

**WARBA INSURANCE COMPANY K.S.C.P.
AND ITS SUBSIDIARY**

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

30 SEPTEMBER 2021



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

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

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Warba Insurance Company K.S.C.P. (the “Parent Company”) and its subsidiary (collectively “the Group”) as at 30 September 2021, and the related interim condensed consolidated statement of income and interim condensed consolidated statement of comprehensive income for the three-month and nine-month periods then ended, and the related interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the nine-month period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34: Interim Financial Reporting (“IAS 34”). 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 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 accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34.

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 Parent Company. 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, and its executive regulations, as amended, nor of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, during the nine months period ended 30 September 2021 that might have had a material effect on the business of the Parent Company 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 7 of 2010 concerning the Capital Markets Authority and its related regulations during the nine months period ended 30 September 2021 that might have had a material effect on the business of the Parent Company or on its financial position.

ABDULKARIM AL SAMDAN

LICENCE NO. 208-A

EY

AL AIBAN, AL OSAIMI & PARTNERS

14 November 2021

Kuwait

Warba Insurance Company K.S.C.P. and its Subsidiary

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

For the period ended 30 September 2021

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2021 KD	2020 KD	2021 KD	2020 KD
REVENUES:					
Gross premiums written		5,668,414	5,923,655	25,389,048	21,555,101
Premium ceded to reinsurers		(2,431,961)	(2,448,758)	(11,569,636)	(9,854,692)
Net premiums written		3,236,453	3,474,897	13,819,412	11,700,409
Movement in unearned premium reserve		72,363	(232,083)	(947,997)	(199,014)
Movement in life mathematical reserve		11,362	18,147	(36,657)	101,416
Net premiums earned		3,320,178	3,260,961	12,834,758	11,602,811
Commissions income on ceded reinsurance		344,266	352,288	1,095,562	1,040,393
Policy issuance fees		21,356	34,000	56,512	88,475
Total revenues		3,685,800	3,647,249	13,986,832	12,731,679
EXPENSES:					
Net claims incurred		(2,845,863)	(1,940,266)	(8,304,898)	(6,341,929)
Commissions and premiums' acquisition costs		(460,940)	(511,220)	(1,600,076)	(1,542,419)
General and administrative expenses		(643,123)	(815,541)	(2,605,418)	(2,891,916)
Total expenses		(3,949,926)	(3,267,027)	(12,510,392)	(10,776,264)
NET UNDERWRITING (LOSS) INCOME		(264,126)	380,222	1,476,440	1,955,415
Net investment income	3	494,810	416,426	1,274,999	885,536
Share of results of associates		91,635	52,144	358,815	131,777
Other insurance services income		88,219	120,049	371,780	412,310
Foreign currency exchange differences		(6,646)	(205,615)	92,085	(211,570)
Other income		7	25,586	5,908	19,376
		403,899	788,812	3,580,027	3,192,844
OTHER EXPENSES:					
Unallocated general and administrative expenses		(160,780)	(203,885)	(651,354)	(722,979)
Other insurance services expense		(146,639)	(169,050)	(434,124)	(443,669)
Allowance for impairment of doubtful and bad debts		-	-	(500,000)	(500,000)
		(307,419)	(372,935)	(1,585,478)	(1,666,648)
Profit before provisions for contribution to Kuwait Foundation for the Advancement of Science (KFAS), National Labor Support Tax (NLST) and Zakat		96,480	415,877	1,994,549	1,526,196
Contribution to KFAS		(692)	(2,619)	(16,222)	(12,756)
NLST		(4,497)	(4,807)	(63,812)	(31,222)
Zakat		(882)	(2,575)	(21,936)	(12,541)
PROFIT FOR THE PERIOD		90,409	405,876	1,892,579	1,469,677
Attributable to:					
Equity holders of the Parent Company		101,679	411,074	1,906,031	1,452,478
Non-controlling interest		(11,270)	(5,198)	(13,452)	17,199
		90,409	405,876	1,892,579	1,469,677
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY					
	4	0.60 Fils	2.37 Fils	11.25 Fils	8.39 Fils

The attached notes 1 to 17 form part of this interim condensed consolidated financial information.

Warba Insurance Company K.S.C.P. and its Subsidiary

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME (UNAUDITED)

For the period ended 30 September 2021

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Profit for the period	90,409	405,876	1,892,579	1,469,677
Other comprehensive income:				
<i>Items that are or may be reclassified to the interim condensed consolidated statement of income in subsequent periods:</i>				
- Net unrealized (loss) gain of financial assets available for sale	(208,510)	594,477	2,007,692	(2,929,326)
- Impairment loss of financial assets available for sale (Note 3)	29,338	-	30,906	95,876
- Share of other comprehensive income of associates	1,269	6,600	8,542	875
Other comprehensive (loss) income for the period	(177,903)	601,077	2,047,140	(2,832,575)
Total comprehensive (loss) income for the period	(87,494)	1,006,953	3,939,719	(1,362,898)
Attributable to:				
Equity holders of the Parent Company	(76,224)	1,012,151	3,953,171	(1,380,097)
Non-controlling interests	(11,270)	(5,198)	(13,452)	17,199
	(87,494)	1,006,953	3,939,719	(1,362,898)

The attached notes 1 to 17 form part of this interim condensed consolidated financial information.

Warba Insurance Company K.S.C.P. and its Subsidiary

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 September 2021

		(Audited)	
	Notes	30 September 2021 KD	31 December 2020 KD
			30 September 2020 KD
ASSETS			
Property and equipment	5	7,230,597	7,308,776
Investment in associates		7,967,434	7,683,578
Loan secured by life insurance policies		22,288	26,918
Financial assets available for sale	6	22,935,679	19,267,759
Financial assets at fair value through profit or loss		9,201,924	8,960,006
Reinsurance share in outstanding claims reserve		41,860,197	45,469,252
Insurance and reinsurance receivables		12,986,214	12,728,033
Other assets		6,791,227	6,662,918
Term deposits	7	6,438,518	6,588,215
Cash and cash equivalents	8	3,644,594	5,733,749
TOTAL ASSETS		119,078,672	120,429,204
EQUITY AND LIABILITIES			
Equity			
Share capital	9	17,710,846	17,710,846
Statutory reserve		8,781,109	8,781,109
General reserve		4,000,000	4,000,000
Voluntary reserve		764,895	764,895
Treasury shares	10	(717,335)	(1,275,970)
Treasury shares reserve		163,299	164,760
Cumulative changes in fair values reserve		6,884,030	4,836,890
Retained earnings		1,986,712	2,126,424
Equity attributable to equity holders of the Parent Company		39,573,556	37,108,954
Non-controlling interests		(55,451)	(41,999)
Total equity		39,518,105	37,066,955
Liabilities			
Bank overdraft	8	228,214	-
Long term loan		2,000,000	2,000,000
Insurance contract liabilities	11	59,696,401	62,555,184
Insurance and reinsurance payables		8,448,589	8,794,212
Other liabilities		9,187,363	10,012,853
Total liabilities		79,560,567	83,362,249
TOTAL EQUITY AND LIABILITIES		119,078,672	120,429,204

Anwar Jawad Bu-Khamseen
Chairman



Sheikh / Mohammed Jarrah Sabah Al-Sabah
Vice Chairman

The attached notes 1 to 17 form part of this interim condensed consolidated financial information.

Warba Insurance Company K.S.C.P. and its Subsidiary

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 September 2021

	<i>Equity attributable to equity holders of the Parent Company</i>										<i>Non-controlling interests</i> KD	<i>Total equity</i> KD
	<i>Share capital</i> KD	<i>Statutory reserve</i> KD	<i>General reserve</i> KD	<i>Voluntary reserve</i> KD	<i>Treasury shares</i> KD	<i>Treasury shares reserve</i> KD	<i>Cumulative changes in fair values reserve</i> KD	<i>Retained earnings</i> KD	<i>Sub total</i> KD			
Balance as at 1 January 2021 (audited)	17,710,846	8,781,109	4,000,000	764,895	(1,275,970)	164,760	4,836,890	2,126,424	37,108,954	(41,999)	37,066,955	
Profit (loss) for the period	-	-	-	-	-	-	-	1,906,031	1,906,031	(13,452)	1,892,579	
Other comprehensive income	-	-	-	-	-	-	2,047,140	-	2,047,140	-	2,047,140	
Total comprehensive income (loss) for the period	-	-	-	-	-	-	2,047,140	1,906,031	3,953,171	(13,452)	3,939,719	
Bonus shares (Note 12)	-	-	-	-	824,541	(106,469)	-	(718,072)	-	-	-	
Cash dividends (Note 12)	-	-	-	-	-	-	-	(1,327,671)	(1,327,671)	-	(1,327,671)	
Movement in treasury shares (Note 10)	-	-	-	-	(265,906)	105,008	-	-	(160,898)	-	(160,898)	
Balance as at 30 September 2021	17,710,846	8,781,109	4,000,000	764,895	(717,335)	163,299	6,884,030	1,986,712	39,573,556	(55,451)	39,518,105	
Balance as at 1 January 2020 (audited)	17,278,874	8,781,109	4,000,000	764,895	(1,275,970)	164,760	6,441,441	1,951,903	38,107,012	(29,147)	38,077,865	
Profit for the period	-	-	-	-	-	-	-	1,452,478	1,452,478	17,199	1,469,677	
Other comprehensive loss	-	-	-	-	-	-	(2,832,575)	-	(2,832,575)	-	(2,832,575)	
Total comprehensive (loss) income for the period	-	-	-	-	-	-	(2,832,575)	1,452,478	(1,380,097)	17,199	(1,362,898)	
Bonus shares (Note 12)	431,972	-	-	-	-	-	-	(431,972)	-	-	-	
Cash dividends (Note 12)	-	-	-	-	-	-	-	(1,215,679)	(1,215,679)	-	(1,215,679)	
Balance as at 30 September 2020	17,710,846	8,781,109	4,000,000	764,895	(1,275,970)	164,760	3,608,866	1,756,730	35,511,236	(11,948)	35,499,288	

The attached notes 1 to 17 form part of this interim condensed consolidated financial information.

Warba Insurance Company K.S.C.P. and its Subsidiary

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(UNAUDITED)

For period ended 30 September 2021

		<i>Nine months ended</i>	
		<i>30 September</i>	
	<i>Notes</i>	<i>2021</i>	<i>2020</i>
		<i>KD</i>	<i>KD</i>
OPERATING ACTIVITIES			
Profit for the period before contribution to KFAS, NLST and Zakat		1,994,549	1,526,196
<i>Adjustments to reconcile profit for the period to net cash flows:</i>			
Dividend income	3	(566,847)	(876,667)
Interest income	3	(357,107)	(395,646)
Unrealized (gain) loss of financial assets at fair value through profit or loss	3	(309,865)	308,882
Realized loss (gain) from sale of financial assets at fair value through profit or loss	3	73,014	(17,981)
Impairment loss of financial assets available for sale	3	30,906	95,876
Gain from sale of financial assets available for sale	3	(145,100)	-
Share of results of associates		(358,815)	(131,777)
Depreciation of property and equipment		160,526	156,928
Allowance for impairment of doubtful and bad debts		500,000	500,000
Provision for employees' end of service benefits		217,166	75,189
Foreign currency exchange differences		30,312	(33,342)
		1,268,739	1,207,658
Changes in operating assets and liabilities:			
Reinsurance's share in outstanding claims reserve		3,609,055	1,997,312
Insurance and reinsurance receivables		(758,181)	(1,126,483)
Other assets		395,097	(198,640)
Insurance contract liabilities		(2,858,783)	(1,241,602)
Insurance and reinsurance payables		(345,623)	(12,410)
Other liabilities		(995,671)	817,487
Cash flows from operations		314,633	1,443,322
Employees' end of service benefits paid		(148,954)	(82,116)
Net cash flows from operating activities		165,679	1,361,206
INVESTING ACTIVITIES			
Net movement in term deposits		149,697	83,385
Movement in loans secured by life insurance policies		4,630	3,851
Purchase of financial assets available for sale		(2,214,983)	(289,098)
Additions to investment in associate		(45,000)	-
Purchases of financial assets at fair value through profit or loss		(4,139,212)	-
Proceed from sale of financial assets available for sale		672,395	-
Proceed from financial assets at fair value through profit or loss		4,131,292	2,012,207
Purchases of property and equipment		(82,347)	(187,604)
Dividends received		338,664	583,492
Interest income received		61,884	286,799
Purchase of treasury shares	10	(731,161)	-
Proceeds from sale of treasury shares	10	570,263	-
Dividends received from investment in associates		128,501	-
Net cash flows (used in) from investing activities		(1,155,377)	2,493,032
FINANCING ACTIVITY			
Cash dividends	12	(1,327,671)	(1,083,702)
Net cash flows used in financing activity		(1,327,671)	(1,083,702)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of the period		5,733,749	414,143
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	8	3,416,380	3,184,679

Warba Insurance Company K.S.C.P. and its Subsidiary

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for period ended 30 September 2021

1 INCORPORATION AND OBJECTIVES OF THE PARENT COMPANY

Warba Insurance Company K.S.C.P. (the “Parent Company”) was incorporated as a Public Kuwaiti Shareholding Company in State of Kuwait in accordance with the Amiri Decree of October 24, 1976.

The objectives of the Parent Company are to underwrite life and non- life insurance risks such as fire, general accidents, marine and aviation and others; lend funds which resulted from issuance of insurance policies and to invest in permitted securities.

The address of the Parent Company’s registered office is at P.O. Box 24282 Safat, 13103 - State of Kuwait.

The interim condensed consolidated financial information of the Group for the nine months’ period ended 30 September 2021 were authorized for issuance by the Board of Directors on 14 November 2021.

The consolidated financial statements of the Group for the year ended 31 December 2020 were approved by the shareholders of the Parent Company at the Annual General Assembly Meeting held on 11 April 2021 (Note 12).

The New Insurance Law issued on 1 September 2019 by Decree Law No. 125 of 2019 (the “Insurance Regulatory Law”), cancelled the Insurance Companies Law No. 24 of 1961. The Executive Regulations of the new amended law issued on 11 March 2021 and was published in the official Gazette on 21 March 2021. As per article two of the executive regulations, the companies have one year from the date of publishing the executive regulations to comply with the new amended law.

2 BASIS OF PREPARATION AND CHANGES TO THE GROUP’S ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information of the Group has been prepared in accordance with International Accounting Standard (IAS 34), Interim Financial Reporting.

The interim condensed consolidated financial information is presented in Kuwaiti Dinars (KD) which is the functional and reporting currency of the Parent Company.

The interim condensed consolidated financial information does not contain all information and disclosures required for full consolidated financial statements prepared in accordance with IFRS and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2020. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included. Operating results for the nine months’ period ended 30 September 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

2.2 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of new standards effective as of 1 January 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2021, but do not have an impact on the interim condensed consolidated financial information of the Group.

Warba Insurance Company K.S.C.P. and its Subsidiary

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for period ended 30 September 2021

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

2.2 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP (continued)

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

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

The amendments include the following practical expedients:

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

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

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

The core of IFRS 17 is the general model, supplemented by:

- ▶ A specific adaptation for contracts with direct participation features (the variable fee approach).
- ▶ A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 on or before the date it first applies IFRS 17. The Group will apply these amendments when they become effective.

3 NET INVESTMENT INCOME

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Dividend income	89,591	187,348	566,847	876,667
Interest income	123,116	127,479	357,107	395,646
Unrealized gain (loss) of financial assets at fair value through profit or loss	194,735	101,599	309,865	(308,882)
Realized (loss) gain from sale of financial assets at fair value through profit or loss	(23,085)	-	(73,014)	17,981
Impairment loss of financial assets available for sale (Note 6)	(29,338)	-	(30,906)	(95,876)
Realized gain from financial assets available for sale	139,791	-	145,100	-
	494,810	416,426	1,274,999	885,536

Warba Insurance Company K.S.C.P. and its Subsidiary

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for period ended 30 September 2021

4 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the period attributable to equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the period (excluding treasury shares) as follows:

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
		<i>Restated</i>		<i>Restated</i>
Profit for the period attributable to the equity holders of the Parent Company (KD)	101,679	411,074	1,906,031	1,452,478
Weighted average number of ordinary shares outstanding during the period (excluding treasury shares) (shares)	170,827,309	173,122,296	169,467,765	173,122,296
Earnings per share	0.60 Fils	2.37 Fils	11.25 Fils	8.39 Fils

As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

Furthermore, the weighted average number of shares outstanding for the current and comparative period have been adjusted to reflect the bonus shares issuance, approved on 11 April 2021 (Note 12).

5 PROPERTY AND EQUIPMENT

The Group's land and building with a net carrying value of KD 2,233,042 (31 December 2020 KD: 2,233,042 and 30 September 2020: KD 2,827,501) are under lien to the Insurance Regulatory Unit (IRU).

6 FINANCIAL ASSETS AVAILABLE FOR SALE

	<i>30 September</i>	<i>(Audited)</i>	<i>30 September</i>
	<i>2021</i>	<i>31 December</i>	<i>2020</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Quoted securities*	13,869,958	12,148,385	10,931,243
Unquoted securities	852,817	623,694	781,018
Investment in bonds**	8,212,904	6,495,680	5,837,078
	22,935,679	19,267,759	17,549,339

* Quoted shares with a fair value of KD 3,173,669 (31 December 2020: KD 2,908,518 and 30 September 2020: KD 2,487,150) are under lien to the Insurance Regulatory Unit (IRU).

** Bonds carry interest rate ranging from 3.63% to 5.75% per annum (31 December 2020: 4% to 6.5% and 30 September 2020: 4% to 6.5%), mature in 5 to 10 years. The KD denominated bonds amounting KD 3,300,000 (31 December 2020: KD 3,100,000 and 30 September 2020: KD 2,500,000) are carried at cost less impairment since their fair values cannot be reliably determined, while the rest (USD denominated) are carried at fair value.

As at 30 September 2021, the management has performed a review of its financial assets available for sale to assess whether any impairment has occurred in their value. Accordingly, an impairment loss of KD 30,906 has been recorded in the interim condensed consolidated statement of income (31 December 2020: KD 172,421 and 30 September 2020: KD 95,876).

Warba Insurance Company K.S.C.P. and its Subsidiary

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for period ended 30 September 2021

7 TERM DEPOSITS

Term deposits represent deposits with banks whose original maturity period exceeds three months from date of deposit.

Term deposits include an amount of KD 5,185,415 held in State of Kuwait under lien to the Insurance Regulatory Unit (IRU) in accordance with insurance regulations of State of Kuwait (31 December 2020: KD 5,185,415 and 30 September 2020: KD 5,185,415).

The effective interest rate on term deposits was 1.5% to 3.5% per annum (31 December 2020: 1.95% to 3.5% and 30 September 2020: 2% to 3.5%).

8 CASH AND CASH EQUIVALENTS

	<i>30 September</i> <i>2021</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2020</i> <i>KD</i>	<i>30 September</i> <i>2020</i> <i>KD</i>
Cash on hand	15,746	15,072	19,295
Cash in portfolio	909,045	20,672	1,132,303
Short term deposit (Maturity within 3 months ending period)	302,000	-	-
Bank balances	2,417,803	5,698,005	2,033,081
	3,644,594	5,733,749	3,184,679
Less:			
Bank overdraft	(228,214)	-	-
	3,416,380	5,733,749	3,184,679

9 SHARE CAPITAL

The authorized, issued and paid-up capital consists of 177,108,460 shares (31 December 2020: 177,108,460 shares and 30 September 2020: 177,108,460 shares) of 100 fils each, fully paid in cash.

10 TREASURY SHARES

	<i>30 September</i> <i>2021</i>	<i>(Audited)</i> <i>31 December</i> <i>2020</i>	<i>30 September</i> <i>2020</i>
Number of shares	5,600,002	10,965,625	10,965,625
Percentage to issued shares (%)	3.16	6.19	6.19
Market value (KD)	879,200	932,078	800,491
Cost (KD)	717,335	1,275,970	1,275,970

Reserves equivalent to the cost of treasury shares held are not available for distribution.

The weighted average market price of the Parent Company's shares for the period ended 30 September 2021 was 124 fils per share (31 December 2020: 85 fils per share and 30 September 2020: 73 fils per share).

During the current period ended 30 September 2021, the management of the Parent Company approved to purchase treasury shares of 5,538,148 shares by total consideration amounting to KD of 731,161 and to sell treasury shares of 3,817,705 shares with total consideration by KD 570,263.

Warba Insurance Company K.S.C.P. and its Subsidiary

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for period ended 30 September 2021

11 INSURANCE CONTRACT LIABILITIES

	<i>30 September 2021 KD</i>	<i>(Audited) 31 December 2020 KD</i>	<i>30 September 2020 KD</i>
Reserve for outstanding claims	52,025,061	55,859,340	57,227,424
Reserve for unearned premiums	5,328,221	4,380,224	4,595,202
Reserve for life mathematical	2,001,468	1,964,811	1,843,995
Unearned Reinsurance Commission	341,651	350,809	376,907
	<u>59,696,401</u>	<u>62,555,184</u>	<u>64,043,528</u>

12 ANNUAL GENERAL ASSEMBLY

The Annual General Assembly of the shareholders of the Parent Company was held on 11 April 2021 approved the consolidated financial statements for the year ended 31 December 2020 and director's proposal to distribute cash dividends of 8% (2019: 7.5%) of issued and paid-up share capital and also 4% of bonus shares from the Parent Company's treasury shares (31 December 2019: 2.5% of bonus shares from the Parent Company's share capital).

Warba Insurance Company K.S.C.P. and its Subsidiary

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for period ended 30 September 2021

13 SEGMENT INFORMATION

The Group operates in three segments: general risk insurance, life and medical insurance and investment. Within general risk insurance are Marine and Aviation, Fire and General Accidents and Motor.

The Executive Management Committee monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with interim condensed consolidated statement of income.

The following are the details of these segments:

	<i>General risk insurance</i>			<i>Total general risk insurance</i>	<i>Life and medical insurance</i>	<i>Investment</i>	<i>Unallocated</i>	<i>Total</i>
	<i>Marine & aviation</i>	<i>General accidents and fire</i>	<i>Motor</i>					
<i>30 September 2021</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Segment revenue	386,580	1,594,383	5,163,117	7,144,080	6,842,752	1,633,814	469,773	16,090,419
Segment results	267,205	501,801	1,303,084	2,072,090	(448,950)	1,633,814	(1,364,375)	1,892,579
				<i>Total general risk insurance</i>	<i>Life and medical insurance</i>	<i>Investment</i>		<i>Total</i>
				<i>KD</i>	<i>KD</i>	<i>KD</i>		<i>KD</i>
Assets				73,212,192	5,761,443	40,105,037		119,078,672
Liabilities				73,101,104	4,231,249	2,228,214		79,560,567
				<i>Total general risk insurance</i>	<i>Life and medical insurance</i>	<i>Investment</i>		<i>Total</i>
<i>31 December 2020 (Audited)</i>				<i>KD</i>	<i>KD</i>	<i>KD</i>		<i>KD</i>
Assets				80,667,924	3,849,937	35,911,343		120,429,204
Liabilities				78,435,203	2,927,046	2,000,000		83,362,249

Warba Insurance Company K.S.C.P. and its Subsidiary

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for period ended 30 September 2021

13 SEGMENT INFORMATION (continued)

	<i>General risk insurance</i>			<i>Total general risk insurance</i>	<i>Life and medical insurance</i>	<i>Investment</i>	<i>Unallocated</i>	<i>Total</i>
	<i>Marine & aviation KD</i>	<i>General accidents and fire KD</i>	<i>Motor KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
<i>30 September 2020</i>								
Segment revenue	<u>376,572</u>	<u>1,936,787</u>	<u>4,138,436</u>	<u>6,451,795</u>	<u>6,279,882</u>	<u>1,017,313</u>	<u>57,506</u>	<u>13,806,496</u>
Segment results	<u>149,507</u>	<u>1,122,216</u>	<u>683,964</u>	<u>1,955,687</u>	<u>(461,524)</u>	<u>950,613</u>	<u>(975,099)</u>	<u>1,469,677</u>
				<i>Total general risk insurance KD</i>	<i>Life and medical insurance KD</i>	<i>Investment KD</i>		<i>Total KD</i>
Assets				<u>80,429,030</u>	<u>4,733,188</u>	<u>33,331,820</u>		<u>118,494,038</u>
Liabilities				<u>78,562,040</u>	<u>4,432,710</u>	<u>-</u>		<u>82,994,750</u>

Warba Insurance Company K.S.C.P. and its Subsidiary

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for period ended 30 September 2021

14 RELATED PARTY DISCLOSURES

The Group has entered into various transactions with related parties, i.e. shareholders, Board of directors, key management personnel, associates and other related parties in the normal course of its business concerning financing and other related services. Prices and terms of payment are approved by the Group's management. Significant related party transactions and balances are as follows:

Balances included in the interim condensed consolidated statement of financial position:

	<i>Parent company's shareholders KD</i>	<i>Entities under common control KD</i>	<i>30 September 2021 KD</i>	<i>(Audited) 31 December 2020 KD</i>	<i>30 September 2020 KD</i>
Insurance activities					
Insurance services receivable	36,132	5,271,903	5,308,035	5,021,212	4,962,204
Insurance service payable	-	730,774	730,774	706,169	724,218
Investment activities					
Financial assets at fair value through profit or loss	-	7,829,288	7,829,288	7,827,400	6,860,921
Financial assets available for sale	-	8,598,970	8,598,970	7,707,239	7,033,366
Investment in associates	-	7,967,435	7,967,435	7,683,578	7,697,744
Fixed deposits	-	6,121,800	6,121,800	6,271,800	6,271,800
Cash and cash equivalent	-	2,519,837	2,519,837	1,633,918	8,424,384
Other liabilities	-	4,850,307	4,850,307	4,814,106	5,281,294

Transactions included in the interim condensed consolidated statement of income:

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2021 KD</i>	<i>2020 KD</i>	<i>2021 KD</i>	<i>2020 KD</i>
Unrealized gain (loss) of financial assets available for sale	71,906	(2,057,706)	913,720	(2,528,535)
Impairment loss of financial assets available for sale	-	-	-	64,959
Premiums written	238,614	177,863	1,240,071	1,308,994
Dividend income	124,885	81,108	359,248	496,037

Compensation to key management personnel:

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2021 KD</i>	<i>2020 KD</i>	<i>2021 KD</i>	<i>2020 KD</i>
Short term employees' benefits	164,066	185,586	698,505	692,098
Employees' end of service benefit	7,986	9,482	60,210	27,909
	<u>172,052</u>	<u>195,068</u>	<u>758,715</u>	<u>720,007</u>

15 CAPITAL COMMITMENTS AND CONTINGENCIES

	<i>30 September 2021 KD</i>	<i>(Audited) 31 December 2020 KD</i>	<i>30 September 2020 KD</i>
Letters of guarantee	6,359,318	222,905	236,394
Capital commitments	6,480	6,480	6,480

Warba Insurance Company K.S.C.P. and its Subsidiary

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for period ended 30 September 2021

16 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of financial assets available for sale, financial assets at fair value through profit or loss, insurance and reinsurance receivables, term deposits and bank balances. Financial liabilities consist of insurance and reinsurance liabilities and other liabilities.

The fair values of financial instruments, with the exception of certain financial assets available for sale carried at cost amounting to KD 3,300,000 (31 December 2020: KD 3,100,000 and 30 September 2020: KD 2,500,000) (Note 6), are not materially different from their carrying values.

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;

Level 3: Other techniques which use inputs which have a significant effect on the recorded fair value are not based on observable market data.

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

	<i>Quoted prices in active markets (Level 1) KD</i>	<i>Significant observable inputs (Level 2) KD</i>	<i>Significant unobservable inputs (Level 3) KD</i>	<i>Total fair Value KD</i>
<i>As at 30 September 2021</i>				
Financial assets at fair value through profit or loss	8,062,824	1,139,100	-	9,201,924
Financial assets available for sale	13,869,958	4,912,904	852,817	19,635,679
Total	21,932,782	6,052,004	852,817	28,837,603
<i>As at 31 December 2020 (audited)</i>				
Financial assets at fair value through profit or loss	8,960,006	-	-	8,960,006
Financial assets available for sale	12,148,385	3,395,680	623,694	16,167,759
Total	21,108,391	3,395,680	623,694	25,127,765

Warba Insurance Company K.S.C.P. and its Subsidiary

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for period ended 30 September 2021

16 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

<i>As at 30 September 2020</i>	<i>Quoted prices in active markets (Level 1)</i> KD	<i>Significant observable inputs (Level 2)</i> KD	<i>Significant unobservable inputs (Level 3)</i> KD	<i>Total fair Value</i> KD
Financial assets at fair value through profit or loss	7,921,149	163,588	-	8,084,737
Financial assets available for sale	10,931,243	3,337,078	781,018	15,049,339
Total	18,852,392	3,500,666	781,018	23,134,076

Description of significant unobservable inputs to valuation performed at the reporting date is as follows:

	<i>Valuation Technique</i>	<i>Significant unobservable inputs</i>	<i>Range</i>	<i>Sensitivity of the input to fair value</i>
Unquoted securities	Price to book value	Discount for lack of marketability & lack of Control	10%	An increase (decrease) by 10% in the discount for lack of marketability & lack of control would result in (decrease) increase in fair value by KD 114 thousand.
	Price to book value	Price to book multiple	10%	An increase (decrease) by 10% in the price to book multiple would result in an increase (decrease) in fair value by KD 85 thousand.

During the period ended 30 September 2021, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The following table shows a reconciliation of the opening and closing amount of level 3 financial assets which are recorded at fair value.

	<i>At the beginning of the period/year</i> KD	<i>Net fair value recorded in the interim condensed consolidated statement of comprehensive income</i> KD	<i>Net result recorded in the interim condensed consolidated statement of income</i> KD	<i>At the end of the period/year</i> KD
<i>As at 30 September 2021</i>				
Financial assets available for sale	623,694	260,029	(30,906)	852,817
	623,694	260,029	(30,906)	852,817

Warba Insurance Company K.S.C.P. and its Subsidiary

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for period ended 30 September 2021

16 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

<i>As at 31 December 2020 (audited)</i>	<i>At the beginning of the year/period</i>	<i>Net fair value recorded in the consolidated statement of comprehensive income</i>	<i>Net result recorded in the consolidated statement of income</i>	<i>At the end of the year /period</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Financial assets available for sale	723,284	72,831	(172,421)	623,694
	<u>723,284</u>	<u>72,831</u>	<u>(172,421)</u>	<u>623,694</u>
	<u><u>723,284</u></u>	<u><u>72,831</u></u>	<u><u>(172,421)</u></u>	<u><u>623,694</u></u>
<i>As at 30 September 2020</i>	<i>At the beginning of the year/period</i>	<i>Net fair value recorded in the interim condensed consolidated statement of comprehensive income</i>	<i>Net result recorded in the condensed consolidated statement of income</i>	<i>At the end of the year /period</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Financial assets available for sale	723,283	153,611	(95,876)	781,018
	<u>723,283</u>	<u>153,611</u>	<u>(95,876)</u>	<u>781,018</u>
	<u><u>723,283</u></u>	<u><u>153,611</u></u>	<u><u>(95,876)</u></u>	<u><u>781,018</u></u>

17 IMPACT OF COVID-19

The existence of novel corona virus was confirmed in early 2020 and has spread globally, causing disruptions to businesses and economic activity. In light of the rapid spread of COVID-19 across the globe, various economies and sectors have faced significant disruptions and uncertainty as a result of measures taken by governments to contain or delay the spread of the virus. As of to date, the actual scope of the impact is very difficult to measure.

Recoverability of receivables

The COVID-19 outbreak led to an increase in the credit risk of companies within the economy as a result of operational disruption.

Based on management's, the Group has not identified a material impact on the recoverability of receivables for the period ended 30 September 2021.

Fair value measurement of financial instruments

COVID-19 outbreak led to significant market turmoil and price volatility on the global financial markets.

The Group is closely monitoring whether the fair values of the financial assets and liabilities represent the price that would be achieved for transactions between market participants in the current scenario.

Based on management's, the Group has not identified a material impact to the fair values of financial assets and liabilities for the period ended 30 September 2021 except for what is disclosed in the interim condensed consolidated financial information under financial assets available for sale and financial assets at fair value through profit or loss.

Outstanding claims

The Group expected that there is no material impact on its risk position and provision balances for outstanding claims for the period ended 30 September 2021. It will continue monitoring its claims experience and the developments around the pandemic and revisit the assumptions and methodologies in future reporting periods.