

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

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

**31 MARCH 2023**



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

### *Introduction*

We have reviewed the interim condensed consolidated statement of financial position of Warba Bank K.S.C.P. (the "Bank") and its subsidiaries (collectively the "Group") as at 31 March 2023, and the related interim condensed consolidated statement of profit or loss, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity, and interim condensed consolidated statement of cash flows for the three-month period then ended. The management of the Bank is responsible for the preparation and presentation of this interim condensed 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 three-month period ended 31 March 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 three-month period ended 31 March 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

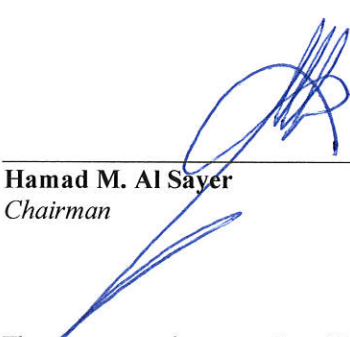
7 May 2023  
Kuwait

Warba Bank K.S.C.P.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 31 March 2023

		31 March 2023 KD'000	(Audited) 31 December 2022 KD'000	31 March 2022 KD'000
<b>ASSETS</b>				
Cash and bank balances	3	177,901	146,634	103,948
Placements with banks and the CBK		442,872	278,895	526,734
Financing receivables	4	3,301,753	3,129,676	2,578,800
Financial assets at fair value through profit or loss	13	147,371	139,592	123,260
Financial assets at fair value through other comprehensive income	13	326,131	295,413	258,353
Investment in joint ventures		112,270	107,880	111,885
Investment properties		16,195	16,193	16,120
Other assets		51,116	69,321	60,703
Property and equipment		16,692	17,353	17,256
<b>TOTAL ASSETS</b>		<b>4,592,301</b>	<b>4,200,957</b>	<b>3,797,059</b>
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
Due to banks and other financial institutions		1,052,673	792,766	555,531
Depositors' accounts		2,784,881	2,674,482	2,518,337
Sukuk issued	5	304,705	304,057	302,522
Other liabilities		75,003	55,735	52,773
<b>TOTAL LIABILITIES</b>		<b>4,217,262</b>	<b>3,827,040</b>	<b>3,429,163</b>
<b>EQUITY</b>				
Share capital	6	200,000	200,000	200,000
Share premium		80,375	80,375	80,375
Statutory reserve		6,803	6,803	4,777
Fair value reserve		(7,401)	(9,759)	(6,801)
Foreign currency translation reserve		195	(276)	219
Retained earnings		13,259	8,966	13,165
Proposed dividends	6	6,000	12,000	-
<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK</b>		<b>299,231</b>	<b>298,109</b>	<b>291,735</b>
Perpetual Tier 1 Sukuk	7	75,808	75,808	76,161
<b>TOTAL EQUITY</b>		<b>375,039</b>	<b>373,917</b>	<b>367,896</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>4,592,301</b>	<b>4,200,957</b>	<b>3,797,059</b>

  
Hamad M. Al Sayer  
Chairman

  
Shaheen H. Al Ghanem  
Chief Executive Officer

The accompanying notes 1 to 15 form an integral part of this interim condensed consolidated financial information.

Warba Bank K.S.C.P.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
(UNAUDITED)

For the period ended 31 March 2023

	<i>Notes</i>	<i>Three months ended</i>	
		<i>31 March</i>	
		<i>2023</i>	<i>2022</i>
		<i>KD'000</i>	<i>KD'000</i>
Placements and finance income		<b>49,580</b>	24,188
Finance costs and distribution to depositors		<b>(40,536)</b>	(12,489)
<b>Net finance income</b>		<b>9,044</b>	11,699
Net investment income		<b>4,692</b>	6,674
Net fee and commission income		<b>875</b>	1,497
Other income		<b>480</b>	339
Foreign exchange gain		<b>27</b>	99
<b>Net operating income</b>		<b>15,118</b>	20,308
Staff costs		<b>(5,397)</b>	(5,492)
General and administrative expenses		<b>(1,458)</b>	(976)
Depreciation expense		<b>(1,592)</b>	(1,504)
<b>Net operating expenses</b>		<b>(8,447)</b>	(7,972)
<b>Net operating profit before provision for impairment and credit losses</b>		<b>6,671</b>	12,336
Provision for impairment and credit losses	8	<b>(2,175)</b>	(5,262)
<b>Profit before tax</b>		<b>4,496</b>	7,074
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		<b>(40)</b>	(64)
National Labour Support Tax (NLST)		<b>(116)</b>	(185)
Zakat		<b>(47)</b>	(74)
<b>NET PROFIT FOR THE PERIOD</b>		<b>4,293</b>	6,751
<b>BASIC AND DILUTED EARNINGS PER SHARE (EPS)</b>	9	<b>2.08 fils</b>	2.56 fils

The accompanying notes 1 to 15 form an integral part of this interim condensed consolidated financial information.

Warba Bank K.S.C.P.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF  
COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 31 March 2023

	<i>Three months ended</i>	
	<i>31 March</i>	
	<b>2023</b>	<b>2022</b>
	<b>KD'000</b>	<b>KD'000</b>
<b>NET PROFIT FOR THE PERIOD</b>	<b>4,293</b>	6,751
<b>Other comprehensive income (loss)</b>		
<i>Other comprehensive income (loss) that will be reclassified to profit or loss:</i>		
<i>Debt instruments at fair value through other comprehensive income:</i>		
Net change in fair value during the period	<b>2,354</b>	(8,512)
Changes in allowance for expected credit losses	<b>(7)</b>	103
Reclassification to profit or loss	<b>11</b>	1
Net gains (losses) on debt instruments at fair value through other comprehensive income	<b>2,358</b>	(8,408)
<i>Foreign currency translation:</i>		
Exchange differences on translation of foreign operations	<b>435</b>	331
Net exchange differences recycled to profit or loss on derecognition of investment in a joint venture	<b>36</b>	-
Net foreign currency translation	<b>471</b>	331
<b>OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD</b>	<b>2,829</b>	(8,077)
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD</b>	<b>7,122</b>	(1,326)

The accompanying notes 1 to 15 form an integral part of this interim condensed consolidated financial information.

Warba Bank K.S.C.P.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 31 March 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>
<b>As at 1 January 2023</b>	<b>200,000</b>	<b>80,375</b>	<b>6,803</b>	<b>(9,759)</b>	<b>(276)</b>	<b>8,966</b>	<b>286,109</b>	<b>12,000</b>	<b>298,109</b>	<b>75,808</b>	<b>373,917</b>
Net profit for the period	-	-	-	-	-	4,293	4,293	-	4,293	-	4,293
Other comprehensive income	-	-	-	2,358	471	-	2,829	-	2,829	-	2,829
Total comprehensive income for the period	-	-	-	2,358	471	4,293	7,122	-	7,122	-	7,122
Cash dividends (Note 6)	-	-	-	-	-	-	-	(6,000)	(6,000)	-	(6,000)
<b>At 31 March 2023</b>	<b>200,000</b>	<b>80,375</b>	<b>6,803</b>	<b>(7,401)</b>	<b>195</b>	<b>13,259</b>	<b>293,231</b>	<b>6,000</b>	<b>299,231</b>	<b>75,808</b>	<b>375,039</b>
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	-	-	-	-	-	6,751	6,751	-	6,751	-	6,751
Other comprehensive (loss) income	-	-	-	(8,408)	331	-	(8,077)	-	(8,077)	-	(8,077)
Total comprehensive (loss) income for the period	-	-	-	(8,408)	331	6,751	(1,326)	-	(1,326)	-	(1,326)
Redemption of Perpetual Tier 1 Sukuk (Note 7)	-	-	-	-	-	-	-	-	-	(45,109)	(45,109)
Profit paid on Perpetual Tier 1 Sukuk (Note 7)	-	-	-	-	-	(1,468)	(1,468)	-	(1,468)	-	(1,468)
At 31 March 2022	200,000	80,375	4,777	(6,801)	219	13,165	291,735	-	291,735	76,161	367,896

The accompanying notes 1 to 15 form an integral part of this interim condensed consolidated financial information.

Warba Bank K.S.C.P.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
(UNAUDITED)

For the period ended 31 March 2023

	Notes	Three months ended 31 March	
		2023 KD'000	2022 KD'000
<b>OPERATING ACTIVITIES</b>			
Profit before tax		4,496	7,074
<i>Adjustments for:</i>			
Realised loss on sale of debt instruments at FVOCI		11	1
Gain on sale of investment property		-	(333)
Dividend income from financial assets		(571)	(1,022)
Loss on sale of joint venture		28	-
Share of results from investments in joint ventures		(1,428)	(1,578)
Net rental income from investment properties		(14)	(45)
Fair value adjustment to investment properties		(2)	(7)
Other investment income		(2,757)	(432)
Fair value adjustment to financial assets at FVPL		41	(3,258)
Provision for employees' end of service benefits		220	394
Depreciation expense		1,592	1,504
Provision for impairment and credit losses	8	2,175	5,262
		<b>3,791</b>	<b>7,560</b>
<i>Changes in operating assets and liabilities:</i>			
Placements with banks and the CBK		(78,270)	(1,049)
Financing receivables		(172,333)	(118,081)
Other assets		18,402	(4,484)
Due to banks and other financial institutions		259,907	42,960
Depositors' accounts		110,399	229,419
Other liabilities		12,793	(1,114)
<b>Net cash flows from operating activities</b>		<b>154,689</b>	<b>155,211</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of financial assets at FVPL		(7,417)	(4,260)
Proceeds from sale/ redemption of financial assets at FVPL		348	13,156
Purchase of financial assets at FVOCI		(72,810)	(7,694)
Proceeds from sale of financial assets at FVOCI		45,318	4,840
Additions to investment in joint ventures		(3,280)	(6,248)
Proceeds from sale of a joint venture		60	-
Proceeds from sale of investment property		-	2,935
Purchase of property and equipment		(15)	(643)
Dividends received from financial assets		571	1,022
Other investment income received		150	136
Distributions received from joint ventures		701	1,164
Rental income received		12	59
<b>Net cash flows (used in) from investing activities</b>		<b>(36,362)</b>	<b>4,467</b>
<b>FINANCING ACTIVITIES</b>			
Payment of lease liabilities		(1,612)	(890)
Net movement on Sukuk issued		648	498
Profit paid to holders on Perpetual Tier 1 Sukuk		-	(1,468)
Redemption of Perpetual Tier 1 Sukuk		-	(45,109)
<b>Net cash flows used in financing activities</b>		<b>(964)</b>	<b>(46,969)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>117,363</b>	<b>112,709</b>
Cash and cash equivalents at 1 January		302,469	485,466
<b>CASH AND CASH EQUIVALENTS AT 31 MARCH</b>	3	<b>419,832</b>	<b>598,175</b>
<b>Additional information on operational cash flows</b>			
Finance costs paid		(34,859)	(12,666)
Finance income received		42,871	23,409

The accompanying notes 1 to 15 form an integral part of this interim condensed consolidated financial information.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

As at and for the period ended 31 March 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 three months ended 31 March 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 three months ended 31 March 2023 has been approved for issuance in accordance with the Board of Directors resolution on 12 April 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 three months ended 31 March 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 (CBK) in the State of Kuwait. These regulations, require banks and other financial institutions regulated by CBK to adopt the International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board (IASB) with the following amendments:

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

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

The interim condensed consolidated financial information 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 2022.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 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**

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 an impact on the interim condensed consolidated financial information of the Group.

**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 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>31 March</i> <i>2023</i> <i>KD'000</i>	<i>(Audited)</i> <i>31 December</i> <i>2022</i> <i>KD'000</i>	<i>31 March</i> <i>2022</i> <i>KD'000</i>
Cash on hand	15,328	7,845	5,424
Current account with the CBK	147,251	117,833	91,172
Due from banks	15,322	20,956	7,352
<b>Total cash and bank balances</b>	<b>177,901</b>	146,634	103,948
Placements with the CBK with an original maturity of three months or less.	129,140	114,141	152,545
Placements with banks with an original maturity of three months or less.	112,791	41,694	341,682
<b>Total cash and cash equivalents</b>	<b>419,832</b>	302,469	598,175

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2023

**4 FINANCING RECEIVABLES**

	<i>31 March</i> <i>2023</i> <i>KD'000</i>	<i>(Audited)</i> <i>31 December</i> <i>2022</i> <i>KD'000</i>	<i>31 March</i> <i>2022</i> <i>KD'000</i>
Murabaha receivables	<b>2,985,963</b>	2,823,145	2,329,802
Ijara receivables	<b>502,370</b>	485,292	409,033
Wakala receivables	<b>37,384</b>	38,244	37,894
Others	<b>43,600</b>	44,072	20,447
Less: deferred profit	<b>(170,478)</b>	(165,664)	(138,796)
Financing receivables before provision for impairment	<b>3,398,839</b>	3,225,089	2,658,380
Less: Provision for impairment as per the CBK guidelines	<b>(97,086)</b>	(95,413)	(79,580)
	<b>3,301,753</b>	3,129,676	2,578,800

The available provision of KD 5,254 thousand (31 December 2022: KD 5,577 thousand and 31 March 2022: KD 5,380 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>31 March 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	<b>18,570</b>	<b>82,420</b>	<b>100,990</b>
Charge for the period	<b>72</b>	<b>1,720</b>	<b>1,792</b>
Amounts written off	<b>(445)</b>	-	<b>(445)</b>
Foreign exchange adjustments	-	<b>3</b>	<b>3</b>
	<b>18,197</b>	<b>84,143</b>	<b>102,340</b>
	<b>18,570</b>	<b>82,420</b>	<b>100,990</b>
	<b>20,169</b>	<b>59,957</b>	<b>80,126</b>
	<b>880</b>	<b>22,344</b>	<b>23,224</b>
	<b>(2,479)</b>	-	<b>(2,479)</b>
	-	<b>119</b>	<b>119</b>
	<b>18,570</b>	<b>82,420</b>	<b>100,990</b>
	<b>20,169</b>	<b>59,957</b>	<b>80,126</b>
	<b>622</b>	<b>4,559</b>	<b>5,181</b>
	<b>(387)</b>	-	<b>(387)</b>
	-	<b>40</b>	<b>40</b>
	<b>20,404</b>	<b>64,556</b>	<b>84,960</b>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2023

**4 FINANCING RECEIVABLES (continued)**

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 31 March 2023</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>
<i>Financing receivables</i>				
High	1,582,625	65,232	-	1,647,857
Standard	1,222,850	186,659	-	1,409,509
Past due or impaired	225,107	77,775	38,591	341,473
	<u>3,030,582</u>	<u>329,666</u>	<u>38,591</u>	<u>3,398,839</u>
	<i>As at 31 December 2022</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>	<i>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 31 March 2022</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>
<i>Financing receivables</i>				
High	1,109,015	95,509	-	1,204,524
Standard	1,140,012	136,529	-	1,276,541
Past due or impaired	96,341	44,657	36,317	177,315
	<u>2,345,368</u>	<u>276,695</u>	<u>36,317</u>	<u>2,658,380</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>For the period ended 31 March 2023</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>
ECL allowance as at 1 January 2023	14,338	9,897	17,992	42,227
Transfer from Stage 1	(284)	269	15	-
Transfer from Stage 2	556	(773)	217	-
Transfer from Stage 3	236	699	(935)	-
(Reversal) additional ECL for the period	(439)	801	324	686
Amounts written off	-	-	(445)	(445)
	<u>14,407</u>	<u>10,893</u>	<u>17,168</u>	<u>42,468</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2023

**4 FINANCING RECEIVABLES (continued)**

	<i>For the year ended 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	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	<u>14,338</u>	<u>9,897</u>	<u>17,992</u>	<u>42,227</u>

	<i>For the period ended 31 March 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	21,221	9,408	14,282	44,911
Transfer from Stage 1	(232)	225	7	-
Transfer from Stage 2	419	(571)	152	-
Transfer from Stage 3	79	22	(101)	-
Additional ECL for the period	784	924	1,560	3,268
Amounts written off	-	-	(387)	(387)
At 31 March 2022	<u>22,271</u>	<u>10,008</u>	<u>15,513</u>	<u>47,792</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 31 March 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>Non-cash facilities</i>				
High	<b>91,278</b>	<b>555</b>	-	<b>91,833</b>
Standard	<b>114,517</b>	<b>37,537</b>	-	<b>152,054</b>
Past due or impaired	-	-	<b>4,073</b>	<b>4,073</b>
	<u><b>205,795</b></u>	<u><b>38,092</b></u>	<u><b>4,073</b></u>	<u><b>247,960</b></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>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>

# Warba Bank K.S.C.P.

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

As at and for the period ended 31 March 2023

### 4 FINANCING RECEIVABLES (continued)

	<i>As at 31 March 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>
<i>Non-cash facilities</i>				
High	67,347	2,764	-	70,111
Standard	90,653	30,118	-	120,771
Past due or impaired	-	-	4,483	4,483
	<u>158,000</u>	<u>32,882</u>	<u>4,483</u>	<u>195,365</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>For the period ended 31 March 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	<b>2,067</b>	<b>2,687</b>	<b>4,498</b>	<b>9,252</b>
Transfer from Stage 1	(17)	17	-	-
Transfer from Stage 2	57	(57)	-	-
Additional (reversal) ECL for the period	<b>335</b>	<b>(58)</b>	<b>(345)</b>	<b>(68)</b>
At 31 March 2023	<u><b>2,442</b></u>	<u><b>2,589</b></u>	<u><b>4,153</b></u>	<u><b>9,184</b></u>

	<i>For the period ended 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	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>

	<i>For the period ended 31 March 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	2,804	3,170	3,854	9,828
Transfer from Stage 1	(60)	59	1	-
Transfer from Stage 2	35	(38)	3	-
Transfer from Stage 3	5	-	(5)	-
(Reversal) additional ECL for the period	(17)	(855)	626	(246)
At 31 March 2022	<u>2,767</u>	<u>2,336</u>	<u>4,479</u>	<u>9,582</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 (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.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2023

**5 SUKUK ISSUED (continued)**

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 31 March 2023 comprise of 2,000,000 thousand shares (31 December 2022: 2,000,000 thousand shares and 31 March 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. The cash dividend amounting to KD 6,000 thousand is included in other liabilities as of 31 March 2023.
- ▶ 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 scheduled on 13 April 2023. The legal proceedings with respect to the share capital increase have been completed subsequent to the reporting date.

**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.

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 Sharī‘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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2023

**8 PROVISION FOR IMPAIRMENT AND CREDIT LOSSES**

	<i>Three months ended</i>	
	<i>31 March</i>	
	<b>2023</b>	2022
	<b>KD'000</b>	KD'000
Provision charge for credit facilities – specific	<b>72</b>	622
Provision charge for credit facilities – general	<b>1,720</b>	4,559
Expected credit losses charge	<b>383</b>	81
	<b>2,175</b>	5,262

**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>31 March</i>	
	<b>2023</b>	2022
		<i>(Restated)*</i>
Net profit for the period (KD'000)	<b>4,293</b>	6,751
Less: profit payment on Perpetual Tier 1 Sukuk (KD'000)	-	(1,468)
	<b>4,293</b>	5,283
Weighted average number of shares outstanding (shares'000)	<b>2,060,000</b>	2,060,000
<b>Basic and diluted EPS (fils)</b>	<b>2.08</b>	2.56

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2023

**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>31 March</i>	
	<b>2023</b>	2022
	<b>KD'000</b>	KD'000
Salaries and short-term benefits	<b>616</b>	517
End of service benefits	<b>44</b>	48
	<b>660</b>	565

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 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>31 March 2023</i>	<i>31 December 2022</i>	<i>31 March 2022</i>	<i>31 March 2023</i>	<i>31 December 2022</i>	<i>31 March 2022</i>	<i>31 March 2023 KD'000</i>	<i>31 December 2022 KD'000</i>	<i>31 March 2022 KD'000</i>
<b>Board Members</b>									
Financing facilities (secured)	1	1	1	-	-	-	3	5	5
Credit cards	1	1	-	-	-	-	-	-	-
Depositors' accounts	24	29	28	-	-	-	9,284	6,013	4,674
Contingent liabilities (letter of guarantees)	5	4	3	-	-	-	3,968	5,671	705
<b>Executive Officers</b>									
Financing facilities (secured)	5	6	4	-	-	-	269	532	350
Credit cards	3	3	3	-	-	-	14	19	2
Depositors' accounts	14	14	14	15	18	14	7,645	2,674	1,120
<b>Major Shareholders</b>									
Depositors' accounts	2	2	2	36	39	40	568,964	516,369	479,552

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 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>Three months ended</i>	
	<i>31 March</i>	
	<i>2023</i>	<i>2022</i>
	<i>KD'000</i>	<i>KD'000</i>
<b>Board Members</b>		
Net fees and commission income	12	2
Finance costs and distribution to depositors	60	10
<b>Executive Officers</b>		
Placement and finance income	23	1
Finance costs and distribution to depositors	34	74
<b>Major Shareholders</b>		
Finance costs and distribution to depositors	7,151	1,110

**11 COMMITMENTS AND CONTINGENT LIABILITIES**

	<i>(Audited)</i>		
	<i>31 March</i>	<i>31 December</i>	<i>31 March</i>
	<i>2023</i>	<i>2022</i>	<i>2022</i>
	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>
Acceptances and letters of credit	58,662	49,710	48,782
Letters of guarantee	189,298	175,570	146,583
<b>Contingent liabilities</b>	<b>247,960</b>	<b>225,280</b>	<b>195,365</b>
<b>Capital and other commitments</b>	<b>379,436</b>	<b>199,383</b>	<b>133,451</b>

**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 31 March 2023

**12 SEGMENT INFORMATION (continued)**

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

	31 March 2023					
	<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)	13,492	1,113	(717)	1,230	-	15,118
Net profit (loss)	11,428	(1,704)	(1,293)	762	(4,900)	4,293
Total assets	2,677,825	628,495	823,941	411,027	51,013	4,592,301
Total liabilities	1,010,614	1,116,855	2,019,989	-	69,804	4,217,262

	31 March 2022					
	<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)	9,873	4,325	(685)	6,795	-	20,308
Net profit (loss)	4,641	1,523	(762)	6,259	(4,910)	6,751
Total assets	2,051,072	541,416	790,837	365,442	48,292	3,797,059
Total liabilities	654,714	961,820	1,765,178	-	47,451	3,429,163

**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 31 March 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:

		<i>Fair value measurement</i>		
		<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>
<b>31 March 2023</b>	<b>Total</b>	<b>Quoted prices in active markets (Level 1)</b>	<b>Significant observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>
	<b>KD'000</b>	<b>KD'000</b>	<b>KD'000</b>	<b>KD'000</b>
<i>Financial instruments measured at fair value on a recurring basis</i>				
<i>Financial assets at FVPL</i>				
Quoted equity instruments	13,505	13,505	-	-
Funds (unquoted)	128,296	-	-	128,296
Other securities (unquoted)	5,570	-	-	5,570
	<b>147,371</b>	<b>13,505</b>	<b>-</b>	<b>133,866</b>
<i>Financial assets at FVOCI</i>				
Quoted Sukuk				
- Sovereign Sukuk	168,474	168,474	-	-
- Corporate Sukuk	147,160	147,160	-	-
	<b>315,634</b>	<b>315,634</b>	<b>-</b>	<b>-</b>
Unquoted equity instruments	10,497	-	-	10,497
	<b>326,131</b>	<b>315,634</b>	<b>-</b>	<b>10,497</b>
<i>Fair value measurement</i>				
		<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>
	<i>Total</i>	<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>
	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>
<i>31 December 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
	<b>139,592</b>	<b>12,474</b>	<b>-</b>	<b>127,118</b>
<i>Financial assets at FVOCI</i>				
Quoted Sukuk				
- Sovereign Sukuk	171,709	171,709	-	-
- Corporate Sukuk	113,207	113,207	-	-
	<b>284,916</b>	<b>284,916</b>	<b>-</b>	<b>-</b>
Unquoted equity instruments	10,497	-	-	10,497
	<b>295,413</b>	<b>284,916</b>	<b>-</b>	<b>10,497</b>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2023

13 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

		<i>Fair value measurement</i>		
		<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>
<i>31 March 2022</i>	<i>Total</i>	<i>(Level 1)</i>	<i>(Level 2)</i>	<i>(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	15,901	15,901	-	-
Funds (unquoted)	101,123	-	-	101,123
Other securities (unquoted)	6,236	-	-	6,236
	<u>123,260</u>	<u>15,901</u>	<u>-</u>	<u>107,359</u>
<i>Financial assets at FVOCI</i>				
<i>Quoted Sukuk</i>				
- Sovereign Sukuk	182,203	182,203	-	-
- Corporate Sukuk	69,807	69,807	-	-
	<u>252,010</u>	<u>252,010</u>	<u>-</u>	<u>-</u>
Unquoted Sukuk	730	-	-	730
Unquoted equity instruments	5,613	-	-	5,613
	<u>258,353</u>	<u>252,010</u>	<u>-</u>	<u>6,343</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:

	<i>31 March 2023</i>					
	<i>At 1 January 2023</i>	<i>Additions</i>	<i>Sales/ redemptions</i>	<i>Change in fair value</i>	<i>Exchange rate movements</i>	<i>At 31 March 2023</i>
	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>
<i>Financial assets at FVPL</i>						
Funds (unquoted)	121,368	7,110	(348)	(158)	324	128,296
Other securities (unquoted)	5,750	-	-	(184)	4	5,570
	<u>127,118</u>	<u>7,110</u>	<u>(348)</u>	<u>(342)</u>	<u>328</u>	<u>133,866</u>
<i>Financial assets at FVOCI</i>						
Unquoted equity instruments	10,497	-	-	-	-	10,497
	<u>10,497</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,497</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 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
	31 March 2022					
	At				Exchange	At
	1 January	Additions	Sales/ redemptions	Change in fair value	rate movements	31 March
	KD'000	KD'000	KD'000	KD'000	KD'000	2022 KD'000
<i>Financial assets at FVPL</i>						
Funds (unquoted)	94,021	4,257	(1,660)	4,173	332	101,123
Other securities (unquoted)	17,979	-	(11,496)	(276)	29	6,236
	112,000	4,257	(13,156)	3,897	361	107,359
<i>Financial assets at FVOCI</i>						
Unquoted Sukuk	-	754	-	(29)	5	730
Unquoted equity instruments	5,613	-	-	-	-	5,613
	5,613	754	-	(29)	5	6,343

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 31 March 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>Negative fair value</i>	<i>Notional amount</i>
<b>31 March 2023</b>			
Forward contracts	-	(27)	11,803
	<u>          </u>	<u>          </u>	<u>          </u>
			<i>KD'000</i>
	<i>Positive fair value</i>	<i>Negative fair value</i>	<i>Notional amount</i>
<b>31 December 2022</b>			
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>
<b>31 March 2022</b>			
Forward contracts	-	(29)	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 31 March 2023 amounted to KD 173,949 thousand (31 December 2022: KD 144,922 thousand and 31 March 2022: KD Nil).