

## Public Disclosure Requirements (Basel III)

The qualitative and quantitative public disclosures under this section have been prepared in accordance with the Central Bank of Kuwait (CBK) Rules and Regulations concerning Capital Adequacy Standard (Basel III) for Islamic Banks licensed in the State of Kuwait, vide circular reference 2/RB/RBA/336/2014 dated June 24, 2014, Leverage Ratio Standard circular reference 2/RBA/343/2014 dated October 21, 2014, and Liquidity Coverage Ratio Standard circular reference 2/RBA/346/2014 dated December 23, 2014.

Disclosures related to Capital Adequacy Standards under Basel III are based on calculating the minimum capital required to cover credit and market risks using the Standardized Approach, and the minimum capital required to cover operational risk using the Basic Indicator Approach.

### **FIRST: BANK STRUCTURE**

Warba Bank K.S.C.P. (the "Bank") is engaged in providing Islamic banking, finance and investment services that comply with Islamic Sharia to various customer and industry segments.

### **SECOND: CAPITAL STRUCTURE**

The Bank's regulatory capital comprises:

- Equity Tier 1 (CET1) which demonstrates the Bank's underlying strength and includes share capital, reserves, and share premium according to applicable rules and regulations.
- Additional Tier 1 (AT1) which comprises of the Tier 1 Perpetual Sukuk issued by the bank.
- Tier 2 Supplementary Capital which comprises of the allowed portion of general provisions (1.25% of the risk weighted assets).

The Bank's capital does not include either structured instruments or complex equity instruments.

Tier 1 "Core Capital" amounted to KD 394,700 thousand, and Tier 2 "Supplementary Capital" amounted to KD 31,274 thousand as of September 30, 2024 as detailed below:

	Capital Structure	(KD'000)
<b>Tier (1) Capital</b>		
<b>A</b>	<b>Common Equity Tier 1 (CET1)</b>	
	1- Directly issued qualifying common share capital plus related stock surplus	298,735
	2- Eligible Minority Interest in Consolidated Subsidiaries	-
	3- Retained earnings (loss)	9,591
	4- Other reserves	12,118
	5- Proposed dividends	-
	<b>Total (A) CET1 before deductions</b>	<b>320,444</b>
	Deductions from CET1	
	1- Treasury shares	-
	2- Dividends (Declared but not incurred)	-
	3- Goodwill	-
	4- Other deductions	-
	<b>Total (A) CET1 after deductions</b>	<b>320,444</b>
<b>B</b>	<b>Additional Tier 1 (AT1)</b>	
	Deduction from AT1	74,256
	<b>Total (B) AT1 after deductions</b>	<b>74,256</b>
<b>Total (A+B) Tier 1 after Deductions</b>		<b>394,700</b>
<b>Tier (2) Supplementary Capital</b>		
	1- Capital Eligible as T2	-
	2- General provisions	31,274
	<b>Total Tier (2) Supplementary Capital before deductions</b>	<b>31,274</b>
	Deduction from Tier (2) Supplementary Capital	-
	<b>Total Tier (2) Supplementary Capital after deductions</b>	<b>31,274</b>
<b>Total Available Capital (Tier 1 &amp; Tier 2) before adjustments</b>		<b>425,974</b>
	Other Adjustments	-
<b>Total Available Capital (Tier 1 &amp; Tier 2) After adjustments</b>		<b>425,974</b>

Profit Equalization Reserve and Investment Risk Reserve amounted to KD (Nil) as of September 30, 2024.

## 1. Common Disclosures Template

The common disclosure template demonstrated below is presented with the objective of disclosing a detailed breakdown of the Bank's regulatory capital in a consistent and clear format, thus enhancing the consistency and comparability of the disclosed elements of capital between banks and across jurisdictions.

Item		(KD'000)
	<b>Common Equity Tier 1 capital: instruments and reserves</b>	
1	Directly issued qualifying common share capital plus related stock surplus	298,735
2	Retained earnings	9,591
3	Accumulated other comprehensive income (and other reserves)	12,118
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	-
5	Common share capital issued by subsidiaries and held by third parties minority interest)	-
6	Proposed dividends	-
<b>7</b>	<b>Common Equity Tier 1 capital before regulatory adjustments</b>	<b>320,444</b>
	<b>Common Equity Tier 1 capital: regulatory adjustments</b>	
8	Prudential valuation adjustments	-
9	Goodwill (net of related tax liability)	-
10	Other intangibles (net of related tax liability)	-
11	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-
12	Cash-flow hedge reserve	-
13	Shortfall of provisions to expected losses (based on the Internal Models Approach, if applied)	-
14	Taskeek gain on sale (as set out in para 72 of these guidelines)	-
15	Gains and losses due to changes in own credit risk on fair valued liabilities	-
16	Defined-benefit pension fund net assets (para 68)	-
17	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	-
18	Reciprocal crossholdings in common equity of banks, FIs, and insurance entities	-
19	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold of bank's CET1 capital)	-
20	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold of bank's CET1 capital)	-
21	Mortgage servicing rights (amount above 10% threshold of bank's CET1 capital)	-
22	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-
23	Amount exceeding the 15% threshold	-
24	of which: significant investments in the common stock of financials	-
25	of which: mortgage servicing rights	-
26	of which: deferred tax assets arising from temporary differences	-
27	National specific regulatory adjustments	-
28	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-
<b>29</b>	<b>Total regulatory adjustments to Common Equity Tier 1</b>	<b>-</b>
<b>30</b>	<b>Common Equity Tier 1 after the regulatory adjustments</b>	<b>320,444</b>
	<b>Additional Tier 1 capital: instruments</b>	
31	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	75,808
32	of which: classified as equity under applicable accounting standards	75,808
33	of which: classified as liabilities under applicable accounting standards	-
34	Directly issued capital instruments subject to phase out from Additional Tier 1	-

Item		(KD'000)
35	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-
36	of which: instruments issued by subsidiaries subject to phase-out	-
<b>37</b>	<b>Additional Tier 1 capital before regulatory adjustments</b>	<b>75,808</b>
	<b>Additional Tier 1 capital: regulatory adjustments</b>	
38	Investments in own Additional Tier 1 instruments	-
39	Reciprocal cross-holdings in Additional Tier 1 instruments	(1,552)
40	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-
41	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
42	National specific regulatory adjustments	-
43	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-
<b>44</b>	<b>Total regulatory adjustments to Additional Tier 1 capital</b>	<b>(1,552)</b>
<b>45</b>	<b>Additional Tier 1 capital (AT1)</b>	<b>74,256</b>
<b>46</b>	<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>394,700</b>
	<b>Tier 2 capital: instruments and provisions</b>	
47	Directly issued qualifying Tier 2 instruments plus related stock surplus	-
48	Directly issued capital instruments subject to phase-out from Tier 2	-
49	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-
50	of which: instruments issued by subsidiaries subject to phase-out	-
51	General provisions included in Tier 2 capital	31,274
<b>52</b>	<b>Tier 2 capital before regulatory adjustments</b>	<b>31,274</b>
	<b>Tier 2 capital: regulatory adjustments</b>	
53	Investments in own Tier 2 instruments	-
54	Reciprocal cross-holdings in Tier 2 instruments	-
55	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-
56	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
<b>57</b>	<b>National specific regulatory adjustments</b>	<b>-</b>
<b>58</b>	<b>Total regulatory adjustments to Tier 2 capital</b>	<b>-</b>
<b>59</b>	<b>Tier 2 capital (T2)</b>	<b>31,274</b>
<b>60</b>	<b>Total capital (TC = T1 + T2)</b>	<b>425,974</b>
<b>61</b>	<b>Total risk weighted assets (after applying 50% additional weighting)</b>	<b>2,629,312</b>
	<b>Capital ratios and buffers</b>	
<b>62</b>	<b>Common Equity Tier 1 (as a percentage of risk weighted assets)</b>	<b>%12.19</b>
<b>63</b>	<b>Tier 1 (as a percentage of risk weighted assets)</b>	<b>%15.01</b>
<b>64</b>	<b>Total capital (as a percentage of risk weighted assets)</b>	<b>%16.20</b>
<b>65</b>	<b>Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus D-SIB buffer requirement, expressed as a percentage of risk weighted assets)</b>	<b>%9.50</b>
66	of which: capital conservation buffer requirement	%2.50
67	of which: bank specific countercyclical buffer requirement	%0.00
68	of which: D-SIB buffer requirement	%0.00
<b>69</b>	<b>Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)</b>	<b>%4.38</b>
	<b>National minimal</b>	
<b>70</b>	<b>National Common Equity Tier 1 minimum ratio: 9.5%</b>	<b>249,785</b>
<b>71</b>	<b>National Tier 1 minimum ratio: 11%</b>	<b>289,224</b>
<b>72</b>	<b>National total capital minimum ratio excluding CCY and DSIB: 13%</b>	<b>341,811</b>

Item		(KD'000)
	<b>Amounts below the thresholds for deduction (before risk weighting)</b>	
73	Non-significant investments in the capital of other financials	-
74	Significant investments in the common stock of financials	-
75	Mortgage servicing rights (net of related tax liability)	-
76	Deferred tax assets arising from temporary differences (net of related tax liability)	-
	<b>Applicable caps on the inclusion of provisions in Tier 2</b>	
77	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	<b>87,990</b>
78	Cap on inclusion of provisions in Tier 2 under standardized approach	<b>31,274</b>
79	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-
80	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-

## 2. Reconciliation Requirements

The Group has adopted a three-step approach for reconciliation of balance sheet items and the regulatory capital components as detailed in the instructions are as follows:

### Step 1 & 2 of the reconciliation requirements:

Step 1 & 2 of the reconciliation requirements	Balance sheet as in published financial statements (KD'000)	Under regulatory scope of consolidation (KD'000)	Reference
<b>Assets</b>			
Cash and balances with banks	278,265	278,265	
Placements with banks and CBK	281,653	281,653	
Financing receivables	3,593,937	3,593,937	
of which maximum general provisions (netted above) capped for Tier 2 inclusion	31,274	31,274	a
Financial assets at fair value through profit or loss	191,757	191,757	
Financial assets at fair value through other comprehensive income	369,238	369,238	
Investments in joint ventures	125,558	125,558	
Investment properties	37,595	37,595	
Other assets	44,987	44,987	
Property and equipment	17,896	17,896	
<b>Total Assets</b>	<b>4,940,886</b>	<b>4,940,886</b>	
<b>Liabilities</b>			
Due to banks	1,169,366	1,169,366	
Depositors accounts	2,979,803	2,979,803	
Issued Sukuk	306,443	306,443	
Other liabilities	74,132	74,132	
<b>Total Liabilities</b>	<b>4,529,744</b>	<b>4,529,744</b>	
<b>Equity</b>			
Share Capital	218,360	218,360	b
Share Premium	80,375	80,375	c
Statutory Reserve	8,871	8,871	d

Step 1 & 2 of the reconciliation requirements	Balance sheet as in published financial statements (KD'000)	Under regulatory scope of consolidation (KD'000)	Reference
Retained Earnings	24,481	24,481	
of which retained earnings eligible for (CET1)	9,591	9,591	e
of which loss adjustment from postponement of installments	2,680	2,680	
Fair value reserve	1,508	1,508	f
Forex reserve	1,739	1,739	g
<b>Equity attributable to Shareholders of the Bank</b>	<b>335,334</b>	<b>335,334</b>	
Perpetual Tier 1 Sukuk	75,808	75,808	h
Of which: Reciprocal cross-holdings in Additional Tier 1 instruments	(1,552)	(1,552)	i
<b>Total Equity</b>	<b>411,142</b>	<b>411,142</b>	
<b>Total Liabilities and Equity</b>	<b>4,940,886</b>	<b>4,940,886</b>	

**Step 3 of the reconciliation requirements:**

No.	Step 3 of Reconciliation requirements	Component of regulatory capital reported by bank (KD'000)	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation from Step 2
	<b>Common Equity Tier 1 capital: instruments and reserves</b>		
1	Share Capital *	218,360	b
2	Share Premium	80,375	c
3	Statutory Reserve	8,871	d
4	Retained Earnings	9,591	e
5	Fair value reserve	1,508	f
6	Forex Reserve	1,739	g
7	<b>Common Equity Tier 1 capital (CET1)</b>	<b>320,444</b>	
	<b>Additional Tier 1 capital: Instruments</b>		
8	Perpetual Tier 1 Sukuk	75,808	h
9	Reciprocal cross-holdings in Additional Tier 1 instruments	(1,552)	i
10	<b>Additional Tier 1 capital</b>	<b>74,256</b>	
11	<b>Tier 1 Capital (Tier 1 = Common Tier 1 capital + Additional Tier 1 capital)</b>	<b>394,700</b>	
	<b>Tier 2 Capital: Instruments and provisions</b>		
12	Tier 2 Instruments	-	
13	General provisions included in Tier 2 capital	31,274	a
14	<b>Tier 2 Capital</b>	<b>31,274</b>	
15	<b>Total Capital (Total capital = Tier 1 + Tier 2)</b>	<b>425,974</b>	

### **THIRD: CAPITAL ADEQUACY RATIOS**

The Bank actively manages its capital with the objective of maintaining adequate levels to cover all risks inherent in the business. The capital base is assessed to support the current and future growth of the business and the capital allocation is determined based on financing and investments growth expectations for each business line.

The Bank is currently operating well above the minimum regulatory capital ratios, with the ability to cover any eventuality and intervene at an early stage in a situation of any stress. The business growth forecast is based on available capital, as allocated for different business lines to ensure that the Bank's internal capital targets are consistent with the approved Risk Appetite of the Bank to maximize shareholders' value on risk-adjusted basis.

#### **1. Capital Adequacy Ratios are as follows:**

No.	Ratio Description	Total Required Capital (%)	Available Capital (%)
1.	Total Capital Adequacy Ratio	13.00%	<b>%16.20</b>
2.	Tier 1 Capital Adequacy Ratio	11.00%	<b>%15.01</b>
3.	CET1 Capital Adequacy Ratio	9.50%	<b>%12.19</b>

**The Bank ensures the fulfillment of Central Bank of Kuwait requirements in relation to capital adequacy.**

#### **2. Financial Leverage Ratio:**

The below table depicts information regarding the calculation of the Financial Leverage Ratio, as per the applicable CBK regulations:

Item		2024 KD'000
No.	<b>On-balance sheet exposures</b>	
1)	On-balance sheet items (excluding Sharia compliant hedging contracts, but including collaterals)	5,026,913
2)	(Asset amounts deducted in determining Basel III Tier 1 capital)	(1,552)
3)	<b>Total on-balance sheet exposures (excluding Sharia compliant hedging contracts) (sum of lines 1 and 2)</b>	5,025,361
<b>Exposures to Sharia compliant hedging contracts</b>		
4)	Replacement cost associated with all Sharia compliant hedging contracts (i.e. net of eligible cash variation margin)	11
5)	Add-on amounts for potential future exposures "PFE" associated with all Sharia compliant hedging contracts	1
6)	Gross-up for the collateral of Sharia compliant hedging contracts provided where deducted from the balance sheet assets pursuant to the bank's accounting policy.	-
7)	(Deductions of receivables assets for cash variation margin provided in with all Sharia compliant hedging contracts )	-
8)	(Bank's exposures to exempted Central Counter Parties "CCP" )	-
9)	<b>Total exposures of Sharia compliant hedging contracts (sum of lines 4 to 8)</b>	12
<b>Other off-balance sheet exposures</b>		
10)	Off-balance sheet exposure (before any adjustment for credit conversion factors)	2,617,966
11)	(Adjustments for conversion to credit equivalent amounts)	(2,268,428)
12)	<b>Off-balance sheet items (sum of lines 10 and 11)</b>	349,538
<b>Capital and total exposures</b>		
13)	<b>Tier 1 capital</b>	394,700
14)	<b>Total exposures (sum of lines 3, 9 and 12)</b>	5,374,911
<b>Leverage ratio</b>		
15)	<b>Leverage ratio (Tier 1 Capital (13)/total exposures (14))</b>	<b>7.34%</b>

As shown above, the bank's financial leverage ratio for the current period amounted to 7.34%, compared to 7.20% over the same period of the previous year. The increase is mainly due to the growth in the (CET1) through the fair value reserve & the retained earnings.

**Summary comparison of accounting assets versus leverage ratio exposure measure:**

Item		KD'000
No.	On-balance sheet exposures	
1	Total assets as per published financial statements	4,940,886
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-
3	Adjustment for fiduciary assets recognized on the balance sheet pursuant to the bank accounting policy but excluded from the gross leverage ratio exposure measure.	-
4	Exposures to Sharia compliant hedging contracts	12
5	Off-balance sheet exposures (i.e. equivalent credit amounts)	349,538
6	Other exposures	84,475
7	<b>Total exposures in calculation of leverage ratio (sum of the above items)</b>	<b>5,374,911</b>

**FOURTH: RISK WEIGHTED ASSETS**

**1. Credit risk**

The minimum capital requirement to cover credit risks as of September 30, 2024 is estimated at 317,881 thousand Kuwaiti dinars, as detailed in the following statement:

SN	Description of Credit Risk Exposures	Total Exposures	Net Exposures	Risk-Weighted Assets	Required Capital
1	Cash items	9,577	9,577	-	-
2	Claims on sovereigns	628,309	628,309	98,467	12,801
3	Claims on international organizations	-	-	-	-
4	Claims on public sector entities	36,856	36,856	-	-
5	Claims on multilateral development banks	93,245	93,245	-	-
6	Claims on banks	258,371	258,371	111,233	14,460
7	Claims on corporates	2,896,513	2,304,838	1,383,637	179,873
8	Regulatory retail exposure	651,814	638,988	373,201	48,516
9	Qualifying residential housing financing facilities	-	-	-	-
10	Past due exposures	75,959	68,889	28,474	3,702
11	Goods and commodities positions	4,749	4,749	2,781	361
12	Real estate investments	163,153	163,153	191,047	24,836
13	Investment and financing with customers	201,128	92,184	77,630	10,092
14	Sukuk and taskeek exposures	-	-	-	-
15	Claims on central counterparties.	-	-	-	-
16	Other exposures	355,237	355,237	178,766	23,240
<b>Total</b>		<b>5,374,911</b>	<b>4,654,396</b>	<b>2,445,236</b>	<b>317,881</b>

Total exposure to credit risk (self-financed and unrestricted investment accounts)

SN	Description of Credit Risk Exposures	Credit Risk Exposures	Self Financed	Financed From Investment Accounts
1	Cash item	9,577	9,577	-
2	Claims on sovereigns	628,309	308,153	320,156
3	Claims on international organizations	-	-	-
4	Claims on public sector entities	36,856	6,301	30,555
5	Claims on multilateral development banks	93,245	15,942	77,303
6	Claims on banks	258,371	89,963	168,408
7	Claims on corporates	2,896,512	623,760	2,272,752
8	Regulatory retail exposure	651,813	111,446	540,367
9	Qualifying residential housing financing facilities	-	-	-
10	Past due exposures	75,959	18,074	57,885
11	Goods and commodities positions	4,749	812	3,937
12	Real estate investments	163,153	27,894	135,259
13	Investment and financing with customers	201,128	34,386	166,742
14	Sukuk and taskeek exposures	-	-	-
15	Claims on central counterparties.	-	-	-
16	Other exposures	355,239	115,732	239,507
<b>Total</b>		<b>5,374,911</b>	<b>1,362,039</b>	<b>4,012,872</b>

Average exposures “self-funded and funded from unrestricted investment accounts” on a quarterly basis.

SN	Description of Credit Risk Exposures	Average Credit Risk Exposures	Average Self Financed	Average Financed From Investment Accounts
1	Cash item	11,121	11,121	-
2	Claims on sovereigns	599,330	279,152	320,178
3	Claims on international organizations	-	-	-
4	Claims on public sector entities	45,518	7,701	37,817
5	Claims on multilateral development banks	91,463	15,420	76,043
6	Claims on banks	358,330	98,553	259,777
7	Claims on corporates	2,814,326	593,995	2,220,331
8	Regulatory retail exposure	642,256	108,258	533,998
9	Qualifying residential housing financing facilities	-	-	-
10	Past due exposures	70,111	15,111	55,000
11	Goods and commodities positions	6,446	1,093	5,353
12	Real estate investments	137,087	23,129	113,958
13	Investment and financing with customers	215,205	36,284	178,921
14	Sukuk and taskeek exposures	-	-	-
15	Claims on central counterparties.	-	-	-
16	Other exposures	338,591	118,513	220,078
<b>Total</b>		<b>5,329,784</b>	<b>1,308,330</b>	<b>4,021,454</b>

The minimum required capital for financing receivable is KD 233,655 thousand as of 30 September 2024 as detailed below:

(KD'000)

SN	Description of Credit Risk Exposures	Total Exposures	Net Exposures	Risk-Weighted Assets	Required Capital
1	Claims on sovereigns	130,476	130,476	70,571	9,174
2	Claims on public sector institutions	36,856	36,856	-	-
3	Claims on banks	39,919	39,919	22,118	2,875
4	Claims on corporates	2,549,890	1,962,935	1,203,851	156,501
5	Regulatory retail exposure	651,653	638,828	391,253	50,863
6	Qualifying residential housing financing facilities	-	-	-	-
7	Past due exposures	69,822	62,752	23,506	3,056
8	Investment and financing with customers	201,128	92,184	86,046	11,186
<b>Total</b>		<b>3,679,744</b>	<b>2,963,950</b>	<b>1,797,345</b>	<b>233,655</b>

## 2. Market Risk

The weighted market risk exposure calculated as of September 30, 2024, was estimated at KWD 3,088 thousand, according to the standard method. The minimum capital requirements to cover market risks reached 401 thousand Kuwaiti dinars.

## 3. Operational Risk

The weighted exposure to operational risks calculated as of September 30, 2024, is KWD 180,988 thousand, according to the basic indicator method. The minimum amount required to cover operational risks was 23,528 thousand Kuwaiti dinars.