



**The Commercial Bank of Kuwait Group**

**Interim Condensed Consolidated Financial Information**

**30 September 2021  
(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 2021 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.

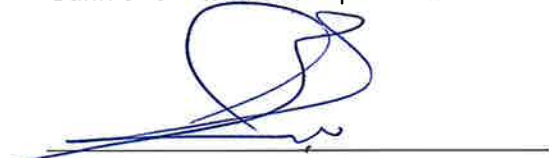
### **Conclusion**

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**

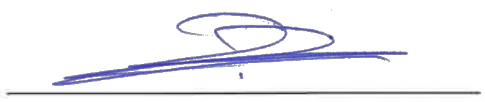
Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Bank. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016 and its executive 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 2021 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 2021 that might have had a material effect on the business of the Bank or on its financial position.



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Bader A. Al-Wazzan  
License No. 62A  
Deloitte & Touche - Al-Wazzan & Co.



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Dr. Shuaib A. Shuaib  
License No. 33A  
RSM Albazie & Co.

Kuwait, 26 October 2021



## The Commercial Bank of Kuwait Group

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

30 September 2021 (Unaudited)

			<i>(Audited)</i>	
		<b>30 September</b>	31 December	30 September
		<b>2021</b>	2020	2020
	Note	KD 000's	KD 000's	KD 000's
<b>ASSETS</b>				
Cash and short term funds	4	<b>648,305</b>	721,408	556,659
Treasury and Central Bank bonds		<b>185,998</b>	186,522	183,048
Due from banks and other financial institutions	5	<b>450,138</b>	581,622	799,933
Loans and advances	6	<b>2,249,442</b>	2,279,057	2,312,488
Investment securities	7	<b>588,062</b>	568,919	601,527
Premises and equipment		<b>29,596</b>	29,177	30,405
Intangible assets		<b>3,506</b>	3,506	3,506
Other assets		<b>40,801</b>	18,546	24,863
<b>TOTAL ASSETS</b>		<b>4,195,848</b>	4,388,757	4,512,429
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
Due to banks		<b>280,253</b>	215,925	236,820
Due to other financial institutions		<b>289,792</b>	452,499	593,475
Customer deposits		<b>2,070,328</b>	2,368,873	2,442,898
Other borrowed funds		<b>540,366</b>	443,652	314,064
Other liabilities		<b>217,238</b>	214,984	211,555
<b>TOTAL LIABILITIES</b>		<b>3,397,977</b>	3,695,933	3,798,812
<b>EQUITY</b>				
<b>Equity attributable to shareholders of the Bank</b>				
Share capital		<b>199,206</b>	199,206	199,206
Proposed bonus shares		-	27,107	-
Treasury shares		<b>(5,233)</b>	(32,340)	(32,340)
Reserves		<b>417,919</b>	353,710	357,416
Retained earnings		<b>185,007</b>	144,208	188,415
		<b>796,899</b>	691,891	712,697
<b>Non-controlling interests</b>		<b>972</b>	933	920
<b>TOTAL EQUITY</b>		<b>797,871</b>	692,824	713,617
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>4,195,848</b>	4,388,757	4,512,429

Sheikh Ahmad Duaij Al Sabah  
Chairman

Elham Yousry Mahfouz  
Chief Executive Officer

The attached notes 1 to 14 form an integral part of this interim condensed consolidated financial information.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME**

Period ended 30 September 2021 (Unaudited)

	Note	Three months ended		Nine months ended	
		30 September		30 September	
		2021	2020	2021	2020
		KD 000's	KD 000's	KD 000's	KD 000's
Interest income		25,142	28,008	75,878	96,969
Interest expense		(6,129)	(8,086)	(18,153)	(38,633)
<b>NET INTEREST INCOME</b>		<b>19,013</b>	19,922	<b>57,725</b>	58,336
Fees and commissions		10,131	9,595	28,802	26,686
Net gain from dealing in foreign currencies		1,666	1,853	4,723	4,335
Net gain from investment securities		35	537	771	532
Dividend income		238	4	2,691	3,281
Loss on disposal of assets pending sale		-	(55)	-	(55)
Other operating income		175	3,382	613	3,634
<b>OPERATING INCOME</b>		<b>31,258</b>	35,238	<b>95,325</b>	96,749
Staff expenses		(5,732)	(5,367)	(17,709)	(17,013)
General and administrative expenses		(3,648)	(3,106)	(10,299)	(10,519)
Depreciation and amortisation		(512)	(165)	(1,181)	(363)
<b>OPERATING EXPENSES</b>		<b>(9,892)</b>	(8,638)	<b>(29,189)</b>	(27,895)
<b>OPERATING PROFIT BEFORE PROVISIONS</b>		<b>21,366</b>	26,600	<b>66,136</b>	68,854
Impairment and other provisions	8	1,339	(10,012)	(23,477)	(51,041)
<b>PROFIT BEFORE TAXATION</b>		<b>22,705</b>	16,588	<b>42,659</b>	17,813
Taxation		(999)	(666)	(1,788)	(678)
<b>NET PROFIT FOR THE PERIOD</b>		<b>21,706</b>	15,922	<b>40,871</b>	17,135
<b>Attributable to:</b>					
Shareholders of the Bank		21,678	15,904	40,799	17,100
Non-controlling interests		28	18	72	35
		<b>21,706</b>	15,922	<b>40,871</b>	17,135
Basic and diluted earnings per share attributable to shareholders of the Bank (fils)	9	<b>10.9</b>	8.3	<b>20.8</b>	8.9

The attached notes 1 to 14 form an integral part of this interim condensed consolidated financial information.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

Period ended 30 September 2021 (Unaudited)

	Three months ended 30 September		Nine months ended 30 September	
	2021 KD 000's	2020 KD 000's	2021 KD 000's	2020 KD 000's
Net profit for the period	21,706	15,922	40,871	17,135
<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	11,458	19,424	63,618	(12,171)
<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	(556)	2,102	959	(412)
Net (loss) gain on disposal transferred to income statement	2	(216)	(368)	(224)
	10,904	21,310	64,209	(12,807)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>32,610</b>	<b>37,232</b>	<b>105,080</b>	<b>4,328</b>
<b>Attributable to:</b>				
Shareholders of the Bank	32,582	37,218	105,008	4,297
Non-controlling interests	28	14	72	31
	32,610	37,232	105,080	4,328

The attached notes 1 to 14 form an integral part of this interim condensed consolidated financial information.


**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

Period ended 30 September 2021 (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 2020	199,206	-	(21,690)	66,791	115,977	17,927	-	24,883	144,641	370,219	184,093	-	731,828	889	732,717
Total comprehensive income for the period	-	-	-	-	-	-	-	-	(12,803)	(12,803)	17,100	-	4,297	31	4,328
Treasury shares purchased	-	-	(10,650)	-	-	-	-	-	-	-	-	-	(10,650)	-	(10,650)
Modification loss on deferral of loans and installments	-	-	-	-	-	-	-	-	-	-	(12,778)	-	(12,778)	-	(12,778)
Balance at 30 Septmeber 2020	199,206	-	(32,340)	66,791	115,977	17,927	-	24,883	131,838	357,416	188,415	-	712,697	920	713,617
<b>Balance at 1 January 2021</b>	<b>199,206</b>	<b>27,107</b>	<b>(32,340)</b>	<b>66,791</b>	<b>115,977</b>	<b>17,927</b>	<b>-</b>	<b>24,095</b>	<b>128,920</b>	<b>353,710</b>	<b>144,208</b>	<b>-</b>	<b>691,891</b>	<b>933</b>	<b>692,824</b>
Total comprehensive income for the period	-	-	-	-	-	-	-	-	64,209	64,209	40,799	-	105,008	72	105,080
Dividend paid	-	(27,107)	27,107	-	-	-	-	-	-	-	-	-	-	(33)	(33)
<b>Balance at 30 September 2021</b>	<b>199,206</b>	<b>-</b>	<b>(5,233)</b>	<b>66,791</b>	<b>115,977</b>	<b>17,927</b>	<b>-</b>	<b>24,095</b>	<b>193,129</b>	<b>417,919</b>	<b>185,007</b>	<b>-</b>	<b>796,899</b>	<b>972</b>	<b>797,871</b>

Annual General Assembly of the shareholders held on 31 March 2021 approved to distribute 3% bonus shares from the treasury shares held by the Bank for the year 2020 (2019: nil).

Investment valuation reserve includes a loss of KD 5,419 thousand (31 December 2020: KD 5,450 thousand and 30 September 2020: KD 5,500 thousand) arising from foreign currency translation of the Bank's investment in a foreign associate.

The attached notes 1 to 14 form an integral part of this interim condensed consolidated financial information.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

Period ended 30 September 2021 (Unaudited)

	Note	Nine months ended	
		30 September	
		2021	2020
		KD 000's	KD 000's
<b>OPERATING ACTIVITIES</b>			
Profit before taxation		42,659	17,813
Adjustments for:			
Impairment and other provisions	8	23,477	51,041
Income from investment securities		(3,462)	(3,813)
Foreign exchange loss (gain) on investment securities		1,599	(3,297)
Depreciation and amortisation		1,181	363
Profit before changes in operating assets and liabilities		65,454	62,107
Changes in operating assets and liabilities:			
Treasury and Central Bank bonds		524	65,758
Due from banks and other financial institutions		131,461	80,503
Loans and advances		5,400	(102,726)
Other assets		(22,255)	3,588
Due to banks		64,328	(348,562)
Due to other financial institutions		(162,707)	(115,632)
Customer deposits		(298,545)	(10,032)
Other liabilities		2,538	(4,564)
Net cash used in operating activities		(213,802)	(369,560)
<b>INVESTING ACTIVITIES</b>			
Proceeds from disposal of investment securities		71,920	70,874
Acquisition of investment securities		(30,710)	(118,089)
Dividend income from investment securities		2,691	3,281
Proceeds from disposal of premises and equipment		458	12
Acquisition of premises and equipment		(351)	(213)
Net cash from (used in) investing activities		44,008	(44,135)
<b>FINANCING ACTIVITIES</b>			
Other borrowed funds		96,714	124,120
Purchase of treasury shares		-	(10,650)
Dividend paid to non controlling interest		(33)	-
Net cash from financing activities		96,681	113,470
Net decrease in cash and short term funds		(73,113)	(300,225)
Cash and short term funds at 1 January		721,440	856,913
<b>Cash and short term funds at 30 September</b>	4	<b>648,327</b>	<b>556,688</b>

The attached notes 1 to 14 form an integral part of this interim condensed consolidated financial information.

**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 12 October 2021.

The principal activities of the Group are explained in note 12.

**2 SIGNIFICANT ACCOUNTING POLICIES**

The interim condensed consolidated financial information of the Group have 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 2020.

The interim condensed consolidated financial information has been prepared in accordance with the regulations for financial services institutions as issued by the CBK in the State of Kuwait. These regulations, including the recently issued CBK circulars on regulatory measures in response to COVID-19 and related CBK communications, require banks and other financial institutions regulated by CBK to adopt the International Financial Reporting Standards (IFRS) with the following amendments:

- i) Expected credit loss (ECL) to be measured at the higher of ECL on credit facilities computed under IFRS 9 in accordance to the CBK guidelines or the provisions as required by CBK instructions along with its consequent impact on related disclosures.
- ii) Modification losses on financial assets, arising from payment holidays to customers extended during the financial year ended 31 December 2020 as a result of Covid-19, to be recognised in retained earnings as required by the CBK circular no. 2/BS/IBS/461/2020 instead of interim condensed consolidated statement of income in accordance with IFRS 9. However, modification losses on financial assets, arising from any other payment holidays to customers including payment holidays extended during the period ended 30 September 2021 shall be recognized in the interim condensed consolidated statement of income. The application of the policy will result in application of different accounting presentation for modification losses in 2020 compared to 2021.

The above framework is hereinafter referred to as "IFRS as adopted by CBK for use by the State of Kuwait".

The interim condensed consolidated financial information does not contain all information and disclosures required for the annual consolidated financial statement prepared in accordance with IFRS, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2020. Further, results for interim periods are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

**New standards, interpretations and amendments adopted by the Group****Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16**

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 interest rate (RFR).

The amendments include the following practical expedients:

- i) 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 interest rate, equivalent to a movement in a market rates.
- ii) Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.




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

30 September 2021 (Unaudited)

- iii) Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

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

Other new standards or amendments to existing standards which are effective for annual accounting period starting from 1 January 2021 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 2021	31 December 2020	30 September 2020
Al-Tijari Financial Brokerage Company K.S.C. (Closed)	Kuwait	Brokerage Services	93.55	93.55	93.55

**4 CASH AND SHORT TERM FUNDS**

	<i>(Audited)</i>		
	30 September 2021 KD 000's	31 December 2020 KD 000's	30 September 2020 KD 000's
Cash and cash items	138,563	166,614	164,332
Balances with the CBK	121,984	133,199	138,787
Deposits with banks maturing within seven days	387,780	421,627	253,569
	<b>648,327</b>	721,440	556,688
Less : Provision for impairment (ECL)	(22)	(32)	(29)
	<b>648,305</b>	721,408	556,659

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

	<i>(Audited)</i>		
	30 September 2021 KD 000's	31 December 2020 KD 000's	30 September 2020 KD 000's
Placements with banks	402,626	469,278	616,925
Less: Provision for impairment (ECL)	(66)	(34)	(29)
	<b>402,560</b>	469,244	616,896
Loans and advances to banks	47,749	113,200	131,115
Amounts due from other financial institutions	-	-	53,770
Less: Provision for impairment	(171)	(822)	(1,848)
	<b>47,578</b>	112,378	183,037
	<b>450,138</b>	581,622	799,933


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

30 September 2021 (Unaudited)

**6 LOANS AND ADVANCES**

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.

Total available provision on credit facilities (cash and non cash) determined in accordance with the CBK rules on classification of credit facilities as at 30 September 2021 is KD 202,344 thousand (31 December 2020: KD 178,272 thousand and 30 September 2020: KD 203,762 thousand).

The ECL on credit facilities determined under IFRS 9 amounted to KD 100,284 thousand as at 30 September 2021 (31 December 2020: KD 104,706 thousand and 30 September 2020: KD 127,507 thousand).

The provision required under CBK rules on classification of credit facilities is higher than ECL under CBK guidelines for IFRS 9.

An analysis of the gross amounts of credit facilities, and the corresponding ECL based on the staging criteria under IFRS 9 in accordance with CBK guidelines are as follows:

	30 September 2021			
	KD 000's			
	Stage 1	Stage 2	Stage 3	Total
Credit facilities	2,021,141	389,800	-	2,410,941
Non cash credit facilities	2,383,910	197,837	33,887	2,615,634
ECL provision for credit facilities	22,360	45,123	32,801	100,284
	31 December 2020			
	KD 000's			
	Stage 1	Stage 2	Stage 3	Total
Credit facilities	2,032,898	381,871	-	2,414,769
Non cash credit facilities	2,351,076	209,517	38,033	2,598,626
ECL provision for credit facilities	21,425	47,406	35,875	104,706
	30 September 2020			
	KD 000's			
	Stage 1	Stage 2	Stage 3	Total
Credit facilities	2,009,893	445,022	28,333	2,483,248
Non cash credit facilities	2,362,476	166,372	29,275	2,558,123
ECL provision for credit facilities	20,362	52,572	54,573	127,507

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

30 September 2021 (Unaudited)

Movement in ECL for Credit Facilities:

	30 September 2021			
	KD 000's			
	Stage 1	Stage 2	Stage 3	Total
ECL 1 January 2021	21,425	47,406	35,875	104,706
Changes due to transfer between stages	267	(395)	128	-
Net charged / (released)	686	(1,858)	6,173	5,001
Written-off	-	-	(9,165)	(9,165)
Exchange difference	(17)	(31)	(210)	(258)
<b>ECL 30 September 2021</b>	<b>22,361</b>	<b>45,122</b>	<b>32,801</b>	<b>100,284</b>

	30 September 2020			
	KD 000's			
	Stage 1	Stage 2	Stage 3	Total
ECL 1 January 2020	18,114	12,735	19,208	50,057
Changes due to transfer between stages	(1,465)	947	518	-
Net charged / (released)	3,689	38,867	45,008	87,564
Written-off	-	-	(10,167)	(10,167)
Exchange difference	24	23	6	53
<b>ECL 30 September 2020</b>	<b>20,362</b>	<b>52,572</b>	<b>54,573</b>	<b>127,507</b>

**7 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 Bursa 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 Bursa 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 134,602,785 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.

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.


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

30 September 2021 (Unaudited)

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.

On 7 February 2021, the Bank raised an objection on the report submitted by the expert department. During the session held on 4 April 2021 the court issued a ruling to refer the case back to the expert department to review the objection raised by the Bank. Next session is scheduled on 21 November 2021.

- b) 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 2021 was KD 210,869 thousand (31 December 2020: 251,140 thousand and 30 September 2020: KD 268,287 thousand). The change in fair value of these securities resulting from changes in market interest rate (hedged risk) during the period was KD 3,229 thousand (30 September 2020: KD 4,366 thousand). The changes in fair value related to hedged risk during the period was recognised in the interim condensed consolidated statement of income.

## 8 IMPAIRMENT AND OTHER PROVISIONS

Impairment and other provisions recorded for the period ended 30 September 2021 amounted to KD 23,477 thousand (30 September 2020: KD 51,041 thousand) which mainly represent specific, general and other provisions against loans and advances and other financial assets which is after partially offsetting recoveries amounting to KD 10,130 thousand (30 September 2020: KD 9,481 thousand).

Impairment and other provisions includes reversal of ECL on financial assets other than loans and advances for the period ended 30 September 2021 amounting to KD 83 thousand (30 September 2020: charge of KD 117 thousand).

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

30 September 2021 (Unaudited)

**9 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	
	2021	2020	2021	2020
Net profit for the period attributable to shareholders of the Bank (KD 000's)	<b>21,678</b>	15,904	<b>40,799</b>	17,100
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>(11,138)</b>	(68,831)	<b>(32,695)</b>	(63,890)
	<b>1,980,918</b>	1,923,225	<b>1,959,361</b>	1,928,166
Basic and diluted earnings per share attributable to shareholders of the Bank (fils)	<b>10.9</b>	8.3	<b>20.8</b>	8.9

**10 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 2021			30 September 2020		
	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	2	1	1,737	1	1	1,593
Credit cards	3	1	6	4	1	1
Deposits	11	10	643	10	16	1,032
<b>Executive Management</b>						
Loans	26	3	902	22	4	778
Credit cards	23	2	35	22	1	40
Deposits	34	38	514	28	32	1,491
<b>Associates</b>						
Deposits	1	-	13,419	1	-	13,621
<b>Major Shareholders</b>						
Deposits	1	-	20	1	-	37

Interest income and interest expense include KD 50 thousand (30 September 2020: KD 7 thousand) and KD 145 thousand (30 September 2020: KD 222 thousand) respectively on transactions with related parties.

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	
	2021 KD 000's	2020 KD 000's
Salaries and other short-term benefits	<b>1,155</b>	961
Post employment benefits	<b>20</b>	19
End of service benefits	<b>122</b>	64


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

30 September 2021 (Unaudited)

**11 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:

	<b>30 September 2021</b>			
	KD 000's			
	Level 1	Level 2	Level 3	Total
Debt securities	264,993	25,608	-	290,601
Equities and other securities	276,563	20,898	-	297,461
	<b>541,556</b>	<b>46,506</b>	<b>-</b>	<b>588,062</b>
Derivative financial instruments (Note 13)	-	(1,872)	-	(1,872)
	<b>31 December 2020 (Audited)</b>			
	KD 000's			
	Level 1	Level 2	Level 3	Total
Debt securities	318,203	14,449	-	332,652
Equities and other securities	208,477	27,790	-	236,267
	<b>526,680</b>	<b>42,239</b>	<b>-</b>	<b>568,919</b>
Derivative financial instruments (Note 13)	-	3,376	-	3,376

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

30 September 2021 (Unaudited)

	30 September 2020			
	KD 000's			
	Level 1	Level 2	Level 3	Total
Debt securities	334,093	26,534	-	360,627
Equities and other securities	215,618	25,282	-	240,900
	549,711	51,816	-	601,527
Derivative financial instruments (Note 13)	-	(2,907)	-	(2,907)

There were no transfers between level 1, level 2 and level 3 hierarchy.

**12 SEGMENTAL ANALYSIS**

The Group operates in banking, brokerage services and investment activities which are segmented between:

- Corporate and Retail banking provides a full range of lending, deposit and related banking services to domestic and international corporate and individual customers.
- Treasury and Investment banking comprises of money market, foreign exchange, treasury bonds, asset management and brokerage services.

Management monitors the operating results of these segments separately for the purpose of making decisions based on key performance indicators.

	KD 000's					
	Corporate and Retail Banking		Treasury and Investment Banking		Total	
	Nine months ended 30 September		Nine months ended 30 September		Nine months ended 30 September	
	2021	2020	2021	2020	2021	2020
Net interest income	49,151	50,060	8,574	8,276	57,725	58,336
Net non interest income	28,110	26,697	9,490	11,716	37,600	38,413
Operating income	77,261	76,758	18,064	19,991	95,325	96,749
Impairment and other provisions	(22,585)	(50,457)	(892)	(584)	(23,477)	(51,041)
Net profit for the period	39,748	12,233	1,123	4,902	40,871	17,135
Assets	2,290,123	2,465,906	1,905,725	2,046,523	4,195,848	4,512,429
Liabilities	1,713,176	1,649,739	1,684,801	2,149,073	3,397,977	3,798,812

**13 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.


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

30 September 2021 (Unaudited)

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

	<i>(Audited)</i>		
	<b>30 September 2021</b>	31 December 2020	30 September 2020
	<b>KD 000's</b>	KD 000's	KD 000's
Acceptances	<b>15,685</b>	29,028	40,063
Letters of credit	<b>96,014</b>	153,927	114,953
Letters of guarantee	<b>1,546,592</b>	1,446,985	1,437,112
Undrawn lines of credit	<b>923,584</b>	933,112	939,850
	<b>2,581,875</b>	2,563,052	2,531,978

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

	<b>KD 000's</b>		
	<b>Positive Fair Value</b>	<b>Negative Fair Value</b>	<b>Notional Amount</b>
<b>30 September 2021</b>			
Forward foreign exchange contracts	<b>1,203</b>	<b>2,059</b>	<b>369,442</b>
Interest rate swaps (held as fair value hedges)	<b>141</b>	<b>3,223</b>	<b>208,356</b>
Interest rate swaps (others)	<b>10,701</b>	<b>8,635</b>	<b>195,643</b>
	<b>12,045</b>	<b>13,917</b>	<b>773,441</b>
<b>31 December 2020 (Audited)</b>			
Forward foreign exchange contracts	10,300	2,749	524,952
Interest rate swaps (held as fair value hedges)	-	6,311	240,561
Interest rate swaps (others)	5,819	3,683	190,610
	16,119	12,743	956,123
<b>30 September 2020</b>			
Forward foreign exchange contracts	3,720	1,489	602,564
Interest rate swaps (held as fair value hedges)	-	7,356	260,706
Interest rate swaps (others)	2,235	17	192,463
	5,955	8,862	1,055,733

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 2,617 thousand (31 December 2020: KD 1,842 thousand and 30 September 2020: 1,910 thousand) have been provided.

**14 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 2021.

**Expected Credit Loss (ECL) estimates**

The inputs and assumptions used for the determination of ECL as at 30 September 2021 incorporates the revised economic forecasts with respect to oil prices and world GDP post Covid19. 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 maintaining the staging downgrades done during 2020 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**

Kuwait banks announced postponement of payment of consumer and installment loans to eligible citizen customers, upon their request, in accordance with the CBK circular No. 2/BS/IBS/ISIIS/FS/476/2021 dated 18 April 2021 concerning the implementing provisions of Article No. 2 of Law no. (3) of 2021 ("the law") regarding the deferral of financial liabilities for a six-month period with cancellation of interest resulting from this deferral ("the 2021 scheme"). The installment deferrals are considered as short-term liquidity support to address borrower's potential cash flow issues, the cost of which is fully borne by the Government of Kuwait in accordance with the law.

The Group implemented the 2021 scheme by postponing the instalments for a six month period from the eligible customer request date with the corresponding extension of the liability tenure. The instalment deferral resulted in a loss to the Bank arising from the modification of contractual cash-flows amounted to KD 10,879 thousand in accordance with IFRS 9. This loss was offset by an equivalent amount receivable from Government of Kuwait as Government Grant in accordance with the Law. The Group has recorded the Government Grant income by setting it off against the modification loss from the 2021 scheme. The Government grant receivable is included in other assets in the interim condensed consolidated statement of financial position.



**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.