

**NATIONAL BANK OF KUWAIT GROUP**

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION**

**31 MARCH 2020 (UNAUDITED)**



Building a better  
working world

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

### *Introduction*

We have reviewed the accompanying interim condensed consolidated statement of financial position of National Bank of Kuwait S.A.K.P. (the "Bank") and its subsidiaries (collectively the "Group") as at 31 March 2020, and the related interim condensed consolidated statement of income, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the three months period then ended. The management of the Bank is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the basis of presentation set out in Note 2. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

### *Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with the basis of presentation set out in Note 2.

### **Report on Other Legal and Regulatory Requirements**

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Bank. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016, as amended, and its executive regulation, as amended, or of the Bank's Articles of Association and Memorandum of Incorporation, as amended, during the three months period ended 31 March 2020 that might have had a material effect on the business of the Bank or on its financial position.

We further report that, during the course of our review, to the best of our knowledge and belief, we have not become aware of any violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organization of banking business, and its related regulations, during the three months period ended 31 March 2020 that might have had a material effect on the business of the Bank or on its financial position.

ABDULKARIM AL SAMDAN  
LICENCE NO. 208 A  
ERNST & YOUNG  
AL AIBAN, AL OSAIMI & PARTNERS

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

14 July 2020  
Kuwait

# National Bank of Kuwait Group

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

31 March 2020 (Unaudited)

	Notes	Three months ended	
		2020	2019
		31 March	31 March
		KD 000's	KD 000's
Interest income		228,137	245,307
Interest expense		92,555	103,609
<b>Net interest income</b>		<b>135,582</b>	<b>141,698</b>
Murabaha and other Islamic financing income		58,423	49,579
Finance cost and Distribution to depositors		24,809	20,050
<b>Net income from Islamic financing</b>		<b>33,614</b>	<b>29,529</b>
<b>Net interest income and net income from Islamic financing</b>		<b>169,196</b>	<b>171,227</b>
Net fees and commissions		38,297	37,461
Net investment (loss)/ income		(3,333)	6,518
Net gains from dealing in foreign currencies		19,533	10,002
Other operating income		1,096	361
<b>Non-interest income</b>		<b>55,593</b>	<b>54,342</b>
<b>Net operating income</b>		<b>224,789</b>	<b>225,569</b>
Staff expenses		45,537	41,951
Other administrative expenses		28,489	22,318
Depreciation of premises and equipment		8,001	6,139
Amortisation of intangible assets		412	783
<b>Operating expenses</b>		<b>82,439</b>	<b>71,191</b>
<b>Operating profit before provision for credit losses and impairment losses</b>		<b>142,350</b>	<b>154,378</b>
Provision charge for credit losses and impairment losses	3	51,498	31,406
<b>Operating profit before taxation</b>		<b>90,852</b>	<b>122,972</b>
Taxation	4	9,036	9,391
<b>Profit for the period</b>		<b>81,816</b>	<b>113,581</b>
<b>Attributable to:</b>			
Shareholders of the Bank		77,673	107,729
Non-controlling interests		4,143	5,852
		<b>81,816</b>	<b>113,581</b>
<b>Basic earnings per share attributable to shareholders of the Bank</b>	5	<b>11 fils</b>	<b>16 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 2020 (Unaudited)

	Three months ended 31 March	
	2020 KD 000's	2019 KD 000's
<b>Profit for the period</b>	<b>81,816</b>	<b>113,581</b>
<b>Other comprehensive (loss) / income</b>		
Investment in debt securities measured at FVOCI :		
Net change in fair value	(247,667)	15,820
Net transfer to interim condensed consolidated statement of income	8,928	202
	<u>(238,739)</u>	<u>16,022</u>
Share of other comprehensive loss of associates	(287)	-
Exchange differences on translation of foreign operations	13,848	6,840
	<u>(225,178)</u>	<u>22,862</u>
<b>Other comprehensive (loss)/ income for the period reclassifiable to interim condensed consolidated statement of income in subsequent periods</b>	<b>(225,178)</b>	<b>22,862</b>
Net (loss) gain on investments in equity instruments designated at FVOCI (not reclassifiable to interim condensed consolidated statement of income in subsequent periods)	(1,005)	365
	<u>(226,183)</u>	<u>23,227</u>
<b>Other comprehensive (loss)/ income for the period</b>	<b>(226,183)</b>	<b>23,227</b>
<b>Total comprehensive (loss)/ income for the period</b>	<b>(144,367)</b>	<b>136,808</b>
<b>Attributable to:</b>		
Shareholders of the Bank	(134,053)	129,724
Non-controlling interests	(10,314)	7,084
	<u>(144,367)</u>	<u>136,808</u>

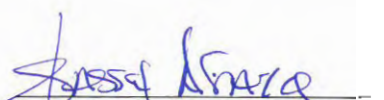
The attached notes 1 to 14 form part of this interim condensed consolidated financial information.

# National Bank of Kuwait Group

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2020 (Unaudited)

		31 March 2020	Audited 31 December 2019	31 March 2019
	Notes	KD 000's	KD 000's	KD 000's
<b>Assets</b>				
Cash and short term funds		3,772,541	3,787,173	2,773,275
Central Bank of Kuwait bonds		826,304	823,229	817,278
Kuwait Government treasury bonds		612,155	662,175	845,330
Deposits with banks		1,864,443	1,909,081	1,759,466
Loans, advances and Islamic financing to customers		17,717,767	16,552,598	16,046,067
Investment securities		4,419,455	4,214,562	3,920,470
Investment in associates	13	6,620	35,297	34,334
Land, premises and equipment		450,223	433,540	409,682
Goodwill and other intangible assets		585,080	582,927	580,697
Other assets		286,506	270,171	228,329
<b>Total assets</b>		<b>30,541,094</b>	<b>29,270,753</b>	<b>27,414,928</b>
<b>Liabilities</b>				
Due to banks and other financial institutions		7,342,435	7,581,929	7,336,413
Customer deposits		17,220,721	15,930,577	14,677,039
Certificates of deposit issued		606,918	538,611	674,624
Global medium term notes		237,068	227,159	224,294
Subordinated Tier 2 bonds		124,810	124,801	124,776
Sukuk issued	6	232,110	-	-
Other liabilities		859,913	608,516	753,695
<b>Total liabilities</b>		<b>26,623,975</b>	<b>25,011,593</b>	<b>23,790,841</b>
<b>Equity</b>				
Share capital	7	685,019	652,399	652,399
Proposed bonus shares	7	-	32,620	-
Statutory reserve		326,199	326,199	310,666
Share premium account		803,028	803,028	803,028
Treasury shares	7	(39,258)	(39,258)	(65,425)
Treasury shares reserve		25,115	25,115	14,010
Other reserves	7	1,273,215	1,633,641	1,353,878
Equity attributable to shareholders of the Bank		3,073,318	3,433,744	3,078,556
Perpetual Tier 1 Capital Securities		438,438	438,438	210,700
Non-controlling interests		405,363	386,978	334,831
<b>Total equity</b>		<b>3,917,119</b>	<b>4,259,160</b>	<b>3,624,087</b>
<b>Total liabilities and equity</b>		<b>30,541,094</b>	<b>29,270,753</b>	<b>27,414,928</b>

  
 Nasser Musaed Abdullah Al-Sayer  
 Chairman

# National Bank of Kuwait Group

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

31 March 2020 (Unaudited)

	Notes	Three months ended 31 March	
		2020 KD 000's	2019 KD 000's
<b>Operating activities</b>			
Profit for the period		81,816	113,581
Adjustments for:			
Net investment loss (income)		3,333	(6,518)
Depreciation of premises and equipment		8,001	6,139
Amortisation of intangible assets		412	783
Provision charge for credit losses and impairment losses	3	51,498	31,406
Taxation	4	9,036	9,391
Operating profit before changes in operating assets and liabilities		154,096	154,782
Changes in operating assets and liabilities:			
Central Bank of Kuwait bonds		(3,075)	(7,407)
Kuwait Government treasury bonds		50,020	26,712
Deposits with banks		35,259	604,776
Loans, advances and Islamic financing to customers		(666,068)	(573,474)
Other assets		10,276	32,116
Due to banks and other financial institutions		(388,916)	(754,071)
Customer deposits		925,260	288,203
Certificates of deposit issued		68,307	223,496
Other liabilities		155,689	53,883
Tax paid		(8,028)	(5,914)
Net cash from operating activities		332,820	43,102
<b>Investing activities</b>			
Purchase of investment securities		(517,846)	(495,183)
Proceeds from sale/redemption of investment securities		194,815	273,465
Dividend income		24	2
Proceeds from sale of investment in associate		690	-
Purchase of Investment in associate		(538)	-
Acquisition of subsidiary net of cash acquired	13	(325)	-
Transaction costs related to acquisition of a subsidiary	13	(1,815)	-
Proceeds from sale of land, premises and equipment		718	147
Purchase of land, premises and equipment		(25,402)	(14,965)
Net cash used in investing activities		(349,679)	(236,534)
<b>Financing activity</b>			
Proceeds from issuance of Sukuk	6	228,600	-
Dividends paid	7	(226,373)	-
Net cash from financing activities		2,227	-
<b>Decrease in cash and short term funds</b>		(14,632)	(193,432)
Cash and short term funds at 1 January		3,787,173	2,966,707
<b>Cash and short term funds at 31 March</b>		<u>3,772,541</u>	<u>2,773,275</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 CHANGES IN EQUITY

31 March 2020 (Unaudited)

KD 000's

	Equity attributable to shareholders of the Bank							Total	Perpetual Tier 1 Capital Securities	Non-controlling interests	Total equity
	Share capital	Proposed bonus shares	Statutory reserve	Share premium account	Treasury shares	Treasury shares reserve	Other reserves (Note 7)				
At 1 January 2020	652,399	32,620	326,199	803,028	(39,258)	25,115	1,633,641	3,433,744	438,438	386,978	4,259,160
Profit for the period	-	-	-	-	-	-	77,673	77,673	-	4,143	81,816
Other comprehensive loss	-	-	-	-	-	-	(211,726)	(211,726)	-	(14,457)	(226,183)
<b>Total comprehensive loss</b>	-	-	-	-	-	-	(134,053)	(134,053)	-	(10,314)	(144,367)
Issue of bonus shares (Note 7c)	32,620	(32,620)	-	-	-	-	-	-	-	-	-
Dividends paid (Note 7c)	-	-	-	-	-	-	(226,373)	(226,373)	-	-	(226,373)
Acquisition of subsidiaries (Note 13)	-	-	-	-	-	-	-	-	-	28,802	28,802
Other movements	-	-	-	-	-	-	-	-	-	(103)	(103)
<b>At 31 March 2020</b>	<b>685,019</b>	<b>-</b>	<b>326,199</b>	<b>803,028</b>	<b>(39,258)</b>	<b>25,115</b>	<b>1,273,215</b>	<b>3,073,318</b>	<b>438,438</b>	<b>405,363</b>	<b>3,917,119</b>
At 1 January 2019	621,332	31,067	310,666	803,028	(65,425)	14,010	1,448,579	3,163,257	210,700	327,353	3,701,310
Profit for the period	-	-	-	-	-	-	107,729	107,729	-	5,852	113,581
Other comprehensive income	-	-	-	-	-	-	21,995	21,995	-	1,232	23,227
<b>Total comprehensive income</b>	-	-	-	-	-	-	129,724	129,724	-	7,084	136,808
Issue of bonus shares (Note 7c)	31,067	(31,067)	-	-	-	-	-	-	-	-	-
Transfer to dividends payable (Note 7c)	-	-	-	-	-	-	(214,344)	(214,344)	-	-	(214,344)
Other movements	-	-	-	-	-	-	(81)	(81)	-	394	313
<b>At 31 March 2019</b>	<b>652,399</b>	<b>-</b>	<b>310,666</b>	<b>803,028</b>	<b>(65,425)</b>	<b>14,010</b>	<b>1,363,878</b>	<b>3,078,556</b>	<b>210,700</b>	<b>334,831</b>	<b>3,624,087</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

31 March 2020 (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 2020 was authorised for issue in accordance with a resolution of the directors on 14 July 2020. 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'. 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 2019.

The annual consolidated financial statements for the year ended 31 December 2019 were prepared in accordance with the regulations issued by Central Bank of Kuwait (CBK) for financial services institutions in the State of Kuwait. The regulations require the expected credit loss on credit facilities to be measured at the higher of the amount computed under IFRS 9 in accordance with CBK guidelines or provisions as required by CBK instructions, with consequent impact on related disclosures. The regulations also require adoption of all other requirements of International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB").

The interim condensed consolidated financial information does not contain all information and disclosures required for the annual consolidated financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2019. Further, results for interim periods are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

Amendments to IFRSs which are effective for annual accounting period starting from 1 January 2020 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

	Three months ended 31 March	
	2020 KD 000's	2019 KD 000's
Provision charge for credit facilities – specific	10,611	26,791
Provision charge for credit facilities – general	13,200	4,615
Expected credit losses charge	27,687	-
	<u>51,498</u>	<u>31,406</u>

### 4 Taxation

	Three months ended 31 March	
	2020 KD 000's	2019 KD 000's
National Labour Support Tax	2,010	2,699
Zakat	855	1,183
Contribution to Kuwait Foundation for the Advancement of Sciences	539	894
Overseas tax	5,632	4,615
	<u>9,036</u>	<u>9,391</u>



# National Bank of Kuwait Group

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31 March 2020 (Unaudited)

### 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	
	2020 KD 000's	2019 KD 000's
Profit attributable to shareholders of the Bank	<u>77,673</u>	<u>107,729</u>
Weighted average number of shares outstanding during the period net of treasury shares (thousands)	<u>6,791,175</u>	<u>6,751,842</u>
Basic earnings per share	<u>11 fils</u>	<u>16 fils</u>

Earnings per share calculations for the period ended 31 March 2019 have been adjusted to take account of the bonus shares issued in 2020.

### 6 Global Medium Term Sukuk

During 2019, Boubyan Bank K.S.C.P, a subsidiary of the Group, established a USD 1 billion Global medium term Sukuk programme ("GMTN programme"). On 18th February 2020, Boubyan Bank issued senior unsecured Sukuk amounting to USD 750 million due in Feb 2025 under the GMTN programme through a wholly owned special purpose vehicle. These Sukuk were issued at 100 per cent of nominal value and carry a fixed profit rate at 2.593% per annum payable semi-annually in arrears.

### 7 Shareholders' equity

a) The authorised share capital of the Bank comprises 7,500,000,000 shares (31 December 2019: 7,500,000,000 shares and 31 March 2019: 7,500,000,000 shares) of 100 fils each. The issued and fully paid up share capital of the Bank comprises 6,850,185,181 shares (31 December 2019: 6,523,985,887 shares and 31 March 2019: 6,523,985,887 shares) of 100 fils each.

b) Treasury shares

	31 March 2020	Audited 31 December 2019	31 March 2019
Number of treasury shares	<b>59,010,000</b>	56,200,000	93,660,000
Treasury shares as a percentage of total shares in issue	<b>0.9%</b>	0.9%	1.4%
Cost of treasury shares (KD thousand)	<b>39,258</b>	39,258	65,425
Market value of treasury shares (KD thousand)	<b>42,487</b>	60,134	83,919
Weighted average market value per treasury share (fils)	<b>958</b>	947	886

c) Dividend and bonus shares

The Annual General Assembly meeting of the shareholders held on 7 March 2020 approved 5% bonus shares (2019: 5%) and a cash dividend of 35 fils per share (2019: 35 fils per share) for the year ended 31 December 2019. The cash dividend amounting to KD 226,373 thousand was paid subsequently. The bonus shares increased the number of issued and fully paid up shares by 326,199,294 (2019: 310,665,994) and share capital by KD 32,620 thousand (2019: KD 31,067 thousand).

National Bank of Kuwait Group

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31 March 2020 (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>Proposed cash dividend</i>	<i>Total other reserves</i>
At 1 January 2020	117,058	1,429,694	(207,046)	53,153	14,409	226,373	1,633,641
Profit for the period	-	77,673	-	-	-	-	77,673
Other comprehensive income/ (loss)	-	-	13,847	(225,573)	-	-	(211,726)
<b>Total comprehensive income/ (loss)</b>	-	77,673	13,847	(225,573)	-	-	(134,053)
Dividends paid	-	-	-	-	-	(226,373)	(226,373)
<b>At 31 March 2020</b>	<b>117,058</b>	<b>1,507,367</b>	<b>(193,199)</b>	<b>(172,420)</b>	<b>14,409</b>	<b>-</b>	<b>1,273,215</b>
At 1 January 2019	117,058	1,315,182	(225,725)	13,311	14,409	214,344	1,448,579
Profit for the period	-	107,729	-	-	-	-	107,729
Other comprehensive income	-	-	6,587	15,408	-	-	21,995
Total comprehensive income	-	107,729	6,587	15,408	-	-	129,724
Transfer to dividends payable	-	-	-	-	-	(214,344)	(214,344)
Realised loss on equity investments at FVOCI	-	(36)	-	36	-	-	-
Other movements	-	(81)	-	-	-	-	(81)
<b>At 31 March 2019</b>	<b>117,058</b>	<b>1,422,794</b>	<b>(219,138)</b>	<b>28,755</b>	<b>14,409</b>	<b>-</b>	<b>1,363,878</b>

# National Bank of Kuwait Group

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31 March 2020 (Unaudited)

### 8 Segmental analysis

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

#### Consumer and Private Banking

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

#### Corporate Banking

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

#### Investment Banking and Asset Management

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

#### Islamic Banking

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

#### Group Centre

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

#### International

International includes all branches, subsidiaries and associates outside Kuwait.

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

	31 March 2020						
	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>72,241</u>	<u>32,494</u>	<u>8,462</u>	<u>42,854</u>	<u>10,366</u>	<u>58,372</u>	<u>224,789</u>
Profit (loss) for the period	<u>41,751</u>	<u>27,020</u>	<u>5,155</u>	<u>10,340</u>	<u>(578)</u>	<u>(1,872)</u>	<u>81,816</u>
Total assets	<u>4,611,686</u>	<u>5,159,825</u>	<u>70,011</u>	<u>6,238,497</u>	<u>2,972,405</u>	<u>11,488,670</u>	<u>30,541,094</u>
Total liabilities	<u>5,651,314</u>	<u>2,687,249</u>	<u>8,610</u>	<u>5,580,856</u>	<u>271,143</u>	<u>12,424,803</u>	<u>26,623,975</u>

# National Bank of Kuwait Group

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31 March 2020 (Unaudited)

### 8 Segmental analysis (continued)

	31 March 2019						
	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	69,545	39,920	8,014	38,505	16,209	53,376	225,569
Profit for the period	42,481	23,436	5,053	14,624	1,522	26,465	113,581
Total assets	4,666,623	5,197,716	51,781	4,553,885	3,171,886	9,773,037	27,414,928
Total liabilities	5,180,626	2,355,631	7,356	4,069,804	1,443,668	10,733,756	23,790,841

### 9 Commitments and contingent liabilities

	31 March 2020 KD 000's	Audited 31 December 2019 KD 000's	31 March 2019 KD 000's
Commitments on behalf of customers for which there are corresponding liabilities by the customers concerned:			
Acceptances	247,773	237,145	290,911
Letters of credit	430,487	459,233	380,875
Guarantees	3,947,255	3,891,746	3,818,990
	<u>4,625,515</u>	<u>4,588,124</u>	<u>4,490,776</u>

Irrevocable commitments to extend credit amount to KD 750,384 thousand (31 December 2019: KD 701,471 thousand, 31 March 2019: KD 762,856 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 53,827 thousand (31 December 2019: KD 57,299 thousand, 31 March 2019: KD 31,792 thousand).

# National Bank of Kuwait Group

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31 March 2020 (Unaudited)

### 10 Fair value of financial instruments

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

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

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

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

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

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

<i>31 March 2020</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	2,827,545	515,016	14,000	3,356,561
Equities and other investments	40,461	99,155	63,739	203,355
	<u>2,868,006</u>	<u>614,171</u>	<u>77,739</u>	<u>3,559,916</u>
Derivative financial instruments (Note 11)	-	(210,592)	-	(210,592)
 <i>31 December 2019</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	2,645,665	512,378	14,000	3,172,043
Equities and other investments	47,480	119,941	64,942	232,363
	<u>2,693,145</u>	<u>632,319</u>	<u>78,942</u>	<u>3,404,406</u>
Derivative financial instruments (Note 11)	-	(68,172)	-	(68,172)
 <i>31 March 2019</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	2,415,386	453,879	14,000	2,883,265
Equities and other investments	48,291	77,883	85,359	211,533
	<u>2,463,677</u>	<u>531,762</u>	<u>99,359</u>	<u>3,094,798</u>
Derivative financial instruments (Note 11)	-	(18,799)	-	(18,799)

# National Bank of Kuwait Group

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31 March 2020 (Unaudited)

### 10 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 2020 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 2020 KD 000's</i>	<i>Net gains in the interim condensed consolidated statement of income KD 000's</i>
Debt securities	14,000	-	-	-	-	14,000	239
Equities and other investments	64,942	(34)	108	(617)	(660)	63,739	218
	<u>78,942</u>	<u>(34)</u>	<u>108</u>	<u>(617)</u>	<u>(660)</u>	<u>77,739</u>	<u>457</u>

	<i>At 1 January 2019 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 2019 KD 000's</i>	<i>Net gains in the interim condensed consolidated statement of income KD 000's</i>
Debt securities	14,000	-	-	-	-	14,000	243
Equities and other investments	83,787	16	1,529	(347)	374	85,359	234
	<u>97,787</u>	<u>16</u>	<u>1,529</u>	<u>(347)</u>	<u>374</u>	<u>99,359</u>	<u>477</u>

### 11 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.

# National Bank of Kuwait Group

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31 March 2020 (Unaudited)

### 11 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 2020			Audited 31 December 2019			31 March 2019		
	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)	12,380	219,089	3,468,206	15,990	86,968	3,064,122	19,729	44,099	2,587,870
Interest rate swaps (others)	95	93	45,061	263	255	90,364	491	472	88,824
Forward foreign exchange contracts	21,462	25,347	3,746,579	17,356	14,558	3,599,153	8,648	3,096	2,128,660
	<u>33,937</u>	<u>244,529</u>	<u>7,259,846</u>	<u>33,609</u>	<u>101,781</u>	<u>6,753,639</u>	<u>28,868</u>	<u>47,667</u>	<u>4,805,354</u>

# National Bank of Kuwait Group

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31 March 2020 (Unaudited)

### 12 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 2020	31 December 2019	31 March 2019
	31 March 2020	31 December 2019	31 March 2019	31 March 2020	31 December 2019	31 March 2019			
							<b>KD 000's</b>	Audited KD 000's	KD 000's
<b>Board Members</b>									
Loans (secured)	3	3	3	15	16	17	71,283	78,779	90,731
Contingent liabilities	-	-	-	9	9	9	23,848	30,671	30,006
Credit cards	5	7	5	18	10	11	45	46	56
Deposits	9	9	9	55	54	60	38,527	30,627	32,415
Collateral against credit facilities	3	3	3	13	13	13	258,240	335,201	318,622
Interest and fee income							1,066	3,624	946
Interest expense							61	315	71
Purchase of equipment and other expenses							16	30	2
<b>Executive Officers</b>									
Loans	3	2	3	7	7	5	3,629	3,422	2,596
Contingent liabilities	3	3	3	-	-	-	2	2	2
Credit cards	12	13	12	9	7	4	32	108	63
Deposits	13	13	12	39	39	34	9,173	7,101	6,893
Interest and fee income							155	121	31
Interest expense							26	115	21
							<b>31 March 2020</b>	31 December 2019	31 March 2019
<b>Associates</b>							<b>KD 000's</b>	KD 000's	KD 000's
Placements							-	52,280	29,530
Acceptances							-	17,297	13,993



# National Bank of Kuwait Group

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31 March 2020 (Unaudited)

### 12 Related party transactions (continued)

Details of compensation to key management personnel are as follows:

	Three months ended 31 March	
	2020 KD 000's	2019 KD 000's
Salaries and other short term benefits	986	2,440
Post-employment benefits	70	62
Share based compensation	177	321
	<u>1,233</u>	<u>2,823</u>

### 13 Business combination

During the period, the Group, through its subsidiary Boubyan Bank K.S.C.P, acquired an additional equity interest in Bank of London and Middle East plc ("BLME") (previously classified as "investment in associate"), resulting in an increase in its effective ownership from 27.91% to 71.08%. Having obtained control, the Group reclassified its investment in BLME from associate to subsidiary and consolidated the financial statements of BLME from 27 January 2020 ("date of acquisition").

As the business combination was achieved in stages, in accordance with IFRS 3: Business Combination, the Group re-measured its previously held equity interest in BLME at the acquisition date fair value.

The acquisition of BLME has been accounted based on provisional values of identifiable assets and liabilities on the date of acquisition and the management is in the process of determining the fair values of assets and liabilities acquired.

The provisional fair values of assets acquired and liabilities assumed, as well as the non-controlling interests at the proportionate share of BLME's identifiable net assets, are summarized as follows:

ASSETS	KD 000's
Cash and short term funds	28,602
Deposits with banks	3,001
Islamic financing to customers	522,700
Investment securities	34,294
Investments in associates	484
Other assets	26,611
	<u>615,692</u>
LIABILITIES	
Due to banks and other financial institutions	149,422
Customer deposits	364,884
Other liabilities	10,592
	<u>524,898</u>
Net assets	90,794
Non-controlling interests	(3,274)
Provisional fair value of net assets acquired by the Group	<u>87,520</u>

## National Bank of Kuwait Group

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31 March 2020 (Unaudited)

#### 13 Business combination (continued)

	KD 000's
Cash and cash equivalents in subsidiary acquired	28,602
Less: Consideration paid	(28,927)
	<hr/>
Cash outflow on acquisition	(325)
	<hr/> <hr/>

The consideration paid, non-controlling interest and fair value of previous held equity interest relating to the above business combination amounted to KD 28,927 thousand, KD 25,312 thousand and KD 16,735 thousand respectively. The acquisition resulted in a provisional net gain of KD 2,227 thousand; net of loss of re-measurement of previously held equity interest in BLME of KD 12,504 thousand and transaction cost of KD 1,815 thousand which is included under "Net investment income" in the interim condensed consolidated statement of income.

The interim condensed consolidated statement of income of the Group for the three months period ended 31 March 2020, includes operating income of KD 889 thousand and profit attributable to the equity holders of the Bank of KD 312 thousand in respect of BLME.

Had the business combination taken place at the beginning of the year, revenue of the Group and profit attributable to equity holders of the Bank, would have not have been materially different.

#### 14 Impact of COVID-19 pandemic

The COVID-19 pandemic spread rapidly across global geographies causing massive disruption to business and economic activities and bringing unprecedented uncertainty to the global economic environment. Fiscal and monetary authorities worldwide launched extensive responses designed to mitigate the severe consequences of the pandemic.

##### Covid-19 support measures

In response to the crisis the Central Bank of Kuwait (CBK) implemented various measures targeted at reinforcing the banking sectors ability to play a vital role in the economy, including but not limited to the expansion of lending capacity, strengthening financing capabilities, providing direction in lending to productive economic sectors and in the provision of liquidity to impacted customers. Subsequent to the balance sheet date, Kuwaiti banks acted to postpone the collection of consumer and other instalment loans, credit cards and SME loans for a period of six months commencing April 2020 without charging additional interest or profit arising from this postponement. Additionally, recoveries of instalments and interest on loans to corporate customers impacted by Covid-19 are postponed for a period of six months effective from March 2020. Similar measures were announced in many of the jurisdictions where the Group has operations. The Group determined a loss of KD 149,846 thousand arising from the modification of contractual cashflows on account of the consumer and instalment loan deferral scheme. This will be recognised as a reduction in equity in the interim financial statements for the next period, in accordance with the regulations of CBK.

##### Expected Credit Loss (ECL) estimates

The Group considered the potential impact of the uncertainties caused by the Covid-19 pandemic together with the associated economic support and relief measures of governments and central banks in its estimation of ECL requirements for the period ended 31 March 2020, making adjustments to macroeconomic variables as appropriate. The Group has also given specific consideration to the impact of COVID-19 on the relevant qualitative and quantitative factors when determining any significant increase in credit risk (SICR) and in assessing indicators of impairment for exposures to potentially affected sectors.

Notwithstanding the above, the ECL requirement for credit facilities estimated as at 31 March 2020 continues to be lower than the provisions required as per CBK instructions. In accordance with Group accounting policy, the higher amount, being the provision required as per CBK instructions, is therefore recognized as the provision requirement for credit losses on credit facilities.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
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31 March 2020 (Unaudited)

**14 Impact of COVID-19 pandemic (continued)**

**Other impacts**

The Group considered the potential impact of the current economic volatility on the reported amounts of the Group's financial and non-financial assets. The reported amounts best represent management's assessment based on observable information. Markets however remain volatile and asset carrying values remain sensitive to market fluctuations. The impact of the highly uncertain economic environment remains judgmental and the Group will accordingly continue to reassess its position and the related impact on a regular basis.