

**NATIONAL BANK OF KUWAIT GROUP**

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION**

**31 MARCH 2023 (UNAUDITED)**

# National Bank of Kuwait Group

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

31 March 2023 (Unaudited)

	Notes	Three months ended 31 March	
		2023 KD 000's	2022 KD 000's
Interest income		361,366	172,000
Interest expense		190,673	46,665
<b>Net interest income</b>		<b>170,693</b>	<b>125,335</b>
Murabaha and other Islamic financing income		92,197	60,872
Finance cost and Distribution to depositors		51,138	17,518
<b>Net income from Islamic financing</b>		<b>41,059</b>	<b>43,354</b>
<b>Net interest income and net income from Islamic financing</b>		<b>211,752</b>	<b>168,689</b>
Net fees and commissions		51,392	43,233
Net investment income		5,813	12,186
Net gains from dealing in foreign currencies		7,984	10,039
Other operating income		921	482
<b>Non-interest income</b>		<b>66,110</b>	<b>65,940</b>
<b>Net operating income</b>		<b>277,862</b>	<b>234,629</b>
Staff expenses		54,851	51,601
Other administrative expenses		35,629	28,684
Depreciation of premises and equipment		10,573	9,396
Amortisation of intangible assets		412	412
<b>Operating expenses</b>		<b>101,465</b>	<b>90,093</b>
<b>Operating profit before provision for credit losses and impairment losses</b>		<b>176,397</b>	<b>144,536</b>
<b>Provision charge for credit losses and impairment losses</b>	3	<b>28,100</b>	<b>12,519</b>
<b>Operating profit before taxation</b>		<b>148,297</b>	<b>132,017</b>
Taxation	4	9,023	8,675
<b>Profit for the period</b>		<b>139,274</b>	<b>123,342</b>
<b>Attributable to:</b>			
Shareholders of the Bank		134,203	116,578
Non-controlling interests		5,071	6,764
		<b>139,274</b>	<b>123,342</b>
<b>Basic earnings per share attributable to shareholders of the Bank</b>	5	<b>16 fils</b>	<b>14 fils</b>

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

31 March 2023 (Unaudited)

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2023</b>	2022
	<b>KD 000's</b>	KD 000's
<b>Profit for the period</b>	<b>139,274</b>	123,342
<b>Other comprehensive loss</b>		
Investment in debt securities measured at FVOCI :		
Net change in fair value	<b>(29,489)</b>	(11,523)
Net transfer to interim condensed consolidated statement of income	<b>619</b>	3,109
	<b>(28,870)</b>	(8,414)
Exchange differences on translation of foreign operations	<b>(25,289)</b>	(36,417)
<b>Other comprehensive loss for the period reclassifiable to interim condensed consolidated statement of income in subsequent periods</b>	<b>(54,159)</b>	(44,831)
Net (loss) gain on investments in equity instruments designated at FVOCI (not reclassifiable to interim condensed consolidated statement of income in subsequent periods)	<b>(28)</b>	55
<b>Other comprehensive loss for the period</b>	<b>(54,187)</b>	(44,776)
<b>Total comprehensive income for the period</b>	<b>85,087</b>	78,566
<b>Attributable to:</b>		
Shareholders of the Bank	<b>82,616</b>	72,476
Non-controlling interests	<b>2,471</b>	6,090
	<b>85,087</b>	78,566

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

31 March 2023 (Unaudited)

	Notes	31 March 2023 KD 000's	Audited 31 December 2022 KD 000's	31 March 2022 KD 000's
<b>Assets</b>				
Cash and short term funds		5,108,257	5,323,452	4,918,316
Central Bank of Kuwait bonds		893,538	881,241	830,696
Kuwait Government treasury bonds		198,441	211,629	269,460
Deposits with banks		1,427,160	1,490,286	1,062,499
Loans, advances and Islamic financing to customers	6	21,189,473	20,998,416	20,052,140
Investment securities		5,970,157	5,634,672	5,029,183
Land, premises and equipment		474,709	474,724	459,592
Goodwill and other intangible assets		529,910	534,936	571,838
Other assets		672,030	789,007	450,452
Assets held for sale		-	-	53,270
<b>Total assets</b>		<b>36,463,675</b>	<b>36,338,363</b>	<b>33,697,446</b>
<b>Liabilities</b>				
Due to banks		4,021,252	4,017,979	4,083,302
Deposits from other financial institutions		3,700,514	3,740,877	3,521,675
Customer deposits		20,436,400	20,178,062	18,310,679
Certificates of deposit issued		1,480,744	1,801,623	1,192,427
Other borrowed funds		1,371,457	1,243,563	1,422,218
Other liabilities		942,961	721,313	821,269
Liabilities directly associated with assets held for sale		-	-	28,132
<b>Total liabilities</b>		<b>31,953,328</b>	<b>31,703,417</b>	<b>29,379,702</b>
<b>Equity</b>				
Share capital	7	755,233	755,233	755,233
Proposed bonus shares	7	37,762	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	1,502,082	1,614,386	1,437,746
Equity attributable to shareholders of the Bank		3,510,684	3,622,988	3,390,605
Perpetual Tier 1 Capital Securities	8	439,032	439,032	439,032
Non-controlling interests		560,631	572,926	488,107
<b>Total equity</b>		<b>4,510,347</b>	<b>4,634,946</b>	<b>4,317,744</b>
<b>Total liabilities and equity</b>		<b>36,463,675</b>	<b>36,338,363</b>	<b>33,697,446</b>



Hamad Mohamed Al-Bahar  
Chairman

# National Bank of Kuwait Group

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

31 March 2023 (Unaudited)

	Notes	Three months ended 31 March	
		2023 KD 000's	2022 KD 000's
<b>Operating activities</b>			
Profit for the period		139,274	123,342
Adjustments for:			
Net investment income		(5,813)	(12,186)
Depreciation of premises and equipment		10,573	9,396
Amortisation of intangible assets		412	412
Provision charge for credit losses and impairment losses	3	28,100	12,519
Taxation	4	9,023	8,675
Cash flow from operating activities before changes in operating assets and liabilities		181,569	142,158
Changes in operating assets and liabilities:			
Central Bank of Kuwait bonds		(12,297)	-
Kuwait Government treasury bonds		14,968	147,556
Deposits with banks		66,983	(178,725)
Loans, advances and Islamic financing to customers		(217,871)	(433,496)
Other assets		100,912	(82,835)
Due to banks		3,273	(15,461)
Deposits from other financial institutions		(40,363)	386,154
Customer deposits		258,338	186,692
Certificates of deposit issued		(320,879)	(146,927)
Other liabilities		(19,134)	33,327
Tax paid		(2,996)	(3,921)
Net cash from operating activities		12,503	34,522
<b>Investing activities</b>			
Purchase of investment securities		(896,542)	(1,233,317)
Proceeds from sale/redemption of investment securities		581,737	904,404
Dividend income		12	34
Change in holding in subsidiaries		(5,457)	1,204
Proceeds from sale of land, premises and equipment		917	533
Purchase of land, premises and equipment		(8,136)	(16,516)
Purchase of investment properties		(21,773)	-
Net cash used in investing activities		(349,242)	(343,658)
<b>Financing activities</b>			
Interest paid on Perpetual Tier 1 Capital Securities		(3,900)	(3,849)
Profit distribution on Perpetual Tier 1 Sukuk by a subsidiary		(3,027)	(3,001)
Proceeds from issue of unsecured sukuk by a subsidiary		-	152,225
Net movement in other borrowed funds		128,471	86
Net cash from financing activities		121,544	145,461
<b>Decrease in cash and short term funds</b>		<b>(215,195)</b>	<b>(163,675)</b>
Cash and short term funds at 1 January		5,323,452	5,081,991
<b>Cash and short term funds at 31 March</b>		<b>5,108,257</b>	<b>4,918,316</b>

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

31 March 2023 (Unaudited)

	Equity attributable to shareholders of the Bank							KD 000's		
	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	-	-	-	-	-	134,203	134,203	-	5,071	139,274
Other comprehensive loss	-	-	-	-	-	(51,587)	(51,587)	-	(2,600)	(54,187)
<b>Total comprehensive income</b>	-	-	-	-	-	82,616	82,616	-	2,471	85,087
Issue of bonus shares (Note 7b)	-	-	-	-	-	-	-	-	-	-
Transfer to dividends payable (Note 7b)	-	-	-	-	-	(188,808)	(188,808)	-	-	(188,808)
Interest paid on perpetual Tier 1 Capital Securities	-	-	-	-	-	(3,900)	(3,900)	-	-	(3,900)
Profit distribution on Perpetual Tier 1 Sukuk by a Subsidiary	-	-	-	-	-	(1,821)	(1,821)	-	(1,206)	(3,027)
Change in holding in subsidiaries	-	-	-	-	-	(693)	(693)	-	(4,764)	(5,457)
Dividend payable to non-controlling interests by a subsidiary	-	-	-	-	-	-	-	-	(8,938)	(8,938)
Other movements	-	-	-	-	-	302	302	-	142	444
<b>At 31 March 2023</b>	<b>755,233</b>	<b>37,762</b>	<b>377,618</b>	<b>803,028</b>	<b>34,961</b>	<b>1,502,082</b>	<b>3,510,684</b>	<b>439,032</b>	<b>560,631</b>	<b>4,510,347</b>
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)
<b>Total comprehensive income</b>	-	-	-	-	-	72,476	72,476	-	6,090	78,566
Issue of bonus shares (Note 7b)	35,964	(35,964)	-	-	-	-	-	-	-	-
Transfer to dividends payable (Note 7b)	-	-	-	-	-	(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)
<b>At 31 March 2022</b>	<b>755,233</b>	<b>-</b>	<b>359,637</b>	<b>803,028</b>	<b>34,961</b>	<b>1,437,746</b>	<b>3,390,605</b>	<b>439,032</b>	<b>488,107</b>	<b>4,317,744</b>

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

31 March 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 three months period ended 31 March 2023 was authorised for issue in accordance with a resolution of the directors on 9 April 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

- 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, was 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.

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.

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. 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.

# National Bank of Kuwait Group

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31 March 2023 (Unaudited)

### 3 Provision charge for credit losses and impairment losses

	Three months ended 31 March	
	2023 KD 000's	2022 KD 000's
Provision charge(release) for credit facilities – specific	2,008	(40,531)
Provision charge for credit facilities – general	26,775	52,792
Expected credit losses (release) charge	(683)	258
	<u>28,100</u>	<u>12,519</u>

### 4 Taxation

	Three months ended 31 March	
	2023 KD 000's	2022 KD 000's
National Labour Support Tax	3,318	2,984
Zakat	1,472	1,292
Contribution to Kuwait Foundation for the Advancement of Sciences	1,259	1,053
Overseas tax	2,974	3,346
	<u>9,023</u>	<u>8,675</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	
	2023 KD 000's	2022 KD 000's
Profit attributable to shareholders of the Bank	134,203	116,578
Less: Interest paid on Perpetual Tier 1 Capital Securities	(3,900)	(3,849)
Less: Profit distribution on Perpetual Tier 1 sukuk by a subsidiary attributable to shareholders of the bank	(1,821)	(1,797)
	<u>128,482</u>	<u>110,932</u>
Weighted average number of shares outstanding during the period net of treasury shares (thousands)	7,929,946	7,929,946
Basic earnings per share	<u>16 fils</u>	<u>14 fils</u>

Earnings per share calculations for the period ended 31 March 2023 and 31 March 2022 have been adjusted to take account of the bonus shares proposed to be issued in 2023.



# National Bank of Kuwait Group

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31 March 2023 (Unaudited)

### 6 Loans, advances and Islamic financing to customers

	<b>31 March 2023 KD 000's</b>	Audited 31 December 2022 KD 000's	31 March 2022 KD 000's
Loans, advances and Islamic financing to customers	<b>22,024,816</b>	21,826,357	20,754,071
Provision for credit losses	<b>(835,343)</b>	(827,941)	(701,931)
	<b><u>21,189,473</u></b>	<u>20,998,416</u>	<u>20,052,140</u>

The available provision on non-cash facilities of KD 39,957 thousand (31 December 2022: KD 40,344 thousand, 31 March 2022: KD 34,131 thousand) is included under other liabilities. The total provision for cash and non cash credit facilities in accordance with CBK guidelines amounted to KD 875,300 thousand as at 31 March 2023 (31 December 2022: KD 868,285 thousand, 31 March 2022: KD 736,062 thousand)

The Expected Credit Losses ("ECL") on credit facilities determined under IFRS 9 in accordance to the CBK guidelines amounted to KD 579,640 thousand as at 31 March 2023 (31 December 2022: 577,435 thousand, 31 March 2022: KD 504,268 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:

<i>31 March 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	<b>20,384,075</b>	<b>1,299,521</b>	<b>341,220</b>	<b>22,024,816</b>
Contingent liabilities (Note 10)	<b>3,734,289</b>	<b>657,681</b>	<b>11,980</b>	<b>4,403,950</b>
Commitments (revocable and irrevocable) to extend credit	<b>7,517,749</b>	<b>886,012</b>	<b>233</b>	<b>8,403,994</b>
ECL allowance for credit facilities	<b>186,000</b>	<b>162,154</b>	<b>231,486</b>	<b>579,640</b>
	<b><u>29,821,113</u></b>	<b><u>2,345,370</u></b>	<b><u>353,439</u></b>	<b><u>32,519,922</u></b>
	<b><u>29,821,113</u></b>	<b><u>2,345,370</u></b>	<b><u>353,439</u></b>	<b><u>32,519,922</u></b>
<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
	<b><u>29,170,919</u></b>	<b><u>3,750,178</u></b>	<b><u>312,907</u></b>	<b><u>33,234,004</u></b>
	<b><u>29,170,919</u></b>	<b><u>3,750,178</u></b>	<b><u>312,907</u></b>	<b><u>33,234,004</u></b>

# National Bank of Kuwait Group

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31 March 2023 (Unaudited)

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

<i>31 March 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	19,204,667	1,317,001	232,403	20,754,071
Contingent liabilities (Note 10)	3,740,034	580,902	28,600	4,349,536
Commitments (revocable and irrevocable) to extend credit	6,978,952	940,721	265	7,919,938
ECL allowance for credit facilities	166,048	153,653	184,567	504,268

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	(2,032)	1,481	551	-
Transfer from Stage 2	34,790	(46,067)	11,277	-
Transfer from Stage 3	7,458	4,284	(11,742)	-
Amounts recovered(written off) net of exchange movements	73	91	(21,006)	(20,842)
Net (decrease) increase in ECL for the period	(23,640)	33,137	13,550	23,047
At 31 March 2023	186,000	162,154	231,486	579,640
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	166,048	153,653	184,567	504,268

### 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 31 March 2022: 10,000,000,000 shares) of 100 fils each. The issued and fully paid up share capital of the Bank comprises 7,552,329,162 shares (31 December 2022: 7,552,329,162 shares and 31 March 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 (2022: 5%) and a final cash dividend of 25 fils per share (2022: 30 fils per share) for the year ended 31 December 2022. The final cash dividend payable amounting to KD 188,808 thousand is included in other liabilities as at 31 March 2023 and will be paid on 10 April 2023. The bonus shares will increase the number of issued and fully paid up shares by 377,616,458 (2022: 359,634,722) and increase the share capital by KD 37,762 thousand (2022: KD 35,964 thousand). The bonus shares will be distributed on 10 April 2023.

# National Bank of Kuwait Group

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31 March 2023 (Unaudited)

### 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	-	134,203	-	-	-	-	-	134,203
Other comprehensive loss	-	-	(24,252)	(27,335)	-	-	-	(51,587)
<b>Total comprehensive income (loss)</b>	-	134,203	(24,252)	(27,335)	-	-	-	82,616
Transfer to dividends payable	-	-	-	-	-	-	(188,808)	(188,808)
Interest paid on Perpetual Tier 1 Capital Securities	-	(3,900)	-	-	-	-	-	(3,900)
Profit distribution on Perpetual Tier 1 Sukuk by a subsidiary	-	(1,821)	-	-	-	-	-	(1,821)
Change in holding in subsidiaries	-	(693)	-	-	-	-	-	(693)
Other movements	-	302	-	-	-	-	-	302
<b>At 31 March 2023</b>	<b>117,058</b>	<b>1,678,838</b>	<b>(361,041)</b>	<b>51,804</b>	<b>14,409</b>	<b>1,014</b>	-	<b>1,502,082</b>
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	-	-	-	-	-	116,578
Other comprehensive loss	-	-	(35,555)	(8,547)	-	-	-	(44,102)
<b>Total comprehensive income (loss)</b>	-	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)
<b>At 31 March 2022</b>	<b>117,058</b>	<b>1,496,198</b>	<b>(249,731)</b>	<b>66,101</b>	<b>14,409</b>	<b>(6,289)</b>	-	<b>1,437,746</b>

# National Bank of Kuwait Group

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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>31 March</i> <i>2023</i> <i>KD 000's</i>	<i>Audited</i> <i>31 December</i> <i>2022</i> <i>KD 000's</i>	<i>31 March</i> <i>2022</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 reset date in November 2025, redeemable at the option of the bank in August 2025)	<b>227,738</b>	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)	<b>211,294</b>	211,294	211,294
	<b>439,032</b>	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 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.

# National Bank of Kuwait Group

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31 March 2023 (Unaudited)

### 9 Segmental analysis (continued)

#### 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 2023						
	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	<u>72,165</u>	<u>40,798</u>	<u>9,665</u>	<u>54,069</u>	<u>28,337</u>	<u>72,828</u>	<u>277,862</u>
Profit (loss) for the period	<u>38,563</u>	<u>34,897</u>	<u>5,845</u>	<u>19,442</u>	<u>(2,438)</u>	<u>42,965</u>	<u>139,274</u>
Total assets	<u>5,651,653</u>	<u>4,977,170</u>	<u>88,190</u>	<u>8,030,951</u>	<u>2,674,276</u>	<u>15,041,435</u>	<u>36,463,675</u>
Total liabilities	<u>6,862,242</u>	<u>2,798,845</u>	<u>14,445</u>	<u>7,065,071</u>	<u>703,260</u>	<u>14,509,465</u>	<u>31,953,328</u>
	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	<u>72,285</u>	<u>33,522</u>	<u>10,100</u>	<u>51,267</u>	<u>10,873</u>	<u>56,582</u>	<u>234,629</u>
Profit (loss) for the period	<u>39,791</u>	<u>44,454</u>	<u>6,707</u>	<u>17,022</u>	<u>(4,811)</u>	<u>20,179</u>	<u>123,342</u>
Total assets	<u>5,178,293</u>	<u>5,066,025</u>	<u>76,486</u>	<u>7,459,870</u>	<u>3,153,236</u>	<u>12,763,536</u>	<u>33,697,446</u>
Total liabilities	<u>6,724,548</u>	<u>1,945,565</u>	<u>11,366</u>	<u>6,709,540</u>	<u>1,704,538</u>	<u>12,284,145</u>	<u>29,379,702</u>

# National Bank of Kuwait Group

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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### 10 Commitments and contingent liabilities

	<b>31 March 2023 KD 000's</b>	Audited 31 December 2022 KD 000's	31 March 2022 KD 000's
Commitments on behalf of customers for which there are corresponding liabilities by the customers concerned:			
Acceptances	<b>107,891</b>	281,958	144,678
Letters of credit	<b>536,369</b>	410,321	526,634
Guarantees	<b>3,759,690</b>	3,775,107	3,678,224
	<b><u>4,403,950</u></b>	<u>4,467,386</u>	<u>4,349,536</u>

Irrevocable commitments to extend credit amount to KD 997,048 thousand (31 December 2022: KD 1,024,290 thousand, 31 March 2022: KD 1,028,489 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 78,432 thousand (31 December 2022: KD 82,124 thousand, 31 March 2022: KD 92,242 thousand).

### 11 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.

# National Bank of Kuwait Group

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31 March 2023 (Unaudited)

### 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>31 March 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	4,446,919	313,039	-	4,759,958
Equities and other investments	51,383	190,813	43,603	285,799
	<u>4,498,302</u>	<u>503,852</u>	<u>43,603</u>	<u>5,045,757</u>
Derivative financial instruments (Note 12)	-	266,316	-	266,316
	<u>-</u>	<u>266,316</u>	<u>-</u>	<u>266,316</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>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 12)	-	38,408	-	38,408
	<u>-</u>	<u>38,408</u>	<u>-</u>	<u>38,408</u>

# National Bank of Kuwait Group

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31 March 2023 (Unaudited)

### 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>Sale/ redemption KD 000's</i>	<i>Exchange rate movements KD 000's</i>	<i>At 31 March 2023 KD 000's</i>	<i>Net gain in the interim condensed consolidated statement of income KD 000's</i>
Equities and other investments	48,046	47	29	(4,490)	(29)	43,603	133
	<u>48,046</u>	<u>47</u>	<u>29</u>	<u>(4,490)</u>	<u>(29)</u>	<u>43,603</u>	<u>133</u>
							<i>Net losses in the interim condensed consolidated statement of income KD 000's</i>
	<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>

### 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 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.



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31 March 2023 (Unaudited)

**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:

	31 March 2023			Audited 31 December 2022			31 March 2022		
	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)	292,758	23,791	4,842,250	330,703	12,922	4,559,283	80,095	34,821	4,107,995
Interest rate swaps (others)	1,097	1,109	21,459	1,259	1,270	21,441	936	932	50,143
Forward foreign exchange contracts	14,477	17,116	4,181,161	23,346	26,569	4,116,666	9,867	16,737	3,171,159
	<b>308,332</b>	<b>42,016</b>	<b>9,044,870</b>	<b>355,308</b>	<b>40,761</b>	<b>8,697,390</b>	<b>90,898</b>	<b>52,490</b>	<b>7,329,297</b>

# National Bank of Kuwait Group

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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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:

	Number of Board Members or Executive Officers			Number of related parties			31 March 2023	31 December 2022	31 March 2022
	31 March 2023	31 December 2022	31 March 2022	31 March 2023	31 December 2022	31 March 2022			
							<b>KD 000's</b>	Audited KD 000's	KD 000's
Loans	7	6	6	19	18	14	55,346	54,038	49,300
Contingent liabilities	2	2	3	8	9	8	21,887	20,476	19,980
Credit cards	18	18	17	29	31	30	217	178	200
Deposits	24	24	25	86	80	82	40,460	52,351	32,540
Collateral against credit facilities	3	2	1	15	13	6	176,202	174,926	55,813
Interest and fee income							645	1,817	389
Interest expense							317	432	31
Purchase of equipment and other expenses							36	367	91

# National Bank of Kuwait Group

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31 March 2023 (Unaudited)

### 13 Related party transactions (continued)

Details of compensation to key management personnel are as follows:

	Three months ended 31 March	
	2023 KD 000's	2022 KD 000's
Salaries and other short term benefits	2,916	2,763
Post-employment benefits	68	54
Share based compensation	224	334
	<u>3,208</u>	<u>3,151</u>

### 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. The Group will perform transition of these contracts to "Risk-Free Rates" (RFRs) through bilateral agreements not later than June 2023. The Group's exposure to financial assets that are based on USD LIBOR maturing after June 2023 and not having fall-back language is KD 1,904,583 thousand as at 31 March 2023. The Group's exposure to IBOR-linked financial liabilities is KD 211,520 thousand as at 31 March 2023. The Group has transitioned all non-USD exposure to LIBOR successfully, and is in discussion with the counterparties/clients to effect an orderly transition of USD exposures to the relevant RFR by June 2023.

#### Derivatives held for hedging purposes

The interest rate and cross-currency interest rate derivative instruments held for hedging purpose have floating-rate legs linked to various IBORs, predominantly on USD LIBOR. The Group's interest rate and cross-currency interest rate derivative instruments held for hedging purpose are governed by the industry- standard International Swaps and Derivatives Association (ISDA) Master Agreements that incorporate by reference the 2006 ISDA definitions. ISDA launched the IBOR Fallbacks Supplement, a supplement to the 2006 ISDA definitions, and the IBOR Fallbacks Protocol. IBOR Fallbacks Protocol will enable adhering parties to amend legacy derivative transactions to include the updated rates and fallbacks.

The Group had successfully completed the transition of non-USD linked derivatives as per ISDA Fallbacks Protocol. The Group is required to transition USD LIBOR based derivatives not later than June 2023. The notional value of USD LIBOR derivatives designated as fair value hedges, maturing after June 2023, is KD 2,414,996 thousand as at 31 March 2023. The Group will follow IBOR Fallback Protocol through adherence to ISDA Benchmark to complete the transition.