



The Commercial Bank of Kuwait Group

Interim Condensed Consolidated Financial Information

**31 March 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 31 March 2023, 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 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 three-month period ended 31 March 2023, that might have had a material effect on the business of the Bank or on its financial position.

Ali B. Al Wazzan
License No. 246A
Deloitte & Touche
Al-Wazzan & Co.

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



The Commercial Bank of Kuwait Group

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2023 (Unaudited)

			<i>(Audited)</i>	
		31 March	31 December	31 March
		2023	2022	2022
	Note	KD 000's	KD 000's	KD 000's
ASSETS				
Cash and short term funds	4	817,916	732,555	855,174
Treasury and Central Bank bonds		185,716	183,555	159,335
Due from banks and other financial institutions	5	440,917	480,202	209,236
Loans and advances	6	2,487,678	2,419,548	2,288,232
Investment securities	7	346,908	372,903	613,046
Premises and equipment		29,600	29,414	29,173
Intangible assets		3,506	3,506	3,506
Other assets		67,787	88,790	48,889
TOTAL ASSETS		4,380,028	4,310,473	4,206,591
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks		321,309	224,847	199,483
Due to other financial institutions		250,121	273,743	247,055
Customer deposits		2,365,780	2,340,285	2,111,583
Other borrowed funds	8	558,241	611,442	547,666
Other liabilities		200,107	199,835	219,521
TOTAL LIABILITIES		3,695,558	3,650,152	3,325,308
EQUITY				
Equity attributable to shareholders of the Bank				
Share capital		199,206	199,206	199,206
Treasury shares		(49,798)	(49,798)	(5,233)
Reserves		276,559	277,398	465,551
Retained earnings		210,977	185,901	181,844
Proposed dividend		47,298	47,298	39,618
Non-controlling interests		228	316	297
TOTAL EQUITY		684,470	660,321	881,283
TOTAL LIABILITIES AND EQUITY		4,380,028	4,310,473	4,206,591

Sheikh Ahmad Duaij 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 2023 (Unaudited)

	Note	Three months ended 31 March	
		2023 KD 000's	2022 KD 000's
Interest income		50,926	23,824
Interest expense		(24,541)	(5,358)
NET INTEREST INCOME		26,385	18,466
Fees and commissions		10,551	9,728
Net gain from dealing in foreign currencies		2,666	1,822
Net gain from investment securities		66	44
Dividend income		501	-
Other operating income		172	21
OPERATING INCOME		40,341	30,081
Staff expenses		(6,092)	(6,388)
General and administrative expenses		(7,005)	(3,677)
Depreciation and amortisation		(61)	(84)
OPERATING EXPENSES		(13,158)	(10,149)
OPERATING PROFIT BEFORE PROVISIONS		27,183	19,932
Net (charge) reversal of impairment and other provisions	9	(826)	3,329
PROFIT BEFORE TAXATION AND CONTRIBUTIONS		26,357	23,261
Taxation and contributions		(1,275)	(1,021)
NET PROFIT FOR THE PERIOD		25,082	22,240
Attributable to:			
Shareholders of the Bank		25,076	22,230
Non-controlling interests		6	10
		25,082	22,240
Basic and diluted earnings per share attributable to shareholders of the Bank (fils)	10	13.3	11.2

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 31 March 2023 (Unaudited)

	Three months ended 31 March	
	2023 KD 000's	2022 KD 000's
Net profit for the period	25,082	22,240
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	(1,553)	40,662
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	589	(2,400)
Net gain (loss) on disposal transferred to income statement	31	(83)
	(933)	38,179
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	24,149	60,419
Attributable to:		
Shareholders of the Bank	24,237	60,409
Non-controlling interests	(88)	10
	24,149	60,419

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 2023 (Unaudited)

	KD 000's														
	Attributable to shareholders of the Bank														
	Share Capital	Proposed Bonus Shares	Treasury Shares	Reserves						Total Reserves	Retained Earnings	Proposed Dividend	Non-controlling		Total
Share Premium				Statutory Reserve	General Reserve	Treasury Shares Reserve	Property Revaluation Reserve	Investment Valuation 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 for the period	-	-	-	-	-	-	-	-	38,179	38,179	22,230	-	60,409	10	60,419
Balance at 31 March 2022	199,206	-	(5,233)	66,791	115,977	17,927	-	24,043	240,813	465,551	181,844	39,618	880,986	297	881,283
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) gain 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

The Board of Directors has proposed a cash dividend of 25 fils per share for the year ended 31 December 2022 (31 December 2021: 20 fils). This proposal is subject to the approval of regulatory authorities and shareholders' Annual General Assembly.

Investment valuation reserve includes a loss of KD 5,502 thousand (31 December 2022: KD 5,498 thousand and 31 March 2022: KD 5,459 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 2023 (Unaudited)

	Note	Three months ended	
		31 March	
		2023	2022
		KD 000's	KD 000's
OPERATING ACTIVITIES			
Profit before taxation		26,357	23,261
Adjustments for:			
Net charge of impairment and other provisions	9	826	(3,329)
Income from investment securities		(567)	(44)
Foreign exchange loss (gain) on investment securities		836	(2,171)
Depreciation and amortisation		61	84
Cash flow before changes in operating assets and liabilities		27,513	17,801
Changes in operating assets and liabilities:			
Treasury and Central Bank bonds		(2,161)	18,117
Due from banks and other financial institutions		39,321	273,380
Loans and advances		(64,284)	(9,527)
Other assets		21,003	(8,682)
Due to banks		96,462	(161,043)
Due to other financial institutions		(23,622)	1,379
Customer deposits		25,495	(8,031)
Other liabilities		(7,285)	1,095
Net cash from operating activities		112,442	124,489
INVESTING ACTIVITIES			
Proceeds from disposal of investment securities		33,366	60,698
Acquisition of investment securities		(7,732)	(85,720)
Dividend income from investment securities		501	-
Proceeds from disposal of premises and equipment		-	288
Acquisition of premises and equipment		(44)	(274)
Net cash from (used in) investing activities		26,091	(25,008)
FINANCING ACTIVITIES			
Other borrowed funds		(53,201)	28,207
Net cash (used in) from financing activities		(53,201)	28,207
Net increase in cash and short term funds		85,332	127,688
Cash and short term funds at 1 January		732,625	727,532
Cash and short term funds at 31 March	4	817,957	855,220

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 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 April 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
- ii) 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, was 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.

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.

The Annual General Assembly for the year ended 31 December 2022 has not been held until the date of approval of this interim condensed consolidated financial information. Accordingly, the opening balance for the year are subject to shareholders approval.

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		
			31 March 2023	31 December 2022	31 March 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

31 March 2023 (Unaudited)

4 CASH AND SHORT TERM FUNDS

	31 March 2023	<i>(Audited)</i> 31 December 2022	31 March 2022
	KD 000's	KD 000's	KD 000's
Cash and cash items	155,988	274,839	209,157
Balances with the CBK	230,957	153,833	174,663
Deposits with banks maturing within seven days	431,012	303,953	471,400
	817,957	732,625	855,220
Less : Provision for impairment (ECL)	(41)	(70)	(46)
	817,916	732,555	855,174

5 DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 March 2023	<i>(Audited)</i> 31 December 2022	31 March 2022
	KD 000's	KD 000's	KD 000's
Placements with banks	366,963	412,620	175,102
Less: Provision for impairment (ECL)	(16)	(23)	(8)
	366,947	412,597	175,094
Loans and advances to banks	74,714	68,288	34,480
Less: Provision for impairment	(744)	(683)	(338)
	73,970	67,605	34,142
	440,917	480,202	209,236

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 31 March 2023 is KD 219,852 thousand (31 December 2022: KD 218,802 thousand and 31 March 2022: KD 218,595 thousand).

The ECL on credit facilities (cash and non cash) determined under IFRS 9 amounted to KD 80,195 thousand as at 31 March 2023 (31 December 2022: KD 82,548 thousand and 31 March 2022: KD 89,576 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**

31 March 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:

	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	2,284,129	392,640	-	2,676,769
Non cash credit facilities	2,672,446	232,457	23,017	2,927,920
ECL provision for credit facilities	21,882	36,272	22,041	80,195
	31 December 2022 (Audited)			
	KD 000's			
	Stage 1	Stage 2	Stage 3	Total
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	2,197,453	410,559	-	2,608,012
Non cash credit facilities	2,632,800	204,457	22,703	2,859,960
ECL provision for credit facilities	24,685	35,889	21,974	82,548
	31 March 2022			
	KD 000's			
	Stage 1	Stage 2	Stage 3	Total
Superior	407,455	1,009	-	408,464
Good	955,714	78,955	-	1,034,669
Standard	690,941	268,194	3	959,138
Past due but not impaired	44,846	28,253	-	73,099
Impaired	-	-	-	-
Cash credit facilities	2,098,956	376,411	3	2,475,370
Non cash credit facilities	2,318,045	281,783	24,592	2,624,420
ECL provision for credit facilities	23,366	42,466	23,744	89,576

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

31 March 2023 (Unaudited)

Movement in ECL for Credit Facilities:

	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
	31 March 2022			
	KD 000's			
	Stage 1	Stage 2	Stage 3	Total
ECL 1 January 2022	22,989	44,716	26,432	94,137
Transfer to stage 1	339	(339)	-	-
Transfer to stage 2	(70)	70	-	-
Transfer to stage 3	-	-	-	-
Net charged / (released)	101	(1,979)	430	(1,448)
Written-off	-	-	(3,121)	(3,121)
Exchange difference	7	(2)	3	8
ECL 31 March 2022	23,366	42,466	23,744	89,576

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 Boursa 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 Boursa 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.

Subsequently 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 rest of Appellants effect the payment to the Bank as per the 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 31 March 2023 was KD 173,840 thousand (31 December 2022: 176,702 thousand and 31 March 2022: KD 156,824 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 1,265 thousand (31 March 2022: gain KD 3,714 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 2023 (Unaudited)

8 OTHER BORROWED FUNDS

Other borrowed funds include securities sold under agreements to repurchase amounting to KD 106,125 thousand (31 December 2022: KD 106,038 thousand and 31 March 2022: KD 105,294 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 2023, the fair value of investment securities that had been pledged as collateral under repurchase agreements was KD 92,956 thousand (31 December 2022: KD 96,888 thousand and 31 March 2022: KD 95,010 thousand). The collateralised borrowing transactions are conducted under standardised terms that are usual and customary for such transactions.

9 NET (CHARGE) REVERSAL OF IMPAIRMENT AND OTHER PROVISIONS

Net charge of impairment and other provisions for the period ended 31 March 2023 amounted to KD 826 thousand (31 March 2022: reversal of KD 3,329 thousand) which mainly represent specific, general and other provisions against loans and advances and other financial assets after partial offsetting recoveries amounting to KD 8,663 thousand (31 March 2022: KD 9,183 thousand).

Impairment and other provisions includes released of ECL on financial assets other than loans and advances for the period ended 31 March 2023 amounting to KD 56 thousand (31 March 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 31 March	
	2023	2022
Net profit for the period attributable to shareholders of the Bank (KD 000's)	<u>25,076</u>	<u>22,230</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)	(100,140)	(11,138)
	<u>1,891,916</u>	<u>1,980,918</u>
Basic and diluted earnings per share attributable to shareholders of the Bank (fils)	<u>13.3</u>	<u>11.2</u>

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 2023			31 March 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
Board of Directors						
Loans	3	3	2,091	2	1	1,979
Credit cards	4	1	19	4	1	16
Deposits	11	13	12,478	11	10	727
Executive Management						
Loans	32	2	1,479	27	2	1,147
Credit cards	29	-	45	26	1	35
Deposits	43	35	1,778	36	37	1,289
Associates						
Deposits	1	-	13,673	1	-	13,519
Major Shareholders						
Deposits	1	-	64	1	-	59

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

31 March 2023 (Unaudited)

Interest income and interest expense include KD 17 thousand (31 March 2022: KD 11 thousand) and KD 188 thousand (31 March 2022: KD 23 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	
	2023 KD 000's	2022 KD 000's
Salaries and other short-term benefits	396	693
Post employment benefits	7	7
End of service benefits	71	26

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:

	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
	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
	349,756	23,147	-	372,903
Derivative financial instruments (Note 14)	-	11,893	-	11,893

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

31 March 2023 (Unaudited)

	31 March 2022			
	KD 000's			
	Level 1	Level 2	Level 3	Total
Debt securities	255,006	10,293	-	265,299
Equities and other securities	328,372	19,375	-	347,747
	<u>583,378</u>	<u>29,668</u>	<u>-</u>	<u>613,046</u>
Derivative financial instruments (Note 14)	<u>-</u>	<u>11,467</u>	<u>-</u>	<u>11,467</u>

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	
	Three months ended 31 March		Three months ended 31 March		Three months ended 31 March	
	2023	2022	2023	2022	2023	2022
Net interest income	22,182	16,350	4,203	2,116	26,385	18,466
Net non interest income	10,617	9,494	3,339	2,121	13,956	11,615
Operating income	32,799	25,844	7,542	4,237	40,341	30,081
Impairment and other provisions	3,131	3,310	(3,957)	19	(826)	3,329
Net profit (loss) for the period	29,238	23,878	(4,156)	(1,638)	25,082	22,240
Assets	2,573,250	2,308,235	1,806,778	1,898,356	4,380,028	4,206,591
Liabilities	1,740,810	1,690,046	1,954,748	1,635,262	3,695,558	3,325,308

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

31 March 2023 (Unaudited)

(i) Financial instruments with contractual amounts representing credit risk

	31 March 2023	<i>(Audited)</i> 31 December 2022	31 March 2022
	KD 000's	KD 000's	KD 000's
Acceptances	107,330	113,129	12,159
Letters of credit	155,309	123,317	156,802
Letters of guarantee	1,618,202	1,584,664	1,490,866
Undrawn lines of credit	1,024,389	1,016,388	940,244
	2,905,230	2,837,498	2,600,071

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

	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
	34,200	27,829	504,626
31 December 2022 (Audited)			
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
31 March 2022			
Forward foreign exchange contracts	7,843	823	843,320
Interest rate swaps (held as fair value hedges)	2,787	393	132,474
Interest rate swaps (others)	18,520	16,467	236,641
	29,150	17,683	1,212,435

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 4,392 thousand (31 December 2022: KD 2,680 thousand and 31 March 2022: 2,605 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, which will be replaced as part of the fundamental reform of various major interest rate benchmarks. The Bank's Treasury Division is managing the transition activities and continues to engage with various stakeholders to support an orderly transition and to mitigate the risk: resulting from the transition. Transition away from LIBORs to the risk-free or alternative "reference rate" regime will affect the pricing of loans and floating rate debt securities.

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.