



The Commercial Bank of Kuwait Group

Interim Condensed Consolidated Financial Information

**31 March 2024
(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 31 March 2024, and the related interim condensed consolidated statements of income, comprehensive income changes in equity, and cash flows for the three-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 three-month period ended 31 March 2024, that might have had a material effect on the business of the Bank or on its financial position.

We further report that, during the course of our review 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 three-month period ended 31 March 2024, that might have had a material effect on the business of the Bank or on its financial position.

Bader A. Al-Wazzan
Licence No. 62A
Deloitte & Touche - Al-Wazzan & Co.

Dr Shuaib A. Shuaib
License No. 33A
RSM Albazie & Co.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

31 March 2024 (Unaudited)

			<i>(Audited)</i>	
		31 March	31 December	31 March
		2024	2023	2023
	Note	KD 000's	KD 000's	KD 000's
ASSETS				
Cash and short term funds	4	814,381	696,647	817,916
Treasury and Central Bank bonds		177,451	176,887	185,716
Due from banks and other financial institutions	5	437,881	444,674	440,917
Loans and advances	6	2,614,820	2,430,041	2,487,678
Investment securities	7	267,868	333,426	346,908
Premises and equipment		29,757	29,311	29,600
Intangible assets		3,506	3,506	3,506
Other assets		59,031	61,521	67,787
TOTAL ASSETS		4,404,695	4,176,013	4,380,028
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks		205,766	161,154	321,309
Due to other financial institutions		205,889	190,770	250,121
Customer deposits		2,291,924	2,200,336	2,365,780
Other borrowed funds	8	785,518	740,096	558,241
Other liabilities		228,277	223,079	200,107
TOTAL LIABILITIES		3,717,374	3,515,435	3,695,558
EQUITY				
Equity attributable to shareholders of the Bank				
Share capital		199,206	199,206	199,206
Treasury shares		(99,369)	(99,369)	(49,798)
Reserves		283,950	285,515	276,559
Retained earnings		258,456	230,157	210,977
Proposed dividend		642,243	615,509	636,944
		44,823	44,823	47,298
		687,066	660,332	684,242
Non-controlling interests		255	246	228
TOTAL EQUITY		687,321	660,578	684,470
TOTAL LIABILITIES AND EQUITY		4,404,695	4,176,013	4,380,028


 Sheikh Ahmad Duaj Jaber Al Sabah
 Chairman


 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 31 March 2024 (Unaudited)

	Note	Three months ended 31 March	
		2024 KD 000's	2023 KD 000's
Interest income		57,672	50,926
Interest expense		(28,208)	(24,541)
NET INTEREST INCOME		29,464	26,385
Fees and commissions		11,499	10,551
Net gain from dealing in foreign currencies		2,558	2,666
Net (loss) gain from investment securities		(3)	66
Dividend income		501	501
Other operating income		100	172
OPERATING INCOME		44,119	40,341
Staff expenses		(9,370)	(6,092)
General and administrative expenses		(6,131)	(7,005)
Depreciation and amortisation		(104)	(61)
OPERATING EXPENSES		(15,605)	(13,158)
OPERATING PROFIT BEFORE PROVISIONS		28,514	27,183
Net reversal (charge) of impairment and other provisions	9	1,176	(826)
PROFIT BEFORE TAXATION AND CONTRIBUTIONS		29,690	26,357
Taxation and contributions		(1,383)	(1,275)
NET PROFIT FOR THE PERIOD		28,307	25,082
Attributable to:			
Shareholders of the Bank		28,299	25,076
Non-controlling interests		8	6
		28,307	25,082
Basic and diluted earnings per share attributable to shareholders of the Bank (fils)	10	15.8	13.3

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 31 March 2024 (Unaudited)

	Three months ended	
	31 March	
	2024	2023
	KD 000's	KD 000's
Net profit for the period	28,307	25,082
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified subsequently to interim condensed consolidated statement of income		
Equity securities classified as fair value through other comprehensive income:		
Net changes in fair value	(2,204)	(1,553)
Items that are or may be reclassified subsequently to interim condensed consolidated statement of income		
Debt securities classified as fair value through other comprehensive income:		
Net changes in fair value	640	589
Net gain on disposal transferred to income statement	-	31
	(1,564)	(933)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	26,743	24,149
Attributable to:		
Shareholders of the Bank	26,734	24,237
Non-controlling interests	9	(88)
	26,743	24,149

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 31 March 2024 (Unaudited)

	KD 000's														
	Attributable to shareholders of the Bank														
	Share Capital	Proposed Bonus Shares	Treasury Shares	Reserves				Treasury Shares Reserve	Property Revaluation Reserve	Investment Valuation Reserve	Total Reserves	Retained Earnings	Proposed Dividend	Non-controlling Interests	
Share Premium				Statutory Reserve	General Reserve	Total	Interests							Total	
Balance at 1 January 2023	199,206	-	(49,798)	66,791	115,977	17,927	-	25,242	51,461	277,398	185,901	47,298	660,005	316	660,321
Total comprehensive (loss) income for the period	-	-	-	-	-	-	-	-	(839)	(839)	25,076	-	24,237	(88)	24,149
Balance at 31 March 2023	199,206	-	(49,798)	66,791	115,977	17,927	-	25,242	50,622	276,559	210,977	47,298	684,242	228	684,470
Balance at 1 January 2024	199,206	-	(99,369)	66,791	115,977	17,927	-	24,869	59,951	285,515	230,157	44,823	660,332	246	660,578
Total comprehensive (loss) income for the period	-	-	-	-	-	-	-	-	(1,565)	(1,565)	28,299	-	26,734	9	26,743
Balance at 31 March 2024	199,206	-	(99,369)	66,791	115,977	17,927	-	24,869	58,386	283,950	258,456	44,823	687,066	255	687,321

The Board of Directors has proposed a final cash dividend of 25 fils per share for the year ended 31 December 2023 (31 December 2022: 25 fils). This proposal is subject to the approval of regulatory authorities and shareholders' Annual General Assembly.

Investment valuation reserve includes a loss of KD 5,517 thousand (31 December 2023: KD 5,506 thousand and 31 March 2023: KD 5,502 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 31 March 2024 (Unaudited)

	Note	Three months ended	
		31 March	
		2024	2023
		KD 000's	KD 000's
OPERATING ACTIVITIES			
Profit before taxation and contributions		29,690	26,357
Adjustments for:			
Net (reversal) charge of impairment and other provisions	9	(1,176)	826
Income from investment securities		(498)	(567)
Foreign exchange loss on investment securities		974	836
Depreciation and amortisation		104	61
Cash flow before changes in operating assets and liabilities		29,094	27,513
Changes in operating assets and liabilities:			
Treasury and Central Bank bonds		(564)	(2,161)
Due from banks and other financial institutions		6,825	39,321
Loans and advances		(182,097)	(64,284)
Other assets		2,492	21,003
Due to banks		44,612	96,462
Due to other financial institutions		15,119	(23,622)
Customer deposits		91,588	25,495
Other liabilities		2,379	(7,285)
Net cash from operating activities		9,448	112,442
INVESTING ACTIVITIES			
Proceeds from sale/maturity of investment securities		72,181	33,366
Acquisition of investment securities		(9,636)	(7,732)
Dividend income from investment securities		501	501
Acquisition of premises and equipment		(183)	(44)
Net cash from investing activities		62,863	26,091
FINANCING ACTIVITIES			
Other borrowed funds		45,422	(53,201)
Net cash from (used in) financing activities		45,422	(53,201)
Net increase in cash and short term funds		117,733	85,332
Cash and short term funds at 1 January		696,699	732,625
Cash and short term funds at 31 March	4	814,432	817,957

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

31 March 2024 (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 15 April 2024.

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

2 MATERIAL 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 2023.

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

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 2024 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		
			31 March 2024	31 December 2023	31 March 2023
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

31 March 2024 (Unaudited)

4 CASH AND SHORT TERM FUNDS

	<i>(Audited)</i>		
	31 March 2024	31 December 2023	31 March 2023
	KD 000's	KD 000's	KD 000's
Cash and cash items	227,986	199,061	155,988
Balances with the CBK	340,154	166,708	230,957
Deposits with banks maturing within seven days	246,292	330,930	431,012
	814,432	696,699	817,957
Less : Provision for impairment (ECL)	(51)	(52)	(41)
	814,381	696,647	817,916

5 DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	<i>(Audited)</i>		
	31 March 2024	31 December 2023	31 March 2023
	KD 000's	KD 000's	KD 000's
Placements with banks	246,439	251,862	366,963
Less: Provision for impairment (ECL)	(56)	(88)	(16)
	246,383	251,774	366,947
Loans and advances to banks	145,277	146,693	74,714
Amounts due from other financial institutions	48,000	48,000	-
Less: Provision for impairment	(1,779)	(1,793)	(744)
	191,498	192,900	73,970
	437,881	444,674	440,917

6 LOANS AND ADVANCES

	<i>(Audited)</i>		
	31 March 2024	31 December 2023	31 March 2023
	KD 000's	KD 000's	KD 000's
Loans and advances	2,805,244	2,618,601	2,676,769
Less: Provision for impairment	(190,424)	(188,560)	(189,091)
	2,614,820	2,430,041	2,487,678

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.

The available provision on non-cash facilities of KD 50,947 thousand (31 December 2023: KD 55,523 thousand, 31 March 2023: KD 30,761 thousand) is included under other liabilities. The total provision for cash and non cash credit facilities in accordance with CBK guidelines amounted to KD 241,371 thousand as at 31 March 2024 (31 December 2023: KD 244,083, 31 March 2023: KD 219,852 thousand)

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

31 March 2024 (Unaudited)

The ECL on credit facilities (cash and non cash) determined under IFRS 9 amounted to KD 96,917 thousand as at 31 March 2024 (31 December 2023: KD 99,327 thousand and 31 March 2023: KD 80,195 thousand).

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

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:

	31 March 2024			
	KD 000's			
	Stage 1	Stage 2	Stage 3	Total
Superior	403,996	5,600	-	409,596
Good	1,173,246	113,460	-	1,286,706
Standard	750,575	270,534	-	1,021,109
Past due but not impaired	78,636	9,197	-	87,833
Impaired	-	-	-	-
Cash credit facilities	<u>2,406,453</u>	<u>398,791</u>	<u>-</u>	<u>2,805,244</u>
Non cash credit facilities	<u>2,201,842</u>	<u>164,264</u>	<u>42,948</u>	<u>2,409,054</u>
ECL provision for credit facilities	<u>28,437</u>	<u>25,998</u>	<u>42,482</u>	<u>96,917</u>
	31 December 2023 (Audited)			
	KD 000's			
	Stage 1	Stage 2	Stage 3	Total
Superior	370,564	3,856	-	374,420
Good	1,081,467	96,372	-	1,177,839
Standard	695,086	263,337	-	958,423
Past due but not impaired	92,016	15,903	-	107,919
Impaired	-	-	-	-
Cash credit facilities	<u>2,239,133</u>	<u>379,468</u>	<u>-</u>	<u>2,618,601</u>
Non cash credit facilities	<u>2,111,396</u>	<u>178,381</u>	<u>47,787</u>	<u>2,337,564</u>
ECL provision for credit facilities	<u>22,612</u>	<u>29,516</u>	<u>47,199</u>	<u>99,327</u>
	31 March 2023			
	KD 000's			
	Stage 1	Stage 2	Stage 3	Total
Superior	405,356	1,819	-	407,175
Good	1,124,713	111,935	-	1,236,648
Standard	717,070	269,622	-	986,692
Past due but not impaired	36,990	9,264	-	46,254
Impaired	-	-	-	-
Cash credit facilities	<u>2,284,129</u>	<u>392,640</u>	<u>-</u>	<u>2,676,769</u>
Non cash credit facilities	<u>2,672,446</u>	<u>232,457</u>	<u>23,017</u>	<u>2,927,920</u>
ECL provision for credit facilities	<u>21,882</u>	<u>36,272</u>	<u>22,041</u>	<u>80,195</u>


NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31 March 2024 (Unaudited)

Movement in ECL for Credit Facilities:

	31 March 2024			
	KD 000's			
	Stage 1	Stage 2	Stage 3	Total
ECL 1 January 2024	22,612	29,515	47,200	99,327
Transfer to stage 1	807	(807)	-	-
Transfer to stage 2	(58)	58	-	-
Transfer to stage 3	-	-	-	-
Net charged / (released)	5,074	(2,769)	(1,643)	662
Written-off	-	-	(3,074)	(3,074)
Exchange difference	2	1	(1)	2
ECL 31 March 2024	28,437	25,998	42,482	96,917
	31 March 2023			
	KD 000's			
	Stage 1	Stage 2	Stage 3	Total
ECL 1 January 2023	24,685	35,889	21,974	82,548
Transfer to stage 1	434	(434)	-	-
Transfer to stage 2	(57)	57	-	-
Transfer to stage 3	(6)	-	6	-
Net (released) / charged	(3,178)	757	4,198	1,777
Written-off	-	-	(4,139)	(4,139)
Exchange difference	4	3	2	9
ECL 31 March 2023	21,882	36,272	22,041	80,195

7 INVESTMENT SECURITIES

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 31 March 2024 was KD 200,262 thousand (31 December 2023: KD 255,340 thousand and 31 March 2023 was KD 173,840 thousand). The gain from change in fair value hedged instruments resulting from changes in market interest rate (hedged risk) during the period was KD 467 thousand (31 March 2023: loss KD 1,265 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

31 March 2024 (Unaudited)

8 OTHER BORROWED FUNDS

Other borrowed funds include securities sold under agreements to repurchase amounting to KD 153,733 thousand (31 December 2023: KD 149,229 thousand and 31 March 2023: KD 106,125 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 31 March 2024, the fair value of investment securities that had been pledged as collateral under repurchase agreements was KD 164,891 thousand (31 December 2023: KD 160,025 thousand and 31 March 2023: KD 92,956 thousand). The collateralised borrowing transactions are conducted under standardised terms that are usual and customary for such transactions.

Other borrowed funds include Subordinated Tier 2 bonds for the period ended 31 March 2024 amounting to KD 50,000 thousand (31 December 2023: 50,000 and 31 March 2023: nil). The bonds issued in September 2023 and carry an interest rate of 3% per annum over the CBK discount rate, subject to a floor of 5%. The bonds are unsecured, callable in whole and not in part at the option of the bank after 5 years from the date of issuance, subject to certain conditions and approval of CBK.

9 NET REVERSAL (CHARGE) OF IMPAIRMENT AND OTHER PROVISIONS

Net reversal of impairment and other provisions for the period ended 31 March 2024 amounted to KD 1,176 thousand (31 March 2023: charged of KD 826 thousand) which mainly represent specific, general and other provisions against loans and advances and other financial assets after recoveries amounting to KD 7,619 thousand (31 March 2023: KD 8,663 thousand).

Impairment and other provisions includes release of ECL on financial assets other than loans and advances for the period ended 31 March 2024 amounting to KD 1 thousand (31 March 2023: KD 56 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 31 March	
	2024	2023
Net profit for the period attributable to shareholders of the Bank (KD 000's)	<u>28,299</u>	<u>25,076</u>
Weighted average of authorised and subscribed shares (numbers in 000's)	1,992,056	1,992,056
Less: Weighted average of treasury shares held (numbers in 000's)	(199,134)	(100,140)
	<u>1,792,922</u>	<u>1,891,916</u>
Basic and diluted earnings per share attributable to shareholders of the Bank (fils)	<u>15.8</u>	<u>13.3</u>

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

31 March 2024 (Unaudited)

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:

	31 March 2024			31 March 2023		
	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
Board of Directors						
Loans	3	2	270	3	3	2,091
Credit cards	5	2	20	4	1	19
Deposits	11	11	11,253	11	13	12,478
Executive Management						
Loans	44	4	1,784	32	2	1,479
Credit cards	46	1	52	29	-	45
Deposits	62	47	2,052	43	35	1,778
Associates						
Deposits	1	-	13,640	1	-	13,673
Major Shareholders						
Deposits	1	-	94	1	-	64

Interest income and interest expense include KD 11 thousand (31 March 2023: KD 45 thousand) and KD 317 thousand (31 March 2023: KD 275 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:

	Three months ended 31 March	
	2024 KD 000's	2023 KD 000's
Salaries and other short-term benefits	699	638
Post employment benefits	8	7
End of service benefits	63	71

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.

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

31 March 2024 (Unaudited)

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:

	31 March 2024			
	KD 000's			
	Level 1	Level 2	Level 3	Total
Debt securities	200,262	10,840	-	211,102
Equities and other securities	32,709	24,057	-	56,766
	232,971	34,897	-	267,868
Derivative financial instruments (Note 14)	-	7,000	-	7,000
	31 December 2023 (Audited)			
	KD 000's			
	Level 1	Level 2	Level 3	Total
Debt securities	264,750	9,791	-	274,541
Equities and other securities	33,411	25,474	-	58,885
	298,161	35,265	-	333,426
Derivative financial instruments (Note 14)	-	4,146	-	4,146
	31 March 2023			
	KD 000's			
	Level 1	Level 2	Level 3	Total
Debt securities	288,013	10,379	-	298,392
Equities and other securities	35,806	12,710	-	48,516
	323,819	23,089	-	346,908
Derivative financial instruments (Note 14)	-	6,371	-	6,371

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:

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


NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31 March 2024 (Unaudited)

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	
	Three months ended 31 March		Three months ended 31 March		Three months ended 31 March	
	2024	2023	2024	2023	2024	2023
Net interest income	22,949	22,182	6,515	4,203	29,464	26,385
Net non interest income	11,272	10,617	3,383	3,339	14,655	13,956
Operating income	34,221	32,799	9,898	7,542	44,119	40,341
Impairment and other provisions	7,643	3,131	(6,467)	(3,957)	1,176	(826)
Net profit (loss) for the period	33,733	29,238	(5,426)	(4,156)	28,307	25,082
Assets	2,737,004	2,573,250	1,667,691	1,806,778	4,404,695	4,380,028
Liabilities	1,801,756	1,740,810	1,915,618	1,954,748	3,717,374	3,695,558

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.

(i) Financial instruments with contractual amounts representing credit risk

	31 March 2024	(Audited) 31 December 2023	31 March 2023
	KD 000's	KD 000's	KD 000's
Acceptances	94,490	121,936	106,869
Letters of credit	178,870	127,989	154,643
Letters of guarantee	1,608,229	1,588,770	1,611,258
Undrawn lines of credit	476,518	443,346	1,024,389
	2,358,107	2,282,041	2,897,159

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

31 March 2024	KD 000's		
	Positive Fair Value	Negative Fair Value	Notional Amount
Forward foreign exchange contracts	2,524	228	353,567
Interest rate swaps (held as fair value hedges)	3,155	231	174,138
Interest rate swaps (others)	31,080	29,300	281,461
	36,759	29,759	809,166


NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31 March 2024 (Unaudited)

	KD 000's		
	Positive Fair Value	Negative Fair Value	Notional Amount
31 December 2023 (Audited)			
Forward foreign exchange contracts	504	637	164,933
Interest rate swaps (held as fair value hedges)	3,289	835	196,846
Interest rate swaps (others)	30,075	28,250	280,866
	<u>33,868</u>	<u>29,722</u>	<u>642,645</u>
	KD 000's		
	Positive Fair Value	Negative Fair Value	Notional Amount
31 March 2023			
Forward foreign exchange contracts	1,326	1,345	99,384
Interest rate swaps (held as fair value hedges)	4,954	410	166,734
Interest rate swaps (others)	27,920	26,074	238,508
	<u>34,200</u>	<u>27,829</u>	<u>504,626</u>

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 3,907 thousand (31 December 2023: KD 3,790 thousand and 31 March 2023: 4,392 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.