



**The Commercial Bank of Kuwait Group**

**Interim Condensed Consolidated Financial Information**

**30 September 2022**

**(Unaudited)**

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

### **Introduction**

We have reviewed the accompanying interim condensed consolidated statement of financial position of Commercial Bank of Kuwait K.P.S.C. ("the Bank") and its subsidiary (together called "the Group") as of 30 September 2022, and the related interim condensed consolidated statements of income and comprehensive income for the three-month and nine-month periods then ended and the related interim condensed consolidated statements of changes in equity and cash flows for the nine-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the basis of presentation set out in Note 2. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

### **Scope of Review**

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared in all material respects in accordance with the basis of presentation set out in Note 2.

### **Report on other Legal and Regulatory Requirements**

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Bank. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016 and its executive regulations, as amended, or of the Memorandum of Incorporation and Articles of Association of the Bank as amended, during the nine-month period ended 30 September 2022, that might have had a material effect on the business of the Bank or on its financial position.

We further report that, during the course of our review and to the best of our knowledge and belief, we have not become aware of any violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the Organization of Banking Business, and its related regulations during the nine-month period ended 30 September 2022, that might have had a material effect on the business of the Bank or on its financial position.

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**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

30 September 2022 (Unaudited)

			(Audited)	
	Note	30 September 2022 KD 000's	31 December 2021 KD 000's	30 September 2021 KD 000's
<b>ASSETS</b>				
Cash and short term funds	4	713,612	727,513	648,305
Treasury and Central Bank bonds		194,140	177,452	185,998
Due from banks and other financial institutions	5	426,856	482,586	450,138
Loans and advances	6	2,429,565	2,278,078	2,249,442
Investment securities	7	360,347	551,303	588,062
Premises and equipment		29,173	28,922	29,596
Intangible assets		3,506	3,506	3,506
Other assets		96,046	40,206	40,801
<b>TOTAL ASSETS</b>		<b>4,253,245</b>	4,289,566	4,195,848
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
Due to banks		149,257	360,526	280,253
Due to other financial institutions		300,972	245,676	289,792
Customer deposits		2,276,050	2,119,614	2,070,328
Other borrowed funds	8	649,632	519,459	540,366
Other liabilities		205,551	223,427	217,238
<b>TOTAL LIABILITIES</b>		<b>3,581,462</b>	3,468,702	3,397,977
<b>EQUITY</b>				
<b>Equity attributable to shareholders of the Bank</b>				
Share capital		199,206	199,206	199,206
Treasury shares		(5,233)	(5,233)	(5,233)
Reserves		276,405	427,372	417,919
Retained earnings		201,091	159,614	185,007
Proposed dividend		671,469	780,959	796,899
		-	39,618	-
<b>Non-controlling interests</b>		<b>671,469</b>	820,577	796,899
		314	287	972
<b>TOTAL EQUITY</b>		<b>671,783</b>	820,864	797,871
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>4,253,245</b>	4,289,566	4,195,848

Sheikh Ahmad Duaij Jaber Al Sabah  
Chairman

Elham Y. Mahfouz  
Elham Yousry Mahfouz  
Chief Executive Officer

The attached notes 1 to 15 form an integral part of this interim condensed consolidated financial information.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME**

Period ended 30 September 2022 (Unaudited)

	Note	Three months ended		Nine months ended	
		30 September		30 September	
		2022	2021	2022	2021
		KD 000's	KD 000's	KD 000's	KD 000's
Interest income		36,200	25,142	88,393	75,878
Interest expense		(13,665)	(6,129)	(26,575)	(18,153)
<b>NET INTEREST INCOME</b>		<b>22,535</b>	<b>19,013</b>	<b>61,818</b>	<b>57,725</b>
Fees and commissions		10,667	10,131	30,852	28,802
Net gain from dealing in foreign currencies		2,505	1,666	6,303	4,723
Net gain from investment securities		-	35	54	771
Dividend income		926	238	2,743	2,691
Other operating income		123	175	243	613
<b>OPERATING INCOME</b>		<b>36,756</b>	<b>31,258</b>	<b>102,013</b>	<b>95,325</b>
Staff expenses		(6,709)	(5,732)	(20,985)	(17,709)
General and administrative expenses		(4,297)	(3,648)	(12,265)	(10,299)
Depreciation and amortisation		(727)	(512)	(956)	(1,181)
<b>OPERATING EXPENSES</b>		<b>(11,733)</b>	<b>(9,892)</b>	<b>(34,206)</b>	<b>(29,189)</b>
<b>OPERATING PROFIT BEFORE PROVISIONS</b>		<b>25,023</b>	<b>21,366</b>	<b>67,807</b>	<b>66,136</b>
Net (charge) reversal of impairment and other provisions	9	(27,649)	1,339	(24,501)	(23,477)
<b>(LOSS) PROFIT BEFORE TAXATION</b>		<b>(2,626)</b>	<b>22,705</b>	<b>43,306</b>	<b>42,659</b>
Taxation		160	(999)	(1,802)	(1,788)
<b>NET (LOSS) PROFIT FOR THE PERIOD</b>		<b>(2,466)</b>	<b>21,706</b>	<b>41,504</b>	<b>40,871</b>
<b>Attributable to:</b>					
Shareholders of the Bank		(2,473)	21,678	41,477	40,799
Non-controlling interests		7	28	27	72
		(2,466)	21,706	41,504	40,871
Basic and diluted earnings per share attributable to shareholders of the Bank (fils)	10	(1.2)	10.9	20.9	20.8

The attached notes 1 to 15 form an integral part of this interim condensed consolidated financial information.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

Period ended 30 September 2022 (Unaudited)

	Three months ended 30 September		Nine months ended 30 September	
	2022 KD 000's	2021 KD 000's	2022 KD 000's	2021 KD 000's
Net (loss) profit for the period	(2,466)	21,706	41,504	40,871
<b>OTHER COMPREHENSIVE (LOSS) INCOME</b>				
<b>Items that will not be reclassified subsequently to interim condensed consolidated statement of income</b>				
Equity securities classified as fair value through other comprehensive income:				
Net changes in fair value	(158,825)	11,458	(143,504)	63,618
<b>Items that are or may be reclassified subsequently to interim condensed consolidated statement of income</b>				
Debt securities classified as fair value through other comprehensive income:				
Net changes in fair value	(2,776)	(556)	(7,370)	959
Net gain (loss) on disposal transferred to income statement	-	2	(93)	(368)
	(161,601)	10,904	(150,967)	64,209
<b>TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD</b>	<b>(164,067)</b>	<b>32,610</b>	<b>(109,463)</b>	<b>105,080</b>
<b>Attributable to:</b>				
Shareholders of the Bank	(164,074)	32,582	(109,490)	105,008
Non-controlling interests	7	28	27	72
	(164,067)	32,610	(109,463)	105,080

The attached notes 1 to 15 form an integral part of this interim condensed consolidated financial information.



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

Period ended 30 September 2022 (Unaudited)

	KD 000's														
	Attributable to shareholders of the Bank														
	Share Capital	Proposed Bonus Shares	Treasury Shares	Reserves						Total Reserves	Retained Earnings	Proposed Dividend	Non-controlling		Total
Share Premium				Statutory Reserve	General Reserve	Treasury Shares Reserve	Property Revaluation Reserve	Investment Valuation Reserve	Interests				Total		
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	-	691,891	933	692,824
Total comprehensive income for the period	-	-	-	-	-	-	-	-	64,209	64,209	40,799	-	105,008	72	105,080
Dividend paid	-	(27,107)	27,107	-	-	-	-	-	-	-	-	-	-	(33)	(33)
<b>Balance at 30 September 2021</b>	<b>199,206</b>	<b>-</b>	<b>(5,233)</b>	<b>66,791</b>	<b>115,977</b>	<b>17,927</b>	<b>-</b>	<b>24,095</b>	<b>193,129</b>	<b>417,919</b>	<b>185,007</b>	<b>-</b>	<b>796,899</b>	<b>972</b>	<b>797,871</b>
<b>Balance at 1 January 2022</b>	<b>199,206</b>	<b>-</b>	<b>(5,233)</b>	<b>66,791</b>	<b>115,977</b>	<b>17,927</b>	<b>-</b>	<b>24,043</b>	<b>202,634</b>	<b>427,372</b>	<b>159,614</b>	<b>39,618</b>	<b>820,577</b>	<b>287</b>	<b>820,864</b>
Total comprehensive loss for the period	-	-	-	-	-	-	-	-	(150,967)	(150,967)	41,477	-	(109,490)	27	(109,463)
Dividend paid	-	-	-	-	-	-	-	-	-	-	-	(39,618)	(39,618)	-	(39,618)
<b>Balance at 30 September 2022</b>	<b>199,206</b>	<b>-</b>	<b>(5,233)</b>	<b>66,791</b>	<b>115,977</b>	<b>17,927</b>	<b>-</b>	<b>24,043</b>	<b>51,667</b>	<b>276,405</b>	<b>201,091</b>	<b>-</b>	<b>671,469</b>	<b>314</b>	<b>671,783</b>

Annual General Assembly of the shareholders held on 13 April 2022 approved to distribute cash dividend of 20 fils per share amounting to KD 39,618 thousand (2020: nil) and nil bonus shares (2020: 3% bonus shares from the treasury shares held by the Bank).

Investment valuation reserve includes a loss of KD 5,583 thousand (31 December 2021: KD 5,434 thousand and 30 September 2021: KD 5,419 thousand thousand) arising from foreign currency translation of the Bank's investment in a foreign associate.

The attached notes 1 to 15 form an integral part of this interim condensed consolidated financial information.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

Period ended 30 September 2022 (Unaudited)

	Note	Nine months ended	
		30 September	
		2022	2021
		KD 000's	KD 000's
<b>OPERATING ACTIVITIES</b>			
Profit before taxation		43,306	42,659
Adjustments for:			
Net charge of impairment and other provisions	9	24,501	23,477
Income from investment securities		(2,797)	(3,462)
Foreign exchange (gain) loss on investment securities		(6,843)	1,599
Depreciation and amortisation		956	1,181
Cash flow before changes in operating assets and liabilities		59,123	65,454
Changes in operating assets and liabilities:			
Treasury and Central Bank bonds		(16,688)	524
Due from banks and other financial institutions		55,735	131,461
Loans and advances		(149,776)	5,400
Other assets		(58,514)	(22,255)
Due to banks		(211,269)	64,328
Due to other financial institutions		55,296	(162,707)
Customer deposits		156,436	(298,545)
Other liabilities		54,053	2,538
Net cash used in operating activities		(55,604)	(213,802)
<b>INVESTING ACTIVITIES</b>			
Proceeds from disposal of investment securities		98,892	71,920
Acquisition of investment securities		(150,753)	(30,710)
Dividend income from investment securities		2,743	2,691
Proceeds from disposal of premises and equipment		665	458
Acquisition of premises and equipment		(377)	(351)
Net cash (used in) from investing activities		(48,830)	44,008
<b>FINANCING ACTIVITIES</b>			
Other borrowed funds		130,173	96,714
Dividends paid		(39,618)	-
Dividend paid to non controlling interest		-	(33)
Net cash from financing activities		90,555	96,681
Net decrease in cash and short term funds		(13,879)	(73,113)
Cash and short term funds at 1 January		727,532	721,440
<b>Cash and short term funds at 30 September</b>	4	<b>713,653</b>	<b>648,327</b>

The attached notes 1 to 15 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 16 November 2022.

The principal activities of the Group are explained in note 13.

## 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 2021.

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

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

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 2021. Further, results for interim periods are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

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

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The key changes to the Group's accounting policies resulting from its adoption of new standards are summarised below:

#### **(i) IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities**

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement. These amendments had no material impact on the interim condensed consolidated financial information of the Group as there were no significant modifications of the Group's financial instruments during the period.




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

30 September 2022 (Unaudited)

Other new standards or amendments to existing standards which are effective for annual accounting period starting from 1 January 2022 did not have any material impact on financial position or performance of the Group.

**3 SUBSIDIARY**

Name of entity	Country of incorporation	Principal activities	% of ownership		
			30 September 2022	31 December 2021	30 September 2021
Al-Tijari Financial Brokerage Company K.S.C. (Closed)	Kuwait	Brokerage Services	98.16	98.16	93.55

**4 CASH AND SHORT TERM FUNDS**

	(Audited)		
	30 September 2022	31 December 2021	30 September 2021
	KD 000's	KD 000's	KD 000's
Cash and cash items	214,287	124,779	138,563
Balances with the CBK	215,342	147,199	121,984
Deposits with banks maturing within seven days	284,024	455,554	387,780
	<b>713,653</b>	<b>727,532</b>	<b>648,327</b>
Less : Provision for impairment (ECL)	(41)	(19)	(22)
	<b>713,612</b>	<b>727,513</b>	<b>648,305</b>

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

	(Audited)		
	30 September 2022	31 December 2021	30 September 2021
	KD 000's	KD 000's	KD 000's
Placements with banks	401,341	448,493	402,626
Less: Provision for impairment (ECL)	(33)	(65)	(66)
	<b>401,308</b>	<b>448,428</b>	<b>402,560</b>
Loans and advances to banks	25,806	34,197	47,749
Less: Provision for impairment	(258)	(39)	(171)
	<b>25,548</b>	<b>34,158</b>	<b>47,578</b>
	<b>426,856</b>	<b>482,586</b>	<b>450,138</b>


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

30 September 2022 (Unaudited)

**6 LOANS AND ADVANCES**

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

Total available provision on credit facilities (cash and non cash) determined in accordance with the CBK rules on classification of credit facilities as at 30 September 2022 is KD 218,753 thousand (31 December 2021: KD 216,125 thousand and 30 September 2021: KD 202,344 thousand).

The ECL on credit facilities (cash and non cash) determined under IFRS 9 amounted to KD 89,063 thousand as at 30 September 2022 (31 December 2021: KD 94,137 thousand and 30 September 2021: KD 100,284 thousand).

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

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

	<b>30 September 2022</b>			
	<b>KD 000's</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Superior	394,423	1,788	-	396,211
Good	967,175	133,098	-	1,100,273
Standard	643,203	271,525	-	914,728
Past due but not impaired	168,857	38,062	-	206,919
Impaired	-	-	-	-
Cash credit facilities	<b>2,173,658</b>	<b>444,473</b>	<b>-</b>	<b>2,618,131</b>
Non cash credit facilities	<b>2,461,925</b>	<b>235,573</b>	<b>23,088</b>	<b>2,720,586</b>
ECL provision for credit facilities	<b>23,233</b>	<b>43,600</b>	<b>22,230</b>	<b>89,063</b>
	<b>31 December 2021 (Audited)</b>			
	<b>KD 000's</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Superior	384,183	405	-	384,588
Good	913,791	103,489	-	1,017,280
Standard	715,177	276,300	-	991,477
Past due but not impaired	46,671	20,057	-	66,728
Impaired	-	-	-	-
Cash credit facilities	<b>2,059,822</b>	<b>400,251</b>	<b>-</b>	<b>2,460,073</b>
Non cash credit facilities	<b>2,325,752</b>	<b>237,650</b>	<b>27,365</b>	<b>2,590,767</b>
ECL provision for credit facilities	<b>22,989</b>	<b>44,716</b>	<b>26,432</b>	<b>94,137</b>

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

30 September 2022 (Unaudited)

	30 September 2021			
	KD 000's			
	Stage 1	Stage 2	Stage 3	Total
Superior	376,659	423	-	377,082
Good	835,575	102,229	-	937,804
Standard	770,378	283,175	-	1,053,553
Past due but not impaired	38,529	3,973	-	42,502
Impaired	-	-	-	-
Cash credit facilities	2,021,141	389,800	-	2,410,941
Non cash credit facilities	2,383,910	197,837	33,887	2,615,634
ECL provision for credit facilities	22,360	45,123	32,801	100,284

**Movement in ECL for Credit Facilities:**

	30 September 2022			
	KD 000's			
	Stage 1	Stage 2	Stage 3	Total
ECL 1 January 2022	22,989	44,716	26,432	94,137
Transfer to stage 1	241	(241)	-	-
Transfer to stage 2	(160)	160	-	-
Transfer to stage 3	-	-	-	-
Net charged / (released)	124	(1,037)	5,254	4,341
Written-off	-	-	(9,463)	(9,463)
Exchange difference	39	2	7	48
<b>ECL 30 September 2022</b>	<b>23,233</b>	<b>43,600</b>	<b>22,230</b>	<b>89,063</b>

	30 September 2021			
	KD 000's			
	Stage 1	Stage 2	Stage 3	Total
ECL 1 January 2021	21,425	47,406	35,875	104,706
Transfer to stage 1	441	(441)	-	-
Transfer to stage 2	(173)	173	-	-
Transfer to stage 3	-	(128)	128	-
Net charged / (released)	686	(1,858)	6,173	5,001
Written-off	-	-	(9,165)	(9,165)
Exchange difference	(19)	(29)	(210)	(258)
<b>ECL 30 September 2021</b>	<b>22,360</b>	<b>45,123</b>	<b>32,801</b>	<b>100,284</b>

**7 INVESTMENT SECURITIES**

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

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

30 September 2022 (Unaudited)

In February 2009, the Court of 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 150,072,925 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 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.

On 16 June 2019, a judgment was issued by the Court of First Instance 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, a delegated expert will determine the amount due from each Appellant out of the principal amount to be refunded to the Bank, determine share of each Appellant 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 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. During the session held on 30 January 2022, the Court issued a verdict prescribing the financial right and obligation of each party based on expert's report; however, the Bank and the opponent both appealed against this judgment. On 12 June 2022, the Bank submitted a defense memorandum and related documents in response to questions/interrogations by the Court.

On 3 July 2022, the Court of Appeal issued a verdict and directed the Appellants to refund the amount due to the Bank as consideration for returning the shares. In view of this verdict, Bank has derecognised the shares and recognised a receivables from each Appellant at value validated by the Court of Appeal, however, the Bank and Appellants have appealed in the Court of Cassation.

- b)** The Group designated certain debt securities as hedge items, to hedge the fair value changes arising from changes in market interest rates. Interest rate swap (IRS) is used as hedging instruments in which the Group pays fixed and receives floating interest rate.

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

The carrying value of debt securities designated as hedged item as at 30 September 2022 was KD 157,460 thousand (31 December 2021: 180,468 thousand and 30 September 2021: KD 210,869 thousand). The change in fair value of these securities resulting from changes in market interest rate (hedged risk) during the period was KD 7,382 thousand (30 September 2021: KD 3,229 thousand). The changes in fair value related to hedged risk during the period was recognised in the interim condensed consolidated statement of income.

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

30 September 2022 (Unaudited)

**8 OTHER BORROWED FUNDS**

Other borrowed funds include securities sold under agreements to repurchase amounting to KD 107,683 thousand (31 December 2021: KD 104,809 thousand and 30 September 2021: KD 90,570 thousand). The Group enters into collateralised borrowing transactions (repurchase agreements) in the ordinary course of its financing activities. Collateral is provided in the form of securities held within the investment securities portfolio. At 30 September 2022, the fair value of investment securities that had been pledged as collateral under repurchase agreements was KD 93,988 thousand (31 December 2021: KD 98,194 thousand and 30 September 2021: KD 99,032 thousand). The collateralised borrowing transactions are conducted under standardised terms that are usual and customary for such transactions.

**9 NET (CHARGE) REVERSAL OF IMPAIRMENT AND OTHER PROVISIONS**

Net charge of impairment and other provisions for the period ended 30 September 2022 amounted to KD 24,501 thousand (30 September 2021: KD 23,477 thousand) which mainly represent specific, general and other provisions against loans and advances and other financial assets after partial offsetting recoveries amounting to KD 17,920 thousand (30 September 2021: KD 10,130 thousand).

Impairment and other provisions includes charge of ECL on financial assets other than loans and advances for the period ended 30 September 2022 amounting to KD 12 thousand (30 September 2021: reversal of KD 83 thousand).

**10 EARNINGS PER SHARE**

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

	Three months ended 30 September		Nine months ended 30 September	
	2022	2021	2022	2021
Net (loss) profit for the period attributable to shareholders of the Bank (KD 000's)	<b>(2,473)</b>	21,678	<b>41,477</b>	40,799
Weighted average of authorised and subscribed shares (numbers in 000's)	<b>1,992,056</b>	1,992,056	<b>1,992,056</b>	1,992,056
Less: Weighted average of treasury shares held (numbers in 000's)	<b>(11,140)</b>	(11,138)	<b>(11,139)</b>	(32,695)
	<b>1,980,916</b>	1,980,918	<b>1,980,917</b>	1,959,361
Basic and diluted earnings per share attributable to shareholders of the Bank (fils)	<b>(1.2)</b>	10.9	<b>20.9</b>	20.8

**11 RELATED PARTY TRANSACTIONS**

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

	30 September 2022			30 September 2021		
	Number of Directors/ Executives	Number of Related Members	Amount in KD 000's	Number of Directors/ Executives	Number of Related Members	Amount in KD 000's
<b>Board of Directors</b>						
Loans	2	1	2,083	2	1	1,737
Credit cards	5	1	15	3	1	6
Deposits	11	10	582	11	10	643
<b>Executive Management</b>						
Loans	27	3	1,336	26	3	902
Credit cards	27	-	38	23	2	35
Deposits	41	41	1,203	34	38	514
<b>Associates</b>						
Deposits	1	-	13,904	1	-	13,419
<b>Major Shareholders</b>						
Deposits	1	-	46	1	-	20

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

30 September 2022 (Unaudited)

Interest income and interest expense include KD 51 thousand (30 September 2021: KD 50 thousand) and KD 118 thousand (30 September 2021: KD 145 thousand) respectively on transactions with related parties.

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

	Nine months ended 30 September	
	2022	2021
	KD 000's	KD 000's
Salaries and other short-term benefits	1,495	1,155
Post employment benefits	20	20
End of service benefits	130	122

**12 FAIR VALUES OF FINANCIAL INSTRUMENTS**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values of all financial instruments are not materially different from their carrying values. For financial assets and financial liabilities that are liquid or having a short-term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits, saving accounts without a specific maturity and variable rate financial instruments.

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

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

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

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

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

	<b>30 September 2022</b>			
	KD 000's			
	Level 1	Level 2	Level 3	Total
Debt securities	292,576	10,438	-	303,014
Equities and other securities	38,267	19,066	-	57,333
	<b>330,843</b>	<b>29,504</b>	<b>-</b>	<b>360,347</b>
Derivative financial instruments (Note 14)	-	<b>17,098</b>	-	<b>17,098</b>
	<b>31 December 2021 (Audited)</b>			
	KD 000's			
	Level 1	Level 2	Level 3	Total
Debt securities	233,898	10,309	-	244,207
Equities and other securities	282,799	24,297	-	307,096
	516,697	34,606	-	551,303
Derivative financial instruments (Note 14)	-	1,395	-	1,395

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

30 September 2022 (Unaudited)

	30 September 2021			
	KD 000's			
	Level 1	Level 2	Level 3	Total
Debt securities	264,993	25,608	-	290,601
Equities and other securities	276,563	20,898	-	297,461
	541,556	46,506	-	588,062
Derivative financial instruments (Note 14)	-	(1,872)	-	(1,872)

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

**13 SEGMENTAL ANALYSIS**

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

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

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

	KD 000's					
	Corporate and Retail Banking		Treasury and Investment Banking		Total	
	Nine months ended 30 September		Nine months ended 30 September		Nine months ended 30 September	
	2022	2021	2022	2021	2022	2021
Net interest income	54,660	49,151	7,158	8,574	61,818	57,725
Net non interest income	30,422	28,110	9,773	9,490	40,195	37,600
Operating income	85,082	77,261	16,931	18,064	102,013	95,325
Impairment and other provisions	5,698	(22,585)	(30,199)	(892)	(24,501)	(23,477)
Net profit (loss) for the period	72,833	39,748	(31,329)	1,123	41,504	40,871
Assets	2,441,404	2,290,123	1,811,841	1,905,725	4,253,245	4,195,848
Liabilities	1,719,718	1,713,176	1,861,744	1,684,801	3,581,462	3,397,977

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

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


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

30 September 2022 (Unaudited)

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

	<i>(Audited)</i>		
	<b>30 September 2022</b>	31 December 2021	30 September 2021
	<b>KD 000's</b>	KD 000's	KD 000's
Acceptances	<b>37,518</b>	12,282	15,685
Letters of credit	<b>125,100</b>	98,917	96,014
Letters of guarantee	<b>1,545,111</b>	1,530,409	1,546,592
Undrawn lines of credit	<b>990,020</b>	922,035	923,584
	<b>2,697,749</b>	2,563,643	2,581,875

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

	<b>KD 000's</b>		
	<b>Positive Fair Value</b>	<b>Negative Fair Value</b>	<b>Notional Amount</b>
<b>30 September 2022</b>			
Forward foreign exchange contracts	<b>11,628</b>	<b>2,507</b>	<b>375,140</b>
Interest rate swaps (held as fair value hedges)	<b>6,155</b>	<b>43</b>	<b>148,803</b>
Interest rate swaps (others)	<b>29,444</b>	<b>27,579</b>	<b>242,009</b>
	<b>47,227</b>	<b>30,129</b>	<b>765,952</b>
	<b>KD 000's</b>		
	<b>Positive Fair Value</b>	<b>Negative Fair Value</b>	<b>Notional Amount</b>
<b>31 December 2021 (Audited)</b>			
Forward foreign exchange contracts	2,328	1,786	554,554
Interest rate swaps (held as fair value hedges)	677	2,003	179,380
Interest rate swaps (others)	10,031	7,852	235,553
	13,036	11,641	969,487
	<b>KD 000's</b>		
	<b>Positive Fair Value</b>	<b>Negative Fair Value</b>	<b>Notional Amount</b>
<b>30 September 2021</b>			
Forward foreign exchange contracts	1,203	2,059	369,442
Interest rate swaps (held as fair value hedges)	141	3,223	208,356
Interest rate swaps (others)	10,701	8,635	195,643
	12,045	13,917	773,441

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



**(b) Legal claims**

At the reporting date certain legal claims existed against the Group for which KD 2,675 thousand (31 December 2021: KD 2,605 thousand and 30 September 2021: 2,617 thousand) have been provided.

**15 SIGNIFICANT EVENT**

The Group is gradually recovering from the effects of Covid-19 pandemic. The Group's operating environment is moderately rebound and signs of economic recovery is visible across the region and globally. High vaccination rates and strict social distancing measures significantly reduced the impact of latest variants of virus.

During the years 2020 and 2021, Central Bank of Kuwait (CBK) implemented various measures targeted at reinforcing the banking sector's ability to play a vital role in the economy. Those measures are disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2021 and 31 December 2020.

**Expected Credit Loss (ECL) estimates**

The inputs and assumptions used for the determination of ECL as at 30 September 2022 incorporates the revised economic forecasts with respect to oil prices and world GDP post Covid-19. 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.

**Valuation estimates and judgments**

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

**Accounting for modified financial assets**

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

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

**Others factors**

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