

TRANSLATION

Date: 20 May 2021
REF: CCG/50/2021

**Sirs, Capital Markets Authority
Sirs, Boursa Kuwait**

Greetings,

According to chapter four (Disclosure of Material Information) of rulebook ten (Disclosure and Transparency) of CMA Executive Bylaws of Law No. 7/2010 and its amendments.

Please be informed that the Central Bank of Kuwait has approved the Bank's Interim Condensed Consolidated Financial Information for the period ended 31/3/2021.

Kindly find attached the Disclosure of Material Information Form and the Financial Results Form along with a copy of the Central Bank of Kuwait approval.

Best regards,



Tamim Khaled Al Meaan
GM, Compliance & CG



NOTE: This is a translation of the original for and binding Arabic text. In case of any difference between the Arabic and the English text, the Arabic text will be prevailing.

TRANSLATION

Annex (11)

Disclosure of Material Information Form

| | |
|--|---|
| | |
| Date | 20 May 2021 |
| Name of the listed company | Commercial Bank of Kuwait (K.P.S.C) |
| Material information | Disclosure of the Bank's Interim Condensed Consolidated Financial Information for the period ended 31/3/2021. |
| Significant effect of the material information on the financial position of the company | The Bank achieves net profit of KD 40,000. |

Significant effect on the financial position shall be mentioned if the material information can measure that effect, excluding the financial effect resulting from tenders or similar contracts.

If a listed company, which is a member of a group, disclosed some material information related to it and has significant effect on other listed companies' which are members of the same group, the other companies' disclosure obligations are limited to disclosing the information and the financial effect occurring to that company itself.

NOTE: This is a translation of the original for and binding Arabic text. In case of any difference between the Arabic and the English text, the Arabic text will be prevailing.


الفاضلة رئيس الجهاز التنفيذي المحترمة
البنك التجاري الكويتي

تحية طيبة وبعد ،

بالإشارة إلى كتابكم المؤرخ 2021/4/12 والمرفق به مسودة البيانات المالية المرحلية
المجمعة لمصرفكم عن الفترة من 2021/1/1 حتى 2021/3/31، والتي تم إعدادها لأغراض
النشر وفقاً لمتطلبات بورصة الكويت، وعطفاً على الإيضاحات والبيانات التفصيلية الواردة إلينا
في هذا الشأن والتي كان آخرها بتاريخ 2021/5/19.

نفيدكم بأن بنك الكويت المركزي قد أحيط علماً بما جاء في البيانات المشار إليها، وعليه
فإنه يمكنكم اتخاذ كافة الإجراءات الضرورية المتبعة في مثل هذا الخصوص .

مع أطيب التحيات.


وليد محمود العوضي

3006 - نسخة إلى بورصة الكويت .

Financial Results Form
Kuwaiti Company (KWD)

نموذج نتائج البيانات المالية
الشركات الكويتية (د.ك.)

First Quarter Results Ended on

2021-03-31

نتائج الربع الاول المنتهي في

Company Name

اسم الشركة

The Commercial Bank of Kuwait Group K.P.S.C

مجموعة البنك التجاري الكويتي - ش.م.ك.ع.

Board of Directors Meeting Date

تاريخ اجتماع مجلس الإدارة

2021-05-18

Required Documents

المستندات الواجب ارفاقها بالنموذج

Approved financial statements

نسخة من البيانات المالية المعتمدة

Approved auditor's report

نسخة من تقرير مراقب الحسابات المعتمد

| التغيير (%) | فترة الثلاث اشهر المقارنة | فترة الثلاث اشهر الحالية | البيان |
|-------------|--|--|--|
| Change (%) | Three Month Comparative Period | Three Month Current Period | Statement |
| | 2020-03-31 | 2021-03-31 | |
| (95.3%) | 853,000 | 40,000 | صافي الربح (الخسارة) الخاص بمساهمي الشركة الأم Net Profit (Loss) represents the amount attributable to the owners of the parent Company |
| (100.0%) | 0.4 | - | ربحية (خسارة) السهم الأساسية والمخفضة Basic & Diluted Earnings per Share |
| (9.9%) | 3,163,422,000 | 2,849,850,000 | الموجودات المتداولة Current Assets |
| (6.9%) | 4,574,310,000 | 4,260,623,000 | إجمالي الموجودات Total Assets |
| (11.5%) | 3,460,683,000 | 3,061,754,000 | المطلوبات المتداولة Current Liabilities |
| (8.9%) | 3,913,010,000 | 3,563,605,000 | إجمالي المطلوبات Total Liabilities |
| 5.4% | 660,400,000 | 696,066,000 | إجمالي حقوق الملكية الخاصة بمساهمي الشركة الأم Total Equity attributable to the owners of the Parent Company |
| (6.5%) | 33,195,000 | 31,051,000 | إجمالي الإيرادات التشغيلية Total Operating Revenue |
| (0.8%) | 21,849,000 | 21,682,000 | صافي الربح (الخسارة) التشغيلية Net Operating Profit (Loss) |
| NA | لا يوجد خسائر متراكمة No Accumulated Losses | لا يوجد خسائر متراكمة No Accumulated Losses | الخسائر المتراكمة / رأس المال المدفوع Accumulated Loss / Paid-Up Share Capital |

| التغيير (%) Change (%) | الربع الاول المقارن | الربع الاول الحالي | البيان Statement |
|---------------------------|-------------------------------------|---------------------------------|--|
| | First Quarter Comparative Period | First Quarter Current Period | |
| | 2020-03-31 | 2021-03-31 | |
| لا ينطبق - NA | لا ينطبق - NA | لا ينطبق - NA | صافي الربح (الخسارة) الخاص بمساهمي الشركة الأم Net Profit (Loss) represents the amount attributable to the owners of the parent Company |
| لا ينطبق - NA | لا ينطبق - NA | لا ينطبق - NA | ربحية (خسارة) السهم الأساسية والمخفضة Basic & Diluted Earnings per Share |
| لا ينطبق - NA | لا ينطبق - NA | لا ينطبق - NA | إجمالي الإيرادات التشغيلية Total Operating Revenue |
| لا ينطبق - NA | لا ينطبق - NA | لا ينطبق - NA | صافي الربح (الخسارة) التشغيلية Net Operating Profit (Loss) |


• Not Applicable for first Quarter

• لا ينطبق على الربع الأول

| Increase/Decrease in Net Profit (Loss) is due to | سبب ارتفاع/انخفاض صافي الربح (الخسارة) |
|--|--|
| Net profit for the period ended 31 March 2021 decreased by KD 813,000 as compared to the corresponding period ended 31 March 2020 mainly due to increase in impairment and other provisions and decrease in net interest income which is partially offset by decrease in operating expenses. | إن الانخفاض في صافي الربح للفترة المنتهية في 31 مارس 2021 بمبلغ 813,000 دينار كويتي مقارنة بالفترة المنتهية في 31 مارس 2020 يعود بصفة أساسية إلى زيادة مخصصات هبوط القيمة والمخصصات الأخرى، وكذلك انخفاض إيرادات الفوائد والتي تم تعويضها جزئياً بالانخفاض الحاصل في مصاريف التشغيل. |
| Total Revenue realized from dealing with related parties (value, KWD) | بلغ إجمالي الإيرادات من التعاملات مع الأطراف ذات الصلة (المبلغ د.ك.) |
| KD 11,704 | ١١,٧٠٤ د.ك. |
| Total Expenditures incurred from dealing with related parties (value, KWD) | بلغ إجمالي المصروفات من التعاملات مع الأطراف ذات الصلة (المبلغ د.ك.) |
| KD 50,956 | ٥٠,٩٥٦ د.ك. |

| Corporate Actions | | استحقاقات الأسهم (الإجراءات المؤسسية) | |
|-------------------|---------------|---------------------------------------|-------------------------------------|
| النسبة | القيمة | | |
| لا يوجد/ None | لا يوجد/ None | | توزيعات نقدية Cash Dividends |
| لا يوجد/ None | لا يوجد/ None | | توزيعات أسهم منحة Bonus Share |
| لا يوجد/ None | لا يوجد/ None | | توزيعات أخرى Other Dividend |
| لا يوجد/ None | لا يوجد/ None | | عدم توزيع أرباح No Dividends |
| لا يوجد/ None | لا يوجد/ None | علاوة الإصدار Issue Premium | زيادة رأس المال Capital Increase |
| لا يوجد/ None | لا يوجد/ None | | تخفيض رأس المال Capital Decrease |

| The Company's comments in case the auditor has concerns or a qualified opinion | تعقيب الشركة في حال قيام مراقب الحسابات بإبداء ملاحظات أو تحفظات |
|--|--|
| None | لا يوجد |

| ختم الشركة Company Seal | التوقيع Signature | المسمى الوظيفي Title | الاسم Name |
|---|---|-------------------------|------------------|
|  |  | رئيس الجهاز التنفيذي | إلهام يسرى محفوظ |

Attach a copy of the financial statements approved by the Board of Directors and the approved auditor's report

يجب ارفاق نسخة البيانات المالية المعتمدة من مجلس الإدارة وتقرير مراقب الحسابات المعتمد



The Commercial Bank of Kuwait Group

Interim Condensed Consolidated Financial Information

**31 March 2021
(Unaudited)**



**Deloitte & Touche
Al-Wazzan & Co.**

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**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 31 March 2021 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity, and cash flows for the three-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.

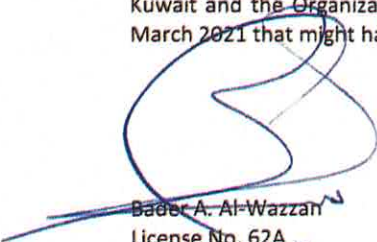
Conclusion


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 three-month period ended 31 March 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 three-month period ended 31 March 2021 that might have had a material effect on the business of the Bank or on its financial position.


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



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

Kuwait
18 May 2021

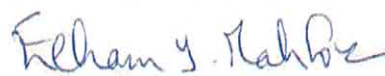
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

31 March 2021 (Unaudited)

| | | | <i>(Audited)</i> | |
|---|------|------------------|------------------|------------------|
| | | 31 March | 31 December | 31 March |
| | | 2021 | 2020 | 2020 |
| | Note | KD 000's | KD 000's | KD 000's |
| ASSETS | | | | |
| Cash and short term funds | 4 | 672,380 | 721,408 | 611,919 |
| Treasury and Central Bank bonds | | 187,552 | 186,522 | 227,188 |
| Due from banks and other financial institutions | 5 | 544,443 | 581,622 | 821,056 |
| Loans and advances | 6 | 2,268,818 | 2,279,057 | 2,291,851 |
| Investment securities | 7 | 544,451 | 568,919 | 575,328 |
| Premises and equipment | | 29,330 | 29,177 | 29,916 |
| Intangible assets | | 3,506 | 3,506 | 3,506 |
| Other assets | | 10,143 | 18,546 | 13,546 |
| TOTAL ASSETS | | 4,260,623 | 4,388,757 | 4,574,310 |
| LIABILITIES AND EQUITY | | | | |
| LIABILITIES | | | | |
| Due to banks | | 345,260 | 215,925 | 673,838 |
| Due to other financial institutions | | 301,129 | 452,499 | 548,533 |
| Customer deposits | | 2,243,888 | 2,368,873 | 2,217,765 |
| Other borrowed funds | | 469,518 | 443,652 | 261,093 |
| Other liabilities | | 203,810 | 214,984 | 211,781 |
| TOTAL LIABILITIES | | 3,563,605 | 3,695,933 | 3,913,010 |
| EQUITY | | | | |
| Equity attributable to shareholders of the Bank | | | | |
| Share capital | | 199,206 | 199,206 | 199,206 |
| Proposed bonus shares | | 27,107 | 27,107 | - |
| Treasury shares | | (32,340) | (32,340) | (31,974) |
| Reserves | | 357,845 | 353,710 | 308,222 |
| Retained earnings | | 144,248 | 144,208 | 184,946 |
| Non-controlling interests | | 952 | 933 | 900 |
| TOTAL EQUITY | | 697,018 | 692,824 | 661,300 |
| TOTAL LIABILITIES AND EQUITY | | 4,260,623 | 4,388,757 | 4,574,310 |



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 31 March 2021 (Unaudited)

| | Note | Three months ended 31 March | |
|--|------|--------------------------------|------------------|
| | | 2021 KD 000's | 2020 KD 000's |
| Interest income | | 25,506 | 38,087 |
| Interest expense | | (6,044) | (16,906) |
| NET INTEREST INCOME | | 19,462 | 21,181 |
| Fees and commissions | | 9,163 | 9,687 |
| Net gain from dealing in foreign currencies | | 1,408 | 1,422 |
| Net gain (loss) from investment securities | | 521 | (5) |
| Dividend income | | 289 | 762 |
| Other operating income | | 208 | 148 |
| OPERATING INCOME | | 31,051 | 33,195 |
| Staff expenses | | (5,878) | (6,602) |
| General and administrative expenses | | (3,375) | (4,686) |
| Depreciation and amortisation | | (116) | (58) |
| OPERATING EXPENSES | | (9,369) | (11,346) |
| OPERATING PROFIT BEFORE PROVISIONS | | 21,682 | 21,849 |
| Impairment and other provisions | 8 | (21,623) | (20,969) |
| PROFIT BEFORE TAXATION | | 59 | 880 |
| Taxation | | - | (16) |
| NET PROFIT FOR THE PERIOD | | 59 | 864 |
| Attributable to: | | | |
| Shareholders of the Bank | | 40 | 853 |
| Non-controlling interests | | 19 | 11 |
| | | 59 | 864 |
| Basic and diluted earnings per share attributable to shareholders of the Bank (fils) | 9 | 0.0 | 0.4 |

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



The Commercial Bank of Kuwait Group

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Period ended 31 March 2021 (Unaudited)

| | Three months ended 31 March | |
|---|--------------------------------|------------------|
| | 2021 KD 000's | 2020 KD 000's |
| Net profit for the period | 59 | 864 |
| OTHER COMPREHENSIVE INCOME | | |
| Items that will not be reclassified subsequently to consolidated statement of income | | |
| Equity securities classified as fair value through other comprehensive income: | | |
| Net changes in fair value | 3,382 | (49,182) |
| Items that are or may be reclassified subsequently to consolidated statement of income | | |
| Debt securities classified as fair value through other comprehensive income: | | |
| Net changes in fair value | 991 | (12,813) |
| Net (loss) on disposal transferred to income statement | (238) | (2) |
| | 4,135 | (61,997) |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | 4,194 | (61,133) |
| Attributable to: | | |
| Shareholders of the Bank | 4,175 | (61,144) |
| Non-controlling interests | 19 | 11 |
| | 4,194 | (61,133) |

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



The Commercial Bank of Kuwait Group
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 Period ended 31 March 2021 (Unaudited)

| | Attributable to shareholders of the Bank | | | | | | | | | | | Total | | |
|---|--|-----------------------|-----------------|---------------|-------------------|-----------------|-------------------------|------------------------------|------------------------------|----------------|-------------------|-------|-------------------|---------------------------|
| | Reserves | | | | | | | | | | | | | |
| | Share Capital | Proposed Bonus Shares | Treasury Shares | Share Premium | Statutory Reserve | General Reserve | Treasury Shares Reserve | Property Revaluation Reserve | Investment Valuation Reserve | Total Reserves | Retained Earnings | | Proposed Dividend | Non-controlling Interests |
| Balance at 1 January 2020 | 199,206 | - | (21,690) | 66,791 | 115,977 | 17,927 | - | 24,883 | 144,641 | 370,219 | 184,093 | - | 889 | 732,717 |
| Total comprehensive income for the period | - | - | (10,284) | - | - | - | - | (61,997) | (61,997) | (61,997) | 853 | - | 11 | (61,133) |
| Treasury shares purchased | - | - | - | - | - | - | - | - | - | - | - | - | - | (10,284) |
| Balance at 31 March 2020 | 199,206 | - | (31,974) | 66,791 | 115,977 | 17,927 | - | 24,883 | 82,644 | 308,222 | 184,946 | - | 900 | 661,300 |
| Balance at 1 January 2021 | 199,206 | 27,107 | (32,340) | 66,791 | 115,977 | 17,927 | - | 24,095 | 128,920 | 353,710 | 144,208 | - | 933 | 692,824 |
| Total comprehensive income for the period | - | - | - | - | - | - | - | - | 4,135 | 4,135 | 40 | - | 19 | 4,194 |
| Balance at 31 March 2021 | 199,206 | 27,107 | (32,340) | 66,791 | 115,977 | 17,927 | - | 24,095 | 133,055 | 357,845 | 144,248 | - | 952 | 697,018 |

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). The Bank completed the distribution of bonus shares on 20 April 2021.

Investment valuation reserve includes a loss of KD 5,432 thousand (31 December 2020: KD 5,450 thousand and 31 March 2020: KD 5,542 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 31 March 2021 (Unaudited)

| | Note | Three months ended | |
|---|------|--------------------|----------------|
| | | 31 March | |
| | | 2021 | 2020 |
| | | KD 000's | KD 000's |
| OPERATING ACTIVITIES | | | |
| Profit before taxation | | 59 | 880 |
| Adjustments for: | | | |
| Impairment and other provisions | 8 | 21,623 | 20,969 |
| Income from investment securities | | (810) | (757) |
| Foreign exchange loss (gain) on investment securities | | 429 | (2,312) |
| Depreciation and amortisation | | 116 | 58 |
| Profit before changes in operating assets and liabilities | | 21,417 | 18,838 |
| Changes in operating assets and liabilities: | | | |
| Treasury and Central Bank bonds | | (1,030) | 21,618 |
| Due from banks and other financial institutions | | 37,179 | 59,253 |
| Loans and advances | | (13,638) | (37,502) |
| Other assets | | 8,403 | 14,057 |
| Due to banks | | 129,335 | 88,456 |
| Due to other financial institutions | | (151,370) | (160,574) |
| Customer deposits | | (124,985) | (235,165) |
| Other liabilities | | (7,827) | (3,784) |
| Net cash (used in) operating activities | | (102,516) | (234,803) |
| INVESTING ACTIVITIES | | | |
| Proceeds from disposal of investment securities | | 44,448 | 14,466 |
| Acquisition of investment securities | | (17,470) | (85,760) |
| Dividend income from investment securities | | 289 | 762 |
| Proceeds from disposal of premises and equipment | | 399 | - |
| Acquisition of premises and equipment | | (53) | (487) |
| Net cash from (used in) investing activities | | 27,613 | (71,019) |
| FINANCING ACTIVITIES | | | |
| Other borrowed funds | | 25,866 | 71,149 |
| Purchase of treasury shares | | - | (10,284) |
| Net cash from financing activities | | 25,866 | 60,865 |
| Net decrease in cash and short term funds | | (49,037) | (244,957) |
| Cash and short term funds at 1 January | | 721,440 | 856,913 |
| Cash and short term funds at 31 March | 4 | 672,403 | 611,956 |

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 18 May 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) Recognition of modification losses on financial assets arising from payment holidays to customers in response to Covid-19 to be recognised in retained earnings instead of profit or loss as required by IFRS 9.

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

31 March 2021 (Unaudited)

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 | | |
|---|--------------------------|----------------------|----------------|------------------|---------------|
| | | | 31 March 2021 | 31 December 2020 | 31 March 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> | | |
|--|---------------------------|------------------------------|---------------------------|
| | 31 March 2021 KD 000's | 31 December 2020 KD 000's | 31 March 2020 KD 000's |
| Cash and cash items | 138,267 | 166,614 | 202,620 |
| Balances with the CBK | 100,649 | 133,199 | 64,333 |
| Deposits with banks maturing within seven days | 433,487 | 421,627 | 345,003 |
| | 672,403 | 721,440 | 611,956 |
| Less : Provision for impairment (ECL) | (23) | (32) | (37) |
| | 672,380 | 721,408 | 611,919 |

5 DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

| | <i>(Audited)</i> | | |
|--------------------------------------|---------------------------|------------------------------|---------------------------|
| | 31 March 2021 KD 000's | 31 December 2020 KD 000's | 31 March 2020 KD 000's |
| Placements with banks | 431,957 | 469,278 | 671,806 |
| Less: Provision for impairment (ECL) | (42) | (34) | (149) |
| | 431,915 | 469,244 | 671,657 |
| Loans and advances to banks | 113,349 | 113,200 | 150,908 |
| Less: Provision for impairment | (821) | (822) | (1,509) |
| | 112,528 | 112,378 | 149,399 |
| | 544,443 | 581,622 | 821,056 |


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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 31 March 2021 is KD 197,783 thousand (31 December 2020: KD 178,272 thousand and 31 March 2020: KD 169,240 thousand).

The ECL on credit facilities determined under IFRS 9 amounted to KD 103,107 thousand as at 31 March 2021 (31 December 2020: KD 104,706 thousand and 31 March 2020: KD 76,236 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 is as follows;

| | 31 March 2021 | | | |
|-------------------------------------|------------------|---------|---------|-----------|
| | KD 000's | | | |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Credit facilities | 2,053,097 | 373,363 | - | 2,426,460 |
| Non cash credit facilities | 2,317,257 | 196,320 | 34,486 | 2,548,063 |
| ECL provision for credit facilities | 20,372 | 49,079 | 33,656 | 103,107 |
| | 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 |
| | 31 March 2020 | | | |
| | KD 000's | | | |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Credit facilities | 2,342,561 | 76,434 | 9,079 | 2,428,074 |
| Non cash credit facilities | 2,387,700 | 98,758 | 28,310 | 2,514,768 |
| ECL provision for credit facilities | 22,023 | 17,622 | 36,591 | 76,236 |



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 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.

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

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



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- b) During the three months period ended 31 March 2021, 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

The carrying value of debt securities designated as hedged item as at 31 March 2021 was KD 217,644 thousand (31 December 2020: 251,140 thousand and 31 March 2020: KD 256,751 thousand). The change in fair value of these securities resulting from changes in market interest rate (hedged risk) during the period was KD 1,704 thousand (31 March 2020: KD 4,250 thousand). The changes in fair value related to hedged risk during the period was recognised in the consolidated statement of income.

8 IMPAIRMENT AND OTHER PROVISIONS

Impairment and other provisions recorded for the period ended 31 March 2021 amounted to KD 21,623 thousand (31 March 2020: KD 20,969 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 2,417 thousand (31 March 2020: KD 2,835 thousand).

Impairment and other provisions includes reversal of ECL on financial assets other than loans and advances for the period ended 31 March 2021 amounting to KD 45 thousand (31 March 2020: charge of KD 675 thousand).

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 | |
|--|--------------------|------------------|
| | 31 March | |
| | 2021 | 2020 |
| Net profit for the period attributable to shareholders of the Bank (KD 000's) | <u>40</u> | <u>853</u> |
| Weighted average of authorised and subscribed shares (numbers in 000's) | 1,992,056 | 1,992,056 |
| Less: Weighted average of treasury shares held (numbers in 000's) | (68,835) | (54,154) |
| | <u>1,923,221</u> | <u>1,937,902</u> |
| Basic and diluted earnings per share attributable to shareholders of the Bank (fils) | <u>0.0</u> | <u>0.4</u> |


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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:

| | 31 March 2021 | | | 31 March 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 |
| Board of Directors | | | | | | |
| Loans | 1 | 2 | 1,852 | 1 | 1 | 1,279 |
| Credit cards | 3 | 1 | 3 | 4 | - | 17 |
| Deposits | 9 | 17 | 1,004 | 8 | 15 | 1,339 |
| Executive Management | | | | | | |
| Loans | 22 | 2 | 718 | 22 | 3 | 598 |
| Credit cards | 20 | 1 | 27 | 19 | 1 | 41 |
| Deposits | 28 | 34 | 751 | 31 | 22 | 732 |
| Associates | | | | | | |
| Deposits | 1 | - | 13,134 | 1 | - | 13,813 |
| Major Shareholders | | | | | | |
| Deposits | 1 | - | 39 | 1 | - | 12 |

Interest income and interest expense include KD 12 thousand (31 March 2020: KD 7 thousand) and KD 51 thousand (31 March 2020: KD 89 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:

| | Three months ended | |
|--|--------------------|----------|
| | 2021 | 2020 |
| | KD 000's | KD 000's |
| Salaries and other short-term benefits | 488 | 325 |
| Post employment benefits | 7 | 7 |
| End of service benefits | 63 | 22 |

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



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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:

| | 31 March 2021 | | | |
|--|----------------------------|---------|---------|---------|
| | KD 000's | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Debt securities | 281,701 | 24,570 | - | 306,271 |
| Equities and other securities | 216,476 | 21,704 | - | 238,180 |
| | 498,177 | 46,274 | - | 544,451 |
| Derivative financial instruments (Note 13) | - | (2,254) | - | (2,254) |
| | | | | |
| | 31 December 2020 (Audited) | | | |
| | 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 |
| | 526,680 | 42,239 | - | 568,919 |
| Derivative financial instruments (Note 13) | - | 3,376 | - | 3,376 |
| | | | | |
| | 31 March 2020 | | | |
| | KD 000's | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Debt securities | 333,996 | 20,444 | - | 354,440 |
| Equities and other securities | 195,802 | 25,086 | - | 220,888 |
| | 529,798 | 45,530 | - | 575,328 |
| Derivative financial instruments (Note 13) | - | (6,023) | - | (6,023) |

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


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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 | |
| | Three months ended 31 March | | Three months ended 31 March | | Three months ended 31 March | |
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Net interest income | 16,205 | 18,384 | 3,257 | 2,797 | 19,462 | 21,181 |
| Non interest income | 9,098 | 9,704 | 2,491 | 2,310 | 11,589 | 12,014 |
| Operating income | 25,303 | 28,089 | 5,748 | 5,106 | 31,051 | 33,195 |
| Impairment and other provisions | (21,635) | (20,344) | 12 | (625) | (21,623) | (20,969) |
| Net profit for the period | (975) | 2,510 | 1,034 | (1,646) | 59 | 864 |
| Assets | 2,384,356 | 2,449,908 | 1,876,267 | 2,124,402 | 4,260,623 | 4,574,310 |
| Liabilities & Equity | 1,647,429 | 1,527,947 | 2,613,194 | 3,046,363 | 4,260,623 | 4,574,310 |

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.

(i) Financial instruments with contractual amounts representing credit risk

| | 31 March 2021 | (Audited) 31 December 2020 | 31 March 2020 |
|-------------------------|------------------|----------------------------------|------------------|
| | KD 000's | KD 000's | KD 000's |
| Acceptances | 29,563 | 29,028 | 54,305 |
| Letters of credit | 108,582 | 153,927 | 130,148 |
| Letters of guarantee | 1,429,346 | 1,446,985 | 1,408,352 |
| Undrawn lines of credit | 947,065 | 933,112 | 895,691 |
| | 2,514,556 | 2,563,052 | 2,488,496 |



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 31 March 2021.

Expected Credit Loss (ECL) estimates

The inputs and assumptions used for the determination of ECL as at 31st March 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.

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.