding Boubyan performance, during the first half of 2024, we achieved a very positive results with double digits growth in the key financial matrices.

Our net profit grew by 20% YoY to reach KD 49.6 million with an earnings per share of 11.1 fils. This reflects a 10% growth in operating profit and reduction in cost of risk by 18 bps.

Our operating income grew 11% to KD 121 million driven mainly by the growth in net financing income. Total assets grew 11% year-on-year to reach KD 8.9 billion and total financing portfolio also grew by 10% to KD 6.7 billion. Customer deposits grew by 13% to reach KD 7.0 billion. Our market share of financing increased to around 11.7%, while maintaining the Non-performing loans at a very low level of 1.0%.

Moving on now to discuss our strategy.

Boubyan has successfully concluded its third strategic journey "Boubyan 2023" which saw the bank deliver on its strategic objectives and built a leading retail franchise in Kuwait with the highest market share within the youth segment, ranked as #1 in terms of mobile app rating, and is the leading bank in terms of customer service and innovation.

The bank is now focused on its new 5-year strategy plan, “Boubyan 2028” which will align with the bank’s vision and mission and be integrated within its ESG direction. Boubyan 2028 aims to grow and strengthen its existing local and international presence, and diversify its products and services, all while operating efficiently.

With steady steps, Boubyan Bank managed to be among the top Islamic financial institutions with many awards and international rankings received by the bank from a group of prestigious institutions, among which are *Euromoney*, *Global Finance*, *MEED*, and *Service Hero* thus, reinforcing its leadership and status as a leading Islamic and digital financial institution. Boubyan was also ranked among *Forbes’* top 100 listed companies in the MENA region for 2024. This is in addition to our Group CEO, Mr. Adel Al-Majed, being named the MENA CEO of the year by *MEED* in recognition of his exceptional leadership and significant contributions to the growth of the banking industry over the years.

Having embarked on the sustainability reporting journey and transparently disclosing our ESG metrics, we have gradually evolved to ingrain and integrate sustainability elements across our overall corporate strategy and business practices. The Bank issued its 2023 Sustainability Report titled: “Integration into Corporate Strategy” back during March 2024.

With that, I will conclude my briefing and now, Mohamed will take you through the Bank’s financial performance with more details.

Mohamed Ibrahim: Good afternoon everyone. It is my pleasure to take you through our financial results for the first half of 2024.

The bank has reported a net profit of KD 49.6 million, a growth of 20% compared to the same period last year. Earnings per share also increased to 11.1 fils. This growth in profitability reflects 10% growth in operating profit and a reduction in the cost of risk.

The bank’s RoAE and RoAA increased compared to last year to 10.9% and 1.2% respectively which reflects the growth in net profit.

Now moving on to the operating income components. The operating income increased by 11% to reach around KD 121.4 million. This was mainly driven by the increase in net financing income.

Regarding net financing income, the growth of 16% YoY reflecting the growth in average profit earning assets by 7% as well as the growth in our NPM by around 17bps (i.e. from 2.25% during 2023 to 2.42% during

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2024) as a result of gradual repricing of assets with all the rate increases that happened since 2022.

There was a slight decrease in our investment income due to a one-off gain from a sale of one of our properties last year. Excluding this extraordinary gain, our investment income increased by 7% compared to last year.

Fees and commissions income and FX gains grew by 3% year on year reaching KD 19 million, reflecting the growth in business activities.

Now, we will move to slide 9 and discuss operating expenses. Operating expenses grew by 12% compared to last year which has resulted into a cost to income ratio of 49.5% and the cost to average assets of 1.4%.

We will now move on to provisions on slide 10.

Total impairment provision was KD 10 million, 38% lower than 2023 which resulted in the reduction of the bank's loss ratio and provisions as a percentage of operating profit to 0.23% and 16.3% respectively. Total provisions in excess of IFRS 9 provision requirements was KD 140 million.

Now moving on to slide 12 regarding our balance sheet.

Overall, our total assets grew by 6% year to date and 11% year on year. This growth was mainly driven by the growth in the Bank's financing portfolio, fixed income and investment portfolio.

Looking into the composition of total assets, we can see the financing portfolio represents 75% of total assets and liquid assets to total assets maintained at 19%.

Customer deposits grew 7% during 2024 and 13% year on year and now represents 78% of our sources of funding. The loan to deposit ratio was maintained at 88%.

We now move on to slide 13.

Our net financing portfolio grew by KD 613 million or 10% as compared to prior year which was mainly driven by the growth in the corporate segment by 14% YoY. The growth in retail financing was around 4%.

Non-performing loans was maintained at 1.0%, while the coverage ratio was also maintained at 315%.

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

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Our capital adequacy ratio stands at 17.8% against a minimum requirement of 14% (including D-SIB of 1%).

Risk Weighted Assets reported a year-on-year growth of 8% to reach KD 5.7 billion, which was driven mainly by asset growth. The leverage ratio stands at 10.1%.

Before I hand over for the Q&A session, I would like to make some remarks on our guidance for the remainder of 2024.

Regarding the expected credit growth in Kuwait, with an expectation of a potential reduction in interest rates along with an anticipated increase in government-led capital investments and corporate projects, we forecast a likely acceleration in credit growth, possibly around mid-single digit.

With regard to loan growth for Boubyan, we expect to achieve high single digit growth at the group level considering our expectation for the overall growth in credit market in Kuwait.

With regards to margins – we expect this to be maintained at current levels of 2.4%.

Our cost-to-income and loss ratios are expected to be at the current levels for the rest of 2024.

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

Fawaz Tawfiqi

Thank you, Mr. Mohamed.

We will now start our Q&A session. Ladies and gentlemen, if you wish to participate in our Q&A, please type your question using the question box on screen. Then click the submit button. Thank you for holding.

Fawaz Tawfiqi

Thank you for holding. Our first question asks: with regards to guidance on net financing margin and credit costs to be maintained at current level, are you referring to 2Q24 or to 1H24 level?

Mohamed Ibrahim

Actually, I was referring to the first half of 2024.

- Fawaz Tawfiqi Next question: what is your latest NIM sensitivity to potential rate cuts?
- Mohamed Ibrahim Our NIM will be impacted by approximately 1.5bps or around KD 1M for each 25bps reduction on both sides of the balance sheet.
- Fawaz Tawfiqi Any developments regarding implementing the 15% corporate tax in 2025?
- Mohamed Ibrahim Yes. Actually, as per our understanding, the final draft of the law is about to be completed and we are expecting this law to be issued before the end of the year to be implemented in 2025 as per the OECD inclusive framework.
- Fawaz Tawfiqi Do you factor in any rate cuts by the CBK in your net financing margin guidance?
- Mohamed Ibrahim As per our estimation so far, the rate cut may happen in the last quarter of 2024 but we don't have any clarity if the Central Bank will follow the Fed. However, considering the profile of our assets, even if it happens in the last quarter, the impact in 2024 will be very minimal. So, our estimation, so far, excludes any reduction in interest rate for 2024.
- Fawaz Tawfiqi As the government may look at fiscal reforms and potential cuts to current spending and subsidies / allowances, do you see this as a potential negative to consumer spending and consumer credit?
- Abdulsalam Al Saleh Actually, the government's intention is towards more rationalization and optimization for the expenditures. At the same time, it's going to be to the benefit of more capital expenditures. So, it's not expected to create a negative impact on the consumer spending or credit.
- Fawaz Tawfiqi Have you seen any tangible steps with regards to implementation of projects? Or just project awards?
- Abdulsalam Al Saleh Actually, yes. During the first half, we have seen accelerated steps towards launching or awards in various projects and we are hopeful that the momentum will continue for the remainder of this year.
- Fawaz Tawfiqi Any thoughts on the likelihood of the passing of the debt law or the housing law in the short term?

- Abdulsalam Al Saleh Recently, with the formation of the new government, we have seen more determination towards key subjects that needs to be addressed and decisions to be taken. The debt law and mortgage law are among the top in the government's agenda. Therefore, we are expecting that more steps and decisions will be taken in the near future towards both subjects.
- Fawaz Tawfiqi Fee income fell 1% Y-o-Y in 1H24. Do you expect similar growth for FY24?
- Mohamed Ibrahim The reduction in the fee income here is only referring to fee income, excluding FX gains. If we look into the fee income, last year we had a one-off income as a type of seasonality that does not happen every year. It was in the range of KD 1.5 – 2M. Even if we include this one-off, we expect the growth for FY24 to be in the mid-single digits.
- Fawaz Tawfiqi What were the drivers of loan growth in Q2?
- Mohamed Ibrahim The main driver was the growth in Corporate and this happened across many sectors including real estate, trade, services, and infrastructure financing. These also include some syndicated loans from the regional deals.
- Fawaz Tawfiqi Is the bank engaging in corporate loan growth opportunities in Saudi Arabia, UAE, or other GCC markets?
- Abdulsalam Al Saleh Yes, we are looking into the emerging opportunities in the neighboring countries and we have been involved in some of these opportunities in the form of participation and syndication. It represents part of the growth that we anticipate or has already been achieved but the fact remains that most of the growth achieved has been primarily within Kuwait.
- Fawaz Tawfiqi Does lending in GCC incur the same risk-weights than lending to corporates in Kuwait?
- Abdulsalam Al Saleh Actually, it depends on the rating of the obligor. For us, we have been involved primarily in mega projects that have national importance for the respective country. In most cases, there is a government element in these transactions along with offtake agreements that support the transactions.

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Fawaz Tawfiqi

Ladies and gentlemen, we'd like to thank you all for your attendance today and remind you that should you wish to ask any follow up questions, you may do so through the investor relations email address listed on our website.

A reminder that the presentation slides and transcripts of this call will be published on both the Boubyan and the Kuwait Boursa Websites within the coming days.

Thank you.

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Boubyan Bank Investor Presentation

Q2 2024 Results

22nd July 2024

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Outline

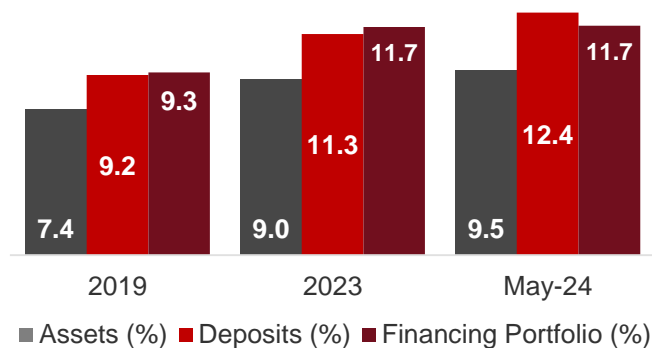
- 1** Boubyan's Performance & Strategy – At a Glance
- 2** Income Statement Analysis
- 3** Balance Sheet Analysis
- 4** Capitalization & Leverage

Financial Highlights

Financial Snapshot

KD million	6M 2024	6M 2023	Growth %
Net Profit to shareholders	49.6	41.3	20%
Operating Income	121.4	109.2	11%
Operating Profit	61.4	55.5	10%
Total Assets	8,891	8,024	11%
Financing Portfolio	6,707	6,094	10%
Customer Deposits	6,964	6,153	13%
Earnings per share (Fils)	11.09	9.10	22%

Market Share (%)



Key Financial Metrics

	6M 2024	6M 2023	Variance
Return on Average Equity (%)	10.9	9.6	1.3
Return on Average Assets (%)	1.2	1.0	0.2
Cost to Income (%)	49.5	49.1	0.3
NPL Ratio (%)	1.0	1.1	(0.1)
Capital Adequacy Ratio (%)	17.8	18.1	(0.3)

Source: Financial statements, Boubyan analysis

Credit Ratings

Rating Agency	Long Term Rating	Outlook	Date
MOODY'S	A2	Stable	May 2024
STANDARD & POOR'S	A	Stable	Dec 2023
FitchRatings	A (xgs: BBB)	Stable	Jan 2024

The Bank's Strategy Builds on Robust Domestic Foundations And Builds Its International Presence

Strategic Objectives

A leading Islamic full-fledged bank in Kuwait, focused on innovation and digital excellence

Consumer Banking

- Maintaining Group's position as a leader in customer service and enhancing the customer experience.
- Growing its market share as the bank of choice for affluent and youth customers through improved digital initiatives.
- Personalized Private Banking for high net worth individuals providing a holistic local and international offering while growing its market share of new clients.
- Building an expansive product offering to selected SMEs with a unique value proposition.

Corporate Banking

- Defending, and strategically expanding, its position and market share in large and mid-size corporate clients.
- Becoming a lead cash manager and trade partner for institutions by achieving coverage and operational excellence through our state-of-the-art Cash Management and Transaction Banking solutions.
- Delivering faster solutions and superior service through the improvement of its credit processes and systems.

Wealth Management

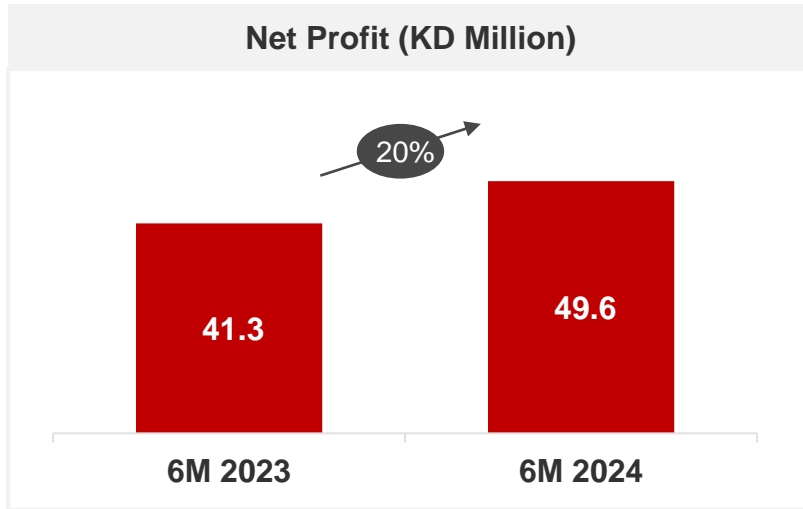
- Maximize wealth management growth and service excellence by enhancing offerings and solutions through Boubyan Capital, BLME, and NOMO Bank.
- Continuing to develop acquisition, marketing, and relationship capabilities.
- Growing the Group's market share in these sectors.
- Creating distinctive Islamic wealth management opportunities for customers.

Outline

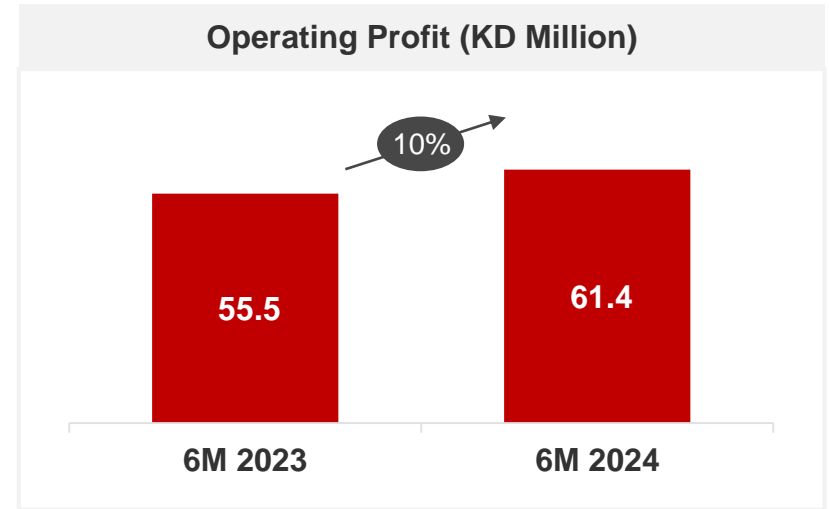
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Profitability & Performance Ratio

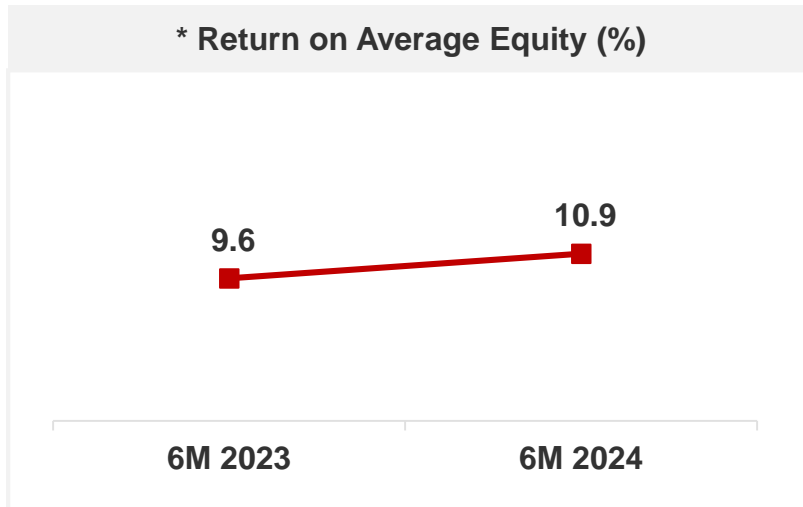
Net Profit (KD Million)



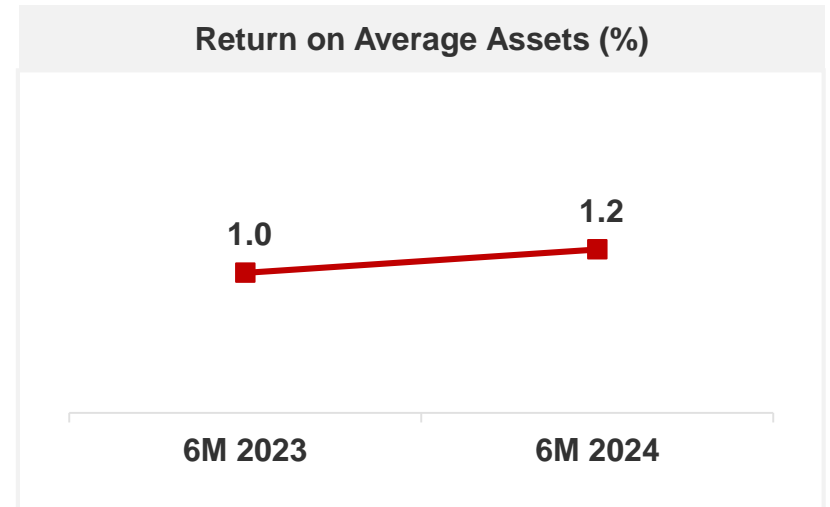
Operating Profit (KD Million)



* Return on Average Equity (%)



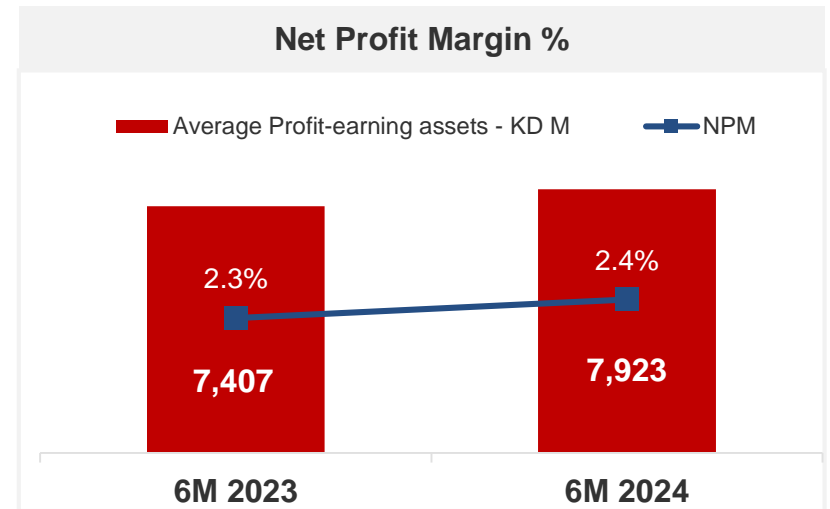
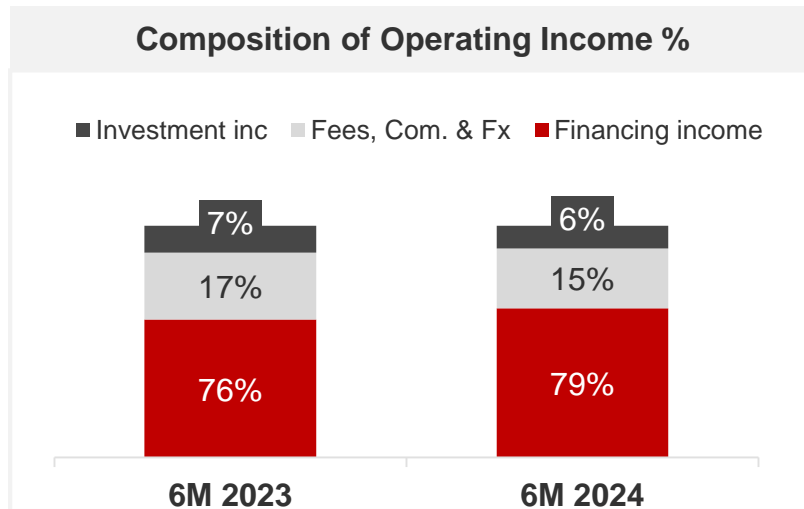
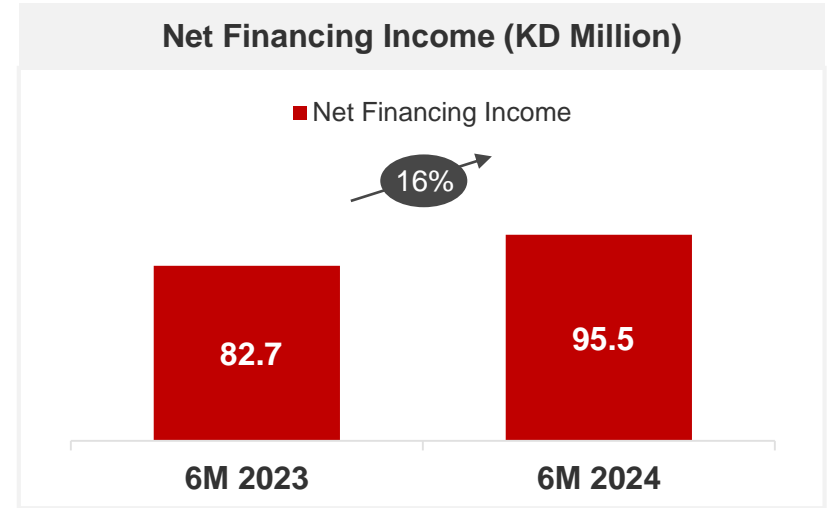
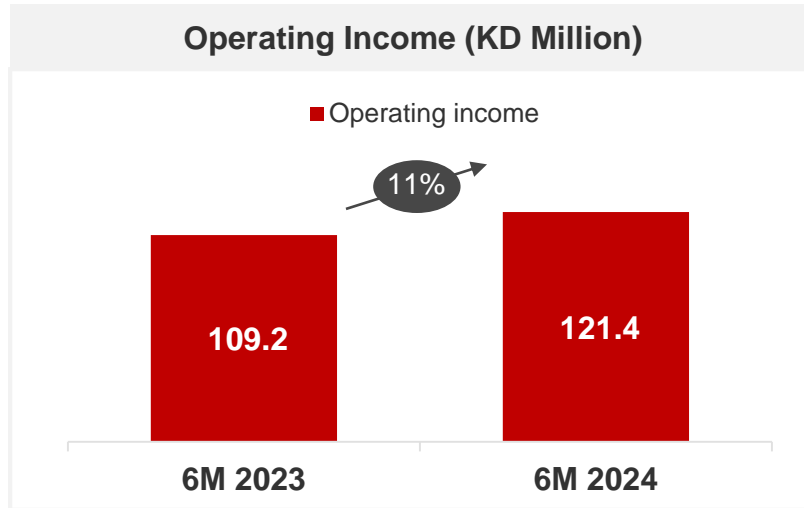
Return on Average Assets (%)



* Return on Average Equity is computed based on shareholders' equity after adjusting the net profit for Tier 1 Sukuk costs.

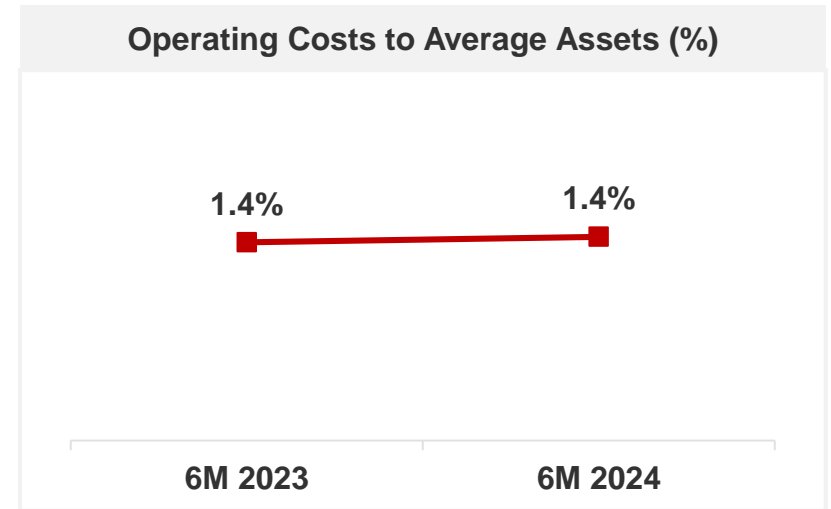
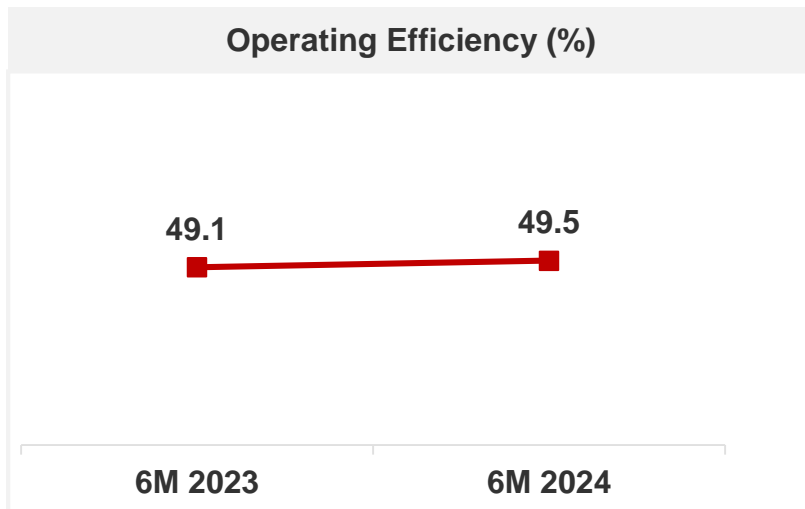
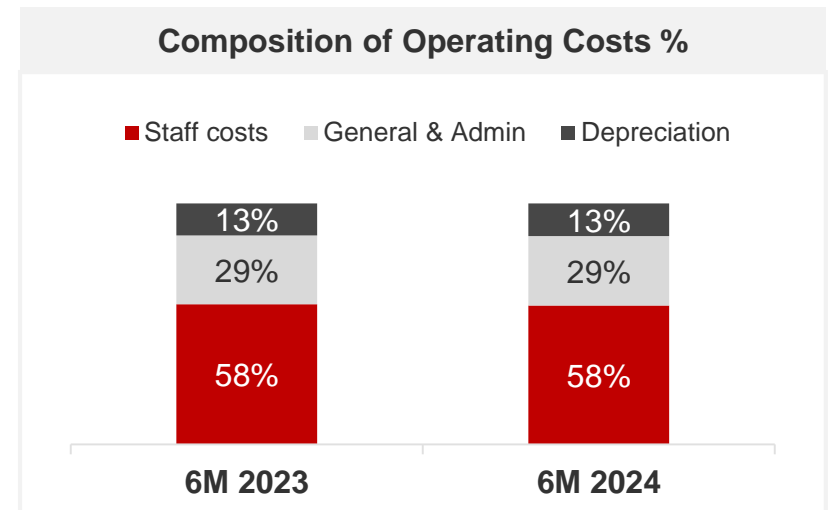
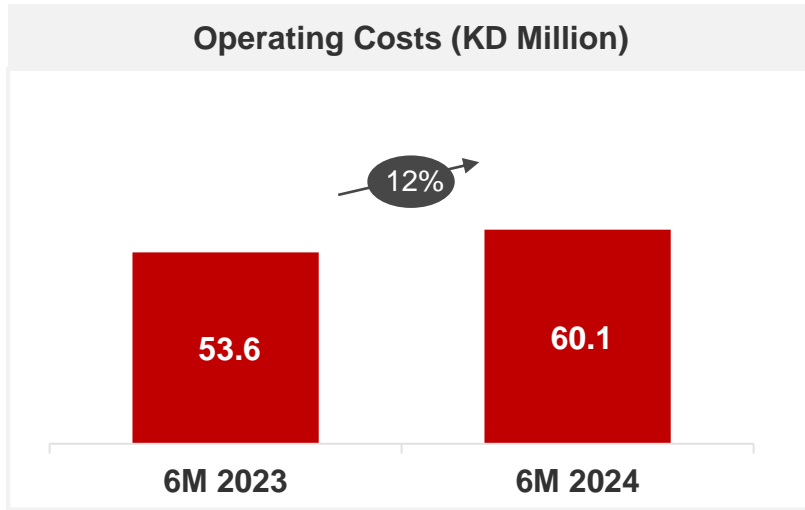
Source: Financial statements, Boubyan analysis

Operating income components and Net Profit Margins



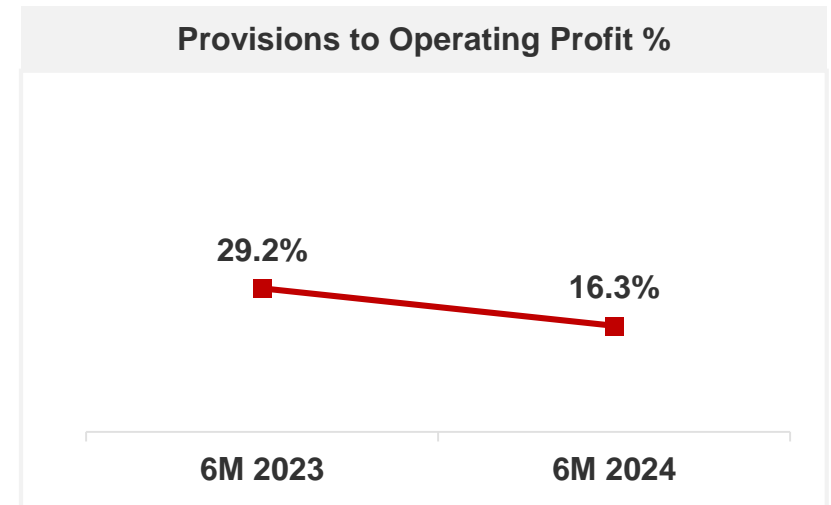
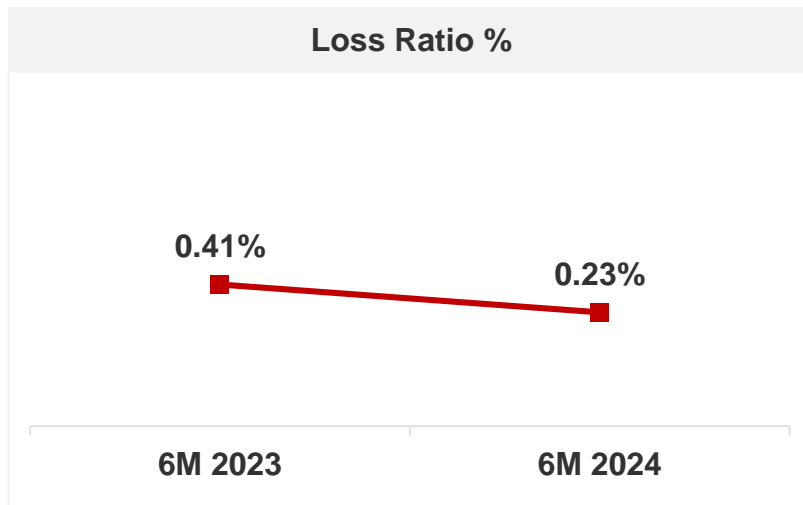
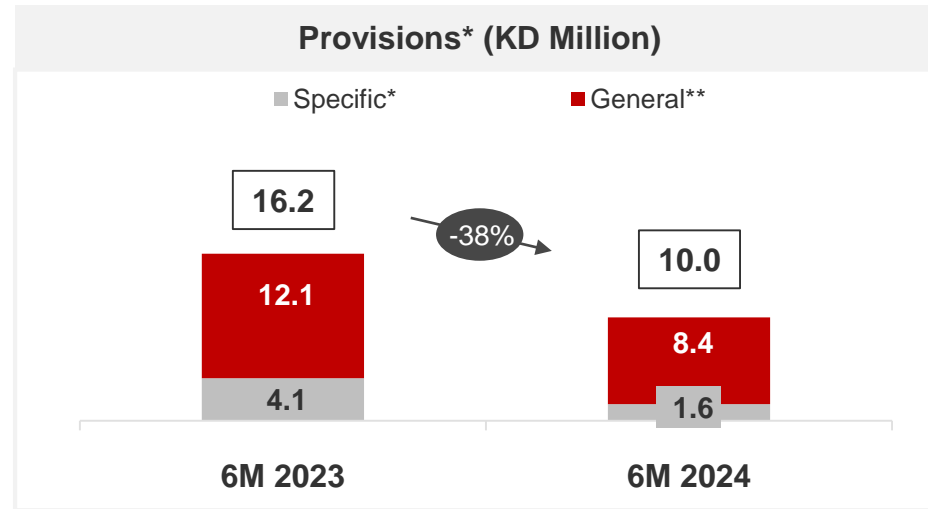
Source: Financial statements, Boubyan analysis

Operating Costs & Efficiency



Source: Financial statements, Boubyan analysis

Provisions & Related Ratios



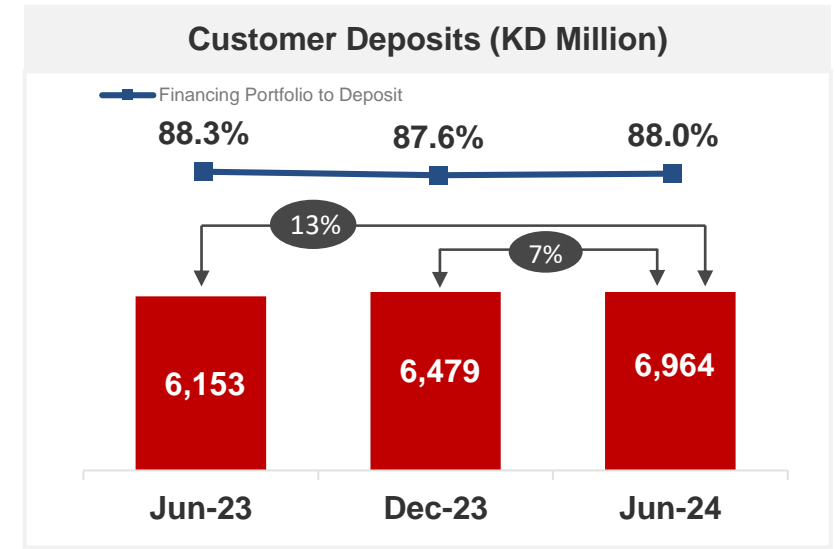
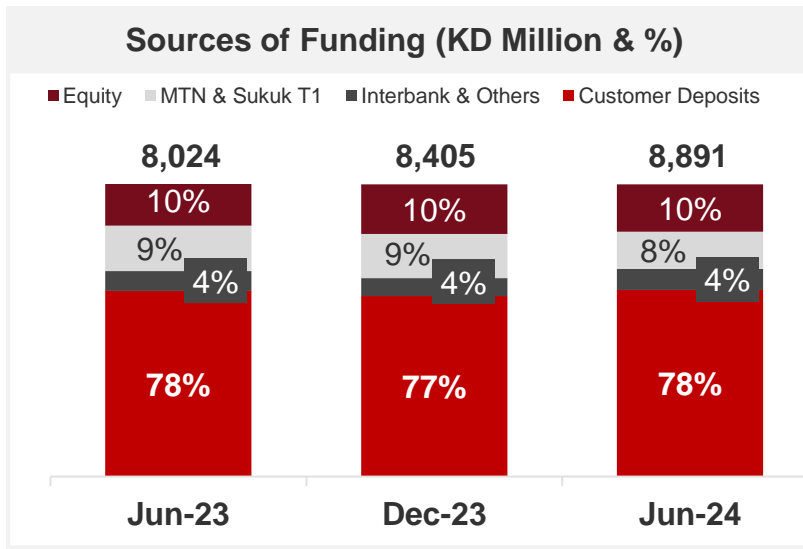
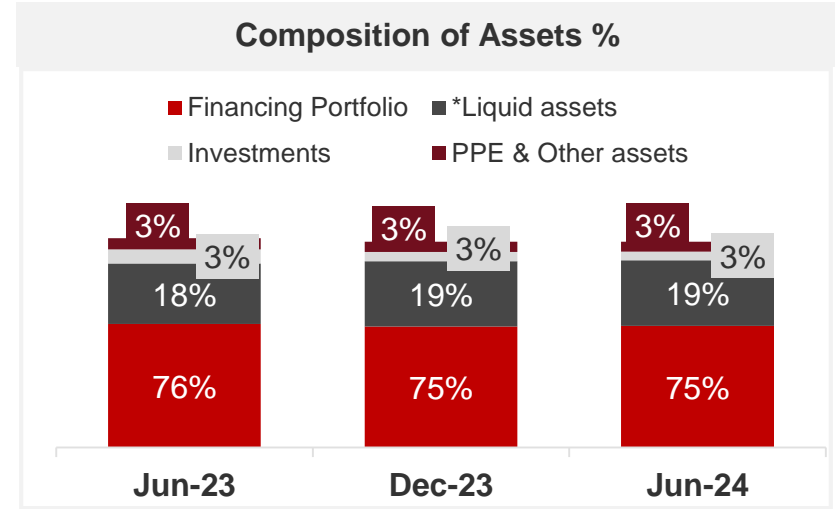
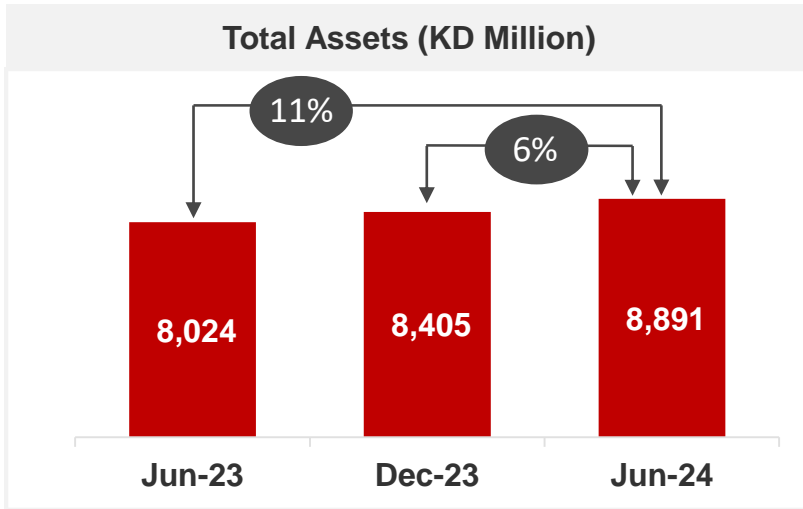
* Specific Provisions are shown inclusive of ECL – Other Financial Assets – Investments Impairment

** General Provisions are shown inclusive of Contingent Provisions

Outline

- 1 Boubyan's Performance & Strategy – At a Glance
- 2 Income Statement Analysis
- 3 Balance Sheet Analysis**
- 4 Capitalization & Leverage

Assets & Sources of Funding

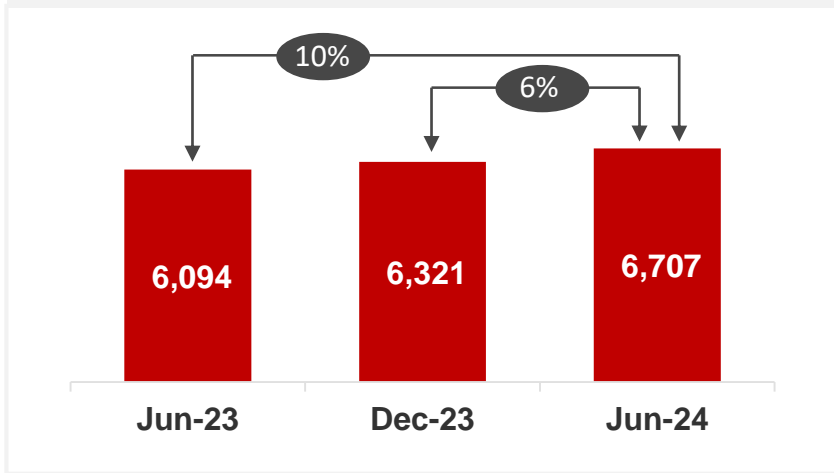


* Liquid assets include cash and balances with banks, Deposits with CBK, Deposits with other banks and Sukuk Investments

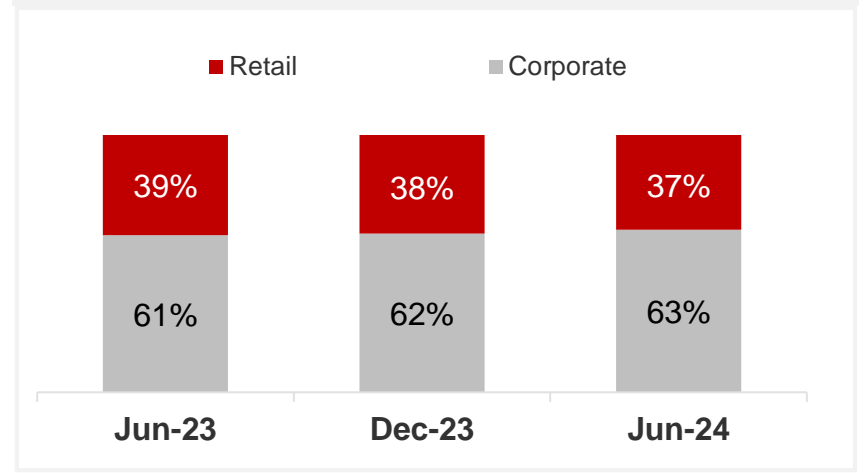
Source: Financial statements, Boubyan analysis

Financing Portfolio & Asset Quality

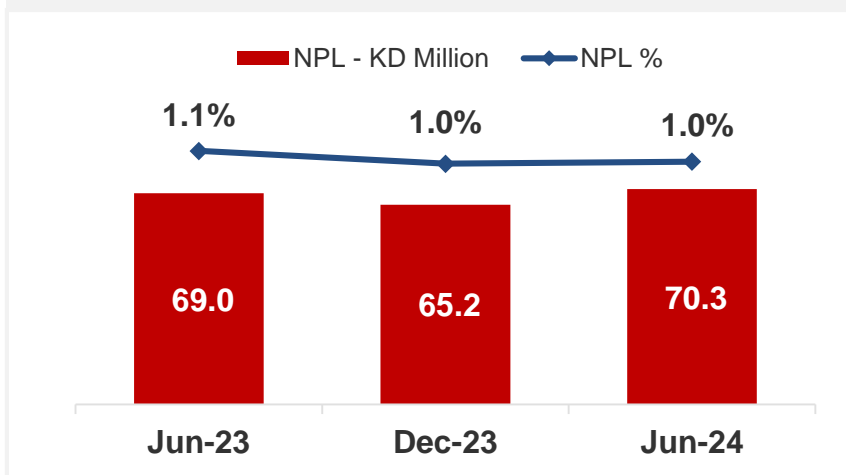
Financing Portfolio – KD Million



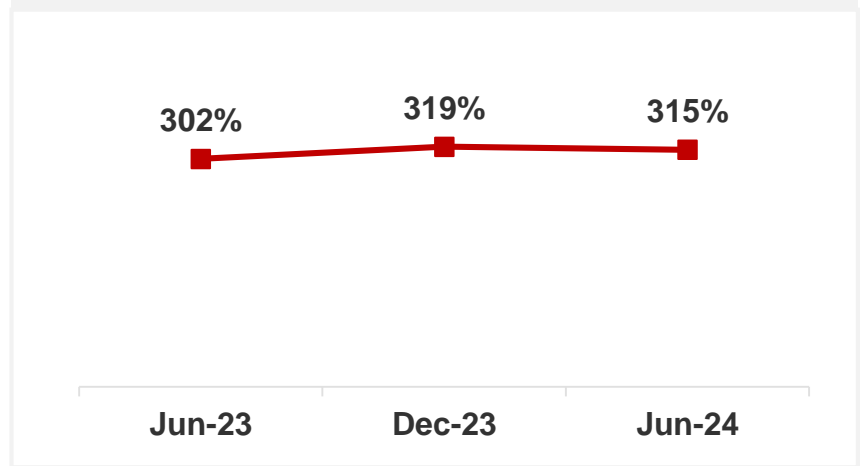
Composition of Financing Portfolio %



Non-Performing Financing Portfolio



Loss Coverage Ratio

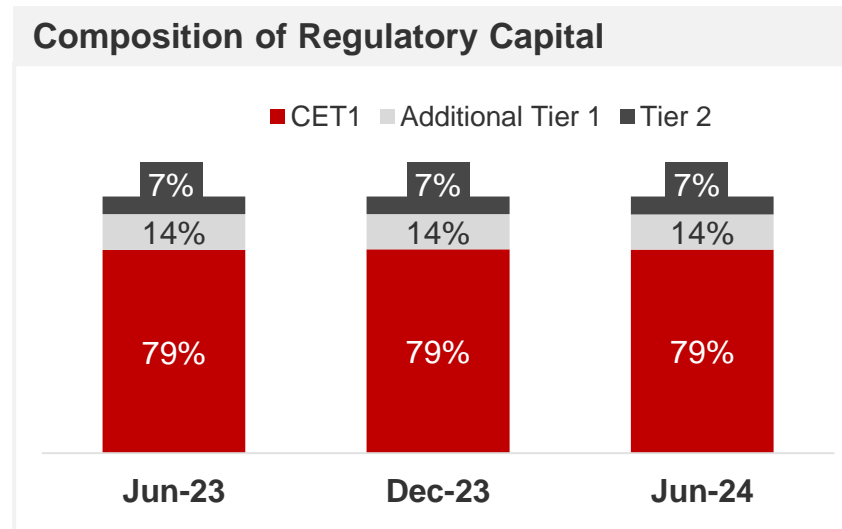
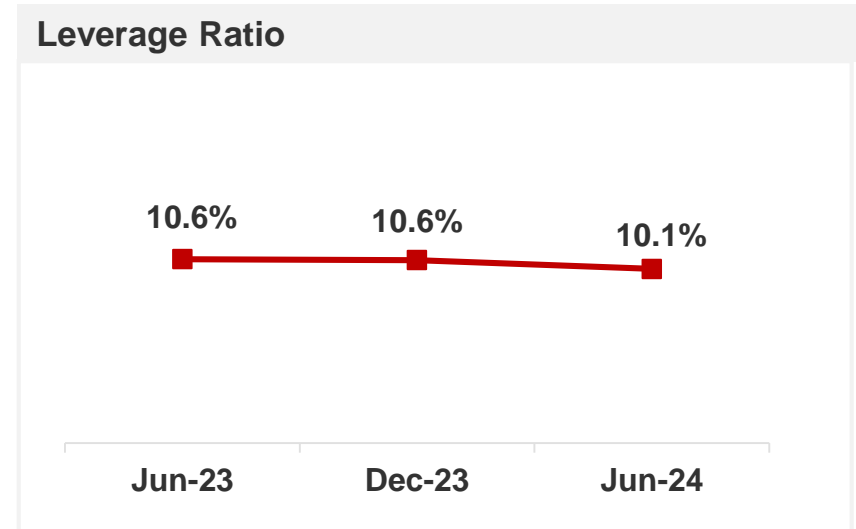
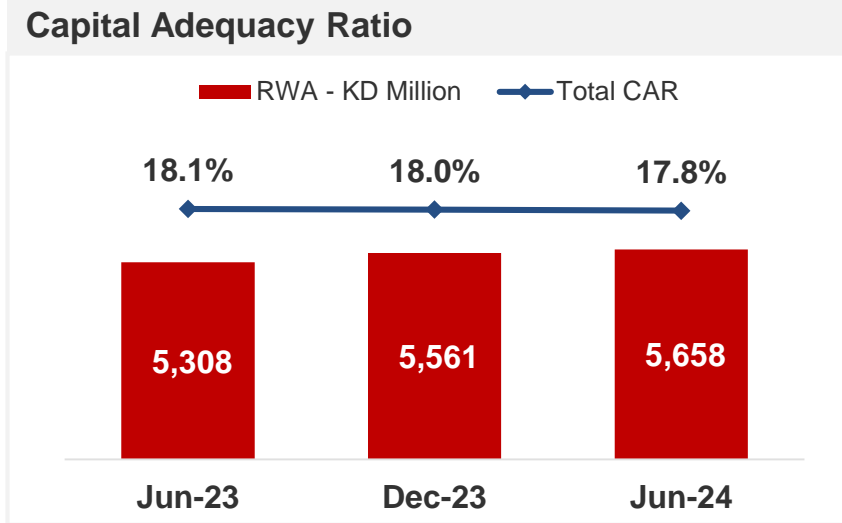


Source: Financial statements, Boubyan analysis

Outline

- 1 Boubyan's Performance & Strategy – At a Glance
- 2 Income Statement Analysis
- 3 Balance Sheet Analysis
- 4 Capitalization & Leverage**

Capital Adequacy



Source: Regulatory returns

Questions?

Appendix

Consolidated Financial Statements – Q2 2024

CONSOLIDATED STATEMENT OF INCOME			CONSOLIDATED STATEMENT OF FINANCIAL POSITION		
KD Million	30-Jun 2024	30-Jun 2023	KD Million	30-Jun 2024	30-Jun 2023
Income			Assets		
Islamic financing income	221.3	188.1	Cash and balances with banks	496	264
Financing cost	(125.8)	(105.4)	Deposits with Central Bank of Kuwait	187	405
Net finance income	95.5	82.7	Deposits with other banks	9	60
Net investment income	7.1	7.6	Islamic financing to customers	6,707	6,094
Net fees and commission income	15.2	15.4	Investments in Sukuks	1,007	709
Net foreign exchange gain	3.6	2.9	Other investment securities	155	162
Other Income	0.0	0.6	Investment properties	71	65
Operating Income	121.4	109.2	Other assets	101	125
Expenses			Property and Equipment	158	139
Staff cost	(34.7)	(31.2)	Total Assets	8,891	8,024
General and administrative expenses	(17.3)	(15.3)	Liabilities and Equity		
Depreciation	(8.1)	(7.1)	Liabilities		
Total Expenses	(60.1)	(53.6)	Due to banks	260	192
Profit before provision for impairment	61.4	55.5	Depositors' accounts	6,964	6,153
Provision for impairment	(10.0)	(16.2)	Medium Term Financing	502	561
Profit before taxes	51.3	39.3	Other liabilities	124	127
Taxes and board remuneration	(2.2)	1.2	Total liabilities	7,850	7,032
Non-Controlling Interests	0.5	0.8	Equity		
Net Profit for the year	49.6	41.3	Share capital	420	396
			Share premium	317	317
			Reserves	70	59
			Retained earnings	61	43
			Equity attributable to equity holders of the bank	868	815
			Perpetual Tier 1 Sukuk	150	150
			Non-controlling interest	23	26
			Total equity	1,041	992
			Total liabilities and equity	8,891	8,024

Consolidated Income Statement

CONSOLIDATED STATEMENT OF INCOME	31-Dec	31-Dec	31-Dec
KD Million	2023	2022	2021
Income			
Islamic financing income	396.8	283.7	223.2
Financing cost	(224.3)	(116.5)	(65.7)
Net finance income	172.5	167.2	157.5
Net investment income	15.2	6.8	8.8
Net fees and commission income	22.9	21.1	16.8
Net foreign exchange gain	6.6	6.2	4.7
Other Income	0.9	0.0	0.0
Operating Income	218.0	201.4	187.8
Expenses			
Staff cost	(63.7)	(60.3)	(52.4)
General and administrative expenses	(32.6)	(28.2)	(25.2)
Depreciation	(14.3)	(12.4)	(9.6)
Total Expenses	(110.6)	(100.8)	(87.2)
Profit before provision for impairment	107.5	100.6	100.5
Provision for impairment	(31.7)	(43.7)	(50.8)
Profit before taxes	75.7	56.9	49.8
Taxes and board remuneration	2.5	(2.7)	(1.8)
Non-Controlling Interests	2.2	3.5	0.5
Net Profit for the year	80.4	57.7	48.5

Consolidated Statement of Financial Position

KD Million	31-Dec 2023	31-Dec 2022	31-Dec 2021
Assets			
Cash and balances with banks	399.0	533.2	533.2
Deposits with Central Bank of Kuwait	219.0	247.8	247.8
Deposits with other banks	96.2	131.7	131.7
Islamic financing to customers	6,321.0	5,913.5	5,913.5
Investments in Sukuks	886.3	609.6	609.6
Other investment securities	154.7	152.6	152.6
Investment properties	73.5	33.6	33.6
Other assets	106.0	130.1	130.1
Property and Equipment	149.2	128.6	128.6
Total Assets	8,405.0	7,880.8	7,880.8
Liabilities			
Due to banks	187.2	198.7	198.7
Depositors' accounts	6,479.1	5,961.7	5,961.7
Medium Term Financing	591.7	637.6	637.6
Other liabilities	118.2	103.0	103.0
Total liabilities	7,376.2	6,901.1	6,901.1
Equity			
Share capital	396.3	373.9	318.0
Share premium	316.9	316.9	156.9
Proposed bonus share	23.8	22.4	15.9
Treasury shares	(0.1)	(0.1)	(0.1)
Reserves	70.9	58.3	52.8
Accumulated retained earnings / (losses)	15.1	4.7	4.1
Proposed cash dividends	31.7	22.4	15.9
Equity attributable to equity holders of the bank	854.7	798.6	563.5
Perpetual Tier 1 Sukuk	150.4	150.4	150.4
Non-controlling interest	23.8	30.7	36.2
Total equity	1,028.8	979.7	750.1
Total liabilities and equity	8,405.0	7,880.8	7,651.1

Thank You