

Watani KD Money Market Fund II
State of Kuwait

**Independent auditor's review report and condensed interim
financial information (unaudited) for the three-month period
ended 31 March 2025**

Watani KD Money Market Fund II
State of Kuwait

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Independent auditor's report on review of condensed interim financial information

The Fund Manager
Watani KD Money Market Fund II
State of Kuwait

Introduction

We have reviewed the accompanying 31 March 2025 condensed interim financial information of Watani KD Money Market Fund II (the "Fund") for the three-month period ended 31 March 2025, which comprises the condensed interim statement of financial position as at 31 March 2025, the condensed interim statements of profit or loss and other comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the three-month period then ended, and notes to the condensed interim financial information. Management of the Fund Manager is responsible for the preparation and presentation of this condensed interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the 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 31 March 2025 condensed interim financial information for the three-month period ended 31 March 2025 is not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.



Report on Review of Other Legal and Regulatory Requirements

Furthermore, based on our review, the condensed interim financial information is in agreement with the books of account of the Fund. We further report that, nothing has come to our attention that causes us to believe that there were any violations of the provisions of Law No. 7 of 2010, as amended, pertaining to the establishment of the Capital Markets Authority and the regulation of securities activity, or of the Fund's Articles of Association, as amended, during the three-month period ended 31 March 2025 that might have had a material effect on the business of the Fund or on its financial position.

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of KPMG Al-Qenae & Partners
Member firm of KPMG International

Kuwait: 22 April 2025

Watani KD Money Market Fund II
State of Kuwait

Condensed interim statement of financial position (unaudited)
as at 31 March 2025

	Notes	31 March 2025 KD (unaudited)	31 December 2024 KD (audited)	31 March 2024 KD (unaudited)
Assets				
Cash and cash equivalents	5	119,048,906	93,781,259	259,876,933
Term deposits	6	150,619,796	123,276,090	71,357,722
Wakala deposits	6	110,249,621	132,811,529	123,274,868
Financial assets carried at fair value through profit or loss	7	16,698,840	36,428,901	-
Other receivables		3,599,603	2,219,265	3,198,524
Total assets		400,216,766	388,517,044	457,708,047
Liabilities				
Other liabilities	8	471,594	4,203,734	1,691,252
Total liabilities		471,594	4,203,734	1,691,252
Net assets attributable to holders of redeemable units		399,745,172	384,313,310	456,016,795
Represented by:				
Unitholders' contributions	9	326,100,118	315,855,302	383,901,750
Unit (deficit) / premium	9	(2,545,823)	(4,775,899)	8,978,659
Retained earnings		76,190,877	73,233,907	63,136,386
Total		399,745,172	384,313,310	456,016,795
Outstanding number of redeemable units	9	326,100,118	315,855,302	383,901,750
Net Asset Value ("NAV") per unit	10	1.225836	1.216739	1.187848



Watani Investment Company K.S.C.C.
 In its capacity as Fund Manager



Kuwait Clearing Company S.A.K.
 In its capacity as Investment Controller

The accompanying notes form an integral part of this condensed interim financial information.

Watani KD Money Market Fund II
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Condensed interim statement of profit or loss and other comprehensive income (unaudited)
for the three-month period ended 31 March 2025

	Note	Three-month period ended 31 March	
		2025 KD	2024 KD
Income			
Interest income		2,043,244	2,164,479
Wakala income		1,441,895	3,180,914
Realised gain on financial assets carried at fair value through profit or loss		127,867	-
Unrealised loss on financial assets carried at fair value through profit or loss		142,076	-
		<u>3,755,082</u>	<u>5,345,393</u>
Expenses			
Management fees	12	(783,026)	(893,379)
Other expenses		(15,086)	(6,567)
		<u>(798,112)</u>	<u>(899,946)</u>
Net profit for the period		2,956,970	4,445,447
Other comprehensive income		-	-
Total comprehensive income for the period		<u>2,956,970</u>	<u>4,445,447</u>

The accompanying notes form an integral part of this condensed interim financial information.

Watani KD Money Market Fund II
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Condensed interim statement of changes in net assets attributable to holders of redeemable units (unaudited)
for the three-month period ended 31 March 2025

	Outstanding number of redeemable units	Unitholders' contributions KD	Unit (deficit) / premium KD	Retained earnings KD	Total KD
Balance at 1 January 2025 (audited)	315,855,302	315,855,302	(4,775,899)	73,233,907	384,313,310
Net profit and total comprehensive income for the period	-	-	-	2,956,970	2,956,970
Subscription of redeemable units	47,777,308	47,777,308	10,542,091	-	58,319,399
Redemption of redeemable units	(37,532,492)	(37,532,492)	(8,312,015)	-	(45,844,507)
Balance at 31 March 2025 (unaudited)	326,100,118	326,100,118	(2,545,823)	76,190,877	399,745,172
Balance at 1 January 2024 (audited)	357,013,374	357,013,374	4,187,812	58,690,939	419,892,125
Net profit and total comprehensive income for the period	-	-	-	4,445,447	4,445,447
Subscription of redeemable units	67,824,757	67,824,757	12,314,175	-	80,138,932
Redemption of redeemable units	(40,936,381)	(40,936,381)	(7,523,328)	-	(48,459,709)
Balance at 31 March 2024 (unaudited)	383,901,750	383,901,750	8,978,659	63,136,386	456,016,795

The accompanying notes form an integral part of this condensed interim financial information.

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Condensed interim statement of cash flows (unaudited)
for the three-month period ended 31 March 2025

	Note	Three-month period ended	
		31 March	
		2025	2024
		KD	KD
Cash flows from operating activities			
Net profit for the period		2,956,970	4,445,447
<i>Adjustment for:</i>			
Provision for / (reversal of) expected credit losses		728	(7,837)
Realised gain on financial assets carried at fair value through profit or loss		(127,867)	-
Unrealised loss on financial assets carried at fair value through profit or loss		(142,076)	-
		<u>2,687,755</u>	<u>4,437,610</u>
<i>Changes in:</i>			
- term deposits		(27,343,706)	(26,382,100)
- wakala deposits		22,561,908	(78,185,258)
- financial assets carried at fair value through profit or loss		20,000,004	-
- other receivables		(1,380,338)	(1,225,096)
- other liabilities		(3,732,868)	(2,100,398)
<i>Net cash flows from / (used in) operating activities</i>		<u>12,792,755</u>	<u>(103,455,242)</u>
Cash flows from financing activities			
Subscription of redeemable units		58,319,399	80,138,932
Redemption of redeemable units		(45,844,507)	(48,459,709)
<i>Net cash flows from financing activities</i>		<u>12,474,892</u>	<u>31,679,223</u>
Net change in cash and cash equivalents		25,267,647	(71,776,019)
Cash and cash equivalents at beginning of the period		93,781,259	331,652,952
Cash and cash equivalents at end of the period	5	<u>119,048,906</u>	<u>259,876,933</u>

The accompanying notes form an integral part of this condensed interim financial information.

Watani KD Money Market Fund II
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Notes to the condensed interim financial information (unaudited)
for the three-month period ended 31 March 2025

1. Reporting entity

Watani KD Money Market Fund II (the “Fund”) is an open-ended fund established on 29 April 2014 in the State of Kuwait. The Fund is governed under Law No. 7 of 2010, as amended, pertaining to the establishment of the Capital Markets Authority (the “CMA”) and the regulation of securities activity.

The Fund is managed by Watani Investment Company K.S.C. (Closed) (“NBK Wealth” or the “Fund Manager”) and custodian activities are managed by Kuwait Clearing Company S.A.K (the “Custodian”). The Fund Manager is a subsidiary of the National Bank of Kuwait S.A.K.P. (“NBK” or the “Parent of the Fund Manager”).

The Fund Manager’s registered office is Watani Investment Company K.S.C. (Closed), P.O. Box No. 4950, Safat 13050, State of Kuwait.

The Fund’s objective is to achieve returns higher than the rate of return on fixed deposits by investing in high-quality money market instruments such as government treasury bonds, sukuks, corporate bonds, fixed deposits and certificate of bonds (including repurchase agreements) in Kuwaiti Dinars or foreign currencies and any other money market instruments.

The duration of the Fund is fifteen years from the date of inception and can be renewed thereafter, for a similar period, on approval by a majority of unit holders and the CMA.

This condensed interim financial information was authorised for issuance by the Fund Manager on 22 April 2025.

2. Basis of preparation

This condensed interim financial information has been prepared in accordance with IAS 34, *Interim Financial Reporting* and should be read in conjunction with the Fund’s latest annual financial statements for the year ended 31 December 2024 (the “latest annual financial statements”). They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (“IFRS Accounting Standards”).

However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Fund’s financial position and performance since the latest annual financial statements.

This condensed interim financial information is presented in Kuwaiti Dinars (“KD”), which is also the functional currency of the Fund.

Operating results for the three-month period ended 31 March 2025 are not necessarily indicative of the results that may be expected for the year ending 31 December 2025.

3. Material accounting policies

The accounting policies used in the preparation of this condensed interim financial information are consistent with those used in the preparation of the latest annual financial statements, except for the new standards and interpretations which are effective as of 1 January 2025. The Fund has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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Notes to the condensed interim financial information (unaudited)
for the three-month period ended 31 March 2025

Several amendments apply for the first time in 2025, but do not have a material impact on the condensed interim financial information of the Fund.

4. Judgments and estimates

In preparing this condensed interim financial information, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments made by management in applying the Fund's accounting policies and the key sources of estimation uncertainty were the same as those applied to the latest annual financial statements.

5. Cash and cash equivalents

	31 March 2025 KD (unaudited)	31 December 2024 KD (audited)	31 March 2024 KD (unaudited)
Cash at bank	168,306	3,918,290	1,325,612
Short-term deposits with original maturity of less than three months	79,533,900	56,160,092	135,997,844
Short-term wakala deposits with original maturity of less than three months	39,346,700	33,702,877	122,553,477
	<u>119,048,906</u>	<u>93,781,259</u>	<u>259,876,933</u>

Short-term placements are placed with local financial institutions and carry interest rates ranging from 3.55% to 4.15% (31 December 2024: 3.50% to 3.95% and 31 March 2024: 3.95% to 4.40%) per annum.

Short-term wakala deposits are placed with a local financial institution, a related party (note 11), and yield an effective profit rate ranging from 3.65% to 3.75% (31 December 2024: 1.75% to 3.85% and 31 March 2024: 3.90% to 4.38%) per annum.

6. Term deposits and wakala deposits

Term deposits with original maturities of more than three months and less than one year are placed with local financial institutions and carry effective interest rates ranging from 3.80% to 4.25% (31 December 2024: 3.75% to 4.25% and 31 March 2024: 4.25% to 5.50%) per annum. Certain term deposits are placed with a related party (note 11).

Wakala deposits with original maturities of more than three months and less than one year are placed with local financial institutions and carry effective profit rates ranging from 3.13% to 4.20% (31 December 2024: 2.88% to 4.25% and 31 March 2024: 4.50% to 5.15%) per annum. Certain wakala deposits are placed with a related party (note 11).

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Notes to the condensed interim financial information (unaudited)
for the three-month period ended 31 March 2025

7. Financial assets carried at fair value through profit or loss

Financial assets carried at fair value through profit or loss represent investment in Shariah compliant money market funds. Certain investment in financial assets carried at fair value through profit or loss are issued by a related party.

The fair value of the assets as at the reporting date is has been determined using the valuation techniques relevant to Level 1 of the fair value hierarchy.

8. Other liabilities

	31 March 2025 KD (unaudited)	31 December 2024 KD (audited)	31 March 2024 KD (unaudited)
Management fees payable (note 11)	273,455	256,977	312,920
Subscriptions received in advance*	168,110	3,918,050	1,325,363
Other payables	30,029	28,707	52,969
	<u>471,594</u>	<u>4,203,734</u>	<u>1,691,252</u>

*Subscriptions received in advance represent amounts received from new subscribers of the Fund. Subscriptions in the Fund takes place by submitting an application to this effect to the Fund Manager or the selling agent. Subscriptions shall be made according to the NAV per unit on the relevant valuation day that falls after the submission of the subscription.

9. Unit holders' fund

Unitholders' contributions

As at 31 March 2025, the issued and paid up unit capital of the Fund was KD 326,100,118 divided into 326,100,118 redeemable units with par value of KD 1 each (31 December 2024: KD 315,855,302 divided into 315,855,302 redeemable units with par value of KD 1 each and 31 March 2024: KD 383,901,750 divided into 383,901,750 with par value of KD 1 each).

Unit (deficit) / premium

This represents (shortfalls) / surpluses of par value on subscriptions / redemptions of the Fund's units.

10. Net Asset Value per unit

	31 March 2025 (unaudited)	31 December 2024 (audited)	31 March 2024 (unaudited)
Net assets attributable to unit holders (KD)	399,745,172	384,313,310	456,016,795
Outstanding number of redeemable units	326,100,118	315,855,302	383,901,750
Net Asset Value per unit (KD)	1.225836	1.216739	1.187848

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Notes to the condensed interim financial information (unaudited)
for the three-month period ended 31 March 2025

11. Related party balances and transactions

Related parties comprise the Fund Manager, major unit holders and companies of which they are principal owners or over which they are able to exercise significant influence. All related party transactions are carried out on terms approved by the Fund Manager.

Balances and transactions with related parties were as follows:

	31 March 2025 KD (unaudited)	31 December 2024 KD (audited)	31 March 2024 KD (unaudited)
<i>Condensed interim statement of financial position (unaudited)</i>			
Balances with the Parent of the Fund Manager			
Cash and cash equivalents (note 5)	168,156	3,918,116	1,325,423
Term deposits (note 6)	11,904,950	-	-
Balance with other Related Parties			
Cash and cash equivalents (note 5)	39,346,741	27,405,174	22
Wakala deposits (note 5 & 6)	95,467,638	89,316,922	82,506,268
Other receivables	1,014,527	653,832	956,610
Balances with the Fund Manager			
Other payables	965	225	2,650
Management fee payable (note 8)	273,455	256,977	312,920
		Three-month period ended 31 March	
		2025 KD (unaudited)	2024 KD (unaudited)
<i>Condensed interim statement of profit or loss and other comprehensive income (unaudited)</i>			
Transactions with the Parent of the Fund Manager			
Interest income		62,623	-
Transactions with other related parties			
Interest income		1,100,989	1,019,231
Transactions with the Fund Manager			
Management fees (note 12)		783,026	893,379

The Law No. 7 of 2010, as amended stipulates that participation of the Fund Manager in the units of the Fund must not be less than Kuwait Dinars (KD) 100,000 or equivalent. The Fund's Articles of Association, as amended, further stipulates that the Fund Manager may hold a maximum of 75% of the total unitholders' contributions of the Fund at any time.

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Notes to the condensed interim financial information (unaudited)
for the three-month period ended 31 March 2025

The number of units attributable to the Fund Manager at the reporting date were 3,064,570 units amounting to KD 3,728,782 (31 December 2024: 3,064,570 units amounting to KD 3,728,782 and 31 March 2024: 3,064,570 units amounting to KD 3,640,243) which represented approximately 0.94% (31 December 2024: 0.97% and 31 March 2024: 0.80%) of the issued and paid-up capital of the Fund.

There were no units attributable to the Parent of the Fund Manager as at the reporting date (31 December 2024 and 31 March 2024: nil).

12. Management fees

The Fund Manager is entitled to management fees of a maximum of 1% (31 December 2024 and 31 March 2024: 1%) per annum calculated on the Net Asset Value of the Fund on every valuation day and payable duly accumulated at the end of every month.

13. Financial risk management policies

All aspects of the Fund's financial risk management objectives and policies are consistent with that disclosed in the latest annual financial statements.

14. 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 in the principal or, in its absence, the most advantageous market to which the Fund has access at that date.

The fair value of the financial assets and liabilities at the reporting date were not significantly different from their carrying value due to the of short-term maturities or are repriced immediately based on market movement in interest rates.

Fair value hierarchy

The Fund classifies financial assets into the following three levels based on the significance of inputs used in measuring the fair value of the financial assets:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset is classified is determined based on the lowest level of significant input to the fair value measurement.

There have been no transfers between levels of the fair value hierarchy during the period.

15. Commitments and contingent liabilities

There are no contingent liabilities outstanding as at 31 March 2025 (31 December 2024 and 31 March 2024: nil).

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Notes to the condensed interim financial information (unaudited)
for the three-month period ended 31 March 2025

16. Capital management

The Fund's Articles of Association, as amended, specifies the minimum amount of capital that must be held by the Fund, which is in line with the CMA regulations.

The Fund manages its capital structure and makes adjustment to it in the light of changes in economic conditions and the risk characteristics of its activities.

There has been no change in the capital management strategy during the period.

The table below summarises the capital held by the Fund:

	31 March 2025 KD (unaudited)	31 December 2024 KD (audited)	31 March 2024 KD (unaudited)
Unitholders' contribution	326,100,118	315,855,302	383,901,750
Minimum capital requirement	2,000,000	2,000,000	2,000,000