

WARBA BANK K.S.C.P.

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

30 SEPTEMBER 2023



**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 2023, 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 2023 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 2023 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)

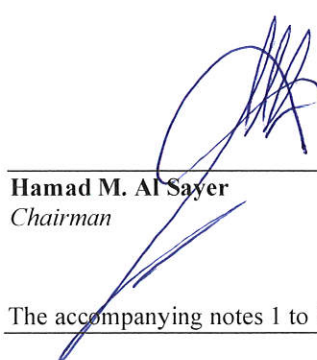
DR. RASHEED M. AL – QENAE
LICENSE NO. 130
OF KPMG AL-QENAE & PARTNERS
MEMBER FIRM OF KPMG INTERNATIONAL

Warba Bank K.S.C.P.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 September 2023

		<i>(Audited)</i>	
	<i>30 September</i>	<i>31 December</i>	<i>30 September</i>
	<i>2023</i>	<i>2022</i>	<i>2022</i>
<i>Notes</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>
ASSETS			
Cash and bank balances	3	198,103	146,634
Placements with banks and the CBK		406,069	278,895
Financing receivables	4	3,443,006	3,129,676
Financial assets at fair value through profit or loss	13	155,861	139,592
Financial assets at fair value through other comprehensive income	13	362,625	295,413
Investment in joint ventures		126,699	107,880
Investment properties		16,207	16,193
Other assets		78,816	69,321
Property and equipment		15,359	17,353
TOTAL ASSETS		4,802,745	4,200,957
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks and other financial institutions		1,259,005	792,766
Depositors' accounts		2,778,029	2,674,482
Sukuk issued	5	306,162	304,057
Other liabilities		78,176	55,735
TOTAL LIABILITIES		4,421,372	3,827,040
EQUITY			
Share capital	6	206,000	200,000
Share premium		80,375	80,375
Statutory reserve		6,803	6,803
Fair value reserve		(9,628)	(9,759)
Foreign currency translation reserve		265	(276)
Retained earnings		21,750	8,966
TOTAL EQUITY		305,565	286,109
Proposed dividends	6	-	12,000
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK		305,565	298,109
Perpetual Tier 1 Sukuk	7	75,808	75,808
TOTAL EQUITY		381,373	373,917
TOTAL LIABILITIES AND EQUITY		4,802,745	4,200,957


Hamad M. Al Sayer
Chairman


Shaheen H. Al Ghanem
Chief Executive Officer

The accompanying notes 1 to 16 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 2023

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2023 KD'000	2022 KD'000	2023 KD'000	2022 KD'000
Placements and finance income		59,375	35,616	164,333	88,034
Finance costs and distribution to depositors		(47,540)	(22,671)	(133,133)	(51,203)
Net finance income		11,835	12,945	31,200	36,831
Net investment income		882	7,066	11,491	20,673
Net fee and commission income		1,341	1,200	3,795	4,555
Other income		2,273	115	2,853	689
Foreign exchange gain (loss)		467	(571)	324	(781)
Net operating income		16,798	20,755	49,663	61,967
Staff costs		(7,196)	(5,707)	(19,410)	(16,512)
General and administrative expenses		(1,926)	(1,447)	(5,151)	(3,697)
Depreciation expense		(1,628)	(1,644)	(3,975)	(4,806)
Net operating expenses		(10,750)	(8,798)	(28,536)	(25,015)
Net operating profit before provision for impairment and credit losses		6,048	11,957	21,127	36,952
Provision for impairment and credit losses	8	(1,780)	(8,017)	(6,115)	(20,574)
Profit before tax		4,268	3,940	15,012	16,378
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(38)	(35)	(135)	(147)
National Labour Support Tax (NLST)		(115)	(102)	(395)	(423)
Zakat		(46)	(40)	(158)	(169)
NET PROFIT FOR THE PERIOD		4,069	3,763	14,324	15,639
BASIC AND DILUTED EARNINGS PER SHARE (EPS)	9	1.98 fils	1.83 fils	6.21 fils	6.14 fils

The accompanying notes 1 to 16 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 2023

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	2023	2022	2023	2022
	KD'000	KD'000	KD'000	KD'000
NET PROFIT FOR THE PERIOD	4,069	3,763	14,324	15,639
Other comprehensive (loss) income				
<i>Other comprehensive (loss) income that will be reclassified to profit or loss:</i>				
<i>Debt instruments at fair value through other comprehensive income:</i>				
Net change in fair value during the period	(1,571)	(4,331)	(89)	(19,454)
Changes in allowance for expected credit losses	82	425	88	668
Reclassification to profit or loss	147	1	132	222
Net (losses) gains on debt instruments at fair value through other comprehensive income	(1,342)	(3,905)	131	(18,564)
<i>Foreign currency translation:</i>				
Exchange differences on translation of foreign operations	(438)	(1,057)	505	(12)
Net exchange differences recycled to profit or loss on derecognition of investment in a joint venture	-	-	36	-
Net foreign currency translation	(438)	(1,057)	541	(12)
OTHER COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	(1,780)	(4,962)	672	(18,576)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	2,289	(1,199)	14,996	(2,937)

The accompanying notes 1 to 16 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 2023

	<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 KD'000</i>	<i>Sub-total KD'000</i>	<i>Proposed dividends 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 2023	200,000	80,375	6,803	(9,759)	(276)	8,966	286,109	12,000	298,109	75,808	373,917
Net profit for the period	-	-	-	-	-	14,324	14,324	-	14,324	-	14,324
Other comprehensive income	-	-	-	131	541	-	672	-	672	-	672
Total comprehensive income for the period	-	-	-	131	541	14,324	14,996	-	14,996	-	14,996
Issue of bonus shares (Note 6)	6,000	-	-	-	-	-	6,000	(6,000)	-	-	-
Cash dividends (Note 6)	-	-	-	-	-	-	-	(6,000)	(6,000)	-	(6,000)
Profit Paid on Perpetual Tier 1 Sukuk (Note 7)	-	-	-	-	-	(1,540)	(1,540)	-	(1,540)	-	(1,540)
At 30 September 2023	206,000	80,375	6,803	(9,628)	265	21,750	305,565	-	305,565	75,808	381,373
As at 1 January 2022	200,000	80,375	4,777	1,607	(112)	7,882	294,529	-	294,529	121,270	415,799
Net profit for the period	-	-	-	-	-	15,639	15,639	-	15,639	-	15,639
Other comprehensive loss	-	-	-	(18,564)	(12)	-	(18,576)	-	(18,576)	-	(18,576)
Total comprehensive (loss) income for the period	-	-	-	(18,564)	(12)	15,639	(2,937)	-	(2,937)	-	(2,937)
Redemption of Perpetual Tier 1 Sukuk (Note 7)	-	-	-	-	-	-	-	-	-	(45,109)	(45,109)
Foreign currency translation from redemption of Perpetual Tier 1 Sukuk	-	-	-	-	-	353	353	-	353	(353)	-
Profit paid on Perpetual Tier 1 Sukuk (Note 7)	-	-	-	-	-	(2,991)	(2,991)	-	(2,991)	-	(2,991)
At 30 September 2022	200,000	80,375	4,777	(16,957)	(124)	20,883	288,954	-	288,954	75,808	364,762

The accompanying notes 1 to 16 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 2023

	Notes	Nine months ended 30 September	
		2023 KD'000	2022 KD'000
OPERATING ACTIVITIES			
Profit before tax		15,012	16,378
<i>Adjustments for:</i>			
Realised loss on sale of debt instruments at FVOCI		132	222
Gain on sale of investment property		-	(333)
Dividend income from financial assets		(2,736)	(4,754)
Share of results from investments in joint ventures		(5,379)	(10,545)
Loss (gain) on sale of joint ventures		28	(190)
Net rental income from investment properties		(41)	(54)
Fair value adjustment to investment properties		(14)	(42)
Other investment income		(3,184)	(499)
Changes in fair value of financial assets at FVPL		(297)	(4,478)
Provision for employees' end of service benefits		904	920
Depreciation expense		3,975	4,806
Provision for impairment and credit losses	8	6,115	20,574
		14,515	22,005
<i>Changes in operating assets and liabilities:</i>			
Placements with banks and the CBK		(71,735)	(45,372)
Financing receivables		(317,142)	(607,656)
Other assets		(9,458)	(24,980)
Due to banks and other financial institutions		466,239	390,558
Depositors' accounts		103,547	228,391
Other liabilities		19,430	18,533
Net cash flows from (used in) operating activities		205,396	(18,521)
INVESTING ACTIVITIES			
Purchase of financial assets at FVPL		(19,467)	(20,798)
Proceeds from sale/ redemption of financial assets at FVPL		4,246	18,508
Purchase of financial assets at FVOCI		(168,659)	(57,617)
Proceeds from sale of financial assets at FVOCI		103,875	50,387
Additions to investment in joint ventures		(15,086)	(26,851)
Proceeds from sale of a joint venture		71	47,511
Proceeds from sale of investment property		-	2,935
Purchase of property and equipment		(1,271)	(1,960)
Dividends received from financial assets		2,736	4,754
Other investment income received		410	455
Distributions received from joint ventures		2,088	4,196
Rental income received		58	117
Net cash flows (used in) from investing activities		(90,999)	21,637
FINANCING ACTIVITIES			
Payment of lease liabilities		(2,847)	(1,680)
Net movement on Sukuk issued		2,105	4,172
Cash dividends	6	(5,131)	-
Profit paid to holders on Perpetual Tier 1 Sukuk		(1,540)	(2,991)
Redemption of Perpetual Tier 1 Sukuk		-	(45,109)
Net cash flows used in financing activities		(7,413)	(45,608)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at 1 January		302,469	485,466
CASH AND CASH EQUIVALENTS AT 30 September	3	409,453	442,974
Additional information on operational cash flows			
Finance costs paid		(118,887)	(50,335)
Finance income received		152,602	84,894

The accompanying notes 1 to 16 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 2023

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 corporate, retail and investment 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 20 March 2023 approved the consolidated financial statements for the year ended 31 December 2022. Distributions proposed by the Board of Directors and approved by the shareholders of the Bank for the year then ended are provided in Note 6.

This interim condensed consolidated financial information as at and for the nine months ended 30 September 2023 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 2023 has been approved for issuance in accordance with the Board of Directors resolution on 8 October 2023.

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 for the nine months ended 30 September 2023 has been prepared in accordance with International Accounting Standard 34 “*Interim Financial Reporting*” except as noted below.

The interim condensed consolidated financial information has been prepared in accordance with the regulations for financial services institutions as issued by the Central Bank of Kuwait (the “CBK”) in the State of Kuwait. These regulations, require banks and other financial institutions regulated by CBK to adopt the International Financial Reporting Standards 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 – *Financial Instruments* (“IFRS 9”) in accordance with CBK guidelines or the provisions as required by CBK instructions along with its consequent impact on related disclosures.

The above framework is hereinafter 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 for full annual consolidated financial statements prepared in accordance with IFRS as adopted by CBK for use by the State of Kuwait and should be read in conjunction with the Group’s annual consolidated financial statements as at and for the year ended 31 December 2022.

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 2022, except for the adoption of new standards effective as of 1 January 2023. 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 2023, but do not have a material impact on the interim condensed consolidated financial information of the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2023

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

2.2 New standards, interpretations, and amendments adopted by the Group (continued)

Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments had no impact on the Group's interim condensed consolidated financial information.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements* provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments had no impact on the Group's interim condensed consolidated financial information, but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS 12 *Income Tax* narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities. The amendments had no impact on the Group's interim condensed consolidated financial information.

3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents as referred to in the interim condensed consolidated cash flow statement comprises cash on hand, non-restricted current accounts with central banks and amounts due from banks on demand or with an original maturity of three months or less.

	<i>30 September</i> <i>2023</i> <i>KD'000</i>	<i>(Audited)</i> <i>31 December</i> <i>2022</i> <i>KD'000</i>	<i>30 September</i> <i>2022</i> <i>KD'000</i>
Cash on hand	8,160	7,845	5,381
Current account with the CBK	160,965	117,833	23,453
Current account with commercial banks	28,978	20,956	15,966
Total cash and bank balances	198,103	146,634	44,800
Placements with the CBK with an original maturity of three months or less.	183,228	114,141	200,635
Placements with banks with an original maturity of three months or less.	28,122	41,694	197,539
Total cash and cash equivalents	409,453	302,469	442,974

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2023

4 FINANCING RECEIVABLES

	<i>30 September</i> <i>2023</i> <i>KD'000</i>	<i>(Audited)</i> <i>31 December</i> <i>2022</i> <i>KD'000</i>	<i>30 September</i> <i>2022</i> <i>KD'000</i>
Murabaha receivables	3,161,332	2,823,145	2,755,006
Ijara receivables	508,813	485,292	473,795
Wakala receivables	23,596	38,244	39,627
Others	36,889	44,072	35,947
Less: deferred profit	(187,980)	(165,664)	(157,932)
	3,542,650	3,225,089	3,146,443
Financing receivables before provision for impairment	3,542,650	3,225,089	3,146,443
Less: Provision for impairment as per the CBK instructions	(99,644)	(95,413)	(92,788)
	3,443,006	3,129,676	3,053,655

During the period, the Bank has recovered KD 2,183 thousand from written off deals in the prior periods. The amount is recorded under other income in the interim condensed consolidated statement of profit or loss.

The available provision of KD 5,233 thousand (31 December 2022: KD 5,577 thousand and 30 September 2022: KD 5,462 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 2023</i>		
	<i>Specific</i> <i>KD'000</i>	<i>General</i> <i>KD'000</i>	<i>Total</i> <i>KD'000</i>
As at 1 January 2023	18,570	82,420	100,990
Charge for the period	1,643	3,683	5,326
Amounts written off	(1,522)	-	(1,522)
Foreign exchange adjustments	-	83	83
	18,691	86,186	104,877

	<i>31 December 2022</i>		
	<i>Specific</i> <i>KD'000</i>	<i>General</i> <i>KD'000</i>	<i>Total</i> <i>KD'000</i>
As at 1 January 2022	20,169	59,957	80,126
Charge for the period	880	22,344	23,224
Amounts written off	(2,479)	-	(2,479)
Foreign exchange adjustments	-	119	119
	18,570	82,420	100,990

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2023

4 FINANCING RECEIVABLES (continued)

	<i>30 September 2022</i>		
	<i>Specific KD'000</i>	<i>General KD'000</i>	<i>Total KD'000</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
	<u>19,751</u>	<u>78,499</u>	<u>98,250</u>

An analysis of the carrying amounts of financing receivables (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 2023</i>			
	<i>Stage 1 KD'000</i>	<i>Stage 2 KD'000</i>	<i>Stage 3 KD'000</i>	<i>Total KD'000</i>
<i>Financing receivables</i>				
High	1,695,818	27,819	-	1,723,637
Standard	1,285,802	204,601	-	1,490,403
Past due or impaired	269,831	18,067	40,712	328,610
	<u>3,251,451</u>	<u>250,487</u>	<u>40,712</u>	<u>3,542,650</u>

	<i>As at 31 December 2022</i>			
	<i>Stage 1 KD'000</i>	<i>Stage 2 KD'000</i>	<i>Stage 3 KD'000</i>	<i>Total KD'000</i>
<i>Financing receivables</i>				
High	1,460,108	69,946	-	1,530,054
Standard	1,219,894	139,130	11,981	1,371,005
Past due or impaired	202,464	92,755	28,811	324,030
	<u>2,882,466</u>	<u>301,831</u>	<u>40,792</u>	<u>3,225,089</u>

	<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>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2023

4 FINANCING RECEIVABLES (continued)

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>30 September 2023</i>			
	<i>Stage 1</i> <i>KD'000</i>	<i>Stage 2</i> <i>KD'000</i>	<i>Stage 3</i> <i>KD'000</i>	<i>Total</i> <i>KD'000</i>
ECL allowance as at 1 January 2023	14,338	9,897	17,992	42,227
Transfer from Stage 1	(453)	420	33	-
Transfer from Stage 2	782	(1,201)	419	-
Transfer from Stage 3	257	510	(767)	-
Additional ECL for the period	3,695	1,363	3,296	8,354
Amounts written off	-	-	(1,522)	(1,522)
At 30 September 2023	18,619	10,989	19,451	49,059

	<i>31 December 2022</i>			
	<i>Stage 1</i> <i>KD'000</i>	<i>Stage 2</i> <i>KD'000</i>	<i>Stage 3</i> <i>KD'000</i>	<i>Total</i> <i>KD'000</i>
ECL allowance as at 1 January 2022	21,221	9,408	14,282	44,911
Transfer from Stage 1	(2,308)	2,233	75	-
Transfer from Stage 2	3,404	(3,826)	422	-
Transfer from Stage 3	248	27	(275)	-
(Reversal) additional ECL for the year	(8,227)	2,055	5,967	(205)
Amounts written off	-	-	(2,479)	(2,479)
At 31 December 2022	14,338	9,897	17,992	42,227

	<i>30 September 2022</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>Total</i> <i>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	24,256	15,374	16,053	55,683

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 2023</i>			
	<i>Stage 1</i> <i>KD'000</i>	<i>Stage 2</i> <i>KD'000</i>	<i>Stage 3</i> <i>KD'000</i>	<i>Total</i> <i>KD'000</i>
<i>Non-cash facilities</i>				
High	145,683	1,178	-	146,861
Standard	107,314	42,014	-	149,328
Past due or impaired	-	-	3,782	3,782
	252,997	43,192	3,782	299,971

Warba Bank K.S.C.P.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2023

4 FINANCING RECEIVABLES (continued)

	<i>As at 31 December 2022</i>			
	<i>Stage 1 KD'000</i>	<i>Stage 2 KD'000</i>	<i>Stage 3 KD'000</i>	<i>Total KD'000</i>
<i>Non-cash facilities</i>				
High	75,825	3,700	-	79,525
Standard	101,929	39,322	-	141,251
Past due or impaired	-	-	4,504	4,504
	<u>177,754</u>	<u>43,022</u>	<u>4,504</u>	<u>225,280</u>
	<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>

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>30 September 2023</i>			
	<i>Stage 1 KD'000</i>	<i>Stage 2 KD'000</i>	<i>Stage 3 KD'000</i>	<i>Total KD'000</i>
ECL allowance as at 1 January 2023	2,067	2,687	4,498	9,252
Transfer from Stage 1	(31)	31	-	-
Transfer from Stage 2	57	(57)	-	-
Additional (reversal) ECL for the period	898	638	(646)	890
At 30 September 2023	<u>2,991</u>	<u>3,299</u>	<u>3,852</u>	<u>10,142</u>
	<i>31 December 2022</i>			
	<i>Stage 1 KD'000</i>	<i>Stage 2 KD'000</i>	<i>Stage 3 KD'000</i>	<i>Total KD'000</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	181	(181)	-	-
(Reversal) additional ECL for the year	(510)	(710)	644	(576)
At 31 December 2022	<u>2,067</u>	<u>2,687</u>	<u>4,498</u>	<u>9,252</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2023

4 FINANCING RECEIVABLES (continued)

	<i>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
	<u>2,950</u>	<u>3,167</u>	<u>4,486</u>	<u>10,603</u>
At 30 September 2022	<u>2,950</u>	<u>3,167</u>	<u>4,486</u>	<u>10,603</u>

5 SUKUK ISSUED

On 24 September 2019, the Bank completed the series 1 issuance of unsecured Sukuk (senior debt) amounting to US\$ 500 million (KD 154 million) with a tenor of up to 5 years maturing on 24 September 2024. Such sukuk has a fixed coupon rate of 2.982% per annum, payable semi-annually in arrears. The Sukuk is listed on the Irish Stock Exchange (Euronext Dublin) and NASDAQ Dubai.

On 17 June 2020, the Bank completed the issuance of an unsecured Sukuk (senior debt) amounting to KD 150 million with a tenor of up to 5 years maturing on 17 June 2025. Such sukuk has a coupon rate of 1% per annum over the CBK discount rate, payable semi-annually in arrears. The Sukuk is listed on the Irish Stock Exchange (Euronext Dublin).

6 SHARE CAPITAL

6.1 Share capital

The authorised, issued, and fully paid-up share capital as at 30 September 2023 comprise of 2,060,000 thousand shares (31 December 2022: 2,000,000 thousand shares and 30 September 2022: 2,000,000 thousand shares) of 100 fils each.

6.2 Dividends made and proposed

- ▶ The ordinary annual general assembly meeting (“AGM”) of the Bank’s shareholders held on 20 March 2023 approved 3% bonus shares and a cash dividend of 3 fils per share aggregating to KD 6,000 thousand and KD 6,000 thousand respectively, for the year ended 31 December 2022. Cash dividend amounting to KD 5,131 thousand was paid during the period and dividends payable as at 30 September 2023 amounted to KD 869 thousand and recorded within “other liabilities” in the interim condensed consolidated statement of financial position.
- ▶ The shareholders of the Bank at the extra-ordinary general assembly (“EGM”) held on 27 March 2023 approved the increase of Bank’s authorised, issued, and fully paid share capital by issuing 60,000 thousand bonus shares at 3% of the authorised and paid-up share capital (i.e. 3 shares for each 100 shares) amounting to KD 6,000 thousand to the shareholders registered in the Bank’s records as at the end of the record date on 13 April 2023. The legal procedures relating to the issuance of bonus shares have been completed during the period.

7 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2023

7 PERPETUAL TIER 1 SUKUK (continued)

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'ah 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 at 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. The Bank made profit payment during the period on 25 May 2023.

8 PROVISION FOR IMPAIRMENT AND CREDIT LOSSES

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	2023	2022	2023	2022
	KD'000	KD'000	KD'000	KD'000
Provision charge for credit facilities – specific	1,206	384	1,643	1,708
Provision charge for credit facilities – general	63	7,256	3,683	18,274
Expected credit losses (release) charge	(114)	377	164	592
Impairment of other assets	625	-	625	-
	1,780	8,017	6,115	20,574

9 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.

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	2023	2022	2023	2022
		<i>(Restated)*</i>		<i>(Restated)*</i>
Net profit for the period (KD'000)	4,069	3,763	14,324	15,639
Less: profit payment on Perpetual Tier 1 Sukuk (KD'000)	-	-	(1,540)	(2,991)
	4,069	3,763	12,784	12,648
Weighted average number of shares outstanding (shares'000)	2,060,000	2,060,000	2,060,000	2,060,000
Basic and diluted EPS (fils)	1.98	1.83	6.21	6.14

* The comparative basic and diluted EPS has been restated to reflect the impact of bonus shares issued in 2023.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2023

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

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.

10 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.

10.1 Remuneration of the Bank's key management personnel

Key management personnel are those individuals who have the authority and responsibility for planning and exercising power to directly or indirectly control the activities of the Bank and its employees. The Bank considers the members of the Board of Directors (and its sub-committees) and Executive Committee to be key management personnel for the purposes of IAS 24 *Related Party Disclosures*.

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	2023	2022	2023	2022
	KD'000	<i>KD'000</i>	KD'000	<i>KD'000</i>
Salaries and short-term benefits	553	538	1,703	1,554
End of service benefits	47	47	135	144
	600	585	1,838	1,698

The AGM of the shareholders of the Bank held on 20 March 2023 approved directors' remuneration for the year ended 31 December 2022 amounting to KD 66 thousand (2021: KD 66 thousand).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2023

10 RELATED PARTY DISCLOSURES (continued)**10.2 Balances and transactions with Bank's board of directors' members, key management personnel and major shareholders**

Details of the balances of board of directors' members, executive officers and major shareholders are as follows:

	<i>Number of BOD members, executive officers or major shareholders</i>			<i>Number of related parties</i>			<i>Outstanding balance</i>		
	<i>30 September 2023</i>	<i>31 December 2022</i>	<i>30 September 2022</i>	<i>30 September 2023</i>	<i>31 December 2022</i>	<i>30 September 2022</i>	<i>30 September 2023 KD'000</i>	<i>31 December 2022 KD'000</i>	<i>30 September 2022 KD'000</i>
Board Members									
Financing facilities (secured)	1	1	1	-	-	-	3	5	5
Credit cards	1	1	1	1	-	-	1	-	-
Depositors' accounts	7	5	5	26	24	23	5,856	6,013	6,128
Contingent liabilities (letter of guarantees)	-	-	-	3	4	4	718	5,671	4,048
Executive Officers									
Financing facilities (secured)	9	6	5	1	-	-	1,415	532	468
Credit cards	1	3	4	-	-	-	2	19	23
Depositors' accounts	14	14	14	16	18	1	4,757	2,674	864
Major Shareholders									
Depositors' accounts	3	2	2	39	39	43	706,140	516,639	560,382

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2023

10 RELATED PARTY DISCLOSURES (continued)

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.

Details of the transactions of board of directors' members, executive officers and major shareholders are as follows:

	<i>Nine months ended</i>	
	<i>30 September</i>	
	2023	2022
	KD'000	KD'000
Board Members		
Placement and finance income	-	107
Net fees and commission income	5	35
Finance costs and distribution to depositors	139	20
Executive Officers		
Placement and finance income	121	5
Finance costs and distribution to depositors	130	264
Major Shareholders		
Finance costs and distribution to depositors	23,721	2,873

11 COMMITMENTS AND CONTINGENT LIABILITIES

	<i>(Audited)</i>		
	<i>30 September</i>	<i>31 December</i>	<i>30 September</i>
	2023	2022	2022
	KD'000	KD'000	KD'000
Acceptances and letters of credit	55,481	49,710	50,642
Letters of guarantee	244,490	175,570	151,948
Contingent liabilities	299,971	225,280	202,590
Capital and other commitments	155,894	199,383	158,643

12 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2023

12 SEGMENT INFORMATION (continued)

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

	<i>30 September 2023</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)	46,685	3,723	(1,835)	1,090	-	49,663
Net profit (loss)	39,919	(4,649)	(2,476)	(556)	(17,914)	14,324
Total assets	2,806,456	641,373	823,180	454,613	77,123	4,802,745
Total liabilities	1,128,030	1,158,753	2,061,606	-	72,983	4,421,372

	<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

13 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial instruments comprise financial assets and financial liabilities.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:

- ▶ **Level 1** - quoted (unadjusted) prices in an active market for identical assets and liabilities;
- ▶ **Level 2** - other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- ▶ **Level 3** - other techniques which use inputs which have a significant effect on the recorded fair value are not based on observable market data.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2023

13 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

30 September 2023	<i>Fair value measurement</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>Financial instruments measured at fair value on a recurring basis</i>				
<i>Financial assets at FVPL</i>				
Quoted equity instruments	13,723	13,723	-	-
Funds (unquoted)	137,188	-	-	137,188
Other securities (unquoted)	4,950	-	-	4,950
	<u>155,861</u>	<u>13,723</u>	<u>-</u>	<u>142,138</u>
<i>Financial assets at FVOCI</i>				
Quoted Sukuk				
- Sovereign Sukuk	174,389	174,389	-	-
- Corporate Sukuk	176,855	176,855	-	-
	<u>351,244</u>	<u>351,244</u>	<u>-</u>	<u>-</u>
Unquoted equity instruments	11,381	-	-	11,381
	<u>362,625</u>	<u>351,244</u>	<u>-</u>	<u>11,381</u>
<i>31 December 2022 (Audited)</i>				
<i>Financial instruments measured at fair value on a recurring basis</i>				
<i>Financial assets at FVTPL</i>				
Quoted equity instruments	12,474	12,474	-	-
Funds (unquoted)	121,368	-	-	121,368
Other securities (unquoted)	5,750	-	-	5,750
	<u>139,592</u>	<u>12,474</u>	<u>-</u>	<u>127,118</u>
<i>Financial assets at FVOCI</i>				
Quoted Sukuk				
- Sovereign Sukuk	171,709	171,709	-	-
- Corporate Sukuk	113,207	113,207	-	-
	<u>284,916</u>	<u>284,916</u>	<u>-</u>	<u>-</u>
Unquoted equity instruments	10,497	-	-	10,497
	<u>295,413</u>	<u>284,916</u>	<u>-</u>	<u>10,497</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2023

13 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

		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
30 September 2022	Total KD'000			
<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>				
<i>Quoted Sukuk</i>				
- Sovereign Sukuk	165,522	165,522	-	-
- Corporate Sukuk	79,514	79,514	-	-
	<u>245,036</u>	<u>245,036</u>	<u>-</u>	<u>-</u>
<i>Unquoted Sukuk</i>				
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>

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 2023					
	At 1 January 2023 KD'000	Additions KD'000	Sales/ redemptions KD'000	Change in fair value KD'000	Exchange rate movements KD'000	At 30 September 2023 KD'000
<i>Financial assets at FVPL</i>						
Funds (unquoted)	121,368	19,157	(3,676)	(725)	1,064	137,188
Other securities (unquoted)	5,750	-	(568)	(277)	45	4,950
	<u>127,118</u>	<u>19,157</u>	<u>(4,244)</u>	<u>(1,002)</u>	<u>1,109</u>	<u>142,138</u>
<i>Financial assets at FVOCI</i>						
Unquoted equity instruments	10,497	884	-	-	-	11,381
	<u>10,497</u>	<u>884</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,381</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2023

13 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	31 December 2022 (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	2022 KD'000
<i>Financial assets at FVTPL</i>						
Funds (unquoted)	94,021	29,697	(7,761)	4,725	686	121,368
Other securities (unquoted)	17,979	-	(11,495)	(813)	79	5,750
	112,000	29,697	(19,256)	3,912	765	127,118
<i>Financial assets at FVOCI</i>						
Unquoted equity instruments	5,613	-	-	4,884	-	10,497
	5,613	-	-	4,884	-	10,497
	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

There were no transfers between any levels of the fair value hierarchy during 2023 or 2022.

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 2022.

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2023

14 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 interim condensed 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>KD'000</i>		
	<i>Positive fair value</i>	<i>Positive fair value</i>	<i>Notional amount</i>
30 September 2023			
Forward contracts	-	28	14,251
	<u> </u>	<u> </u>	<u> </u>
			<i>KD'000</i>
	<i>Positive fair value</i>	<i>Negative fair value</i>	<i>Notional amount</i>
31 December 2022			
Forward contracts	-	(59)	9,064
	<u> </u>	<u> </u>	<u> </u>
			<i>KD'000</i>
	<i>Positive fair value</i>	<i>Negative fair value</i>	<i>Notional amount</i>
30 September 2022			
Forward contracts	-	(42)	9,064
	<u> </u>	<u> </u>	<u> </u>

All derivative contracts are fair valued based on observable market inputs and are classified as level 2.

15 FIDUCIARY ASSETS

The aggregate value of assets held in a trust or fiduciary capacity by the Group at 30 September 2023 amounted to KD 231,341 thousand (31 December 2022: KD 144,922 thousand and 30 September 2022: KD 119,737 thousand).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2023

16 CHANGES IN REFERENCE RATES (IBOR)

Financial assets and liabilities

The Group's exposure to IBOR linked financial assets is mainly through USD LIBOR.

The Group's exposure to financial assets that are based on USD LIBOR/Synthetic USD LIBOR maturing after September 2023 is KD 44,143 thousand (31 December 2022: KD 204,791 thousand and 30 September 2022: KD 282,165 thousand).

The Group does not have any exposure to IBOR linked liabilities as of 30 September 2023.

Derivatives held for hedging purposes

The notional value of USD LIBOR derivatives designated as fair value hedges, maturing after September 2023, is Nil as at 30 September 2023 (31 December 2022: KD 9,064 thousand and 30 September 2022: KD 9,064 thousand).

The Group is in discussion with the counterparties to have an orderly transition of USD exposures to the relevant RFR.