

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

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

**31 MARCH 2021**



Building a better  
working world

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

### *Introduction*

We have reviewed the interim condensed consolidated statement of financial position of Warba Bank K.S.C.P. (the “Bank”) and its subsidiaries (collectively, the “Group”) as at 31 March 2021, and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and 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 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 three-month period ended 31 March 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 three-month period ended 31 March 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 31 March 2021

		<i>(Audited)</i>	
	<i>31 March</i>	<i>31 December</i>	<i>31 March</i>
	<i>2021</i>	<i>2020</i>	<i>2020</i>
<i>Notes</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>
<b>ASSETS</b>			
Cash and bank balances	3	73,445	110,999
Placements with banks and the CBK		350,414	357,897
Financing receivables	4	2,432,417	2,497,366
Financial assets at fair value through profit or loss	12	99,678	90,929
Financial assets at fair value through other comprehensive income	12	261,451	237,050
Investment in joint ventures		115,429	108,240
Investment properties		30,154	30,039
Other assets		33,337	23,074
Property and equipment		19,801	19,660
<b>TOTAL ASSETS</b>		<b>3,416,126</b>	<b>3,475,254</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Due to banks and other financial institutions		523,693	494,355
Depositors' accounts		2,249,322	2,353,454
Sukuk issued	5	301,800	302,429
Other liabilities		61,183	44,922
<b>TOTAL LIABILITIES</b>		<b>3,135,998</b>	<b>3,195,160</b>
<b>EQUITY</b>			
Share capital	6	157,500	157,500
Share premium		40,000	40,000
Statutory reserve		3,098	3,098
Fair value reserve		1,914	1,676
Foreign currency translation reserve		946	1,469
Retained earnings (Accumulated losses)		307	(12)
Proposed distributions	6	203,765	203,731
<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK</b>		<b>203,765</b>	<b>203,731</b>
Perpetual Tier 1 Sukuk		76,363	76,363
<b>TOTAL EQUITY</b>		<b>280,128</b>	<b>280,094</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>3,416,126</b>	<b>3,475,254</b>

  
Abdulwahab A. Al Houti  
Chairman

  
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 31 March 2021

	Notes	Three months ended 31 March	
		2021 KD'000	2020 KD'000
Placements and finance income		23,025	31,063
Finance costs and distribution to depositors		(11,586)	(19,330)
<b>Net finance income</b>		<b>11,439</b>	<b>11,733</b>
Net investment income		6,234	2,884
Net fee and commission income		596	885
Other income		108	41
Foreign exchange gain (loss)		1,320	(1,326)
<b>Net operating income</b>		<b>19,697</b>	<b>14,217</b>
Staff costs		(4,511)	(4,314)
General and administrative expenses		(809)	(1,430)
Depreciation expense		(1,460)	(842)
<b>Net operating expenses</b>		<b>(6,780)</b>	<b>(6,586)</b>
<b>Net operating profit before provision for impairment and credit losses</b>		<b>12,917</b>	<b>7,631</b>
Provision for impairment and credit losses	7	(10,003)	(5,439)
<b>Profit before tax</b>		<b>2,914</b>	<b>2,192</b>
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(26)	(20)
National Labour Support Tax (NLST)		(76)	(63)
Zakat		(30)	(25)
<b>NET PROFIT FOR THE PERIOD</b>		<b>2,782</b>	<b>2,084</b>
<b>BASIC AND DILUTED EARNINGS (LOSS) PER SHARE</b>	8	<b>0.20 fils</b>	<b>(0.26) fils</b>

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 31 March 2021

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2021</i>	<i>2020</i>
	<b><i>KD'000</i></b>	<b><i>KD'000</i></b>
<b>NET PROFIT FOR THE PERIOD</b>	<b>2,782</b>	2,084
<b>Other comprehensive income (loss)</b>		
<i>Other comprehensive income (loss) that will be reclassified to profit or loss:</i>		
<i>Debt instruments at fair value through other comprehensive income:</i>		
Net change in fair value	427	(22,569)
Changes in allowance for expected credit losses	(33)	(195)
Reclassification adjustment on sale	(156)	(129)
Net gains / (losses) on debt instruments at fair value through other comprehensive income	<b>238</b>	(22,893)
<i>Foreign currency translation:</i>		
Exchange differences on translation of foreign operations	(523)	501
<b>OTHER COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>(285)</b>	(22,392)
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD</b>	<b>2,497</b>	(20,308)

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 31 March 2021

	Share capital KD'000	Share premium KD'000	Statutory reserve KD'000	Fair value reserve KD'000	Foreign currency translation reserve KD'000	(Accumulated losses) Retained earnings KD'000	Sub-total KD'000	Proposed distributions KD'000	Equity attributable to shareholders of the Bank KD'000	Perpetual Tier 1 Sukuk KD'000	Total equity KD'000
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	-	-	-	-	-	2,782	2,782	-	2,782	-	2,782
Other comprehensive income (loss)	-	-	-	238	(523)	-	(285)	-	(285)	-	(285)
Total comprehensive income (loss) for the period	-	-	-	238	(523)	2,782	2,497	-	2,497	-	2,497
Profit paid on Perpetual Tier 1 Sukuk	-	-	-	-	-	(2,463)	(2,463)	-	(2,463)	-	(2,463)
At 31 March 2021	157,500	40,000	3,098	1,914	946	307	203,765	-	203,765	76,363	280,128
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 profit for the period	-	-	-	-	-	2,084	2,084	-	2,084	-	2,084
Other comprehensive (loss) income	-	-	-	(22,893)	501	-	(22,392)	-	(22,392)	-	(22,392)
Total comprehensive (loss) income for the period	-	-	-	(22,893)	501	2,084	(20,308)	-	(20,308)	-	(20,308)
Profit paid on Perpetual Tier 1 Sukuk	-	-	-	-	-	(2,492)	(2,492)	-	(2,492)	-	(2,492)
At 31 March 2020	150,000	40,000	3,098	(15,682)	628	9,653	187,697	7,500	195,197	76,363	271,560

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 31 March 2021

	Note	Three months ended 31 March	
		2021 KD'000	2020 KD'000
<b>OPERATING ACTIVITIES</b>			
Profit before tax		2,914	2,192
<i>Adjustments for:</i>			
Realised gain on sale of debt instruments at FVOCI		(156)	(129)
Realised loss (gain) on sale of financial assets at FVPL		1	(2,101)
Dividend income from financial assets		(593)	(484)
Share of results from investments in joint ventures		(1,442)	(1,427)
Net rental income from investment properties		(169)	(250)
Fair value adjustment to investment properties		6	899
Other investment income		(179)	(204)
Fair value (gain) loss from financial assets at FVPL		(3,702)	812
Provision for employees' end of service benefits		190	280
Depreciation expense		1,460	842
Provision for impairment and credit losses		10,003	5,439
		<b>8,333</b>	<b>5,869</b>
<i>Changes in operating assets and liabilities:</i>			
Placements with banks and the CBK		(26)	7,027
Financing receivables		55,820	(89,865)
Other assets		(9,957)	(22,595)
Due to banks and other financial institutions		29,338	(142,704)
Depositors' accounts		(104,132)	245,420
Other liabilities		16,695	678
<b>Net cash flows (used in) from operating activities</b>		<b>(3,929)</b>	<b>3,830</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of financial assets at FVPL		(5,469)	(14,091)
Proceeds from sale/ redemption of financial assets at FVPL		421	6,396
Purchase of financial assets at FVOCI		(46,825)	(36,533)
Proceeds from sale of financial assets at FVOCI		20,178	32,633
Additions to investment in joint ventures		(10,163)	(2,023)
Purchase of property and equipment		(44)	(63)
Dividends received from financial assets		593	506
Other investment income received		179	204
Distributions received from joint ventures		3,770	1,078
Rental income received		202	342
<b>Net cash flows used in investing activities</b>		<b>(37,158)</b>	<b>(11,551)</b>
<b>FINANCING ACTIVITIES</b>			
Profit paid to holders on Perpetual Tier 1 Sukuk		(2,463)	(2,492)
Payment of lease liabilities		(1,015)	(470)
Net movement on Sukuk issued		(629)	1,651
<b>Net cash flows used in financing activities</b>		<b>(4,107)</b>	<b>(1,311)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(45,194)</b>	<b>(9,032)</b>
Cash and cash equivalents at 1 January		443,033	283,637
<b>CASH AND CASH EQUIVALENTS AT 31 MARCH</b>	3	<b>397,839</b>	<b>274,605</b>
<b>Additional information on operational cash flows</b>			
Finance cost paid		(15,040)	(18,858)
Finance income received		24,749	22,282

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 31 March 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 Sharī‘a, as approved by the Bank’s Sharī‘a Supervisory Board.

The annual general assembly meeting (“AGM”) of the shareholders of the Bank held on 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 three months ended 31 March 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 three months ended 31 March 2021 has been approved for issue in accordance with the Board of Directors resolution on 15 April 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, including the recently issued CBK circulars on regulatory measures in response to COVID-19 and related CBK communications, 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 in response to Covid-19 to be recognised in retained earnings instead of profit or loss as required by IFRS 9.

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 31 March 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

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>31 March</i>	<i>(Audited)</i>	
	<i>2021</i>	<i>31 December</i>	<i>31 March</i>
	<i>KD'000</i>	<i>2020</i>	<i>2020</i>
		<i>KD'000</i>	<i>KD'000</i>
Cash	5,699	11,708	8,330
Current account with the CBK	60,345	90,396	50,819
Current account with commercial banks	7,401	8,895	91,903
<b>Total cash and bank balances</b>	<b>73,445</b>	<b>110,999</b>	<b>151,052</b>
Placements with the CBK whose original maturity is within three months	99,041	74,044	26,088
Placements with banks whose original maturity is within three months	225,353	257,990	97,465
<b>Total cash and cash equivalents</b>	<b>397,839</b>	<b>443,033</b>	<b>274,605</b>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 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 31 March 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>
<b>Financing receivables</b>				
High	885,328	26,481	-	911,809
Standard	1,429,794	90,793	4,794	1,525,381
Past due or impaired	-	21,837	23,804	45,641
	<u>2,315,122</u>	<u>139,111</u>	<u>28,598</u>	<u>2,482,831</u>
<b>Loan commitments and financial guarantee contracts- non-cash facilities</b>				
	<u>161,501</u>	<u>23,280</u>	<u>4,740</u>	<u>189,521</u>
	<u><u>161,501</u></u>	<u><u>23,280</u></u>	<u><u>4,740</u></u>	<u><u>189,521</u></u>
	<i>As at 31 March 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>
<b>Financing receivables</b>				
High	728,840	20,408	-	749,248
Standard	1,467,151	116,830	114	1,584,095
Past due or impaired	-	26,880	34,695	61,575
	<u>2,195,991</u>	<u>164,118</u>	<u>34,809</u>	<u>2,394,918</u>
<b>Loan commitments and financial guarantee contracts- non-cash facilities</b>				
	<u>146,538</u>	<u>15,445</u>	<u>5,292</u>	<u>167,275</u>
	<u><u>146,538</u></u>	<u><u>15,445</u></u>	<u><u>5,292</u></u>	<u><u>167,275</u></u>

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 three months ended 31 March 2021</i>				
	<i>Stage 1 KD 000's</i>	<i>Stage 2 KD 000's</i>	<i>Stage 3 KD 000's</i>	<i>CBK additional provision KD 000's</i>	<i>Total KD 000's</i>
ECL allowance as at 1 January 2021	26,160	5,721	8,734	6,005	46,620
Impact due to transfer between stages	(317)	(386)	703	-	-
ECL allowance for the period	(4,319)	1,282	4,455	-	1,418
CBK additional provision during the period	-	-	-	8,705	8,705
Amounts written off	-	-	(882)	-	(882)
Foreign exchange adjustments	29	-	-	-	29
<b>At 31 March 2021</b>	<u><u>21,553</u></u>	<u><u>6,617</u></u>	<u><u>13,010</u></u>	<u><u>14,710</u></u>	<u><u>55,890</u></u>

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

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

As at and for the period ended 31 March 2021

#### 4 FINANCING RECEIVABLES (continued)

	<i>For the three months ended 31 March 2020</i>				
	<i>Stage 1</i> <i>KD 000's</i>	<i>Stage 2</i> <i>KD 000's</i>	<i>Stage 3</i> <i>KD 000's</i>	<i>CBK</i> <i>additional</i> <i>provision</i> <i>KD 000's</i>	<i>Total</i> <i>KD 000's</i>
ECL allowance as at 1 January 2020	12,942	3,978	24,068	8,252	49,240
Impact due to transfer between stages	(320)	(26)	346	-	-
ECL allowance for the period	2,991	4,972	(137)	-	7,826
CBK additional provision during the period	-	-	-	(2,398)	(2,398)
Amounts written off	-	-	(154)	-	(154)
Foreign exchange adjustments	60	-	-	-	60
At 31 March 2020	<u>15,673</u>	<u>8,924</u>	<u>24,123</u>	<u>5,854</u>	<u>54,574</u>

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

	<i>31 March 2021</i>			<i>31 March 2020</i>		
	<i>Specific</i> <i>KD 000's</i>	<i>General</i> <i>KD 000's</i>	<i>Total</i> <i>KD 000's</i>	<i>Specific</i> <i>KD 000's</i>	<i>General</i> <i>KD 000's</i>	<i>Total</i> <i>KD 000's</i>
As at 1 January	6,117	40,503	46,620	19,864	29,376	49,240
Charge	3,976	6,188	10,164	4,683	725	5,408
Amounts written off	(882)	-	(882)	(154)	-	(154)
Foreign exchange adjustments	-	(12)	(12)	-	80	80
	<u>9,211</u>	<u>46,679</u>	<u>55,890</u>	<u>24,393</u>	<u>30,181</u>	<u>54,574</u>

Included within provision an amount of KD 5,476 thousand (31 March 2020: KD 6,101 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).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2021

**6 SHARE CAPITAL AND DISTRIBUTIONS MADE**

**6.1 Share capital**

The authorised, issued, and fully paid share capital as at 31 March 2021 comprise of 1,575,000 thousand shares (31 December 2020: 1,575,000 thousand shares and 31 March 2020: 1,500,000 thousand shares) of 100 fils each.

**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.

**7 PROVISION FOR IMPAIRMENT AND CREDIT LOSSES**

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2021</i>	<i>2020</i>
	<i>KD’000</i>	<i>KD’000</i>
Provision charge for financing facilities – specific	<b>3,976</b>	4,683
Provision charge for financing facilities – general	<b>6,188</b>	725
Expected credit losses charge	<b>(161)</b>	31
	<b>10,003</b>	5,439

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

Basic earnings (loss) per share 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 earnings (loss) per share 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>31 March</i>	
	<i>2021</i>	<i>2020</i>
Net profit for the period (KD’000)	<b>2,782</b>	2,084
Less: profit payment on Perpetual Tier 1 Sukuk (KD’000)	<b>(2,463)</b>	(2,492)
	<b>319</b>	(408)
Weighted average number of shares outstanding (shares’000)	<b>1,575,000</b>	1,575,000
<b>Basic and diluted earnings (loss) per share (fils)</b>	<b>0.20</b>	(0.26)

Loss per share for the three months ended 31 March 2020 was (0.27) fils before retroactive adjustment to the number of shares following the bonus issue for the year ended 31 December 2019 as approved by the shareholders of the Bank at the annual general assembly meeting (AGM) held on 27 April 2020 (Note 6).

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2021

**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>31 March</i>	
	<i>2021</i>	<i>2020</i>
	<i>KD'000</i>	<i>KD'000</i>
Salaries and short-term benefits	793	428
End of service benefits	48	46
	<u>841</u>	<u>474</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>(Audited)</i>		
	<i>31 March</i>	<i>31 December</i>	<i>31 March</i>
	<i>2021</i>	<i>2020</i>	<i>2020</i>
	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>
Financing facilities	1,443	1,480	1,438
Credit cards	5	8	4
Depositors' accounts	3,324	1,613	2,669

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

	<i>(Audited)</i>		
	<i>31 March</i>	<i>31 December</i>	<i>31 March</i>
	<i>2021</i>	<i>2020</i>	<i>2020</i>
	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>
Letter of guarantees	4	4	4

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

	<i>(Audited)</i>		
	<i>31 March</i>	<i>31 December</i>	<i>31 March</i>
	<i>2021</i>	<i>2020</i>	<i>2020</i>
Financing facilities	6	6	6
Credit cards	9	8	5
Depositors' accounts	49	50	43
Letter of guarantees	1	1	1

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2021

**9 RELATED PARTY DISCLOSURES (continued)**

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

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 31 March</i>	
	<i>2021 KD'000</i>	<i>2020 KD'000</i>
Placements and finance income	15	21
Finance costs and distribution to depositors	10	17

**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 KD'000</i>	<i>Other related parties KD'000</i>	<i>31 March 2021 KD'000</i>	<i>31 December 2020 KD'000</i>	<i>31 March 2020 KD'000</i>
Depositors' accounts	492,327	404	492,731	552,333	701,098

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>
<b>31 March 2021</b>		
Depositors' accounts	2	30
<b>31 December 2020 (Audited)</b>		
Depositors' accounts	2	30
<b>31 March 2020</b>		
Depositors' accounts	2	30

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>Major shareholders KD'000</i>	<i>Other related parties KD'000</i>	<i>31 March 2021 KD'000</i>	<i>31 March 2020 KD'000</i>
Finance costs and distributions to depositors	1,383	-	1,383	3,990

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. Except for guarantees of KD 2,903 thousand received for related party receivables, there are no guarantees provided for related party payables during the period ended 31 March 2021.

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

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

As at and for the period ended 31 March 2021

#### 10 COMMITMENTS AND CONTINGENT LIABILITIES

	<i>31 March</i> <i>2021</i> <i>KD'000</i>	<i>(Audited)</i> <i>31 December</i> <i>2020</i> <i>KD'000</i>	<i>31 March</i> <i>2020</i> <i>KD'000</i>
Acceptances and letters of credit	47,713	38,751	38,339
Letters of guarantee	137,122	127,647	128,937
Contingent liabilities	<u>184,835</u>	<u>166,398</u>	<u>167,276</u>
Capital commitments	<u>114,626</u>	<u>104,668</u>	<u>79,301</u>

#### 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.

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:

	<i>31 March 2021</i>					
	<i>Corporate</i> <i>KD'000</i>	<i>Retail</i> <i>KD'000</i>	<i>Treasury</i> <i>KD'000</i>	<i>Investment</i> <i>KD'000</i>	<i>Other</i> <i>KD'000</i>	<i>Total</i> <i>KD'000</i>
Operating income	8,937	3,892	580	6,288	-	19,697
Net profit (loss)	583	1,356	679	4,044	(3,880)	2,782
Total assets	1,980,339	452,078	594,593	335,978	53,138	3,416,126
Total liabilities	560,032	814,468	1,700,315	-	61,183	3,135,998

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2021

11 SEGMENT INFORMATION (continued)

	31 March 2020					Total KD'000
	Corporate KD'000	Retail KD'000	Treasury KD'000	Investment KD'000	Other KD'000	
Operating income (loss)	10,710	2,642	(205)	1,070	-	14,217
Net profit (loss)	5,188	245	(515)	837	(3,671)	2,084
Total assets	1,950,292	396,153	496,731	302,766	85,559	3,231,501
Total liabilities	385,208	564,505	1,966,003	-	44,225	2,959,941

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.

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

	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
<b>31 March 2021</b>				
<i>Assets measured at fair value on a recurring basis</i>				
<i>Financial assets at FVPL</i>				
Quoted equity instruments	15,902	15,902	-	-
Funds (unquoted)	65,515	-	-	65,515
Other securities (unquoted)	18,261	-	-	18,261
	<b>99,678</b>	<b>15,902</b>	<b>-</b>	<b>83,776</b>
<i>Financial assets at FVOCI</i>				
Quoted Sukuk				
- Sovereign Sukuk	186,483	186,483	-	-
- Corporate Sukuk	53,975	53,975	-	-
	<b>240,458</b>	<b>240,458</b>	<b>-</b>	<b>-</b>
Unquoted Sukuk	15,455	-	-	15,455
Unquoted equity instruments	5,538	-	-	5,538
	<b>261,451</b>	<b>240,458</b>	<b>-</b>	<b>20,993</b>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2021

12 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

		<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>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>31 December 2020</i>				
<i>Assets measured at fair value</i>				
<i>Financial assets at FVTPL</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>				
<i>Quoted Sukuk</i>				
- 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>
<i>31 March 2020</i>				
<i>Assets measured at fair value on a recurring basis</i>				
<i>Financial assets at FVPL</i>				
Quoted equity instruments	8,662	8,662	-	-
Funds (unquoted)	41,538	-	-	41,538
Other securities (unquoted)	14,657	-	-	14,657
	<u>64,857</u>	<u>8,662</u>	<u>-</u>	<u>56,195</u>
<i>Financial assets at FVOCI</i>				
<i>Quoted Sukuk</i>				
- Sovereign Sukuk	179,876	179,876	-	-
- Corporate Sukuk	117,449	117,449	-	-
	<u>297,325</u>	<u>297,325</u>	<u>-</u>	<u>-</u>
Unquoted Sukuk	6,009	-	-	6,009
Unquoted equity instruments	5,505	-	-	5,505
	<u>308,839</u>	<u>297,325</u>	<u>-</u>	<u>11,514</u>

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

As at and for the period ended 31 March 2021

## 12 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

## 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:

	31 March 2021					
	<i>At</i>				<i>Exchange</i>	<i>At</i>
	<i>1 January</i>	<i>Additions</i>	<i>Sales/</i>	<i>Change in</i>	<i>rate</i>	<i>31 March</i>
		<i>redemptions</i>	<i>fair value</i>	<i>movements</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	4,601	(389)	3,908	(397)	65,515
Other securities (unquoted)	17,557	821	-	(51)	(66)	18,261
	<b>75,349</b>	<b>5,422</b>	<b>(389)</b>	<b>3,857</b>	<b>(463)</b>	<b>83,776</b>
<i>Financial assets at FVOCI</i>						
Unquoted Sukuk	6,303	9,038	-	120	(6)	15,455
Unquoted equity instruments	5,538	-	-	-	-	5,538
	<b>11,841</b>	<b>9,038</b>	<b>-</b>	<b>120</b>	<b>(6)</b>	<b>20,993</b>
<i>31 December 2020 (audited)</i>						
	<i>At</i>				<i>Exchange</i>	<i>At</i>
	<i>1 January</i>	<i>Additions</i>	<i>Sales/</i>	<i>Change in</i>	<i>rate</i>	<i>31 December</i>
	<i>2020</i>	<i>KD'000</i>	<i>redemptions</i>	<i>fair value</i>	<i>movements</i>	<i>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 FVTPL</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
	<b>48,359</b>	<b>37,757</b>	<b>(10,620)</b>	<b>(146)</b>	<b>(1)</b>	<b>75,349</b>
<i>Financial assets at FVOCI</i>						
Unquoted Sukuk	6,398	-	-	(99)	4	6,303
Unquoted equity instruments	5,505	-	-	33	-	5,538
	<b>11,903</b>	<b>-</b>	<b>-</b>	<b>(66)</b>	<b>4</b>	<b>11,841</b>
<i>31 March 2020 (Unaudited)</i>						
	<i>At</i>				<i>Exchange</i>	<i>At</i>
	<i>1 January</i>	<i>Additions</i>	<i>Sales/</i>	<i>Change in</i>	<i>rate</i>	<i>31 March</i>
	<i>2020</i>	<i>KD'000</i>	<i>redemptions</i>	<i>fair value</i>	<i>movements</i>	<i>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	9,131	(4,295)	794	641	41,538
Other securities (unquoted)	13,092	1,290	(22)	31	266	14,657
	<b>48,359</b>	<b>10,421</b>	<b>(4,317)</b>	<b>825</b>	<b>907</b>	<b>56,195</b>
<i>Financial assets at FVOCI</i>						
Unquoted Sukuk	6,398	-	-	(499)	110	6,009
Unquoted equity instruments	5,505	-	-	-	-	5,505
	<b>11,903</b>	<b>-</b>	<b>-</b>	<b>(499)</b>	<b>110</b>	<b>11,514</b>

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

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2021

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

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.

**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 31 March 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 31 March 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.