

Kuwait, 10 August 2020

M/s Boursa Kuwait
State of Kuwait

**Subject: Disclosure on the Impact of Incidents Resulting from the Spread
of the Novel Corona Virus on Financial Statements**

Greetings,

With reference to the Capital Markets Authority Circular No. 7 of 2020 dated 7/7/2020 concerning disclosure on the impact of incidents resulting from the spread of the Novel Corona Virus on the financial statements.

We attach herewith a disclosure form on the impact of these exceptional circumstances pertaining to the Novel Corona Virus on our bank's financial statements for the six months period ended on 30/6/2020.

Best Regards,



Antoine Daher
Chief Executive Officer



Disclosure Form on COVID-19 Impact on Financial Statements

Serial No.	First: COVID-19 Impact on the Financial Position of the Company	
1	Impact on real estate assets of whatever classification	- No material impact.
2	Impact on investments in fair value through profits or losses	- Repossessed collaterals - Securities classified as 'Other Assets' are carried at fair value through profit or loss. Impairment loss on these other assets of KD 372 thousand is recognized in the interim condensed statement of income during the six months period ended 30 June 2020. - The impairment loss attributable between the COVID-19 impact and other factors are not separately identifiable and quantifiable.
3	Impact on investments in fair value through other comprehensive income	- Net changes in fair value of investment securities through other comprehensive income of KD 4,458 thousand is recognized in the interim condensed statement of comprehensive income during the six months period ended 30 June 2020. - Net changes in fair value of investment securities attributable between the COVID-19 impact and other factors are not separately identifiable and quantifiable.
4	Impact on investments listed in amortized cost	- No material impact.
5	Impact on associate companies and joint ventures	- Not applicable.
6	Impact on account receivable	- The Bank announced postponement of payment of consumer and instalment loans as well as payments due on credit cards for a period of six months effective from 1 April 2020, waiving also the interest and any other fees resulting from such postponement. - The loan deferral scheme resulted in a modification day 1 loss of KD 42,212 thousand arising from the modification of contractual cash-flows. - The Bank has considered the potential impact of the uncertainties caused by the COVID-19 pandemic while estimating the Expected Credit Loss requirements for the period ended 30 June 2020. - Refer to note 13 to the interim condensed financial information for the period ended 30 June 2020.
7	Impact on loans and credit balances	- No impact.
8	Impact on inventory	- Not applicable.
9	Impact on goodwill and intangible assets	- Not applicable.
10	Any other substantial impact on the financial position statement	- The instalment deferral on consumer and instalment loans and credit cards for a period of six months resulted in a modification loss of KD 42,212 thousand to the Bank. - The modification loss charged to retained earnings in accordance with Bank's accounting policy. Refer to note 2 to the interim condensed financial information for the period ended 30 June 2020.

Serial No.	Second: COVID-19 Impact on the Company's Core Activities (Revenues & Expenses), including Government Incentives Impact	
1	Impact on revenues	<ul style="list-style-type: none"> - The Bank's net interest income dropped by 17.7% for the six months period ended 30 June 2020 compared to the same period in 2019 due to decrease in benchmark interest rates in response to COVID-19. - Net fees and commissions dropped by 17.3% for the six months period ended 30 June 2020 compared to the same period in 2019 due to economic slowdown and limitations on business activities due to COVID-19.
2	Impact on expenses	<ul style="list-style-type: none"> - The Bank's operating expenses dropped by 16.2% for the six months period ended 30 June 2020 compared to the same period in 2019 due to cost optimization efforts by the Bank.

Third: COVID-19 Impact on the Company's Continuity	
No impact	

Fourth: Steps taken by the company to reduce the Economic Impact of COVID-19 Outbreak
<p>In response to the pandemic, the Bank has implemented protocols and processes to help protect employees, customers, and community partners. These measures include leveraging our online platforms and business continuity plans and enhancing our capabilities to support employees to work from home, and pre-planned contingency strategies for critical site-based operations. These capabilities have allowed us to continue to service our customers. The Bank will continue to manage the increased operational risk related to the execution of our business continuity plans in accordance with Risk Management policies. The Bank has an ongoing cost optimization program to reduce the economic impact of COVID-19. The Bank is closely monitoring significant exposures to sectors severely impacted by the COVID-19 pandemic.</p>