

**WARBA BANK K.S.C.P.**

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

**30 SEPTEMBER 2020**



Building a better  
working world

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

### *Introduction*

We have reviewed the accompanying interim condensed consolidated statement of financial position of Warba Bank K.S.C.P. (the "Bank") and its subsidiaries (collectively "the Group") as at 30 September 2020, and the related interim condensed consolidated statement of profit or loss and interim condensed consolidated statement of comprehensive income for the three-month and nine-month period then ended and the related interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the nine-month period then ended. The management of the Bank is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the basis of preparation 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 International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim condensed consolidated 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.

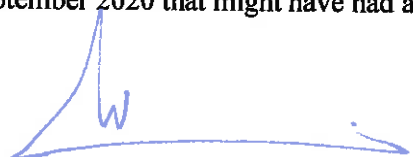
### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial information is not prepared, in all material respects, in accordance with the basis of preparation 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, as amended, its executive regulations, as amended, or of the Bank's Articles of Association and Memorandum of Incorporation 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, 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, or of the provisions of Law No 7 of 2010 concerning the Capital Markets Authority and its related regulations during the nine-months period ended 30 September 2020 that might have had a material effect on the business of the Bank or on its financial position.



BADER A. AL-ABDULJADER  
LICENCE NO. 207-A  
EY  
(AL AIBAN, AL OSAIMI & PARTNERS)



DR. RASHEED M. AL - QENAE  
LICENSE NO. 130 - A  
OF KPMG SAFI AL-MUTAWA & PARTNERS  
MEMBER FIRM OF KPMG INTERNATIONAL


9 November 2020  
Kuwait

Warba Bank K.S.C.P.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 September 2020

		30 September 2020	(Audited) 31 December 2019	30 September 2019
	Notes	KD'000	KD'000	KD'000
<b>ASSETS</b>				
Cash and bank balances	3	63,439	102,544	198,533
Placements with banks and the CBK		451,385	225,703	394,945
Financing receivables		2,473,844	2,261,974	2,070,124
Financial assets at fair value through profit or loss	12	80,175	55,895	53,779
Financial assets at fair value through other comprehensive income	12	289,890	323,062	218,462
Investment in joint ventures		105,742	91,007	78,121
Investment properties		19,784	20,798	20,748
Other assets		28,179	39,885	27,988
Property and equipment		34,470	22,803	21,970
<b>TOTAL ASSETS</b>		<b>3,546,908</b>	<b>3,143,671</b>	<b>3,084,670</b>
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
Due to banks and other financial institutions		572,427	953,303	965,036
Depositors' accounts		2,359,046	1,705,811	1,636,869
Sukuk issued	4	303,706	152,179	151,514
Other liabilities		50,325	38,018	43,741
<b>TOTAL LIABILITIES</b>		<b>3,285,504</b>	<b>2,849,311</b>	<b>2,797,160</b>
<b>EQUITY</b>				
Share capital	5	157,500	150,000	150,000
Share premium		40,000	40,000	40,000
Statutory reserve		3,098	3,098	1,353
Fair value reserve		434	7,211	5,111
Foreign currency translation reserve		1,086	127	(228)
(Accumulated losses) retained earnings		(17,077)	10,061	14,911
Proposed distributions	5	-	7,500	-
<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK</b>		<b>185,041</b>	<b>217,997</b>	<b>211,147</b>
Perpetual Tier 1 Sukuk		76,363	76,363	76,363
<b>TOTAL EQUITY</b>		<b>261,404</b>	<b>294,360</b>	<b>287,510</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>3,546,908</b>	<b>3,143,671</b>	<b>3,084,670</b>

  
Abdulwahab A. Al Houti  
Chairman

  
Shaheen H. Al Ghanem  
Chief Executive Officer

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

Warba Bank K.S.C.P.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
(UNAUDITED)

For the period ended 30 September 2020

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2020	2019	2020	2019
		KD'000	KD'000	KD'000	KD'000
Placements and finance income		26,074	28,354	84,067	79,609
Finance costs and distribution to depositors		(13,936)	(16,426)	(50,115)	(44,622)
<b>Net finance income</b>		<b>12,138</b>	11,928	<b>33,952</b>	34,987
Net investment income		6,764	2,049	10,845	3,087
Net fee and commission income		505	495	2,640	2,695
Other income	6	832	149	976	313
Foreign exchange gain (loss)		344	454	(1,586)	918
<b>Net operating income</b>		<b>20,583</b>	15,075	<b>46,827</b>	42,000
Staff costs		(3,987)	(3,750)	(12,858)	(10,828)
General and administrative expenses		(742)	(968)	(2,915)	(2,895)
Depreciation expense		(1,059)	(770)	(2,996)	(2,283)
<b>Net operating expenses</b>		<b>(5,788)</b>	(5,488)	<b>(18,769)</b>	(16,006)
<b>Net operating profit before provision for impairment and credit losses</b>		<b>14,795</b>	9,587	<b>28,058</b>	25,994
Provision for impairment and credit losses	7	(11,350)	(3,676)	(39,489)	(13,271)
<b>Profit (loss) before tax</b>		<b>3,445</b>	5,911	<b>(11,431)</b>	12,723
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		-	(54)	-	(115)
National Labour Support Tax (NLST)		-	(153)	-	(332)
Zakat		-	(61)	-	(133)
<b>NET PROFIT (LOSS) FOR THE PERIOD</b>		<b>3,445</b>	5,643	<b>(11,431)</b>	12,143
<b>BASIC AND DILUTED EARNINGS (LOSS) PER SHARE</b>	8	<b>0.61 fils</b>	2.01 fils	<b>(10.42) fils</b>	4.57 fils

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

Warba Bank K.S.C.P.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 30 September 2020

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>
<b>NET PROFIT (LOSS) FOR THE PERIOD</b>	<b>3,445</b>	<b>5,643</b>	<b>(11,431)</b>	<b>12,143</b>
<b>Other comprehensive income (loss)</b>				
<i>Other comprehensive income (loss) that will be reclassified to profit or loss:</i>				
<i>Debt instruments at fair value through other comprehensive income:</i>				
Net change in fair value	4,676	2,899	(2,556)	10,517
Changes in allowance for expected credit losses	(233)	36	(798)	412
Reclassification adjustment on derecognition	(3,313)	(69)	(3,423)	(35)
Net gains (losses) on debt instruments at fair value through other comprehensive income	<b>1,130</b>	<b>2,866</b>	<b>(6,777)</b>	<b>10,894</b>
<i>Cash flow hedges:</i>				
Hedging net gains (losses)	-	39	-	(1,137)
Movement on cash flow hedges	-	39	-	(1,137)
<i>Foreign currency translation:</i>				
Exchange differences on translation of foreign operations	575	(231)	959	(307)
<b>OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD</b>	<b>1,705</b>	<b>2,674</b>	<b>(5,818)</b>	<b>9,450</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD</b>	<b>5,150</b>	<b>8,317</b>	<b>(17,249)</b>	<b>21,593</b>

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

Warba Bank K.S.C.P.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 September 2020

	<i>Share capital KD'000</i>	<i>Share premium KD'000</i>	<i>Statutory reserve KD'000</i>	<i>Fair value reserve KD'000</i>	<i>Foreign currency translation reserve KD'000</i>	<i>Retained earnings (accumulated losses) KD'000</i>	<i>Sub-total KD'000</i>	<i>Proposed distributions KD'000</i>	<i>Equity attributable to shareholders of the Bank KD'000</i>	<i>Perpetual Tier 1 Sukuk KD'000</i>	<i>Total equity KD'000</i>
As at 1 January 2020	150,000	40,000	3,098	7,211	127	10,061	210,497	7,500	217,997	76,363	294,360
Net loss for the period	-	-	-	-	-	(11,431)	(11,431)	-	(11,431)	-	(11,431)
Other comprehensive (loss) income	-	-	-	(6,777)	959	-	(5,818)	-	(5,818)	-	(5,818)
Total comprehensive (loss) income for the period	-	-	-	(6,777)	959	(11,431)	(17,249)	-	(17,249)	-	(17,249)
Issue of bonus shares (Note 5)	7,500	-	-	-	-	-	7,500	(7,500)	-	-	-
Profit paid on Perpetual Tier 1 Sukuk	-	-	-	-	-	(4,981)	(4,981)	-	(4,981)	-	(4,981)
Modification loss on payment deferral program (Note 14)	-	-	-	-	-	(10,726)	(10,726)	-	(10,726)	-	(10,726)
<b>At 30 September 2020</b>	<b>157,500</b>	<b>40,000</b>	<b>3,098</b>	<b>434</b>	<b>1,086</b>	<b>(17,077)</b>	<b>185,041</b>	<b>-</b>	<b>185,041</b>	<b>76,363</b>	<b>261,404</b>
As at 1 January 2019 as previously reported (audited)	150,000	40,000	1,353	(4,646)	79	7,779	194,565	-	194,565	76,363	270,928
Impact of adopting IFRS 16 at 1 January 2019	-	-	-	-	-	(68)	(68)	-	(68)	-	(68)
Restated opening balance under IFRS 16	150,000	40,000	1,353	(4,646)	79	7,711	194,497	-	194,497	76,363	270,860
Net profit for the period	-	-	-	-	-	12,143	12,143	-	12,143	-	12,143
Other comprehensive income (loss)	-	-	-	9,757	(307)	-	9,450	-	9,450	-	9,450
Total comprehensive income (loss) for the period	-	-	-	9,757	(307)	12,143	21,593	-	21,593	-	21,593
Profit paid on Perpetual Tier 1 Sukuk	-	-	-	-	-	(4,943)	(4,943)	-	(4,943)	-	(4,943)
<b>At 30 September 2019</b>	<b>150,000</b>	<b>40,000</b>	<b>1,353</b>	<b>5,111</b>	<b>(228)</b>	<b>14,911</b>	<b>211,147</b>	<b>-</b>	<b>211,147</b>	<b>76,363</b>	<b>287,510</b>

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

Warba Bank K.S.C.P.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
(UNAUDITED)

For the period ended 30 September 2020

	Note	Nine months ended 30 September	
		2020 KD'000	2019 KD'000
<b>OPERATING ACTIVITIES</b>			
Net (loss) profit for the period		(11,431)	12,143
<i>Adjustments for:</i>			
Realised gain on sale of debt instruments at FVOCI		(3,423)	(35)
Realised gain on sale of financial assets at FVPL		(2,101)	-
Gain on sale of investment property		-	(61)
Dividend income from financial assets		(1,435)	(1,175)
Share of results from investments in joint ventures		(4,538)	(2,480)
Net rental income from investment properties		(698)	(885)
Fair value adjustment to investment properties		911	(386)
Other investment income		(457)	(609)
Fair value loss from financial assets FVPL		896	2,544
Provision for employees' end of service benefits		671	592
Depreciation expense		2,996	2,283
Provision for impairment and credit losses		39,489	13,271
		<b>20,880</b>	<b>25,202</b>
<i>Changes in operating assets and liabilities:</i>			
Placements with banks and the CBK		18,776	(14,732)
Financing receivables		(264,475)	(476,230)
Other assets		12,251	(2,178)
Due to banks and other financial institutions		(380,935)	130,116
Depositors' accounts		653,235	583,691
Other liabilities		(525)	3,317
<b>Net cash flows from operating activities</b>		<b>59,207</b>	<b>249,186</b>
<b>INVESTING ACTIVITIES</b>			
Purchase/ capital contributions of financial assets at FVPL		(35,131)	(16,667)
Proceeds from sale/ redemption of financial assets at FVPL		12,011	1,882
Purchase of financial assets at FVOCI		(100,716)	(95,372)
Proceeds from sale of financial assets at FVOCI		136,329	36,409
Additions to investment in joint ventures		(12,484)	(26,368)
Proceeds from sale of investment property		-	2,259
Purchase of property and equipment		(4,811)	(1,574)
Dividends received from financial assets		1,478	1,137
Other investment income received		457	609
Distributions received from joint ventures		3,392	3,092
Rental income received		807	1,140
<b>Net cash flows from (used in) investing activities</b>		<b>1,332</b>	<b>(93,453)</b>
<b>FINANCING ACTIVITIES</b>			
Profit paid to holders on Perpetual Tier 1 Sukuk		(4,981)	(4,943)
Payment of lease liabilities		(1,668)	-
Proceeds from Sukuk issued		151,527	151,514
<b>Net cash flows from financing activities</b>		<b>144,878</b>	<b>146,571</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>205,417</b>	<b>302,304</b>
Cash and cash equivalents at 1 January		283,637	229,926
<b>CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER</b>	3	<b>489,054</b>	<b>532,230</b>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2020

**1 CORPORATE INFORMATION**

Warba Bank K.S.C.P. (the “Bank”) is a Kuwaiti public shareholding company, incorporated on 17 February 2010 in the State of Kuwait by virtue of Amiri Decree No. 289/2009. The Bank is registered as an Islamic banking institution in accordance with the rules and regulations of the Central Bank of Kuwait (the “CBK”) on 7 April 2010 and its shares are publicly traded on the Boursa Kuwait. The Bank’s head office is located at Sanabil Tower, 26<sup>th</sup> – 28<sup>th</sup> floor, Abdullah Al Ahmed Street and its registered postal address is P.O. Box 1220, Safat 13013, State of Kuwait.

The Bank is primarily involved in investment, corporate and retail banking activities in accordance with the principles of Islamic Sharī‘a, as approved by the Bank’s Sharī‘a Supervisory Board.

The annual general assembly meeting (“AGM”) of the shareholders of the Bank held on 20 April 2020 approved the consolidated financial statements for the year ended 31 December 2019. Distributions proposed and approved by the Bank for the year then ended are provided in Note 5.

This interim condensed consolidated financial information as at and for the nine months ended 30 September 2020 includes the financial information of the Bank and its wholly owned special purpose vehicles (together referred to as “the Group”).

This interim condensed consolidated financial information for the nine months ended 30 September 2020 has been approved for issue in accordance with a resolution of the Board of Directors on 19 October 2020.

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

**2.1 Basis of preparation**

The interim condensed consolidated financial information of the Group for the nine months ended 30 September 2020 has been prepared in accordance with IAS 34 *Interim Financial Reporting*, except as noted below.

The interim condensed consolidated financial information have been prepared in accordance with the regulations for financial services institutions as issued by the Central Bank of Kuwait (“CBK”) in the State of Kuwait. These regulations require expected credit loss (“ECL”) to be measured at the higher of the ECL on financing facilities computed under IFRS 9 according to the CBK guidelines or the provisions as required by CBK instructions; including the consequential impact on related disclosures. These regulations also require adoption of all other requirements of International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (“IASB”).

Further, during the period ended 30 September 2020, CBK has extended their regulations to require that modification losses of financial assets arising from payment holidays provided to customers in response to the economic impact of Covid-19 are to be recognised in retained earnings instead of profit or loss.

The interim condensed consolidated financial information does not include all the information and disclosures required in the Group’s annual consolidated financial statements and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2019.

The interim condensed consolidated financial information provides comparative information in respect of the previous period. Certain comparative information has been reclassified and represented to conform to classification in the current period. Such reclassification has been made to improve the quality of information presented.

**2.2 New standards, interpretations, and amendments adopted by the Group**

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020 and the accounting for modification loss in response to Covid-19 in accordance with CBK’s instructions as explained above. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed consolidated financial information of the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2020

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

**2.2 New standards, interpretations, and amendments adopted by the Group (continued)**

**Amendments to IFRS 3: *Definition of a Business***

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the interim condensed consolidated financial information of the Group, but may impact future periods should the Group enter into any business combinations.

**Amendments to IFRS 7, IFRS 9 and IAS 39: *Interest Rate Benchmark Reform***

The amendments to IFRS 9 and IAS 39 *Financial Instruments: Recognition and Measurement* provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the interim condensed consolidated financial information of the Group as it does not have any interest rate hedge relationships.

**Amendments to IAS 1 and IAS 8: *Definition of Material***

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the interim condensed consolidated financial information of, nor is there expected to be any future impact to the Group.

**Conceptual Framework for Financial Reporting issued on 29 March 2018**

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

These amendments had no impact on the interim condensed consolidated financial information of the Group.

**Amendments to IFRS 16 *Covid-19 Related Rent Concessions***

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no material impact on the interim condensed consolidated financial information of the Group.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2020

**2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)****2.3 Summary of accounting policies for new transactions and events****Government grants**

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

**3 CASH AND CASH EQUIVALENTS**

For the purpose of the interim condensed consolidated statement of cash flows, cash and cash equivalents are comprised of the following:

	<i>30 September</i> <i>2020</i> <i>KD'000</i>	<i>(Audited)</i> <i>31 December</i> <i>2019</i> <i>KD'000</i>	<i>30 September</i> <i>2019</i> <i>KD'000</i>
Cash	12,064	3,725	2,651
Current account with the CBK	23,339	10,615	13,072
Current account with commercial banks	28,036	88,204	182,810
<b>Total cash and bank balances</b>	<b>63,439</b>	<b>102,544</b>	<b>198,533</b>
Placements with the CBK whose original maturity is within 3 months	94,045	27,101	89,136
Placements with banks whose original maturity is within 3 months	331,570	153,992	244,561
<b>Total cash and cash equivalents</b>	<b>489,054</b>	<b>283,637</b>	<b>532,230</b>

**4 SUKUK ISSUED**

On 24 September 2019, the Bank completed the series 1 issue of unsecured Sukuk (senior debt) amounting to US\$ 500 million with a tenor of up to 5 years maturing on 24 September 2024. Such sukuk has a fixed coupon rate of 2.982% per annum, payable semi-annually in arrears. The Sukuk is listed on the Irish Stock Exchange (Euronext Dublin) and NASDAQ Dubai.

On 17 June 2020, the Bank completed the issuance of an unsecured Sukuk (senior debt) amounting to KD 150 million with a tenor of up to 5 years maturing on 17 June 2025. Such sukuk has a coupon rate of 1% per annum over the CBK discount rate, payable semi-annually in arrears. The Sukuk is listed on the Irish Stock Exchange (Euronext Dublin).

**5 SHARE CAPITAL AND DISTRIBUTIONS MADE**

The authorised, issued, and fully paid share capital as at 30 September 2020 comprise of 1,575,000 thousand shares (31 December 2019: 1,500,000 thousand shares and 30 September 2019: 1,500,000 thousand shares) of 100 fils each.

The ordinary general assembly meeting ("AGM") of the Bank's shareholders held on 20 April 2020 approved to a bonus shares issue of 5% of the authorised, issued, and fully paid share capital for the year ended 31 December 2019 (2018: Nil%). No cash dividends were declared for the year ended 31 December 2019 (2018: Nil%).

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As at and for the period ended 30 September 2020

**5 SHARE CAPITAL AND DISTRIBUTIONS MADE (continued)**

The extra-ordinary general assembly (“EGM”) of the Bank’s shareholders held on 27 April 2020 approved the increase of Bank’s authorised, issued, and fully paid share capital by issuing 75,000 thousand bonus shares at 5% of the authorised and paid-up share capital (i.e. 5 shares for each 100 shares) amounting to KD 7,500 thousand to the shareholders registered in the Bank’s records as at the end of the record date scheduled on 4 June 2020.

**6 OTHER INCOME**

In an attempt to mitigate the impact of the Covid-19 pandemic, the Government of Kuwait has introduced measures to aid private entities in response to the pandemic. These measures include government assistance made towards national workforce in the private sector for a period of up to six months effective from June 2020.

The financial support amounting to KD 773 thousand is accounted for in accordance with IAS 20 ‘Accounting for Government Grants and Disclosures of Government Assistance’ and recognised in profit or loss as ‘other income’ on a systematic basis over the periods in which the Bank recognises expenses for the related staff costs.

**7 PROVISION FOR IMPAIRMENT AND CREDIT LOSSES**

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>KD’000</i>	<i>KD’000</i>	<i>KD’000</i>	<i>KD’000</i>
Provision charge (reversal) for credit facilities – specific	10,400	(89)	35,573	5,972
Provision charge for credit facilities – general	1,115	3,537	4,636	6,815
Expected credit losses (reversal) charge	(165)	228	(720)	484
	<u>11,350</u>	<u>3,676</u>	<u>39,489</u>	<u>13,271</u>

**8 BASIC AND DILUTED EARNINGS (LOSS) PER SHARE**

Basic earnings (loss) per share amounts are calculated by dividing the profit (loss) for the period attributable to ordinary equity holders of the Bank adjusted for profit paid on Perpetual Tier 1 Sukuk by the weighted average number of ordinary shares outstanding during the period. Diluted earnings (loss) per share is calculated by dividing the profit (loss) attributable to ordinary equity holders of the Bank adjusted for profit paid on Perpetual Tier 1 Sukuk by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. As there are no dilutive instruments outstanding, basic and diluted earnings (loss) per share are identical.

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
Net profit (loss) for the period (KD’000)	3,445	5,643	(11,431)	12,143
Less: profit payment on Perpetual Tier 1 Sukuk (KD’000)	(2,489)	(2,473)	(4,981)	(4,943)
	<u>956</u>	<u>3,170</u>	<u>(16,412)</u>	<u>7,200</u>
Weighted average number of shares outstanding (shares’000)	1,575,000	1,575,000	1,575,000	1,575,000
Basic and diluted earnings (loss) per share (fils)	<u>0.61</u>	<u>2.01</u>	<u>(10.42)</u>	<u>4.57</u>

The comparative basic and diluted earnings per share have been restated to reflect the impact of bonus shares issued in 2020 (Note 5).

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**9 RELATED PARTY DISCLOSURES**

Related parties comprise the major shareholders, board of directors, entities controlled by them or under their joint control, associates, key management personnel and their close family members. Balances with related parties arise from commercial transactions in the normal course of business on terms approved by the management.

**9.1 Remuneration of the Bank's key management personnel:**

Key management personnel are those individuals who have the authority and responsibility for planning and exercising power to directly or indirectly control the activities of the Bank and its employees. The Bank considers the members of the Board of Directors (and its sub-committees) and Executive Committee to be key management personnel for the purposes of IAS 24 *Related Party Disclosures*.

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2020 KD'000</i>	<i>2019 KD'000</i>	<i>2020 KD'000</i>	<i>2019 KD'000</i>
Salaries and short-term benefits	476	426	1,361	1,254
End of service benefits	45	40	138	112
	<u>521</u>	<u>466</u>	<u>1,499</u>	<u>1,366</u>

The AGM of the shareholders of the Bank for the year ended 31 December 2019 held on 20 April 2020 approved the directors' fees proposed for the year ended 31 December 2019 of KD 125 thousand.

**9.2 Transactions with Bank's key management personnel and board of directors' members:**

The Bank enters into transactions, arrangements and agreements involving senior management, board of directors' members, and their controlled business, or close family members, in the ordinary course of business under the same commercial and market terms, profit and commission rates that apply to non-related parties.

The following table shows the total amount of transactions, which have been entered into with key management personnel and board of directors' members for the relevant financial period/ year which are included in the interim condensed consolidated statement of financial position:

	<i>30 September 2020 KD'000</i>	<i>(Audited) 31 December 2019 KD'000</i>	<i>30 September 2019 KD'000</i>
	Financing facilities	1,540	1,439
Credit cards	8	4	7
Depositors' accounts	1,514	6,810	1,802

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2020

**9 RELATED PARTY DISCLOSURES (continued)**

**9.2 Transactions with Bank's key management personnel and board of directors' members (continued):**

The transactions with related parties included under the contingent liabilities are as follows:

	<i>30 September 2020 KD'000</i>	<i>(Audited) 31 December 2019 KD'000</i>	<i>30 September 2019 KD'000</i>
Letter of guarantees	4	4	-

The number of the board members and executive officers is as follows:

	<i>30 September 2020</i>	<i>(Audited) 31 December 2019</i>	<i>30 September 2019</i>
Financing facilities	8	6	7
Credit cards	6	5	6
Depositors' accounts	46	44	48
Letter of guarantees	1	1	-

The transactions with related parties which are included in the interim condensed consolidated statement of profit or loss are as follows:

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2020 KD'000</i>	<i>2019 KD'000</i>	<i>2020 KD'000</i>	<i>2019 KD'000</i>
Placements and finance income	18	24	57	65
Finance costs and distribution to depositors	12	32	43	53

**9.3 Transactions with major shareholders and other related parties:**

In addition to transactions with key management personnel and board of directors' members, the Bank enters into transactions with major shareholders and other entities which the Bank has direct or indirect control, including common control, joint control and significant influence.

Balances recorded in the interim condensed consolidated statement of financial position are as follows:

	<i>Outstanding balances as at</i>			<i>(Audited)</i>	
	<i>Major shareholders KD'000</i>	<i>Other related parties KD'000</i>	<i>30 September 2020 KD'000</i>	<i>31 December 2019 KD'000</i>	<i>30 September 2019 KD'000</i>
Depositors' accounts	664,783	95	664,878	872,861	911,584

The number of major shareholders and other related parties is as follows:

	<i>No. of major shareholders</i>	<i>No. of other related parties</i>
<i>30 September 2020</i>		
Depositors' accounts	2	30
<i>31 December 2019 (Audited)</i>		
Depositors' accounts	2	30
<i>30 September 2019</i>		
Depositors' accounts	2	-

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2020

**9 RELATED PARTY DISCLOSURES (continued)**

**9.3 Transactions with major shareholders and other related parties (continued):**

Transactions with related parties recorded in the interim condensed consolidated statement of profit or loss are as follows:

*For the nine months ended*

	<i>Transactions values during the period ended</i>			
	<i>Major</i>	<i>Other related</i>	<i>30 September</i>	<i>30 September</i>
	<i>shareholders</i>	<i>parties</i>	<i>2020</i>	<i>2019</i>
	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>
Finance costs and distributions to depositors	8,964	-	8,964	15,760

*For the three months ended*

	<i>Transactions values during the period ended</i>			
	<i>Major</i>	<i>Other related</i>	<i>30 September</i>	<i>30 September</i>
	<i>shareholders</i>	<i>parties</i>	<i>2020</i>	<i>2019</i>
	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>
Finance costs and distributions to depositors	1,783	-	1,783	4,783

Outstanding balances at period-end are in the ordinary course of business. The profit rates charged to, and by, related parties are at normal commercial rates. Except for guarantees of KD 2,756 thousand received for related party receivables, there are no guarantees provided for related party payables during the period ended 30 September 2020.

**10 COMMITMENTS AND CONTINGENT LIABILITIES**

	<i>30 September</i>	<i>(Audited)</i>	
		<i>31 December</i>	<i>30 September</i>
		<i>2019</i>	<i>2019</i>
	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>
Acceptances and letters of credit	34,486	52,210	46,327
Letters of guarantee	126,853	115,030	106,185
Contingent liabilities	161,339	167,240	152,512
Capital commitments	113,167	28,816	4,024

**11 SEGMENT INFORMATION**

The Group's operating segments are determined based on the reports reviewed by the decision makers that are used for strategic decisions. These segments are strategic business units that offer different products and services. They are managed separately since the nature of the products and services, class of customers and marketing strategies of these segments are different.

These operating segments meet the criteria for reportable segments and are as follows:

- ▶ **Corporate** - comprising of range of banking services and investment products to corporate customers, in addition to providing commodity and real estate murabaha finance and Ijarah facilities;
- ▶ **Retail** - comprising of a diversified range of products and services to individual customers. The range includes consumer finance, credit cards, deposits and other branch related services.
- ▶ **Treasury** – comprising of the Bank's funding operations management, local and international Murabaha and other Islamic financing primarily with banks and financial institutions.
- ▶ **Investment** - comprising of investment in direct equity, real estate investment and other investments.
- ▶ **Other** – comprising of cost center assets and expenses.

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11 SEGMENT INFORMATION (continued)

Management monitors the operating segments separately for the purpose of making decisions about resource allocation and performance assessment.

The following table presents net operating income (loss), profit (loss) for the period, total assets and total liabilities information in respect of the Bank's reportable segments:

	30 September 2020					
	Corporate KD'000	Retail KD'000	Treasury KD'000	Investment KD'000	Other KD'000	Total KD'000
Operating income (loss)	28,206	10,101	(231)	8,751	-	46,827
Net (loss) profit	(11,788)	2,493	(113)	7,866	(9,889)	(11,431)
Total assets	2,042,850	430,995	683,322	327,093	62,648	3,546,908
Total liabilities	392,449	673,277	2,169,453	-	50,325	3,285,504

	30 September 2019					
	Corporate KD'000	Retail KD'000	Treasury KD'000	Investment KD'000	Other KD'000	Total KD'000
Operating income	31,121	7,943	1,273	1,663	-	42,000
Net profit (loss)	18,637	993	818	312	(8,617)	12,143
Total assets	1,693,232	379,543	679,412	282,525	49,958	3,084,670
Total liabilities	305,023	495,921	1,952,475	-	43,741	2,797,160

12 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial instruments comprise financial assets and financial liabilities.

**Fair value hierarchy**

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

- ▶ **Level 1** - quoted (unadjusted) prices in an active market for identical assets and liabilities;
- ▶ **Level 2** - other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- ▶ **Level 3** - other techniques which use inputs which have a significant effect on the recorded fair value are not based on observable market data.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2020

12 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

*Fair value hierarchy (continued)*

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

		<i>Fair value measurement</i>		
		<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>
<b>30 September 2020</b>	<b>Total</b>	<b>Quoted prices in active markets (Level 1)</b>	<b>Significant observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>
	<b>KD'000</b>	<b>KD'000</b>	<b>KD'000</b>	<b>KD'000</b>
<i>Assets measured at fair value on a recurring basis</i>				
<i>Financial assets at FVPL</i>				
Quoted equity instruments	14,333	14,333	-	-
Funds (unquoted)	49,963	-	-	49,963
Other securities (unquoted)	15,879	-	-	15,879
	<b>80,175</b>	<b>14,333</b>	<b>-</b>	<b>65,842</b>
<i>Financial assets at FVOCI</i>				
Quoted Sukuk				
- Sovereign Sukuk	197,673	197,673	-	-
- Corporate Sukuk	80,353	80,353	-	-
	<b>278,026</b>	<b>278,026</b>	<b>-</b>	<b>-</b>
Unquoted Sukuk	6,359	-	-	6,359
Unquoted equity instruments	5,505	-	-	5,505
	<b>289,890</b>	<b>278,026</b>	<b>-</b>	<b>11,864</b>
<i>Derivative financial instruments (Note 13)</i>				
Profit rate swaps	-	-	-	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
		<i>Fair value measurement</i>		
		<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>
<b>31 December 2019 (Audited)</b>	<b>Total</b>	<b>Quoted prices in active markets (Level 1)</b>	<b>Significant observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>
	<b>KD'000</b>	<b>KD'000</b>	<b>KD'000</b>	<b>KD'000</b>
<i>Assets measured at fair value on a recurring basis</i>				
<i>Financial assets at FVPL</i>				
Quoted equity instruments	7,536	7,536	-	-
Funds (unquoted)	35,267	-	-	35,267
Other securities (unquoted)	13,092	-	-	13,092
	<b>55,895</b>	<b>7,536</b>	<b>-</b>	<b>48,359</b>
<i>Financial assets at FVOCI</i>				
Quoted Sukuk				
- Sovereign Sukuk	185,015	185,015	-	-
- Corporate Sukuk	126,144	126,144	-	-
	<b>311,159</b>	<b>311,159</b>	<b>-</b>	<b>-</b>
Unquoted Sukuk	6,398	-	-	6,398
Unquoted equity instruments	5,505	-	-	5,505
	<b>323,062</b>	<b>311,159</b>	<b>-</b>	<b>11,903</b>
<i>Derivative financial instruments (Note 13)</i>				
Profit rate swaps	-	-	-	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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## 12 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

*Fair value hierarchy (continued)*

	<i>Total</i> KD'000	<i>Fair value measurement</i>		
		<i>Quoted prices in active markets (Level 1)</i> KD'000	<i>Significant observable inputs (Level 2)</i> KD'000	<i>Significant unobservable inputs (Level 3)</i> KD'000
<i>30 September 2019</i>				
<i>Assets measured at fair value on a recurring basis</i>				
<i>Financial assets at FVPL</i>				
Quoted equity instruments	7,533	7,533	-	-
Funds (unquoted)	35,476	-	-	35,476
Other securities (unquoted)	10,770	-	-	10,770
	<u>53,779</u>	<u>7,533</u>	<u>-</u>	<u>46,246</u>
<i>Financial assets at FVOCI</i>				
Quoted Sukuk				
- Sovereign Sukuk	88,972	88,972	-	-
- Corporate Sukuk	117,713	117,713	-	-
	<u>206,685</u>	<u>206,685</u>	<u>-</u>	<u>-</u>
Unquoted Sukuk	6,285	-	-	6,285
Unquoted equity instruments	5,492	-	-	5,492
	<u>218,462</u>	<u>206,685</u>	<u>-</u>	<u>11,777</u>
<i>Derivative financial instruments (Note 13)</i>				
Profit rate swaps	(1,080)	(1,080)	-	-

**Movements in Level 3 financial instruments measured at fair value**

The following tables show the reconciliation of the opening and closing amounts of Level 3 financial assets measured at fair value:

*30 September 2020*

	<i>At 1 January 2020</i> KD'000	<i>Additions / capital contributions</i> KD'000	<i>Sales/ redemptions</i> KD'000	<i>Change in fair value</i> KD'000	<i>Exchange rate differences</i> KD'000	<i>At 30 September 2020</i> KD'000
<i>Financial assets at FVPL</i>						
Funds (unquoted)	35,267	25,840	(9,910)	(1,193)	(41)	49,963
Other securities (unquoted)	13,092	2,536	(52)	164	139	15,879
	<u>48,359</u>	<u>28,376</u>	<u>(9,962)</u>	<u>(1,029)</u>	<u>98</u>	<u>65,842</u>
<i>Financial assets at FVOCI</i>						
Unquoted Sukuk	6,398	-	-	(102)	63	6,359
Unquoted equity instruments	5,505	-	-	-	-	5,505
	<u>11,903</u>	<u>-</u>	<u>-</u>	<u>(102)</u>	<u>63</u>	<u>11,864</u>

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#### 12 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

##### Movements in Level 3 financial instruments measured at fair value (continued)

31 December 2019 (Audited)

	At 1 January 2019 KD'000	Additions / capital contributions KD'000	Sales/ redemptions KD'000	Change in fair value KD'000	Exchange rate differences KD'000	At 31 December 2019 KD'000
<i>Financial assets at FVPL</i>						
Funds (unquoted)	26,430	14,078	(2,225)	(2,955)	(61)	35,267
Other securities (unquoted)	7,911	5,285	(112)	18	(10)	13,092
	34,341	19,363	(2,337)	(2,937)	(71)	48,359
<i>Financial assets at FVOCI</i>						
Unquoted Sukuk	8,108	-	(2,000)	295	(5)	6,398
Unquoted equity instruments	5,492	-	-	13	-	5,505
	13,600	-	(2,000)	308	(5)	11,903

30 September 2019

	At 1 January 2019 KD'000	Additions / capital contributions KD'000	Sales/ redemptions KD'000	Change in fair value KD'000	Exchange rate differences KD'000	At 30 September 2019 KD'000
<i>Financial assets at FVPL</i>						
Funds (unquoted)	26,430	13,734	(1,496)	(3,192)	-	35,476
Other securities (unquoted)	7,911	2,971	(112)	-	-	10,770
	34,341	16,705	(1,608)	(3,192)	-	46,246
<i>Financial assets at FVOCI</i>						
Unquoted Sukuk	8,108	-	(2,000)	162	15	6,285
Unquoted equity instruments	5,492	-	-	-	-	5,492
	13,600	-	(2,000)	162	15	11,777

There were no transfers between any levels of the fair value hierarchy during 2020 or 2019.

The valuation techniques and inputs used in this interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019.

The fair value of financial instruments classified as level 3 are, in certain circumstances, measured using valuation techniques that incorporate assumptions that are not evidenced by the prices from observable current market transactions in the same instrument and are not based on observable market data. The Group employs valuation techniques, depending on the instrument type and available market data. For example, in the absence of active market, an investment's fair value is estimated on the basis of an analysis of the investee's financial position and results, risk profile and other factors. Favourable and unfavourable changes in the value of financial instruments are determined on the basis of changes in the value of the instruments as a result of varying the levels of the unobservable parameters, quantification of which is judgmental. The management assessed that the impact on profit or loss or other comprehensive income would be immaterial if the relevant risk variables used to fair value the financial instruments classified as Level 3 were altered by 5 percent.

For other financial assets and financial liabilities carried at amortised cost, the carrying value is not significantly different from their fair value as most of these assets and liabilities are of short-term maturity or are re-priced immediately based on market movement in profit rates.

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**13 DERIVATIVE FINANCIAL INSTRUMENTS**

Derivative financial instruments are financial instruments that derive their value by referring to profit rates, foreign exchange rates, index of prices or rates and credit rating or credit index. Notional principal amounts merely represent amounts to which a rate or price is applied to determine the amounts of cash flows to be exchanged and do not represent the potential gain or loss associated with the market or credit risk of such instruments.

Derivative financial instruments are carried at fair value in the interim condensed consolidated statement of financial position. Positive fair value represents the cost of replacing all transactions with a fair value in the Group's favour had the rights and obligations arising from that instrument been closed in an orderly market transaction at the reporting date. Credit risk in respect of derivative financial instruments is limited to the positive fair value of the instruments. Negative fair value represents the cost to the Group's counter parties of replacing all their transactions with the Group.

The Group deals in profit rate swaps to manage its market risk exposure on profit-bearing assets and liabilities and to provide profit rate risk management solutions to customers.

**Profit rate swap**

Profit rate swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as profit rate, foreign currency rate or equity index.

Profit rate swaps relate to contracts taken out by the Bank with other counterparties to hedge one of its foreign currency deposits with an original maturity up to 3 years against profit rate fluctuations.

The Group performs hedge effectiveness testing at the end of the reporting period. Any hedge ineffectiveness is recognised in profit or loss. There was no hedge ineffectiveness during period in relation to the profit rate swaps.

The fair value of derivative financial instruments included in the financial records, together with their notional amounts is summarised below:

	<u>30 September 2020</u>		<i>(Audited)</i> <u>31 December 2019</u>		<u>30 September 2019</u>	
	<i>Fair value</i> <i>KD 000's</i>	<i>Notional</i> <i>KD 000's</i>	<i>Fair value</i> <i>KD 000's</i>	<i>Notional</i> <i>KD 000's</i>	<i>Negative</i> <i>fair value</i> <i>KD 000's</i>	<i>Notional</i> <i>KD 000's</i>
<i>Profit rate swaps (held as cash flow hedge)</i>	-	-	-	-	(1,080)	120,840

During the prior year ended 31 December 2019, the Group's hedging relationships with respect to the profit rate swaps have been terminated and accordingly, the cumulative changes in fair value previously recognised in OCI relating to the hedging instrument have been recycled to profit or loss as a reclassification adjustment during the year then ended.

As at 30 September 2020, the Group has no qualifying hedging relationships.

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**14 IMPACT OF COVID-19**

The Coronavirus (“COVID-19”) pandemic has spread across various geographies globally, causing disruption to business and economic activities. COVID-19 has brought about uncertainties in the global economic environment, and governments and authorities have announced a host of support measures to counter possible adverse implications and contain or delay the spread of the virus.

The Group is closely monitoring the situation and has activated its Business Continuity Planning and risk management practices to manage the potential business disruption COVID-19 outbreak may have on its operations and financial performance.

During the financial reporting period, oil prices have witnessed unprecedented volatility. The uncertainties caused by COVID-19, and the volatility in oil prices have required the Group to update the inputs and assumptions used for the determination of Expected Credit Losses (“ECLs”) as at 30 September 2020. ECLs were estimated based on a range of forecast economic conditions as at that date and considering that the situation is fast evolving, the Group has considered the impact of higher volatility in the forward-looking macro-economic factors, when determining the severity and likelihood of economic scenarios for ECL determination. Further, Loss Given Default (LGD) and Exposure at Default (EAD) estimates have also been critically assessed. This assessment has considered several aspects including, the cash situation of clients, the value of collateral and the enforceability of guarantees.

Kuwait’s authorities announced certain measures to provide support to the customers which include payment holidays and funding at concessional terms to certain customers in the consumer and instalment segment.

In accordance with IASB guidance, the extension of payment relief does not automatically trigger a Significant Increase in Credit Risk (SICR) and a stage migration for the purpose of calculating expected credit losses, as these measures are being made available to assist borrowers affected by COVID-19 outbreak to resume regular payments. The 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.

The Group has 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.

Further, the Bank decided to postpone monthly payments for instalments of consumer financing, instalment financing and credit cards for all customers for a period of nine months effective from April 2020 with waiving additional profits and charges during this period (“payment deferral program”). As a result, the Bank recalculated the gross carrying amount based on the revised cash flows of the financial assets and recognised a modification loss of KD 10.726 million charged to retained earnings in accordance with CBK’s instructions as set out in Note 2.