

WARBA BANK K.S.C.P.

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

30 SEPTEMBER 2021



Building a better
working world

Ernst & Young
Al Aiban, Al Osaimi & Partners
P.O. Box 74
18-20th Floor, Baitak Tower
Ahmed Al Jaber Street
Safat Square 13001, Kuwait

Tel: +965 2295 5000
Fax: +965 2245 6419
kuwait@kw.ey.com
ey.com/mena



KPMG Safi Al-Mutawa & Partners
Al Hamra Tower, 25th Floor
Abdulaziz Al Saqr Street
P.O. Box 24, Safat 13001
State of Kuwait
Tel : + 965 2228 7000
Fax + 965 2228 7444

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 accompanying 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 September 2021, and the related interim condensed consolidated statement of profit or loss and interim condensed consolidated statement of comprehensive income for the three-month and nine-month periods then ended and the related interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the nine-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 during the nine-month period ended 30 September 2021 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 nine-month period ended 30 September 2021 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 - A
OF KPMG SAFI AL-MUTAWA & PARTNERS
MEMBER FIRM OF KPMG INTERNATIONAL

Warba Bank K.S.C.P.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 September 2021

		30 September 2021	(Audited) 31 December 2020	30 September 2020
	Notes	KD'000	KD'000	KD'000
ASSETS				
Cash and bank balances	3	116,586	110,999	63,439
Placements with banks and the CBK		422,593	357,897	451,385
Financing receivables	4	2,463,441	2,497,366	2,473,844
Financial assets at fair value through profit or loss	12	117,113	90,929	80,175
Financial assets at fair value through other comprehensive income	12	278,304	237,050	289,890
Investment in joint ventures		101,647	108,240	105,742
Investment properties		18,876	30,039	19,784
Other assets		52,780	23,074	28,179
Property and equipment		18,493	19,660	34,470
TOTAL ASSETS		3,589,833	3,475,254	3,546,908
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks and other financial institutions		516,097	494,355	572,427
Depositors' accounts		2,432,325	2,353,454	2,359,046
Sukuk issued	5	301,437	302,429	303,706
Other liabilities		61,374	44,922	50,325
TOTAL LIABILITIES		3,311,233	3,195,160	3,285,504
EQUITY				
Share capital	6	157,500	157,500	157,500
Share premium	6	40,000	40,000	40,000
Statutory reserve		3,098	3,098	3,098
Fair value reserve		(2,217)	1,676	434
Foreign currency translation reserve		(421)	1,469	1,086
Retained earnings (Accumulated losses)		4,277	(12)	(17,077)
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK		202,237	203,731	185,041
Perpetual Tier 1 Sukuk	6	76,363	76,363	76,363
TOTAL EQUITY		278,600	280,094	261,404
TOTAL LIABILITIES AND EQUITY		3,589,833	3,475,254	3,546,908



Mohammad R F Al-Mutawa
Board Member



Shaheen H. Al Ghanem
Chief Executive Officer

The accompanying notes 1 to 13 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 September 2021

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2021 KD'000	2020 KD'000	2021 KD'000	2020 KD'000
Placements and finance income		24,048	26,074	71,099	84,067
Finance costs and distribution to depositors		(12,709)	(13,936)	(36,387)	(50,115)
Net finance income		11,339	12,138	34,712	33,952
Net investment income		9,143	6,764	22,790	10,845
Net fee and commission income		1,906	505	3,276	2,640
Other income		3,615	832	3,891	976
Foreign exchange gain (loss)		430	344	2,075	(1,586)
Net operating income		26,433	20,583	66,744	46,827
Staff costs		(4,942)	(3,987)	(14,217)	(12,858)
General and administrative expenses		(1,031)	(742)	(2,834)	(2,915)
Depreciation expense		(1,606)	(1,059)	(4,484)	(2,996)
Net operating expenses		(7,579)	(5,788)	(21,535)	(18,769)
Net operating profit before provision for impairment and credit losses		18,854	14,795	45,209	28,058
Provision for impairment and credit losses	7	(15,559)	(11,350)	(35,570)	(39,489)
Profit (loss) before tax		3,295	3,445	9,639	(11,431)
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(30)	-	(87)	-
National Labour Support Tax (NLST)		(86)	-	(251)	-
Zakat		(35)	-	(101)	-
NET PROFIT (LOSS) FOR THE PERIOD		3,144	3,445	9,200	(11,431)
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE	8	0.44 fils	0.61 fils	2.72 fils	(10.42) fils

The accompanying notes 1 to 13 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 September 2021

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>
NET PROFIT (LOSS) FOR THE PERIOD	3,144	3,445	9,200	(11,431)
Other comprehensive (loss) income				
<i>Other comprehensive (loss) income 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	(772)	4,676	(8,063)	(2,556)
Changes in allowance for expected credit losses	4,125	(233)	4,488	(798)
Reclassification adjustment on sale	635	(3,313)	(318)	(3,423)
Net gains / (losses) on debt instruments at fair value through other comprehensive income	3,988	1,130	(3,893)	(6,777)
<i>Foreign currency translation:</i>				
Exchange differences on translation of foreign operations	(766)	575	(1,566)	959
Reclassification adjustment on disposal of a joint venture	-	-	(324)	-
	(766)	575	(1,890)	959
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	3,222	1,705	(5,783)	(5,818)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	6,366	5,150	3,417	(17,249)

The accompanying notes 1 to 13 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 September 2021

	<i>Share capital</i> <i>KD'000</i>	<i>Share premium</i> <i>KD'000</i>	<i>Statutory reserve</i> <i>KD'000</i>	<i>Fair value reserve</i> <i>KD'000</i>	<i>Foreign currency translation reserve</i> <i>KD'000</i>	<i>(Accumulated losses) Retained earnings</i> <i>KD'000</i>	<i>Sub-total</i> <i>KD'000</i>	<i>Proposed distributions</i> <i>KD'000</i>	<i>Equity attributable to shareholders of the Bank</i> <i>KD'000</i>	<i>Perpetual Tier 1 Sukuk</i> <i>KD'000</i>	<i>Total equity</i> <i>KD'000</i>
As at 1 January 2021	157,500	40,000	3,098	1,676	1,469	(12)	203,731	-	203,731	76,363	280,094
Net profit for the period	-	-	-	-	-	9,200	9,200	-	9,200	-	9,200
Other comprehensive loss	-	-	-	(3,893)	(1,890)	-	(5,783)	-	(5,783)	-	(5,783)
Total comprehensive (loss) income for the period	-	-	-	(3,893)	(1,890)	9,200	3,417	-	3,417	-	3,417
Profit paid on Perpetual Tier 1 Sukuk	-	-	-	-	-	(4,911)	(4,911)	-	(4,911)	-	(4,911)
At 30 September 2021	157,500	40,000	3,098	(2,217)	(421)	4,277	202,237	-	202,237	76,363	278,600
As at 1 January 2020	150,000	40,000	3,098	7,211	127	10,061	210,497	7,500	217,997	76,363	294,360
Net loss for the period	-	-	-	-	-	(11,431)	(11,431)	-	(11,431)	-	(11,431)
Other comprehensive (loss) income	-	-	-	(6,777)	959	-	(5,818)	-	(5,818)	-	(5,818)
Total comprehensive (loss) income for the period	-	-	-	(6,777)	959	(11,431)	(17,249)	-	(17,249)	-	(17,249)
Issue of bonus shares (Note 6)	7,500	-	-	-	-	-	7,500	(7,500)	-	-	-
Profit paid on Perpetual Tier 1 Sukuk	-	-	-	-	-	(4,981)	(4,981)	-	(4,981)	-	(4,981)
Modification loss on payment deferral program	-	-	-	-	-	(10,726)	(10,726)	-	(10,726)	-	(10,726)
At 30 September 2020	157,500	40,000	3,098	434	1,086	(17,077)	185,041	-	185,041	76,363	261,404

The accompanying notes 1 to 13 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 September 2021

	Note	Nine months ended 30 September	
		2021 KD'000	2020 KD'000
OPERATING ACTIVITIES			
Profit (loss) before tax		9,639	(11,431)
<i>Adjustments for:</i>			
Realised gain on sale of debt instruments at FVOCI		(318)	(3,423)
Realised loss (gain) on sale of financial assets at FVPL		1	(2,101)
Gain on sale of investment property		(1,900)	-
Dividend income from financial assets		(1,838)	(1,435)
Share of results from investments in joint ventures		(5,150)	(4,538)
Gain on sale of a joint venture		(2,329)	-
Net rental income from investment properties		(541)	(698)
Fair value adjustment to investment properties		9	911
Other investment income		(434)	(457)
Fair value (gain) loss from financial assets at FVPL		(10,290)	896
Provision for employees' end of service benefits		697	671
Depreciation expense		4,484	2,996
Provision for impairment and credit losses		35,570	39,489
		<u>27,600</u>	<u>20,880</u>
<i>Changes in operating assets and liabilities:</i>			
Placements with banks and the CBK		(4,051)	18,776
Financing receivables		1,707	(264,475)
Other assets		(20,552)	12,251
Due to banks and other financial institutions		21,742	(380,935)
Depositors' accounts		78,871	653,235
Other liabilities		11,777	(525)
		<u>117,094</u>	<u>59,207</u>
Net cash flows from operating activities			
INVESTING ACTIVITIES			
Purchase of financial assets at FVPL		(17,207)	(35,131)
Proceeds from sale/ redemption of financial assets at FVPL		1,312	12,011
Purchase of financial assets at FVOCI		(110,323)	(100,716)
Proceeds from sale of financial assets at FVOCI		56,666	136,329
Additions to investment in joint ventures		(8,403)	(12,484)
Proceeds from sale of a joint venture		10,026	-
Proceeds from sale of investment property		12,907	-
Purchase of property and equipment		(1,003)	(4,811)
Dividends received from financial assets		1,838	1,478
Other investment income received		434	457
Distributions received from joint ventures		11,169	3,392
Rental income received		647	807
		<u>(41,937)</u>	<u>1,332</u>
Net cash flows (used in) from investing activities			
FINANCING ACTIVITIES			
Profit paid to holders on Perpetual Tier 1 Sukuk		(4,911)	(4,981)
Payment of principal portion of lease liabilities		(3,187)	(1,668)
Net movement on Sukuk issued		(992)	151,527
		<u>(9,090)</u>	<u>144,878</u>
Net cash flows (used in) from financing activities			
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at 1 January		443,033	283,637
		<u>66,067</u>	<u>205,417</u>
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	3	<u>509,100</u>	<u>489,054</u>
Additional information on operational cash flows			
Finance costs paid		35,702	51,974
Finance income received		68,849	66,535

The accompanying notes 1 to 13 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 September 2021

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 investment, corporate and retail banking activities in accordance with the principles of Islamic Shari'a, as approved by the Bank's Shari'a Supervisory Board.

The annual general assembly meeting ("AGM") of the shareholders of the Bank held on 30 March 2021 approved the consolidated financial statements for the year ended 31 December 2020. Distributions proposed and approved by the Bank for the year then ended are provided in Note 6.

This interim condensed consolidated financial information as at and for the nine months ended 30 September 2021 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 nine months ended 30 September 2021 has been approved for issue in accordance with the Board of Directors resolution on 14 October 2021.

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 has been prepared in accordance with International Accounting Standard 34 "*Interim Financial Reporting*" except as noted below.

The consolidated financial statements have been prepared in accordance with the regulations for financial services institutions as issued by the Central Bank of Kuwait (CBK) in the State of Kuwait. These regulations, require banks and other financial institutions regulated by CBK to adopt the International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board (IASB) with the following amendments:

- (i) Expected credit loss ("ECL") to be measured at the higher of ECL provision on financing facilities computed under IFRS 9 in accordance with CBK guidelines or the provisions as required by CBK instructions along with its consequent impact on related disclosures; and
- (ii) Recognition of modification losses on financial assets arising from payment holidays to customers as a result of COVID during the financial year ended 31 December 2020, as required by CBK circular no. 2/BS/IBS/461/2020 dated 5 July 2020. Modification losses referred to in the circular, should be recognized in retained earnings instead of profit or loss as would be required by IFRS 9. However, modification loss on financial assets arising from any other payment holidays to customers shall be recognized in profit or loss in accordance with IFRS 9. All modification losses incurred after the year ended 31 December 2020 are recognized in the statement of profit or loss. The application of the policy will result in application of different accounting presentation for modification loss in 2020 compared to 2021.

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

The interim condensed consolidated financial information do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at and for the year ended 31 December 2020.

The Group has prepared the financial statements on the basis that it will continue to operate as a going concern. The management considers that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2021

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

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 2020, except for the adoption of new standards effective as of 1 January 2021. 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 2021, but do not have a material impact on the interim condensed consolidated financial information of the Group.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include the following practical expedients:

- ▶ A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- ▶ Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- ▶ Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Bank is in the process of running a project on the Group's transition activities and prepared for adopting alternate reference rates and continues to engage with various stakeholders to support the orderly transition and to mitigate the risks resulting from the transition.

Management believes that these amendments had no impact on the interim condensed consolidated financial information of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

3 CASH AND CASH EQUIVALENTS

For the purpose of the interim condensed consolidated statement of cash flows, cash and cash equivalents are comprised of the following:

	<i>30 September</i> <i>2021</i> <i>KD'000</i>	<i>(Audited)</i> <i>31 December</i> <i>2020</i> <i>KD'000</i>	<i>30 September</i> <i>2020</i> <i>KD'000</i>
Cash	9,025	11,708	12,064
Current account with the CBK	102,387	90,396	23,339
Current account with commercial banks	5,174	8,895	28,036
Total cash and bank balances	116,586	110,999	63,439
Placements with the CBK whose original maturity is within three months	120,036	74,044	94,045
Placements with banks whose original maturity is within three months	272,478	257,990	331,570
Total cash and cash equivalents	509,100	443,033	489,054

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2021

4 FINANCING RECEIVABLES

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

	<i>As at 30 September 2021</i>			
	<i>Stage 1 KD 000's</i>	<i>Stage 2 KD 000's</i>	<i>Stage 3 KD 000's</i>	<i>Total KD 000's</i>
Financing receivables				
High	976,654	55,330	-	1,031,984
Standard	1,172,088	151,327	-	1,323,415
Past due or impaired	105,228	29,186	32,873	167,287
	<u>2,253,970</u>	<u>235,843</u>	<u>32,873</u>	<u>2,522,686</u>
Financing commitments and financial guarantee contracts- non-cash facilities				
	<u>147,317</u>	<u>34,716</u>	<u>3,990</u>	<u>186,023</u>
	<i>As at 31 December 2020</i>			
	<i>Stage 1 KD 000's</i>	<i>Stage 2 KD 000's</i>	<i>Stage 3 KD 000's</i>	<i>Total KD 000's</i>
Financing receivables				
High	614,875	10,480	-	625,355
Standard	1,773,153	63,235	-	1,849,853
Past due or impaired	33,158	4,241	40,401	64,335
	<u>2,421,186</u>	<u>77,956</u>	<u>40,401</u>	<u>2,539,543</u>
Financing commitments and financial guarantee contracts- non-cash facilities				
	<u>138,655</u>	<u>24,052</u>	<u>3,691</u>	<u>166,398</u>
	<i>As at 30 September 2020</i>			
	<i>Stage 1 KD 000's</i>	<i>Stage 2 KD 000's</i>	<i>Stage 3 KD 000's</i>	<i>Total KD 000's</i>
Financing receivables				
High	968,561	11,253	-	979,814
Standard	1,276,633	52,872	-	1,329,505
Past due or impaired	161,376	12,479	74,938	248,793
	<u>2,406,570</u>	<u>76,604</u>	<u>74,938</u>	<u>2,558,112</u>
Financing commitments and financial guarantee contracts- non-cash facilities				
	<u>132,643</u>	<u>25,005</u>	<u>3,691</u>	<u>161,339</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2021

4 FINANCING RECEIVABLES (continued)

An analysis of the changes in the Expected Credit Losses in relation to financing receivables (cash and non-cash facilities) computed under IFRS 9 in accordance to the CBK guidelines:

	<i>For the nine months ended 30 September 2021</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
As at 1 January 2021	26,160	5,720	8,734	40,614
Impact due to transfer between stages	(256)	(331)	587	-
(Reversal) additional ECL for the period	(2,336)	8,260	13,856	19,780
Amounts written off	-	-	(6,114)	(6,114)
Foreign exchange adjustments	4	-	-	4
At 30 September 2021	23,572	13,649	17,063	54,284

	<i>For the year ended 31 December 2020</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
As at 1 January 2020	12,942	3,978	24,068	40,988
Impact due to transfer between stages	(41)	(164)	205	-
Additional ECL for the period	13,268	1,906	33,258	48,432
Amounts written off	-	-	(48,797)	(48,797)
Foreign exchange adjustments	(9)	-	-	(9)
31 December 2020	26,160	5,720	8,734	40,614

	<i>For the nine months ended 30 September 2020</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
As at 1 January 2020	12,942	3,978	24,068	40,988
Impact due to transfer between stages	(129)	(549)	678	-
Additional ECL for the period	11,291	1,923	32,940	46,154
Amounts written off	-	-	(659)	(659)
Foreign exchange adjustments	(6)	-	-	(6)
At 30 September 2020	24,098	5,352	57,027	86,477

The following tables show reconciliations from the opening to the closing balance of the loss allowance as per CBK instructions:

	<i>30 September 2021</i>		
	<i>Specific</i>	<i>General</i>	<i>Total</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
As at 1 January	6,117	40,502	46,619
Charge for the period	16,740	14,505	31,245
Amounts written off	(6,114)	-	(6,114)
Foreign exchange adjustments	-	(26)	(26)
	16,743	54,981	71,724

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2021

4 FINANCING RECEIVABLES (continued)

	31 December 2020		
	Specific KD 000's	General KD 000's	Total KD 000's
As at 1 January	19,866	29,373	49,239
Charge for the period	35,461	11,169	46,630
Amounts written off	(48,797)	-	(48,797)
Foreign exchange adjustments	(413)	(40)	(453)
	<u>6,117</u>	<u>40,502</u>	<u>46,619</u>
	<u><u>6,117</u></u>	<u><u>40,502</u></u>	<u><u>46,619</u></u>
	30 September 2020		
	Specific KD 000's	General KD 000's	Total KD 000's
As at 1 January	19,866	29,373	49,239
Charge for the period	35,573	4,636	40,209
Amounts written off	(659)	-	(659)
Foreign exchange adjustments	-	(103)	(103)
	<u>54,780</u>	<u>33,906</u>	<u>88,686</u>
	<u><u>54,780</u></u>	<u><u>33,906</u></u>	<u><u>88,686</u></u>

Included within provision an amount of KD 12,479 thousand (31 December 2020: KD 4,442 thousand and 30 September 2020: KD 4,418 thousand) relating to non-cash facilities recorded under other liabilities.

5 SUKUK ISSUED

On 24 September 2019, the Bank completed the series 1 issue of unsecured Sukuk (senior debt) amounting to US\$ 500 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).

6 EQUITY

6.1 Share capital and share premium

The authorised, issued, and fully paid share capital as at 30 September 2021 comprise of 1,575,000 thousand shares (31 December 2020: 1,575,000 thousand shares and 30 September 2020: 1,575,000 thousand shares) of 100 fils each.

On 27 June 2021, the board of directors of the Bank recommended an increase in the authorised, issued and paid-up share capital of the Bank by inviting its shareholders to subscribe to a rights issue of 425,000 thousand ordinary shares (representing an increase of 26.984% in the issued and paid-up capital) at an issue price of 195 fils per share (each share has a par value of 100 fils and a premium of 95 fils). The increase in share capital is subject to approvals from the regulatory authorities and the extra-ordinary general assembly of the shareholders. On 24 August 2021 and 23 September 2021, the Central Bank of Kuwait ("CBK") and Capital Markets Authority ("CMA") respectively approved the board of directors' recommendation and the Bank is currently in the process of convening an extraordinary general assembly meeting (EGM) to obtain the shareholders' approval.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2021

6 EQUITY**6.2 Distributions made and proposed**

The ordinary general assembly meeting (“AGM”) of the Bank’s shareholders held on 30 March 2021 approved the board of directors’ recommendation not to distribute dividends for the year ended 31 December 2020 (2019: 5% bonus issue).

During the prior year, the extra-ordinary general assembly (“EGM”) of the Bank’s shareholders held on 27 April 2020 approved the increase of the Bank’s authorised, issued, and fully paid share capital by issuing 75,000 thousand bonus shares at 5% of the authorised and paid-up share capital (i.e. 5 shares for each 100 shares) amounting to KD 7,500 thousand to the shareholders registered in the Bank’s records as at the end of the record date scheduled on 4 June 2020.

6.3 Perpetual Tier 1 sukuk

On 22 September 2021, the Bank has received a preliminary approval from the Central Bank of Kuwait (“CBK”) to recall the Additional Tier 1 (AT1) sukuk currently outstanding and previously issued on 14 March 2017 and issue up to USD 250 million AT1 US dollar-denominated sukuk. The proposed AT1 Sukuk are perpetual in nature and are based on a mudaraba structure that is fully compliant with the principles of Islamic Shari’a.

7 PROVISION FOR IMPAIRMENT AND CREDIT LOSSES

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>KD’000</i>	<i>KD’000</i>	<i>KD’000</i>	<i>KD’000</i>
Provision charge for credit facilities – specific	6,344	10,400	16,740	35,573
Provision charge for credit facilities – general	5,108	1,115	14,505	4,636
Allowance for (reversal of) expected credit losses	4,107	(165)	4,325	(720)
	<u>15,559</u>	<u>11,350</u>	<u>35,570</u>	<u>39,489</u>

8 BASIC AND DILUTED EARNINGS (LOSS) PER SHARE (EPS)

Basic EPS amounts are calculated by dividing the profit (loss) 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 (loss) 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 (loss) per share are identical.

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
Net profit (loss) for the period (KD’000)	3,144	3,445	9,200	(11,431)
Less: profit payment on Perpetual Tier 1 Sukuk (KD’000)	(2,448)	(2,489)	(4,911)	(4,981)
	<u>696</u>	<u>956</u>	<u>4,289</u>	<u>(16,412)</u>
Weighted average number of shares outstanding (shares’000)	1,575,000	1,575,000	1,575,000	1,575,000
Basic and diluted EPS (fils)	<u>0.44</u>	<u>0.61</u>	<u>2.72</u>	<u>(10.42)</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2021

8 BASIC AND DILUTED EARNINGS (LOSS) PER SHARE (EPS) (continued)

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

9 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 on terms approved by the management.

9.1 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>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>
Salaries and short-term benefits	496	476	1,815	1,361
End of service benefits	47	45	143	138
	<u>543</u>	<u>521</u>	<u>1,958</u>	<u>1,499</u>

The AGM of the shareholders of the Bank held on 30 March 2021 approved directors' remuneration for the year ended 31 December 2020 amounting to KD 63 thousand.

9.2 Transactions with Bank's key management personnel and board of directors' members:

The Bank enters into transactions, arrangements and agreements involving senior management, board of directors' members, and their controlled business, or close family members, in the ordinary course of business under the same commercial and market terms, profit and commission rates that apply to non-related parties.

The following table shows the total amount of transactions, which have been entered into with key management personnel and board of directors' members for the relevant financial period/ year which are included in the interim condensed consolidated statement of financial position:

	<i>30 September</i>	<i>(Audited)</i>		<i>30 September</i>
		<i>31 December</i>	<i>30 September</i>	
		<i>2020</i>	<i>2020</i>	
	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>
Financing facilities	2,009	1,480		1,540
Credit cards	6	8		8
Depositors' accounts	1,993	1,613		1,514

The transactions with related parties included under the contingent liabilities are as follows:

	<i>30 September</i>	<i>(Audited)</i>		<i>30 September</i>
		<i>31 December</i>	<i>30 September</i>	
		<i>2020</i>	<i>2020</i>	
	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>
Letter of guarantees	4	4		4

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2021

9 RELATED PARTY DISCLOSURES (continued)

9.2 Transactions with Bank's key management personnel and board of directors' members (continued):

The number of the board members and executive officers is as follows:

	<i>30 September 2021</i>	<i>(Audited) 31 December 2020</i>	<i>30 September 2020</i>
Financing facilities	6	6	8
Credit cards	5	8	6
Depositors' accounts	45	50	46
Letter of guarantees	1	1	1

The transactions with related parties which are included in the interim condensed consolidated statement of profit or loss are as follows:

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>
Placements and finance income	16	18	45	57
Finance costs and distribution to depositors	81	12	112	43

9.3 Transactions with major shareholders and other related parties:

In addition to transactions with key management personnel and board of directors' members, the Bank enters into transactions with major shareholders and other entities which the Bank has direct or indirect control, including common control, joint control and significant influence.

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

	<i>Outstanding balances as at</i>			<i>(Audited)</i>	
	<i>Major shareholders</i>	<i>Other related parties</i>	<i>30 September 2021</i>	<i>31 December 2020</i>	<i>30 September 2020</i>
	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>
Depositors' accounts	450,048	409	450,457	552,333	664,878

The number of major shareholders and other related parties is as follows:

	<i>No. of major shareholders</i>	<i>No. of other related parties</i>
<i>30 September 2021</i>		
Depositors' accounts	2	29
<i>31 December 2020 (Audited)</i>		
Depositors' accounts	2	30
<i>30 September 2020</i>		
Depositors' accounts	2	30

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2021

9 RELATED PARTY DISCLOSURES (continued)**9.3 Transactions with major shareholders and other related parties (continued):**

Transactions with related parties recorded in the interim condensed consolidated statement of profit or loss are, as follows:

	<i>Transactions values during the period ended</i>			<i>30 September 2020</i> <i>KD'000</i>
	<i>Major shareholders</i> <i>KD'000</i>	<i>Other related parties</i> <i>KD'000</i>	<i>30 September 2021</i> <i>KD'000</i>	
Finance costs and distributions to depositors	3,718	-	3,718	8,964

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. There are no guarantees provided for related party payables during the period ended 30 September 2021.

10 COMMITMENTS AND CONTINGENT LIABILITIES

	<i>(Audited)</i>		
	<i>30 September 2021</i> <i>KD'000</i>	<i>31 December 2020</i> <i>KD'000</i>	<i>30 September 2020</i> <i>KD'000</i>
Acceptances and letters of credit	45,982	38,751	34,486
Letters of guarantee	140,041	127,647	126,853
Contingent liabilities	186,023	166,398	161,339
Capital commitments	122,614	104,668	113,167

11 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 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2021

11 SEGMENT INFORMATION (continued)

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

	30 September 2021					
	Corporate KD'000	Retail KD'000	Treasury KD'000	Investment KD'000	Other KD'000	Total KD'000
Operating income	32,831	11,619	503	21,791	-	66,744
Net profit (loss)	1,575	3,854	287	16,110	(12,626)	9,200
Total assets	1,974,292	489,150	707,818	347,300	71,273	3,589,833
Total liabilities	652,029	911,703	1,686,127	-	61,374	3,311,233

	30 September 2020					
	Corporate KD'000	Retail KD'000	Treasury KD'000	Investment KD'000	Other KD'000	Total KD'000
Operating income (loss)	28,206	10,101	(231)	8,751	-	46,827
Net (loss) profit	(11,788)	2,493	(113)	7,866	(9,889)	(11,431)
Total assets	2,042,850	430,995	683,322	327,093	62,648	3,546,908
Total liabilities	392,449	673,277	2,169,453	-	50,325	3,285,504

12 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 September 2021

12 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

	<i>Total</i> <i>KD'000</i>	<i>Fair value measurement</i>		
		<i>Quoted prices in active markets (Level 1) KD'000</i>	<i>Significant observable inputs (Level 2) KD'000</i>	<i>Significant unobservable inputs (Level 3) KD'000</i>
30 September 2021				
<i>Assets measured at fair value on a recurring basis</i>				
<i>Financial assets at FVPL</i>				
Quoted equity instruments	15,008	15,008	-	-
Funds (unquoted)	83,853	-	-	83,853
Other securities (unquoted)	18,252	-	-	18,252
	<u>117,113</u>	<u>15,008</u>	<u>-</u>	<u>102,105</u>
<i>Financial assets at FVOCI</i>				
Quoted Sukuk				
- Sovereign Sukuk	191,123	191,123	-	-
- Corporate Sukuk	80,104	80,104	-	-
	<u>271,227</u>	<u>271,227</u>		
Unquoted Sukuk	1,508	-	-	1,508
Unquoted equity instruments	5,569	-	-	5,569
	<u>278,304</u>	<u>271,227</u>	<u>-</u>	<u>7,077</u>
	<i>Total</i> <i>KD'000</i>	<i>Fair value measurement</i>		
		<i>Quoted prices in active markets (Level 1) KD'000</i>	<i>Significant observable inputs (Level 2) KD'000</i>	<i>Significant unobservable inputs (Level 3) KD'000</i>
31 December 2020 (Audited)				
<i>Assets measured at fair value on a recurring basis</i>				
<i>Financial assets at FVPL</i>				
Quoted equity instruments	15,580	15,580	-	-
Funds (unquoted)	57,792	-	-	57,792
Other securities (unquoted)	17,557	-	-	17,557
	<u>90,929</u>	<u>15,580</u>	<u>-</u>	<u>75,349</u>
<i>Financial assets at FVOCI</i>				
Quoted Sukuk				
- Sovereign Sukuk	160,834	160,834	-	-
- Corporate Sukuk	64,375	64,375	-	-
	<u>225,209</u>	<u>225,209</u>	<u>-</u>	<u>-</u>
Unquoted Sukuk	6,303	-	-	6,303
Unquoted equity instruments	5,538	-	-	5,538
	<u>237,050</u>	<u>225,209</u>	<u>-</u>	<u>11,841</u>

Warba Bank K.S.C.P.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2021

12 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	Total KD'000	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
<i>30 September 2020</i>				
<i>Assets measured at fair value on a recurring basis</i>				
<i>Financial assets at FVPL</i>				
Quoted equity instruments	14,333	14,333	-	-
Funds (unquoted)	49,963	-	-	49,963
Other securities (unquoted)	15,879	-	-	15,879
	80,175	14,333	-	65,842
<i>Financial assets at FVOCI</i>				
<i>Quoted Sukuk</i>				
- Sovereign Sukuk	197,673	197,673	-	-
- Corporate Sukuk	80,353	80,353	-	-
	278,026	278,026	-	-
Unquoted Sukuk	6,359	-	-	6,359
Unquoted equity instruments	5,505	-	-	5,505
	289,890	278,026	-	11,864

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:

	<i>30 September 2021</i>					
	<i>At</i>	<i>Additions</i>	<i>Sales/ redemptions</i>	<i>Change in fair value</i>	<i>Exchange rate movements</i>	<i>At</i>
	<i>1 January 2021</i>					<i>30 September 2021</i>
	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>
<i>Financial assets at FVPL</i>						
Funds (unquoted)	57,792	18,785	(1,260)	9,137	(601)	83,853
Other securities (unquoted)	17,557	1,152	-	(358)	(99)	18,252
	75,349	19,937	(1,260)	8,779	(700)	102,105
<i>Financial assets at FVOCI</i>						
Unquoted Sukuk	6,303	1,506	(6,014)	(238)	(49)	1,508
Unquoted equity instruments	5,538	31	-	-	-	5,569
	11,841	1,537	(6,014)	(238)	(49)	7,077
<i>31 December 2020 (Audited)</i>						
	<i>At</i>	<i>Additions</i>	<i>Sales/ redemptions</i>	<i>Change in fair value</i>	<i>Exchange rate movements</i>	<i>At</i>
	<i>1 January 2020</i>					<i>31 December 2020</i>
	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>
<i>Financial assets at FVPL</i>						
Funds (unquoted)	35,267	33,306	(10,568)	(99)	(114)	57,792
Other securities (unquoted)	13,092	4,451	(52)	(47)	113	17,557
	48,359	37,757	(10,620)	(146)	(1)	75,349

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2021

12 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	31 December 2020 (Audited)					
	At				Exchange	At
	1 January	Additions	Sales/ redemptions	Change in fair value	rate movements	31 December
	KD'000	KD'000	KD'000	KD'000	KD'000	2020 KD'000
<i>Financial assets at FVOCI</i>						
Unquoted Sukuk	6,398	-	-	(99)	4	6,303
Unquoted equity instruments	5,505	-	-	33	-	5,538
	11,903	-	-	(66)	4	11,841
	30 September 2020					
	At				Exchange	At
	1 January	Additions	Sales/ redemptions	Change in fair value	rate movements	30 September
	KD'000	KD'000	KD'000	KD'000	KD'000	2020 KD'000
<i>Financial assets at FVPL</i>						
Funds (unquoted)	35,267	25,840	(9,910)	(1,193)	(41)	49,963
Other securities (unquoted)	13,092	2,536	(52)	164	139	15,879
	48,359	28,376	(9,962)	(1,029)	98	65,842
<i>Financial assets at FVOCI</i>						
Unquoted Sukuk	6,398	-	-	(102)	63	6,359
Unquoted equity instruments	5,505	-	-	-	-	5,505
	11,903	-	-	(102)	63	11,864

There were no transfers between any levels of the fair value hierarchy during 2021 or 2020.

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 2020.

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.

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.

13 IMPACT OF COVID-19

The COVID-19 pandemic spread rapidly across global geographies causing significant disruption to business and economic activities and bringing unprecedented uncertainty to the global economic environment. Fiscal and monetary authorities worldwide have launched extensive responses designed to mitigate the severe consequences of the pandemic.

Covid-19 support measures

In 2020, Central Bank of Kuwait (CBK) implemented various measures targeted at reinforcing the banking sectors ability to play a vital role in the economy. Those measures are disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2020.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2021

13 IMPACT OF COVID-19 (continued)

2021 consumer and other instalments financing deferral scheme

Kuwait banks announced postponement of payment of consumer and instalment financing to eligible customer, upon request, in accordance with the CBK circular No. 2/BS/IBS/IS/IIS/FS/476/2021 dated 18 April 2021 concerning the implementing provisions of Article No. (2) of Law No. (3) of 2021 (“the Law”) regarding the deferral of the financial obligations for a six-month period with cancellation of profits resulting from this deferral (“the 2021 scheme”). The cost of the instalment deferrals are fully borne and funded by the Government of Kuwait in accordance with the Law.

The Bank implemented the 2021 scheme by postponing the instalments for a six-month period from the customer request date with the corresponding extension of the facility tenure. The instalment deferral resulted in a loss to the Bank arising from the modification of contractual cash-flows, provisionally estimated at KD 9,013 thousand in accordance with IFRS 9. The modification loss arising from the moratorium is funded by the Government under the 2021 scheme hence treated as a government grant in accordance with IAS 20. Consequently, the modification losses were offset by an equivalent amount of grant income reimbursable by the Government of Kuwait. The grant receivable is included in other assets in the interim condensed consolidated statement of financial position as at 30 September 2021.

Expected Credit Loss (ECL) estimates

The Group considered the potential impact of the uncertainties caused by the Covid-19 pandemic together with the associated economic support and relief measures of governments and central banks in its estimation of ECL requirements for the period ended 30 September 2021, making adjustments to macroeconomic variables as appropriate. The Group has also given specific consideration to the impact of COVID-19 on the relevant qualitative and quantitative factors when determining any significant increase in credit risk (SICR) and in assessing indicators of impairment for exposures to potentially affected sectors.

Notwithstanding the above, the ECL requirement for credit facilities estimated as at 30 September 2021 continues to be lower than the provisions required as per CBK instructions. In accordance with Group accounting policy, the higher amount, being the provision required as per CBK instructions, is therefore recognised as the provision requirement for credit losses on credit facilities.

Other impacts

The Group considered the potential impact of the current economic volatility on the reported amounts of the Group’s financial and non-financial assets. The reported amounts best represent management’s assessment based on observable information. Markets however remain volatile and asset carrying values remain sensitive to market fluctuations. The impact of the highly uncertain economic environment remains judgmental and the Group will accordingly continue to reassess its position and the related impact on a regular basis.