

NATIONAL BANK OF KUWAIT GROUP

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

31 MARCH 2022 (UNAUDITED)



Building a better
working world

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF NATIONAL BANK OF KUWAIT S.A.K.P.

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of National Bank of Kuwait S.A.K.P. (the "Bank") and its subsidiaries (collectively the "Group") as at 31 March 2022, and the related interim condensed consolidated statement of income, 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 regulation, as amended, or of the Bank's Articles of Association and Memorandum of Incorporation, as amended, during the three months period ended 31 March 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, to the best of our knowledge and belief, we have not become aware of any violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organization of banking business, and its related regulations, during the three months period ended 31 March 2022 that might have had a material effect on the business of the Bank or on its financial position.

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17 April 2022
Kuwait

National Bank of Kuwait Group

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

31 March 2022 (Unaudited)

	Notes	Three months ended 31 March	
		2022 KD 000's	2021 KD 000's
Interest income		172,000	159,887
Interest expense		46,665	37,749
Net interest income		125,335	122,138
Murabaha and other Islamic financing income		60,872	56,006
Finance cost and Distribution to depositors		17,518	15,748
Net income from Islamic financing		43,354	40,258
Net interest income and net income from Islamic financing		168,689	162,396
Net fees and commissions		42,201	39,410
Net investment income		12,186	8,307
Net gains from dealing in foreign currencies		12,972	8,116
Other operating income		482	3,291
Non-interest income		67,841	59,124
Net operating income		236,530	221,520
Staff expenses		51,601	46,041
Other administrative expenses		30,585	27,205
Depreciation of premises and equipment		9,396	8,425
Amortisation of intangible assets		412	412
Operating expenses		91,994	82,083
Operating profit before provision for credit losses and impairment losses		144,536	139,437
Provision charge for credit losses and impairment losses	3	12,519	42,626
Operating profit before taxation		132,017	96,811
Taxation	4	8,675	7,833
Profit for the period		123,342	88,978
Attributable to:			
Shareholders of the Bank		116,578	84,308
Non-controlling interests		6,764	4,670
		123,342	88,978
Basic earnings per share attributable to shareholders of the Bank	5	15 fils	11 fils

The attached notes 1 to 16 form part of this interim condensed consolidated financial information.

National Bank of Kuwait Group

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
31 March 2022 (Unaudited)

	Three months ended 31 March	
	2022 KD 000's	2021 KD 000's
Profit for the period	123,342	88,978
Other comprehensive income (loss)		
Investment in debt securities measured at FVOCI :		
Net change in fair value	(11,523)	34,810
Net transfer to interim condensed consolidated statement of income	3,109	(6,342)
	(8,414)	28,468
Exchange differences on translation of foreign operations	(36,417)	(6,577)
Other comprehensive (loss) income for the period reclassifiable to interim condensed consolidated statement of income in subsequent periods	(44,831)	21,891
Net gain on investments in equity instruments designated at FVOCI (not reclassifiable to interim condensed consolidated statement of income in subsequent periods)	55	22
Other comprehensive (loss) income for the period	(44,776)	21,913
Total comprehensive income for the period	78,566	110,891
Attributable to:		
Shareholders of the Bank	72,476	104,670
Non-controlling interests	6,090	6,221
	78,566	110,891

The attached notes 1 to 16 form part of this interim condensed consolidated financial information.

National Bank of Kuwait Group

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2022 (Unaudited)

		31 March 2022	Audited 31 December 2021	31 March 2021
	Notes	KD 000's	KD 000's	KD 000's
Assets				
Cash and short term funds		4,918,316	5,081,991	4,704,797
Central Bank of Kuwait bonds		830,696	830,054	830,817
Kuwait Government treasury bonds		269,460	417,016	455,780
Deposits with banks		1,062,499	885,280	1,170,719
Loans, advances and Islamic financing to customers	6	20,052,140	19,722,471	17,850,669
Investment securities		5,029,183	4,910,798	4,730,165
Investment in associates		3,705	3,746	4,945
Land, premises and equipment		459,592	456,209	429,016
Goodwill and other intangible assets		571,838	581,264	581,288
Other assets		446,747	367,757	242,522
Assets held for sale	10	53,270	-	-
Total assets		33,697,446	33,256,586	31,000,718
Liabilities				
Due to banks		4,083,302	4,098,688	3,868,769
Deposits from other financial institutions		3,521,675	3,135,629	2,938,307
Customer deposits		18,310,679	18,280,989	17,043,457
Certificates of deposit issued		1,192,427	1,339,354	1,378,425
Other borrowed funds	7	1,422,218	1,266,582	792,217
Other liabilities		821,269	668,227	713,374
Liabilities directly associated with assets held for sale	10	28,132	-	-
Total liabilities		29,379,702	28,789,469	26,734,549
Equity				
Share capital	8	755,233	719,269	719,269
Proposed bonus shares	8	-	35,964	-
Statutory reserve		359,637	359,637	342,511
Share premium account		803,028	803,028	803,028
Treasury shares reserve		34,961	34,961	34,961
Other reserves	8	1,437,746	1,586,708	1,375,502
Equity attributable to shareholders of the Bank		3,390,605	3,539,567	3,275,271
Perpetual Tier 1 Capital Securities	9	439,032	439,032	591,770
Non-controlling interests		488,107	488,518	399,128
Total equity		4,317,744	4,467,117	4,266,169
Total liabilities and equity		33,697,446	33,256,586	31,000,718

Hamad Mohamed Al-Bahar
Chairman

The attached notes 1 to 16 form part of this interim condensed consolidated financial information.

National Bank of Kuwait Group

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

31 March 2022 (Unaudited)

	Notes	Three months ended 31 March	
		2022 KD 000's	2021 KD 000's
Operating activities			
Profit for the period		123,342	88,978
Adjustments for:			
Net investment income		(12,186)	(8,307)
Depreciation of premises and equipment		9,396	8,425
Amortisation of intangible assets		412	412
Provision charge for credit losses and impairment losses	3	12,519	42,626
Taxation	4	8,675	7,833
Cash flow from operating activities before changes in operating assets and liabilities		142,158	139,967
Changes in operating assets and liabilities:			
Central Bank of Kuwait bonds		-	(584)
Kuwait Government treasury bonds		147,556	7,142
Deposits with banks		(178,725)	(154,669)
Loans, advances and Islamic financing to customers		(433,496)	(388,351)
Other assets		(82,835)	3,811
Due to banks		(15,461)	816,443
Deposits from other financial institutions		386,154	9,060
Customer deposits		186,692	(60,775)
Certificates of deposit issued		(146,927)	459,563
Other liabilities		33,327	2,197
Tax paid		(3,921)	(3,873)
Net cash from operating activities		34,522	829,931
Investing activities			
Purchase of investment securities		(1,233,317)	(856,680)
Proceeds from sale/redemption of investment securities		904,404	835,321
Dividend income		34	18
Proceeds from sale of land, premises and equipment		533	197
Purchase of land, premises and equipment		(16,516)	(9,272)
Net cash used in investing activities		(344,862)	(30,416)
Financing activities			
Net proceeds from issuance of Perpetual Tier 1 Capital Securities		-	210,516
Partial redemption of Perpetual Tier 1 Capital Securities		-	(57,963)
Interest paid on Perpetual Tier 1 Capital Securities		(3,849)	(1,461)
Profit distribution on Perpetual Tier 1 Sukuk by a subsidiary		(3,001)	-
Proceeds from issue of unsecured sukuk by a subsidiary	7	152,225	-
Net movement in other borrowed funds		86	(12,177)
Change in holding in subsidiaries		1,204	-
Dividends paid	8	-	(137,004)
Net cash from financing activities		146,665	1,911
(Decrease) increase in cash and short term funds		(163,675)	801,426
Cash and short term funds at 1 January		5,081,991	3,903,371
Cash and short term funds at 31 March		4,918,316	4,704,797

The attached notes 1 to 16 form part of this interim condensed consolidated financial information.

National Bank of Kuwait Group

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

31 March 2022 (Unaudited)

	Equity attributable to shareholders of the Bank										Total equity
	Share capital	Proposed bonus shares	Statutory reserve	Share premium account	Treasury shares reserve	Other reserves (Note 8)	Total	Perpetual Tier 1 Capital Securities	Non-controlling interests	Total equity	
At 1 January 2022	719,269	35,964	359,637	803,028	34,961	1,586,708	3,539,567	439,032	488,518	4,467,117	
Profit for the period	-	-	-	-	-	116,578	116,578	-	6,764	123,342	
Other comprehensive loss	-	-	-	-	-	(44,102)	(44,102)	-	(674)	(44,776)	
Total comprehensive income	-	-	-	-	-	72,476	72,476	-	6,090	78,566	
Issue of bonus shares (Note 8b)	35,964	(35,964)	-	-	-	-	-	-	-	-	
Transfer to dividends payable (Note 8b)	-	-	-	-	-	(215,781)	(215,781)	-	-	(215,781)	
Interest paid on perpetual Tier 1 Capital Securities	-	-	-	-	-	(3,849)	(3,849)	-	-	(3,849)	
Profit distribution on Perpetual Tier 1 Sukuk by a subsidiary	-	-	-	-	-	(1,797)	(1,797)	-	(1,204)	(3,001)	
Change in holding in subsidiaries	-	-	-	-	-	-	-	-	1,204	1,204	
Dividend payable to non-controlling interests by a subsidiary	-	-	-	-	-	-	-	-	(6,376)	(6,376)	
Other movements	-	-	-	-	-	(11)	(11)	-	(125)	(136)	
At 31 March 2022	755,233	-	359,637	803,028	34,961	1,437,746	3,390,605	439,032	488,107	4,317,744	
At 1 January 2021	685,019	34,250	342,511	803,028	34,961	1,410,240	3,310,009	438,438	392,608	4,141,055	
Profit for the period	-	-	-	-	-	84,308	84,308	-	4,670	88,978	
Other comprehensive income	-	-	-	-	-	20,362	20,362	-	1,551	21,913	
Total comprehensive income	-	-	-	-	-	104,670	104,670	-	6,221	110,891	
Issue of bonus shares (Note 8b)	34,250	(34,250)	-	-	-	(137,004)	(137,004)	-	-	(137,004)	
Dividends paid (Note 8b)	-	-	-	-	-	-	-	-	-	-	
Issuance of Perpetual Tier 1 Capital Securities (Note 9)	-	-	-	-	-	-	-	211,294	-	211,294	
Partial redemption of Perpetual Tier 1 Capital Securities	-	-	-	-	-	-	-	(57,962)	-	(57,962)	
Interest paid on perpetual Tier 1 Capital Securities	-	-	-	-	-	(1,461)	(1,461)	-	-	(1,461)	
Transaction cost on issue of Perpetual Tier 1 Capital Securities	-	-	-	-	-	(779)	(779)	-	-	(779)	
Other movements	-	-	-	-	-	(164)	(164)	-	299	135	
At 31 March 2021	719,269	-	342,511	803,028	34,961	1,375,502	3,275,271	591,770	399,128	4,266,169	

The attached notes 1 to 16 form part of this interim condensed consolidated financial information.

National Bank of Kuwait Group

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31 March 2022 (Unaudited)

1 Incorporation and registration

The interim condensed consolidated financial information of National Bank of Kuwait S.A.K.P. (the “Bank”) and its subsidiaries (collectively the “Group”) for the three months period ended 31 March 2022 was authorised for issue in accordance with a resolution of the directors on 12 April 2022. The Bank is a public shareholding company incorporated in the State of Kuwait in 1952 and is registered as a bank (commercial registration number – 8490) with the Central Bank of Kuwait. The Bank’s registered office is at Al Shuhada Street, P.O. Box 95, Safat 13001, Kuwait.

2 Accounting policies

Basis of preparation

- a) The interim condensed consolidated financial information of the Group has been prepared in accordance with International Accounting Standard (IAS) 34, ‘Interim Financial Reporting’ except for point (b) below.
- b) The interim condensed consolidated financial statements 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, including 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 with the following amendments:
 - Expected credit loss (“ECL”) on credit facilities to be measured at the higher of ECL computed under IFRS 9 - Financial Instruments (“IFRS”) in accordance to the CBK guidelines or the provisions as required by CBK instructions along with its consequent impact on related disclosures; and
 - 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 statement of income 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 income. The application of the policy results in application of different accounting presentation for modification losses in 2020 compared to other periods.

The above framework is hereinafter referred to as ‘IFRS as adopted by CBK for use by the State of Kuwait’.

The interim condensed consolidated financial information does not contain all information and disclosures required for the annual consolidated financial statements prepared in accordance with International Financial Reporting Standards, 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.

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 2021. Amendments to IFRSs which are effective for annual accounting period starting from 1 January 2022 did not have any material impact on the accounting policies, financial position or performance of the Group.

National Bank of Kuwait Group

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31 March 2022 (Unaudited)

3 Provision charge for credit losses and impairment losses

	Three months ended 31 March	
	2022	2021
	KD 000's	KD 000's
Provision (release) charge for credit facilities – specific	(40,531)	16,769
Provision charge for credit facilities – general	52,792	26,005
Expected credit losses charge (release)	258	(148)
	<u>12,519</u>	<u>42,626</u>

4 Taxation

	Three months ended 31 March	
	2022	2021
	KD 000's	KD 000's
National Labour Support Tax	2,984	1,924
Zakat	1,292	937
Contribution to Kuwait Foundation for the Advancement of Sciences	1,053	701
Overseas tax	3,346	4,271
	<u>8,675</u>	<u>7,833</u>

5 Earnings per share

Basic earnings per share is calculated by dividing the profit for the period attributable to shareholders of the Bank (adjusted for interest and profit paid on Perpetual Tier 1 Capital Securities) by the weighted average number of shares outstanding during the period net of treasury shares. There are no dilutive potential shares that are convertible into shares.

	Three months ended 31 March	
	2022	2021
	KD 000's	KD 000's
Profit attributable to shareholders of the Bank	116,578	84,308
Less: Interest paid on Perpetual Tier 1 Capital Securities	(3,849)	(1,461)
Less: Profit distribution on Perpetual Tier 1 sukuk by a subsidiary attributable to shareholders of the bank	(1,797)	-
	<u>110,932</u>	<u>82,847</u>
Weighted average number of shares outstanding during the period net of treasury shares (thousands)	<u>7,552,329</u>	<u>7,552,329</u>
Basic earnings per share	<u>15 fils</u>	<u>11 fils</u>

Earnings per share calculations for the period ended 31 March 2021 have been adjusted to take account of the bonus shares issued in 2022.

National Bank of Kuwait Group

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31 March 2022 (Unaudited)

6 Loans, advances and Islamic financing to customers

	31 March 2022 KD 000's	Audited 31 December 2021 KD 000's	31 March 2021 KD 000's
Loans, advances and Islamic financing to customers	20,754,071	20,355,995	18,553,044
Provision for credit losses	(701,931)	(633,524)	(702,375)
	<u>20,052,140</u>	<u>19,722,471</u>	<u>17,850,669</u>

The available provision on non-cash facilities of KD 34,131 thousand (31 December 2021: KD 34,532 thousand, 31 March 2021: KD 37,518 thousand) is included under other liabilities. The total provision for cash and non cash credit facilities in accordance with CBK guidelines amounted to KD 736,062 thousand as at 31 March 2022 (31 December 2021: KD 668,056 thousand, 31 March 2021: KD 739,893 thousand)

The Expected Credit Losses ("ECL") on credit facilities determined under IFRS 9 in accordance to the CBK guidelines amounted to KD 504,268 thousand as at 31 March 2022 (31 December 2021: 461,795 thousand, 31 March 2021: KD 589,472 thousand). CBK guidelines prescribe certain parameters to determine the ECL on credit facilities such as floors for estimating Probability of Default (PD), eligible collateral with haircuts for determining Loss Given Default (LGD), deemed minimum maturity for Stage 2 exposures, 100% credit conversion factors for utilised cash and non-cash facilities, Stage 3 ECLs at 100% of the defaulted exposure net of eligible collateral after applying applicable haircuts etc.

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

31 March 2022	<i>Stage 1 KD 000's</i>	<i>Stage 2 KD 000's</i>	<i>Stage 3 KD 000's</i>	<i>Total KD 000's</i>
Loans, advances and Islamic financing to customers	19,204,667	1,317,001	232,403	20,754,071
Contingent liabilities (Note 12)	3,740,034	580,902	28,600	4,349,536
ECL allowance for credit facilities	166,048	153,653	184,567	504,268
	<u>19,370,749</u>	<u>1,451,556</u>	<u>261,000</u>	<u>21,083,305</u>
	<u>19,204,667</u>	<u>1,317,001</u>	<u>232,403</u>	<u>20,754,071</u>
	<u>3,740,034</u>	<u>580,902</u>	<u>28,600</u>	<u>4,349,536</u>
	<u>166,048</u>	<u>153,653</u>	<u>184,567</u>	<u>504,268</u>
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	<u>3,740,034</u>	<u>580,902</u>	<u>28,600</u>	<u>4,349,536</u>
	<u>166,048</u>	<u>153,653</u>	<u>184,567</u>	<u>504,268</u>
	<u>19,370,749</u>	<u>1,451,556</u>	<u>261,000</u>	<u>21,083,305</u>
	<u>19,204,667</u>	<u>1,317,001</u>	<u>232,403</u>	<u>20,754,071</u>
	<u>3,740,034</u>	<u>580,902</u>	<u>28,600</u>	<u>4,349,536</u>
	<u>166,048</u>	<u>153,653</u>	<u>184,567</u>	<u>504,268</u>
	<u>19,370,749</u>	<u>1,451,556</u>	<u>261,000</u>	<u>21,083,305</u>
	<u>19,204,667</u>	<u>1,317,001</u>	<u>232,403</u>	<u>20,754,071</u>
	<u>3,740,034</u>	<u>580,902</u>	<u>28,600</u>	<u>4,349,536</u>
	<u>166,048</u>	<u>153,653</u>	<u>184,567</u>	<u>504,268</u>
	<u>19,370,749</u>	<u>1,451,556</u>	<u>261,000</u>	<u>21,083,305</u>
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	<u>3,740,034</u>	<u>580,902</u>	<u>28,600</u>	<u>4,349,536</u>
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	<u>19,370,749</u>	<u>1,451,556</u>	<u>261,000</u>	<u>21,083,305</u>
	<u>19,204,667</u>	<u>1,317,001</u>	<u>232,403</u>	<u>20,754,071</u>
	<u>3,740,034</u>	<u>580,902</u>	<u>28,600</u>	<u>4,349,536</u>
	<u>166,048</u>	<u>153,653</u>	<u>184,567</u>	<u>504,268</u>
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	<u>3,740,034</u>	<u>580,902</u>	<u>28,600</u>	<u>4,349,536</u>
	<u>166,048</u>	<u>153,653</u>	<u>184,567</u>	<u>504,268</u>
	<u>19,370,749</u>	<u>1,451,556</u>	<u>261,000</u>	<u>21,083,305</u>
	<u>19,204,667</u>	<u>1,317,001</u>	<u>232,403</u>	<u>20,754,071</u>
	<u>3,740,034</u>	<u>580,902</u>	<u>28,600</u>	<u>4,349,536</u>
	<u>166,048</u>	<u>153,653</u>	<u>184,567</u>	<u>504,268</u>
	<u>19,370,749</u>	<u>1,451,556</u>	<u>261,000</u>	<u>21,083,305</u>
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	<u>3,740,034</u>	<u>580,902</u>	<u>28,600</u>	<u>4,349,536</u>
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	<u>3,740,034</u>	<u>580,902</u>	<u>28,600</u>	<u>4,349,536</u>
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	<u>19,370,749</u>	<u>1,451,556</u>	<u>261,000</u>	<u>21,083,305</u>
	<u>19,204,667</u>	<u>1,317,001</u>	<u>232,403</u>	<u>20,754,071</u>
	<u>3,740,034</u>	<u>580,902</u>	<u>28,600</u>	<u>4,349,536</u>
	<u>166,048</u>	<u>153,653</u>	<u>184,567</u>	<u>504,268</u>
	<u>19,370,749</u>	<u>1,451,556</u>	<u>261,000</u>	<u>21,083,305</u>
	<u>19,204,667</u>	<u>1,317,001</u>	<u>232,403</u>	<u>20,754,071</u>
	<u>3,740,034</u>	<u>580,902</u>	<u>28,600</u>	<u>4,349,536</u>
	<u>166,048</u>	<u>153,653</u>	<u>184,567</u>	<u>504,268</u>
	<u>19,370,749</u>	<u>1,451,556</u>	<u>261,000</u>	<u>21,083,305</u>
	<u>19,204,667</u>	<u>1,317,001</u>	<u>232,403</u>	<u>20,754,071</u>
	<u>3,740,034</u>	<u>580,902</u>	<u>28,600</u>	<u>4,349,536</u>
	<u>166,048</u>	<u>153,653</u>	<u>184,567</u>	<u>504,268</u>
	<u>19,370,749</u>	<u>1,451,556</u>	<u>261,000</u>	<u>21,083,305</u>
	<u>19,204,667</u>	<u>1,317,001</u>	<u>232,403</u>	<u>20,754,071</u>
	<u>3,740,034</u>	<u>580,902</u>	<u>28,600</u>	<u>4,349,536</u>
	<u>166,048</u>	<u>153,653</u>	<u>184,567</u>	<u>504,268</u>
	<u>19,370,749</u>	<u>1,451,556</u>	<u>261,000</u>	<u>21,083,305</u>
	<u>19,204,667</u>	<u>1,317,001</u>	<u>232,403</u>	<u>20,754,071</u>
	<u>3,740,034</u>	<u>580,902</u>	<u>28,600</u>	<u>4,349,536</u>
	<u>166,048</u>	<u>153,653</u>	<u>184,567</u>	<u>504,268</u>
	<u>19,370,749</u>	<u>1,451,556</u>	<u>261,000</u>	<u>21,083,305</u>
	<u>19,204,667</u>	<u>1,317,001</u>	<u>232,403</u>	<u>20,754,071</u>
	<u>3,740,034</u>	<u>580,902</u>	<u>28,600</u>	<u>4,349,53</u>

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6 Loans, advances and Islamic financing to customers (continued)

An analysis of the changes in the ECL in relation to credit facilities (cash and non-cash facilities) computed under IFRS 9 in accordance to the CBK guidelines is as follows:

	<i>Stage 1</i> <i>KD 000's</i>	<i>Stage 2</i> <i>KD 000's</i>	<i>Stage 3</i> <i>KD 000's</i>	<i>Total</i> <i>KD 000's</i>
ECL allowance as at 1 January 2022	134,762	163,737	163,296	461,795
Transfer between stages				
Transfer from Stage 1	(2,719)	1,294	1,425	
Transfer from Stage 2	26,021	(40,586)	14,565	
Transfer from Stage 3	2,358	1,278	(3,636)	
Amounts (written off) recovered net of exchange movements	(656)	(407)	56,828	55,765
Net increase (decrease) in ECL for the period	6,282	28,337	(47,911)	(13,292)
At 31 March 2022	<u>166,048</u>	<u>153,653</u>	<u>184,567</u>	<u>504,268</u>
ECL allowance as at 1 January 2021	129,668	242,180	233,114	604,962
ECLs at acquired subsidiary				
Transfer between stages				
Transfer from Stage 1	(3,808)	2,831	977	
Transfer from Stage 2	19,001	(76,525)	57,524	
Transfer from Stage 3	23,539	11,427	(34,966)	
Amounts (written off) recovered net of exchange movements	(78)	(54)	(25,671)	(25,803)
Net (decrease) increase in ECL for the period	(12,318)	15,005	7,626	10,313
At 31 March 2021	<u>156,004</u>	<u>194,864</u>	<u>238,604</u>	<u>589,472</u>

7 Other borrowed funds

On 29 March 2022, Boubyan Bank K.S.C.P, a subsidiary of the Group, issued through a wholly owned special purpose vehicle, Senior Unsecured Sukuk amounting to USD 500,000 thousand (KD 152,225 thousand) due in March 2027 under the Global Medium Term Note programme. These Sukuk were issued at 100 per cent of nominal value and carry a fixed profit rate at 3.389% per annum payable semi-annually in arrears.

8 Shareholders' equity

a) The authorised share capital of the Bank comprises 10,000,000,000 shares (31 December 2021: 10,000,000,000 shares and 31 March 2021: 7,500,000,000 shares) of 100 fils each. The issued and fully paid up share capital of the Bank comprises 7,552,329,162 shares (31 December 2021: 7,192,694,440 shares and 31 March 2021: 7,192,694,440 shares) of 100 fils each.

b) Dividend and bonus shares

The Annual General Assembly meeting of the shareholders held on 12 March 2022 approved 5% bonus shares (2021: 5%) and a cash dividend of 30 fils per share (2021: 20 fils per share) for the year ended 31 December 2021. The cash dividend payable amounting to KD 215,781 thousand is included in other liabilities as at 31 March 2022 and was paid subsequently. The bonus shares increased the number of issued and fully paid up shares by 359,634,722 (2021: 342,509,259) and share capital by KD 35,964 thousand (2021: KD 34,250 thousand).

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31 March 2022 (Unaudited)

8 Shareholders' equity (continued)

c) Other reserves

	General reserve	Retained earnings	Foreign currency translation reserve	Cumulative changes in fair values	Share based payment reserve	Actuarial valuation reserve	Proposed cash dividend	Total other reserves
Balance as at 1 January 2022	117,058	1,385,277	(214,176)	74,648	14,409	(6,289)	215,781	1,586,708
Profit for the period	-	116,578	(35,555)	(8,547)	-	-	-	116,578
Other comprehensive loss	-	-	(35,555)	(8,547)	-	-	-	(44,102)
Total comprehensive income (loss)	-	116,578	(35,555)	(8,547)	-	-	-	72,476
Transfer to dividends payable	-	-	-	-	-	-	(215,781)	(215,781)
Interest paid on Perpetual Tier 1 Capital Securities	-	(3,849)	-	-	-	-	-	(3,849)
Profit distribution on Perpetual Tier 1 Sukuk by a subsidiary	-	(1,797)	-	-	-	-	-	(1,797)
Other movements	-	(11)	-	-	-	-	-	(11)
At 31 March 2022	117,058	1,496,198	(249,731)	66,101	14,409	(6,289)	-	1,437,746
At 1 January 2021	117,058	1,332,007	(209,496)	25,257	14,409	(5,999)	137,004	1,410,240
Profit for the period	-	84,308	(6,758)	27,120	-	-	-	84,308
Other comprehensive income (loss)	-	-	(6,758)	27,120	-	-	-	20,362
Total comprehensive income (loss)	-	84,308	(6,758)	27,120	-	-	-	104,670
Dividends paid	-	-	-	-	-	-	(137,004)	(137,004)
Realised gain on equity investments at FVOCI	-	9	-	(9)	-	-	-	(9)
Interest paid on Perpetual Tier 1 Capital Securities	-	(1,461)	-	-	-	-	-	(1,461)
Transaction cost on issue of Perpetual Tier 1 Capital Securities	-	(779)	-	-	-	-	-	(779)
Other movements	-	(164)	-	-	-	-	-	(164)
At 31 March 2021	117,058	1,413,920	(216,254)	52,368	14,409	(5,999)	-	1,375,502

KD 000's

National Bank of Kuwait Group

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31 March 2022 (Unaudited)

9 Perpetual Tier 1 Capital Securities

The Bank issued the following Perpetual Tier 1 Capital Securities (the “Capital Securities”), through wholly owned special purpose vehicles:

	<i>31 March 2022 KD 000's</i>	<i>31 December 2021 KD 000's</i>	<i>31 March 2021 KD 000's</i>
USD 750,000 thousand (issued in November 2019 at an interest rate of 4.5% per annum, semi-annually in arrears, until the first reset date in November 2025, redeemable at the option of the bank in August 2025)	227,738	227,738	227,738
USD 700,000 thousand (issued in February 2021 at an interest rate of 3.625% per annum, semi-annually in arrears, until the first reset date in February 2027, redeemable at the option of the bank in August 2026)	211,294	211,294	211,294
USD 700,000 thousand (issued in April 2015 at an interest rate of 5.75% per annum, semi-annually in arrears, until the first call date in April 2021) – Net of redemption	-	-	152,738
	<u>439,032</u>	<u>439,032</u>	<u>591,770</u>

The above mentioned Capital securities are subordinated, unsecured and are eligible to be classified under equity in accordance with IAS 32: Financial Instruments – Presentation. Payments of interest in respect of the Capital Securities may be cancelled (in whole or in part) at the sole discretion of the Bank on a non-cumulative basis. Any such cancellation is not considered an event of default. Payments of interest are treated as a deduction from equity. The Capital Securities have no maturity date and are callable (in whole but not in part) at par at the option of the Bank on the first call date and on every interest payment date thereafter, subject to certain conditions.

10 Assets and liabilities Held for Sale

On 17 February 2022, the Bank entered into a sale and purchase agreement with Arab Jordan Investment Bank in relation to the sale of assets and liabilities portfolio of National Bank of Kuwait, Jordan branch (NBK Jordan). The sale is conditional upon satisfying certain conditions and is expected to be completed within a year. Accordingly, the Group has classified the assets and liabilities of NBK Jordan as at 31 March 2022 as “Held for Sale” and carried at lower of carrying amount and fair value less cost of disposal in accordance with IFRS 5: Non-current Assets Held for Sale and Discontinued Operations.

Assets held for sale mainly comprises of investment securities of KD 32,310 thousand and cash and short term funds of KD 13,760 thousand. Liabilities associated with assets held for sale mainly comprises of customer deposits of KD 27,247 thousand.

NBK Jordan did not meet the definition of discontinued operation since it is not a major geographical area of operation and therefore interim condensed consolidated statement of income have not been re-presented.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31 March 2022 (Unaudited)

11 Segmental analysis

The Group organises and manages its operations by geographic territory in the first instance, primarily Domestic and International. Within its domestic operations, the Group segments its business into Consumer and Private Banking, Corporate Banking, Investment Banking and Asset Management, Islamic Banking and Group Centre. All operations outside Kuwait are classified as International. Management treats the operations of these segments separately for the purposes of decision making, resource allocation and performance assessment.

Consumer and Private Banking

Consumer Banking provides a diversified range of products and services to individuals. The range includes consumer loans, credit cards, deposits, foreign exchange and other branch related services. Private Banking provides a comprehensive range of customised and innovative banking services to high net worth individuals and to institutional clients.

Corporate Banking

Corporate Banking provides a comprehensive product and service offering to business and corporate customers, including lending, deposits, trade finance, foreign exchange and advisory services.

Investment Banking and Asset Management

Investment Banking provides a full range of capital market advisory and execution services. The activities of Asset Management include wealth management, asset management, custody, brokerage and research.

Islamic Banking

Islamic banking represents the financial results of Boubyan Bank K.S.C.P., the Islamic banking subsidiary of the Group.

Group Centre

Group Centre includes treasury, investments, and other defined Group activities. Treasury provides a comprehensive range of treasury services and products to its clients, and is also responsible for the Bank's liquidity and market risk management. Group Centre includes any residual in respect of transfer pricing and inter-segment allocations.

International

International includes all branches, subsidiaries and associates outside Kuwait.

The following table presents net operating income, profit for the period, total assets and total liabilities information in respect of the Group's business segments:

	31 March 2022						
	Consumer and Private Banking KD 000's	Corporate Banking KD 000's	Investment Banking and Asset Management KD 000's	Islamic Banking KD 000's	Group Centre KD 000's	International KD 000's	Total KD 000's
<i>Three months</i>							
Net operating income	73,836	33,522	10,100	51,404	10,873	56,795	236,530
Profit (loss) for the period	39,791	44,454	6,707	17,022	(4,811)	20,179	123,342
Total assets	5,178,293	5,066,025	76,486	7,459,870	3,153,236	12,763,536	33,697,446
Total liabilities	6,724,548	1,945,565	11,366	6,709,540	1,704,538	12,284,145	29,379,702

National Bank of Kuwait Group

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31 March 2022 (Unaudited)

11 Segmental analysis (continued)

	31 March 2021						
	Consumer and Private Banking KD 000's	Corporate Banking KD 000's	Investment Banking and Asset Management KD 000's	Islamic Banking KD 000's	Group Centre KD 000's	International KD 000's	Total KD 000's
<i>Three months</i>							
Net operating income	71,482	35,496	8,019	46,591	2,597	57,335	221,520
Profit (loss) for the period	40,667	26,809	4,868	12,357	(5,360)	9,637	88,978
Total assets	4,775,739	5,150,380	64,950	6,771,533	1,977,334	12,260,782	31,000,718
Total liabilities	6,553,267	2,172,455	10,445	6,128,599	94,826	11,774,957	26,734,549

12 Commitments and contingent liabilities

	31 March 2022	Audited 31 December 2021	31 March 2021
	KD 000's	KD 000's	KD 000's
Commitments on behalf of customers for which there are corresponding liabilities by the customers concerned:			
Acceptances	144,678	158,338	271,267
Letters of credit	526,634	499,094	431,817
Guarantees	3,678,224	3,760,575	3,877,282
	<u>4,349,536</u>	<u>4,418,007</u>	<u>4,580,366</u>

Irrevocable commitments to extend credit amount to KD 1,028,489 thousand (31 December 2021: KD 1,067,102 thousand, 31 March 2021: KD 1,012,038 thousand). This includes commitments to extend credit which are irrevocable over the life of the facility or are revocable only in response to a material adverse change.

In the normal course of business, the Group has exposure to various indirect credit commitments which, though not reflected in the interim condensed consolidated statement of financial position, are subject to normal credit standards, financial controls and monitoring procedures.

These credit commitments do not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded. Credit losses, if any, which may result from exposure to such commitments are not expected to be significant.

The Group has commitments in respect of capital expenditure amounting to KD 92,242 thousand (31 December 2021: KD 92,762 thousand, 31 March 2021: KD 64,307 thousand).

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31 March 2022 (Unaudited)

13 Fair value of financial instruments

The fair value of financial assets and financial liabilities that are traded in active markets is based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using valuation techniques.

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques in which all significant inputs are observable from market data. Debt securities under this category mainly include sovereign debt instruments in the Middle East & North Africa (MENA) region.

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

The following table provides the fair value measurement hierarchy of the Group's financial instruments recorded at fair value:

<i>31 March 2022</i>	<i>Level 1 KD 000's</i>	<i>Level 2 KD 000's</i>	<i>Level 3 KD 000's</i>	<i>Total KD 000's</i>
Debt securities	3,467,756	335,168	-	3,802,924
Equities and other investments	63,808	221,667	51,743	337,218
	<u>3,531,564</u>	<u>556,835</u>	<u>51,743</u>	<u>4,140,142</u>
Derivative financial instruments (Note 14)	-	38,408	-	38,408
 <i>31 December 2021</i>	 <i>Level 1 KD 000's</i>	 <i>Level 2 KD 000's</i>	 <i>Level 3 KD 000's</i>	 <i>Total KD 000's</i>
Debt securities	3,308,859	347,580	-	3,656,439
Equities and other investments	57,115	175,349	51,464	283,928
	<u>3,365,974</u>	<u>522,929</u>	<u>51,464</u>	<u>3,940,367</u>
Derivative financial instruments (Note 14)	-	(107,951)	-	(107,951)
 <i>31 March 2021</i>	 <i>Level 1 KD 000's</i>	 <i>Level 2 KD 000's</i>	 <i>Level 3 KD 000's</i>	 <i>Total KD 000's</i>
Debt securities	3,236,734	384,444	-	3,621,178
Equities and other investments	51,673	106,395	54,319	212,387
	<u>3,288,407</u>	<u>490,839</u>	<u>54,319</u>	<u>3,833,565</u>
Derivative financial instruments (Note 14)	-	(136,056)	-	(136,056)

National Bank of Kuwait Group

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31 March 2022 (Unaudited)

13 Fair value of financial instruments (continued)

The table below analyses the movement in level 3 and the income (interest, dividend and realised/unrealised gain) generated during the periods.

	<i>At 1 January 2022 KD 000's</i>	<i>Change in fair value KD 000's</i>	<i>Additions KD 000's</i>	<i>Sale/ redemption KD 000's</i>	<i>Exchange rate movements KD 000's</i>	<i>At 31 March 2022 KD 000's</i>	<i>Net losses in the interim condensed consolidated statement of income KD 000's</i>
Equities and other investments	51,464	(448)	1,022	(183)	(112)	51,743	(377)
	<u>51,464</u>	<u>(448)</u>	<u>1,022</u>	<u>(183)</u>	<u>(112)</u>	<u>51,743</u>	<u>(377)</u>
							<i>Net gains (losses) in the interim condensed consolidated statement of income KD 000's</i>
	<i>At 1 January 2021 KD 000's</i>	<i>Change in fair value KD 000's</i>	<i>Additions KD 000's</i>	<i>Sale/ redemption KD 000's</i>	<i>Exchange rate movements KD 000's</i>	<i>At 31 March 2021 KD 000's</i>	
Debt securities	14,000	-	-	(14,000)	-	-	144
Equities and other investments	55,284	(546)	2,203	(2,577)	(45)	54,319	(257)
	<u>69,284</u>	<u>(546)</u>	<u>2,203</u>	<u>(16,577)</u>	<u>(45)</u>	<u>54,319</u>	<u>(113)</u>

14 Derivative financial instruments

Derivative financial instruments are financial instruments that derive their value by referring to interest 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 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 interest rate swaps to manage its interest rate risk on interest bearing assets and liabilities and to provide interest rate risk management solutions to customers. Similarly the Group deals in forward foreign exchange contracts for customers and to manage its foreign currency positions and cash flows.

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14 Derivative financial instruments (continued)

Interest rate swaps used to hedge the change in fair value of the Group's financial assets and liabilities and which qualifies as effective hedging instruments are disclosed as 'held as fair value hedges'. Other interest rate swaps and forward foreign exchange contracts are carried out for customers or used for hedging purpose but do not meet the qualifying criteria for hedge accounting. The risk exposures on account of derivative financial instruments for customers are covered by entering into opposite transactions (back to back) with counter-parties or by other risk mitigating transactions.

Interest rate swaps

Interest rate swaps are contractual agreements between two counter-parties to exchange interest payments on a defined principal amount for a fixed period of time. In cross currency interest rate swaps, the Group exchanges interest payment in two different currencies on a defined principal amount for a fixed period of time and also exchanges defined principal amounts in two different currencies at inception of the contract and re-exchanges principal amounts on maturity.

Forward foreign exchange

Forward foreign exchange contracts are agreements to buy or sell currencies at a specified rate and at a future date.

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

	31 March 2022			Audited 31 December 2021			31 March 2021		
	Positive fair value KD 000's	Negative fair value KD 000's	Notional KD 000's	Positive fair value KD 000's	Negative fair value KD 000's	Notional KD 000's	Positive fair value KD 000's	Negative fair value KD 000's	Notional KD 000's
Interest rate swaps (held as fair value hedges)	80,095	34,821	4,107,995	14,230	118,499	3,925,942	11,606	152,497	3,463,487
Interest rate swaps (others)	936	932	50,143	422	417	49,913	367	344	49,896
Forward foreign exchange contracts	9,867	16,737	3,171,159	13,995	17,682	3,395,871	11,754	6,942	2,988,210
	<u>90,898</u>	<u>52,490</u>	<u>7,329,297</u>	<u>28,647</u>	<u>136,598</u>	<u>7,371,726</u>	<u>23,727</u>	<u>159,783</u>	<u>6,501,593</u>

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31 March 2022 (Unaudited)

15 Related party transactions

Related parties comprise Board Members and Executive Officers of the Bank, their close family members, companies controlled by them or close family members and associates of the Group. Certain related parties were customers of the Group in the ordinary course of business. Transactions with related parties were made on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with unrelated parties and did not involve more than a normal amount of risk. Lending to Board Members and their related parties is secured by tangible collateral in accordance with regulations of Central Bank of Kuwait.

Details of the interests of related parties are as follows:

	Number of Board Members or Executive Officers		Number of related parties		31 March 2022	31 December 2021	31 March 2021	31 March 2022	31 December 2021	31 March 2021
	31 March 2022	31 December 2021	31 March 2022	31 December 2021						
Loans	6	9	5	14	18	18	49,300	63,812	81,973	81,973
Contingent liabilities	3	3	3	8	9	9	19,980	20,057	21,660	21,660
Credit cards	17	10	10	30	32	32	200	128	130	130
Deposits	25	25	21	82	101	86	32,540	57,262	47,128	47,128
Collateral against credit facilities	1	3	4	6	12	12	55,813	249,097	271,313	271,313
Interest and fee income							389	1,213	367	367
Interest expense							31	260	23	23
Purchase of equipment and other expenses							91	259	10	10

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31 March 2022 (Unaudited)

15 Related party transactions (continued)

Details of compensation to key management personnel are as follows:

	Three months ended 31 March	
	2022 KD 000's	2021 KD 000's
Salaries and other short term benefits	2,763	903
Post-employment benefits	54	49
Share based compensation	334	151
	<u>3,151</u>	<u>1,103</u>

16 Impact of COVID-19 pandemic

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 sectors 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.