

**NATIONAL BANK OF KUWAIT GROUP**

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION**

**30 JUNE 2023 (UNAUDITED)**



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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 30 June 2023, and the related interim condensed consolidated statement of income and the interim condensed consolidated statement of comprehensive income for the three month and six 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 six 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 six months period ended 30 June 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 six months period ended 30 June 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

BÄDER A. AL-WAZZAN  
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16 July 2023  
Kuwait

# National Bank of Kuwait Group

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

30 June 2023 (Unaudited)

	Notes	<i>Three months ended</i>		<i>Six months ended</i>	
		<i>30 June</i>		<i>30 June</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		<b>394,521</b>	200,676	<b>755,887</b>	372,676
Interest expense		<b>219,004</b>	66,391	<b>409,677</b>	113,056
<b>Net interest income</b>		<b>175,517</b>	134,285	<b>346,210</b>	259,620
Murabaha and other Islamic financing income		<b>98,502</b>	67,721	<b>190,699</b>	128,593
Finance cost and Distribution to depositors		<b>53,721</b>	22,421	<b>104,859</b>	39,939
<b>Net income from Islamic financing</b>		<b>44,781</b>	45,300	<b>85,840</b>	88,654
<b>Net interest income and net income from Islamic financing</b>		<b>220,298</b>	179,585	<b>432,050</b>	348,274
Net fees and commissions		<b>48,215</b>	49,196	<b>99,607</b>	92,429
Net investment income (loss)		<b>9,711</b>	(1,561)	<b>15,524</b>	10,625
Net gains from dealing in foreign currencies		<b>9,449</b>	14,107	<b>17,433</b>	24,146
Other operating income		<b>322</b>	387	<b>1,243</b>	869
<b>Non-interest income</b>		<b>67,697</b>	62,129	<b>133,807</b>	128,069
<b>Net operating income</b>		<b>287,995</b>	241,714	<b>565,857</b>	476,343
Staff expenses		<b>60,136</b>	56,130	<b>114,987</b>	107,731
Other administrative expenses		<b>33,516</b>	28,234	<b>69,145</b>	56,918
Depreciation of premises and equipment		<b>11,120</b>	9,701	<b>21,693</b>	19,097
Amortisation of intangible assets		<b>412</b>	412	<b>824</b>	824
<b>Operating expenses</b>		<b>105,184</b>	94,477	<b>206,649</b>	184,570
<b>Operating profit before provision for credit losses and impairment losses</b>		<b>182,811</b>	147,237	<b>359,208</b>	291,773
Provision charge for credit losses and impairment losses	3	<b>19,859</b>	8,525	<b>47,959</b>	21,044
<b>Operating profit before taxation</b>		<b>162,952</b>	138,712	<b>311,249</b>	270,729
Taxation	4	<b>13,225</b>	13,276	<b>22,248</b>	21,951
<b>Profit for the period</b>		<b>149,727</b>	125,436	<b>289,001</b>	248,778
<b>Attributable to:</b>					
Shareholders of the Bank		<b>141,144</b>	121,248	<b>275,347</b>	237,826
Non-controlling interests		<b>8,583</b>	4,188	<b>13,654</b>	10,952
		<b>149,727</b>	125,436	<b>289,001</b>	248,778
<b>Basic earnings per share attributable to shareholders of the Bank</b>	5	<b>17 fils</b>	15 fils	<b>33 fils</b>	29 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 June 2023 (Unaudited)

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</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>
<b>Profit for the period</b>	<b>149,727</b>	125,436	<b>289,001</b>	248,778
<b>Other comprehensive income (loss):</b>				
Investment in debt securities measured at FVOCI:				
Net change in fair value	<b>31,781</b>	(45,193)	<b>2,292</b>	(56,716)
Net transfer to interim condensed consolidated statement of income	<b>1,574</b>	1,768	<b>2,193</b>	4,877
	<b>33,355</b>	(43,425)	<b>4,485</b>	(51,839)
Exchange differences on translation of foreign operations	<b>8,387</b>	(8,399)	<b>(16,902)</b>	(44,816)
<b>Other comprehensive income (loss) for the period reclassifiable to interim condensed consolidated statement of income in subsequent periods</b>	<b>41,742</b>	(51,824)	<b>(12,417)</b>	(96,655)
Net loss on investments in equity instruments designated at FVOCI (not reclassifiable to interim condensed consolidated statement of income in subsequent periods)	<b>(394)</b>	(278)	<b>(422)</b>	(223)
<b>Other comprehensive income (loss) for the period</b>	<b>41,348</b>	(52,102)	<b>(12,839)</b>	(96,878)
<b>Total comprehensive income for the period</b>	<b>191,075</b>	73,334	<b>276,162</b>	151,900
<b>Attributable to:</b>				
Shareholders of the Bank	<b>178,362</b>	71,128	<b>260,978</b>	143,604
Non-controlling interests	<b>12,713</b>	2,206	<b>15,184</b>	8,296
	<b>191,075</b>	73,334	<b>276,162</b>	151,900

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 June 2023 (Unaudited)

		<i>Audited</i>	
	Notes	30 June 2023 KD 000's	31 December 2022 KD 000's
			30 June 2022 KD 000's
<b>Assets</b>			
Cash and short term funds		3,818,837	5,323,452
Central Bank of Kuwait bonds		891,166	881,241
Kuwait Government treasury bonds		196,271	211,629
Deposits with banks		1,668,555	1,490,286
Loans, advances and Islamic financing to customers	6	21,563,725	20,998,416
Investment securities		6,145,456	5,634,672
Land, premises and equipment		488,930	474,724
Goodwill and other intangible assets		529,469	534,936
Other assets		782,913	789,007
<b>Total assets</b>		<b>36,085,322</b>	<b>36,338,363</b>
<b>Liabilities</b>			
Due to banks		3,923,816	4,017,979
Deposits from other financial institutions		3,687,239	3,740,877
Customer deposits		20,269,756	20,178,062
Certificates of deposit issued		1,460,537	1,801,623
Other borrowed funds		1,249,694	1,243,563
Other liabilities		801,380	721,313
<b>Total liabilities</b>		<b>31,392,422</b>	<b>31,703,417</b>
<b>Equity</b>			
Share capital	7	792,995	755,233
Proposed bonus shares	7	-	37,762
Statutory reserve		377,618	377,618
Share premium account		803,028	803,028
Treasury shares reserve		34,961	34,961
Other reserves	7	1,673,650	1,614,386
Equity attributable to shareholders of the Bank		3,682,252	3,622,988
Perpetual Tier 1 Capital Securities	8	439,032	439,032
Non-controlling interests		571,616	572,926
<b>Total equity</b>		<b>4,692,900</b>	<b>4,634,946</b>
<b>Total liabilities and equity</b>		<b>36,085,322</b>	<b>36,338,363</b>



Hamad Mohamed Al-Bahar  
Chairman

# National Bank of Kuwait Group

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

30 June 2023 (Unaudited)

	Notes	Six months ended 30 June	
		2023 KD 000's	2022 KD 000's
<b>Operating activities</b>			
Profit for the period		289,001	248,778
Adjustments for:			
Net investment income		(15,524)	(10,625)
Depreciation of premises and equipment		21,693	19,097
Amortisation of intangible assets		824	824
Provision charge for credit losses and impairment losses	3	47,959	21,044
Taxation	4	22,248	21,951
Cash flow from operating activities before changes in operating assets and liabilities		366,201	301,069
Changes in operating assets and liabilities:			
Central Bank of Kuwait bonds		(9,925)	(17,925)
Kuwait Government treasury bonds		14,819	138,230
Deposits with banks		(176,255)	(283,511)
Loans, advances and Islamic financing to customers		(612,888)	(532,203)
Other assets		68,934	(86,190)
Due to banks		(94,163)	(119,040)
Deposits from other financial institutions		(53,638)	637,819
Customer deposits		91,694	794,686
Certificates of deposit issued		(341,086)	11,203
Other liabilities		55,463	5,473
Tax paid		(30,245)	(20,798)
Net cash (used in) from operating activities		(721,089)	828,813
<b>Investing activities</b>			
Purchase of investment securities		(1,744,668)	(2,083,231)
Proceeds from sale/redemption of investment securities		1,228,211	1,498,850
Dividend income		715	643
Change in holding in subsidiaries		(9,219)	(6,954)
Proceeds from sale of disposal group held for sale		-	25,597
Proceeds from sale of land, premises and equipment		934	543
Purchase of land, premises and equipment		(22,459)	(28,760)
Purchase of investment properties		(31,608)	-
Net cash used in investing activities		(578,094)	(593,312)
<b>Financing activities</b>			
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		(9,097)	(9,020)
Profit distribution on Perpetual Tier 1 sukuk by a subsidiary		(3,027)	(3,001)
Dividends paid	7	(188,808)	(215,781)
Dividend paid by a subsidiary to non-controlling interests		(8,938)	(6,376)
Net movement in other borrowed funds		4,438	86
Net cash used in financing activities		(205,432)	(230,867)
<b>(Decrease ) increase in cash and short term funds</b>		<b>(1,504,615)</b>	<b>4,634</b>
Cash and short term funds at 1 January		5,323,452	5,081,991
<b>Cash and short term funds at 30 June</b>		<b>3,818,837</b>	<b>5,086,625</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

30 June 2023 (Unaudited)

KD 000's

	<i>Equity attributable to shareholders of the Bank</i>						<i>Total</i>	<i>Perpetual Tier 1 Capital Securities</i>	<i>Non - controlling interests</i>	<i>Total equity</i>
	<i>Share capital</i>	<i>Proposed bonus shares</i>	<i>Statutory reserve</i>	<i>Share premium account</i>	<i>Treasury shares reserve</i>	<i>Other reserves (Note 7)</i>				
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	-	-	-	-	-	275,347	275,347	-	13,654	289,001
Other comprehensive (loss) income	-	-	-	-	-	(14,369)	(14,369)	-	1,530	(12,839)
<b>Total comprehensive income</b>	-	-	-	-	-	260,978	260,978	-	15,184	276,162
Issue of bonus shares (Note 7)	37,762	(37,762)	-	-	-	-	-	-	-	-
Dividends paid (Note 7)	-	-	-	-	-	(188,808)	(188,808)	-	-	(188,808)
Interest paid on perpetual Tier 1 capital Securities	-	-	-	-	-	(9,097)	(9,097)	-	-	(9,097)
Profit distribution on Perpetual Tier 1 sukuk by a subsidiary	-	-	-	-	-	(1,821)	(1,821)	-	(1,206)	(3,027)
Change in holding in subsidiaries	-	-	-	-	-	(2,766)	(2,766)	-	(6,453)	(9,219)
Dividend paid to non-controlling interests by a subsidiary	-	-	-	-	-	-	-	-	(8,938)	(8,938)
Other movements	-	-	-	-	-	778	778	-	103	881
<b>At 30 June 2023</b>	<b>792,995</b>	<b>-</b>	<b>377,618</b>	<b>803,028</b>	<b>34,961</b>	<b>1,673,650</b>	<b>3,682,252</b>	<b>439,032</b>	<b>571,616</b>	<b>4,692,900</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	-	-	-	-	-	237,826	237,826	-	10,952	248,778
Other comprehensive loss	-	-	-	-	-	(94,222)	(94,222)	-	(2,656)	(96,878)
<b>Total comprehensive income</b>	-	-	-	-	-	143,604	143,604	-	8,296	151,900
Issue of bonus shares (Note 7)	35,964	(35,964)	-	-	-	-	-	-	-	-
Dividends paid (Note 7)	-	-	-	-	-	(215,781)	(215,781)	-	-	(215,781)
Interest paid on perpetual Tier 1 capital Securities	-	-	-	-	-	(9,020)	(9,020)	-	-	(9,020)
Profit distribution on Perpetual Tier 1 sukuk by a subsidiary	-	-	-	-	-	(1,797)	(1,797)	-	(1,204)	(3,001)
Change in holding in subsidiaries	-	-	-	-	-	(2,557)	(2,557)	-	(4,397)	(6,954)
Capital increase in a subsidiary	-	-	-	-	-	-	-	-	80,238	80,238
Dividend paid to non-controlling interests by a subsidiary	-	-	-	-	-	-	-	-	(6,376)	(6,376)
Other movements	-	-	-	-	-	(76)	(76)	-	(405)	(481)
<b>At 30 June 2022</b>	<b>755,233</b>	<b>-</b>	<b>359,637</b>	<b>803,028</b>	<b>34,961</b>	<b>1,501,081</b>	<b>3,453,940</b>	<b>439,032</b>	<b>564,670</b>	<b>4,457,642</b>

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 June 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 six months period ended 30 June 2023 was authorised for issue in accordance with a resolution of the directors on 9 July 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>Six months ended</i>	
	<i>30 June</i>		<i>30 June</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	<b>10,187</b>	(84,357)	<b>12,195</b>	(124,888)
Provision charge for credit facilities – general	<b>9,388</b>	80,634	<b>36,163</b>	133,426
Expected credit losses charge (release)	<b>284</b>	4,623	<b>(399)</b>	4,881
Other impairment losses	-	7,625	-	7,625
	<b>19,859</b>	8,525	<b>47,959</b>	21,044



# National Bank of Kuwait Group

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023 (Unaudited)

### 4 TAXATION

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2023 KD 000's</i>	<i>2022 KD 000's</i>	<i>2023 KD 000's</i>	<i>2022 KD 000's</i>
National Labour Support Tax	<b>3,724</b>	3,288	<b>7,042</b>	6,272
Zakat	<b>1,586</b>	1,373	<b>3,058</b>	2,665
Contribution to Kuwait Foundation for the Advancement of Sciences	<b>1,540</b>	1,548	<b>2,799</b>	2,601
Overseas tax	<b>6,375</b>	7,067	<b>9,349</b>	10,413
	<b>13,225</b>	13,276	<b>22,248</b>	21,951

### 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 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2023 KD 000's</i>	<i>2022 KD 000's</i>	<i>2023 KD 000's</i>	<i>2022 KD 000's</i>
Profit attributable to shareholders of the Bank	<b>141,144</b>	121,248	<b>275,347</b>	237,826
Less: Interest paid on Perpetual Tier 1 capital Securities	<b>(5,197)</b>	(5,171)	<b>(9,097)</b>	(9,020)
Less: Profit distribution on Perpetual Tier 1 sukuk by a subsidiary attributable to shareholders of the Bank	-	-	<b>(1,821)</b>	(1,797)
	<b>135,947</b>	116,077	<b>264,429</b>	227,009
Weighted average number of shares outstanding during the period net of treasury shares (thousands)	<b>7,929,946</b>	7,929,946	<b>7,929,946</b>	7,929,946
Basic earnings per share	<b>17 fils</b>	15 fils	<b>33 fils</b>	29 fils

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023 (Unaudited)

**6 LOANS, ADVANCES AND ISLAMIC FINANCING TO CUSTOMERS**

	<b>30 June 2023 KD 000's</b>	<i>Audited</i> <b>31 December 2022 KD 000's</b>	<b>30 June 2022 KD 000's</b>
Loans, advances and Islamic financing to customers	<b>22,416,156</b>	21,826,357	20,943,265
Provision for credit losses	<b>(852,431)</b>	(827,941)	(804,928)
	<b><u>21,563,725</u></b>	<u>20,998,416</u>	<u>20,138,337</u>

The available provision on non-cash facilities of KD 40,824 thousand (31 December 2022: KD 40,344 thousand, 30 June 2022: KD 33,343 thousand) is included under other liabilities. The total provision for cash and non cash credit facilities in accordance with CBK guidelines amounted to KD 893,255 thousand as at 30 June 2023 (31 December 2022: KD 868,285 thousand, 30 June 2022: KD 838,271 thousand)

The Expected Credit Losses ("ECL") on credit facilities determined under IFRS 9 in accordance to the CBK guidelines amounted to KD 610,308 thousand as at 30 June 2023 (31 December 2022: 577,435 thousand, 30 June 2022: KD 519,139 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 June 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 June 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	20,535,443	1,489,469	391,244	22,416,156
Contingent liabilities (Note 10)	3,959,857	633,678	11,723	4,605,258
Commitments (revocable and irrevocable) to extend credit	7,873,028	860,900	244	8,734,172
ECL allowance for credit facilities	190,416	160,331	259,561	610,308
<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 June 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	19,227,362	1,456,672	259,231	20,943,265
Contingent liabilities (Note 10)	3,940,409	624,564	23,519	4,588,492
Commitments (revocable and irrevocable) to extend credit	6,913,586	993,873	197	7,907,656
ECL allowance for credit facilities	154,430	157,014	207,695	519,139

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	(2,874)	1,728	1,146	-
Transfer from Stage 2	32,342	(48,812)	16,470	-
Transfer from Stage 3	7,831	3,033	(10,864)	-
Amounts recovered (written off) net of exchange movements	153	338	(24,005)	(23,514)
Net (decrease) increase in ECL for the period	(16,387)	34,816	37,958	56,387
At 30 June 2023	190,416	160,331	259,561	610,308

# National Bank of Kuwait Group

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023 (Unaudited)

### 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	(4,384)	1,458	2,926	-
Transfer from Stage 2	24,957	(39,420)	14,463	-
Transfer from Stage 3	3,752	1,376	(5,128)	-
Amounts (written off) recovered net of exchange movements	(840)	(472)	163,553	162,241
Net (decrease) increase in ECL for the period	(3,817)	30,335	(131,415)	(104,897)
At 30 June 2022	<u>154,430</u>	<u>157,014</u>	<u>207,695</u>	<u>519,139</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 June 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 June 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).

c) Proposed cash dividends

The Board of Directors approved distribution of an interim cash dividend of 10 fils per share (30 June 2022: 10 fils per share) on the outstanding shares as of 30 June 2023. The interim cash dividend shall be payable to shareholders after obtaining necessary regulatory approvals.

# National Bank of Kuwait Group

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023 (Unaudited)

### 7 SHAREHOLDERS' EQUITY (CONTINUED)

d) 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	-	275,347	-	-	-	-	-	275,347
Other comprehensive (loss) income	-	-	(18,523)	4,154	-	-	-	(14,369)
<b>Total comprehensive income (loss)</b>	<b>-</b>	<b>275,347</b>	<b>(18,523)</b>	<b>4,154</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>260,978</b>
Dividends paid	-	-	-	-	-	-	(188,808)	(188,808)
Interest paid on Perpetual Tier 1 Capital Securities	-	(9,097)	-	-	-	-	-	(9,097)
Profit distribution on Perpetual Tier 1 Sukuk by a subsidiary	-	(1,821)	-	-	-	-	-	(1,821)
Proposed interim cash dividend (Note 7c)	-	(79,299)	-	-	-	-	79,299	-
Change in holding in subsidiaries	-	(2,766)	-	-	-	-	-	(2,766)
Other movements	-	778	-	-	-	-	-	778
<b>At 30 June 2023</b>	<b>117,058</b>	<b>1,733,889</b>	<b>(355,312)</b>	<b>83,293</b>	<b>14,409</b>	<b>1,014</b>	<b>79,299</b>	<b>1,673,650</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	-	237,826	-	-	-	-	-	237,826
Other comprehensive loss	-	-	(42,965)	(51,257)	-	-	-	(94,222)
<b>Total comprehensive income (loss)</b>	<b>-</b>	<b>237,826</b>	<b>(42,965)</b>	<b>(51,257)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>143,604</b>
Dividends paid	-	-	-	-	-	-	(215,781)	(215,781)
Interest paid on Perpetual Tier 1 Capital Securities	-	(9,020)	-	-	-	-	-	(9,020)
Profit distribution on Perpetual Tier 1 Sukuk by a subsidiary	-	(1,797)	-	-	-	-	-	(1,797)
Proposed interim cash dividend (Note 7c)	-	(75,523)	-	-	-	-	75,523	-
Change in holding in subsidiaries	-	(2,557)	-	-	-	-	-	(2,557)
Other movements	-	(76)	-	-	-	-	-	(76)
<b>At 30 June 2022</b>	<b>117,058</b>	<b>1,534,130</b>	<b>(257,141)</b>	<b>23,391</b>	<b>14,409</b>	<b>(6,289)</b>	<b>75,523</b>	<b>1,501,081</b>

# National Bank of Kuwait Group

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023 (Unaudited)

### 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 June 2023 KD 000's</i>	<i>Audited 31 December 2022 KD 000's</i>	<i>30 June 2022 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)	<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 call 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 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.

# National Bank of Kuwait Group

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023 (Unaudited)

### 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.

	30 June 2023						
	<i>Consumer and Private Banking</i>	<i>Corporate Banking</i>	<i>Investment Banking and Asset Management</i>	<i>Islamic Banking</i>	<i>Group Centre</i>	<i>International</i>	<i>Total</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
<i>Six months</i>							
Net operating income	<u>149,518</u>	<u>80,548</u>	<u>19,443</u>	<u>112,281</u>	<u>63,755</u>	<u>140,312</u>	<u>565,857</u>
Profit for the period	<u>77,991</u>	<u>71,178</u>	<u>11,992</u>	<u>40,490</u>	<u>14,972</u>	<u>72,378</u>	<u>289,001</u>
Total assets	<u>5,590,878</u>	<u>5,286,378</u>	<u>94,671</u>	<u>8,024,121</u>	<u>2,790,448</u>	<u>14,298,826</u>	<u>36,085,322</u>
Total liabilities	<u>6,988,442</u>	<u>2,927,685</u>	<u>14,411</u>	<u>7,032,369</u>	<u>642,214</u>	<u>13,787,301</u>	<u>31,392,422</u>
	30 June 2022						
	<i>Consumer and Private Banking</i>	<i>Corporate Banking</i>	<i>Investment Banking and Asset Management</i>	<i>Islamic Banking</i>	<i>Group Centre</i>	<i>International</i>	<i>Total</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
<i>Six months</i>							
Net operating income	<u>149,637</u>	<u>68,722</u>	<u>20,139</u>	<u>105,288</u>	<u>15,249</u>	<u>117,308</u>	<u>476,343</u>
Profit (loss) for the period	<u>81,801</u>	<u>108,792</u>	<u>13,432</u>	<u>30,993</u>	<u>(32,079)</u>	<u>45,839</u>	<u>248,778</u>
Total assets	<u>5,377,380</u>	<u>4,982,903</u>	<u>83,722</u>	<u>7,635,997</u>	<u>2,768,923</u>	<u>13,433,762</u>	<u>34,282,687</u>
Total liabilities	<u>7,033,277</u>	<u>2,043,742</u>	<u>11,758</u>	<u>6,676,996</u>	<u>1,035,362</u>	<u>13,023,910</u>	<u>29,825,045</u>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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**10 COMMITMENTS AND CONTINGENT LIABILITIES**

	<i>30 June</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>30 June</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	<b>240,273</b>	281,958	171,499
Letters of credit	<b>508,839</b>	410,321	643,622
Guarantees	<b>3,856,146</b>	3,775,107	3,773,371
	<b><u>4,605,258</u></b>	<u>4,467,386</u>	<u>4,588,492</u>

Irrevocable commitments to extend credit amount to KD 1,092,840 thousand (31 December 2022: KD 1,024,290 thousand, 30 June 2022: KD 1,037,447 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 92,763 thousand (31 December 2022: KD 82,124 thousand, 30 June 2022: KD 93,500 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.



# National Bank of Kuwait Group

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 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>30 June 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	4,601,794	347,088	-	4,948,882
Equities and other investments	59,588	220,437	43,316	323,341
	<u>4,661,382</u>	<u>567,525</u>	<u>43,316</u>	<u>5,272,223</u>
Derivative financial instruments (Note 12)	-	344,799	-	344,799
	<u>-</u>	<u>344,799</u>	<u>-</u>	<u>344,799</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 June 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	3,563,414	327,860	-	3,891,274
Equities and other investments	57,061	224,987	52,213	334,261
	<u>3,620,475</u>	<u>552,847</u>	<u>52,213</u>	<u>4,225,535</u>
Derivative financial instruments (Note 12)	-	153,916	-	153,916
	<u>-</u>	<u>153,916</u>	<u>-</u>	<u>153,916</u>

# National Bank of Kuwait Group

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 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>Redemption / transfer KD 000's</i>	<i>Exchange rate movements KD 000's</i>	<i>At 30 June 2023 KD 000's</i>	<i>Net income in the interim condensed consolidated statement of income KD 000's</i>
Equities and other investments	<b>48,046</b>	<b>68</b>	<b>28</b>	<b>(4,877)</b>	<b>51</b>	<b>43,316</b>	<b>503</b>
	<b>48,046</b>	<b>68</b>	<b>28</b>	<b>(4,877)</b>	<b>51</b>	<b>43,316</b>	<b>503</b>

  

	<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 June 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	(424)	2,609	(1,529)	93	52,213	(13)
	51,464	(424)	2,609	(1,529)	93	52,213	(13)

### 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.

# National Bank of Kuwait Group

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 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:

	<i>30 June 2023</i>			<i>Audited 31 December 2022</i>			<i>30 June 2022</i>		
	<i>Positive fair value KD 000's</i>	<i>Negative fair value KD 000's</i>	<i>Notional KD 000's</i>	<i>Positive fair value KD 000's</i>	<i>Negative fair value KD 000's</i>	<i>Notional KD 000's</i>	<i>Positive fair value KD 000's</i>	<i>Negative fair value KD 000's</i>	<i>Notional KD 000's</i>
Interest rate swaps (held as fair value hedges)	<b>361,796</b>	<b>20,347</b>	<b>5,107,948</b>	330,703	12,922	4,559,283	172,533	17,665	4,096,460
Interest rate swaps (others)	<b>1,186</b>	<b>1,196</b>	<b>21,494</b>	1,259	1,270	21,441	1,124	1,121	49,072
Forward foreign exchange contracts	<b>13,567</b>	<b>10,207</b>	<b>3,389,486</b>	23,346	26,569	4,116,666	19,277	20,232	3,494,686
	<b>376,549</b>	<b>31,750</b>	<b>8,518,928</b>	355,308	40,761	8,697,390	192,934	39,018	7,640,218

# 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:

	<i>Number of Board Members or Executive Officers</i>			<i>Number of related parties</i>					
	<i>30 June 2023</i>	<i>31 December 2022</i>	<i>30 June 2022</i>	<i>30 June 2023</i>	<i>31 December 2022</i>	<i>30 June 2022</i>	<i>30 June 2023</i>	<i>31 December 2022</i>	<i>30 June 2022</i>
							<i>KD 000's</i>	<i>Audited KD 000's</i>	<i>KD 000's</i>
Loans	<b>6</b>	6	7	<b>19</b>	18	14	<b>53,503</b>	54,038	45,753
Contingent liabilities	<b>1</b>	2	3	<b>8</b>	9	8	<b>21,676</b>	20,476	22,983
Credit cards	<b>19</b>	18	16	<b>26</b>	31	28	<b>161</b>	178	154
Deposits	<b>24</b>	24	24	<b>86</b>	80	83	<b>40,269</b>	52,351	36,421
Collateral against credit facilities	<b>3</b>	2	1	<b>15</b>	13	6	<b>159,634</b>	174,926	55,505
Interest and fee income							<b>1,450</b>	1,817	812
Interest expense							<b>596</b>	432	83
Purchase of equipment and other expenses							<b>94</b>	367	157

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023 (Unaudited)

**13 RELATED PARTY TRANSACTIONS (continued)**

Details of compensation to key management personnel are as follows:

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</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	<b>2,955</b>	2,832	<b>5,871</b>	5,595
Post-employment benefits	<b>190</b>	218	<b>258</b>	272
Share based compensation	<b>51</b>	174	<b>275</b>	508
	<b>3,196</b>	3,224	<b>6,404</b>	6,375

**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 June 2023, the Group has transitioned majority of its contracts to "Risk-Free Rates" (RFRs). For the remaining contracts, discussions are currently in progress with the counterparties/customers and expected to be finalised prior to the next repricing period.

**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 benchmarks, predominantly on USD LIBOR. Those in totality are governed by industry-standard International Swaps and Derivatives Association (ISDA) Master Agreements that incorporate by reference the 2006 ISDA definitions, the IBOR Fallbacks Supplement, a supplement to the 2006 ISDA definitions, and the IBOR Fallbacks Protocol. IBOR Fallbacks Protocol enable adhering parties to amend legacy derivative transactions to include the updated rates and fallbacks.

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