

**WARBA BANK K.S.C.P.**

**INTERIM CONDENSED FINANCIAL  
INFORMATION**

**31 March 2016 (UNAUDITED)**



Building a better  
working world

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

*Introduction*

We have reviewed the accompanying interim condensed statement of financial position of Warba Bank K.S.C.P. (the "Bank") as at 31 March 2016, and the related interim condensed statement of income, interim condensed statement of comprehensive income, interim condensed statement of changes in equity and interim condensed statement of cash flows for the three month period then ended. The management of the Bank is responsible for the preparation and presentation of this interim condensed financial information in accordance with the basis of presentation set out in note 2. Our responsibility is to express a conclusion on this interim condensed financial information based on our review.

*Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial information is not prepared, in all material respects, in accordance with the basis of presentation set out in note 2.

**Report on other Legal and Regulatory Requirements**

Furthermore, based on our review, the interim condensed financial information is in agreement with the books of account of the Bank. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No 1 of 2016, the Executive Regulations of Law No. 25 of 2012, as amended, or of the Bank's Memorandum of Incorporation and Articles of Association during the three month period ended 31 March 2016 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 three month period ended 31 March 2016 that might have had a material effect on the business of the Bank or on its financial position.

**WALEED A. AL OSAIMI**  
**LICENSE NO. 68 A**  
**EY**  
**AL AIBAN, AL OSAIMI & PARTNERS**

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**MEMBER FIRM OF KPMG**  
**INTERNATIONAL**

6 April 2016  
Kuwait

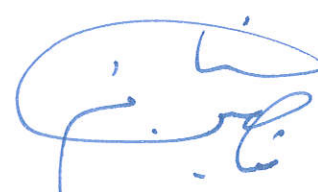
Warba Bank K.S.C.P.

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 31 March 2016

		<i>(Audited)</i>	
	<i>31 March</i>	<i>31 December</i>	<i>31 March</i>
	<i>2016</i>	<i>2015</i>	<i>2015</i>
<i>Note</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>
<b>ASSETS</b>			
Cash and balances with banks	3	5,835	3,845
Placements with banks		135,237	133,355
Financing receivables		592,200	543,794
Available-for-sale investments		69,621	68,661
Investment properties		15,074	15,127
Other assets		5,341	4,949
Property and equipment		6,256	6,376
<b>TOTAL ASSETS</b>		<b>829,564</b>	<b>776,107</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Due to banks and other financial institutions		199,988	244,333
Depositors' accounts		529,871	433,465
Other liabilities		6,799	6,029
<b>TOTAL LIABILITIES</b>		<b>736,658</b>	<b>683,827</b>
<b>EQUITY</b>			
Share capital		100,000	100,000
Accumulated losses		(7,045)	(7,373)
Fair value reserve		(49)	(347)
<b>TOTAL EQUITY</b>		<b>92,906</b>	<b>92,280</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>829,564</b>	<b>776,107</b>

  
Abdulwahab A. Al Houti  
Chairman

  
Shaheen H. Al Ghanem  
Acting Chief Executive Officer

The accompanying notes 1 to 8 form an integral part of this interim condensed financial information.



Warba Bank K.S.C.P.

INTERIM CONDENSED STATEMENT OF INCOME (UNAUDITED)

For the period ended 31 March 2016

	<i>Note</i>	<i>Three months ended</i>	
		<i>31 March</i>	
		<i>2016</i>	<i>2015</i>
		<i>KD'000</i>	<i>KD'000</i>
Placements and financing income		6,551	4,420
Finance costs and distribution to depositors		(3,099)	(1,756)
<b>Net financing income</b>		<b>3,452</b>	<b>2,664</b>
Net investment income		928	499
Net fees and commission		202	122
Other income		45	31
Foreign exchange gain / (loss)		141	(55)
<b>Operating income</b>		<b>4,768</b>	<b>3,261</b>
Staff costs		(2,400)	(2,036)
General and administrative expenses		(810)	(683)
Depreciation		(416)	(372)
<b>Operating expenses</b>		<b>(3,626)</b>	<b>(3,091)</b>
<b>Operating profit before provision for impairment</b>		<b>1,142</b>	<b>170</b>
Provision for impairment		(800)	(89)
<b>Profit before deductions</b>		<b>342</b>	<b>81</b>
National Labor Support Tax (NLST)		(10)	(3)
Zakat		(4)	(1)
<b>Net profit for the period</b>		<b>328</b>	<b>77</b>
<b>Basic and diluted earnings per share</b>	4	<b>0.33 fils</b>	<b>0.08 fils</b>

The accompanying notes 1 to 8 form an integral part of this interim condensed financial information.

Warba Bank K.S.C.P.

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 31 March 2016

	<i>Three months ended</i>	
	<i>31 March</i>	
	<b>2016</b>	<b>2015</b>
	<b>KD'000</b>	<b>KD'000</b>
<b>Net profit for the period</b>	<b>328</b>	<b>77</b>
<b>Other comprehensive income:</b>		
<i>Other comprehensive income to be reclassified to interim condensed statement of income</i>		
Change in fair value of available-for-sale investments	<b>322</b>	<b>130</b>
Gain realized on sale of available-for-sale investments during the period transferred to interim condensed statement of income	<b>(24)</b>	<b>(2)</b>
<b>Other comprehensive income for the period</b>	<b>298</b>	<b>128</b>
<b>Total comprehensive income for the period</b>	<b>626</b>	<b>205</b>

The accompanying notes 1 to 8 form an integral part of this interim condensed financial information.

Warba Bank K.S.C.P.

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 31 March 2016

	<i>Share capital KD'000</i>	<i>Accumulated losses KD'000</i>	<i>Fair value reserve KD'000</i>	<i>Total equity KD'000</i>
Balance at 1 January 2016 (audited)	100,000	(7,373)	(347)	92,280
Net profit for the period	-	328	-	328
Other comprehensive income	-	-	298	298
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	-	328	298	626
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Balance at 31 March 2016</b>	<b>100,000</b>	<b>(7,045)</b>	<b>(49)</b>	<b>92,906</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Balance at 1 January 2015 (audited)	100,000	(8,373)	238	91,865
Net profit for the period	-	77	-	77
Other comprehensive income	-	-	128	128
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	-	77	128	205
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 March 2015	100,000	(8,296)	366	92,070
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes 1 to 8 form an integral part of this interim condensed financial information.

Warba Bank K.S.C.P.

INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

For the period ended 31 March 2016

	Note	Three months ended	
		31 March	
		2016	2015
		KD'000	KD'000
<b>OPERATING ACTIVITIES</b>			
Net profit for the period		328	77
Adjustments for:			
Realised gain on available-for-sale investments		(24)	(2)
Dividend income		(316)	(4)
Sukuk income		(406)	(308)
Net rental income from investment properties		(182)	(185)
Provision for end of service benefits		63	55
Depreciation		416	372
Provision for impairment		800	89
		<u>679</u>	<u>94</u>
<i>Changes in operating assets and liabilities:</i>			
Placements with banks		(25,488)	10,425
Financing receivables		(49,184)	(4,007)
Other assets		(437)	(963)
Due to banks and other financial institutions		(44,345)	26,930
Depositors' accounts		96,406	4,545
Other liabilities		958	(830)
		<u>(21,411)</u>	<u>36,194</u>
Net cash (used in) / generated from operating activities			
<b>INVESTING ACTIVITIES</b>			
Purchase of available-for-sale investments		(11,809)	(16,058)
Proceed from sale and redemption of available-for-sale investments		10,823	285
Purchase of property and equipment		(296)	(242)
Dividend income received		316	4
Sukuk income received		515	424
Rental income received		246	255
		<u>(205)</u>	<u>(15,332)</u>
Net cash used in investing activities			
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>			
		(21,616)	20,862
Cash and cash equivalents at 1 January		127,636	81,355
		<u>106,020</u>	<u>102,217</u>
<b>CASH AND CASH EQUIVALENTS AT 31 MARCH</b>	3		

The accompanying notes 1 to 8 form an integral part of this interim condensed financial information.

## 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 Amiri Decree No. 289/2009, listed on Kuwait Stock Exchange and 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. The Bank's registered office is at Sanabil Tower, 26<sup>th</sup> – 28<sup>th</sup> floor, Abdullah Al Ahmed Street, P.O. Box 1220, Safat 13013, State of Kuwait.

The Bank is primarily involved in investment, corporate and retail banking in the State of Kuwait in accordance with the principles of Sharia'h, as approved by the Bank's Sharia'h Supervisory Board.

The Annual General Meeting ("AGM") of the shareholders of the Bank to approve the financial statements for the year ended 31 December 2015 was held on 30 March 2016. No cash dividend or bonus shares for the year ended 31 December 2015 (31 December 2014: nil) were proposed and approved by the shareholders' at the AGM.

This interim condensed financial information has been approved for issue by the Board of Directors on 6 April 2016.

The new Companies Law No. 1 of 2016 ("the new law") was issued on 24 January 2016 and was published in the Official Gazette on 1 February 2016 cancelled the Companies Law No 25 of 2012, and its amendments. According to Article No. 5, the new Law will be effective retrospectively from 26 of November 2012, the Executive Regulations of Law No. 25 of 2012 will continue until a new set of Executive Regulations are issued.

## 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

### Basis of preparation

The interim condensed financial information of the Bank has been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting* except as noted below.

The annual financial statements for the year ended 31 December 2015 were prepared in accordance with the regulations of the State of Kuwait for financial services institutions regulated by the CBK. These regulations require adoption of all International Financial Reporting Standards ("IFRS") except for the International Accounting Standard ("IAS") 39: *Financial Instruments: Recognition and Measurement* requirement for collective provision, which has been replaced by the CBK's requirement for a minimum general provision.

The interim condensed financial information do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Bank's annual financial statements as at 31 December 2015.

### New standards and amendments adopted by the Bank

The accounting policies used in the preparation of the interim condensed financial information are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2015, except for the adoption of the amendments and annual improvements to IFRSs, relevant to the Bank which are effective for annual reporting period starting from 1 January 2016 and did not result in any material impact on the accounting policies, financial position or performance of the Bank.

### Standards issued but not yet effective

Standards issued but not yet effective during the period ended 31 March 2016 are listed below:

#### *IFRS 16 – Leases*

In January 2016, the IASB issued IFRS 16 Leases. The new standard requires lessees to recognise assets and liabilities for most leases on-balance sheet. Lessees applying IFRS 16 will have a single accounting model, with certain exemptions. Lessors applying IFRS 16 will classify leases using the same principle as in IAS 17 and lessor accounting is substantially unchanged.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

The Bank intends to adopt this standard when it becomes effective. However, the Bank expects no material impact from the adoption on its financial position or performance.

## Warba Bank K.S.C.P.

### NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

As at 31 March 2016

#### 3 CASH AND CASH EQUIVALENTS

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

	<i>31 March</i> <i>2016</i> <i>KD'000</i>	<i>(Audited)</i> <i>31 December</i> <i>2015</i> <i>KD'000</i>	<i>31 March</i> <i>2015</i> <i>KD'000</i>
Cash	1,171	1,005	926
Current account with CBK	2,197	219	1,211
Current account with commercial banks	2,467	2,621	1,568
	<u>5,835</u>	<u>3,845</u>	<u>3,705</u>
Cash and balances with banks			
Placements with CBK whose original maturity is within 3 months	32,035	48,038	-
Placements with banks whose original maturity is within 3 months	68,150	75,753	98,512
	<u>106,020</u>	<u>127,636</u>	<u>102,217</u>

Placements with banks represent placements placed with highly reputed and good credit rating banks in accordance with Wakala and Murabaha agreements.

#### 4 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share is computed by dividing profit for the period by the weighted average number of shares outstanding during the period as follows:

	<i>Three months ended 31 March</i>	
	<i>2016</i>	<i>2015</i>
Net profit for the period (KD'000)	328	77
Weighted average number of shares outstanding (shares'000)	1,000,000	1,000,000
Basic and diluted earnings per share (fils)	0.33	0.08

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

#### 5 TRANSACTIONS WITH RELATED PARTIES

These are transactions with certain related parties (major shareholders, directors and executive officers of the Bank, close members of their families and companies in which they are principal owners or over which they are able to exercise significant influence) who were customers of the Bank in the ordinary course of business. Such transactions were made on substantially the same terms including profit and collateral as those prevailing at the same time for comparable transactions with unrelated parties and did not involve more than a normal amount of risk.

**5 TRANSACTIONS WITH RELATED PARTIES (continued)**

Balances recorded in the interim condensed statement of financial position are as follows:

	<i>Major shareholders KD'000</i>	<i>Board members and executive officials KD'000</i>	<i>Other related parties KD'000</i>	<i>Total 31 March 2016 KD'000</i>	<i>(Audited) 31 December 2015 KD'000</i>	<i>Total 31 March 2015 KD'000</i>
Finance facilities	-	127	4,179	4,306	134	119
Credit cards	-	5	-	5	5	10
Depositors' accounts	211,364	995	127	212,486	191,760	161,551
Contingent liabilities	-	-	470	470	-	-

	<i>No. of major shareholders</i>	<i>No. of Board members and executive officials</i>	<i>No. of other related parties</i>
Finance facilities	-	4	1
Credit cards	-	15	2
Depositors' accounts	2	15	10
Contingent liabilities	-	-	1

Transactions with related parties recorded in the interim condensed statement of income are as follows:

	<i>Major shareholders KD'000</i>	<i>Board members and executive officials KD'000</i>	<i>Other related parties KD'000</i>	<i>Total 31 March 2016 KD'000</i>	<i>Total 31 March 2015 KD'000</i>
Placements and financing income	-	1	39	40	1
Finance costs and distributions to depositors	1,035	1	-	1,036	624

**Compensation to key management personnel:**

	<i>Three months ended 31 March</i>	
	<i>2016 KD'000</i>	<i>2015 KD'000</i>
Salaries and other short-term benefits	381	365
Post-employment benefits	32	27
	<u>413</u>	<u>392</u>

**6 COMMITMENTS AND CONTINGENT LIABILITIES**

	<i>31 March 2016 KD'000</i>	<i>(Audited) 31 December 2015 KD'000</i>	<i>31 March 2015 KD'000</i>
Acceptances and letters of credit	10,550	11,040	3,242
Letter of guarantees	26,502	23,827	14,836
Contingent liabilities	<u>37,052</u>	<u>34,867</u>	<u>18,078</u>
Capital commitments	<u>1,994</u>	<u>575</u>	<u>469</u>

**7 SEGMENT REPORTING**

The Bank'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 & financial institutions.
- **Investment** - comprising of investment in direct equity, real estate investment and other investments.
- **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.

The following table presents operating income, results for the period and total assets information regarding the Bank's reportable segments.

	<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>
<i>31 March 2016</i>						
Segment operating income	2,755	1,090	259	664	-	4,768
Segment result	<u>1,859</u>	<u>(306)</u>	<u>224</u>	<u>607</u>	<u>(2,056)</u>	<u>328</u>
Segment assets	<u>455,735</u>	<u>136,465</u>	<u>155,891</u>	<u>64,042</u>	<u>17,431</u>	<u>829,564</u>
<i>31 March 2015</i>						
Segment operating income	2,064	665	189	343	-	3,261
Segment result	<u>1,885</u>	<u>(402)</u>	<u>155</u>	<u>278</u>	<u>(1,839)</u>	<u>77</u>
Segment assets	<u>318,586</u>	<u>73,501</u>	<u>165,766</u>	<u>54,941</u>	<u>14,151</u>	<u>626,945</u>

**8 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 Bank 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.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

		<i>Fair value measurement</i>			
		<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>	
<i>31 March 2016</i>	<i>Date of valuation</i>	<i>Total</i>	<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>
		<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>
<i>Assets measured at fair value</i>					
Available-for-sale investments					
Sukuk					
- Government Sukuk	31 March 2016	51,188	51,188	-	-
- Corporate Sukuk	31 March 2016	26,590	26,590	-	-
- Corporate Sukuk	31 March 2016	24,598	24,598	-	-
Quoted equity security	31 March 2016	869	869	-	-
<i>Fair value measurement</i>					
		<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>	
<i>31 December 2015</i>	<i>Date of valuation</i>	<i>Total</i>	<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>
		<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>
<i>Assets measured at fair value</i>					
Available-for-sale investments					
Sukuk					
- Government Sukuk	31 December 2015	51,283	51,283	-	-
- Corporate Sukuk	31 December 2015	31,387	31,387	-	-
- Corporate Sukuk	31 December 2015	19,896	19,896	-	-
Quoted equity security	31 December 2015	896	896	-	-
<i>Fair value measurement</i>					
		<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>	
<i>31 March 2015</i>	<i>Date of valuation</i>	<i>Total</i>	<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>
		<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>
<i>Assets measured at fair value</i>					
Available-for-sale investments					
Sukuk					
- Government Sukuk	31 March 2015	58,329	58,329	-	-
- Corporate Sukuk	31 March 2015	33,099	33,099	-	-
- Corporate Sukuk	31 March 2015	25,230	25,230	-	-
Quoted equity security	31 March 2015	729	729	-	-

No transfers have been made between levels of hierarchy.

**8 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

Fair values of remaining financial assets and liabilities carried at amortised cost are estimated using valuation techniques incorporating a range of input assumptions that are appropriate in the circumstances. Carrying value of financial assets and liabilities that are carried at amortised cost are not materially different from their fair values as most of these assets and liabilities are of short term maturities or are repriced immediately based on market movement in profit rates.