

WARBA BANK K.S.C.P.

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

30 SEPTEMBER 2022



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 30 September 2022, 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 period 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, as amended, during the nine-month period ended 30 September 2022 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 2022 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 2022

		(Audited)	
	30 September 2022	31 December 2021	30 September 2021
Notes	KD'000	KD'000	KD'000
ASSETS			
Cash and bank balances	3	44,800	79,856
Placements with banks and the CBK		475,058	437,043
Financing receivables	4	3,053,655	2,473,516
Financial assets at fair value through profit or loss	12	135,666	128,898
Financial assets at fair value through other comprehensive income	12	251,351	263,753
Investment in joint ventures		90,758	104,891
Investment properties		16,155	18,715
Other assets		81,458	55,598
Property and equipment		16,242	17,942
TOTAL ASSETS		4,165,143	3,580,212
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks and other financial institutions		903,129	512,571
Depositors' accounts		2,517,309	2,288,918
Sukuk issued	5	306,196	302,024
Other liabilities		73,747	60,900
TOTAL LIABILITIES		3,800,381	3,164,413
EQUITY			
Share capital		200,000	200,000
Share premium		80,375	80,375
Statutory reserve		4,777	4,777
Fair value reserve		(16,957)	1,607
Foreign currency translation reserve		(124)	(112)
Retained earnings		20,883	7,882
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK		288,954	294,529
Perpetual Tier 1 Sukuk	6	75,808	121,270
TOTAL EQUITY		364,762	415,799
TOTAL LIABILITIES AND EQUITY		4,165,143	3,580,212

Hamad M. Al Sayer
Chairman

Shaheen H. Al Ghanem
Chief Executive Officer

The accompanying notes 1 to 14 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 2022

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2022	2021	2022	2021
		KD'000	KD'000	KD'000	KD'000
Placements and finance income		35,616	24,048	88,034	71,099
Finance costs and distribution to depositors		(22,671)	(12,709)	(51,203)	(36,387)
Net finance income		12,945	11,339	36,831	34,712
Net investment income		7,066	9,143	20,673	22,790
Net fee and commission income		1,200	1,906	4,555	3,276
Other income		115	3,615	689	3,891
Foreign exchange (loss) gain		(571)	430	(781)	2,075
Net operating income		20,755	26,433	61,967	66,744
Staff costs		(5,707)	(4,942)	(16,512)	(14,217)
General and administrative expenses		(1,447)	(1,031)	(3,697)	(2,834)
Depreciation expense		(1,644)	(1,606)	(4,806)	(4,484)
Net operating expenses		(8,798)	(7,579)	(25,015)	(21,535)
Net operating profit before provision for impairment and credit losses		11,957	18,854	36,952	45,209
Provision for impairment and credit losses	7	(8,017)	(15,559)	(20,574)	(35,570)
Profit before tax		3,940	3,295	16,378	9,639
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(35)	(30)	(147)	(87)
National Labour Support Tax (NLST)		(102)	(86)	(423)	(251)
Zakat		(40)	(35)	(169)	(101)
NET PROFIT FOR THE PERIOD		3,763	3,144	15,639	9,200
BASIC AND DILUTED EARNINGS PER SHARE (EPS)	8	1.88 fils	0.42 fils	6.32 fils	2.56 fils

The accompanying notes 1 to 14 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 2022

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>
NET PROFIT FOR THE PERIOD	3,763	3,144	15,639	9,200
Other comprehensive (loss) income				
<i>Other comprehensive (loss) income that will be reclassified to profit or loss:</i>				
<i><u>Debt instruments at fair value through other comprehensive income:</u></i>				
Net change in fair value	(4,331)	(772)	(19,454)	(8,063)
Changes in allowance for expected credit losses	425	4,125	668	4,488
Reclassification adjustment on sale	1	635	222	(318)
Net (losses) gain on debt instruments at fair value through other comprehensive income	(3,905)	3,988	(18,564)	(3,893)
<i><u>Foreign currency translation:</u></i>				
Exchange differences on translation of foreign operations	(1,057)	(766)	(12)	(1,566)
Reclassification adjustment on disposal of a joint venture	-	-	-	(324)
	(1,057)	(766)	(12)	(1,890)
OTHER COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	(4,962)	3,222	(18,576)	(5,783)
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	(1,199)	6,366	(2,937)	3,417

The accompanying notes 1 to 14 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 2022

	<i>Share capital KD'000</i>	<i>Share premium KD'000</i>	<i>Statutory reserve KD'000</i>	<i>Fair value reserve KD'000</i>	<i>Foreign currency translation reserve KD'000</i>	<i>Retained earnings (Accumulated losses) KD'000</i>	<i>Equity attributable to shareholders of the Bank KD'000</i>	<i>Perpetual Tier 1 Sukuk KD'000</i>	<i>Total equity KD'000</i>
As at 1 January 2022	200,000	80,375	4,777	1,607	(112)	7,882	294,529	121,270	415,799
Net profit for the period	-	-	-	-	-	15,639	15,639	-	15,639
Other comprehensive loss	-	-	-	(18,564)	(12)	-	(18,576)	-	(18,576)
Total comprehensive (loss) income for the period	-	-	-	(18,564)	(12)	15,639	(2,937)	-	(2,937)
Redemption of Perpetual Tier 1 Sukuk (Note 6)	-	-	-	-	-	-	-	(45,109)	(45,109)
Foreign currency translation from redemption of Perpetual Tier 1 Sukuk	-	-	-	-	-	353	353	(353)	-
Profit paid on Perpetual Tier 1 Sukuk (Note 6)	-	-	-	-	-	(2,991)	(2,991)	-	(2,991)
At 30 September 2022	200,000	80,375	4,777	(16,957)	(124)	20,883	288,954	75,808	364,762
As at 1 January 2021	157,500	40,000	3,098	1,676	1,469	(12)	203,731	76,363	280,094
Net profit for the period	-	-	-	-	-	9,200	9,200	-	9,200
Other comprehensive loss	-	-	-	(3,893)	(1,890)	-	(5,783)	-	(5,783)
Total comprehensive (loss) income for the period	-	-	-	(3,893)	(1,890)	9,200	3,417	-	3,417
Profit paid on Perpetual Tier 1 Sukuk	-	-	-	-	-	(4,911)	(4,911)	-	(4,911)
At 30 September 2021	157,500	40,000	3,098	(2,217)	(421)	4,277	202,237	76,363	278,600

The accompanying notes 1 to 14 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 2022

	Note	Nine months ended 30 September	
		2022 KD'000	2021 KD'000
OPERATING ACTIVITIES			
Profit before tax		16,378	9,639
<i>Adjustments for:</i>			
Realised loss (gain) on sale of debt instruments at FVOCI		222	(318)
Realised loss on sale of financial assets at FVPL		-	1
Gain on sale of investment property		(333)	(1,900)
Dividend income from financial assets		(4,754)	(1,838)
Share of results from investments in joint ventures		(10,545)	(5,150)
Gain on sale of joint ventures		(190)	(2,329)
Net rental income from investment properties		(54)	(541)
Fair value adjustment to investment properties		(42)	9
Other investment income		(499)	(434)
Fair value gain from financial assets at FVPL		(4,478)	(10,290)
Provision for employees' end of service benefits		920	697
Depreciation expense		4,806	4,484
Provision for impairment and credit losses		20,574	35,570
		22,005	27,600
<i>Changes in operating assets and liabilities:</i>			
Placements with banks and the CBK		(45,372)	(4,051)
Financing receivables		(607,656)	1,707
Other assets		(24,980)	(20,552)
Due to banks and other financial institutions		390,558	21,742
Depositors' accounts		228,391	78,871
Other liabilities		18,533	11,777
Net cash flows (used in) from operating activities		(18,521)	117,094
INVESTING ACTIVITIES			
Purchase of financial assets at FVPL		(20,798)	(17,207)
Proceeds from sale/ redemption of financial assets at FVPL		18,508	1,312
Purchase of financial assets at FVOCI		(57,617)	(110,323)
Proceeds from sale of financial assets at FVOCI		50,387	56,666
Additions to investment in joint ventures		(26,851)	(8,403)
Proceeds from sale/ redemption of joint ventures		47,511	10,026
Proceeds from sale of investment property		2,935	12,907
Purchase of property and equipment		(1,960)	(1,003)
Dividends received from financial assets		4,754	1,838
Other investment income received		455	434
Distributions received from joint ventures		4,196	11,169
Rental income received		117	647
Net cash flows from (used in) investing activities		21,637	(41,937)
FINANCING ACTIVITIES			
Profit paid to holders on Perpetual Tier 1 Sukuk		(2,991)	(4,911)
Payment of principal portion of lease liabilities		(1,680)	(3,187)
Net movement on Sukuk issued		4,172	(992)
Redemption of Perpetual Tier 1 Sukuk		(45,109)	-
Net cash flows used in financing activities		(45,608)	(9,090)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(42,492)	66,067
Cash and cash equivalents at 1 January		485,466	443,033
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	3	442,974	509,100
Additional information on operational cash flows			
Finance costs paid		50,335	35,702
Finance income received		84,894	68,849

The accompanying notes 1 to 14 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 2022

1 INCORPORATION AND ACTIVITIES

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 2022 approved the consolidated financial statements for the year ended 31 December 2021. No cash dividend or bonus shares for the year ended 31 December 2021 (31 December 2020: Nil) were proposed by the Directors and approved by the shareholders at the AGM.

This interim condensed consolidated financial information as at and for the nine months ended 30 September 2022 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 2022 has been approved for issue in accordance with the Board of Directors resolution on 11 October 2022.

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 interim condensed consolidated financial information 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 other periods.

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 does not include all the information and disclosures required in the annual consolidated 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 2021.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2022

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 2021, except for the adoption of new standards effective as of 1 January 2022. 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 2022, but do not have an impact on the interim condensed consolidated financial information of the Group.

Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

These amendments had no impact on the interim condensed consolidated financial information of the Group as there were no contingent assets, liabilities and contingent liabilities within the scope of these amendments arisen during the period.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

These amendments had no impact on the interim condensed consolidated financial information of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 *Financial Instruments: Recognition and Measurement*.

These amendments had no impact on the interim condensed consolidated financial information of the Group as there were no modifications of the Group's financial instruments during the period.

Warba Bank K.S.C.P.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2022

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>2022</i> <i>KD'000</i>	<i>(Audited)</i> <i>31 December</i> <i>2021</i> <i>KD'000</i>	<i>30 September</i> <i>2021</i> <i>KD'000</i>
Cash	5,381	5,486	9,025
Current account with the CBK	23,453	59,779	102,387
Current account with commercial banks	15,966	14,591	5,174
Total cash and bank balances	44,800	79,856	116,586
Placements with the CBK whose original maturity is within three months	200,635	141,542	120,036
Placements with banks whose original maturity is within three months	197,539	264,068	272,478
Total cash and cash equivalents	442,974	485,466	509,100

4 FINANCING RECEIVABLES

	<i>30 September</i> <i>2022</i> <i>KD'000</i>	<i>(Audited)</i> <i>31 December</i> <i>2021</i> <i>KD'000</i>	<i>30 September</i> <i>2021</i> <i>KD'000</i>
Financing receivables	3,304,375	2,674,484	2,653,743
Less: deferred profit	(157,932)	(133,840)	(131,057)
Financing receivables before provision for impairment	3,146,443	2,540,644	2,522,686
Less: Provision for impairment as per the CBK guidelines	(92,788)	(67,128)	(59,245)
	3,053,655	2,473,516	2,463,441

The available provision of KD 5,462 thousand (31 December 2021: KD 12,998 thousand and 30 September 2021: KD 12,479 thousand) relating to non-cash facilities is recorded under other liabilities.

The following tables illustrates the reconciliation from the opening to the closing balance of the loss allowance (cash and non-cash facilities) as per the CBK instructions:

	<i>30 September 2022</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 2022	20,169	59,957	80,126
Charge for the period	1,708	18,274	19,982
Amounts written off	(2,126)	-	(2,126)
Foreign exchange adjustments	-	268	268
	19,751	78,499	98,250

Warba Bank K.S.C.P.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2022

4 FINANCING RECEIVABLES (continued)

	<i>31 December 2021</i>		
	<i>Specific KD 000's</i>	<i>General KD 000's</i>	<i>Total KD 000's</i>
As at 1 January 2021	6,121	40,498	46,619
Charge for the period	23,167	19,476	42,643
Amounts written off	(9,119)	-	(9,119)
Foreign exchange adjustments	-	(17)	(17)
	<u>20,169</u>	<u>59,957</u>	<u>80,126</u>

	<i>30 September 2021</i>		
	<i>Specific KD 000's</i>	<i>General KD 000's</i>	<i>Total KD 000's</i>
As at 1 January 2021	6,121	40,498	46,619
Charge for the period	16,740	14,505	31,245
Amounts written off	(6,118)	-	(6,118)
Foreign exchange adjustments	-	(22)	(22)
	<u>16,743</u>	<u>54,981</u>	<u>71,724</u>

An analysis of the carrying amounts of financing receivables, and the corresponding ECL based on the staging criteria under IFRS 9 in accordance with CBK regulations is as follows:

	<i>As at 30 September 2022</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>
<i>Financing receivables</i>				
High	1,313,706	126,284	-	1,439,990
Standard	1,279,816	197,722	-	1,477,538
Past due or impaired	154,068	40,855	33,992	228,915
	<u>2,747,590</u>	<u>364,861</u>	<u>33,992</u>	<u>3,146,443</u>

	<i>As at 31 December 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>
<i>Financing receivables</i>				
High	1,016,667	72,994	-	1,089,661
Standard	1,114,773	109,525	-	1,224,298
Past due or impaired	132,307	58,675	35,703	226,685
	<u>2,263,747</u>	<u>241,194</u>	<u>35,703</u>	<u>2,540,644</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2022

4 FINANCING RECEIVABLES (continued)

	<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>
<i>Financing receivables</i>				
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>

An analysis of the changes in the ECL in relation to financing receivables (cash facilities) computed under IFRS 9 in accordance with the CBK guidelines is as follows:

	<i>As at 30 September 2022</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>
ECL allowance as at 1 January 2022	21,221	9,408	14,282	44,911
Transfer from Stage 1	(1,860)	1,805	55	-
Transfer from Stage 2	495	(750)	255	-
Transfer from Stage 3	232	25	(257)	-
Additional ECL for the period	4,168	4,886	3,844	12,898
Amounts written off	-	-	(2,126)	(2,126)
At 30 September 2022	<u>24,256</u>	<u>15,374</u>	<u>16,053</u>	<u>55,683</u>

	<i>As at 31 December 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>
ECL allowance as at 1 January 2021	22,138	3,641	5,027	30,806
Transfer from Stage 1	(1,672)	1,597	75	-
Transfer from Stage 2	323	(960)	637	-
Transfer from Stage 3	767	2	(769)	-
(Reversal) additional ECL for the year	(335)	5,128	18,431	23,224
Amounts written off	-	-	(9,119)	(9,119)
At 31 December 2021	<u>21,221</u>	<u>9,408</u>	<u>14,282</u>	<u>44,911</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2022

4 FINANCING RECEIVABLES (continued)

	<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>
ECL allowance as at 1 January 2021	22,138	3,641	5,027	30,806
Transfer from Stage 1	(1,661)	1,585	76	-
Transfer from Stage 2	323	(958)	635	-
Transfer from Stage 3	763	2	(765)	-
(Reversal) additional ECL for the period	(1,033)	5,972	14,219	19,158
Amounts written off	-	-	(6,118)	(6,118)
Foreign exchange differences	11	-	-	11
At 30 September 2021	<u>20,541</u>	<u>10,242</u>	<u>13,074</u>	<u>43,857</u>

An analysis of the carrying amounts of contingent liabilities and commitments (non-cash facilities), and the corresponding ECL based on the staging criteria under IFRS 9 in accordance with CBK regulations is as follows:

	<i>As at 30 September 2022</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>
<i>Non-cash facilities</i>				
High	73,116	5,184	-	78,300
Standard	80,943	38,856	-	119,799
Past due or impaired	-	-	4,491	4,491
	<u>154,059</u>	<u>44,040</u>	<u>4,491</u>	<u>202,590</u>

	<i>As at 31 December 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>
<i>Non-cash facilities</i>				
High	65,303	4,935	-	70,238
Standard	89,729	32,301	-	122,030
Past due or impaired	-	-	3,858	3,858
	<u>155,032</u>	<u>37,236</u>	<u>3,858</u>	<u>196,126</u>

	<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>
<i>Non-cash facilities</i>				
High	52,595	4,042	-	56,637
Standard	94,722	30,674	-	125,396
Past due or impaired	-	-	3,990	3,990
	<u>147,317</u>	<u>34,716</u>	<u>3,990</u>	<u>186,023</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2022

4 FINANCING RECEIVABLES (continued)

An analysis of the changes in the ECL in relation to financing receivables (non-cash facilities) computed under IFRS 9 in accordance with the CBK guidelines is as follows:

	<i>As at 30 September 2022</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>
ECL allowance as at 1 January 2022	2,804	3,170	3,854	9,828
Transfer from Stage 1	(408)	408	-	-
Transfer from Stage 2	35	(35)	-	-
Additional (reversal) ECL for the period	519	(376)	632	775
At 30 September 2022	<u>2,950</u>	<u>3,167</u>	<u>4,486</u>	<u>10,603</u>

	<i>As at 31 December 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>
ECL allowance as at 1 January 2021	4,022	2,079	3,707	9,808
Transfer from Stage 1	(204)	195	9	-
Transfer from Stage 2	-	(11)	11	-
Transfer from Stage 3	5	-	(5)	-
(Reversal) additional ECL for the year	(1,019)	907	132	20
At 31 December 2021	<u>2,804</u>	<u>3,170</u>	<u>3,854</u>	<u>9,828</u>

	<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>
ECL allowance as at 1 January 2021	4,022	2,079	3,707	9,808
Transfer from Stage 1	(173)	165	8	-
Transfer from Stage 2	-	(60)	60	-
(Reversal) additional ECL for the period	(818)	1,223	210	615
At 30 September 2021	<u>3,031</u>	<u>3,407</u>	<u>3,985</u>	<u>10,423</u>

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 30 September 2022

6 PERPETUAL TIER 1 SUKUK

Tier 1 Sukuk is a perpetual security in respect of which there is no fixed redemption date and constitutes direct, unsecured, subordinated obligations (senior only to share capital) of the Bank subject to the terms and conditions of the Mudaraba Agreement. The net proceeds of Tier 1 Sukuk are invested by way of Mudaraba with the Bank (as Mudareb), on an unrestricted co-mingling basis, by the Bank in its general business activities carried out through the general Mudaraba pool. At the Bank’s sole discretion, it may elect not to make any Mudaraba distributions expected and in such event, the Mudaraba profit will not be accumulated and the event is not considered an event of default.

The Tier 1 Sukuk issued in 2017 amounting to USD 250 million, callable in 14 March 2022, was partially redeemed on 29 November 2021 through a tender buy-back amounting to USD 101.9 million at a price of 101.42% of the nominal value. Premium paid on the tender buy-back along with the foreign exchange translation were recorded in the consolidated statement of changes in equity for the year ended 31 December 2021. On 14 March 2022, the first call date, the remaining portion of the Tier 1 Sukuk was fully redeemed by way of exercising the sukuk Call Option amounting to USD 148.1 million at a price of 100% of their nominal value. The Bank made the last profit payment during the period on 13 March 2022.

On 29 November 2021, the Bank, through a Shari‘a compliant Sukuk arrangement, issued Tier 1 Sukuk amounting to USD 250 million. The Tier 1 Sukuk is listed on the Irish Stock Exchange and NASDAQ Dubai and callable by the Bank after five-year period ending 26 November 2026 (the “First Call Date”) or any profit payment date thereafter subject to certain redemption conditions. Such Sukuk bears a profit rate of 4% per annum to be paid semi-annually in arrears until the First Call Date. After that, the expected profit rate will be reset based on the prevailing 5 years U.S Mid Swap Rate plus initial margin of 2.748% per annum.

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>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	<i>KD’000</i>	<i>KD’000</i>	<i>KD’000</i>	<i>KD’000</i>
Provision charge for credit facilities – specific	384	6,344	1,708	16,740
Provision charge for credit facilities – general	7,256	5,108	18,274	14,505
Expected credit losses charge	377	4,107	592	4,325
	8,017	15,559	20,574	35,570

8 BASIC AND DILUTED EARNINGS PER SHARE (EPS)

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2022

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

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	2022	<i>2021 (Restated)*</i>	2022	<i>2021 (Restated)*</i>
Net profit for the period (KD'000)	3,763	3,144	15,639	9,200
Less: profit payment on Perpetual Tier 1 Sukuk (KD'000)	-	(2,448)	(2,991)	(4,911)
	3,763	696	12,648	4,289
Weighted average number of shares outstanding (shares'000)	2,000,000	1,675,810	2,000,000	1,675,810
Basic and diluted EPS (fils)	1.88	0.42	6.32	2.56

* The comparative basic and diluted EPS has been restated as a result of the right issue in 2021.

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. Lending to Board Members and their related parties is secured by tangible collateral in accordance with regulation of Central Bank of Kuwait.

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 30 September</i>		<i>Nine months ended 30 September</i>	
	2022 KD'000	<i>2021 KD'000</i>	2022 KD'000	<i>2021 KD'000</i>
Salaries and short-term benefits	538	496	1,554	1,815
End of service benefits	47	47	144	143
	585	543	1,698	1,958

The AGM of the shareholders of the Bank held on 30 March 2022 approved directors' remuneration for the year ended 31 December 2021 amounting to KD 66 thousand.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2022

9 RELATED PARTY DISCLOSURES (continued)**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 balances recorded under key management personnel and board of directors' members in the interim condensed consolidated statement of financial position:

	<i>30 September</i> <i>2022</i> <i>KD'000</i>	<i>(Audited)</i> <i>31 December</i> <i>2021</i> <i>KD'000</i>	<i>30 September</i> <i>2021</i> <i>KD'000</i>
Financing facilities	573	1,994	2,009
Credit cards	23	5	6
Depositors' accounts	6,313	6,471	1,993
<i>Contingent liabilities:</i>			
Letter of guarantees	4,048	4	4

The number of the board members, executive officers and their related parties is as follows:

	<i>30 September</i> <i>2022</i>	<i>(Audited)</i> <i>31 December</i> <i>2021</i>	<i>30 September</i> <i>2021</i>
Financing facilities	6	6	6
Credit cards	5	3	5
Depositors' accounts	52	48	45
Letter of guarantees	4	1	1

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

	<i>Nine months ended 30 September</i>	
	<i>2022</i>	<i>2021</i>
	<i>KD'000</i>	<i>KD'000</i>
Placements and finance income	147	45
Finance costs and distribution to depositors	284	112

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</i> <i>shareholders</i> <i>KD'000</i>	<i>Other related</i> <i>parties</i> <i>KD'000</i>	<i>30 September</i> <i>2022</i> <i>KD'000</i>	<i>31 December</i> <i>2021</i> <i>KD'000</i>	<i>30 September</i> <i>2021</i> <i>KD'000</i>
Depositors' accounts	559,981	401	560,382	494,354	450,457

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2022

9 RELATED PARTY DISCLOSURES (continued)

9.3 Transactions with major shareholders and other related parties (continued)

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 2022</i>		
Depositors' accounts	2	39
<i>31 December 2021 (Audited)</i>		
Depositors' accounts	2	36
<i>30 September 2021</i>		
Depositors' accounts	2	29

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

	<i>Transactions values during the period ended</i>			<i>30 September 2021 KD'000</i>
	<i>Major shareholders KD'000</i>	<i>Other related parties KD'000</i>	<i>30 September 2022 KD'000</i>	
Finance costs and distributions to depositors	2,873	-	2,873	3,718

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.

10 COMMITMENTS AND CONTINGENT LIABILITIES

	<i>30 September 2022 KD'000</i>	<i>(Audited) 31 December 2021 KD'000</i>	<i>30 September 2021 KD'000</i>
Acceptances and letters of credit	50,642	52,259	45,982
Letters of guarantee	151,948	143,867	140,041
Contingent liabilities	202,590	196,126	186,023
Capital and other commitments	158,643	113,063	122,614

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2022

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, other investments and asset management.
- ▶ **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>30 September 2022</i>					
	<i>Corporate KD'000</i>	<i>Retail KD'000</i>	<i>Treasury KD'000</i>	<i>Investment KD'000</i>	<i>Other KD'000</i>	<i>Total KD'000</i>
Operating income (loss)	34,187	11,592	(3,223)	19,411	-	61,967
Net profit (loss)	14,389	2,565	(3,492)	17,340	(15,163)	15,639
Total assets	2,459,118	608,229	672,319	353,710	71,767	4,165,143
Total liabilities	666,895	1,098,261	1,966,884	-	68,341	3,800,381
	<i>30 September 2021</i>					
	<i>Corporate KD'000</i>	<i>Retail KD'000</i>	<i>Treasury KD'000</i>	<i>Investment KD'000</i>	<i>Other KD'000</i>	<i>Total KD'000</i>
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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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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:

	<i>Fair value measurement</i>			
	<i>Total</i> <i>KD'000</i>	<i>(Level 1)</i> <i>KD'000</i>	<i>(Level 2)</i> <i>KD'000</i>	<i>(Level 3)</i> <i>KD'000</i>
30 September 2022				
<i>Assets measured at fair value on a recurring basis</i>				
<i>Financial assets at FVPL</i>				
Quoted equity instruments	11,766	11,766	-	-
Funds (unquoted)	117,920	-	-	117,920
Other securities (unquoted)	5,980	-	-	5,980
	<u>135,666</u>	<u>11,766</u>	<u>-</u>	<u>123,900</u>
<i>Financial assets at FVOCI</i>				
Quoted Sukuk				
- Sovereign Sukuk	165,522	165,522	-	-
- Corporate Sukuk	79,514	79,514	-	-
	<u>245,036</u>	<u>245,036</u>	<u>-</u>	<u>-</u>
Unquoted Sukuk	702	-	-	702
Unquoted equity instruments	5,613	-	-	5,613
	<u>251,351</u>	<u>245,036</u>	<u>-</u>	<u>6,315</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2022

12 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	<i>Fair value measurement</i>			
	<i>Total</i>	<i>(Level 1)</i>	<i>(Level 2)</i>	<i>(Level 3)</i>
<i>31 December 2021 (Audited)</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>
<i>Assets measured at fair value on a recurring basis</i>				
<i>Financial assets at FVTPL</i>				
Quoted equity instruments	16,898	16,898	-	-
Funds (unquoted)	94,021	-	-	94,021
Other securities (unquoted)	17,979	-	-	17,979
	<u>128,898</u>	<u>16,898</u>	<u>-</u>	<u>112,000</u>
<i>Financial assets at FVOCI</i>				
<i>Quoted Sukuk</i>				
- Sovereign Sukuk	189,553	189,553	-	-
- Corporate Sukuk	68,587	68,587	-	-
	<u>258,140</u>	<u>258,140</u>	<u>-</u>	<u>-</u>
Unquoted Sukuk	-	-	-	-
Unquoted equity instruments	5,613	-	-	5,613
	<u>263,753</u>	<u>258,140</u>	<u>-</u>	<u>5,613</u>
<i>Fair value measurement</i>				
	<i>Total</i>	<i>(Level 1)</i>	<i>(Level 2)</i>	<i>(Level 3)</i>
<i>30 September 2021</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>
<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>				
<i>Quoted Sukuk</i>				
- Sovereign Sukuk	191,123	191,123	-	-
- Corporate Sukuk	80,104	80,104	-	-
	<u>271,227</u>	<u>271,227</u>	<u>-</u>	<u>-</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>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2022

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:

	30 September 2022					
	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	2022 KD'000
<i>Financial assets at FVPL</i>						
Funds (unquoted)	94,021	20,419	(6,525)	8,454	1,551	117,920
Other securities (unquoted)	17,979	-	(11,496)	(669)	166	5,980
	112,000	20,419	(18,021)	7,785	1,717	123,900

<i>Financial assets at FVOCI</i>						
Unquoted Sukuk	-	754	-	(74)	22	702
Unquoted equity instruments	5,613	-	-	-	-	5,613
	5,613	754	-	(74)	22	6,315

	31 December 2021 (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	2021 KD'000
<i>Financial assets at FVTPL</i>						
Funds (unquoted)	57,792	34,086	(6,660)	9,340	(537)	94,021
Other securities (unquoted)	17,557	1,153	-	(683)	(48)	17,979
	75,349	35,239	(6,660)	8,657	(585)	112,000

<i>Financial assets at FVOCI</i>						
Unquoted Sukuk	6,303	-	(6,014)	(237)	(52)	-
Unquoted equity instruments	5,538	30	-	45	-	5,613
	11,841	30	(6,014)	(192)	(52)	5,613

	30 September 2021					
	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	2021 KD'000
<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

There were no transfers between any levels of the fair value hierarchy during 2022 or 2021.

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 2021.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2022

12 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are financial instruments that derive their value by referring to profit rates, foreign exchange rates, index of prices or rates and credit rating or credit index. Notional principal amounts merely represent amounts to which a rate or price is applied to determine the amounts of cash flows to be exchanged and do not represent the potential gain or loss associated with the market or credit risk of such instruments.

Derivative financial instruments are carried at fair value in the consolidated statement of financial position. Positive fair value represents the cost of replacing all transactions with a fair value in the Group's favour had the rights and obligations arising from that instrument been closed in an orderly market transaction at the reporting date. Credit risk in respect of derivative financial instruments is limited to the positive fair value of the instruments. Negative fair value represents the cost to the Group's counter parties of replacing all their transactions with the Group.

The Group deals in forward foreign exchange ("Islamic derivative financial instruments") to mitigate foreign currency risk. The forward foreign exchange contracts are being used for hedging purpose.

Forward foreign exchange contracts

Forward foreign exchange contracts are contractual agreements to buy, sell or exchange a specified financial instrument at a specific price and date in the future. Forwards are customized contracts transacted on the over the counter market and are settled on a gross basis.

The table below shows the positive and negative fair values of these instruments, which are equivalent to the market values, together with the notional amounts. The notional amount is the amount of currency swap instruments' underlying asset, reference rate or index and is the basis upon which changes in the value of these instruments are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of the credit risk.

	<i>Positive fair value</i>	<i>Negative fair value</i>	<i>KD'000 Notional amount</i>
30 September 2022			
Forward contracts	-	(42)	9,064
	=====	=====	=====
			<i>KD'000</i>
	<i>Positive fair value</i>	<i>Negative fair value</i>	<i>Notional amount</i>
31 December 2021			
Forward contracts	-	(40)	9,064
	=====	=====	=====

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2022

13 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

	<i>KD'000</i>		
	<i>Positive fair value</i>	<i>Negative fair value</i>	<i>Notional amount</i>
<i>30 September 2021</i>			
Forward contracts	-	-	-

All derivative contracts are fair valued based on observable market inputs and are classified as level 1.

14 FIDUCIARY ASSETS

The aggregate value of assets held in a trust or fiduciary capacity by the Group at 30 September 2022 amounted to KD 119,737 thousand (31 December 2021: KD Nil and 30 September 2021: KD Nil).