



AL AHLI BANK OF KUWAIT K.S.C.P. AND ITS
SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION (UNAUDITED)

31 MARCH 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 AL AHLI BANK OF KUWAIT K.S.C.P.

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Al Ahli Bank of Kuwait K.S.C.P. (the “Bank”) and its subsidiaries (collectively “the Group”) as at 31 March 2020 and the related interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the three months 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 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 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, as amended, and its executive regulations, as amended, or of the Bank’s Articles of Association and Memorandum of Incorporation, as amended, during the three months period ended 31 March 2020 that might have had a material effect on the business of the Bank or on its financial position.

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF AL AHLI BANK OF KUWAIT K.S.C.P. (continued)

Report on other Legal and Regulatory Requirements (continued)

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 organisation of banking business, and its related regulations, as amended, during the three months period ended 31 March 2020 that might have had a material effect on the business of the Bank or on its financial position.



SHEIKHA AL FULAIJ
LICENCE NO. 289 A
EY
(AL AIBAN, AL OSAIMI & PARTNERS)




TALAL Y. AL-MUZAINI
LICENCE NO. 209A
DELOITTE & TOUCHE
AL-WAZZAN & CO.

13 August 2020
Kuwait

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(UNAUDITED)**

As at 31 March 2020

		(Audited)	
	31 March	31 December	31 March
	2020	2019	2019
Notes	KD 000	KD 000	KD 000
ASSETS			
Cash and balances with banks	857,746	883,129	806,076
Kuwait Government treasury bonds	148,937	173,235	252,289
Central Bank of Kuwait bonds	136,956	136,621	133,460
Loans and advances	3,299,085	3,215,696	3,098,444
Investment securities	4 319,686	302,165	287,013
Investment in an associate	24,673	23,830	22,517
Premises and equipment	66,094	65,615	64,917
Intangible assets	19,030	18,340	17,122
Other assets	61,091	64,464	62,810
TOTAL ASSETS	4,933,298	4,883,095	4,744,648
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks and other financial institutions	434,585	600,057	648,904
Customers' deposits	3,524,229	3,319,771	3,127,532
Medium term notes	6 154,008	151,230	151,096
Other liabilities	128,417	121,076	149,026
TOTAL LIABILITIES	4,241,239	4,192,134	4,076,558
EQUITY			
Share capital	161,917	161,917	161,917
Share premium	108,897	108,897	108,897
Treasury shares	7 (5,135)	(5,135)	(5,053)
Reserves	334,443	333,435	310,700
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK	600,122	599,114	576,461
Perpetual Tier 1 capital notes	7 90,750	90,750	90,750
Non-controlling interests	1,187	1,097	879
TOTAL EQUITY	692,059	690,961	668,090
TOTAL LIABILITIES AND EQUITY	4,933,298	4,883,095	4,744,648



Talal Mohamed Reza Bahbehani
Chairman



Abdulla M. Al Sumait
Deputy Group chief Executive Officer

The attached notes 1 to 12 form part of the interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the period ended 31 March 2020

	Notes	Three months ended 31 March	
		2020 KD 000	2019 KD 000
Interest income		56,903	60,170
Interest expense		(29,652)	(27,912)
NET INTEREST INCOME		27,251	32,258
Net fees and commission income		7,771	8,290
Net foreign exchange gain		3,194	1,316
Net (loss) gain on investment securities		(106)	656
Dividend income		969	690
Share of results from an associate		844	621
Other operating income		232	145
OPERATING INCOME		40,155	43,976
Staff expenses		(9,471)	(9,028)
Other operating expenses		(7,130)	(6,002)
Depreciation and amortisation		(1,763)	(1,681)
OPERATING EXPENSES		(18,364)	(16,711)
OPERATING PROFIT FOR THE PERIOD		21,791	27,265
Provision / impairment losses	8	(13,862)	(13,508)
PROFIT FOR THE PERIOD BEFORE TAXATION		7,929	13,757
Taxation	9	(1,829)	(1,318)
NET PROFIT FOR THE PERIOD		6,100	12,439
Attributable to:			
Shareholders of the Bank		6,045	12,403
Non-controlling interests		55	36
		6,100	12,439
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK	10	2 fils	6 fils

The attached notes 1 to 12 form part of the interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)

For the period ended 31 March 2020

	Three months ended 31 March	
	2020 KD 000	2019 KD 000
Net profit for the period	6,100	12,439
Items that will not be reclassified subsequently to interim condensed consolidated income statement:		
Equity instruments at fair value through other comprehensive income:		
- Effect of net changes in fair value	489	1,768
	<u>489</u>	<u>1,768</u>
Items that are or may be reclassified subsequently to interim condensed consolidated income statement:		
Debt instruments at fair value through other comprehensive income:		
- Effect of net changes in fair value	(4,082)	3,312
- Allowance for expected credit losses	342	(24)
- Recycling of net gain on sale	(73)	(396)
	<u>(3,813)</u>	<u>2,892</u>
Foreign currency translation:		
- Exchange difference on translation of foreign operations	1,690	429
	<u>(2,123)</u>	<u>3,321</u>
Other comprehensive (loss) income for the period	(1,634)	5,089
Total comprehensive income for the period	<u>4,466</u>	<u>17,528</u>
Attributable to:		
Shareholders of the Bank	4,376	17,461
Non-controlling interests	90	67
	<u>4,466</u>	<u>17,528</u>

The attached notes 1 to 12 form part of the interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 31 March 2020

	Attributable to shareholders of the Bank													
	Reserves											Perpetual Tier 1 capital Notes KD 000	Non- controlling interests KD 000	Total equity KD 000
	Share capital KD 000	Share premium KD 000	Treasury shares (Note 8) KD 000	Statutory reserve KD 000	Voluntary reserve KD 000	Treasury shares reserve (Note 7) KD 000	Other reserves (Note 7) KD 000	Cumulative changes in fair value KD 000	Retained earnings KD 000	Total reserves KD 000	Total KD 000			
Balance as at 1 January 2020	161,917	108,897	(5,135)	81,010	82,075	8,065	(2,808)	13,437	151,656	333,435	599,114	90,750	1,097	690,961
Net profit for the period	-	-	-	-	-	-	-	-	6,045	6,045	6,045	-	55	6,100
Other comprehensive income (loss) for the period	-	-	-	-	-	-	1,665	(3,334)	-	(1,669)	(1,669)	-	35	(1,634)
Total comprehensive income (loss) for the period	-	-	-	-	-	-	1,665	(3,334)	6,045	4,376	4,376	-	90	4,466
Interest payment on Perpetual Tier 1 capital Notes	-	-	-	-	-	-	-	-	(3,368)	(3,368)	(3,368)	-	-	(3,368)
Transfer due to derecognition of equity investments at FVOCI	-	-	-	-	-	-	-	5,225	(5,225)	-	-	-	-	-
Balance as at 31 March 2020	161,917	108,897	(5,135)	81,010	82,075	8,065	(1,143)	15,328	149,108	334,443	600,122	90,750	1,187	692,059

The attached notes 1 to 12 form part of the interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) (CONTINUED)

For the period ended 31 March 2020

	Attributable to shareholders of the Bank													
	Reserves											Perpetual Tier 1 capital notes KD 000	Non- controlling interests KD 000	Total equity KD 000
	Share capital KD 000	Share premium KD 000	Treasury shares (Note 8) KD 000	Statutory reserve KD 000	Voluntary reserve KD 000	Treasury shares reserve (Note 7) KD 000	Other reserves (Note 7) KD 000	Cumulative changes in fair value KD 000	Retained earnings KD 000	Total reserves KD 000	Total KD 000			
Balance as at 1 January 2019	161,917	108,897	(5,053)	79,498	79,051	8,065	(5,828)	1,677	156,579	319,042	584,803	90,750	812	676,365
Net profit for the period	-	-	-	-	-	-	-	-	12,403	12,403	12,403	-	36	12,439
Other comprehensive income for the period	-	-	-	-	-	-	423	4,635	-	5,058	5,058	-	31	5,089
Total comprehensive income for the period	-	-	-	-	-	-	423	4,635	12,403	17,461	17,461	-	67	17,528
Dividends (Note 7)	-	-	-	-	-	-	-	-	(22,487)	(22,487)	(22,487)	-	-	(22,487)
Interest payment on Perpetual Tier 1 capital Notes	-	-	-	-	-	-	-	-	(3,316)	(3,316)	(3,316)	-	-	(3,316)
Balance as at 31 March 2019	<u>161,917</u>	<u>108,897</u>	<u>(5,053)</u>	<u>79,498</u>	<u>79,051</u>	<u>8,065</u>	<u>(5,405)</u>	<u>6,312</u>	<u>143,179</u>	<u>310,700</u>	<u>576,461</u>	<u>90,750</u>	<u>879</u>	<u>668,090</u>

The attached notes 1 to 12 form part of the interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
For the period ended 31 March 2020

	Note	Three months ended	
		31 March	
		2020	2019
		KD 000	KD 000
OPERATING ACTIVITIES			
Net profit for the period before taxation		7,929	13,757
Adjustments for:			
Net gain on sale of FVOCI securities		(73)	(396)
Dividend income		(969)	(690)
Share of results from an associate		(844)	(621)
Depreciation and amortisation		1,763	1,348
Provision / impairment losses	9	13,862	13,508
Operating profit before changes in operating assets and liabilities		21,668	26,906
Changes in operating assets and liabilities			
Deposits with banks		(99,643)	25,843
Kuwait Government treasury bonds		24,298	4,872
Central Bank of Kuwait bonds		(335)	(5,814)
Investments at fair value through profit or loss		-	94
Loans and advances		(80,914)	(79,876)
Other assets		3,669	(11,702)
Due to banks and other financial institutions		(167,444)	146,912
Customers' deposits		181,964	4,929
Other liabilities		4,730	10,821
Taxes paid		(488)	(1,081)
Net cash flows (used in) from operating activities		(112,495)	121,904
INVESTING ACTIVITIES			
Purchase of investment securities		(55,637)	(84,163)
Proceeds from sale of investment securities		41,365	94,163
Net purchase of premises and equipment		(1,394)	(1,268)
Dividend income received		969	690
Net cash flows (used in) from investing activities		(14,697)	9,422
FINANCING ACTIVITY			
Interest paid on Tier 1 capital notes		(3,368)	(3,316)
Net cash flows used in financing activities		(3,368)	(3,316)
Foreign currency translation difference		4,913	1,749
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(125,647)	129,759
Cash and cash equivalents as at 1 January		786,071	630,668
CASH AND CASH EQUIVALENTS AS AT 31 March		660,424	760,427
Cash and cash equivalents comprise:			
Cash in hand and in current account with other banks		108,056	58,354
Balances with the Central Banks (original maturity not exceeding thirty days)		240,665	466,111
Deposits with banks (original maturity not exceeding thirty days)		311,703	235,962
		660,424	760,427

The attached notes 1 to 12 form part of the interim condensed consolidated financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)
31 March 2020

1 INCORPORATION AND REGISTRATION

Al Ahli Bank of Kuwait K.S.C.P. ("the Bank") is a public shareholding company incorporated in Kuwait on 23 May 1967 and is registered as a Bank with the Central Bank of Kuwait (CBK). Its registered office is at Al Safat Square, Ahmed Al Jaber Street, Kuwait City. It is engaged in banking in Kuwait, United Arab Emirates and Egypt.

The interim condensed consolidated financial information of the Bank and its subsidiaries (collectively "the Group") for the period ended 31 March 2020 were approved by the Bank's Board of Directors on 13 August 2020.

2 BASIS OF PREPARATION

- (a) The interim condensed consolidated financial information of the Group has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".
- (b) The accounting policies used in the preparation of this interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2019, except for those mentioned in Note 2.1, and were prepared in accordance with the regulations issued by CBK for financial services institutions in the State of Kuwait. The regulations require the expected credit loss on credit facilities to be measured at the higher of the amount computed under IFRS 9 in accordance with CBK guidelines or provisions as required by the CBK instructions.
- (c) Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2020 did not have any material impact on the accounting policies, financial position or performance of the Group.
- (d) The interim condensed consolidated financial information does not contain all information and disclosures required for full financial statements prepared in accordance with IFRS, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019. Further, results for the three months period ended 31 March 2020, are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

2.1 USE OF ESTIMATES AND JUDGMENTS

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The key sources of estimates and judgements are consistent with the annual audited consolidated financial statements of the Group for the year ended 31 December 2019, with the exception arising from the impact of the COVID - 19 outbreak which is detailed below.

The World Health Organization declared the Novel Coronavirus ("COVID-19") as a global pandemic on 11 March 2020. This event has caused widespread disruptions to business, and a high volatility in the financial markets worldwide, and a consequential negative impact on economic activity in Kuwait and the other geographies that the Group operates. While the disruption is expected to be temporary, uncertainties have arisen in various economies. The fiscal and monetary authorities around the world have announced various support measures across the globe to counter the possible adverse implications of COVID-19. These support measures include, but are not limited to, lowering the interest rates across the geographies in which the Group operate, deferral of instalments on retail and select corporate exposures, and offering regulatory stimulus package for Banks to provide financing to economic sectors and businesses that have been negatively affected.

The existing and anticipated effects of the outbreak of COVID-19 may prolong and continue to evolve over time. However, for the preparation of the interim condensed consolidated financial information as of 31 March 2020, the Group has carried out, on the basis of available information, an initial stress testing covering scenarios on key credit, liquidity, operational, solvency and performance indicators to assess the potential impact of business disruption due to COVID-19. Furthermore, the Group has also carried out review of credit exposure concentrations at a more granular level such as the economic sectors, regions, country, counterparty etc.; revision of limits collateral assessment; customer credit rating actions; and appropriately realigning facilities, wherever required.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)
31 March 2020

2.1 USE OF ESTIMATES AND JUDGMENTS (continued)

The Group also evaluated its liquidity and funding position taking into consideration the reliefs provided by the Central Banks in the respective geographies. The Group will continue to closely monitor and strengthening its liquidity buffer through selective disbursements and raising both local deposits as well as funding from international counterparts.

3 SEGMENTAL INFORMATION

The Group is organised into segments that engage in business activities which earns revenue and incurs expenses. These segments are regularly reviewed by the chief operating decision maker for resource allocation and performance assessment. The Group's operating segments are as follows:

- Commercial Banking - Comprising a full range of credit facilities, deposit and related banking services provided to its corporate and institutional customers.
- Retail and Private Banking - Comprising a full range of products and services to customers which includes loans, credit cards and wealth and asset management.
- Treasury and Investments - Comprising of treasury services provided to customers and balance sheet management activities including money market, derivatives, propriety investment activities, asset management and residual impact of inter-segment fund transfer pricing.

Segmental information for the three months period ended and as at 31 March is as follows:

	Commercial banking KD 000	Retail and Private banking KD 000	Treasury and Investments KD 000	Total KD 000
2020				
Net interest income	13,939	11,245	2,067	27,251
Operating income	19,603	13,482	7,070	40,155
Segment results	6,323	5,765	6,164	18,252
Unallocated expense				(10,323)
Profit for the period before taxation				7,929
Segment assets	2,699,920	723,036	1,396,660	4,819,616
Unallocated assets				113,682
Total assets				4,933,298
Segment liabilities	1,234,254	1,848,191	1,048,984	4,131,429
Unallocated liabilities				109,810
Total liabilities				4,241,239

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)
31 March 2020

3 SEGMENTAL INFORMATION (continued)

	Commercial banking KD 000	Retail and Private banking KD 000	Treasury and Investments KD 000	Total KD 000
2019				
Net interest income	18,050	11,188	3,020	32,258
Operating income	24,405	14,142	5,429	43,976
Segment results	9,863	7,737	4,829	22,429
Unallocated expense				(8,672)
Profit for the period before taxation				13,757
Segment assets	2,575,041	680,022	1,375,352	4,630,415
Unallocated assets				114,233
Total assets				4,744,648
Segment liabilities	998,057	1,814,743	1,133,731	3,946,531
Unallocated liabilities				130,027
Total liabilities				4,076,558

Geographic information:

The following table show the Group's operating income and segment assets from international operations:

	2020 KD 000	2019 KD 000
Operating income	14,729	10,944
Segment assets	1,261,326	982,047

4 INVESTMENT SECURITIES

	31 March 2020 KD 000	(Audited) 31 December 2019 KD 000	31 March 2019 KD 000
Fair value through other comprehensive income (FVOCI)	268,206	259,548	247,850
Amortised cost (AC)	38,339	29,477	27,038
Fair value through profit or loss (FVTPL)	13,141	13,140	12,125
	319,686	302,165	287,013

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)
31 March 2020

4 INVESTMENT SECURITIES (continued)

Fair value hierarchy of investments carried at fair value is as follows:

	31 March 2020		(Audited) 31 December 2019		31 March 2019	
	KD 000		KD 000		KD 000	
	FVTPL	FVOCI	FVTPL	FVOCI	FVTPL	FVOCI
Level 1:						
Equity	-	5,089	-	4,462	59	3,565
Debt securities						
- Government	-	78,599	-	70,100	-	71,290
- Non Government	-	33,256	-	38,086	-	47,562
Level 2:						
Debt securities						
- Government	426	85,071	147	80,757	136	59,261
- Non Government	-	41,890	-	41,891	-	41,888
Managed funds & Portfolios	12,715	-	12,993	-	11,930	-
Level 3:						
Equity	-	24,301	-	24,252	-	24,284
	<u>13,141</u>	<u>268,206</u>	<u>13,140</u>	<u>259,548</u>	<u>12,125</u>	<u>247,850</u>

Fair values of financial instruments that are carried at amortised cost are not materially different from their carrying values.

The impact on the interim condensed consolidated statement of financial position or the interim condensed consolidated statement of changes in equity would be immaterial if the relevant risk variables used to fair value the securities classified under level 2 and level 3 were altered by 5 per cent.

5 RELATED PARTY TRANSACTIONS

These represent transactions with certain related parties (directors and senior management of the Group, close members of their families and entities of which they are principal owners or over which they are able to exercise significant influence and associate of the Group) who were customers of the Group during the period. The terms of these transactions are approved by the Group's management.

In the normal course of business, these related parties have deposits with the Group and credit facilities granted to them by the Group. The balances included in the interim condensed consolidated financial information are as follows:

	(Audited)		
	31 March	31 December	31 March
	2020	2019	2019
	KD 000	KD 000	KD 000
Loans and advances	21,971	23,746	22,405
Customers' deposits	52,324	47,546	45,157
Investment securities	2,362	2,362	2,688
Managed portfolios	605	628	634
Commitment and contingent liabilities	12,450	11,896	12,366

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)
31 March 2020

5 RELATED PARTY TRANSACTIONS (continued)

Loans and advances to related parties are secured by collaterals in accordance with regulation of Central Bank of Kuwait.

Interest income and interest expense includes KD 233 thousand (31 March 2019: KD 271 thousand) and KD 354 thousand (31 March 2019: KD 264 thousand) respectively on transactions with related parties.

Key management compensation

Compensation for key management is as follows:

	Three months ended 31 March	
	2020 KD 000	2019 KD 000
Salaries and other benefits	819	922
Post employment benefits	46	44
	<u>865</u>	<u>966</u>

6 MEDIUM TERM NOTES

During 2017, the Bank established a USD 1.5 billion Reg S Euro Medium Term Note ("EMTN") programme. Under the EMTN programme, the Bank has successfully issued Senior Unsecured Bonds (the "Bonds") amounting to USD 500 million with a term of five years maturing in April 2022. The bonds are listed on the Irish Stock Exchange and carry a fixed coupon of 3.50% per annum payable on a semi-annual basis.

7 EQUITY

(a) The shareholders at the Annual General Meeting held on 14 April 2020 approved the distribution of cash dividend of 7 fils per share for the year ended 31 December 2019 (31 December 2018: cash dividend of 14 fils per share) which was subsequently paid. Treasury shares are not entitled to any cash dividends.

(b) Treasury shares and Treasury shares reserve:

	31 March 2020	(Audited)	31 March 2019
		31 December 2019	
Number of shares held	13,257,489	13,257,489	12,953,609
Percentage of shares held	<u>0.82%</u>	<u>0.82%</u>	<u>0.80%</u>
Market value (KD 000)	<u>2,400</u>	<u>3,394</u>	<u>4,404</u>
Weighted average market value per share (fils)	<u>241</u>	<u>303</u>	<u>307</u>

The balance in the treasury share reserve account is not available for distribution. Further, an amount equal to the cost of treasury shares is not available for distribution from general reserve throughout the holding period of these treasury shares.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)
31 March 2020

7 EQUITY (continued)

(c) Movement in other reserves is as below:

	Property revaluation reserve KD 000	Foreign currency translation reserve KD 000	Employee benefit plan reserve KD 000	Total other reserves KD 000
At 1 January 2019	8,091	(13,788)	(131)	(5,828)
Other comprehensive income/ (loss) for the period	23	405	(5)	423
As at 31 March 2019	<u>8,114</u>	<u>(13,383)</u>	<u>(136)</u>	<u>(5,405)</u>
At 1 January 2020	8,302	(10,909)	(201)	(2,808)
Other comprehensive income (loss) for the period	48	1,625	(8)	1,665
As at 31 March 2020	<u>8,350</u>	<u>(9,284)</u>	<u>(209)</u>	<u>(1,143)</u>

(d) Perpetual Tier 1 Capital Notes

The Bank on 26 September 2018 has issued Basel III compliant Perpetual Additional Tier 1 Capital Notes (the securities"), amounting to USD 300 million and is classified as equity. The notes are perpetual, subordinated, unsecured and redeemable at the option of the bank at or after first call date of 26 September 2023. The notes carry a coupon of 7.25% till the first call date and thereafter will be reset at five years interval. Interest will be payable semi-annually in arrears and treated as a deduction from equity.

8 PROVISION / IMPAIRMENT LOSSES

	Three months ended 31 March	
	2020 KD 000	2019 KD 000
Provision charge for credit losses on credit facilities	13,508	13,328
Expected credit losses on other financial assets	354	180
	<u>13,862</u>	<u>13,508</u>

Expected credit losses on credit facilities determined under IFRS 9 according to CBK guidelines amounted to KD 159,967 thousand as at 31 March 2020, which is KD 65,905 thousand lower than the provision of KD 225,872 thousand for credit losses under CBK Instructions.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)
31 March 2020

9 TAXATION

	Three months ended 31 March	
	2020 KD 000	2019 KD 000
Kuwait Foundation for the Advancement of Sciences	64	117
National Labour Support Tax	160	325
Zakat	64	130
Tax on overseas locations	1,541	746
	<u>1,829</u>	<u>1,318</u>

10 BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK

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

	Three months ended 31 March	
	2020	2019
Net profit for the period attributable to shareholders of the Bank (KD 000)	6,045	12,403
Less: Interest payment on perpetual tier 1 capital notes (KD 000)	(3,368)	(3,316)
Adjusted net profit for the period attributable to shareholders of the Bank (KD 000)	<u>2,677</u>	<u>9,087</u>
Weighted average number of the Bank's issued and paid-up shares	1,619,166,234	1,619,166,234
Less: weighted average number of treasury shares	(13,257,489)	(12,953,609)
Adjusted weighted average number of shares outstanding during the period	<u>1,605,908,745</u>	<u>1,606,212,625</u>
Basic and diluted earnings per share attributable to shareholders of the Bank	<u>2 fils</u>	<u>6 fils</u>

11 COMMITMENTS AND CONTINGENT LIABILITIES

Financial instruments with contractual amounts representing credit risk.

	31 March 2020 KD 000	(Audited)	
		31 December 2019 KD 000	31 March 2019 KD 000
Acceptances	44,853	59,599	37,900
Letters of credit	102,590	126,169	160,172
Guarantees	806,826	831,353	820,599
	<u>954,269</u>	<u>1,017,121</u>	<u>1,018,671</u>

Total commitments to extend credit at the statement of financial position date amounted to KD 288,627 thousand (31 December 2019: KD 296,802 thousand and 31 March 2019: KD 264,173 thousand).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)
31 March 2020

12 DERIVATIVE INSTRUMENTS

The notional or contractual amounts of outstanding derivative instruments together with their fair values are as follows:

	31 March 2020			(Audited) 31 December 2019			31 March 2019		
	Assets KD 000	Liabilities KD 000	Contractual amounts KD 000	Assets KD 000	Liabilities KD 000	Contractual amounts KD 000	Assets KD 000	Liabilities KD 000	Contractual amounts KD 000
Held for hedging:									
Fair value hedges									
Interest rate swaps	954	833	50,109	250	301	51,639	160	232	60,049
Held for trading:									
Forward foreign exchange contracts	281	1,520	141,250	833	322	203,935	103	183	125,528
	<u>1,235</u>	<u>2,353</u>	<u>191,359</u>	<u>1,083</u>	<u>623</u>	<u>255,574</u>	<u>263</u>	<u>415</u>	<u>185,577</u>

All derivative contracts are fair valued using observable market inputs and are classified as level 2.