

**NATIONAL BANK OF KUWAIT GROUP**

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION**

**30 SEPTEMBER 2021 (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 30 September 2021, and the related interim condensed consolidated statement of income and the interim condensed consolidated statement of comprehensive income for the three month and nine month periods then ended, and the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the nine months period then ended. The management of the Bank is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the basis of 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 nine months period ended 30 September 2021 that might have had a material effect on the business of the Bank or on its financial position.

We further report that, during the course of our review, to the best of our knowledge and belief, we have not become aware of any violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organization of banking business, and its related regulations, during the nine months period ended 30 September 2021 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.

17 October 2021  
Kuwait

# National Bank of Kuwait Group

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

30 September 2021 (Unaudited)

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2021 KD 000's	2020 KD 000's	2021 KD 000's	2020 KD 000's
Interest income		165,551	171,227	491,585	590,001
Interest expense		38,749	53,894	113,147	221,950
<b>Net interest income</b>		<b>126,802</b>	<b>117,333</b>	<b>378,438</b>	<b>368,051</b>
Murabaha and other Islamic financing income		58,106	55,215	170,719	169,291
Finance cost and Distribution to depositors		16,458	18,477	47,105	64,747
<b>Net income from Islamic financing</b>		<b>41,648</b>	<b>36,738</b>	<b>123,614</b>	<b>104,544</b>
<b>Net interest income and net income from Islamic financing</b>		<b>168,450</b>	<b>154,071</b>	<b>502,052</b>	<b>472,595</b>
Net fees and commissions		42,386	38,266	123,803	109,781
Net investment income		5,810	3,393	23,915	610
Net gains from dealing in foreign currencies		11,599	6,246	27,522	31,859
Other operating income		292	15,888	3,779	17,576
<b>Non-interest income</b>		<b>60,087</b>	<b>63,793</b>	<b>179,019</b>	<b>159,826</b>
<b>Net operating income</b>		<b>228,537</b>	<b>217,864</b>	<b>681,071</b>	<b>632,421</b>
Staff expenses		55,258	39,466	149,805	124,276
Other administrative expenses		31,952	23,565	89,747	75,566
Depreciation of premises and equipment		8,679	8,361	25,635	25,024
Amortisation of intangible assets		411	412	1,235	1,235
<b>Operating expenses</b>		<b>96,300</b>	<b>71,804</b>	<b>266,422</b>	<b>226,101</b>
<b>Operating profit before provision for credit losses and impairment losses</b>		<b>132,237</b>	<b>146,060</b>	<b>414,649</b>	<b>406,320</b>
Provision charge for credit losses and impairment losses	3	25,602	81,005	122,808	207,649
<b>Operating profit before taxation</b>		<b>106,635</b>	<b>65,055</b>	<b>291,841</b>	<b>198,671</b>
Taxation	4	8,902	5,887	25,329	21,327
<b>Profit for the period</b>		<b>97,733</b>	<b>59,168</b>	<b>266,512</b>	<b>177,344</b>
<b>Attributable to:</b>					
Shareholders of the Bank		94,053	57,584	254,819	168,676
Non-controlling interests		3,680	1,584	11,693	8,668
		<b>97,733</b>	<b>59,168</b>	<b>266,512</b>	<b>177,344</b>
<b>Basic earnings per share attributable to shareholders of the Bank</b>	5	<b>13 fils</b>	<b>8 fils</b>	<b>33 fils</b>	<b>22 fils</b>

The attached notes 1 to 15 form part of these interim condensed consolidated financial information.

# National Bank of Kuwait Group

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

30 September 2021 (Unaudited)

	Three months ended 30 September		Nine months ended 30 September	
	2021 KD 000's	2020 KD 000's	2021 KD 000's	2020 KD 000's
<b>Profit for the period</b>	<b>97,733</b>	59,168	<b>266,512</b>	177,344
<b>Other comprehensive income (loss):</b>				
Investment in debt securities measured at FVOCI:				
Net change in fair value	<b>3,906</b>	25,698	<b>46,268</b>	(89,746)
Net transfer to interim condensed consolidated statement of income	<b>(1,559)</b>	3,703	<b>(9,720)</b>	14,099
	<b>2,347</b>	29,401	<b>36,548</b>	(75,647)
Share of other comprehensive loss of associates	<b>(1)</b>	(4)	<b>(6)</b>	(293)
Exchange differences on translation of foreign operations	<b>2,105</b>	7,504	<b>(6,540)</b>	14,472
<b>Other comprehensive income (loss) for the period reclassifiable to interim condensed consolidated statement of income in subsequent periods</b>	<b>4,451</b>	36,901	<b>30,002</b>	(61,468)
Net gain (loss) on investments in equity instruments designated at FVOCI (not reclassifiable to consolidated statement of income in subsequent periods)	<b>276</b>	183	<b>1,001</b>	(7,082)
<b>Other comprehensive income (loss) for the period</b>	<b>4,727</b>	37,084	<b>31,003</b>	(68,550)
<b>Total comprehensive income for the period</b>	<b>102,460</b>	96,252	<b>297,515</b>	108,794
<b>Attributable to:</b>				
Shareholders of the Bank	<b>99,836</b>	91,527	<b>284,725</b>	107,244
Non-controlling interests	<b>2,624</b>	4,725	<b>12,790</b>	1,550
	<b>102,460</b>	96,252	<b>297,515</b>	108,794

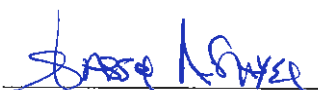
The attached notes 1 to 15 form part of these interim condensed consolidated financial information.

# National Bank of Kuwait Group

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2021 (Unaudited)

	Notes	30 September 2021 KD 000's	Audited 31 December 2020 KD 000's	30 September 2020 KD 000's
<b>Assets</b>				
Cash and short term funds		5,215,699	3,903,371	4,404,865
Central Bank of Kuwait bonds		830,838	830,233	830,645
Kuwait Government treasury bonds		446,842	462,922	477,438
Deposits with banks		829,260	1,027,373	1,110,462
Loans, advances and Islamic financing to customers	6	18,960,076	17,504,342	17,634,436
Investment securities		4,783,770	4,728,778	4,633,922
Investment in associates		4,118	5,195	6,257
Land, premises and equipment		446,739	426,963	425,652
Goodwill and other intangible assets		581,476	581,881	583,712
Other assets	15	408,961	246,333	275,700
<b>Total assets</b>		<b>32,507,779</b>	<b>29,717,391</b>	<b>30,383,089</b>
<b>Liabilities</b>				
Due to banks and other financial institutions		7,595,464	5,981,573	6,572,322
Customer deposits		17,365,073	17,104,232	17,499,220
Certificates of deposit issued		1,370,611	918,862	948,696
Other borrowed funds	7	1,112,859	808,665	590,475
Other liabilities		703,071	763,004	775,235
<b>Total liabilities</b>		<b>28,147,078</b>	<b>25,576,336</b>	<b>26,385,948</b>
<b>Equity</b>				
Share capital	8	719,269	685,019	685,019
Proposed bonus shares	8	-	34,250	-
Statutory reserve		342,511	342,511	326,199
Share premium account		803,028	803,028	803,028
Treasury shares	8	-	-	(39,258)
Treasury shares reserve		34,961	34,961	25,115
Other reserves	8	1,539,980	1,410,240	1,370,977
Equity attributable to shareholders of the Bank		3,439,749	3,310,009	3,171,080
Perpetual Tier 1 Capital Securities	9	439,032	438,438	438,438
Non-controlling interests	8	481,920	392,608	387,623
<b>Total equity</b>		<b>4,360,701</b>	<b>4,141,055</b>	<b>3,997,141</b>
<b>Total liabilities and equity</b>		<b>32,507,779</b>	<b>29,717,391</b>	<b>30,383,089</b>

  
 Nasser Musaed Abdullah Al-Sayer  
 Chairman

The attached notes 1 to 15 form part of these interim condensed consolidated financial information.

# National Bank of Kuwait Group

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

30 September 2021 (Unaudited)

	Notes	Nine months ended 30 September	
		2021 KD 000's	2020 KD 000's
<b>Operating activities</b>			
Profit for the period		266,512	177,344
Adjustments for:			
Net investment income		(23,915)	(610)
Depreciation of premises and equipment		25,635	25,024
Amortisation of intangible assets		1,235	1,235
Provision charge for credit losses and impairment losses	3	122,808	207,649
Taxation	4	25,329	21,327
Gain on sale of land, premises and equipment		-	(9,896)
Cash flow from operating activities before changes in operating assets and liabilities		417,604	422,073
Changes in operating assets and liabilities:			
Central Bank of Kuwait bonds		(605)	(7,416)
Kuwait Government treasury bonds		16,080	184,737
Deposits with banks		186,011	789,158
Loans, advances and Islamic financing to customers		(1,581,831)	(782,976)
Other assets		(31,510)	20,544
Due to banks and other financial institutions		1,613,891	(1,159,029)
Customer deposits		260,841	1,203,759
Certificates of deposit issued		451,749	410,085
Other liabilities		(138,550)	(58,925)
Tax paid		(26,738)	(36,151)
Net cash from operating activities		1,166,942	985,859
<b>Investing activities</b>			
Purchase of investment securities		(2,597,924)	(1,408,042)
Proceeds from sale/redemption of investment securities		2,547,274	1,063,330
Dividend income		1,412	649
Proceeds from sale of investment in associate		-	694
Acquisition of subsidiary net of cash acquired		-	(325)
Transaction costs related to acquisition of a subsidiary		-	(1,815)
Proceeds from sale of land, premises and equipment		252	30,978
Purchase of land, premises and equipment		(41,536)	(31,316)
Net cash used in investing activities		(90,522)	(345,847)
<b>Financing activities</b>			
Net proceeds from issuance of Perpetual Tier 1 Capital Securities		210,436	-
Redemption of Perpetual Tier 1 Capital Securities		(210,700)	-
Interest paid on Perpetual Tier 1 capital securities		(14,770)	(11,474)
Net Proceeds from issuance of Perpetual Tier 1 Sukuk by a subsidiary		149,775	-
Redemption of Perpetual Tier 1 Sukuk by a subsidiary		(75,388)	-
Profit distribution on Perpetual Tier 1 sukuk by a subsidiary		(2,443)	(2,608)
Proceeds from issuance of Sukuk by a subsidiary		-	228,600
Dividends paid	8	(137,004)	(226,373)
Dividend paid by a subsidiary to non-controlling interests		-	(10,465)
Change in holding in subsidiaries		2,854	-
Net movement in other borrowed funds		313,148	-
Net cash from (used in) financing activities		235,908	(22,320)
<b>Increase in cash and short term funds</b>		1,312,328	617,692
Cash and short term funds at 1 January		3,903,371	3,787,173
<b>Cash and short term funds at 30 September</b>		5,215,699	4,404,865

The attached notes 1 to 15 form part of these interim condensed consolidated financial information.

# National Bank of Kuwait Group

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

30 September 2021 (Unaudited)

KD 000's

	Equity attributable to shareholders of the Bank										
	Share capital	Proposed bonus shares	Statutory reserve	Share premium account	Treasury shares	Treasury shares reserve	Other reserves (Note 8)	Total	Perpetual Tier 1 Capital Securities	Non-controlling interests	Total equity
Balance as at 1 January 2021	685,019	34,250	342,511	803,028	-	34,961	1,410,240	3,310,009	438,438	392,608	4,141,055
Profit for the period	-	-	-	-	-	-	254,819	254,819	-	11,693	266,512
Other comprehensive income	-	-	-	-	-	-	29,906	29,906	-	1,097	31,003
<b>Total comprehensive income</b>	-	-	-	-	-	-	284,725	284,725	-	12,790	297,515
Issue of bonus shares (Note 8)	34,250	(34,250)	-	-	-	-	-	-	-	-	-
Dividends paid (Note 8)	-	-	-	-	-	-	(137,004)	(137,004)	-	-	(137,004)
Issuance of Perpetual Tier 1 Capital Securities (Note 9)	-	-	-	-	-	-	-	-	211,294	-	211,294
Redemption of Perpetual Tier 1 Capital Securities (Note 9)	-	-	-	-	-	-	-	-	(210,700)	-	(210,700)
Transaction cost on issue of Perpetual Tier 1 Capital Securities	-	-	-	-	-	-	(858)	(858)	-	-	(858)
Interest paid on perpetual Tier 1 capital Securities	-	-	-	-	-	-	(14,770)	(14,770)	-	-	(14,770)
Profit distribution on Perpetual Tier 1 sukuk by a subsidiary	-	-	-	-	-	-	(1,463)	(1,463)	-	(980)	(2,443)
Issuance of Perpetual Tier 1 sukuk by a subsidiary (Note 8)	-	-	-	-	-	-	-	-	-	150,385	150,385
Redemption of Perpetual Tier 1 sukuk by a subsidiary (Note 8)	-	-	-	-	-	-	-	-	-	(75,388)	(75,388)
Transaction cost on issue of Perpetual Tier 1 sukuk by a subsidiary	-	-	-	-	-	-	(365)	(365)	-	(245)	(610)
Change in holding in subsidiaries	-	-	-	-	-	-	-	-	-	2,854	2,854
Other movements	-	-	-	-	-	-	(525)	(525)	-	(104)	(629)
<b>At 30 September 2021</b>	<b>719,269</b>	<b>-</b>	<b>342,511</b>	<b>803,028</b>	<b>-</b>	<b>34,961</b>	<b>1,539,980</b>	<b>3,439,749</b>	<b>439,032</b>	<b>481,920</b>	<b>4,360,701</b>
Balance as 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	-	-	-	-	-	-	168,676	168,676	-	8,668	177,344
Other comprehensive loss	-	-	-	-	-	-	(61,432)	(61,432)	-	(7,118)	(68,550)
Total comprehensive income	-	-	-	-	-	-	107,244	107,244	-	1,550	108,794
Issue of bonus shares (Note 8)	32,620	(32,620)	-	-	-	-	-	-	-	-	-
Dividends paid (Note 8)	-	-	-	-	-	-	(226,373)	(226,373)	-	-	(226,373)
Interest paid on perpetual Tier 1 Capital Securities	-	-	-	-	-	-	(11,474)	(11,474)	-	-	(11,474)
Dividend paid by a subsidiary to non-controlling interests	-	-	-	-	-	-	-	-	-	(10,465)	(10,465)
Profit distribution on Perpetual Tier 1 sukuk by a subsidiary	-	-	-	-	-	-	(1,562)	(1,562)	-	(1,046)	(2,608)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	29,953	29,953
Modification loss on deferral of loans instalments	-	-	-	-	-	-	(130,499)	(130,499)	-	(19,347)	(149,846)
<b>At 30 September 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>1,370,977</b>	<b>3,171,080</b>	<b>438,438</b>	<b>387,623</b>	<b>3,997,141</b>

The attached notes 1 to 15 form part of these interim condensed consolidated financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2021 (Unaudited)

**1 Incorporation and registration**

The interim condensed consolidated financial information of National Bank of Kuwait S.A.K.P. (the “Bank”) and its subsidiaries (collectively the “Group”) for the nine months period ended 30 September 2021 was authorised for issue in accordance with a resolution of the directors on 13 October 2021. The Bank is a public shareholding company incorporated in the State of Kuwait in 1952 and is registered as a bank (commercial registration number – 8490) with the Central Bank of Kuwait. The Bank’s registered office is at Al Shuhada Street, P.O. Box 95, Safat 13001, Kuwait.

**2 Accounting policies**

**Basis of preparation**

- a) The interim condensed consolidated financial information of the Group has been prepared in accordance with International Accounting Standard (IAS) 34, ‘Interim Financial Reporting’ except for point (b) below.
- b) The consolidated financial statements have been prepared in accordance with the regulations for financial services institutions as issued by the Central Bank of Kuwait (CBK) in the State of Kuwait. These regulations require banks and other financial institutions regulated by CBK to adopt the International Financial Reporting Standards with the following amendments:
  - Expected credit loss (“ECL”) on credit facilities to be measured at the higher of ECL computed under IFRS 9 - Financial Instruments (“IFRS”) in accordance to the CBK guidelines or the provisions as required by CBK instructions along with its consequent impact on related disclosures; and
  - Modification losses on financial assets, arising from payment holidays to customers extended during the financial year ended 31 December 2020 as a result of Covid-19, to be recognised in retained earnings as required by the CBK circular no. 2/BS/IBS/461/2020 instead of statement of income in accordance with IFRS 9. However, modification losses on financial assets, arising from any other payment holidays to customers including payment holidays extended during the period ended 30 September 2021 shall be recognized in the statement of income. The application of the policy will result in application of different accounting presentation for modification losses in 2020 compared to 2021.

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 International Financial Reporting Standards, and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2020. Further, results for interim periods are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

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 2020 except for the adoption of new standards effective as of 1 January 2021 as noted below.

**New standards, interpretations and amendments adopted by the Group**

*Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16*

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued

These amendments had no impact on the interim condensed consolidated financial information of the Group. The Group intends to use the practical expedients in future periods if they become applicable.



# National Bank of Kuwait Group

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2021 (Unaudited)

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

	Three months ended 30 September		Nine months ended 30 September	
	2021 KD 000's	2020 KD 000's	2021 KD 000's	2020 KD 000's
Provision charge for credit facilities – specific	7,835	47,179	65,097	125,454
Provision charge for credit facilities – general	12,129	32,816	49,168	53,784
Expected credit losses (release) charge	(40)	1,010	79	28,411
Other impairment losses	5,678	-	8,464	-
	<u>25,602</u>	<u>81,005</u>	<u>122,808</u>	<u>207,649</u>

### 4 Taxation

	Three months ended 30 September		Nine months ended 30 September	
	2021 KD 000's	2020 KD 000's	2021 KD 000's	2020 KD 000's
National Labour Support Tax	2,374	1,396	6,337	4,161
Zakat	1,032	642	2,845	1,889
Contribution to Kuwait Foundation for the Advancement of Sciences	1,131	532	2,509	1,359
Overseas tax	4,365	3,317	13,638	13,918
	<u>8,902</u>	<u>5,887</u>	<u>25,329</u>	<u>21,327</u>

### 5 Earnings per share

Basic earnings per share is calculated by dividing the profit for the period attributable to shareholders of the Bank (adjusted for interest and profit paid on Perpetual Tier 1 Capital Securities) by the weighted average number of shares outstanding during the period net of treasury shares. There are no dilutive potential shares that are convertible into shares.

	Three months ended 30 September		Nine months ended 30 September	
	2021 KD 000's	2020 KD 000's	2021 KD 000's	2020 KD 000's
Profit attributable to shareholders of the Bank	94,053	57,584	254,819	168,676
Less: Interest paid on Perpetual Tier 1 capital securities	(3,820)	-	(14,770)	(11,474)
Less: Profit distribution on Perpetual Tier 1 sukuk by a subsidiary attributable to shareholders of the Bank	-	-	(1,463)	(1,562)
	<u>90,233</u>	<u>57,584</u>	<u>238,586</u>	<u>155,640</u>
Weighted average number of shares outstanding during the period net of treasury shares (thousand)	<u>7,192,694</u>	<u>7,130,734</u>	<u>7,192,694</u>	<u>7,130,734</u>
Basic earnings per share	<u>13 fils</u>	<u>8 fils</u>	<u>33 fils</u>	<u>22 fils</u>

Earnings per share calculations for the period ended 30 September 2020 have been adjusted to take account of the bonus shares issued in 2021.

# National Bank of Kuwait Group

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2021 (Unaudited)

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

	<b>30 September 2021</b>	Audited 31 December 2020	30 September 2020
	<b>KD 000's</b>	KD 000's	KD 000's
Loans, advances and Islamic financing to customers	<b>19,603,768</b>	18,191,566	18,295,671
Provision for credit losses	<b>(643,692)</b>	(687,224)	(661,235)
	<b><u>18,960,076</u></b>	<u>17,504,342</u>	<u>17,634,436</u>

The available provision on non-cash facilities of KD 34,134 thousand (31 December 2020: KD 36,768 thousand, 30 September 2020: KD 35,629 thousand) is included under other liabilities. The total provision for cash and non cash credit facilities in accordance with CBK guidelines amounted to KD 677,826 thousand as at 30 September 2021 (31 December 2020: KD 723,992 thousand, 30 September 2020: KD 696,864 thousand)

The Expected Credit Losses ("ECL") on credit facilities determined under IFRS 9 in accordance to the CBK guidelines amounted to KD 493,855 thousand as at 30 September 2021 (31 December 2020: 604,962 thousand, 30 September 2020: KD 626,578 thousand). CBK guidelines prescribe certain parameters to determine the ECL on credit facilities such as floors for estimating Probability of Default (PD), eligible collateral with haircuts for determining Loss Given Default (LGD), deemed minimum maturity for Stage 2 exposures, 100% credit conversion factors for utilised cash and non-cash facilities, Stage 3 ECLs at 100% of the defaulted exposure net of eligible collateral after applying applicable haircuts etc.

An analysis of the carrying amounts of credit facilities, and the corresponding ECL based on the staging criteria under IFRS 9 in accordance to the CBK guidelines is as follows:

<i>30 September 2021</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
Loans, advances and Islamic financing to customers	<b>17,818,229</b>	<b>1,482,088</b>	<b>303,451</b>	<b>19,603,768</b>
Contingent liabilities (Note 11)	<b>3,620,492</b>	<b>694,472</b>	<b>28,206</b>	<b>4,343,170</b>
ECL allowance for credit facilities	<b>126,596</b>	<b>144,837</b>	<b>222,422</b>	<b>493,855</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<i>31 December 2020</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
Loans, advances and Islamic financing to customers	16,075,390	1,755,459	360,717	18,191,566
Contingent liabilities (Note 11)	3,720,060	759,428	13,547	4,493,035
ECL allowance for credit facilities	129,668	192,709	282,585	604,962
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<i>30 September 2020</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
Loans, advances and Islamic financing to customers	16,621,184	1,255,617	418,870	18,295,671
Contingent liabilities (Note 11)	3,711,980	643,628	14,184	4,369,792
ECL allowance for credit facilities	150,552	147,708	328,318	626,578
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2021 (Unaudited)

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

The decrease in ECL allowance for credit facilities of KD 111,107 thousand from KD 604,962 thousand as at 31 December 2020 to KD 493,855 thousand as at 30 September 2021 is attributable to improvement in forward-looking macroeconomic factors as well as in the credit quality of certain exposures, partially offset by higher ECL allowance arising from an increase in Stage 3 exposures during 2021, some of which exposures have been written-off during the period.

The increase in ECL allowance for credit facilities of KD 231,643 thousand from KD 394,935 thousand as at 31 December 2019 to KD 626,578 thousand as at 30 September 2020 was primarily due to the effects of the volatility witnessed in the range of macroeconomic factors and in the scenarios used for determination of ECL stemming from the on-set of COVID-19.

**7 Other borrowed funds**

On 15 September 2021, the Bank, through a wholly owned special purpose vehicle, issued senior unsecured notes of nominal amount USD 1 billion (KD 300,700 thousand) under the Bank's USD 5 billion Global Medium Term Note programme, maturing on 15 September 2027 with first optional redemption date on 15 September 2026. These notes were issued at 99.518 per cent of nominal value and carry a fixed interest rate of 1.625% per annum payable semi-annually in arrears until the first optional redemption date, followed by a floating rate of SOFR + 105 basis points paid quarterly thereafter.

**8 Shareholders' equity**

a) The authorised share capital of the Bank comprises 7,500,000,000 shares (31 December 2020: 7,500,000,000 shares and 30 September 2020: 7,500,000,000 shares) of 100 fils each. The issued and fully paid up share capital of the Bank comprises 7,192,694,440 shares (31 December 2020: 6,850,185,181 shares and 30 September 2020: 6,850,185,181 shares) of 100 fils each.

b) Treasury shares

	<b>30 September 2021</b>	Audited 31 December 2020	30 September 2020
Number of treasury shares	-	-	59,010,000
Treasury shares as a percentage of total shares in issue	-	-	0.9%
Cost of treasury shares (KD thousand)	-	-	39,258
Market value of treasury shares (KD thousand)	-	-	51,339
Weighted average market value per treasury share (fils)	-	-	842

c) Dividend and bonus shares

The Annual General Assembly meeting of the shareholders held on 6 March 2021 approved 5% bonus shares (2020: 5%) and a cash dividend of 20 fils per share (2020: 35 fils per share) for the year ended 31 December 2020. The cash dividend amounting to KD 137,004 thousand was paid subsequently. The bonus shares increased the number of issued and fully paid up shares by 342,509,259 (2020: 326,199,294) and share capital by KD 34,250 thousand (2020: KD 32,620 thousand).

National Bank of Kuwait Group

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30 September 2021 (Unaudited)

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 2021	117,058	1,332,007	(209,496)	25,257	14,409	(5,999)	137,004	1,410,240
Profit for the period	-	254,819	-	-	-	-	-	254,819
Other comprehensive income (loss)	-	-	(5,088)	34,994	-	-	-	29,906
<b>Total comprehensive income (loss)</b>	-	254,819	(5,088)	34,994	-	-	-	284,725
Dividends paid	-	-	-	-	-	-	(137,004)	(137,004)
Realised loss on equity investments at FVOCI	-	(15,249)	-	15,249	-	-	-	-
Transaction cost on issue of Perpetual Tier 1 Capital Securities	-	(858)	-	-	-	-	-	(858)
Interest paid on Perpetual Tier 1 Capital Securities	-	(14,770)	-	-	-	-	-	(14,770)
Profit distribution on Perpetual Tier 1 Sukuk by a subsidiary	-	(1,463)	-	-	-	-	-	(1,463)
Transaction cost on issue of Perpetual Tier 1 Sukuk by a subsidiary	-	(365)	-	-	-	-	-	(365)
Other movements	-	(525)	-	-	-	-	-	(525)
<b>At 30 September 2021</b>	<b>117,058</b>	<b>1,553,596</b>	<b>(214,584)</b>	<b>75,500</b>	<b>14,409</b>	<b>(5,999)</b>	-	<b>1,539,980</b>
Balance as at 1 January 2020	117,058	1,429,694	(207,046)	53,153	14,409	-	226,373	1,633,641
Profit for the period	-	168,676	-	-	-	-	-	168,676
Other comprehensive income (loss)	-	-	14,938	(76,370)	-	-	-	(61,432)
<b>Total comprehensive income (loss)</b>	-	168,676	14,938	(76,370)	-	-	-	107,244
Dividends paid	-	-	-	-	-	-	(226,373)	(226,373)
Interest paid on perpetual Tier 1 Capital Securities	-	(11,474)	-	-	-	-	-	(11,474)
Profit distribution on Perpetual Tier 1 sukuk by a subsidiary	-	(1,562)	-	-	-	-	-	(1,562)
Realised loss on equity investments at FVOCI	-	(61)	-	61	-	-	-	-
Modification loss on deferral of loans instalments	-	(130,499)	-	-	-	-	-	(130,499)
<b>At 30 September 2020</b>	<b>117,058</b>	<b>1,454,774</b>	<b>(192,108)</b>	<b>(23,156)</b>	<b>14,409</b>	-	-	<b>1,370,977</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2021 (Unaudited)

**8 Shareholders' equity (continued)**

## e) Non-controlling interest

During 2016, Boubyan Bank K.S.C.P, a subsidiary of the Group, issued "Tier 1 Sukuk", through a Sharia's compliant Sukuk arrangement amounting to USD 250,000 thousand, callable in May 2021 or any profit payment date thereafter subject to certain redemption conditions. These Sukuk were redeemed during the period. Further, in April 2021, Boubyan Bank issued new Tier 1 Sukuk, through a similar 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.

Tier 1 Sukuk is a perpetual security with no fixed redemption date and constitutes direct, unsecured, subordinated obligations subject to the terms and conditions of the Mudaraba Agreement. Tier 1 sukuk is eligible to be classified under equity in accordance with IAS 32 : Financial Instruments – Presentation. The Group did not subscribe to the Tier 1 Sukuk issue and the total amount is included in non-controlling interest in the consolidated statement of financial position.

**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 September 2021 KD 000's</i>	<i>31 December 2020 KD 000's</i>	<i>30 September 2020 KD 000's</i>
USD 700,000 thousand (issued in February 2021 at an interest rate of 3.625% per annum, semi-annually in arrears, until the first reset date in February 2027, redeemable at the option of the bank in August 2026)	<b>211,294</b>	-	-
USD 750,000 thousand (issued in November 2019 at an interest rate of 4.5% per annum, semi-annually in arrears, until the first reset date in November 2025, redeemable at the option of the bank in August 2025)	<b>227,738</b>	227,738	227,738
USD 700,000 thousand (issued in April 2015 at an interest rate of 5.75% per annum, semi-annually in arrears, until the first reset date in April 2021)	-	210,700	210,700
	<b>439,032</b>	438,438	438,438

The above mentioned Capital securities are subordinated, unsecured and are eligible to be classified under equity in accordance with IAS 32: Financial Instruments – Presentation. Payments of interest in respect of the Capital Securities may be cancelled (in whole or in part) at the sole discretion of the Bank on a non-cumulative basis. Any such cancellation is not considered an event of default. Payments of interest are treated as a deduction from equity. The Capital Securities have no maturity date and are redeemable (in whole but not in part) at par at the option of the Bank on the first redemption date.

During the period, the Bank refinanced its outstanding USD 700,000 thousand Perpetual Tier 1 capital securities issued in April 2015 and callable in April 2021 through pursuing a tender buy-back and exercise of call option and simultaneously issuing new Perpetual Tier 1 capital securities amounting to USD 700,000 thousand.

# National Bank of Kuwait Group

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2021 (Unaudited)

### 10 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:

	30 September 2021						
	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>Nine months</i>							
Net operating income	<u>226,662</u>	<u>104,488</u>	<u>26,509</u>	<u>145,278</u>	<u>10,063</u>	<u>168,071</u>	<u>681,071</u>
Profit (loss) for the period	<u>136,075</u>	<u>40,560</u>	<u>15,712</u>	<u>31,216</u>	<u>(28,709)</u>	<u>71,658</u>	<u>266,512</u>
Total assets	<u>4,994,179</u>	<u>5,075,950</u>	<u>78,458</u>	<u>7,311,419</u>	<u>2,502,454</u>	<u>12,545,319</u>	<u>32,507,779</u>
Total liabilities	<u>6,642,214</u>	<u>2,246,420</u>	<u>11,783</u>	<u>6,575,490</u>	<u>632,647</u>	<u>12,038,524</u>	<u>28,147,078</u>

# National Bank of Kuwait Group

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2021 (Unaudited)

### 10 Segmental analysis (continued)

	30 September 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>Nine months</i>							
Net operating income	<u>206,617</u>	<u>92,701</u>	<u>20,553</u>	<u>126,039</u>	<u>29,759</u>	<u>156,752</u>	<u>632,421</u>
Profit for the period	<u>98,495</u>	<u>34,075</u>	<u>11,177</u>	<u>23,021</u>	<u>(15,323)</u>	<u>25,899</u>	<u>177,344</u>
Total assets	<u>4,691,141</u>	<u>5,126,688</u>	<u>63,706</u>	<u>6,276,096</u>	<u>3,093,957</u>	<u>11,131,501</u>	<u>30,383,089</u>
Total liabilities	<u>6,381,070</u>	<u>2,397,240</u>	<u>9,204</u>	<u>5,662,872</u>	<u>182,818</u>	<u>11,752,744</u>	<u>26,385,948</u>

### 11 Commitments and contingent liabilities

	30 September 2021 KD 000's	Audited 31 December 2020 KD 000's	30 September 2020 KD 000's
Commitments on behalf of customers for which there are corresponding liabilities by the customers concerned:			
Acceptances	<b>220,126</b>	204,623	142,152
Letters of credit	<b>386,676</b>	432,378	405,308
Guarantees	<b>3,736,368</b>	3,856,034	3,822,332
	<b><u>4,343,170</u></b>	<u>4,493,035</u>	<u>4,369,792</u>

Irrevocable commitments to extend credit amount to KD 983,457 thousand (31 December 2020: KD 1,210,802 thousand, 30 September 2020: KD 1,209,271 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 98,464 thousand (31 December 2020: KD 62,319 thousand, 30 September 2020: KD 58,453 thousand).

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2021 (Unaudited)

**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.

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

<i>30 September 2021</i>	<b>Level 1 KD 000's</b>	<b>Level 2 KD 000's</b>	<b>Level 3 KD 000's</b>	<b>Total KD 000's</b>
Debt securities	<b>3,282,915</b>	<b>390,525</b>	-	<b>3,673,440</b>
Equities and other investments	<b>57,510</b>	<b>135,052</b>	<b>52,456</b>	<b>245,018</b>
	<b><u>3,340,425</u></b>	<b><u>525,577</u></b>	<b><u>52,456</u></b>	<b><u>3,918,458</u></b>
Derivative financial instruments (Note 13)	-	<b>(133,459)</b>	-	<b>(133,459)</b>
<i>31 December 2020</i>	Level 1 KD 000's	Level 2 KD 000's	Level 3 KD 000's	Total KD 000's
Debt securities	3,216,740	389,193	14,000	3,619,933
Equities and other investments	46,497	173,876	55,284	275,657
	<u>3,263,237</u>	<u>563,069</u>	<u>69,284</u>	<u>3,895,590</u>
Derivative financial instruments (Note 13)	-	(215,221)	-	(215,221)
<i>30 September 2020</i>	Level 1 KD 000's	Level 2 KD 000's	Level 3 KD 000's	Total KD 000's
Debt securities	3,226,958	382,596	14,000	3,623,554
Equities and other investments	44,681	115,795	54,938	215,414
	<u>3,271,639</u>	<u>498,391</u>	<u>68,938</u>	<u>3,838,968</u>
Derivative financial instruments (Note 13)	-	(214,774)	-	(214,774)



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2021 (Unaudited)

**12 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.

	At 1 January 2021 KD 000's	Change in fair value KD 000's	Additions KD 000's	Sale/ redemption KD 000's	Exchange rate movements KD 000's	At 30 September 2021 KD 000's	Net gains in the interim condensed consolidated statement of income KD 000's
Debt securities	14,000	-	-	(14,000)	-	-	144
Equities and other investments	55,284	(827)	2,307	(4,242)	(66)	52,456	603
	<u>69,284</u>	<u>(827)</u>	<u>2,307</u>	<u>(18,242)</u>	<u>(66)</u>	<u>52,456</u>	<u>747</u>

	At 1 January 2020 KD 000's	Change in fair value KD 000's	Additions KD 000's	Sale/ redemption KD 000's	Exchange rate movements KD 000's	At 30 September 2020 KD 000's	Net gains (losses) in the interim condensed consolidated statement of income KD 000's
Debt securities	14,000	-	-	-	-	14,000	682
Equities and other investments	64,942	(9,317)	341	(1,137)	109	54,938	(1,401)
	<u>78,942</u>	<u>(9,317)</u>	<u>341</u>	<u>(1,137)</u>	<u>109</u>	<u>68,938</u>	<u>(719)</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 consolidated statement of financial position. Positive fair value represents the cost of replacing all transactions with a fair value in the Group's favour had the rights and obligations arising from that instrument been closed in an orderly market transaction at the reporting date. Credit risk in respect of derivative financial instruments is limited to the positive fair value of the instruments. Negative fair value represents the cost to the Group's counter parties of replacing all their transactions with the Group.

The Group deals in interest rate swaps to manage its interest rate risk on interest bearing assets and liabilities and to provide interest rate risk management solutions to customers. Similarly the Group deals in forward foreign exchange contracts for customers and to manage its foreign currency positions and cash flows.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2021 (Unaudited)

**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:

	30 September 2021			Audited 31 December 2020			30 September 2020		
	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)	10,028	148,520	3,826,722	9,447	219,553	3,482,334	9,360	243,600	3,377,812
Interest rate swaps (others)	317	307	49,772	94	75	50,036	22	21	1,531
Forward foreign exchange contracts	18,224	13,201	3,176,000	13,299	18,433	2,736,116	23,358	3,893	2,767,018
	<b>28,569</b>	<b>162,028</b>	<b>7,052,494</b>	<b>22,840</b>	<b>238,061</b>	<b>6,268,486</b>	<b>32,740</b>	<b>247,514</b>	<b>6,146,361</b>

# National Bank of Kuwait Group

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2021 (Unaudited)

### 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:

	Number of Board Members or Executive Officers			Number of related parties			30 September 2021	31 December 2020 Audited	30 September 2020
	30 September 2021	31 December 2020	30 September 2020	30 September 2021	31 December 2020	30 September 2020			
							KD 000's	KD 000's	KD 000's
<b>Board Members</b>									
Loans (secured)	3	3	3	16	15	17	52,942	72,909	67,498
Contingent liabilities	-	-	-	8	8	8	20,848	23,109	26,269
Credit cards	5	4	3	22	24	19	64	90	51
Deposits	9	9	9	61	54	56	53,853	43,041	47,693
Collateral against credit facilities	3	3	3	12	12	12	239,600	253,188	265,000
Interest and fee income							794	3,194	2,565
Interest expense							187	121	102
Purchase of equipment and other expenses							174	55	55
<b>Executive Officers</b>									
Loans	3	1	2	3	5	6	3,928	3,257	3,198
Contingent liabilities	5	3	3	1	-	-	1,208	2	2
Credit cards	6	5	12	10	10	9	40	45	36
Deposits	15	12	14	39	33	37	9,188	8,874	13,311
Interest and fee income							100	479	430
Interest expense							45	90	84

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2021 (Unaudited)

**14 Related party transactions (continued)**

Details of compensation to key management personnel are as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2021 KD 000's	2020 KD 000's	2021 KD 000's	2020 KD 000's
Salaries and other short term benefits	1,011	1,054	2,931	2,643
Post-employment benefits	54	49	361	176
Share based compensation	331	177	731	598
	<u>1,396</u>	<u>1,280</u>	<u>4,023</u>	<u>3,417</u>

**15 Impact of COVID-19**

The COVID-19 pandemic spread rapidly across global geographies causing massive disruption to business and economic activities and bringing unprecedented uncertainties 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**

During the year 2020, Central Bank of Kuwait (CBK) implemented various measures targeted at reinforcing the banking sectors ability to play a vital role in the economy. Those measures are disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2020.

2021 consumer and other instalment loans deferral scheme

Kuwait banks announced postponement of payment of consumer and instalment loans to eligible customers, upon request, in accordance with the CBK Circular No. 2/BS/IBS/IS/IIS/FS/476/2021 dated 18 April 2021 concerning the implementing provisions of Article No. (2) of Law No. (3) of 2021 ("the Law") regarding the deferral of the financial obligations for a six-month period with cancellation of interest and profits resulting from this deferral ("the 2021 scheme"). The cost of instalment deferral is fully borne by the Government of Kuwait in accordance with the Law.

The Group implemented the 2021 scheme by postponing the instalments for a six-month period from the customer request date with a corresponding extension of the facility tenure. The instalment deferral resulted in a loss to the Group arising from the modification of contractual cash-flows amounting to KD 139,582 thousand in accordance with IFRS 9. This loss was offset by an equivalent amount receivable from the Government of Kuwait as Government Grant in accordance with the Law. The Group has recorded the Government Grant income by setting it off against the modification loss from the 2021 scheme. The Government grant receivable is included in other assets in the interim condensed consolidated statement of financial position.

**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 30 September 2021. The Group has considered 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. Furthermore, macro-economic factors are updated to take into consideration the specific impacts of COVID-19. Notwithstanding the above, ECL requirement for credit facilities estimated as at 30 September 2021 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.