



**The Commercial Bank of Kuwait Group**

**Interim Condensed Consolidated Financial Information**

**30 June 2023  
(Unaudited)**

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

### **Introduction**

We have reviewed the accompanying interim condensed consolidated statement of financial position of Commercial Bank of Kuwait K.P.S.C. ("the Bank") and its subsidiary (together called "the Group") as of 30 June 2023 and the related interim condensed consolidated statements of income and comprehensive income for the three-month and six-month periods then ended and the related interim condensed consolidated statements of changes in equity and cash flows for the six-month period then ended. Management 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 the 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 and its executive regulations, as amended, or of the Memorandum of Incorporation and Articles of Association of the Bank as amended, during the six-month period ended 30 June 2023 that might have had a material effect on the business of the Bank or on its financial position.

We further report that, during the course of our review and to the best of our knowledge and belief, we have not become aware of any violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the Organization of Banking Business, and its related regulations during the six-month period ended 30 June 2023 that might have had a material effect on the business of the Bank or on its financial position.

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**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

30 June 2023 (Unaudited)

|  |      |                  | <i>(Audited)</i> |           |
|--|------|------------------|------------------|-----------|
|  |      | <b>30 June</b>   | 31 December      | 30 June   |
|  |      | <b>2023</b>      | 2022             | 2022      |
|  | Note | KD 000's         | KD 000's         | KD 000's  |
| <b>ASSETS</b>  |      |                  |                  |           |
| Cash and short term funds                              | 4    | 753,618          | 732,555          | 1,032,417 |
| Treasury and Central Bank bonds                        |      | 185,792          | 183,555          | 166,450   |
| Due from banks and other financial institutions        | 5    | 459,925          | 480,202          | 117,046   |
| Loans and advances                                     | 6    | 2,385,665        | 2,419,548        | 2,311,379 |
| Investment securities                                  | 7    | 334,546          | 372,903          | 588,922   |
| Premises and equipment                                 |      | 30,752           | 29,414           | 29,490    |
| Intangible assets                                      |      | 3,506            | 3,506            | 3,506     |
| Other assets   |      | 93,458           | 88,790           | 74,935    |
| <b>TOTAL ASSETS</b>                                    |      | <b>4,247,262</b> | 4,310,473        | 4,324,145 |
| <b>LIABILITIES AND EQUITY</b>                          |      |                  |                  |           |
| <b>LIABILITIES</b>                                     |      |                  |                  |           |
| Due to banks   |      | 251,048          | 224,847          | 243,727   |
| Due to other financial institutions                    |      | 214,035          | 273,743          | 331,361   |
| Customer deposits                                      |      | 2,265,255        | 2,340,285        | 2,065,963 |
| Other borrowed funds                                   | 8    | 628,943          | 611,442          | 606,585   |
| Other liabilities                                      |      | 226,271          | 199,835          | 240,659   |
| <b>TOTAL LIABILITIES</b>                               |      | <b>3,585,552</b> | 3,650,152        | 3,488,295 |
| <b>EQUITY</b>  |      |                  |                  |           |
| <b>Equity attributable to shareholders of the Bank</b> |      |                  |                  |           |
| Share capital  |      | 199,206          | 199,206          | 199,206   |
| Treasury shares  |      | (76,160)         | (49,798)         | (5,233)   |
| Reserves   |      | 283,337          | 277,398          | 438,006   |
| Retained earnings                                      |      | 233,021          | 185,901          | 203,564   |
|  |      | 639,404          | 612,707          | 835,543   |
| Proposed dividend                                      |      | 22,071           | 47,298           | -         |
|  |      | 661,475          | 660,005          | 835,543   |
| <b>Non-controlling interests</b>                       |      | <b>235</b>       | 316              | 307       |
| <b>TOTAL EQUITY</b>                                    |      | <b>661,710</b>   | 660,321          | 835,850   |
| <b>TOTAL LIABILITIES AND EQUITY</b>                    |      | <b>4,247,262</b> | 4,310,473        | 4,324,145 |

Sheikh Ahmad Duajj Jaber Al Sabah  
Chairman

Elham Y. Mahfouz  
Elham Yousry Mahfouz  
Chief Executive Officer

The attached notes 1 to 15 form an integral part of this interim condensed consolidated financial information.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME**

Period ended 30 June 2023 (Unaudited)

|  | Note | Three months ended |                 | Six months ended |                 |
|--|------|--------------------|-----------------|------------------|-----------------|
|  |      | 30 June            |                 | 30 June          |                 |
|  |      | 2023               | 2022            | 2023             | 2022            |
|  |      | KD 000's           | KD 000's        | KD 000's         | KD 000's        |
| Interest income  |      | 54,125             | 28,369          | 105,051          | 52,193          |
| Interest expense   |      | (25,735)           | (7,552)         | (50,276)         | (12,910)        |
| <b>NET INTEREST INCOME</b>   |      | <b>28,390</b>      | <b>20,817</b>   | <b>54,775</b>    | <b>39,283</b>   |
| Fees and commissions   |      | 11,027             | 10,457          | 21,578           | 20,185          |
| Net gain from dealing in foreign currencies  |      | 1,613              | 1,976           | 4,279            | 3,798           |
| Net (loss) gain from investment securities   |      | (2)                | 10              | 64               | 54              |
| Dividend income  |      | 1,659              | 1,817           | 2,160            | 1,817           |
| Other operating income   |      | 179                | 99              | 351              | 120             |
| <b>OPERATING INCOME</b>  |      | <b>42,866</b>      | <b>35,176</b>   | <b>83,207</b>    | <b>65,257</b>   |
| Staff expenses   |      | (7,525)            | (7,888)         | (13,617)         | (14,276)        |
| General and administrative expenses  |      | (4,996)            | (4,291)         | (12,001)         | (7,968)         |
| Depreciation and amortisation  |      | (398)              | (145)           | (459)            | (229)           |
| <b>OPERATING EXPENSES</b>  |      | <b>(12,919)</b>    | <b>(12,324)</b> | <b>(26,077)</b>  | <b>(22,473)</b> |
| <b>OPERATING PROFIT BEFORE PROVISIONS</b>  |      | <b>29,947</b>      | <b>22,852</b>   | <b>57,130</b>    | <b>42,784</b>   |
| Net reversal (charge) of impairment and other provisions                             | 9    | 16,182             | (181)           | 15,356           | 3,148           |
| <b>PROFIT BEFORE TAXATION AND CONTRIBUTIONS</b>                                      |      | <b>46,129</b>      | <b>22,671</b>   | <b>72,486</b>    | <b>45,932</b>   |
| Taxation and contributions   |      | (2,009)            | (941)           | (3,284)          | (1,962)         |
| <b>NET PROFIT FOR THE PERIOD</b>   |      | <b>44,120</b>      | <b>21,730</b>   | <b>69,202</b>    | <b>43,970</b>   |
| <b>Attributable to:</b>  |      |                    |                 |                  |                 |
| Shareholders of the Bank   |      | 44,115             | 21,720          | 69,191           | 43,950          |
| Non-controlling interests  |      | 5                  | 10              | 11               | 20              |
|  |      | <b>44,120</b>      | <b>21,730</b>   | <b>69,202</b>    | <b>43,970</b>   |
| Basic and diluted earnings per share attributable to shareholders of the Bank (fils) | 10   | <b>23.6</b>        | 11.0            | <b>36.8</b>      | 22.2            |

The attached notes 1 to 15 form an integral part of this interim condensed consolidated financial information.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

Period ended 30 June 2023 (Unaudited)

|   | Three months ended<br>30 June  |                  | Six months ended<br>30 June    |                  |
|---|--------------------------------|------------------|--------------------------------|------------------|
|   | <b>2023</b><br><b>KD 000's</b> | 2022<br>KD 000's | <b>2023</b><br><b>KD 000's</b> | 2022<br>KD 000's |
| Net profit for the period   | <b>44,120</b>                  | 21,730           | <b>69,202</b>                  | 43,970           |
| <b>OTHER COMPREHENSIVE INCOME</b>   |                                |                  |                                |                  |
| <b>Items that will not be reclassified subsequently to interim condensed consolidated statement of income</b>   |                                |                  |                                |                  |
| Equity securities classified as fair value through other comprehensive income:                                  |                                |                  |                                |                  |
| Net changes in fair value   | <b>5,758</b>                   | (25,341)         | <b>4,205</b>                   | 15,321           |
| <b>Items that are or may be reclassified subsequently to interim condensed consolidated statement of income</b> |                                |                  |                                |                  |
| Debt securities classified as fair value through other comprehensive income:                                    |                                |                  |                                |                  |
| Net changes in fair value   | <b>908</b>                     | (2,194)          | <b>1,497</b>                   | (4,594)          |
| Net gain (loss) on disposal transferred to income statement   | <b>114</b>                     | (10)             | <b>145</b>                     | (93)             |
|   | <b>6,780</b>                   | (27,545)         | <b>5,847</b>                   | 10,634           |
| <b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD</b>   | <b>50,900</b>                  | (5,815)          | <b>75,049</b>                  | 54,604           |
| <b>Attributable to:</b>   |                                |                  |                                |                  |
| Shareholders of the Bank  | <b>50,893</b>                  | (5,825)          | <b>75,130</b>                  | 54,584           |
| Non-controlling interests   | 7                              | 10               | <b>(81)</b>                    | 20               |
|   | <b>50,900</b>                  | (5,815)          | <b>75,049</b>                  | 54,604           |

The attached notes 1 to 15 form an integral part of this interim condensed consolidated financial information.


**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

Period ended 30 June 2023 (Unaudited)

|  | KD 000's                                 |                             |                    |                      |                    |                               |                                    |                                    |               |                   |                      |                      |                 |            |                |
|--|--|-----------------------------|--------------------|----------------------|--------------------|-------------------------------|------------------------------------|------------------------------------|---------------|-------------------|----------------------|----------------------|-----------------|------------|----------------|
|  | Attributable to shareholders of the Bank |                             |                    |                      |                    |                               |                                    |                                    |               |                   |                      |                      |                 |            |                |
|  | Share<br>Capital                         | Proposed<br>Bonus<br>Shares | Treasury<br>Shares | Reserves             |                    |                               |                                    |                                    |               | Total<br>Reserves | Retained<br>Earnings | Proposed<br>Dividend | Non-controlling |            | Total          |
| Share<br>Premium                             |  |                             |                    | Statutory<br>Reserve | General<br>Reserve | Treasury<br>Shares<br>Reserve | Property<br>Revaluation<br>Reserve | Investment<br>Valuation<br>Reserve | Total         |                   |                      |                      | Interests       | Total      |                |
| Balance at 1 January 2022                    | 199,206                                  | -                           | (5,233)            | 66,791               | 115,977            | 17,927                        | -                                  | 24,043                             | 202,634       | 427,372           | 159,614              | 39,618               | 820,577         | 287        | 820,864        |
| Total comprehensive income<br>for the period | -  | -                           | -                  | -                    | -                  | -                             | -                                  | -                                  | 10,634        | 10,634            | 43,950               | -                    | 54,584          | 20         | 54,604         |
| Dividend paid                                | -  | -                           | -                  | -                    | -                  | -                             | -                                  | -                                  | -             | -                 | -                    | (39,618)             | (39,618)        | -          | (39,618)       |
| Balance at 30 June 2022                      | 199,206                                  | -                           | (5,233)            | 66,791               | 115,977            | 17,927                        | -                                  | 24,043                             | 213,268       | 438,006           | 203,564              | -                    | 835,543         | 307        | 835,850        |
| <b>Balance at 1 January 2023</b>             | <b>199,206</b>                           | <b>-</b>                    | <b>(49,798)</b>    | <b>66,791</b>        | <b>115,977</b>     | <b>17,927</b>                 | <b>-</b>                           | <b>25,242</b>                      | <b>51,461</b> | <b>277,398</b>    | <b>185,901</b>       | <b>47,298</b>        | <b>660,005</b>  | <b>316</b> | <b>660,321</b> |
| Total comprehensive income<br>(loss)         | -  | -                           | -                  | -                    | -                  | -                             | -                                  | -                                  | 5,939         | 5,939             | 69,191               | -                    | 75,130          | (81)       | 75,049         |
| Purchase of treasury shares                  | -  | -                           | (26,362)           | -                    | -                  | -                             | -                                  | -                                  | -             | -                 | -                    | -                    | (26,362)        | -          | (26,362)       |
| Dividend paid                                | -  | -                           | -                  | -                    | -                  | -                             | -                                  | -                                  | -             | -                 | -                    | (47,298)             | (47,298)        | -          | (47,298)       |
| Proposed dividend                            | -  | -                           | -                  | -                    | -                  | -                             | -                                  | -                                  | -             | -                 | (22,071)             | 22,071               | -               | -          | -              |
| <b>Balance at 30 June 2023</b>               | <b>199,206</b>                           | <b>-</b>                    | <b>(76,160)</b>    | <b>66,791</b>        | <b>115,977</b>     | <b>17,927</b>                 | <b>-</b>                           | <b>25,242</b>                      | <b>57,400</b> | <b>283,337</b>    | <b>233,021</b>       | <b>22,071</b>        | <b>661,475</b>  | <b>235</b> | <b>661,710</b> |

Annual General Assembly of the shareholders held on 1 May 2023 approved to distribute cash dividend of 25 fils per share amounting to KD 47,298 thousand (2021: 39,618).

The Board of Directors in their meeting held on 11 July 2023, recommends distribution of 12 fils per share of interim cash dividend, to the registered shareholders, subject to regulatory approvals.

Investment valuation reserve includes a loss of KD 5,511 thousand (31 December 2022: KD 5,498 thousand and 30 June 2022: KD 5,509 thousand) arising from foreign currency translation of the Bank's investment in a foreign associate.

The attached notes 1 to 15 form an integral part of this interim condensed consolidated financial information.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

Period ended 30 June 2023 (Unaudited)

|  | Note | Six months ended |                  |
|--|------|------------------|------------------|
|  |      | 30 June          |                  |
|  |      | 2023             | 2022             |
|  |      | KD 000's         | KD 000's         |
| <b>OPERATING ACTIVITIES</b>                                  |      |                  |                  |
| Profit before taxation and contributions                     |      | 72,486           | 45,932           |
| Adjustments for:   |      |                  |                  |
| Net (reversal) of impairment and other provisions            | 9    | (15,356)         | (3,148)          |
| Income from investment securities                            |      | (2,224)          | (1,871)          |
| Foreign exchange (gain) on investment securities             |      | (88)             | (5,259)          |
| Depreciation and amortisation                                |      | 459              | 229              |
| Cash flow before changes in operating assets and liabilities |      | 55,277           | 35,883           |
| Changes in operating assets and liabilities:                 |      |                  |                  |
| Treasury and Central Bank bonds                              |      | (2,237)          | 11,002           |
| Due from banks and other financial institutions              |      | 20,278           | 365,576          |
| Loans and advances   |      | 39,023           | (33,086)         |
| Other assets   |      | 9,624            | (34,809)         |
| Due to banks   |      | 26,201           | (116,799)        |
| Due to other financial institutions                          |      | (59,708)         | 85,685           |
| Customer deposits  |      | (75,030)         | (53,651)         |
| Other liabilities  |      | 16,897           | 22,834           |
| Net cash from operating activities                           |      | 30,325           | 282,635          |
| <b>INVESTING ACTIVITIES</b>                                  |      |                  |                  |
| Proceeds from disposal of investment securities              |      | 73,761           | 98,057           |
| Acquisition of investment securities                         |      | (29,204)         | (125,239)        |
| Dividend income from investment securities                   |      | 2,160            | 1,817            |
| Proceeds from disposal of premises and equipment             |      | 241              | 288              |
| Acquisition of premises and equipment                        |      | (86)             | (148)            |
| Net cash from (used in) investing activities                 |      | 46,872           | (25,225)         |
| <b>FINANCING ACTIVITIES</b>                                  |      |                  |                  |
| Other borrowed funds   |      | 17,501           | 87,126           |
| Purchase of treasury shares                                  |      | (26,362)         | -                |
| Dividends paid   |      | (47,298)         | (39,618)         |
| Net cash (used in) from financing activities                 |      | (56,159)         | 47,508           |
| Net increase in cash and short term funds                    |      | 21,038           | 304,918          |
| Cash and short term funds at 1 January                       |      | 732,625          | 727,532          |
| <b>Cash and short term funds at 30 June</b>                  | 4    | <b>753,663</b>   | <b>1,032,450</b> |

The attached notes 1 to 15 form an integral part of this interim condensed consolidated financial information.


**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

30 June 2023 (Unaudited)

**1 CORPORATE INFORMATION**

The Commercial Bank of Kuwait K.P.S.C ("the Bank") is a public shareholding company incorporated in the State of Kuwait and is registered as a Bank with the Central Bank of Kuwait ("CBK") and listed on the Boursa Kuwait. The address of the Bank's registered office is P.O. Box 2861, 13029 Safat, State of Kuwait.

The Bank and its subsidiary are together referred to as ("the Group") in this interim condensed consolidated financial information.

The interim condensed consolidated financial information of the Group were authorised for issue in accordance with a resolution of the Board of Directors on 11 July 2023.

The principal activities of the Group are explained in note 13.

**2 SIGNIFICANT ACCOUNTING POLICIES**

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. The accounting policies used in the preparation of these interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2022.

b) The interim condensed consolidated financial statements have been prepared in accordance with the regulations for financial services institutions as issued by the CBK in the State of Kuwait. These regulations, including CBK circulars on regulatory measures in response to COVID-19 and related CBK communications, require banks and other financial institutions regulated by CBK to adopt the International Financial Reporting Standards with the following amendments:

- i) 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

The above framework is hereinafter referred to as 'IFRS as adopted by CBK for use by the State of Kuwait'.

The interim condensed consolidated financial information does not contain all information and disclosures required for the annual consolidated financial statements prepared in accordance with IFRS, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2022. Further, results for interim periods are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

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

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Other new standards or amendments to existing standards which are effective for annual accounting period starting from 1 January 2023 did not have any material impact on financial position or performance of the Group.

**3 SUBSIDIARY**

| Name of entity  | Country of incorporation | Principal activities | % of ownership |                  |              |
|---|--------------------------|----------------------|----------------|------------------|--------------|
|   |                          |                      | 30 June 2023   | 31 December 2022 | 30 June 2022 |
| Al-Tijari Financial Brokerage Company K.S.C. (Closed) | Kuwait                   | Brokerage Services   | 98.16          | 98.16            | 98.16        |




**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

30 June 2023 (Unaudited)

**4 CASH AND SHORT TERM FUNDS**

|  | <b>30 June<br/>2023<br/>KD 000's</b> | <i>(Audited)</i><br>31 December<br>2022<br>KD 000's | 30 June<br>2022<br>KD 000's |
|--|--------------------------------------|---|-----------------------------|
| Cash and cash items                            | <b>149,430</b>                       | 274,839   | 202,553                     |
| Balances with the CBK                          | <b>218,509</b>                       | 153,833   | 169,899                     |
| Deposits with banks maturing within seven days | <b>385,724</b>                       | 303,953   | 659,998                     |
|  | <b>753,663</b>                       | 732,625   | 1,032,450                   |
| Less : Provision for impairment (ECL)          | <b>(45)</b>                          | (70)  | (33)                        |
|  | <b>753,618</b>                       | 732,555   | 1,032,417                   |

**5 DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS**

|                                      | <b>30 June<br/>2023<br/>KD 000's</b> | <i>(Audited)</i><br>31 December<br>2022<br>KD 000's | 30 June<br>2022<br>KD 000's |
|--------------------------------------|--------------------------------------|---|-----------------------------|
| Placements with banks                | <b>399,736</b>                       | 412,620   | 68,142                      |
| Less: Provision for impairment (ECL) | <b>(47)</b>                          | (23)  | (12)                        |
|                                      | <b>399,689</b>                       | 412,597   | 68,130                      |
| Loans and advances to banks          | <b>60,844</b>                        | 68,288  | 49,407                      |
| Less: Provision for impairment       | <b>(608)</b>                         | (683)   | (491)                       |
|                                      | <b>60,236</b>                        | 67,605  | 48,916                      |
|                                      | <b>459,925</b>                       | 480,202   | 117,046                     |

**6 LOANS AND ADVANCES**

Provision for expected credit losses (ECL) on credit facilities are the higher of ECL under IFRS 9, determined in accordance with the CBK guidelines and the provision required by the CBK rules on classification of credit facilities.

Total available provision on credit facilities (cash and non cash) determined in accordance with the CBK rules on classification of credit facilities as at 30 June 2023 is KD 218,243 thousand (31 December 2022: KD 218,802 thousand and 30 June 2022: KD 218,457 thousand).

The ECL on credit facilities (cash and non cash) determined under IFRS 9 amounted to KD 78,504 thousand as at 30 June 2023 (31 December 2022: KD 82,548 thousand and 30 June 2022: KD 95,315 thousand).

The provision required under CBK rules on classification of credit facilities is higher than ECL under CBK guidelines for IFRS 9.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

30 June 2023 (Unaudited)

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

|                                     | <b>30 June 2023</b>               |                |                |                  |
|-------------------------------------|-----------------------------------|----------------|----------------|------------------|
|                                     | <b>KD 000's</b>                   |                |                |                  |
|                                     | <b>Stage 1</b>                    | <b>Stage 2</b> | <b>Stage 3</b> | <b>Total</b>     |
| Superior                            | 315,015                           | 5,826          | -              | 320,841          |
| Good                                | 1,079,924                         | 79,331         | -              | 1,159,255        |
| Standard                            | 612,634                           | 45,196         | -              | 657,830          |
| Past due but not impaired           | 182,223                           | 253,567        | -              | 435,790          |
| Impaired                            | -                                 | -              | -              | -                |
| Cash credit facilities              | <b>2,189,796</b>                  | <b>383,920</b> | <b>-</b>       | <b>2,573,716</b> |
| Non cash credit facilities          | <b>2,235,043</b>                  | <b>197,043</b> | <b>24,638</b>  | <b>2,456,724</b> |
| ECL provision for credit facilities | <b>21,111</b>                     | <b>35,255</b>  | <b>22,138</b>  | <b>78,504</b>    |
|                                     | <b>31 December 2022 (Audited)</b> |                |                |                  |
|                                     | <b>KD 000's</b>                   |                |                |                  |
|                                     | <b>Stage 1</b>                    | <b>Stage 2</b> | <b>Stage 3</b> | <b>Total</b>     |
| Superior                            | 398,510                           | 1,439          | -              | 399,949          |
| Good                                | 1,033,762                         | 105,228        | -              | 1,138,990        |
| Standard                            | 698,867                           | 237,687        | -              | 936,554          |
| Past due but not impaired           | 66,314                            | 66,205         | -              | 132,519          |
| Impaired                            | -                                 | -              | -              | -                |
| Cash credit facilities              | <b>2,197,453</b>                  | <b>410,559</b> | <b>-</b>       | <b>2,608,012</b> |
| Non cash credit facilities          | <b>2,632,800</b>                  | <b>204,457</b> | <b>22,703</b>  | <b>2,859,960</b> |
| ECL provision for credit facilities | <b>24,685</b>                     | <b>35,889</b>  | <b>21,974</b>  | <b>82,548</b>    |
|                                     | <b>30 June 2022</b>               |                |                |                  |
|                                     | <b>KD 000's</b>                   |                |                |                  |
|                                     | <b>Stage 1</b>                    | <b>Stage 2</b> | <b>Stage 3</b> | <b>Total</b>     |
| Superior                            | 394,896                           | 1,132          | -              | 396,028          |
| Good                                | 949,979                           | 129,552        | -              | 1,079,531        |
| Standard                            | 637,894                           | 187,373        | 1              | 825,268          |
| Past due but not impaired           | 93,907                            | 104,019        | -              | 197,926          |
| Impaired                            | -                                 | -              | -              | -                |
| Cash credit facilities              | <b>2,076,676</b>                  | <b>422,076</b> | <b>1</b>       | <b>2,498,753</b> |
| Non cash credit facilities          | <b>2,460,480</b>                  | <b>237,631</b> | <b>24,055</b>  | <b>2,722,166</b> |
| ECL provision for credit facilities | <b>23,337</b>                     | <b>48,773</b>  | <b>23,205</b>  | <b>95,315</b>    |

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

30 June 2023 (Unaudited)

**Movement in ECL for Credit Facilities:**

|                          | <b>30 June 2023</b> |                |                |               |
|--------------------------|---------------------|----------------|----------------|---------------|
|                          | <b>KD 000's</b>     |                |                |               |
|                          | <b>Stage 1</b>      | <b>Stage 2</b> | <b>Stage 3</b> | <b>Total</b>  |
| ECL 1 January 2023       | 24,685              | 35,889         | 21,974         | 82,548        |
| Transfer to stage 1      | 390                 | (390)          | -              | -             |
| Transfer to stage 2      | (186)               | 186            | -              | -             |
| Transfer to stage 3      | (6)                 | -              | 6              | -             |
| Net (released) / charged | (3,782)             | (435)          | 7,244          | 3,027         |
| Written-off              | -                   | -              | (7,089)        | (7,089)       |
| Exchange difference      | 10                  | 5              | 3              | 18            |
| <b>ECL 30 June 2023</b>  | <b>21,111</b>       | <b>35,255</b>  | <b>22,138</b>  | <b>78,504</b> |
|                          | <b>30 June 2022</b> |                |                |               |
|                          | <b>KD 000's</b>     |                |                |               |
|                          | <b>Stage 1</b>      | <b>Stage 2</b> | <b>Stage 3</b> | <b>Total</b>  |
| ECL 1 January 2022       | 22,989              | 44,716         | 26,432         | 94,137        |
| Transfer to stage 1      | 225                 | (225)          | -              | -             |
| Transfer to stage 2      | (58)                | 58             | -              | -             |
| Transfer to stage 3      | -                   | -              | -              | -             |
| Net charged              | 163                 | 4,225          | 2,999          | 7,387         |
| Written-off              | -                   | -              | (6,233)        | (6,233)       |
| Exchange difference      | 18                  | (1)            | 7              | 24            |
| <b>ECL 30 June 2022</b>  | <b>23,337</b>       | <b>48,773</b>  | <b>23,205</b>  | <b>95,315</b> |

**7 INVESTMENT SECURITIES**

- a) During 2008, the Bank acquired 221,425,095 shares of Boubyan Bank at a cost of KD 94,103 thousand under multiple purchase transactions, all of which were executed under the standard procedures adopted by Bursa Kuwait. However, at a subsequent date, and as a result of the availability of cash balances in the account of the parent company ("the Borrower") related to the five subsidiaries which sold the mentioned shares in Bursa Kuwait (we refer to the five subsidiaries companies below as "Appellants"), the Bank utilized these balances to close the loan due from the Borrower.

In 2009, the Borrower, along with the Appellants, filed a legal case challenging the Bank's ownership of the above mentioned shares. After years of legal proceeding in various courts, on 3 July 2022, the Court of Appeal issued a verdict and directed the Appellants to refund the amount due to the Bank as consideration for returning the shares. In view of this verdict, Bank derecognised the shares and recognised a receivables from each Appellant at value validated by the Court of Appeal in the interim condensed consolidated financial information as at 30 September 2022.

On 4 April 2023 one of the Appellants made a payment of KD 14,287 thousand to the Bank against transfer of 50,505 thousand shares of Boubyan Bank. The remaining shares are currently being held with Kuwait Clearing Company till the execution order issued by execution judge for transfer/sale of shares against payment to the Bank as per Appeal Court verdict.

- b) The Group designated certain debt securities as hedge items, to hedge the fair value changes arising from changes in market interest rates. Interest rate swap (IRS) is used as hedging instruments in which the Group pays fixed and receives floating interest rate.

Based on the matching of critical terms between the hedge items and the hedged instruments it was concluded that the hedges were effective.

The carrying value of debt securities designated as hedged item as at 30 June 2023 was KD 261,299 thousand (31 December 2022: 176,702 thousand and 30 June 2022: KD 148,896 thousand). The net loss of change in fair value of these securities resulting from changes in market interest rate (hedged risk) during the period was KD 15 thousand (30 June 2022: gain KD 5,620 thousand). The changes in fair value related to hedged risk during the period was recognised in the interim condensed consolidated statement of income.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

30 June 2023 (Unaudited)

**8 OTHER BORROWED FUNDS**

Other borrowed funds include securities sold under agreements to repurchase amounting to KD 106,298 thousand (31 December 2022: KD 106,038 thousand and 30 June 2022: KD 106,263 thousand). The Group enters into collateralised borrowing transactions (repurchase agreements) in the ordinary course of its financing activities. Collateral is provided in the form of securities held within the investment securities portfolio. At 30 June 2023, the fair value of investment securities that had been pledged as collateral under repurchase agreements was KD 73,974 thousand (31 December 2022: KD 96,888 thousand and 30 June 2022: KD 94,380 thousand). The collateralised borrowing transactions are conducted under standardised terms that are usual and customary for such transactions.

**9 NET REVERSAL (CHARGE) OF IMPAIRMENT AND OTHER PROVISIONS**

Net reversal of impairment and other provisions for the period ended 30 June 2023 amounted to KD 15,356 thousand (30 June 2022: KD 3,148 thousand) which mainly represent specific, general and other provisions against loans and advances and other financial assets after recoveries amounting to KD 11,724 thousand (30 June 2022: KD 12,257 thousand).

Impairment and other provisions includes released of ECL on financial assets other than loans and advances for the period ended 30 June 2023 amounting to KD 41 thousand (30 June 2022: charged of KD 4 thousand).

**10 EARNINGS PER SHARE**

Basic and diluted earnings per share is calculated by dividing the net profit for the period attributable to shareholders of the Bank by the weighted average number of shares outstanding during the period.

|  | Three months ended |           | Six months ended |           |
|--|--------------------|-----------|------------------|-----------|
|  | 30 June            |           | 30 June          |           |
|  | 2023               | 2022      | 2023             | 2022      |
| Net profit for the period attributable to shareholders of the Bank (KD 000's)        | <b>44,115</b>      | 21,720    | <b>69,191</b>    | 43,950    |
| Weighted average of authorised and subscribed shares (numbers in 000's)              | <b>1,992,056</b>   | 1,992,056 | <b>1,992,056</b> | 1,992,056 |
| Less: Weighted average of treasury shares held (numbers in 000's)                    | <b>(121,996)</b>   | (11,139)  | <b>(111,129)</b> | (11,139)  |
|  | <b>1,870,060</b>   | 1,980,917 | <b>1,880,927</b> | 1,980,917 |
| Basic and diluted earnings per share attributable to shareholders of the Bank (fils) | <b>23.6</b>        | 11.0      | <b>36.8</b>      | 22.2      |

**11 RELATED PARTY TRANSACTIONS**

During the period, certain related parties (directors and officers of the Group, their families and companies of which they are principal owners) were customers of the Group in the ordinary course of business. The terms of these transactions are approved by the Group's management. The balances at the date of interim condensed consolidated financial position are as follows:

|                             | 30 June 2023                    |                           |                    | 30 June 2022                    |                           |                    |
|-----------------------------|---------------------------------|---------------------------|--------------------|---------------------------------|---------------------------|--------------------|
|                             | Number of Directors/ Executives | Number of Related Members | Amount in KD 000's | Number of Directors/ Executives | Number of Related Members | Amount in KD 000's |
| <b>Board of Directors</b>   |                                 |                           |                    |                                 |                           |                    |
| Loans                       | 3                               | 3                         | 2,228              | 2                               | 1                         | 1,868              |
| Credit cards                | 4                               | 1                         | 15                 | 3                               | 1                         | 3                  |
| Deposits                    | 11                              | 12                        | 11,996             | 11                              | 10                        | 600                |
| <b>Executive Management</b> |                                 |                           |                    |                                 |                           |                    |
| Loans                       | 45                              | 2                         | 1,918              | 27                              | 1                         | 1,145              |
| Credit cards                | 36                              | -                         | 56                 | 25                              | 1                         | 38                 |
| Deposits                    | 61                              | 43                        | 1,928              | 40                              | 40                        | 1,242              |
| <b>Associates</b>           |                                 |                           |                    |                                 |                           |                    |
| Deposits                    | 1                               | -                         | 13,686             | 1                               | -                         | 13,720             |
| <b>Major Shareholders</b>   |                                 |                           |                    |                                 |                           |                    |
| Deposits                    | 1                               | -                         | 32                 | 1                               | -                         | 22                 |

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

30 June 2023 (Unaudited)

Interest income and interest expense include KD 96 thousand (30 June 2022: KD 58 thousand) and KD 582 thousand (30 June 2022: KD 57 thousand) respectively on transactions with related parties.

The detail of compensation for key management personnel included in the interim condensed consolidated statement of income are as follows:

|  | Six months ended<br>30 June |                  |
|--|-----------------------------|------------------|
|  | 2023<br>KD 000's            | 2022<br>KD 000's |
| Salaries and other short-term benefits | 807                         | 1,094            |
| Post employment benefits               | 13                          | 13               |
| End of service benefits                | 110                         | 105              |

**12 FAIR VALUES OF FINANCIAL INSTRUMENTS**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values of all financial instruments are not materially different from their carrying values. For financial assets and financial liabilities that are liquid or having a short-term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits, saving accounts without a specific maturity and variable rate financial instruments.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

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

Financial assets and liabilities that are carried at amortised cost, are not materially different from their fair values as most of these financial assets and liabilities are of short term maturities or repriced immediately based on market movement in interest rates.

The method and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

|  | 30 June 2023               |               |         |                |
|--|----------------------------|---------------|---------|----------------|
|  | KD 000's                   |               |         |                |
|  | Level 1                    | Level 2       | Level 3 | Total          |
| Debt securities                            | 270,689                    | 9,469         | -       | 280,158        |
| Equities and other securities              | 34,321                     | 20,067        | -       | 54,388         |
|  | <b>305,010</b>             | <b>29,536</b> | -       | <b>334,546</b> |
| Derivative financial instruments (Note 14) | -                          | 6,283         | -       | 6,283          |
|  |                            |               |         |                |
|  | 31 December 2022 (Audited) |               |         |                |
|  | KD 000's                   |               |         |                |
|  | Level 1                    | Level 2       | Level 3 | Total          |
| Debt securities                            | 312,440                    | 10,437        | -       | 322,877        |
| Equities and other securities              | 37,316                     | 12,710        | -       | 50,026         |
|  | <b>349,756</b>             | <b>23,147</b> | -       | <b>372,903</b> |
| Derivative financial instruments (Note 14) | -                          | 11,893        | -       | 11,893         |



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023 (Unaudited)

|  | 30 June 2022 |         |         |         |
|--|--------------|---------|---------|---------|
|  | KD 000's     |         |         |         |
|  | Level 1      | Level 2 | Level 3 | Total   |
| Debt securities                            | 269,867      | 10,372  | -       | 280,239 |
| Equities and other securities              | 289,399      | 19,284  | -       | 308,683 |
|  | 559,266      | 29,656  | -       | 588,922 |
| Derivative financial instruments (Note 14) | -            | 12,639  | -       | 12,639  |

There were no transfers between level 1, level 2 and level 3 hierarchy.

### 13 SEGMENTAL ANALYSIS

The Group operates in banking, brokerage services and investment activities which are segmented between:

- Corporate and Retail banking provides a full range of lending, deposit and related banking services to domestic and international corporate and individual customers.
- Treasury and Investment banking comprises of money market, foreign exchange, treasury bonds, asset management and brokerage services.

Management monitors the operating results of these segments separately for the purpose of making decisions based on key performance indicators.

|                                  | KD 000's                     |           |                                 |           |                          |           |
|----------------------------------|------------------------------|-----------|---------------------------------|-----------|--------------------------|-----------|
|                                  | Corporate and Retail Banking |           | Treasury and Investment Banking |           | Total                    |           |
|                                  | Six months ended 30 June     |           | Six months ended 30 June        |           | Six months ended 30 June |           |
|                                  | 2023                         | 2022      | 2023                            | 2022      | 2023                     | 2022      |
| Net interest income              | 45,052                       | 35,036    | 9,723                           | 4,247     | 54,775                   | 39,283    |
| Net non interest income          | 21,632                       | 19,747    | 6,800                           | 6,227     | 28,432                   | 25,974    |
| Operating income                 | 66,684                       | 54,783    | 16,523                          | 10,474    | 83,207                   | 65,257    |
| Impairment and other provisions  | 4,597                        | 3,250     | 10,759                          | (102)     | 15,356                   | 3,148     |
| Net profit (loss) for the period | 57,530                       | 46,448    | 11,672                          | (2,478)   | 69,202                   | 43,970    |
| Assets                           | 2,539,083                    | 2,347,710 | 1,708,179                       | 1,976,435 | 4,247,262                | 4,324,145 |
| Liabilities                      | 1,753,445                    | 1,735,001 | 1,832,107                       | 1,753,294 | 3,585,552                | 3,488,295 |

### 14 OFF BALANCE SHEET ITEMS AND LEGAL CLAIMS

#### (a) Financial instruments with contractual amounts

In the normal course of business the Group makes commitments to extend credit to customers. The contracted amounts represent the credit risk assuming that the amounts are fully advanced and that any collateral is of no value. The total contractual amount of the commitment does not necessarily represent the future cash requirement as in many cases these contracts terminate without being funded.



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023 (Unaudited)

## (i) Financial instruments with contractual amounts representing credit risk

|                         | <b>30 June<br/>2023</b> | <i>(Audited)</i><br>31 December<br>2022 | 30 June<br>2022 |
|-------------------------|-------------------------|---|-----------------|
|                         | <b>KD 000's</b>         | KD 000's                                | KD 000's        |
| Acceptances             | <b>113,665</b>          | 113,129                                 | 36,765          |
| Letters of credit       | <b>120,775</b>          | 123,317                                 | 153,375         |
| Letters of guarantee    | <b>1,630,526</b>        | 1,584,664                               | 1,501,520       |
| Undrawn lines of credit | <b>569,557</b>          | 1,016,388                               | 1,006,695       |
|                         | <b>2,434,523</b>        | 2,837,498                               | 2,698,355       |

## (ii) Financial instruments with contractual or notional amounts that are subject to credit risk

|   | <b>KD 000's</b>                |                                |                            |
|---|--------------------------------|--------------------------------|----------------------------|
|   | <b>Positive<br/>Fair Value</b> | <b>Negative<br/>Fair Value</b> | <b>Notional<br/>Amount</b> |
| <b>30 June 2023</b>                             |                                |                                |                            |
| Forward foreign exchange contracts              | <b>708</b>                     | <b>2,089</b>                   | <b>364,517</b>             |
| Interest rate swaps (held as fair value hedges) | <b>5,794</b>                   | -                              | <b>164,728</b>             |
| Interest rate swaps (others)                    | <b>29,423</b>                  | <b>27,553</b>                  | <b>263,461</b>             |
|   | <b>35,925</b>                  | <b>29,642</b>                  | <b>792,706</b>             |
| <b>31 December 2022 (Audited)</b>               |                                |                                |                            |
| Forward foreign exchange contracts              | 6,314                          | 1,983                          | 304,725                    |
| Interest rate swaps (held as fair value hedges) | 5,956                          | 242                            | 168,223                    |
| Interest rate swaps (others)                    | 29,482                         | 27,634                         | 238,314                    |
|   | 41,752                         | 29,859                         | 711,262                    |
| <b>30 June 2022</b>                             |                                |                                |                            |
| Forward foreign exchange contracts              | 6,638                          | 257                            | 352,241                    |
| Interest rate swaps (held as fair value hedges) | 4,332                          | 20                             | 139,337                    |
| Interest rate swaps (others)                    | 26,090                         | 24,144                         | 238,818                    |
|   | 37,060                         | 24,421                         | 730,396                    |

The amount subject to credit risk is insignificant and is limited to the current replacement value of instruments, which is only a fraction of the contractual or notional amounts used to express the volumes outstanding.



**(b) Legal claims**

At the reporting date certain legal claims existed against the Group for which KD 3,795 thousand (31 December 2022: KD 2,680 thousand and 30 June 2022: 2,675 thousand) have been provided.

**15 SIGNIFICANT EVENT**

**Changes in interbank offered rates (IBOR)**

The Bank's exposure to its floating-rate financial assets and liabilities is mainly through USD LIBOR has successfully been moved to alternative "reference rate" with the exception of a few contracts. These contracts will also move to alternative reference rate on next interest re-set date.

**Others factors**

The Group is actively monitoring the impact on its financial conditions, liquidity, and workforce and will take necessary measures for business continuity in line with the instruction from the Government of Kuwait and CBK.