

NATIONAL BANK OF KUWAIT GROUP

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

30 September 2023 (UNAUDITED)

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 30 September 2023, and the related interim condensed consolidated statement of income and the interim condensed consolidated statement of comprehensive income for the three month and nine month periods then ended, and the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the nine 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 preparation set out in Note 2. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*”. A review of interim 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.

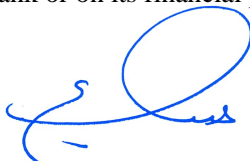
Conclusion

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 preparation set out in Note 2.

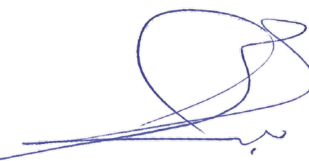
Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Bank. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016, as amended, and its executive regulation, as amended, or of the Bank’s Articles of Association and Memorandum of Incorporation, as amended, during the nine months period ended 30 September 2023 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 nine months period ended 30 September 2023 that might have had a material effect on the business of the Bank or on its financial position.



ABDULKARIM ALSAMDAN
LICENCE NO. 208 A
EY
AL AIBAN, AL OSAIMI & PARTNERS



BADER A. AL-WAZZAN
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National Bank of Kuwait Group

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

30 September 2023 (Unaudited)

	Notes	<i>Three months ended</i>		<i>Nine months ended</i>	
		<i>30 September</i>		<i>30 September</i>	
		<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>
		<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
Interest income		429,090	255,754	1,184,977	628,430
Interest expense		242,508	99,801	652,185	212,857
Net interest income		186,582	155,953	532,792	415,573
Murabaha and other Islamic financing income		104,450	74,294	295,149	202,887
Finance cost and Distribution to depositors		57,237	31,922	162,096	71,861
Net income from Islamic financing		47,213	42,372	133,053	131,026
Net interest income and net income from Islamic financing		233,795	198,325	665,845	546,599
Net fees and commissions		48,962	44,288	148,569	136,717
Net investment income		3,513	2,349	19,037	12,974
Net gains from dealing in foreign currencies		11,986	25,820	29,419	49,966
Other operating (loss) income		(363)	271	880	1,140
Non-interest income		64,098	72,728	197,905	200,797
Net operating income		297,893	271,053	863,750	747,396
Staff expenses		56,861	56,144	171,848	163,875
Other administrative expenses		34,937	30,566	104,082	87,484
Depreciation of premises and equipment		11,297	9,905	32,990	29,002
Amortisation of intangible assets		411	411	1,235	1,235
Operating expenses		103,506	97,026	310,155	281,596
Operating profit before provision for credit losses and impairment losses		194,387	174,027	553,595	465,800
Provision charge for credit losses and impairment losses	3	17,883	19,875	65,842	40,919
Operating profit before taxation		176,504	154,152	487,753	424,881
Taxation	4	14,538	12,576	36,786	34,527
Profit for the period		161,966	141,576	450,967	390,354
Attributable to:					
Shareholders of the Bank		155,753	136,412	431,100	374,238
Non-controlling interests		6,213	5,164	19,867	16,116
		161,966	141,576	450,967	390,354
Basic earnings per share attributable to shareholders of the Bank	5	19 fils	16 fils	52 fils	45 fils

The attached notes 1 to 14 form part of this interim condensed consolidated financial information.

National Bank of Kuwait Group

INTERIM CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME

30 September 2023 (Unaudited)

	<i>Three months ended</i> <i>30 September</i>		<i>Nine months ended</i> <i>30 September</i>	
	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
Profit for the period	161,966	141,576	450,967	390,354
Other comprehensive income (loss):				
Investment in debt securities measured at FVOCI:				
Net change in fair value	6,710	15,606	9,002	(41,110)
Net transfer to interim condensed consolidated statement of income	(881)	(290)	1,312	4,587
	5,829	15,316	10,314	(36,523)
Exchange differences on translation of foreign operations	(6,526)	(33,791)	(23,428)	(78,607)
Other comprehensive loss for the period reclassifiable to interim condensed consolidated statement of income in subsequent periods	(697)	(18,475)	(13,114)	(115,130)
Net gain (loss) on investments in equity instruments designated at FVOCI (not reclassifiable to interim condensed consolidated statement of income in subsequent periods)	235	97	(187)	(126)
Other comprehensive loss for the period	(462)	(18,378)	(13,301)	(115,256)
Total comprehensive income for the period	161,504	123,198	437,666	275,098
Attributable to:				
Shareholders of the Bank	154,281	119,212	415,259	262,816
Non-controlling interests	7,223	3,986	22,407	12,282
	161,504	123,198	437,666	275,098

The attached notes 1 to 14 form part of this interim condensed consolidated financial information.

National Bank of Kuwait Group

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2023 (Unaudited)

		<i>30 September</i> 2023	<i>Audited</i> <i>31 December</i> 2022	<i>30 September</i> 2022
	Notes	KD 000's	KD 000's	KD 000's
Assets				
Cash and short term funds		3,639,390	5,323,452	3,826,268
Central Bank of Kuwait bonds		862,250	881,241	1,037,518
Kuwait Government treasury bonds		190,983	211,629	213,338
Deposits with banks		2,080,312	1,490,286	1,748,551
Loans, advances and Islamic financing to customers	6	21,796,658	20,998,416	20,603,811
Investment securities		6,314,188	5,634,672	5,433,264
Land, premises and equipment		496,752	474,724	465,550
Goodwill and other intangible assets		529,169	534,936	569,791
Other assets		925,572	789,007	806,866
Total assets		<u>36,835,274</u>	<u>36,338,363</u>	<u>34,704,957</u>
Liabilities				
Due to banks		3,570,710	4,017,979	3,545,365
Deposits from other financial institutions		3,558,581	3,740,877	3,980,235
Customer deposits		20,934,004	20,178,062	19,278,347
Certificates of deposit issued		1,750,338	1,801,623	1,413,072
Other borrowed funds		1,335,886	1,243,563	1,271,825
Other liabilities		920,420	721,313	717,151
Total liabilities		<u>32,069,939</u>	<u>31,703,417</u>	<u>30,205,995</u>
Equity				
Share capital	7	792,995	755,233	755,233
Proposed bonus shares	7	-	37,762	-
Statutory reserve		377,618	377,618	359,637
Share premium account		803,028	803,028	803,028
Treasury shares reserve		34,961	34,961	34,961
Other reserves	7	1,741,931	1,614,386	1,539,016
Equity attributable to shareholders of the Bank		3,750,533	3,622,988	3,491,875
Perpetual Tier 1 Capital Securities	8	439,032	439,032	439,032
Non-controlling interests		575,770	572,926	568,055
Total equity		<u>4,765,335</u>	<u>4,634,946</u>	<u>4,498,962</u>
Total liabilities and equity		<u>36,835,274</u>	<u>36,338,363</u>	<u>34,704,957</u>

Hamad Mohamed Al-Bahar
Chairman

National Bank of Kuwait Group

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

30 September 2023 (Unaudited)

	Notes	<i>Nine months ended</i>	
		<i>2023</i>	<i>2022</i>
		<i>KD 000's</i>	<i>KD 000's</i>
Operating activities			
Profit for the period		450,967	390,354
Adjustments for:			
Net investment income		(19,037)	(12,974)
Depreciation of premises and equipment		32,990	29,002
Amortisation of intangible assets		1,235	1,235
Provision charge for credit losses and impairment losses	3	65,842	40,919
Taxation	4	36,786	34,527
Cash flow from operating activities before changes in operating assets and liabilities		568,783	483,063
Changes in operating assets and liabilities:			
Central Bank of Kuwait bonds		18,991	(207,464)
Kuwait Government treasury bonds		18,989	186,381
Deposits with banks		(587,876)	(864,666)
Loans, advances and Islamic financing to customers		(860,567)	(1,018,612)
Other assets		26,248	(126,107)
Due to banks		(447,269)	(553,394)
Deposits from other financial institutions		(182,296)	844,716
Customer deposits		755,942	1,152,141
Certificates of deposit issued		(51,285)	73,718
Other liabilities		161,846	104,270
Tax paid		(35,019)	(31,147)
Net cash (used in) from operating activities		(613,513)	42,899
Investing activities			
Purchase of investment securities		(2,615,592)	(3,288,535)
Proceeds from sale/redemption of investment securities		1,837,358	2,261,978
Dividend income		1,366	1,114
Change in holding in subsidiaries		(11,613)	(6,336)
Proceeds from sale of disposal group held for sale		-	25,597
Proceeds from sale of land, premises and equipment		1,817	951
Purchase of land, premises and equipment		(36,908)	(41,318)
Purchase of investment properties		(36,496)	-
Net cash used in investing activities		(860,068)	(1,046,549)
Financing activities			
Proceeds from issue of unsecured sukuk by a subsidiary		-	152,225
Redemption of Global Medium term notes		-	(229,238)
Proceeds from capital increase in a subsidiary		-	80,238
Interest paid on Perpetual Tier 1 Capital Securities		(13,013)	(12,927)
Profit distribution on Perpetual Tier 1 sukuk by a subsidiary		(6,079)	(6,068)
Dividends paid	7	(268,107)	(291,304)
Dividend paid by a subsidiary to non-controlling interests		(9,572)	(6,376)
Net movement in other borrowed funds		86,290	61,377
Net cash used in financing activities		(210,481)	(252,073)
Decrease in cash and short term funds		(1,684,062)	(1,255,723)
Cash and short term funds at 1 January		5,323,452	5,081,991
Cash and short term funds at 30 September		3,639,390	3,826,268

The attached notes 1 to 14 form part of this interim condensed consolidated financial information.

National Bank of Kuwait Group

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

30 September 2023 (Unaudited)

KD 000's

Equity attributable to shareholders of the Bank

	Share capital	Proposed bonus shares	Statutory reserve	Share premium account	Treasury shares reserve	Other reserves (Note 7)	Total	Perpetual Tier 1 Capital Securities	Non-controlling interests	Total equity
At 1 January 2023	755,233	37,762	377,618	803,028	34,961	1,614,386	3,622,988	439,032	572,926	4,634,946
Profit for the period	-	-	-	-	-	431,100	431,100	-	19,867	450,967
Other comprehensive (loss) income	-	-	-	-	-	(15,841)	(15,841)	-	2,540	(13,301)
Total comprehensive income	-	-	-	-	-	415,259	415,259	-	22,407	437,666
Issue of bonus shares (Note 7)	37,762	(37,762)	-	-	-	-	-	-	-	-
Dividends paid (Note 7)	-	-	-	-	-	(188,808)	(188,808)	-	-	(188,808)
Interim dividends paid (Note 7)	-	-	-	-	-	(79,299)	(79,299)	-	-	(79,299)
Interest paid on perpetual Tier 1 capital Securities	-	-	-	-	-	(13,013)	(13,013)	-	-	(13,013)
Profit distribution on Perpetual Tier 1 sukuk by a subsidiary	-	-	-	-	-	(3,664)	(3,664)	-	(2,415)	(6,079)
Change in holding in subsidiaries	-	-	-	-	-	(3,906)	(3,906)	-	(7,707)	(11,613)
Dividend paid to non-controlling interests by subsidiaries	-	-	-	-	-	-	-	-	(9,572)	(9,572)
Other movements	-	-	-	-	-	976	976	-	131	1,107
At 30 September 2023	792,995	-	377,618	803,028	34,961	1,741,931	3,750,533	439,032	575,770	4,765,335
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	-	-	-	-	-	374,238	374,238	-	16,116	390,354
Other comprehensive loss	-	-	-	-	-	(111,422)	(111,422)	-	(3,834)	(115,256)
Total comprehensive income	-	-	-	-	-	262,816	262,816	-	12,282	275,098
Issue of bonus shares (Note 7)	35,964	(35,964)	-	-	-	-	-	-	-	-
Dividends paid (Note 7)	-	-	-	-	-	(215,781)	(215,781)	-	-	(215,781)
Interim dividends paid (Note 7)	-	-	-	-	-	(75,523)	(75,523)	-	-	(75,523)
Interest paid on perpetual Tier 1 capital Securities	-	-	-	-	-	(12,927)	(12,927)	-	-	(12,927)
Profit distribution on Perpetual Tier 1 sukuk by a subsidiary	-	-	-	-	-	(3,642)	(3,642)	-	(2,426)	(6,068)
Change in holding in subsidiaries	-	-	-	-	-	(2,557)	(2,557)	-	(3,779)	(6,336)
Capital increase in a subsidiary	-	-	-	-	-	-	-	-	80,238	80,238
Dividend paid to non-controlling interests by a subsidiary	-	-	-	-	-	-	-	-	(6,376)	(6,376)
Other movements	-	-	-	-	-	(78)	(78)	-	(402)	(480)
At 30 September 2022	755,233	-	359,637	803,028	34,961	1,539,016	3,491,875	439,032	568,055	4,498,962

The attached notes 1 to 14 form part of this interim condensed consolidated financial information.

National Bank of Kuwait Group

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2023 (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 nine months period ended 30 September 2023 was authorised for issue in accordance with a resolution of the directors on 8 October 2023. 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

The interim condensed consolidated financial information of the Group has 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 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 2022.

The annual consolidated financial statements for the year ended 31 December 2022 have been prepared in accordance with the regulations for financial services institutions as issued by the Central Bank of Kuwait (CBK) in the State of Kuwait. These regulations require banks and other financial institutions regulated by CBK to adopt the International Financial Reporting Standards (“IFRS”) with an amendment for measuring the expected credit loss (“ECL”) on credit facilities at the higher of ECL computed under IFRS 9 – ‘Financial Instruments’ in accordance to the CBK guidelines or the provisions as required by CBK instructions along with its consequent impact on related disclosures.

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 IFRS, and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2022. Further, results for interim periods are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

Amendments to IFRSs which are effective for annual accounting period starting from 1 January 2023 did not have any material impact on the accounting policies, financial position or performance of the Group.

3 PROVISION CHARGE FOR CREDIT LOSSES AND IMPAIRMENT LOSSES

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>
	<i>KD 000’s</i>	<i>KD 000’s</i>	<i>KD 000’s</i>	<i>KD 000’s</i>
Provision charge (release) for credit facilities – specific	10,859	2,953	23,054	(121,935)
Provision charge for credit facilities – general	7,404	15,851	43,567	149,277
Expected credit losses (release) charge	(270)	(36)	(669)	4,845
Other impairment losses (release) charge	(110)	1,107	(110)	8,732
	17,883	19,875	65,842	40,919

National Bank of Kuwait Group

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2023 (Unaudited)

4 TAXATION

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
National Labour Support Tax	3,848	3,177	10,890	9,449
Zakat	1,722	1,497	4,780	4,162
Contribution to Kuwait Foundation for the Advancement of Sciences	1,687	1,484	4,486	4,085
Overseas tax	7,281	6,418	16,630	16,831
	14,538	12,576	36,786	34,527

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.

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
Profit attributable to shareholders of the Bank	155,753	136,412	431,100	374,238
Less: Interest paid on Perpetual Tier 1 capital Securities	(3,916)	(3,907)	(13,013)	(12,927)
Less: Profit distribution on Perpetual Tier 1 sukuk by a subsidiary attributable to shareholders of the Bank	(1,843)	(1,845)	(3,664)	(3,642)
	149,994	130,660	414,423	357,669
Weighted average number of shares outstanding during the period net of treasury shares (thousands)	7,929,946	7,929,946	7,929,946	7,929,946
Basic earnings per share	19 fils	16 fils	52 fils	45 fils

Earnings per share calculations for the period ended 30 September 2022 have been adjusted to take account of the bonus shares issued in 2023.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2023 (Unaudited)

6 LOANS, ADVANCES AND ISLAMIC FINANCING TO CUSTOMERS

	30 September 2023	<i>Audited</i> 31 December 2022	30 September 2022
	KD 000's	KD 000's	KD 000's
Loans, advances and Islamic financing to customers	22,664,131	21,826,357	21,424,485
Provision for credit losses	(867,473)	(827,941)	(820,674)
	<u>21,796,658</u>	<u>20,998,416</u>	<u>20,603,811</u>

The available provision on non-cash facilities of KD 40,950 thousand (31 December 2022: KD 40,344 thousand, 30 September 2022: KD 39,722 thousand) is included under other liabilities. The total provision for cash and non cash credit facilities in accordance with CBK guidelines amounted to KD 908,423 thousand as at 30 September 2023 (31 December 2022: KD 868,285 thousand, 30 September 2022: KD 860,396 thousand)

The Expected Credit Losses ("ECL") on credit facilities determined under IFRS 9 in accordance to the CBK guidelines amounted to KD 610,741 thousand as at 30 September 2023 (31 December 2022: 577,435 thousand, 30 September 2022: KD 535,400 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.

National Bank of Kuwait Group

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2023 (Unaudited)

6 LOANS, ADVANCES AND ISLAMIC FINANCING TO CUSTOMERS (continued)

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:

<i>30 September 2023</i>	<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	20,864,872	1,404,920	394,339	22,664,131
Contingent liabilities (Note 10)	3,944,503	721,526	12,696	4,678,725
Commitments (revocable and irrevocable) to extend credit	7,827,470	1,017,516	106	8,845,092
ECL allowance for credit facilities	187,131	152,462	271,148	610,741
<i>31 December 2022</i>	<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	19,696,097	1,820,214	310,046	21,826,357
Contingent liabilities (Note 10)	3,799,942	655,399	12,045	4,467,386
Commitments (revocable and irrevocable) to extend credit	7,505,629	1,165,237	6	8,670,872
ECL allowance for credit facilities	169,351	169,228	238,856	577,435
<i>30 September 2022</i>	<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	19,465,627	1,692,146	266,712	21,424,485
Contingent liabilities (Note 10)	3,887,312	630,250	20,193	4,537,755
Commitments (revocable and irrevocable) to extend credit	7,160,109	1,021,708	54	8,181,871
ECL allowance for credit facilities	167,087	152,846	215,467	535,400

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 KD 000's</i>	<i>Stage 2 KD 000's</i>	<i>Stage 3 KD 000's</i>	<i>Total KD 000's</i>
ECL allowance as at 1 January 2023	169,351	169,228	238,856	577,435
Transfer between stages				
Transfer from Stage 1	(3,322)	1,807	1,515	-
Transfer from Stage 2	32,067	(48,179)	16,112	-
Transfer from Stage 3	10,061	2,193	(12,254)	-
Amounts recovered (written off) net of exchange movements	161	185	(27,432)	(27,086)
Net (decrease) increase in ECL for the period	(21,187)	27,228	54,351	60,392
At 30 September 2023	187,131	152,462	271,148	610,741

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6 LOANS, ADVANCES AND ISLAMIC FINANCING TO CUSTOMERS (continued)

	<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	(5,271)	2,078	3,193	-
Transfer from Stage 2	23,899	(38,543)	14,644	-
Transfer from Stage 3	3,783	886	(4,669)	-
Amounts (written off) recovered net of exchange movements	(344)	(319)	168,161	167,498
Net increase (decrease) in ECL for the period	10,258	25,007	(129,158)	(93,893)
At 30 September 2022	<u>167,087</u>	<u>152,846</u>	<u>215,467</u>	<u>535,400</u>

7 SHAREHOLDERS' EQUITY

a) The authorised share capital of the Bank comprises 10,000,000,000 shares (31 December 2022: 10,000,000,000 shares and 30 September 2022: 10,000,000,000 shares) of 100 fils each. The issued and fully paid up share capital of the Bank comprises 7,929,945,620 shares (31 December 2022: 7,552,329,162 shares and 30 September 2022: 7,552,329,162 shares) of 100 fils each.

b) Dividend and bonus shares

The Annual General Assembly meeting of the shareholders held on 18 March 2023 approved 5% bonus shares and a final cash dividend of 25 fils per share for the year ended 31 December 2022. (5% bonus shares and cash dividend of 30 fils per share for the year ended 31 December 2021). The final cash dividend amounting to KD 188,808 thousand was paid subsequently in April 2023. The bonus shares issued in 2023 increased the number of issued and fully paid up shares by 377,616,458 (2022: 359,634,722) and share capital by KD 37,762 thousand (2022: KD 35,964 thousand).

The Board of Directors approved distribution of an interim cash dividend of 10 fils per share (2022: 10 fils per share) on the outstanding shares as of 30 June 2023. The interim cash dividend amounting to KD 79,299 thousand (2022: KD 75,523 thousand) was paid during the period.

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7 SHAREHOLDERS' EQUITY (CONTINUED)

c) Other reserves

KD 000's

	<i>General reserve</i>	<i>Retained earnings</i>	<i>Foreign currency translation reserve</i>	<i>Cumulative changes in fair values</i>	<i>Share based payment reserve</i>	<i>Actuarial valuation reserve</i>	<i>Proposed cash dividend</i>	<i>Total other reserves</i>
Balance as at 1 January 2023	117,058	1,550,747	(336,789)	79,139	14,409	1,014	188,808	1,614,386
Profit for the period	-	431,100	-	-	-	-	-	431,100
Other comprehensive (loss) income	-	-	(23,884)	8,043	-	-	-	(15,841)
Total comprehensive income (loss)	-	431,100	(23,884)	8,043	-	-	-	415,259
Dividends paid	-	-	-	-	-	-	(188,808)	(188,808)
Interim dividends paid	-	(79,299)	-	-	-	-	-	(79,299)
Interest paid on Perpetual Tier 1 Capital Securities	-	(13,013)	-	-	-	-	-	(13,013)
Profit distribution on Perpetual Tier 1 Sukuk by a subsidiary	-	(3,664)	-	-	-	-	-	(3,664)
Change in holding in subsidiaries	-	(3,906)	-	-	-	-	-	(3,906)
Other movements	-	976	-	-	-	-	-	976
At 30 September 2023	117,058	1,882,941	(360,673)	87,182	14,409	1,014	-	1,741,931
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	-	374,238	-	-	-	-	-	374,238
Other comprehensive loss	-	-	(73,398)	(38,024)	-	-	-	(111,422)
Total comprehensive income (loss)	-	374,238	(73,398)	(38,024)	-	-	-	262,816
Dividends paid	-	-	-	-	-	-	(215,781)	(215,781)
Interim dividends paid	-	(75,523)	-	-	-	-	-	(75,523)
Interest paid on Perpetual Tier 1 Capital Securities	-	(12,927)	-	-	-	-	-	(12,927)
Profit distribution on Perpetual Tier 1 Sukuk by a subsidiary	-	(3,642)	-	-	-	-	-	(3,642)
Change in holding in subsidiaries	-	(2,557)	-	-	-	-	-	(2,557)
Other movements	-	(78)	-	-	-	-	-	(78)
At 30 September 2022	117,058	1,664,788	(287,574)	36,624	14,409	(6,289)	-	1,539,016

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8 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>30 September 2023</i>	<i>Audited 31 December 2022</i>	<i>30 September 2022</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>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 call 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 call date in February 2027, redeemable at the option of the bank in August 2026)	211,294	211,294	211,294
	439,032	439,032	439,032

During 2021, Boubyan Bank K.S.C.P, a subsidiary of the Group, issued Tier 1 Sukuk (the “Capital Securities”), through a Sharia’s compliant Sukuk arrangement amounting to USD 500,000 thousand, callable in October 2026 and bears an expected profit rate of 3.95% per annum until the first reset date in April 2027, payable semi-annually in arrears.

The Bank did not subscribe to the Tier 1 Sukuk issue and the total amount is included in non-controlling interest in the interim condensed consolidated statement of financial position.

The above mentioned Capital securities are subordinated, unsecured and are eligible to be classified under equity in accordance with IAS 32: Financial Instruments – Presentation.

9 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.

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9 SEGMENTAL ANALYSIS (continued)

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.

	<i>30 September 2023</i>						
	<i>Consumer and Private Banking KD 000's</i>	<i>Corporate Banking KD 000's</i>	<i>Investment Banking and Asset Management KD 000's</i>	<i>Islamic Banking KD 000's</i>	<i>Group Centre KD 000's</i>	<i>International KD 000's</i>	<i>Total KD 000's</i>
<i>Nine months</i>							
Net operating income	<u>232,235</u>	<u>120,302</u>	<u>31,188</u>	<u>167,798</u>	<u>96,806</u>	<u>215,421</u>	<u>863,750</u>
Profit for the period	<u>121,593</u>	<u>112,563</u>	<u>19,906</u>	<u>58,685</u>	<u>38,231</u>	<u>99,989</u>	<u>450,967</u>
Total assets	<u>5,586,629</u>	<u>5,212,560</u>	<u>89,825</u>	<u>8,200,981</u>	<u>2,580,643</u>	<u>15,164,636</u>	<u>36,835,274</u>
Total liabilities	<u>6,953,925</u>	<u>3,009,648</u>	<u>12,019</u>	<u>7,191,172</u>	<u>223,762</u>	<u>14,679,413</u>	<u>32,069,939</u>
	<i>30 September 2022</i>						
	<i>Consumer and Private Banking KD 000's</i>	<i>Corporate Banking KD 000's</i>	<i>Investment Banking and Asset Management KD 000's</i>	<i>Islamic Banking KD 000's</i>	<i>Group Centre KD 000's</i>	<i>International KD 000's</i>	<i>Total KD 000's</i>
<i>Nine months</i>							
Net operating income	<u>227,321</u>	<u>106,682</u>	<u>28,919</u>	<u>157,700</u>	<u>35,506</u>	<u>191,268</u>	<u>747,396</u>
Profit (loss) for the period	<u>128,180</u>	<u>134,112</u>	<u>18,971</u>	<u>45,634</u>	<u>(37,202)</u>	<u>100,659</u>	<u>390,354</u>
Total assets	<u>5,478,583</u>	<u>5,039,841</u>	<u>90,240</u>	<u>7,756,514</u>	<u>2,598,060</u>	<u>13,741,719</u>	<u>34,704,957</u>
Total liabilities	<u>6,831,162</u>	<u>2,199,165</u>	<u>12,854</u>	<u>6,784,277</u>	<u>1,156,495</u>	<u>13,222,042</u>	<u>30,205,995</u>

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10 COMMITMENTS AND CONTINGENT LIABILITIES

	<i>30 September</i> 2023 <i>KD 000's</i>	<i>Audited</i> <i>31 December</i> <i>2022</i> <i>KD 000's</i>	<i>30 September</i> <i>2022</i> <i>KD 000's</i>
Commitments on behalf of customers for which there are corresponding liabilities by the customers concerned:			
Acceptances	356,349	281,958	362,034
Letters of credit	400,050	410,321	460,643
Guarantees	3,922,326	3,775,107	3,715,078
	<u>4,678,725</u>	<u>4,467,386</u>	<u>4,537,755</u>

Irrevocable commitments to extend credit amount to KD 1,142,406 thousand (31 December 2022: KD 1,024,290 thousand, 30 September 2022: KD 927,338 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 91,848 thousand (31 December 2022: KD 82,124 thousand, 30 September 2022: KD 86,839 thousand).

11 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial assets and financial liabilities that are traded in active markets are 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 market 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 valuation techniques and inputs used in this interim condensed consolidated financial information are same as those disclosed in the annual consolidated financial statements for the year ended 31 December 2022.

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11 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

<i>30 September 2023</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	4,707,799	300,425	-	5,008,224
Equities and other investments	58,745	191,147	42,535	292,427
	<u>4,766,544</u>	<u>491,572</u>	<u>42,535</u>	<u>5,300,651</u>
Derivative financial instruments (Note 12)	-	432,776	-	432,776
	<u>-</u>	<u>432,776</u>	<u>-</u>	<u>432,776</u>
<i>31 December 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	4,076,198	327,208	-	4,403,406
Equities and other investments	53,251	217,361	48,046	318,658
	<u>4,129,449</u>	<u>544,569</u>	<u>48,046</u>	<u>4,722,064</u>
Derivative financial instruments (Note 12)	-	314,547	-	314,547
	<u>-</u>	<u>314,547</u>	<u>-</u>	<u>314,547</u>
<i>30 September 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	3,761,177	305,675	-	4,066,852
Equities and other investments	56,053	219,929	51,282	327,264
	<u>3,817,230</u>	<u>525,604</u>	<u>51,282</u>	<u>4,394,116</u>
Derivative financial instruments (Note 12)	-	313,342	-	313,342
	<u>-</u>	<u>313,342</u>	<u>-</u>	<u>313,342</u>

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11 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 2023 KD 000's</i>	<i>Change in fair value KD 000's</i>	<i>Additions KD 000's</i>	<i>Redemption / transfer KD 000's</i>	<i>Exchange rate movements KD 000's</i>	<i>At 30 September 2023 KD 000's</i>	<i>Net gains in the interim condensed consolidated statement of income KD 000's</i>
Equities and other investments	48,046	(86)	28	(5,522)	69	42,535	1,960
	<u>48,046</u>	<u>(86)</u>	<u>28</u>	<u>(5,522)</u>	<u>69</u>	<u>42,535</u>	<u>1,960</u>

	<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 30 September 2022 KD 000's</i>	<i>Net gains in the interim condensed consolidated statement of income KD 000's</i>
Equities and other investments	51,464	(431)	2,698	(2,658)	209	51,282	84
	<u>51,464</u>	<u>(431)</u>	<u>2,698</u>	<u>(2,658)</u>	<u>209</u>	<u>51,282</u>	<u>84</u>

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

The Group deals in 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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12 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:

	<u>30 September 2023</u>			<i>Audited</i> <u>31 December 2022</u>			<u>30 September 2022</u>		
	<i>Positive fair value</i> KD 000's	<i>Negative fair value</i> KD 000's	<i>Notional</i> KD 000's	<i>Positive fair value</i> KD 000's	<i>Negative fair value</i> KD 000's	<i>Notional</i> KD 000's	<i>Positive fair value</i> KD 000's	<i>Negative fair value</i> KD 000's	<i>Notional</i> KD 000's
Interest rate swaps (held as fair value hedges)	456,703	19,492	5,397,145	330,703	12,922	4,559,283	336,180	13,120	4,248,934
Interest rate swaps (others)	1,197	1,203	21,630	1,259	1,270	21,441	1,356	1,349	49,728
Forward foreign exchange contracts	13,192	17,621	3,683,663	23,346	26,569	4,116,666	29,176	38,901	3,939,928
	<u>471,092</u>	<u>38,316</u>	<u>9,102,438</u>	<u>355,308</u>	<u>40,761</u>	<u>8,697,390</u>	<u>366,712</u>	<u>53,370</u>	<u>8,238,590</u>

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13 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:

	<i>Number of Board Members or Executive Officers</i>			<i>Number of related parties</i>			<i>30 September 2023</i>	<i>31 December 2022</i>	<i>30 September 2022</i>
	<i>30 September 2023</i>	<i>31 December 2022</i>	<i>30 September 2022</i>	<i>30 September 2023</i>	<i>31 December 2022</i>	<i>30 September 2022</i>			
Loans	6	6	7	19	18	17	46,499	54,038	53,131
Contingent liabilities	1	2	2	7	9	8	22,770	20,476	24,594
Credit cards	18	18	17	29	31	28	191	178	197
Deposits	25	24	24	88	80	86	41,820	52,351	39,687
Collateral against credit facilities	3	2	2	14	13	11	153,743	174,926	159,493
Interest and fee income							2,339	1,817	1,293
Interest expense							929	432	207
Purchase of equipment and other expenses							187	367	176

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13 RELATED PARTY TRANSACTIONS (continued)

Details of compensation to key management personnel are as follows:

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
Salaries and other short term benefits	2,950	2,799	8,821	8,394
Post-employment benefits	30	100	288	372
Share based compensation	185	152	460	660
	3,165	3,051	9,569	9,426

14 CHANGES IN REFERENCE RATES (IBOR)

Financial assets and liabilities

The Group's exposure to its floating-rate financial assets and liabilities denominated in foreign currencies, is mainly through USD LIBOR. As at 30 September 2023, the Group has transitioned a significant majority of its contracts to "Risk-Free Rates" (RFRs). For the remaining contracts which are mainly syndicated contracts, discussions are currently in progress with the counterparties/customers to complete transition before the next repricing date. For a limited number of contracts whose transition is not expected to be completed by next repricing date, the Group will continue with the 'synthetic' Libor benchmark published by the ICE Benchmark Administration until 30 September 2024.

Derivatives held for hedging purposes

The Group has completed the transition of all USD and non-USD linked derivatives as per ISDA Fallbacks Protocol.