



The Commercial Bank of Kuwait Group

Interim Condensed Consolidated Financial Information

30 September 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 September 2023 and the related interim condensed consolidated statements of income and comprehensive income for the three-month and nine-month periods then ended and the related interim condensed consolidated statements of changes in equity and cash flows for the nine-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 nine-month period ended 30 September 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 nine-month period ended 30 September 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 September 2023 (Unaudited)

		(Audited)	
	Note	30 September 2023 KD 000's	31 December 2022 KD 000's
			30 September 2022 KD 000's
ASSETS			
Cash and short term funds	4	800,062	713,612
Treasury and Central Bank bonds		177,392	194,140
Due from banks and other financial institutions	5	309,111	426,856
Loans and advances	6	2,386,457	2,429,565
Investment securities	7	317,249	360,347
Premises and equipment		30,360	29,173
Intangible assets		3,506	3,506
Other assets		73,044	96,046
TOTAL ASSETS		4,097,181	4,253,245
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks		121,002	149,257
Due to other financial institutions		195,827	300,972
Customer deposits		2,225,120	2,276,050
Other borrowed funds	8	681,407	649,632
Other liabilities		207,030	205,551
TOTAL LIABILITIES		3,430,386	3,581,462
EQUITY			
Equity attributable to shareholders of the Bank			
Share capital		199,206	199,206
Treasury shares		(76,160)	(5,233)
Reserves		280,539	276,405
Retained earnings		262,969	201,091
Proposed dividend		666,554	671,469
		-	-
Non-controlling interests		666,554	671,469
		241	314
TOTAL EQUITY		666,795	671,783
TOTAL LIABILITIES AND EQUITY		4,097,181	4,253,245

Sheikh Ahmad Duaij 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 September 2023 (Unaudited)

	Note	Three months ended 30 Sept		Nine months ended 30 September	
		2023 KD 000's	2022 KD 000's	2023 KD 000's	2022 KD 000's
Interest income		55,590	36,200	160,641	88,393
Interest expense		(25,787)	(13,665)	(76,063)	(26,575)
NET INTEREST INCOME		29,803	22,535	84,578	61,818
Fees and commissions		10,805	10,667	32,383	30,852
Net gain from dealing in foreign currencies		1,776	2,505	6,055	6,303
Net (loss) gain from investment securities		(4)	-	60	54
Dividend income		720	926	2,880	2,743
Other operating income		73	123	424	243
OPERATING INCOME		43,173	36,756	126,380	102,013
Staff expenses		(7,334)	(6,709)	(20,951)	(20,985)
General and administrative expenses		(5,605)	(4,297)	(17,606)	(12,265)
Depreciation and amortisation		(927)	(727)	(1,386)	(956)
OPERATING EXPENSES		(13,866)	(11,733)	(39,943)	(34,206)
OPERATING PROFIT BEFORE PROVISIONS		29,307	25,023	86,437	67,807
Net reversal (charge) of impairment and other provisions	9	2,040	(27,649)	17,396	(24,501)
PROFIT (LOSS) BEFORE TAXATION AND CONTRIBUTIONS		31,347	(2,626)	103,833	43,306
Taxation and contributions		(1,393)	160	(4,677)	(1,802)
NET PROFIT (LOSS) FOR THE PERIOD		29,954	(2,466)	99,156	41,504
Attributable to:					
Shareholders of the Bank		29,948	(2,473)	99,139	41,477
Non-controlling interests		6	7	17	27
		29,954	(2,466)	99,156	41,504
Basic and diluted earnings per share attributable to shareholders of the Bank (fils)	10	16.3	(1.2)	53.1	20.9

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 September 2023 (Unaudited)

	Three months ended 30 Sept		Nine months ended 30 September	
	2023 KD 000's	2022 KD 000's	2023 KD 000's	2022 KD 000's
Net profit for the period	29,954	(2,466)	99,156	41,504
OTHER COMPREHENSIVE INCOME (LOSS)				
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	(2,084)	(158,825)	2,121	(143,504)
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	(664)	(2,776)	833	(7,370)
Net gain (loss) on disposal transferred to income statement	(50)	-	95	(93)
	(2,798)	(161,601)	3,049	(150,967)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	27,156	(164,067)	102,205	(109,463)
Attributable to:				
Shareholders of the Bank	27,150	(164,074)	102,280	(109,490)
Non-controlling interests	6	7	(75)	27
	27,156	(164,067)	102,205	(109,463)

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 September 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		
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 (loss) gain for the period	-	-	-	-	-	-	-	-	(150,967)	(150,967)	41,477	-	(109,490)	27	(109,463)
Dividend paid	-	-	-	-	-	-	-	-	-	-	-	(39,618)	(39,618)	-	(39,618)
Balance at 30 September 2022	199,206	-	(5,233)	66,791	115,977	17,927	-	24,043	51,667	276,405	201,091	-	671,469	314	671,783
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 gain (loss) for the period	-	-	-	-	-	-	-	-	3,141	3,141	99,139	-	102,280	(75)	102,205
Purchase of treasury shares	-	-	(26,362)	-	-	-	-	-	-	-	-	-	(26,362)	-	(26,362)
Dividend paid	-	-	-	-	-	-	-	-	-	-	(22,071)	(47,298)	(69,369)	-	(69,369)
Balance at 30 September 2023	199,206	-	(76,160)	66,791	115,977	17,927	-	25,242	54,602	280,539	262,969	-	666,554	241	666,795

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: KD 39,618 thousand).

The Board of Directors in their meeting held on 11 July 2023, approved distribution of 12 fils per share of interim cash dividend. The cash dividend amounting to KD 22,071 thousand was paid subsequently.

Investment valuation reserve includes a loss of KD 5,546 thousand (31 December 2022: KD 5,498 thousand and 30 September 2022: KD 5,583 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 September 2023 (Unaudited)

	Note	Nine months ended	
		30 September	
		2023	2022
		KD 000's	KD 000's
OPERATING ACTIVITIES			
Profit before taxation and contributions		103,833	43,306
Adjustments for:			
Net (reversal) charge of impairment and other provisions	9	(17,396)	24,501
Income from investment securities		(2,940)	(2,797)
Foreign exchange gain on investment securities		(82)	(6,843)
Depreciation and amortisation		1,386	956
Cash flow before changes in operating assets and liabilities		84,801	59,123
Changes in operating assets and liabilities:			
Treasury and Central Bank bonds		6,163	(16,688)
Due from banks and other financial institutions		171,100	55,735
Loans and advances		39,467	(149,776)
Other assets		30,035	(58,514)
Due to banks		(103,845)	(211,269)
Due to other financial institutions		(77,916)	55,296
Customer deposits		(115,165)	156,436
Other liabilities		(2,847)	54,053
Net cash from (used in) operating activities		31,793	(55,604)
INVESTING ACTIVITIES			
Proceeds from disposal of investment securities		99,648	98,892
Acquisition of investment securities		(40,876)	(150,753)
Dividend income from investment securities		2,880	2,743
Proceeds from disposal of premises and equipment		236	665
Acquisition of premises and equipment		(434)	(377)
Net cash from (used in) investing activities		61,454	(48,830)
FINANCING ACTIVITIES			
Other borrowed funds		69,965	130,173
Purchase of treasury shares		(26,362)	-
Dividends paid		(69,369)	(39,618)
Net cash (used in) from financing activities		(25,766)	90,555
Net increase (decrease) in cash and short term funds		67,481	(13,879)
Cash and short term funds at 1 January		732,625	727,532
Cash and short term funds at 30 September	4	800,106	713,653

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 September 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 5 October 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 September 2023	31 December 2022	30 September 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 September 2023 (Unaudited)

4 CASH AND SHORT TERM FUNDS

	30 September 2023	<i>(Audited)</i> 31 December 2022	30 September 2022
	KD 000's	KD 000's	KD 000's
Cash and cash items	151,551	274,839	214,287
Balances with the CBK	321,135	153,833	215,342
Deposits with banks maturing within seven days	327,420	303,953	284,024
	800,106	732,625	713,653
Less : Provision for impairment (ECL)	(44)	(70)	(41)
	800,062	732,555	713,612

5 DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 September 2023	<i>(Audited)</i> 31 December 2022	30 September 2022
	KD 000's	KD 000's	KD 000's
Placements with banks	249,803	412,620	401,341
Less: Provision for impairment (ECL)	(39)	(23)	(33)
	249,764	412,597	401,308
Loans and advances to banks	59,947	68,288	25,806
Less: Provision for impairment	(600)	(683)	(258)
	59,347	67,605	25,548
	309,111	480,202	426,856

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 September 2023 is KD 217,416 thousand (31 December 2022: KD 218,802 thousand and 30 September 2022: KD 218,753 thousand).

The ECL on credit facilities (cash and non cash) determined under IFRS 9 amounted to KD 73,929 thousand as at 30 September 2023 (31 December 2022: KD 82,548 thousand and 30 September 2022: KD 89,063 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 September 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:

	30 September 2023			
	KD 000's			
	Stage 1	Stage 2	Stage 3	Total
Superior	360,879	3,904	-	364,783
Good	1,153,147	89,560	-	1,242,707
Standard	643,212	255,485	-	898,697
Past due but not impaired	54,065	14,291	-	68,356
Impaired	-	-	-	-
Cash credit facilities	2,211,303	363,240	-	2,574,543
Non cash credit facilities	2,253,435	199,021	23,387	2,475,843
ECL provision for credit facilities	20,852	31,622	21,455	73,929
	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
	30 September 2022			
	KD 000's			
	Stage 1	Stage 2	Stage 3	Total
Superior	394,423	1,788	-	396,211
Good	967,175	133,098	-	1,100,273
Standard	643,203	271,525	-	914,728
Past due but not impaired	168,857	38,062	-	206,919
Impaired	-	-	-	-
Cash credit facilities	2,173,658	444,473	-	2,618,131
Non cash credit facilities	2,461,925	235,573	23,088	2,720,586
ECL provision for credit facilities	23,233	43,600	22,230	89,063

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

30 September 2023 (Unaudited)

Movement in ECL for Credit Facilities:

	30 September 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	457	(457)	-	-
Transfer to stage 2	(192)	192	-	-
Transfer to stage 3	(6)	-	6	-
Net (released) / charged	(4,113)	(4,011)	9,931	1,807
Written-off	-	-	(10,455)	(10,455)
Exchange difference	21	9	(1)	29
ECL 30 September 2023	20,852	31,622	21,455	73,929
	30 September 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	241	(241)	-	-
Transfer to stage 2	(160)	160	-	-
Transfer to stage 3	-	-	-	-
Net charged / (released)	124	(1,037)	5,254	4,341
Written-off	-	-	(9,463)	(9,463)
Exchange difference	39	2	7	48
ECL 30 September 2022	23,233	43,600	22,230	89,063

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.

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 September 2023 was KD 243,444 thousand (31 December 2022: 176,702 thousand and 30 September 2022: KD 157,460 thousand). The net gain of change in fair value of these securities resulting from changes in market interest rate (hedged risk) during the period was KD 187 thousand (30 September 2022: KD 7,382 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 September 2023 (Unaudited)

8 OTHER BORROWED FUNDS

Other borrowed funds include securities sold under agreements to repurchase amounting to KD 106,973 thousand (31 December 2022: KD 106,038 thousand and 30 September 2022: KD 107,683 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 September 2023, the fair value of investment securities that had been pledged as collateral under repurchase agreements was KD 74,336 thousand (31 December 2022: KD 96,888 thousand and 30 September 2022: KD 93,988 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 of KD 50,000 thousand issued in September 2023 due in 2033. The bonds 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 30 September 2023 amounted to KD 17,396 thousand (30 September 2022: charged of KD 24,501 thousand) which mainly represent specific, general and other provisions against loans and advances and other financial assets after recoveries amounting to KD 16,353 thousand (30 September 2022: KD 17,920 thousand).

Impairment and other provisions includes released of ECL on financial assets other than loans and advances for the period ended 30 September 2023 amounting to KD 16 thousand (30 September 2022: charged of KD 12 thousand).

10 EARNINGS PER SHARE

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

	Three months ended 30 Sept		Nine months ended 30 September	
	2023	2022	2023	2022
Net profit (loss) for the period attributable to shareholders of the Bank (KD 000's)	29,948	(2,473)	99,139	41,477
Weighted average of authorised and subscribed shares (numbers in 000's)	1,992,056	1,992,056	1,992,056	1,992,056
Less: Weighted average of treasury shares held (numbers in 000's)	(152,785)	(11,140)	(125,167)	(11,139)
	1,839,271	1,980,916	1,866,889	1,980,917
Basic and diluted earnings per share attributable to shareholders of the Bank (fils)	16.3	(1.2)	53.1	20.9

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

30 September 2023 (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:

	30 September 2023			30 September 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	1	156	2	1	2,083
Credit cards	4	1	14	5	1	15
Deposits	13	11	12,704	11	10	582
Executive Management						
Loans	45	3	1,875	27	3	1,336
Credit cards	41	1	58	27	-	38
Deposits	59	43	1,979	41	41	1,203
Associates						
Deposits	1	-	13,736	1	-	13,904
Major Shareholders						
Deposits	1	-	340	1	-	46

Interest income and interest expense include KD 108 thousand (30 September 2022: KD 96 thousand) and KD 909 thousand (30 September 2022: KD 135 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:

	Nine months ended 30 September	
	2023 KD 000's	2022 KD 000's
Salaries and other short-term benefits	1,233	1,495
Post employment benefits	20	20
End of service benefits	138	130

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**

30 September 2023 (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:

	30 September 2023			
	KD 000's			
	Level 1	Level 2	Level 3	Total
Debt securities	252,936	9,879	-	262,815
Equities and other securities	32,650	21,784	-	54,434
	285,586	31,663	-	317,249
Derivative financial instruments (Note 14)	-	7,707	-	7,707
	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
	30 September 2022			
	KD 000's			
	Level 1	Level 2	Level 3	Total
Debt securities	292,576	10,438	-	303,014
Equities and other securities	38,267	19,066	-	57,333
	330,843	29,504	-	360,347
Derivative financial instruments (Note 14)	-	17,098	-	17,098

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.

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

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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	
	Nine months ended 30 September		Nine months ended 30 September		Nine months ended 30 September	
	2023	2022	2023	2022	2023	2022
Net interest income	68,697	54,660	15,881	7,158	84,578	61,818
Net non interest income	32,418	30,422	9,384	9,773	41,802	40,195
Operating income	101,115	85,082	25,265	16,931	126,380	102,013
Impairment and other provisions	7,463	5,698	9,933	(30,199)	17,396	(24,501)
Net profit (loss) for the period	87,325	72,833	11,831	(31,329)	99,156	41,504
Assets	2,421,430	2,441,404	1,675,751	1,811,841	4,097,181	4,253,245
Liabilities	1,682,960	1,719,718	1,747,426	1,861,744	3,430,386	3,581,462

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

	30 September 2023	(Audited) 31 December 2022	30 September 2022
	KD 000's	KD 000's	KD 000's
Acceptances	77,744	113,129	37,518
Letters of credit	128,067	123,317	125,100
Letters of guarantee	1,620,309	1,584,664	1,545,111
Undrawn lines of credit	628,155	1,016,388	990,020
	2,454,275	2,837,498	2,697,749

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

30 September 2023	KD 000's		
	Positive Fair Value	Negative Fair Value	Notional Amount
Forward foreign exchange contracts	2,832	2,889	329,625
Interest rate swaps (held as fair value hedges)	6,008	2	172,109
Interest rate swaps (others)	35,225	33,467	286,764
	44,065	36,358	788,498

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

30 September 2023 (Unaudited)

	KD 000's		
	Positive Fair Value	Negative Fair Value	Notional Amount
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
	KD 000's		
	Positive Fair Value	Negative Fair Value	Notional Amount
30 September 2022			
Forward foreign exchange contracts	11,628	2,507	375,140
Interest rate swaps (held as fair value hedges)	6,155	43	148,803
Interest rate swaps (others)	29,444	27,579	242,009
	47,227	30,129	765,952

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 September 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.