



**The Commercial Bank of Kuwait Group**

**Interim Condensed Consolidated Financial Information**

**30 September 2020**  
**(Unaudited)**

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

### **Introduction**

We have reviewed the accompanying interim condensed consolidated statement of financial position of Commercial Bank of Kuwait K.P.S.C. ("the Bank") and its subsidiary (together called "the Group") as of 30 September 2020 and the related interim condensed consolidated statements of income, comprehensive income for the three-month and nine-month periods then ended and the related interim condensed consolidated statement of changes in equity, and cash flows for the nine-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the basis of presentation 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 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.

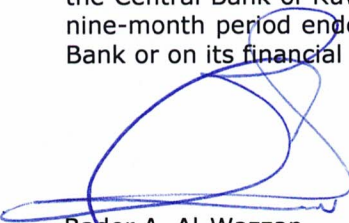
### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared in all material respects in accordance with the basis of presentation 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 and its executive regulations, as amended, or of the Memorandum of Incorporation and Articles of Association of the Bank as amended, during the nine-month period ended 30 September 2020 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 and 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 Organization of Banking Business, and its related regulations during the nine-month period ended 30 September 2020 that might have had a material effect on the business of the Bank or on its financial position.



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**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

30 September 2020 (Unaudited)

		(Audited)	
		30 September	31 December
		2020	2019
	Note	KD 000's	KD 000's
		30 September	30 September
		2019	2019
		KD 000's	KD 000's
<b>ASSETS</b>			
Cash and short term funds	4	556,659	856,901
Treasury and Central Bank bonds		183,048	248,806
Due from banks and other financial institutions	5	799,933	880,415
Loans and advances		2,312,488	2,266,662
Investment securities	6	601,527	559,960
Premises and equipment		30,405	29,375
Intangible assets		3,506	3,506
Other assets		24,863	27,603
<b>TOTAL ASSETS</b>		<b>4,512,429</b>	<b>4,873,228</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Due to banks		236,820	585,382
Due to other financial institutions		593,475	709,107
Customer deposits		2,442,898	2,452,930
Other borrowed funds		314,064	189,944
Other liabilities		211,555	203,148
<b>TOTAL LIABILITIES</b>		<b>3,798,812</b>	<b>4,140,511</b>
<b>EQUITY</b>			
<b>Equity attributable to shareholders of the Bank</b>			
Share capital		199,206	199,206
Treasury shares		(32,340)	(21,690)
Reserves		357,416	370,219
Retained earnings		188,415	184,093
<b>Non-controlling interests</b>		<b>920</b>	<b>889</b>
<b>TOTAL EQUITY</b>		<b>713,617</b>	<b>732,717</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>4,512,429</b>	<b>4,873,228</b>

  
 Sheikh Ahmad Dajj Al Sabah  
 Chairman

  
 Elham Yousry Mahfouz  
 Chief Executive Officer

The attached notes 1 to 13 form an integral part of this interim condensed consolidated financial information.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME**

Period ended 30 September 2020 (Unaudited)

	Note	Three months ended		Nine months ended	
		30 September		30 September	
		2020	2019	2020	2019
		KD 000's	KD 000's	KD 000's	KD 000's
Interest income		<b>28,008</b>	43,014	<b>96,969</b>	124,784
Interest expense		<b>(8,086)</b>	(18,409)	<b>(38,633)</b>	(51,129)
<b>NET INTEREST INCOME</b>		<b>19,922</b>	24,605	<b>58,336</b>	73,655
Fees and commissions		<b>9,595</b>	10,863	<b>26,686</b>	31,633
Net gain from dealing in foreign currencies		<b>1,853</b>	1,576	<b>4,335</b>	6,182
Net gain from investment securities		<b>537</b>	89	<b>532</b>	190
Dividend income		<b>4</b>	269	<b>3,281</b>	4,002
Loss on disposal of assets pending sale		<b>(55)</b>	-	<b>(55)</b>	-
Other operating income		<b>2,397</b>	888	<b>2,649</b>	6,583
<b>OPERATING INCOME</b>		<b>34,253</b>	38,290	<b>95,764</b>	122,245
Staff expenses		<b>(4,382)</b>	(6,187)	<b>(16,028)</b>	(21,229)
General and administrative expenses		<b>(3,106)</b>	(4,477)	<b>(10,519)</b>	(13,360)
Depreciation and amortisation		<b>(165)</b>	(969)	<b>(363)</b>	(2,672)
<b>OPERATING EXPENSES</b>		<b>(7,653)</b>	(11,633)	<b>(26,910)</b>	(37,261)
<b>OPERATING PROFIT BEFORE PROVISIONS</b>		<b>26,600</b>	26,657	<b>68,854</b>	84,984
Impairment and other provisions	7	<b>(10,012)</b>	(19,521)	<b>(51,041)</b>	(67,681)
<b>PROFIT BEFORE TAXATION</b>		<b>16,588</b>	7,136	<b>17,813</b>	17,303
Taxation		<b>(666)</b>	(304)	<b>(678)</b>	(630)
<b>NET PROFIT FOR THE PERIOD</b>		<b>15,922</b>	6,832	<b>17,135</b>	16,673
<b>Attributable to:</b>					
Shareholders of the Bank		<b>15,904</b>	6,814	<b>17,100</b>	16,623
Non-controlling interests		<b>18</b>	18	<b>35</b>	50
		<b>15,922</b>	6,832	<b>17,135</b>	16,673
Basic and diluted earnings per share attributable to shareholders of the Bank (fils)	8	<b>8.3</b>	3.5	<b>8.9</b>	8.4

The attached notes 1 to 13 form an integral part of this interim condensed consolidated financial information.


**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

Period ended 30 September 2020 (Unaudited)

	Three months ended 30 September		Nine months ended 30 September	
	<b>2020</b> <b>KD 000's</b>	2019 KD 000's	<b>2020</b> <b>KD 000's</b>	2019 KD 000's
Net profit for the period	<b>15,922</b>	6,832	<b>17,135</b>	16,673
<b>OTHER COMPREHENSIVE INCOME</b>				
<b>Items that will not be reclassified subsequently to consolidated statement of income</b>				
Equity securities classified as fair value through other comprehensive income:				
Net changes in fair value	<b>19,424</b>	<b>(6,987)</b>	<b>(12,171)</b>	19,946
<b>Items that are or may be reclassified subsequently to consolidated statement of income</b>				
Debt securities classified as fair value through other comprehensive income:				
Net changes in fair value	<b>2,102</b>	444	<b>(412)</b>	1,959
Net (loss) on disposal transferred to income statement	<b>(216)</b>	(10)	<b>(224)</b>	(64)
	<b>21,310</b>	(6,553)	<b>(12,807)</b>	21,841
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>37,232</b>	279	<b>4,328</b>	38,514
<b>Attributable to:</b>				
Shareholders of the Bank	<b>37,218</b>	261	<b>4,297</b>	38,464
Non-controlling interests	<b>14</b>	18	<b>31</b>	50
	<b>37,232</b>	279	<b>4,328</b>	38,514

The attached notes 1 to 13 form an integral part of this interim condensed consolidated financial information.



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period ended 30 September 2020 (Unaudited)

	KD 000's														
	Attributable to shareholders of the Bank														
	Share Capital	Proposed Bonus Shares	Treasury Shares	Reserves						Total Reserves	Retained Earnings	Proposed Dividend	Non-controlling		
Share Premium				Statutory Reserve	General Reserve	Treasury Shares Reserve	Property Revaluation Reserve	Investment Valuation Reserve	Total				Interests	Total	
Balance at 1 January 2019	181,096	18,110	(4,578)	66,791	115,977	17,927	-	24,108	89,524	314,327	184,093	35,976	729,024	833	729,857
Total comprehensive income for the period	-	-	-	-	-	-	-	-	21,841	21,841	16,623	-	38,464	50	38,514
Treasury shares purchased	-	-	(15,639)	-	-	-	-	-	-	-	-	-	(15,639)	-	(15,639)
Bonus shares issued	18,110	(18,110)	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	-	-	(35,976)	(35,976)	-	(35,976)
Balance at 30 September 2019	199,206	-	(20,217)	66,791	115,977	17,927	-	24,108	111,365	336,168	200,716	-	715,873	883	716,756
<b>Balance at 1 January 2020</b>	<b>199,206</b>	<b>-</b>	<b>(21,690)</b>	<b>66,791</b>	<b>115,977</b>	<b>17,927</b>	<b>-</b>	<b>24,883</b>	<b>144,641</b>	<b>370,219</b>	<b>184,093</b>	<b>-</b>	<b>731,828</b>	<b>889</b>	<b>732,717</b>
Total comprehensive income for the period	-	-	-	-	-	-	-	-	(12,803)	(12,803)	17,100	-	4,297	31	4,328
Purchase of treasury shares	-	-	(10,650)	-	-	-	-	-	-	-	-	-	(10,650)	-	(10,650)
Modification loss on deferral of loans and installments (note 13)	-	-	-	-	-	-	-	-	-	-	(12,778)	-	(12,778)	-	(12,778)
<b>Balance at 30 September 2020</b>	<b>199,206</b>	<b>-</b>	<b>(32,340)</b>	<b>66,791</b>	<b>115,977</b>	<b>17,927</b>	<b>-</b>	<b>24,883</b>	<b>131,838</b>	<b>357,416</b>	<b>188,415</b>	<b>-</b>	<b>712,697</b>	<b>920</b>	<b>713,617</b>

Annual General Assembly of the shareholders held on 8 April 2020 approved not to distribute dividend for the year 2019 (2018: cash dividend of 20 fils per share amounting to KD 35,976 thousand, and 10 bonus shares for every 100 shares held).

Investment valuation reserve includes a loss of KD 5,500 thousand (31 December 2019: KD 5,432 thousand and 30 September 2019: KD 5,462 thousand) arising from foreign currency translation of the Bank's investment in a foreign associate.

The attached notes 1 to 13 form an integral part of this interim condensed consolidated financial information.



**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

Period ended 30 September 2020 (Unaudited)

	Note	Nine months ended	
		30 September	
		2020	2019
		KD 000's	KD 000's
<b>OPERATING ACTIVITIES</b>			
Profit before taxation		<b>17,813</b>	17,303
Adjustments for:			
Impairment and other provisions	7	<b>51,041</b>	67,681
Income from investment securities		<b>(3,813)</b>	(4,192)
Foreign exchange (gain) loss on investment securities		<b>(3,297)</b>	2,649
Depreciation and amortisation		<b>363</b>	2,672
Profit before changes in operating assets and liabilities		<b>62,107</b>	86,113
Changes in operating assets and liabilities:			
Treasury and Central Bank bonds		<b>65,758</b>	73,379
Due from banks and other financial institutions		<b>80,503</b>	(358,928)
Loans and advances		<b>(102,726)</b>	(67,576)
Other assets		<b>3,588</b>	6,200
Due to banks		<b>(348,562)</b>	344,687
Due to other financial institutions		<b>(115,632)</b>	(258,549)
Customer deposits		<b>(10,032)</b>	124,122
Other liabilities		<b>(4,564)</b>	13,768
Net cash (used in) operating activities		<b>(369,560)</b>	(36,784)
<b>INVESTING ACTIVITIES</b>			
Proceeds from disposal of investment securities		<b>70,874</b>	105,188
Acquisition of investment securities		<b>(118,089)</b>	(70,322)
Dividend income from investment securities		<b>3,281</b>	4,002
Proceeds from disposal of premises and equipment		<b>12</b>	-
Acquisition of premises and equipment		<b>(213)</b>	(513)
Net cash (used in) from investing activities		<b>(44,135)</b>	38,355
<b>FINANCING ACTIVITIES</b>			
Other borrowed funds		<b>124,120</b>	32,703
Purchase of treasury shares		<b>(10,650)</b>	(15,639)
Dividends paid		<b>-</b>	(35,976)
Net cash from (used in) financing activities		<b>113,470</b>	(18,912)
Net decrease in cash and short term funds		<b>(300,225)</b>	(17,341)
Cash and short term funds at 1 January		<b>856,913</b>	858,842
<b>Cash and short term funds at 30 September</b>	4	<b>556,688</b>	841,501

The attached notes 1 to 13 form an integral part of this interim condensed consolidated financial information.


**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

30 September 2020 (Unaudited)

**1 CORPORATE INFORMATION**

The Commercial Bank of Kuwait K.P.S.C ("the Bank") is a public shareholding company incorporated in the State of Kuwait and is registered as a Bank with the Central Bank of Kuwait ("CBK") and listed on the Boursa Kuwait. The address of the Bank's registered office is P.O. Box 2861, 13029 Safat, State of Kuwait.

The Bank and its subsidiary are together referred to as "the Group" in this interim condensed consolidated financial information.

The interim condensed consolidated financial information of the Group were authorised for issue in accordance with a resolution of the Board of Directors on 3 November 2020.

The principal activities of the Group are explained in note 11.

**2 SIGNIFICANT ACCOUNTING POLICIES**

The interim condensed consolidated financial information of the Group has been prepared in accordance with International Accounting Standard (IAS) 34, 'Interim Financial Reporting' except as noted below. The accounting policies used in the preparation of these interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2019 except as noted below. Further, results for the nine months period ended 30 September 2020, are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020."

The annual consolidated financial statements for the year ended 31 December 2019 were prepared in accordance with regulations for financial services institutions as issued by the CBK in the State of Kuwait. These regulations require expected credit loss (ECL) to be measured at higher of the ECL on credit facilities computed under IFRS 9 according to the CBK guidelines or the provisions as required by CBK instructions. Further, during the period ended 31 March 2020, the CBK has extended their regulations to require that modification gains or losses of financial assets arising from payment holidays provided to consumer customers in response to the economic impact of COVID-19 are to be recognised in retained earnings instead of profit or loss. The regulations also require adoption of all other requirements of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB).

Other new standards or amendments to existing standards which are effective for annual accounting period starting from 1 January 2020 did not have any material impact on financial position or performance of the Group.

**3 SUBSIDIARY**

Name of entity	Country of incorporation	Principal activities	% of ownership		
			30 September 2020	31 December 2019	30 September 2019
Al-Tijari Financial Brokerage Company K.S.C. (Closed)	Kuwait	Brokerage Services	93.55	93.55	93.55




**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

30 September 2020 (Unaudited)

**4 CASH AND SHORT TERM FUNDS**

	<b>30 September 2020</b>	<i>(Audited)</i> 31 December 2019	30 September 2019
	<b>KD 000's</b>	KD 000's	KD 000's
Cash and cash items	<b>164,332</b>	113,004	164,915
Balances with the CBK	<b>138,787</b>	133,137	50,337
Deposits with banks maturing within seven days	<b>253,569</b>	610,772	626,249
	<b>556,688</b>	856,913	841,501
Less : Provision for impairment (ECL)	<b>(29)</b>	(12)	(20)
	<b>556,659</b>	856,901	841,481

**5 DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS**

	<b>30 September 2020</b>	<i>(Audited)</i> 31 December 2019	30 September 2019
	<b>KD 000's</b>	KD 000's	KD 000's
Placements with banks	<b>616,925</b>	704,453	595,855
Less: Provision for impairment (ECL)	<b>(29)</b>	(66)	(70)
	<b>616,896</b>	704,387	595,785
Loans and advances to banks	<b>131,115</b>	147,806	134,524
Amounts due from other financial institutions	<b>53,770</b>	30,000	-
Less: Provision for impairment	<b>(1,848)</b>	(1,778)	(1,041)
	<b>183,037</b>	176,028	133,483
	<b>799,933</b>	880,415	729,268

**6 INVESTMENT SECURITIES**

- a) During 2008, the Bank acquired 221,425,095 shares of Boubyan Bank at a cost of KD 94,103 thousand under multiple purchase transactions, all of which were executed under the standard procedures adopted by Boursa Kuwait. However, at a subsequent date, and as a result of the availability of cash balances in the account of the parent company ("the Borrower") related to the five subsidiaries which sold the mentioned shares in Boursa Kuwait (we refer to the five subsidiaries companies below as "Appellants"), the Bank utilized these balances to close the loan due from the Borrower. In 2009, the Borrower, along with the appellants, filed a legal case challenging the Bank's ownership of the above mentioned shares where a final court judgment was issued in this dispute on 27 December 2017. A summary of major events is detailed hereunder:

In February 2009, the Court of Summary Appeal restricted the sale of 221,425,095 shares until a final court judgment is issued in the ownership dispute of these shares.

During 2010, the Bank participated in the rights issue and acquired 127,058,530 shares at a cost of KD 32,401 thousand and thereafter, during the years 2013 to the reporting date, the Bank received a total of 119,869,340 bonus shares.

In April 2016, the Court of First Instance issued a verdict in favor of the Bank confirming the validity of the Bank's ownership of 221,425,095 shares.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

30 September 2020 (Unaudited)

In February 2017, the Court of Appeal issued a verdict, voiding the five sale contracts dated 30 November 2008 as concluded between the appellants and the Bank with regard to the sale of Boubyan Bank shares totalling 221,425,095 shares and revert the situation back to its pre-contract status, most importantly to revert back the shares, their yields, interests and any benefits the Bank has obtained, to the appellants along with voiding all acts the Bank has taken on the account of the Borrower following the sale date.

The Bank appealed against this verdict in the Court of Cassation. On 27 December 2017, the Court of Cassation issued a judgment partially accepting the appeal as the court obligated the appellants mentioned above to pay the price of shares to the Bank. The Court of Cassation also validated all the actions taken by the Bank on the account of the borrower following the date of the five sales contracts of the shares dated 30 November 2008. Furthermore, the Court of Cassation obligated the Borrower and the appellants to pay the required legal expenses on the litigation.

On 29 January 2018, the Bank has obtained the execution stamp for the execution of the judgment issued by the Court of Cassation against the appellants, whereby the Bank currently enjoys the power to collect the shares' value and in return to transfer the shares' ownership to the appellants. The Bank will continue to recognise these shares as part of Investment Securities until the judgment issued by the Court of Cassation is executed.

On 16 June 2019, a judgment was issued in favor of the Bank, which stipulates, firstly, to immediately stop execution of the earlier judgment by court of appeal as well as the amended judgment issued by the court of cassation and directed the appellants to refund the amount due to the Bank as consideration for returning the shares. Secondly, an expert delegate will determine the amount due from each of the five subsidiaries out of the principal amount to be refunded to the Bank, determine share of each subsidiary in the nullified shares and yields from the shares, subject of the nullified agreements, along with their interests and benefits, determine the fees and expenses paid in shares sale transactions and determine who is obligated to pay.

On 29 June 2020, the Court of Appeal dismissed the judgment issued by Court of First Instance on 16 June 2019 to suspend the execution immediately. The bank appealed against this ruling before Court of Cassation, and no hearing session has yet been scheduled.

Regarding the lawsuit on delegating an expert, it was deliberated before the Experts on 17 September 2020. A hearing session has been scheduled on 19 October 2020 for perusal.

- b) During the nine months period ended 30 September 2020, the Group designated certain debt securities as hedge items, to hedge the fair value changes arising from changes in market interest rates. Interest rate swap (IRS) is used as hedging instruments in which the Group pays fixed and receives floating interest rate.

Based on the matching of critical terms between the hedge items and the hedged instruments it was concluded that the hedges were effective.

The carrying value of debt securities designated as hedged item as at 30 September 2020 was KD 268,287 thousand (30 September 2019: KD 196,057 thousand). The change in fair value of these securities resulting from changes in market interest rate (hedged risk) during the period was KD 4,366 thousand (30 September 2019: KD 4,218 thousand). The changes in fair value related to hedged risk during the period was recognised in the consolidated statement of income.

**7 IMPAIRMENT AND OTHER PROVISIONS**

Impairment and other provisions recorded for the period ended 30 September 2020 amounted to KD 51,041 thousand (30 September 2019: KD 67,681 thousand) which mainly represent specific, general and other provisions against loans and advances and other financial assets which was partially offset by recoveries amounting to KD 9,481 thousand (30 September 2019: KD 6,433 thousand).

Recoveries of KD 9,481 thousand as at 30 September 2020 include an amount of KD 3,242 thousand received in cash as part of a settlement agreement between a customer and the Group through a court verdict. Subsequent to the reporting period, the Group also received shares equivalent to 16.69% of a local unlisted closed shareholding company. As of the date of this interim condensed consolidated financial information, the title of these shares has not been transferred to the Group pending regulatory procedures.

Provision for expected credit losses (ECL) on credit facilities are the higher of ECL under IFRS 9, determined in accordance with the CBK guidelines and the provision required by the CBK rules on classification of credit facilities.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

30 September 2020 (Unaudited)

The expected credit loss (ECL) on credit facilities determined under IFRS 9 amounted to KD 127,991 thousand as at 30 September 2020 (30 September 2019: KD 31,115 thousand). In downside scenario also, ECL on credit facilities will be below the provision held as per CBK rules.

Impairment and other provisions includes ECL on financial assets other than loans and advances for the period ended 30 September 2020 amounting to KD 97 thousand (30 September 2019: reversal of KD 129 thousand).

**8 EARNINGS PER SHARE**

Basic and diluted earnings per share is calculated by dividing the net profit for the period attributable to shareholders of the Bank by the weighted average number of shares outstanding during the period.

	Three months ended 30 September		Nine months ended 30 September	
	2020	2019	2020	2019
Net profit for the period attributable to shareholders of the Bank (KD 000's)	<b>15,904</b>	6,814	<b>17,100</b>	16,623
Weighted average of authorised and subscribed shares (numbers in 000's)	<b>1,992,056</b>	1,992,056	<b>1,992,056</b>	1,992,056
Less: Weighted average of treasury shares held (numbers in 000's)	<b>(68,831)</b>	(30,278)	<b>(63,890)</b>	(19,402)
	<b>1,923,225</b>	1,961,778	<b>1,928,166</b>	1,972,654
Basic and diluted earnings per share attributable to shareholders of the Bank (fils)	<b>8.3</b>	3.5	<b>8.9</b>	8.4

**9 RELATED PARTY TRANSACTIONS**

During the period, certain related parties (directors and officers of the Group, their families and companies of which they are principal owners) were customers of the Group in the ordinary course of business. The terms of these transactions are approved by the Group's management. The balances at the date of interim condensed consolidated financial position are as follows:

	30 September 2020			30 September 2019		
	Number of Directors/ Executives	Number of Related Members	Amount in KD 000's	Number of Directors/ Executives	Number of Related Members	Amount in KD 000's
<b>Board of Directors</b>						
Loans	1	1	1,593	2	-	449
Credit cards	4	1	1	4	2	17
Deposits	10	16	1,032	9	11	1,711
<b>Executive Management</b>						
Loans	22	4	778	21	2	551
Credit cards	22	1	40	20	1	36
Deposits	28	32	1,491	33	24	529
<b>Associates</b>						
Deposits	1	-	13,621	1	-	13,731
<b>Major Shareholders</b>						
Deposits	1	-	37	1	-	4,705

Interest income and interest expense include KD 7 thousand (30 September 2019: KD 28 thousand) and KD 222 thousand (30 September 2019: KD 328 thousand) respectively on transactions with related parties.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

30 September 2020 (Unaudited)

The detail of compensation for key management personnel included in the interim condensed consolidated statement of income are as follows:

	Nine months ended 30 September	
	2020 KD 000's	2019 KD 000's
Salaries and other short-term benefits	961	1,170
Post employment benefits	19	22
End of service benefits	64	159

**10 FAIR VALUES 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. Fair values of all financial instruments are not materially different from their carrying values. For financial assets and financial liabilities that are liquid or having a short-term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits, saving accounts without a specific maturity and variable rate financial instruments.

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

Level 1: Quoted (unadjusted) prices in active markets for identical assets or 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: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

Financial assets and liabilities that are carried at amortised cost, are not materially different from their fair values as most of these financial assets and liabilities are of short term maturities or repriced immediately based on market movement in interest rates.

The method and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

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

	30 September 2020			
	KD 000's			
	Level 1	Level 2	Level 3	Total
<b>Financial Instruments</b>				
<b>Financial assets at FVPL:</b>				
Other securities	-	3	-	3
<b>Derivative Financial instruments at FVTPL:</b>				
Forward Foreign Exchange Contracts	-	2,231	-	2,231
Interest Rate Swaps	-	2,218	-	2,218
<b>Designated as FV hedge instruments at FVOCI:</b>				
Interest Rate Swaps	-	(7,356)	-	(7,356)
<b>Financial assets at FVOCI:</b>				
Equity securities	215,618	25,282	-	240,900
Debt securities	334,093	26,531	-	360,624
	549,711	51,813	-	601,524




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	<b>KD 000's</b>					
	<b>Corporate and Retail Banking</b>		<b>Treasury and Investment Banking</b>		<b>Total</b>	
	<b>Nine months ended 30 September</b>		<b>Nine months ended 30 September</b>		<b>Nine months ended 30 September</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Net interest income	<b>50,060</b>	62,176	<b>8,276</b>	11,479	<b>58,336</b>	73,655
Non interest income	<b>26,697</b>	33,748	<b>10,731</b>	14,842	<b>37,428</b>	48,590
Operating income	<b>76,758</b>	95,924	<b>19,006</b>	26,321	<b>95,764</b>	122,245
Impairment and other provisions	<b>(50,457)</b>	(67,610)	<b>(584)</b>	(71)	<b>(51,041)</b>	(67,681)
Net profit for the period	<b>12,233</b>	7,720	<b>4,902</b>	8,953	<b>17,135</b>	16,673
Assets	<b>2,465,906</b>	2,458,253	<b>2,046,523</b>	2,261,616	<b>4,512,429</b>	4,719,869
Liabilities & Equity	<b>1,649,739</b>	1,520,866	<b>2,862,690</b>	3,199,003	<b>4,512,429</b>	4,719,869

**12 OFF BALANCE SHEET ITEMS**
**(a) Financial instruments with contractual amounts**

In the normal course of business the Group makes commitments to extend credit to customers. The contracted amounts represent the credit risk assuming that the amounts are fully advanced and that any collateral is of no value. The total contractual amount of the commitment does not necessarily represent the future cash requirement as in many cases these contracts terminate without being funded.

**(i) Financial instruments with contractual amounts representing credit risk**

	<b>30 September 2020</b>	<i>(Audited)</i> 31 December 2019	30 September 2019
	<b>KD 000's</b>	KD 000's	KD 000's
Acceptances	<b>40,063</b>	50,003	34,127
Letters of credit	<b>114,953</b>	138,382	181,303
Letters of guarantee	<b>1,437,112</b>	1,417,651	1,337,702
Undrawn lines of credit	<b>939,850</b>	961,426	977,190
	<b>2,531,978</b>	2,567,462	2,530,322




**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

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**(ii) Financial instruments with contractual or notional amounts that are subject to credit risk**

	KD 000's		
	Positive Fair Value	Negative Fair Value	Notional Amount
<b>30 September 2020</b>			
Foreign exchange contracts - forward	3,720	1,489	602,564
Interest Rate Swaps	2,235	7,373	453,169
	<b>5,955</b>	<b>8,862</b>	<b>1,055,733</b>
	KD 000's		
	Positive Fair Value	Negative Fair Value	Notional Amount
<b>31 December 2019 (Audited)</b>			
Foreign exchange contracts - forward	738	1,627	328,216
Interest Rate Swaps	176	3,153	189,493
	<b>914</b>	<b>4,780</b>	<b>517,709</b>
	KD 000's		
	Positive Fair Value	Negative Fair Value	Notional Amount
<b>30 September 2019</b>			
Foreign exchange contracts - forward	1,477	364	477,354
Interest Rate Swaps	181	3,765	188,172
	<b>1,658</b>	<b>4,129</b>	<b>665,526</b>

The amount subject to credit risk is insignificant and is limited to the current replacement value of instruments, which is only a fraction of the contractual or notional amounts used to express the volumes outstanding.

**(b) Legal claims**

At the reporting date certain legal claims existed against the Group for which KD 1,910 thousand (31 December 2019: KD 1,660 thousand and 30 September 2019: 1,639 thousand) have been provided.

**13 SIGNIFICANT EVENT**

The rapid spread of COVID-19 pandemic causing disruption to business and economic activities has brought about uncertainties in the global economic environment. Starting from 15 March 2020 Kuwait government has implemented partial curfew and instructions have been issued to avoid the spread of the virus. The fiscal and monetary authorities, both domestic and international, have announced various support measures across the globe to counter possible adverse implications.

Further, the Group's operations are concentrated in economies that are relatively dependent on the price of crude oil. As at the end of the financial reporting period, oil prices have witnessed unprecedented volatility. The Group is closely monitoring the situation and has activated its business continuity planning and other risk management practices to manage the potential business disruption the COVID-19 outbreak may have on its operations and financial performance.

The Group has performed an assessment of COVID-19 in light of the available guidance of the CBK and IFRS which has resulted in the following changes to the expected credit loss methodology and valuation estimates and judgments as at and for the period ended 30 September 2020.

**Expected Credit Loss (ECL) estimates**

The uncertainties caused by COVID-19, and the volatility in oil prices and world GDP have required the Group to update the inputs and assumptions used for the determination of ECLs as at 30 September 2020. ECLs were estimated based on a range of forecast economic conditions as at that date by considering the impact of higher volatility in the forward-looking macro-economic factors, when determining the severity and likelihood of economic scenarios for ECL determination. This volatility has been reflected through adjustment in the methods of scenario construction and the underlying weightages assigned to these scenarios. In addition, the Group updated the relevant forward-looking information of the Group's international operations with respect to the weightings of the relevant macroeconomic scenarios relative to the economic climate of the respective market in which it operates.

Group has given specific consideration to the relevant impact of COVID-19 on the qualitative and quantitative factors when determining the significant increase in credit risk and assessing the indicators of impairment for the exposures in potentially affected sectors. This has resulted in staging downgrade of certain exposures and recognition of relevant ECLs and impairment allowances.

**Valuation estimates and judgments**

The Group has also considered potential impacts of the current economic volatility in determination of the reported amounts of the Group's financial and non-financial assets and these are considered to represent management's best assessment based on available or observable information. Markets however remain volatile and the recorded amounts remain sensitive to market fluctuations.

**Accounting for modified financial assets**

Considering the economic circumstances post the Covid-19 outbreak, the CBK has implemented various measures with a view to enhance the ability of banks to play a vital role in the economy, expanding their lending space, strengthening their financing capabilities, encouraging them to lend to productive economic sectors and providing liquidity to the impacted customers. In addition, subsequent to the statement of financial position date, Kuwait Banking Association have decided to postpone the collection of instalments on consumer and instalment loans and credit cards for a period of six months starting from April 2020 without charging any additional interest arising from this postponement. The impact of loan deferral scheme amounted to KD 12,778 thousands was recognised by charging retained earnings as required by the CBK circular dated 5 July 2020.

Similarly CBK has encouraged banks in Kuwait to restructure the facilities by delaying repayments for affected corporate customers. Accordingly the Group has delayed repayments of certain customers and the modification loss on those financing assets amounted to KD 326 thousand was recognised in the interim condensed consolidated statement of income.



**Others factors**

The Group is actively monitoring the impact on its financial conditions, liquidity, and workforce and will take necessary measures for business continuity in line with the instruction from the Government of Kuwait and CBK.

During the period the group received a grant from the Public authority of manpower related to Kuwaiti staff amounting KD 985 thousands as a part of COVID 19 support to cover the group staff expenses. The amount received have been included in staff cost in the interim condensed consolidated statement of income.