

NATIONAL BANK OF KUWAIT GROUP

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

30 JUNE 2024 (UNAUDITED)



**Building a better
working world**

Ernst & Young
Al Aiban, Al Osaimi & Partners
P.O. Box 74
18-20th Floor, Baitak Tower
Ahmed Al Jaber Street
Safat Square 13001, Kuwait

Tel: +965 2295 5000
Fax: +965 2245 6419
kuwait@kw.ey.com
ey.com/mena

Deloitte.

**Deloitte & Touche
Al-Wazzan & Co.**

Ahmed Al-Jaber Street, Sharq
Dar Al-Awadi Complex, Floors 7 & 9
P.O. Box 20174, Safat 13062
Kuwait

Tel : + 965 22408844, 22438060
Fax: + 965 22408855, 22452080
www.deloitte.com

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 2024, 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 2024 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 2024 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
LICENCE NO. 62 A
DELOITTE & TOUCHE
AL-WAZZAN & CO.

16 July 2024
Kuwait

National Bank of Kuwait Group

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

30 June 2024 (Unaudited)

	Notes	<i>Three months ended</i>		<i>Six months ended</i>	
		<i>30 June</i>		<i>30 June</i>	
		<i>2024</i>	<i>2023</i>	<i>2024</i>	<i>2023</i>
		<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
Interest income		444,981	394,521	897,028	755,887
Interest expense		251,556	219,004	514,429	409,677
Net interest income		193,425	175,517	382,599	346,210
Murabaha and other Islamic financing income		113,870	98,502	224,454	190,699
Finance cost and Distribution to depositors		63,122	53,721	124,766	104,859
Net income from Islamic financing		50,748	44,781	99,688	85,840
Net interest income and net income from Islamic financing		244,173	220,298	482,287	432,050
Net fees and commissions		47,896	48,215	101,081	99,607
Net investment income		3,814	9,711	10,597	15,524
Net gains from dealing in foreign currencies		7,277	9,449	17,525	17,433
Other operating income		246	322	881	1,243
Non-interest income		59,233	67,697	130,084	133,807
Net operating income		303,406	287,995	612,371	565,857
Staff expenses		65,003	60,136	123,861	114,987
Other administrative expenses		38,013	33,516	78,709	69,145
Depreciation of premises and equipment		11,676	11,120	23,190	21,693
Amortisation of intangible assets		412	412	824	824
Operating expenses		115,104	105,184	226,584	206,649
Operating profit before provision for credit losses and impairment losses		188,302	182,811	385,787	359,208
Provision charge for credit losses and impairment losses	3	17,153	19,859	42,652	47,959
Operating profit before taxation		171,149	162,952	343,135	311,249
Taxation	4	15,890	13,225	31,644	22,248
Profit for the period		155,259	149,727	311,491	289,001
Attributable to:					
Shareholders of the Bank		145,844	141,144	292,425	275,347
Non-controlling interests		9,415	8,583	19,066	13,654
		155,259	149,727	311,491	289,001
Basic earnings per share attributable to shareholders of the Bank	5	17 fils	16 fils	34 fils	32 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 2024 (Unaudited)

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2024</i>	<i>2023</i>	<i>2024</i>	<i>2023</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	155,259	149,727	311,491	289,001
Other comprehensive income (loss):				
Investment in debt securities measured at FVOCI:				
Net change in fair value	(2,933)	31,781	24,338	2,292
Net transfer to interim condensed consolidated statement of income	(1,886)	1,574	(1,258)	2,193
	<u>(4,819)</u>	<u>33,355</u>	<u>23,080</u>	<u>4,485</u>
Exchange differences on translation of foreign operations	(4,732)	8,387	(70,573)	(16,902)
Other comprehensive (loss) income for the period reclassifiable to interim condensed consolidated statement of income in subsequent periods	(9,551)	41,742	(47,493)	(12,417)
Net loss on investments in equity instruments designated at FVOCI (not reclassifiable to interim condensed consolidated statement of income in subsequent periods)	(511)	(394)	(929)	(422)
Actuarial gain in respect of defined benefit plans	88	-	88	-
Other comprehensive (loss) income for the period	(9,974)	41,348	(48,334)	(12,839)
Total comprehensive income for the period	145,285	191,075	263,157	276,162
Attributable to:				
Shareholders of the Bank	137,815	178,362	245,413	260,978
Non-controlling interests	7,470	12,713	17,744	15,184
	<u>145,285</u>	<u>191,075</u>	<u>263,157</u>	<u>276,162</u>

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 2024 (Unaudited)

		<i>30 June</i> <i>2024</i> <i>KD 000's</i>	<i>Audited</i> <i>31 December</i> <i>2023</i> <i>KD 000's</i>	<i>30 June</i> <i>2023</i> <i>KD 000's</i>
Assets				
Cash and short term funds		3,595,669	4,384,700	3,818,837
Central Bank of Kuwait bonds		775,054	856,815	891,166
Kuwait Government treasury bonds		180,501	194,111	196,271
Deposits with banks		1,691,224	1,318,121	1,668,555
Loans, advances and Islamic financing to customers	6	22,731,721	22,281,004	21,563,725
Investment securities		6,898,949	6,884,821	6,145,456
Land, premises and equipment		499,981	506,812	488,930
Goodwill and other intangible assets		507,591	508,416	529,469
Other assets		795,137	730,191	782,913
Total assets		37,675,827	37,664,991	36,085,322
Liabilities				
Due to banks		4,695,854	3,963,802	3,923,816
Deposits from other financial institutions		2,860,745	3,725,629	3,687,239
Customer deposits		21,818,146	21,948,957	20,269,756
Certificates of deposit issued		1,072,387	822,899	1,460,537
Other borrowed funds	7	1,392,186	1,331,006	1,249,694
Other liabilities		890,037	966,123	801,380
Total liabilities		32,729,355	32,758,416	31,392,422
Equity				
Share capital	8	832,644	792,995	792,995
Proposed bonus shares	8	-	39,649	-
Statutory reserve		396,499	396,499	377,618
Share premium account		803,028	803,028	803,028
Treasury shares reserve		34,961	34,961	34,961
Other reserves	8	1,852,770	1,816,640	1,673,650
Equity attributable to shareholders of the Bank		3,919,902	3,883,772	3,682,252
Perpetual Tier 1 Capital Securities	9	439,032	439,032	439,032
Non-controlling interests		587,538	583,771	571,616
Total equity		4,946,472	4,906,575	4,692,900
Total liabilities and equity		37,675,827	37,664,991	36,085,322



Hamad Mohamed Al-Bahar
Chairman

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 CASH FLOWS

30 June 2024 (Unaudited)

	Notes	Six months ended 30 June	
		2024 KD 000's	2023 KD 000's
Operating activities			
Profit for the period		311,491	289,001
Adjustments for:			
Net investment income		(10,597)	(15,524)
Depreciation of premises and equipment		23,190	21,693
Amortisation of intangible assets		824	824
Provision charge for credit losses and impairment losses	3	42,652	47,959
Taxation	4	31,644	22,248
Cash flow from operating activities before changes in operating assets and liabilities		399,204	366,201
Changes in operating assets and liabilities:			
Central Bank of Kuwait bonds		81,761	(9,925)
Kuwait Government treasury bonds		12,000	14,819
Deposits with banks		(372,253)	(176,255)
Loans, advances and Islamic financing to customers		(690,479)	(612,888)
Other assets		(2,084)	68,934
Due to banks		732,058	(94,163)
Deposits from other financial institutions		(857,684)	(53,638)
Customer deposits		131,269	91,694
Certificates of deposit issued		249,488	(341,086)
Other liabilities		(105,728)	55,491
Tax paid		(39,276)	(30,245)
Net cash used in operating activities		(461,724)	(721,061)
Investing activities			
Purchase of investment securities		(1,680,971)	(1,744,668)
Proceeds from sale/redemption of investment securities		1,537,177	1,228,211
Dividend income		887	715
Change in holding in subsidiaries		(169)	(9,219)
Proceeds from sale of land, premises and equipment		-	934
Purchase of land, premises and equipment		(23,936)	(22,459)
Purchase of investment properties		-	(31,608)
Capital repayment from investment in associate		250	-
Proceeds from sale of investment properties		2,063	-
Net cash used in investing activities		(164,699)	(578,094)
Financing activities			
Net proceeds from issuance of Global medium term notes	7	152,571	-
Interest paid on Perpetual Tier 1 Capital Securities		(9,088)	(9,097)
Profit distribution on Perpetual Tier 1 sukuk by a subsidiary		(3,036)	(3,027)
Dividends paid	8	(198,249)	(188,808)
Dividend paid by a subsidiary to non-controlling interests		(12,586)	(8,966)
Net movement in other borrowed funds		(92,220)	4,438
Net cash used in financing activities		(162,608)	(205,460)
Decrease in cash and short term funds		(789,031)	(1,504,615)
Cash and short term funds at 1 January		4,384,700	5,323,452
Cash and short term funds at 30 June		3,595,669	3,818,837

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 2024 (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 8)</i>				
At 1 January 2024	792,995	39,649	396,499	803,028	34,961	1,816,640	3,883,772	439,032	583,771	4,906,575
Profit for the period	-	-	-	-	-	292,425	292,425	-	19,066	311,491
Other comprehensive loss	-	-	-	-	-	(47,012)	(47,012)	-	(1,322)	(48,334)
Total comprehensive income	-	-	-	-	-	245,413	245,413	-	17,744	263,157
Issue of bonus shares (Note 8b)	39,649	(39,649)	-	-	-	-	-	-	-	-
Dividends paid (Note 8b)	-	-	-	-	-	(198,249)	(198,249)	-	-	(198,249)
Interest paid on perpetual Tier 1 capital Securities	-	-	-	-	-	(9,088)	(9,088)	-	-	(9,088)
Profit distribution on Perpetual Tier 1 sukuk by a subsidiary	-	-	-	-	-	(1,833)	(1,833)	-	(1,203)	(3,036)
Change in holding in subsidiaries	-	-	-	-	-	-	-	-	(169)	(169)
Dividend paid to non-controlling interests by a subsidiary	-	-	-	-	-	-	-	-	(12,586)	(12,586)
Other movements	-	-	-	-	-	(113)	(113)	-	(19)	(132)
At 30 June 2024	832,644	-	396,499	803,028	34,961	1,852,770	3,919,902	439,032	587,538	4,946,472
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)
Total comprehensive income	-	-	-	-	-	260,978	260,978	-	15,184	276,162
Issue of bonus shares (Note 8b)	37,762	(37,762)	-	-	-	-	-	-	-	-
Dividends paid (Note 8b)	-	-	-	-	-	(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	-	-	-	-	-	-	-	-	(8,966)	(8,966)
Other movements	-	-	-	-	-	778	778	-	131	909
At 30 June 2023	792,995	-	377,618	803,028	34,961	1,673,650	3,682,252	439,032	571,616	4,692,900

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 2024 (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 2024 was authorised for issue in accordance with a resolution of the directors on 9 July 2024. 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 2023.

The annual consolidated financial statements for the year ended 31 December 2023 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 2023. Further, results for interim periods are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2024.

Amendments to IFRSs which are effective for annual accounting period starting from 1 January 2024 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>2024</i>	<i>2023</i>	<i>2024</i>	<i>2023</i>
	<i>KD 000’s</i>	<i>KD 000’s</i>	<i>KD 000’s</i>	<i>KD 000’s</i>
Provision charge for credit facilities – specific	13,242	10,187	35,972	12,195
Provision charge for credit facilities – general	8,125	9,388	10,653	36,163
Expected credit losses (release) charge	(4,878)	284	(4,970)	(399)
Other impairment losses	664	-	997	-
	17,153	19,859	42,652	47,959

National Bank of Kuwait Group

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024 (Unaudited)

4 TAXATION

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2024</i>	<i>2023</i>	<i>2024</i>	<i>2023</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	3,775	3,724	7,312	7,042
Zakat	1,674	1,586	3,313	3,058
Contribution to Kuwait Foundation for the Advancement of Sciences	1,599	1,540	3,006	2,799
Overseas tax	8,842	6,375	18,013	9,349
	15,890	13,225	31,644	22,248

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>2024</i>	<i>2023</i>	<i>2024</i>	<i>2023</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	145,844	141,144	292,425	275,347
Less: Interest paid on Perpetual Tier 1 capital Securities	(5,181)	(5,197)	(9,088)	(9,097)
Less: Profit distribution on Perpetual Tier 1 sukuk by a subsidiary attributable to shareholders of the Bank	-	-	(1,833)	(1,821)
	140,663	135,947	281,504	264,429
Weighted average number of shares outstanding during the period net of treasury shares (thousands)	8,326,443	8,326,443	8,326,443	8,326,443
Basic earnings per share	17 fils	16 fils	34 fils	32 fils

Earnings per share calculations for the period ended 30 June 2023 have been adjusted to take account of the bonus shares issued in 2024.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024 (Unaudited)

6 LOANS, ADVANCES AND ISLAMIC FINANCING TO CUSTOMERS

	30 June 2024 KD 000's	<i>Audited</i> 31 December 2023 KD 000's	30 June 2023 KD 000's
Loans, advances and Islamic financing to customers	23,619,252	23,143,854	22,416,156
Provision for credit losses	(887,531)	(862,850)	(852,431)
	<u>22,731,721</u>	<u>22,281,004</u>	<u>21,563,725</u>

The available provision on non-cash facilities of KD 43,942 thousand (31 December 2023: KD 40,540 thousand, 30 June 2023: KD 40,824 thousand) is included under other liabilities. The total provision for cash and non cash credit facilities in accordance with CBK guidelines amounted to KD 931,473 thousand as at 30 June 2024 (31 December 2023: KD 903,390 thousand, 30 June 2023: KD 893,255 thousand)

The Expected Credit Losses ("ECL") on credit facilities determined under IFRS 9 in accordance to the CBK guidelines amounted to KD 616,756 thousand as at 30 June 2024 (31 December 2023: 615,659 thousand, 30 June 2023: KD 610,308 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 2024 (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 2024</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	21,465,032	1,795,833	358,387	23,619,252
Contingent liabilities (Note 11)	4,124,553	700,391	15,951	4,840,895
Commitments (revocable and irrevocable) to extend credit	9,123,062	869,480	355	9,992,897
ECL allowance for credit facilities	172,860	184,130	259,766	616,756
<i>31 December 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	21,339,511	1,485,957	318,386	23,143,854
Contingent liabilities (Note 11)	3,895,079	708,129	12,703	4,615,911
Commitments (revocable and irrevocable) to extend credit	8,046,514	1,010,524	1,175	9,058,213
ECL allowance for credit facilities	195,114	174,258	246,287	615,659
<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 11)	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

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 2024	195,114	174,258	246,287	615,659
Transfer between stages				
Transfer from Stage 1	(4,358)	2,816	1,542	-
Transfer from Stage 2	29,021	(41,029)	12,008	-
Transfer from Stage 3	11,145	2,719	(13,864)	-
Amounts written off net of exchange movements	(3,403)	(803)	(21,381)	(25,587)
Net (decrease) increase in ECL for the period	(54,659)	46,169	35,174	26,684
At 30 June 2024	172,860	184,130	259,766	616,756

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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 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	<u>190,416</u>	<u>160,331</u>	<u>259,561</u>	<u>610,308</u>

7 OTHER BORROWED FUNDS

On 6 June 2024, the Bank, through a wholly owned special purpose vehicle, issued senior unsecured notes of nominal amount USD 500 million (KD 153,100 thousand) under the Bank's USD 5 billion Global Medium Term Note programme, maturing on 6 June 2030 with first optional redemption date on 6 June 2029. These notes were issued at 99.905 per cent of nominal value and carry a fixed interest rate of 5.5% per annum payable semi-annually in arrears until the first optional redemption date, followed by a floating rate of SOFR + 116 basis points paid quarterly thereafter.

8 SHAREHOLDERS' EQUITY

a) The authorised share capital of the Bank comprises 10,000,000,000 shares (31 December 2023: 10,000,000,000 shares and 30 June 2023: 10,000,000,000 shares) of 100 fils each. The issued and fully paid up share capital of the Bank comprises 8,326,442,901 shares (31 December 2023: 7,929,945,620 shares and 30 June 2023: 7,929,945,620 shares) of 100 fils each.

b) Dividend and bonus shares

The Annual General Assembly meeting of the shareholders held on 23 March 2024 approved 5% bonus shares and a final cash dividend of 25 fils per share for the year ended 31 December 2023. (5% bonus shares and final cash dividend of 25 fils per share for the year ended 31 December 2022). The final cash dividend amounting to KD 198,249 thousand was paid on 18 April 2024. The bonus shares issued in 2024 increased the number of issued and fully paid up shares by 396,497,281 (2023: 377,616,458) and share capital by KD 39,649 thousand (2023: KD 37,762 thousand).

c) Proposed cash dividends

The Board of Directors approved distribution of an interim cash dividend of 10 fils per share on the outstanding shares as of 30 June 2024 (Interim cash dividend of 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.

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8 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 2024	117,058	1,750,695	(351,838)	83,553	14,409	4,514	198,249	1,816,640
Profit for the period	-	292,425	-	-	-	-	-	292,425
Other comprehensive (loss) income	-	-	(69,657)	22,557	-	88	-	(47,012)
Total comprehensive income (loss)	-	292,425	(69,657)	22,557	-	88	-	245,413
Dividends paid	-	-	-	-	-	-	(198,249)	(198,249)
Interest paid on Perpetual Tier 1 Capital Securities	-	(9,088)	-	-	-	-	-	(9,088)
Profit distribution on Perpetual Tier 1 Sukuk by a subsidiary	-	(1,833)	-	-	-	-	-	(1,833)
Proposed interim cash dividend (Note 8c)	-	(83,264)	-	-	-	-	83,264	-
Other movements	-	(113)	-	-	-	-	-	(113)
At 30 June 2024	117,058	1,948,822	(421,495)	106,110	14,409	4,602	83,264	1,852,770
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)
Total comprehensive income (loss)	-	275,347	(18,523)	4,154	-	-	-	260,978
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 8c)	-	(79,299)	-	-	-	-	79,299	-
Change in holding in subsidiaries	-	(2,766)	-	-	-	-	-	(2,766)
Other movements	-	778	-	-	-	-	-	778
At 30 June 2023	117,058	1,733,889	(355,312)	83,293	14,409	1,014	79,299	1,673,650

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9 PERPETUAL TIER 1 CAPITAL SECURITIES

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

	<i>30 June 2024 KD 000's</i>	<i>Audited 31 December 2023 KD 000's</i>	<i>30 June 2023 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 Parent 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.

10 SEGMENTAL ANALYSIS

The Group has six reportable segments as described below. Management treats the operations of these segments separately for the purposes of decision making, resource allocation and performance assessment.

Consumer 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.

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.

NBK Wealth

NBK Wealth provides a full range of asset management, custody, brokerage, lending, deposits and other customized and innovative banking services to high net worth individuals and institutional clients across the Group.

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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10 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 Banking

International Banking provides a broad range of products and services including lending, deposits, trade finance etc. to corporate and individual customers at Group's overseas locations.

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

	30 June 2024						
	Consumer Banking KD 000's	Corporate Banking KD 000's	NBK Wealth KD 000's	Islamic Banking KD 000's	Group Centre KD 000's	International Banking KD 000's	Total KD 000's
<i>Six months</i>							
Net operating income	<u>122,922</u>	<u>81,194</u>	<u>57,702</u>	<u>124,904</u>	<u>80,077</u>	<u>145,572</u>	<u>612,371</u>
Profit for the period	<u>51,515</u>	<u>58,422</u>	<u>34,942</u>	<u>49,092</u>	<u>46,631</u>	<u>70,889</u>	<u>311,491</u>
Total assets	<u>5,099,016</u>	<u>5,104,364</u>	<u>879,523</u>	<u>8,891,321</u>	<u>2,399,419</u>	<u>15,302,184</u>	<u>37,675,827</u>
Total liabilities	<u>4,966,489</u>	<u>2,738,009</u>	<u>2,218,248</u>	<u>7,850,022</u>	<u>1,629,921</u>	<u>13,326,666</u>	<u>32,729,355</u>
	30 June 2023						
	Consumer Banking KD 000's	Corporate Banking KD 000's	NBK Wealth KD 000's	Islamic Banking KD 000's	Group Centre KD 000's	International Banking KD 000's	Total KD 000's
<i>Six months</i>							
Net operating income	<u>112,000</u>	<u>80,548</u>	<u>56,963</u>	<u>112,281</u>	<u>74,311</u>	<u>129,754</u>	<u>565,857</u>
Profit for the period	<u>47,130</u>	<u>71,178</u>	<u>35,741</u>	<u>40,489</u>	<u>25,091</u>	<u>69,372</u>	<u>289,001</u>
Total assets	<u>5,069,606</u>	<u>5,286,378</u>	<u>904,540</u>	<u>8,024,121</u>	<u>2,715,343</u>	<u>14,085,334</u>	<u>36,085,322</u>
Total liabilities	<u>5,064,518</u>	<u>2,927,685</u>	<u>2,068,097</u>	<u>7,032,369</u>	<u>1,745,158</u>	<u>12,554,595</u>	<u>31,392,422</u>

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11 COMMITMENTS AND CONTINGENT LIABILITIES

	<i>30 June</i> <i>2024</i> <i>KD 000's</i>	<i>Audited</i> <i>31 December</i> <i>2023</i> <i>KD 000's</i>	<i>30 June</i> <i>2023</i> <i>KD 000's</i>
Commitments on behalf of customers for which there are corresponding liabilities by the customers concerned:			
Acceptances	119,340	189,080	240,273
Letters of credit	498,129	391,486	508,839
Guarantees	4,223,426	4,035,345	3,856,146
	<u>4,840,895</u>	<u>4,615,911</u>	<u>4,605,258</u>

Irrevocable commitments to extend credit amount to KD 1,396,636 thousand (31 December 2023: KD 1,327,508 thousand, 30 June 2023: KD 1,092,840 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 82,099 thousand (31 December 2023: KD 85,980 thousand, 30 June 2023: KD 92,763 thousand).

12 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.

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12 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 2024</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	5,303,416	285,972	-	5,589,388
Equities and other investments	58,066	159,934	43,377	261,377
	<u>5,361,482</u>	<u>445,906</u>	<u>43,377</u>	<u>5,850,765</u>
Derivative financial instruments (Note 13)	-	328,222	-	328,222
	<u>-</u>	<u>328,222</u>	<u>-</u>	<u>328,222</u>
<i>31 December 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	5,192,114	345,509	-	5,537,623
Equities and other investments	61,356	188,570	43,012	292,938
	<u>5,253,470</u>	<u>534,079</u>	<u>43,012</u>	<u>5,830,561</u>
Derivative financial instruments (Note 13)	-	247,694	-	247,694
	<u>-</u>	<u>247,694</u>	<u>-</u>	<u>247,694</u>
<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 13)	-	344,799	-	344,799
	<u>-</u>	<u>344,799</u>	<u>-</u>	<u>344,799</u>

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12 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

	<i>At 1 January 2024 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 2024 KD 000's</i>	<i>Net gain in the interim condensed consolidated statement of income KD 000's</i>
Equities and other investments	43,012	(41)	856	(412)	(38)	43,377	1,445
	<u>43,012</u>	<u>(41)</u>	<u>856</u>	<u>(412)</u>	<u>(38)</u>	<u>43,377</u>	<u>1,445</u>
							<i>Net gain in the interim condensed consolidated statement of income KD 000's</i>
	<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 30 June 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	68	28	(4,877)	51	43,316	503
	<u>48,046</u>	<u>68</u>	<u>28</u>	<u>(4,877)</u>	<u>51</u>	<u>43,316</u>	<u>503</u>

13 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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13 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 2024</i>			<i>Audited 31 December 2023</i>			<i>30 June 2023</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)	354,545	24,971	6,438,475	282,008	43,973	5,826,052	361,796	20,347	5,107,948
Interest rate swaps (others)	1,362	838	85,106	891	1,753	86,318	1,186	1,196	21,494
Forward foreign exchange contracts	7,654	9,530	3,062,804	27,547	17,026	4,112,667	13,567	10,207	3,389,486
	363,561	35,339	9,586,385	310,446	62,752	10,025,037	376,549	31,750	8,518,928

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14 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 and Executive Officers</i>			<i>Number of related parties</i>					
	<i>30 June 2024</i>	<i>31 December 2023</i>	<i>30 June 2023</i>	<i>30 June 2024</i>	<i>31 December 2023</i>	<i>30 June 2023</i>	<i>30 June 2024</i>	<i>31 December 2023</i>	<i>30 June 2023</i>
							<i>Audited</i>		
							<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
Loans	5	6	6	20	22	19	45,145	49,652	53,503
Contingent liabilities	1	1	1	8	7	8	22,032	22,719	21,676
Credit cards	17	19	19	30	28	26	217	187	161
Deposits	24	24	24	87	88	86	38,378	36,927	40,269
Collateral against credit facilities	2	3	3	15	14	15	145,395	153,137	159,634
Interest and fee income							1,538	3,005	1,450
Interest expense							516	1,205	596
Purchase of equipment and other expenses							194	330	94

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14 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>2024</i>	<i>2023</i>	<i>2024</i>	<i>2023</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	2,921	2,955	5,882	5,871
Post-employment benefits	122	190	149	258
Share based compensation	91	51	391	275
	3,134	3,196	6,422	6,404